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## **Economics for the Citizen, Part 2**

**by Walter E. Williams**

Which is the best method of resolving conflict over what's produced, how and when it's produced, and who's going to get it? Among the methods for doing so were the market mechanism, government fiat, gifts, or violence. The answer is that economic theory can't answer normative questions.

Normative questions deal with what is better or worse. No theory can answer normative questions. Try asking a physics teacher which is the better or worse state: a solid, gas, liquid, or plasma state. He'll probably look at you as if you're crazy. On the other hand, if you ask your physics teacher which is the cheapest state for pounding a nail into a board, he'd probably answer that the solid state is. It's the same with economic theory, as opposed to economists. That is, if you asked most economists which method of conflict resolution produces the greater overall wealth, they'd probably answer that the market mechanism does.

The bottom line is that economic theory is objective or non-normative and doesn't make value judgments. Economic-policy questions are normative or subjective and do make value judgments — questions such as: Should we fight unemployment or inflation, should we spend more money on education, and should the capital gains tax be 15 percent or 20 percent? It's in the area of value judgments where there's so much disagreement among economists.

Keeping the distinction between nonnormative and normative in mind is very important, so let me elaborate a bit. Take the statement: The dimensions of this room are 30 feet by 40 feet. That's an objective statement. Why? If there's any disagreement, there are facts to which we can appeal to settle the disagreement, namely getting out a measuring instrument. Contrast that statement with: The dimensions of this room should be 20 feet by 80 feet. Another person disagrees, saying it should be 50 feet by 50 feet. There are no facts to resolve such disagreement. Similarly, there are no facts to which we can appeal to resolve a disagreement over whether the capital gains tax should be 15 percent or 20 percent, or whether it's more important to fight inflation or unemployment.

The importance of knowing whether a statement is nonnormative or normative is that, in the former, there are facts to settle any dispute, but in the latter, there are none. It's just a matter of opinion, and one person's opinion is just as good as another. A good clue to telling whether a statement is normative is whether it contains the words "should" and "ought."

At the beginning of each semester, I tell students that my economic theory course will deal with positive, nonnormative economic theory. I also tell them that if they hear me making a normative statement without first saying, "In my opinion," they are to raise their hands and say, "Professor Williams, we didn't take this class to be indoctrinated with your personal opinions passed off as economic theory; that's academic dishonesty." I also tell them that as soon as they hear me say, "In my opinion," they can stop taking notes because my opinion is irrelevant to the subject of the class — economic theory.

Another part of this particular lecture to my students is that by no means do I suggest that they purge their vocabulary of normative or subjective statements. Such statements are useful tools for tricking people into doing what you want them to do. You tell your father that you need a cell phone and he should buy you one. There's no evidence whatsoever that you need a cell phone. After all, George Washington managed to lead our nation to defeat Great Britain, the mightiest nation on Earth at the time, without owning a cell phone.

Our next discussion will be a bit more interesting. We'll talk about what kinds of behavior can be called economic behavior.

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