

Reading List

Philosophy of Economics

The philosophical literature in the philosophy of economics is relatively small. The two most important, specialist journals are *Economics and Philosophy* and the *Journal of Economic Methodology*. The following list is a short-list of readings which I found particularly helpful, and/or which I refer to in the lectures. Reiss's textbook has extensive references to further literature.

Important and useful literature I have marked with stars (* or **).

1 General Readings

1.1 Handbooks and Anthologies

*Hausman, Daniel (ed.). *The Philosophy of Economics: An Anthology*. Cambridge University Press, 1994.

(Reprints many famous papers, and some lesser known ones.)

Kincaid, Harold, and Don Ross (eds.). *The Oxford Handbook of Philosophy of Economics*. Oxford University Press, 2009.

(The best general handbook on the philosophy of economics. Heavily advocates a "new" philosophy of economics—read the Introduction.)

1.2 Overviews

**Reiss, Julian. *Philosophy of Economics a Contemporary Introduction*. Routledge, 2013.

(The best textbook on the philosophy of economics, which I strongly recommend—esp. chapters 2, 5-7 & 9-10. Use this as your starting point, and then move to other (*)-marked readings.)

*Hausman, Daniel. "Economic Methodology in a Nutshell." *The Journal of Economic Perspectives* 3, no. 2 (1989): 115–27.

(Slightly outdated, but still a helpful overview. Accompanies Reiss's book well, given that Hausman has a more historical focus. Short!)

1.3 Classic Works

*Hausman, Daniel. *The Inexact and Separate Science of Economics*. Cambridge University Press, 1992.

(Highly valuable work in the "old" philosophy of economics. Gives a good overview of central issues in economics, and discusses different approaches to the philosophy of economics. Advocates a Mill-inspired view.)

1.4 Other

Düppe, Till. "How Economic Methodology Became a Separate Science." *Journal of Economic Methodology* 18, no. 2 (2011): 163–76.

(A recent, article-length history of economic methodology. Useful for setting the stage. Not unbiased.)

2 Economics in Crisis?

Stiglitz, Joseph. "Rethinking Macroeconomics: What Failed, and How to Repair It." *Journal of the European Economic Association* 9, no. 4 (2011): 591–645.

(Sees the main culprit for the inability of macroeconomists to predict and explain the financial crisis in the dominance of DSGE models. Calls for a "fundamental re-examination" of economics. A bit drawn out.)

Federal Reserve Bank of Minneapolis, "Interview with Thomas Sargent". August 26, 2010. Online at <http://www.minneapolisfed.org/>

(Sargent, a main advocate of DSGE models, argues that macroeconomics is in good health, and that there is no need to "reconstruct" it after the crisis. Cites a wealth of work done which Sargent thinks has advanced knowledge.)

Federal Reserve, Speech of Ben Bernanke, "Implications of the Financial Crisis for Economics". September 24, 2010. Online at <http://www.federalreserve.gov/>

(Bernanke argues that economics as a science remains mostly unharmed by the financial crisis, even though there were problems on the side of "economic engineering".)

3 Popper and Lakatos: Economics as a Science

The section "Prediction and Explanation in Economics" on "Part B" of the faculty's "Philosophy of Social Science" reading list tackles similar issues, though some of the readings are now a bit dated.

3.1 Popperian Approaches

*Hausman, *Inexact and Separate Science*, ch. 10.

Blaug Mark, "Why I am Not a Constructivist: Confessions of an Unrepentant Popperian." In Roger Backhouse (ed.), *New Directions in Economic Methodology*, 111-139. Routledge, 1994.

(Blaug is the most influential Popperian in the debate. For a book-length treatment, see his *The Methodology of Economics, Or, How Economists Explain* [Cambridge University Press, 1992]. Blaug has published widely, and the basics of his views can be gleaned from many of his other publications as well.)

**Hands, Wade. "Popper and Lakatos in Economic Methodology." In *The Philosophy of Economics: An Anthology*, edited by Daniel Hausman, 188-203. Cambridge University Press, 1994.

(Succinct treatment of both Popperian and Lakatosian approaches, with a negative assessment of both.)

3.2 Lakatosian Approaches

Hausman, *Inexact and Separate Science*, ch. 11.

*Rosenberg, Alexander. "Lakatosian Consolations for Economics?" *Economics and Philosophy* 2, no. 1 (1986): 127-39.

(Highly sceptical of the turn to Lakatos in economic methodology.)

Mäki, Uskali. "Method and Appraisal in Economics, 1976-2006." *Journal of Economic Methodology* 15, no. 4 (2008): 409-23.

(Short account of the rise and fall of Lakatosian approaches in economic methodology; summarises main critical points.)

Backhouse, Roger, "The Lakatosian Legacy in Economic Methodology." In *New Directions in Economic Methodology*, 175-93. Routledge, 1994.

(A more sympathetic treatment as compared to Hands, Hausman and Rosenberg. Useful as an overview as well.)

Herne, Kaisa, and Maija Setälä. "A Response to the Critique of Rational Choice Theory: Lakatos' and Laudan's Conceptions Applied." *Inquiry* 47, no. 1 (2004): 67-85.

(A recent discussion of whether Lakatosian views can be applied to adequately understand rational choice theory. Argues that they cannot.)

3.3 Other Objections

Rosenberg, Alexander. *Economics: Mathematical Politics or Science of Diminishing Returns?* University of Chicago Press, 1992.

(Together with Hausman 1980 and Blaug 1992 part of a triptychon of the most influential books in the "old" philosophy of economics. Highly critical of the scientific status of economics. For a discussion of Lakatos, see ch. 4.)

4 Friedman's Instrumentalism

**Friedman, Milton. "Methodology of Positivist Economics." In *Essays in Positive Economics*. Chicago: University of Chicago Press, 1966. Also reprinted in Hausman (ed.), *The Philosophy of Economics*.

(Argues for a thorough instrumentalism about economic models, claiming that it's a mistake to inquire after the "realism" of the assumptions

in economic models. *The most influential paper in economic methodology.*)

**Musgrave, Alan. “‘Unreal Assumptions’ in Economic Theory: The F-Twist Untwisted.” *Kyklos* 34, no. 3 (1981): 377–87.

(Argues that Friedman’s argument is marred by a central unclarity on what is meant by ‘unrealistic’. Distinguishes ‘negligibility’, ‘domain’ and ‘heuristic’ assumptions.)

*Reiss, Julian. “Idealization and the Aims of Economics: Three Cheers for Instrumentalism.” *Economics and Philosophy* 28, no. 3 (2012): 363–83.

(A modern and more sophisticated defence of instrumentalism. Suggests another and insightful way to define “realism” in economics.)

*Hausman, Daniel. “Why Look Under the Hood?” In *Essays in Philosophy and Economic Methodology*, edited by Daniel Hausman, 70–73. Cambridge University Press, 1992. Also reprinted in Hausman, *The Philosophy of Economics*.

(Argues that, even on their own terms, a Friedman-style instrumentalist has reasons to care for the “realism” of their assumptions. Simple but neat.)

Hausman, Daniel. “Problems with Realism in Economics.” *Economics and Philosophy* 14, no. 2 (1998): 185–213.

(Argues, against Mäki, that “instrumentalism” in economics differs from “realism” as known in the philosophy of science, such as van Fraassen’s constructive empiricism, because there is no problem of unobservables in economics.)

Popper, Karl. “Three Views Concerning Human Knowledge.” In *Conjectures and Refutations*, ch. 3. Routledge, 1965.

(In this paper, Popper rejects “instrumentalism”, a position which shares many similarities with Friedman’s position.)

5 Explanation and Economic Models

**Reiss, *Philosophy of Economics*, ch. 7.

Reiss, Julian. “The Explanation Paradox.” *Journal of Economic Methodology* 19, no. 1 (2012): 43–62.

(States a clear and simple trilemma for the explanatory status of false models. Discusses and categorises common approaches. Book chapter is based on article.)

**Sugden, Robert. “Credible Worlds: The Status of Theoretical Models in Economics.” *Journal of Economic Methodology* 7, no. 1 (2000): 1–31.

(An influential attempt to explain the status of economic models as “credible worlds”. A classic paper which you should read.)

Cartwright, Nancy. “If No Capacities Then No Credible Worlds. But Can Models Reveal Capacities?” *Erkenntnis* 70, no. 1 (2009): 45–58.

Mäki, Uskali. “MISSing the World. Models as Isolations and Credible Surrogate Systems.” *Erkenntnis* 70, no. 1 (2009): 29–43.

Alexandrova, Anna, and Robert Northcott. “It’s Just a Feeling: Why Economic Models Do Not Explain.” *Journal of Economic Methodology* 20, no. 3 (2013): 262–67.

(Explicit reaction to Reiss. Title says it all.)

6 (Ceteris Paribus) Laws in Economics

Reiss, *Philosophy of Economics*, ch. 2.

**Hausman, *Inexact and Separate Science*, ch. 8, 12.

(Hausman defends a Millian account on which CP laws are central to economics—this makes economics both inexact and separate. Clearly written and a good general account of the point of CP clauses in economics.)

*Reutlinger, Alexander, Gerhard Schurz, and Andreas Hüttemann. "Ceteris Paribus Laws." In *The Stanford Encyclopedia of Philosophy*, 2014. <http://plato.stanford.edu/archives/spr2014/entries/ceteris-paribus/>.

(Very thorough, but read selectively—contains probably more than you need to know about CP laws.)

Earman, John, and John Roberts. "Ceteris Paribus, There Is No Problem of Provisos." *Synthese* 118, no. 3 (1999): 439–78.

*Cartwright, Nancy. "Ceteris Paribus Laws and Socio-Economic Machines." In *The Economic World View: Studies in the Ontology of Economics*, edited by Uskali Mäki, 275–92. Cambridge University Press, 2001.

(Explains Cartwright's particular opposition to "regularity theories", and the idea of "nomological machines"—in this context "socio-economic machines"—which centrally rely on ceteris paribus clauses.)

Hausman, Daniel. "Ceteris Paribus Clauses and Causality in Economics." *Proceedings of the Biennial Meeting of the Philosophy of Science Association* 1988 (1988): 308–16.

7 Experiments in Economics

*Reiss, *Philosophy of Economics*, ch. 9, 10.

Kincaid/Ross, *Handbook of Philosophy of Economics*, ch. 7, 10, 11.

7.1 Models and Experiments

Morgan, Mary. "Experiments versus Models: New Phenomena, Inference and Surprise." *Journal of Economic Methodology* 12, no. 2 (2005): 317–29.

Mäki, Uskali. "Models Are Experiments, Experiments Are Models." *Journal of Economic Methodology* 12, no. 2 (2005): 303–15.

7.2 Controlled Experiments

Smith, Vernon. "Economics in the Laboratory." *The Journal of Economic Perspectives* 8, no. 1 (1994): 113–31.

(A famous experimental economist's early account and defence of the experimental approach in economics.)

Guala, Francesco, and Luigi Mittone. "Experiments in Economics: External Validity and the Robustness of Phenomena." *Journal of Economic Methodology* 12, no. 4 (2005): 495–515.

(Discusses some basic issues in the methodology of experiments. Objects to the view that experiments "merely" test a theory, and stresses that the issue of external validity has been under-theorised.)

**Guala, Francesco. *The Methodology of Experimental Economics*. Cambridge University Press, 2005.

(Currently the best philosophical treatment of the issue. In general, Guala's work on experimental economics is excellent.)

7.3 Instrumental Variables

Heckman, James. "The Scientific Model of Causality." *Sociological Methodology* 35, no. 1 (2005): 1–97.

(An economist's explanation of how causality works in "science", i.e., econometrics. Quickly delves into formal issues, and the philosophical questions are somewhat undertheorised.)

Acemoglu, Daron, Simon Johnson, and James Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91, no. 5 (2001): 1369–1401.

(A famous study I use to illustrate instrumental variables.)