

**Philosophy 145/Economics 137:
The Philosophy and Methodology of Economics
Spring 2010**

Administrative Details

Instructor: Professor K.D. Hoover

Lecture: 3:05-5:35 PM, Monday, 8A West Duke (East Campus)

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Course website: <http://www.econ.duke.edu/~kdh9/Courses/Phil 145-Econ 137/145master.htm> or access through Blackboard.

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 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 three 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.

Daniel Hausman, "[Economic Methodology in a Nutshell](#)," *Journal of Economic Perspectives* 3(2), 1989, pp. 115-127.

Daniel Hausman, "[Appendix: An Introduction to Philosophy of Science](#)," *The Inexact and Separate Science of Economics*. Cambridge: Cambridge University Press, 1992, pp. 281-329.

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

David Hume [A Treatise of Human Nature](#), Book III, Part I, Section 1.

John Stuart Mill, "[On the Definition of Political Economy and the Method of Investigation Proper to It](#)," in *Essays on Some Unsettled Questions of Political Economy*.

John Neville Keynes, [The Scope and Method of Political Economy](#), 4th edition, 1917.

Lionel Robbins, *The Nature and Significance of Economic Science* ([Part I](#), [Part II](#)), 1935.

C. Friedman and Positive Economics

- Milton Friedman, "[The Methodology of Positive Economics](#)," in Friedman, *Essays in Positive Economics*. Chicago: University of Chicago Press, 1953.
- Daniel Hausman "[Why Look Under the Hood?](#)" in *Essays on Philosophy and Economic Methodology*. Cambridge: Cambridge University Press, ch. 5 (pp. 70-74).
- Uskali Mäki, "[Unrealistic Assumptions and Unnecessary Confusions: Rereading and Rewriting F53 as a Realist Statement](#)," in Uskali Mäki, editor, *The Methodology of Positive Economics: Reflections on the Milton Friedman Legacy*. Cambridge: Cambridge University Press, ch. 3 (pp. 90-116).

D. Popper and Falsificationism

- Karl Popper, *The Logic of Scientific Discovery*, 1959, excerpts.
- Karl Popper, "[Science: Conjectures and Refutations](#)," in *Conjectures and Refutations*. London: Routledge and Kegan Paul, 1963, pp. 33-58.
- Mark Blaug, "[The Theory of Consumer Behavior](#)," in *The Methodology of Economics*, 2nd ed., ch. 6 (pp. 137-149).
- Bruce Caldwell, "[Clarifying Popper](#)," *Journal of Economic Literature* 29(1), March, pp. 1-33.

E. Popper and Situational Analysis

- Karl Popper, "[The Logic of the Social Sciences](#)," in T.W. Adorno, *The Positivist Dispute in German Sociology*. London: Heinemann, 1976, pp. 87-104.
- Noretta Koertge, "[The Methodological Status of Popper's Rationality Principle](#)," *Theory and Decision* 10, pp. 83-95.
- D. Wade Hands, "[Karl Popper and Economic Methodology](#)," *Economics and Philosophy* 1(1), pp. 83-99.
- Mark Blaug, "[Comment on D. Wade Hands, 'Karl Popper and Economic Methodology: A New Look'](#)," *Economics and Philosophy* 1(2), pp. 286-288.

F. Kuhn and Scientific Revolutions

- Thomas Kuhn, *The Structure of Scientific Revolutions*, 3rd ed. Chicago: University of Chicago Press, 1996: [Chapter V](#) ("The Priority of Paradigms") and [Chapter IX](#) ("The Nature and Necessity of Scientific Revolutions").
- Thomas Kuhn, "[The Essential Tension: Tradition and Innovation in Scientific Research](#)," in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 7.
- Martin Bronfenbrenner "[The 'Structure of Revolutions' in Economic Thought](#)," *History of Political Economy* 2(1), 1971, pp. 136-151.
- A.W. Coats, "[Is there a 'Structure of Scientific Revolutions' in Economics?](#)" *Kyklos* 22(2), 1969, pp. 289-296.

G. 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.
- J. Remenyi, "[Core Demi-core Interaction: Toward a General Theory of Disciplinary and Subdisciplinary Growth](#)," *History of Political Economy*, 11(1), 1979, pp. 30-63.

H. Lakatos and Economics

- E. Roy Weintraub, "[Appraising General Equilibrium Analysis](#)," *Economics and Philosophy*, vol. 1, no. 1, 1985, pp. 23-37.
- Rodney Maddock, "[Rational Expectations Macrotheory: A Lakatosian Case Study in Program Adjustment](#)," *History of Political Economy* vol. 16, no. 2, pp. 291-309.
- Mark Blaug, "[The Theory of the Firm](#)," in *The Methodology of Economics*, 2nd ed., ch. 6 (pp. 137-149).
- Mark Blaug, "[Kuhn versus Lakatos or Paradigms versus Research Programmes in the History of Economics](#)," Spiro Latsis, editor, *Method and Appraisal in Economics*. Cambridge: Cambridge University Press, 1976, pp. 149-180.
- D. Wade Hands, "[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.

I. 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 Ceteris Paribus Clauses](#)," *Review of Political Economy* 2(2), July 1990, pp. 168-187.

J. 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 Empirical Macroeconomics*. Cambridge: Cambridge University Press, ch. 2 (pp. 17-56).

K. Models – 1

- Daniel Hausman, "[Models and Theories in Economics](#)," *The Inexact and Separate Science of Economics*. Cambridge: Cambridge University Press, 1992, ch. 5 (pp. 70-82).
- Allan Gibbard and Hal Varian, "[Economic Models](#)," *Journal of Philosophy* 75(11), 1978, pp. 664-677.

L. Models – 2

Robert Sugden, “[Credible Worlds: The Status of Theoretical Models in Economics](#),” *Journal of Economic Methodology* 7(1), 2000, pp. 1-31.

Mary Morgan, “[The Technology of Analytical Models: Irving Fisher’s Monetary Worlds](#),” *Philosophy of Science* 64(supplement), December 1997, pp. S304-S314.

M. Realism

Uskali Mäki, “[Realism](#)” and “[Realisticness](#),” in John Davis, D. Wade Hands, and Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 404-413.

Ian Hacking, “[Experimentation and Scientific Realism](#),” in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 13.

Daniel Hausman, “[Problems with Realism about Economics](#),” *Economics and Philosophy* 14(2), 1998, pp. 185-213.

Tony Lawson, “[What Has Realism Got to Do With It](#),” *Economics and Philosophy* 15(2), 1999, pp. 269-282.

N. Reductionism and Microfoundations

Alan Garfinkel, “[Reductionism](#),” in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 24.

John Watkins, “[Methodological Individualism and Social Tendencies](#),” in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 39.

Maarten Janssen, “[Microfoundations](#),” in John Davis, D. Wade Hands, and Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 307-310.

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 22 February 2010):

Either

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

B. Read

William J. Frazer, Jr. and Lawrence A. Boland, "[An Essay on the Foundations of Friedman's Methodology](#)," *American Economic Review*, vol. 73, no. 1, March 1983, pp. 129-144

and

Kevin D. Hoover, "[Methodology: A Comment on Frazer and Boland, II](#)," *American Economic Review*, vol. 74, no. 4, September 1984, pp. 789-792.

Evaluate the debate between Frazer and Boland and Hoover. Is Friedman an instrumentalist? Is instrumentalism sound? (Feel free to draw on materials used in weekly discussions.) [Be careful: anyone taking my side of the matter, while subject to special scrutiny.]

2. (Due Monday 29 March 2010):

Either

A. Is Popper's situational logic compatible with his falsificationism?

B. In "The Logic of the Social Sciences" (p. 97), Popper writes: "Our motives and even our purely scientific ideals, including the ideal of a disinterested search for truth, are deeply anchored in extra-scientific and, in part, in religious evaluations. Thus the 'objective' or the 'value-free' scientist is hardly the ideal scientist. Without passion we can achieve nothing – certainly not in pure science. The phrase 'the passion for the truth' is no mere metaphor."

In *The Nature and Significance of Economic Science* (pp. 157-158), Robbins writes: "And thus in the last analysis Economics does depend, if not for its existence, at least for its significance, on an ultimate valuation – the affirmation that rationality and the ability to choose with knowledge is desirable. If irrationality, if the surrender to the blind force of external stimuli and uncoordinated impulse at every moment is a good to be preferred above all others, then it is true the *raison d'être* of Economics disappears. . . The revolt against reason is essentially a revolt against life itself."

Are these positions compatible with Popper's and Robbin's general conceptions of science? Do they undermine the distinction between positive and normative economics?

C. In "Kuhn versus Lakatos" (p. 149), 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"?

3. Due (Tuesday 4 May 2010):

Either

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

McCloskey, "[How To Do a Rhetorical Analysis, and Why](#)," in John B. Davis, *Recent Developments in Economic Methodology*, vol. I. Cheltenham:

Edward Elgar, 2006, pp. 122-145 (or original page numbers, pp. 319-342).

Mäki, "[Diagnosing McCloskey](#)," in *Journal of Economic Literature* 33(3), September 1995, pp. 1300-1318.

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.)