

**Philosophy 345/Economics 319:
The Philosophy and Methodology of Economics
Spring 2014**

Administrative Details

Instructor: Professor K.D. Hoover

Lecture: 10:05-11:20 AM, Monday/Wednesday, 123 Old Chem

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<http://public.econ.duke.edu/~kdh9/Courses/Philosophy%20of%20Economics/PhilEconMaster.htm>

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

An introduction to conceptual and methodological issues raised in modern economics. Topics may include choice, rationality and irrationality, realism, models, the relationship between microeconomics and macroeconomics, prediction and explanation, value judgments and policymaking, and causality. Case studies of applications to economic problems.

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.

Marcel Boumans and John Davis, *Economic Methodology: Understanding Economics as a Science*. Basingstoke, Hampshire, UK: Palgrave Macmillan, 2010.

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.

A. Classical Contributions to Economic Methodology

Boumans and Davis, *Economic Methodology*, chapter 1(excluding Focus sections) and chapter 2, Focus 2.1.

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*, 1844.

John Neville Keynes, [The Scope and Method of Political Economy](#), 4th edition, 1917 (1st edition 1897).

Lionel Robbins, *The Nature and Significance of Economic Science* ([Part I](#), [Part II](#)), 2nd edition 1935 (first edition 1932).

B. Friedman and Positive Economics

- Boumans and Davis, *Economic Methodology*, chapter 2 (excluding Focus sections).
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, 2008, 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, 2009, ch. 3 (pp. 90-116).

C. Popper and Falsificationism

- Boumans and Davis, *Economic Methodology*, chapter 3 (including Focus 3.1 and 3.3, but excluding Focus 3.2).
Karl Popper, *The Logic of Scientific Discovery*, 1959 (original German edition 1934), excerpts.
Karl Popper, "[Science: Conjectures and Refutations](#)," in *Conjectures and Refutations*. London: Routledge and Kegan Paul, 1963, pp. 33-58.
Bruce Caldwell, "[Clarifying Popper](#)," *Journal of Economic Literature* 29(1), March 1991, pp. 1-33.

D. Popper and Situational Analysis

- Boumans and Davis, *Economic Methodology*, chapter 3, Focus 3.2.
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(1), 1979, pp. 83-95.
D. Wade Hands, "[Karl Popper and Economic Methodology](#)," *Economics and Philosophy* 1(1), 1985, pp. 83-99.
Mark Blaug, "[Comment on D. Wade Hands, 'Karl Popper and Economic Methodology: A New Look'](#)," *Economics and Philosophy* 1(2), 1985, pp. 286-288.

E. Kuhn and Scientific Revolutions

- Boumans and Davis, *Economic Methodology*, chapter 4, pp. 93-108 and Focus 4.2 and 4.3.
Thomas Kuhn, "[The Essential Tension: Tradition and Innovation in Scientific Research](#)" (1959) in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 7.
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").
A.W. Coats, "[Is there a 'Structure of Scientific Revolutions' in Economics?](#)" *Kyklos* 22(2), 1969, pp. 289-296.
Martin Bronfenbrenner "[The 'Structure of Revolutions' in Economic Thought](#)," *History of Political Economy* 2(1), 1971, pp. 136-151.

F. Lakatos and the Methodology of Scientific Research Programs

- Boumans and Davis, *Economic Methodology*, chapter 4, pp. 108-111 and Focus 4.1.
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*, Mark Blaug and Neil de Marchi, editors. Aldershot: Edward Elgar, 1991.

G. Lakatos and Economics

- 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.
Richard Lipsey, "IS-LM, Keynesianism, and the New Classicism," in Roger E. Backhouse and Andrea Salanti, editors, *Macroeconomics and the Real World*, Vol. 2: *Keynesian Economics, Unemployment, and Policy*. Oxford: Oxford University Press, 2000, pp. 57-82.
E. Roy Weintraub, "[Appraising General Equilibrium Analysis](#)," *Economics and Philosophy*, vol. 1, no. 1, 1985, pp. 23-37.
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.
Roger Backhouse, "[The Lakatosian Legacy in Economic Methodology](#)," in Backhouse, editor, *New Directions in Economic Methodology*. London: Routledge, 1994, pp. 173-191.

H. Laws and Explanation 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.

I. Laws and Explanation 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, 2001, ch. 2 (pp. 17-56).

J. Models – 1

- Boumans and Davis, *Economic Methodology*, chapter 1, Focus 1.2.
- Mary Morgan, “Models,” in John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 316-321.
- Marcel Boumans, “Models,” in John Davis, Alain Marciano and Jochen Runde, *The Elgar Companion to Economics and Philosophy*. Cheltenham: Edward Elgar, 2004, pp. 260-282.
- Allan Gibbard and Hal Varian, “[Economic Models](#),” *Journal of Philosophy* 75(11), 1978, pp. 664-677.

K. Models – 2

- Boumans and Davis, *Economic Methodology*, chapter 6, Focus 6.1.
- Mary Morgan, “[The Technology of Analytical Models: Irving Fisher’s Monetary Worlds](#),” *Philosophy of Science* 64(supplement), December 1997, pp. S304-S314.
- Robert Sugden, “[Credible Worlds: The Status of Theoretical Models in Economics](#),” *Journal of Economic Methodology* 7(1), 2000, pp. 1-31.

L. 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](#)” (1982) 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.

M. Reductionism and Microfoundations

- John Watkins, “[Methodological Individualism and Social Tendencies](#)” (1968) in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 39.
- Alan Garfinkel, “[Reductionism](#)” (1981) in in Boyd, Casper, and Trout, editors, *The Philosophy of Science*, ch. 24.
- Maarten Janssen, “[Microfoundations](#),” in John Davis, D. Wade Hands, and Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 307-310.

N. Value Judgments in Economics

- Boumans and Davis, *Economic Methodology*, chapter 7 (including Focus sections).
Charles K. Wilber. "Economics and Ethics," in John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 138-142.
- Mark Blaug. "The Positive-Normative Distinction," in John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 370-374.
- A.W. Coats. "Economics as a Profession," in John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 142-145.
- William S. Milberg. "Ideology," in John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 243-246.

O. Experiments

- Boumans and Davis, *Economic Methodology*, chapter 2, Focus 2.3.
Alan Nelson. "[Experimental Economics](#)," John Davis, D. Wade Hands and Uskali Mäki, editors, *The Handbook of Economic Methodology*. Cheltenham: Edward Elgar, 1998, pp. 179-180.
- Francesco Guala. "[Experimentation in Economics](#)," in Uskali Mäki, editor. *Philosophy of Economics*. Amsterdam: Elsevier, 2012, pp. 597-611 and 626-640.

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 Wednesday 19 February 2014).
One of the following:

- A. To what degree does John Neville Keynes anticipate Milton Friedman?
- B. Is Milton Friedman a Popperian?
- C. "Wade Hand's distinction (see Topic D) between Popper_N and Popper_S 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 Wednesday 2 April 2014).

One of the following:

- A. 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?

- B. 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?

- 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 Wednesday 30 April 2014; note: this is the date that the final examination would occur if there had been a final).

One of the following:

- A. 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 Methodology* 8(3), 2001, pp. 361-384.

Cartwright, "[Fables and Models](#)," in the *Dappled World*. Cambridge: Cambridge University Press, 1999, ch. 2 (pp. 35-58).

- B. What is economics and what method is proper to it? (That is, consider the kind of issues raised in Topic 1 of the readings in light of what you have learned this semester.)
- C. 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?
- D. 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.
- 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.