Philosophy 145/Economics 137: The Philosophy and Methodology of Economics

Administrative Details
Instructor: Professor K.D. Hoover
Lecture: 4:25-6:55 PM, Thursday, 107 Science Building (East Campus)
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Course website: http://www.econ.duke.edu/~kdh9/Courses/Phil%20145-Econ%20137/145master.htm or access through Blackboard. I will keep up-to-date information about the course on my website.
Office Hours: 1:30-3:00 PM, Mondays; 9:30-11:00, Thursdays. I am available outside of office hours only by appointment. Arrange an appointment either after class or by telephone or e-mail.

Prerequisites
One philosophy course and either Economics 105 and 110 or Economics 139; 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 in a seminar format, 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 seminar 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 four longer analytical papers during
the semester. The topics, due dates, and instructions are listed below. I will provide further details in class.

**Academic Ethics**

I will hold you to strict standards of academic ethics. I encourage students to discuss economics and the class material together, to help each other in coming to understand the material. Nevertheless, work submitted for a grade must ultimately be the work of the individual student – not copied from another student or from any other source. The weekly assignments are not research papers and, generally, do not rely on secondary sources. However, any direct quotation to should be clearly attributed to its source. The analytical papers are also not research papers in the sense that I expect you to find sources other than those on the reading list. Nevertheless, you very likely will refer to specific passages and arguments in the materials that you use (and it is not impossible that you may refer to secondary sources). All such references to sources other you’re your own thoughts require *scholarly documentation* (i.e. footnotes, bibliography, or other citation forms); *quotations must be properly indicated* (e.g., by quotation marks) and *sources of information and ideas that are beyond the commonplace properly documented*. Plagiarism is a serious matter and is totally unacceptable. If you have any doubts about what is appropriate and acceptable, please contact me.

**Readings**

All readings are electronically accessible: go to the Readings link on the course website: [http://www.econ.duke.edu/~kdh9/Courses/Phil%20145­Econ%20137/145master.htm](http://www.econ.duke.edu/~kdh9/Courses/Phil%20145­Econ%20137/145master.htm)  From there, you can either click on direct links, or download from Blackboard. Readings that are marked E-reserves are found on the Blackboard E-reserves; readings marked Documents are found on the Blackboard Course Documents link. Exactly which readings are due each week can be found on the course website under the link Weekly Assignments.

**A. 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.*


B. Classical Contributions to Economic Methodology

C. Friedman and Positive Economics

D. Popper and Falsificationism

E. Popper and Situational Analysis
F. Kuhn and Scientific Revolutions

G. Lakatos and the Methodology of Scientific Research Programs
1. Lakatos and the Philosophy of Science

2. Lakatos and Economics
H. Realism

I. Models

J. Laws in Economics – 1.

L. Reductionism and Microfoundations

M. Pragmatism

N. Causality
David Hume, An Enquiry Concerning the Human Understanding, 1777, section II-VII. [NB. link is to the whole book; print pp. 4-79 of text which is pp. 1-75 of pdf.]

Weekly Short Assignments
More detailed instructions, including details of each week’s readings and due dates, can be found on the Short WeeklyAssignments link on the course website: http://www.econ.duke.edu/~kdh9/Courses/Phil%20145-Econ%20137/145master.htm
Analytical Papers

More detailed instructions can be found on the Analytical Papers link on the course website: http://www.econ.duke.edu/~kdh9/Courses/Phil%20145-Econ%20137/145master.htm Assignments and due dates are indicated below.

1. (Due 14 February 2008):

   **Either**
   
   A. Is Friedman an instrumentalist or a realist or neither or both? Consider carefully and critically the arguments of Lawrence Boland and Uskali Mäki.
   
   

   B. 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.
2. (Due 27 March 2008):

   Either
   A. Blaug writes in the *Methodology of Economics*:

      Popper’s methodology of science is an *aggressive methodology* in the
      sense that by its standards some of what is called “science” can be
      dismissed as methodologically unsound. Kuhn’s methodology,
      however, is a *defensive methodology* because it seeks to vindicate
      rather than criticize actual scientific practice.

      Discuss in detail (i.e., explain these two positions). Do you agree with Blaug? If
      so, why? If not, why not?

   B. In the papers published in *Appraising Economic Theories*, Kevin Hoover presents
      an anti-Lakatosian, pro-Kuhnian account of modern macroeconomics, while Roger
      Backhouse presents a pro-Lakatosian account. Analyzing them carefully, which –
      if either – do you support? (Note that anyone who takes my side can expect special
      scrutiny!)

      Hoover, “Scientific Research Program or Tribe? A Joint Appraisal of Lakatos
      and the New Classical Macroeconomics,” in Neil De Marchi and Mark
      Blaug, editors, *Appraising Economic Theories*. Aldershot: Edward Elgar,

      Backhouse, “The Neo-Walrasian Research Program in Macroeconomics,” in
      Neil De Marchi and Mark Blaug, editors, *Appraising Economic Theories*.
      and Blaug, Appraising Economic Theories (PP. 403-426)”).

3. Due (24 April 2008):

   Either
   A. Does macroeconomics need microfoundations? Address carefully the arguments of
      Robert E. Lucas, Jr. and Thomas J. Sargent versus those of Alan P. Kirman from a
      philosophical perspective.

      Lucas and Sargent, (“*After Keynesian Macroeconomics,*” Kevin D. Hoover,
      “Does Macroeconomics Need Microfoundations?” in *The Methodology of
      (57-88).

      Kirman (“*Whom or What Does the Representative Agent Represent?*” *Journal
      of Economic Perspectives* 6(2), Spring 1992, pp. 117-136)

   B. Are economic models stories or fables (or do stories or fables have an important
      part to play in our understanding or use of models)? Address carefully the
      arguments of Mary Morgan and/or Nancy Cartwright.

      Morgan, (“*Models, Stories, and the Economic World,*” *Journal of Economic

      Cartwright, “Fables and Models,” in the *Dappled World*. Cambridge:
C. Is microeconomics for real? (NB. Hoover (“Is Macroeconomics for Real?”, *The Monist* 78(3), July 1995, pp. 235-257. E-reserves) has attempted to answer this question for *macroeconomics*. You may or may not find that paper instructive. But please be sensitive to the *differences* between macro and microeconomics.)

4. Due (2 May 2008):
   
   *Either*
   
   **A.** Can Rhetoric replace methodology? Consider carefully, the positions of
   Donald McCloskey and Uskali Mäki.
   
   

   **B.** Can economics dispense with methodology? Base your answer on the broadest consideration of the material covered in the course to date.