

Basic Conceptualisation of Positive Economics and Normative Economics

A synopsis

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1.0 Introduction

Economics is a social science that deals with the analysis of making rational choices in production, distribution and consumption of goods and services. Over time, there have been two branches of economic analysis: Positive classical economics and normative economics or the science of political economy.

Positive classical and neo-classical economics takes the production, distribution and consumption on the basis of private sector decision making. The fundamental differences in the ownership of major means of production, distribution and consumption are taken as given and cannot be changed. **Maintaining the status quo of the structure of ownership** They are natural and human beings were born different some were born to be poor and some to be rich. **It is through market competition some become winners and some losers.** The analysis of intervention into inequality, is usually left to market forces to decide and the role of the state is to regulate the players in the market economy. They even suggest the formation of a series of regulatory authorities including the FAIR COMPETITION AUTHORITIES.

In this analysis, the CONTEXT of the economy does not fundamentally change, what is expected to change is the CONTENT of institutions on how to manage markets. The policies of the IMF and World Bank are based on Positive economic analysis. **MARKETS, MARKETS AND MARKET REGULATIONS WITH MINIMAL STATE INTERVENTION.**

The second branch of economics is normative or political economy. This branch starts with questioning as to **why things are the way they are today.** It questions the fundamental differences in the ownership of major means of production distribution and consumption and its history. It questions why the ownership of means of production is the way they are and if this CONTEXT can be altered. When this is altered, then the CONTENT of policies, laws and institutions can as well be changed. Therefore, what changes first is the context and content follow.

Normative economic analysis, sees the role of the state to be promotional and interventionist to the point whereby it can provide support to the private sector which tries to support the branches of the economy which are inclusive of the poor. That is why some governments such as in South Africa, give support to the co-operative sector because it is an inclusive economy where more people including the poor, can participate as owners of means of production, distribution and consumption.

The fundamental discussion on policy making and analysis today is the capability of the state in addressing the vision of the economy towards changing the context of the economy so that new institutions are put in place for the creation of self propelling self-reliant economy taking into account a critical understanding of opportunities and challenges of globalization. This direction, requires each country taking an independent political decision taking into account its historical antecedents its economic structure and cultivating not a middle income country per se, but what are the major forces of transformation which will create the conditions for change.

2.0 Overview on Governance

The structure of the economy provides the context and the institutional structure gives the content of the economy. There is always a relationship between the context and the content. The state and state power is derived from the context of the economy and that the state creates or influences the nature of policies laws and institutions to sustain the state in power. If the state is strong and coherent the institutions built by it will also be strong. A weak state, produces weak institutions and structures,

Changing the context of the economy is a political decision and has to be made by the political party leading the state. The state will always take a leading role in making changes in the context and content of the economy. Some opposition political parties may get more support if the party in power is not addressing the fundamental issues of the context or the fundamentality of the ownership of major means of production, distribution and consumption.

There is therefore need to understand the reform agenda of the state in both the context and the content of policies and institutions (Grindle:2007). Reforms in governance will always start from the context and extended to the content. Basic changes in the ownership direction of the means of production distribution and consumption, will also determine major reforms in the institutional set up or the content of the economy.

3.0 The Co-operative Movement.

Although the co-operative movement is part of the private sector, it is a sector with special characteristics as opposed to Investor-Owned Firms (IOF). The cooperative movement is inclusivistic. It has the ability to carry on board as many people as possible into business and entrepreneurship. It is based on humanistic values and principles of doing business. The co-operative movement is based on social capital as a basic investment asset than money, but more fundamentally, co-operatives are addressing the ownership of means of production distribution and consumption. They signal the possibilities of involvement of more people not only in the production of goods and services, but also taking part in the allocation and utilization of national resources.

Stated as such, does not mean that co-operatives are immune of social and economic problems with their members. In any value system such as that of cooperation, there will always be people who break the rules of the game by default or by personal interests against the good values of co-operatives. This calls for the institutionalization of good governance codes in the co-operative movement itself.

We shall now look at governance issues at the state and the co-operative enterprise levels.