



Worksheet 4: Economic evaluation or value judgements?

Decide whether the following statements are examples of a well-justified economic evaluation or they are unjustified value judgements. If a statement is a value judgement, suggest how to change it, so it becomes a well-justified economic evaluation. The first example has been completed for you.

- 1 Capital differs from the other three factors of production as being the only man-made one, which would not exist if it was not for the three other resources.

Justified evaluation

- 2 A fall in the price of bread will lead to a reduction in the profits of all bakeries.
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- 3 An increase in regulations on diesel vehicles will improve living standards of all citizens.
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- 4 Effective maximum prices on electricity may create shortages, especially during peak hours where consumption is highest, but making electricity more affordable may be a government priority in a low-income country.
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- 5 To a retailer engaged in international trade, medium of exchange may be a more important function of money than, e.g. store of value, because the firm needs to make transactions when paying for imports.
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- 6 Teachers should receive higher wages than cashiers because their work is more important.
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7 Horizontal mergers are always good for consumers because the selling price of the product decreases.

8 Price stability is a more important government objective than full employment.

9 Reducing the overconsumption of demerit goods is a more important reason for levying taxes on them than collecting tax revenue because they can be a significant source of market failure due to information failure.

10 Demand-side policies are more successful in controlling inflation.

11 All workers in the tertiary sector are better-paid than primary sector workers.

12 A country with a higher real GDP per head is more likely to experience net immigration because immigrants will be attracted by the higher average incomes and better standard of living, especially if these are relatively lower than in their home country.

13 A fall in unemployment should always decrease poverty.



- 14 Developed economies are more likely to benefit from free trade because they export products with higher added value, which are subject to weather conditions less often than the exports of developing countries, which are mainly focused on primary goods.
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- 15 A fall in the exchange rate is successful in reducing a current account deficit.
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