Philosophy 145/Economics 137:  
The Philosophy and Methodology of Economics  
Spring 2009

Administrative Details

Instructor: Professor K.D. Hoover  
Lecture: 1:15-3:45 PM, Monday, 204 West Duke (East Campus)  
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Course website: http://www.econ.duke.edu/~kdh9/Courses/Phil145-Econ137/145master.htm or access through Blackboard.

Office Hours: Tuesdays and Fridays 10:00-11:00 AM. I am available outside of office hours only by appointment. Arrange an appointment either after class or by telephone or 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 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. Please click on the **Academic Honesty** link on the **course website** for the detailed policy.

*Readings*

All 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.

**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.


Mark Blaug, Marcel Boumans, John Davis, Harro Maas, and Gert Reuten, “*A Short Introduction to the Methodology of Economics,*” unpublished manuscript, University of Amsterdam.

**B. Classical Contributions to Economic Methodology**


**C. Friedman and Positive Economics**


D. Popper and Falsificationism
Karl Popper, “Science: Conjectures and Refutations,” in *Conjectures and Refutations.

E. Popper and Situational Analysis
Dispute in German Sociology*. London: Heinemann,1976, pp. 87-104.
D. Wade Hands, “Karl Popper and Economic Methodology,” *Economics and
Mark Blaug, “Comment on D. Wade Hands, ‘Karl Popper and Economic

F. Kuhn and Scientific Revolutions
Thomas Kuhn, *The Structure of Scientific Revolutions*, 3rd ed. Chicago: University of
Thomas Kuhn, “The Essential Tension: Tradition and Innovation in Scientific
Martin Bronfenbrenner “The ‘Structure of Revolutions’ in Economic Thought,”

G. Lakatos and the Methodology of Scientific Research Programs
Imré Lakatos, “Criticism and the Methodology of Scientific Research Programmes.”
J. Remenyi, “Core Demi-core Interaction: Toward a General Theory of Disciplinary

H. Lakatos and Economics
E. Roy Weintraub, “Appraising General Equilibrium Analysis,” *Economics and
Mark Blaug, “Kuhn versus Lakatos or Paradigms versus Research Programmes in the
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:


K. Models – 1

L. Models – 2

M. Realism
N. Reductionism and Microfoundations

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 Monday 9 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” (pp. 8-9), Friedman writes:
      . . . the only relevant test of the validity of a hypothesis is comparison of its predictions with experience.
      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 Monday 23 March 2008):

   Either

   A. Is Lakatos fundamentally a Popperian or a Kuhnian or genuinely distinct from both Popper and Kuhn? In formulating your answer, consider Lakatos’s essay “Falsification and the Methodology of Scientific Research Programs,” in Lakatos and Alan Musgrave, *Criticism and the Growth of Knowledge*. Cambridge: Cambridge University Press, 1970, pp. 91-197. (Parts 1, 2, 3, 4, 5, 6).

   B. Wade Hands writes: “Despite the fact that preaching falsificationist methodology has been very popular among economists, the method fails to provide a reasonably adequate set of rules for doing economics. Strict adherence to falsificationist norms would virtually destroy all existing economic theory and leave the profession with a rule book for a game unlike anything the profession has played in the past” [“Popper and Lakatos in Economic Methodology,” in Uskali Mäki, Bo Gustafsson, and Christian Knudsen, editors, *Rational Institutions and Economic Methodology*. London: Routledge, 1993, pp. 61-75.] Would it? Would situational analysis save it? In addressing this question, you may wish to consider particular attempts to apply Lakatos to economics:


3. Due (Monday 20 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,"
      
      
      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.
      
      

   C. Is microeconomics for real? (NB. Hoover (“Is Macroeconomics for Real?”, The Monist 78(3), July 1995, pp. 235-257.) 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 (Friday 1 May 2008):

   *Either*

   A. Can Rhetoric replace methodology? Consider carefully, the positions of Donald McCloskey and Uskali Mäki.
      
      

   B. What is a science? Is economics one?

   C. 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.)