Philosophy 345/Economics 319:
The Philosophy and Methodology of Economics
Spring 2013

Administrative Details

Instructor: Professor K.D. Hoover
Lecture: 1:25-2:40 PM, Tuesday & Thursday, 124 Social Science
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Office Hours: While I am not holding regular office hours, I am easily available outside of class by appointment. Arrange an appointment either by talking to me before or after class or by e-mail.

Prerequisites
One course in philosophy and one course in economics; or consent of the instructor.

Course Description
Economic methodology tries to make sense of what economists do when they investigate the economy. It is closely related to the philosophy of science, which is concerned with how science produces knowledge, explanation, prediction, and understanding. In this course, which will be taught as a mixture of lecture and discussion, we will study economic methodology and the philosophy of science with a focus on its applications to economics. We will start with some classic contributions – e.g., those of John Stuart Mill, John Neville Keynes, and Milton Friedman to economic methodology and those of Carl Hempel, Karl Popper, Thomas Kuhn, and Imré Lakatos to the philosophy of science with case studies of their applications to economic problems. We will also consider a variety of recent topics at the intersection of philosophy and economics, such as models, causality, reductionism, and realism.

Required Work and Grading
There are three required graded parts to the course:

1. Weekly short assignments: 30 percent. These assignments are meant to make sure that you are up to speed on, and engaged in, the primary readings. Instructions are given below. I will give further instructions about in class.
2. Class participation: 30 percent. The class will be conducted as a mixture of lecture and discussion, and participation is essential. Students are expected to be prepared to discuss topics and to participate actively.
3. Analytical papers: 40 percent. There will be three longer analytical papers.
during the semester. The topics, due dates, and instructions are listed below. I will provide further details in class.

See the Rules for Late or Missed Assignments for information on that topic.

**Academic Ethics**
I will hold you to strict standards of academic ethics. Please click on the Academic Honesty link on the course website for the detailed policy.

**Readings**
Required text: Marcel Boumans and John Davis, *Economic Methodology: Understanding Economics as a Science* will be referred to for many topics and is good general background that could be read straight through early in the semester. Students should purchase this book from the campus bookstore or elsewhere. All other readings are electronically accessible: go to the Readings link on the course website. From there, you can either click on direct links through the library or download through links to a secure directory. I will send the login and password information for the secure directory to registered members of the class by e-mail. (If you need the login and password and don’t have it, please e-mail me.) Exactly which readings are due each week can be found on the course website under the link Weekly Assignments. Not all of the readings have hyperlinks in this version of the syllabus. A complete update will be available in due course.

**Background**
The readings in this section will help you to get your bearings in the course. You should read them on your own as soon as possible in the course.

**A. Classical Contributions to Economic Methodology**
Boumans and Davis, *Economic Methodology*, chapter 1(excluding Focus sections) and chapter 2, Focus 2.1.
B. Friedman and Positive Economics
Boumans and Davis, *Economic Methodology*, chapter 2 (excluding Focus sections).

C. Popper and Falsificationism
Boumans and Davis, *Economic Methodology*, chapter 3 (including Focus 3.1 and 3.3, but excluding Focus 3.2).

D. Popper and Situational Analysis

E. Kuhn and Scientific Revolutions
Boumans and Davis, *Economic Methodology*, chapter 4, pp. 93-108 and Focus 4.2 and 4.3.
Martin Bronfenbrenner “The ‘Structure of Revolutions’ in Economic Thought,”

**F. Lakatos and the Methodology of Scientific Research Programs**

Imré Lakatos, “Criticism and the Methodology of Scientific Research Programmes,”
*Proceedings of the Aristotelian Society*, vol. 69, 1968, pp. 149-186.
Kevin D. Hoover, “Scientific Research Program or Tribe? A Joint Appraisal of
Lakatos and the New Classical Macroeconomics,” in *Appraising Economic
Theories: Studies in the Application of the Methodology of Research Programs*,

**G. Lakatos and Economics**

Mark Blaug, “Kuhn versus Lakatos or Paradigms versus Research Programmes in the
Rodney Maddock, “Rational Expectations Macroeconomy: A Lakatosian Case Study in
E. Roy Weintraub, “Appraising General Equilibrium Analysis,” *Economics and
D. Wade Hands, “Popper and Lakatos in Economic Methodology,” in Uskali Mäki,
Bo Gustafsson, and Christian Knudsen, editors, *Rational Institutions and Economic
Roger Backhouse, “The Lakatosian Legacy in Economic Methodology,” in
Backhouse, editor, *New Directions in Economic Methodology*. London:

**H. Laws in Economics – 1**

Carl Hempel, “Laws and Their Role in Natural Explanation,” *Philosophy of the
Natural Sciences*. Englewood Cliffs, NJ: Prentice-Hall, 1966; in Boyd, Casper,
and Trout, editors, *The Philosophy of Science*, ch. 16.
Daniel Hausman, “Supply and Demand Explanations and Their Ceterius Paribus

**I. Laws in Economics – 2**

Nancy Cartwright, “Ceteris Paribus Laws and the Socio-economic Machine,” in the
*Dappled World*. Cambridge: Cambridge University Press, 1999, ch. 6 (pp. 137-151).
Kevin D. Hoover, “Are There Macroeconomic Laws,” in *The Methodology of
(pp. 17-56).
J. Models – 1
Boumans and Davis, *Economic Methodology*, chapter 1, Focus 1.2.

K. Models – 2

L. Realism

M. Reductionism and Microfoundations
N. Value Judgments in Economics

Boumans and Davis, Economic Methodology, chapter 7 (including Focus sections).

O. Experiments

Boumans and Davis, Economic Methodology, chapter 2, Focus 2.3.

Weekly Short Assignments

More detailed instructions, including details of each week’s readings and due dates, can be found on the Short Weekly Assignments link on the course website:

Analytical Papers

More detailed instructions can be found on the Analytical Papers link on the course website: Assignments and due dates are indicated below.

1. (Due Thursday 21 February 2013).
   One of the following:

   A. In the “Methodology of Positive Economics,” Friedman writes:

   Truly important and significant hypotheses will be found to have “assumptions” that are wildly inaccurate descriptive representations of reality, and, in general, the more significant the theory, the more unrealistic the assumptions (in this sense).

   In a paper in 1963 (written with Anna Schwartz), Friedman gathers evidence to show that business cycles are caused by fluctuations in the supply of
money. Commenting on this evidence, Friedman and Schwartz observe:

It might be, so far as we know, that one could marshal a similar body of evidence demonstrating that the production of dressmakers’ pins has displayed over the past nine decades a regular cyclical pattern; that the pin pattern reaches a peak well before the reference peak and a trough well before the reference trough; that its amplitude is highly correlated with the amplitude of the movements in general business. It might even be demonstrated that the simple correlation between the production of pins and consumption is higher than the simple correlation between autonomous expenditures and consumption; that the partial correlation between pins and consumption – holding autonomous expenditure constant – is as high as the simple correlation; and that the correlation between consumption and autonomous expenditures – holding the production of pins constant – is on the average zero. . . [B]ut even if [these statements] were demonstrated beyond a shadow of a doubt, they would persuade neither us nor our readers to adopt a pin theory of the cycle.

Carefully analyze whether these two passages are consistent or contradictory within the context of Friedman’s essay on methodology.

B. “Ultimately, John Neville Keynes, Mill, Robbins and Friedman have the same view of the nature of economics.” Do they? Discuss.

C. “Wade Hand’s distinction (see Topic D) between PopperN and PopperS is a mistake: contrary to his implication, situational logic for Popper aims at exactly the same goal as natural science – namely, falsifiable prediction.” Correct? Discuss.

2. (Due Thursday 28 March 2013).

One of the following:

A. In “Kuhn versus Lakatos” (p. 149; see Topic G), Mark Blaug writes: “a few [economists] realized that Friedman is simply Popper-with-a-twist applied to economics.” Is Blaug correct? What’s the “twist”?

B. In “Kuhn versus Lakatos” (p. 154, see Topic G), Mark Blaug writes: “What Kuhn has really done is to conflate prescription and description, deducing his methodology from history, rather than to criticize history with the aid of methodology. Kuhn does his best, of course, to defend himself against the charge of relativism and to explain ‘the sense in which I am a believer in scientific progress,’ but the defense is not altogether convincing. Actually a wholly convincing defense would reduce his account of ‘scientific revolutions’ to nonsense.” Make the case for or against Blaug’s interpretation of Kuhn.
C. Compare and contrast Popper’s distinction between science and pseudo-science with Lakatos’s distinction between progressive and degenerating research programs. Which if either suits economics?

3. (Due Saturday 4 May 2013; note: this is the date that the final examination would occur if there had been a final).

One of the following:

A. Compare and contrast Milton Friedman’s (Topic B) with Gibbard and Varian’s (Topic J) defenses of models with unrealistic assumptions. Is either successful?

B. Nancy Cartwright in “Ceteris Paribus Laws and the Socio-economic Machine” (p. 149; see Topic I) writes: “The kind of precise conclusions that are so highly valued in economics can be rigorously derived only when very special assumptions are made. But the very special assumptions do not fit very much of the economy around us.” On the other hand, Robert Sugden (Topic K) describes models such as Schelling’s checkerboard model of discrimination and Akerlof’s “market-for-lemons” model as valuable and successful because they generate conclusions that are robust to a variety of assumptions. Are these two accounts actually in conflict? If so, which is right? If not, how can they be seen as compatible?

C. Mark Blaug in “Kuhn versus Lakatos or Paradigms versus Research Programmes in the History of Economics,” (p. 155; see Topic G above) writes: “No doubt Hume’s Guillotine tells us that we cannot logically deduce ‘ought from is’ or ‘is from ought.’ We can, however, influence ‘ought’ by ‘is’ and vice versa: moral judgments may be altered by the presentation of facts and facts are theory-laden so that a change in values may alter our perception of the facts.” Are is and ought related in the way that Blaug suggests? Either way, where does this leave the positive/normative distinction in economics? Before answering this question, you should review the relevant writings of David Hume (A Treatise of Human Nature, Book III, Part I, Section 1) and the readings for Topic N above.

D. Compare and contrast economics qua science with psychology, sociology, physics, chemistry, or biology. (Be specific and concrete. Answer this question only if you have had two or more courses in each of economics (may include this one) and the comparison science.)

E. A topic of your own choosing. For example, you might wish to develop a longer essay on an issue raised in one of your short weekly papers. In all cases, I must approve your topic in advance: I will not mark an unapproved topic. Please send me a brief paragraph describing your topic at least two weeks before the due date. I would be happy to discuss your proposal with you face to face.