

**Philosophy 345/Economics 319:  
The Philosophy and Methodology of Economics  
Fall 2018**

*Administrative Details*

*Instructor:* Professor K.D. Hoover

*Lecture:* 4:40-5:55 PM Mondays and Wednesdays, Perk Link 070

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*Personal Website:* <http://public.econ.duke.edu/~kdh9/>

*Course website:*

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

*Office Hours:* I do not hold scheduled office hours. However, I am flexible and available for consultation 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.

Alfred Marshall, "[The Present Position of Economics.](#)" 1885.

Lionel Robbins, *The Nature and Significance of Economic Science* ([Part I](#), [Part II](#)), 2<sup>nd</sup> 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.  
Hoover, "Notes on Logic." (Supplementary notes that will be helpful in understanding the lecture for Topic C and later topics.)

## **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.  
Karl Popper, "[The Rationality Principle](#)," in David Miller, ed., *A Pocket Popper*. London: Fontana, 1983.  
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.

## **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, *The Methodology of Empirical Macroeconomics*, Ch. 1, “[Some Methodological Problems in Macroeconomics](#)”; and Ch. 2, “[Are There Macroeconomic Laws](#),” Cambridge: Cambridge University Press, 2001.

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

## 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 Tuesday 16 October 2018).

*One of the following:*

- A. “Economics is fundamentally about concrete facts.” Is it? Compare and contrast the role of factual evidence as opposed to logical deduction among Mill, Marshall, and Robbins.
- B. 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”?
- C. Does Popper’s situational analysis conflict with his demarcation criterion or his

denial of a logic of discovery or both or neither? Explain carefully.

2. (Due Thursday 15 November 2018).

*One of the following:*

A. 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?

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. "Popper's situational analysis and rationality principle are compelling evidence that Lakatos is right: the real Popper is Popper<sub>2</sub>. Is it? Why or why not?"

3. (Due Wednesday 12 December 2018; note: this paper is in lieu of a final examination.)

*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. What is a science? Is economics one?

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. Are there laws in economics? Does economics need them?
- E. 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.)
- F. 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.