

Module 1 The Study of Economics

Microeconomic Versus Macroeconomic Questions

Micro Questions	Macro Questions
Should I go to business school or take a job right now?	How many people are employed in the economy?
What determines the salary offered by Citibank to Cherie, a new USF MBA?	What determines the overall salary levels paid to workers in a given year?
What determines the cost to a college by offering a new course?	What determines the overall level of prices in the economy as a whole?
What determines whether Citibank opens a new office in China?	What determines the overall trade in goods between the U.S. and China?

Normative Versus Positive Statements

The price of gas is too high. (Normative: What is “too high”?)

The Federal Reserve lowered interest rates yesterday. (Positive: you can test this by going to the Federal Reserve’s website or by looking at interest rates.)

The national debt should be reduced. (Normative: How can you know/test what “should” be done?)

Foreign imports are bad for the economy. (Normative: How do you define “bad”)

Inflation is expected to rise. (Positive: You can survey people and see/test whether they *expect* inflation to rise.)

In-Class Assignments:

1.) Directions: Read the following sentences and label each one as normative or positive.

More than 60% of women are in the labor market.

Rent control laws should be implemented because they help to achieve equity or fairness in housing.

Society should take measures to end gun violence.

People who smoke pass on increased medical costs to the whole society.

Single mothers are more than twice as likely as married mothers to be in poverty.

2.) Directions: Write your own positive statement and then change it to a normative statement.