1. Why do you think that it is vital to understand the difference between nominal and real values?

Real values are adjusted for inflation. It is misleading to look simply at what has happened to the value of, say, incomes, sales or profits without considering what is happening to prices at the same time. For example, if incomes double but prices triple then employees are worse off in real terms whereas if incomes double and prices stay the same then employees are better off in real terms.

2. Why is normative economics so important and so subject to debate?

Normative economics focuses on value judgements and opinions. For example, the government should spend more on education is a normative statement. This cannot be tested because it is an opinion and therefore it is subject to debate.

3. Is economics a science or an art?

Both. In some senses it is scientific- economists can monitor what has changed and what the effect of this is; from this they can build models. However, conditions can change quickly and models can become out of date. Economists will argue about the validity of models and their priorities and at times economist must be creative in their thinking of solutions to problems.