

**Philosophy 345/Economics 319:
The Philosophy and Methodology of Economics
Spring 2022**

Administrative Details

Instructor: Professor K.D. Hoover

Lecture: 1:45-3:00 PM, Tuesdays and Thursdays, 088 Perkins Link (Classroom 4)

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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

On course in economics or consent of the instructor.

Course Description

An introduction to conceptual and methodological issues raised in modern economics. Topics include positive and normative economics, rationality, models, economic explanation, conceptual issues in econometrics and economic experiments, the nature of economic science. The course is mainly a seminar based on active participation in class discussion. There will be a few lectures.

Required Work and Grading

The topics, due dates, and instructions are found on the [course website](#) on the [Timetable & Assignments](#) link. I will provide further details in class.

There are *three required graded parts to the course*:

1. *Weekly Short Assignments & Discussion Questions:* 30 percent. These assignments are meant to make sure that you are up to speed on, and engaged in, the primary readings.
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 two longer analytical papers during the semester and one in lieu of the final examination.

See the link [Rules for Late or Missed Assignments](#) on the [course website](#) for information on that topic.

Academic Ethics and the Conduct of the Class

I will hold you to strict standards of academic ethics. Please click on the [Academic Ethics & Conduct](#) link on the [course website](#) for the detailed policy.

Our classroom is a space for the free expression of thoughts and ideas and for critical engagement. It is essential that students and the instructor alike treat others in the class with respect and courtesy. So long as these are maintained, any idea, belief, or criticism of ideas or beliefs that are relevant to the subject matter of the course may be freely expressed, however unpopular or disagreeable others may find them.

Readings

Required text: It is essential that you prepare the required readings *before* each class. All required readings are electronically accessible on Duke Box. Students registered for the class (including waitlisted students) should have received an email with a link to the folder in Duke Box. If you have not received such a link, please email me and I will send it.) Consult the [Timetable & Assignments](#) link on the [course website](#) to see when readings are due.

0. Background

These readings any in this section are not used specifically but 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.

The following short book is not available in the course readings online, but can be borrowed from the library or purchased from Amazon. It gives a good overview of the field of methodology and the philosophy of economics:

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

1. A Real Economic Problem

(i) Charles Brown, "Minimum Wage Laws: Are They Overrated?" *Journal of Economic Perspectives* 2(3), Summer 1988, pp. 133-145.

(ii) Alan Manning, "The Truth About the Minimum Wage: Neither Job Killer Nor Cure-All," *Foreign Affairs*, January-February 2018, pp. 126-134.

2. Values in Economics.

A. (i) 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.

(ii) Fritz Machlup, "Positive and Normative Economics: An Analysis of Ideas," in Robert Heilbroner, editor, *Economic Means and Social Ends: Essays in Political Economics*, 1969, pp. 99-129.

B. Julian Reiss (2017) "Fact-Value Entanglement in Positive Economics," *Journal of Economic Methodology*, 24(2), pp. 134-149.

3. Economic Rationality

- A. Karl Brunner and William H. Meckling, "The Perception of Man and the Conception of Government," *Journal of Money, Credit and Banking* 9(No. 1, Part 1), February 1977, pp. 70-85.
- B. Jon Elster, "The Nature and Scope of Rational Choice," in E. Ullmann-Margalit, editor, *Science in Reflection*, 1988, pp. 51-65. in Caldwell I pp, 425-439.
- C. F.A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35(4), pp. 519-530.

4. Logic

- Hoover, "Notes on Logic."
[These notes are a supplement to the lecture on *Logic*.]

5. Economic Models

- A. (i) 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.
- (ii) Mary Morgan, "Models as a Method of Inquiry," in Morgan, *The World in the Model: How Economists Think*. Cambridge: Cambridge University Press, ch. 1, pp. 1-38.
- B. Allan Gibbard and Hal Varian, "Economic Models," *Journal of Philosophy* 75(11), 1978, pp. 664-677.
- C. Robert Sugden, "Credible Worlds: The Status of Theoretical Models in Economics," *Journal of Economic Methodology* 7(1), 2000, pp. 1-31.

6. Economic Explanation

- A. (i) Karl Popper, "The Rationality Principle," in David Miller, ed., *A Pocket Popper*. London: Fontana, 1983.
- (ii) Noretta Koertge, "The Methodological Status of Popper's Rationality Principle," *Theory and Decision* 10(1), 1979, pp. 83-95.
- B. (i) Karl Popper, "Science: Conjectures and Refutations," in *Conjectures and Refutations*. London: Routledge and Kegan Paul, 1963, pp. 33-58.
- (ii) Bruce Caldwell, "Clarifying Popper," *Journal of Economic Literature* 29(1), March 1991, pp. 1-33.
- C. Nancy Cartwright, "Ceteris Paribus Laws and the Socio-economic Machine," in the *Dappled World*. Cambridge: Cambridge University Press, 1999, ch. 6 (pp. 137-151).
- D. John Dupré, "Economics without Mechanism," in Uskali Mäki, editor, *The Economic World View*, Cambridge, 2001, pp. 308-334.

7. Experiments in Economics

- A. Mary Morgan, "Model Experiments," in Morgan, *The World in the Model: How Economists Think*. Cambridge: Cambridge University Press, ch. 7, pp. 256-300.
- B. Smith, "Economics in the Laboratory," in Daniel Hausman, editor, *The Philosophy of Economics: An Anthology*, ch. 18, pp. 334-356.
- C. Menno Rol and Nancy Cartwright, "Warranting the Use of Causal Claims: A Non-trivial Case for Interdisciplinarity," *Theoria* 74, 2012, pp. 189-202.

8. Econometrics

- A. Kevin D. Hoover, "The Role of Hypothesis Testing in the Molding of Econometric Models," *Erasmus Journal for the Philosophy of Economics* 6(2), Autumn 2013, pp. 42-65.
- B. Joshua D. Angrist and Alan B. Krueger, "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," *Journal of Economics Perspectives* 15(4), (Autumn, 2001), pp. 69-85.
- B. (i) 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. [Note: the meat of this reading is in Chapter 2, but the short Chapter 1 is necessary background to Chapter 2.]
- (ii) Kevin D. Hoover, "Econometrics as Observation: The Lucas Critique, Causality and the Nature of Econometric Inference," *Journal of Economic Methodology*, June 1994.

9. Just What Is Economics After All?

- A. 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.
- B. Alfred Marshall, "The Present Position of Economics," 1885.
- C. Lionel Robbins, *The Nature and Significance of Economic Science* (Part I, Part II), 2nd edition 1935 (first edition 1932).

10. Friedman 1953: The One Methodology Paper Every Economist Knows

- A. Milton Friedman, "The Methodology of Positive Economics," in Friedman, *Essays in Positive Economics*. Chicago: University of Chicago Press, 1953.
- B. (i) Daniel Hausman "Why Look Under the Hood?" in *Essays on Philosophy and Economic Methodology*. Cambridge: Cambridge University Press, 2008, ch. 5, pp. 70-74.
- (ii) Kevin Hoover, "Milton Friedman's Stance: The Methodology of Causal Realism," in Uskali Mäki, editor, *The Methodology of Positive Economics: Milton Friedman's Essay Fifty Years Later*. Cambridge: Cambridge University Press, 2009, pp. 303-320.