

Epistemology & Economics

Guide Questions

- ★ Choose 2 questions and answer in 100 words per question. ★
- ★ Include your answers in the body of an email, sending it to uni.c.martini@gmail.com or carlo.martini@uni-bayreuth.de ★
- ★ use as subject of your email the subject line “QSWEEK # of the week” (example: for week 3 write QSWEEK3) ★
- ★ Submit each question sheet by Sunday night of each week ★
- ★ Submit **seven**¹ question sheets out of the ten given ★
- ★ Don't copy, don't work in groups ★

- *Week 3*

1. What is Mill's definition of "Homo Economicus", that is, how does he define the object of investigation of Political Economy? Does Mill consider his definition as an accurate definition of a human being? How does Mill explain and justify his definition?
2. What is an "experimentum crucis"?
3. How are "abstract truth" obtained in economics or the social sciences? What does one need to add in order for those truths to be used in practical applications?
4. Why is the method "a-priori" the only method available to economics and the social sciences, according to Mill, and why is the method "a posteriori" inapplicable?
5. Mill uses a metaphor to illustrate the relation between the "professor of abstract science" and the legislator (the one who occupies her- or himself of policy making). What metaphor does he use? How does the metaphor explain the relation between abstract political economy and its practical applications? In other words, how does the process of applying political economy to the real world work?
6. In the method of the practical philosopher what do the processes of analysis and synthesis consist of?
7. What does Mill have to say about the exceptions to the laws of political economy and, in fact, of any proper science in general? [56]
8. Can the analysis of empirical data be valuable even in the absence of a theoretical model?

- *Week 4*

1. How does Weber explain the concept of culture? How does empirical reality become culture?
2. Why is, in the cultural sciences, the knowledge of the universal or general never valuable in itself?
3. What is "purpose" according to Weber? Why does the analysis of the concept of "purpose" seem to invert the relation between cause and effect?

¹One less than previously announced in class, as I adjusted the workload.

4. When speaking about the evolutionary principle as the one scientific explanation that apparently subsumed under one law the history of mankind, Weber says that in that apparently ultimate transition "Only those aspects of phenomena which were involved in the "laws" could be essential from the scientific point of view, and concrete "individual" events could be considered only as "types," i.e., as representative illustrations of laws. An interest in such events in themselves did not seem to be a "scientific" interest. Can you explain this passage? What happens when we switch from a historical perspective on the evolution of humanity to an evolutionary one? Are the two incompatible?
5. Can you summarize the difference between a historical understanding of phenomena and a scientific one?

- *Week 5*

1. Summarize the approach to economics that Hausman calls "deductivism". How is economic theorizing carried out according to the deductivist stance of J.S. Mill? In light of Mill's own explanation of his account (see week 3), do you think Hausman's reconstruction of Mill's position is correct?
2. Summarize the approach to economics that Hausman calls "positivism". How is economic theorizing carried out according to the positivist stance of Popper?
3. Summarize the approach to economics that Hausman calls "predictionism". How is economic theorizing carried out according to the predictionist stance of Friedman?
4. Summarize the approach to economics that Hausman calls "eclecticism". How is economic theorizing carried out according to the eclectic stance of J.S. Mill?
5. Which one (or ones) of the views does Hausman choose in the end, and how does he justify his choice?
6. Why is the distinction between assumptions and implications a shallow one?

- *Week 6*

1. What is the distinction between, on the one hand, normative economics and the art of economics, and, on the other hand, positive economics? Why is the latter not dependent on the former, and why, instead, are the former dependent on the latter?
2. What does a positive science consist of; that is, what are the elements that a positive science is constituted of?
3. List at least two of the reasons why Friedman thinks that economics is no different from the natural sciences.
4. Why is empirical evidence important in economics?
5. What is the relevant type of evidence for the maximization-of-returns hypothesis? Why does Friedman think that the hypothesis is a valid one, even though some studies had showed that businessmen do not in fact calculate marginal cost and marginal revenue from all their possible business actions?
6. How do we choose among alternative sets of assumptions, or among alternative theories, when their predictions are the same?

- *Week 7*

1. Hausman and McPherson mention two "kinds of economics" early in their paper. What are those kinds of economics concerned with? What is the role of each?

2. Why, according to the authors, is Summers's memorandum an instance of "normative economics"? Provide three reasons.
3. What kind of individualism do economists typically assume, and how is it distinguished from other kinds of individualism?
4. In the "theory of rationality" typically assumed in economics (either implicitly or explicitly), what is the difference between the form and the content of the theory?
5. Why is the theory of rationality a *normative* theory? Why does it prescribe what one *should do*? What are the consequences of *not* following the theory?
6. Why may Pareto improvements not always be the best criterion for selecting alternatives in economics?

- *Week 8*

1. What was the inspiration for Jan Tinbergen's method of economic modeling?
2. What type of analogy holds, according to Hertz, between two systems, one of which is the model of the other, and the human faculty of representation?
3. What three requirements should the image of a phenomenon fulfill?
4. What is the difference between the requirement of 'appropriateness' and the requirement of 'logical rigor'?
5. Can you give some examples, either from Bouman's article or from your own stock, of some models as physical three dimensional representations of mathematical entities?
6. What are the relevant differences between viewing a model as a *representation* (a symbol), and as a physical object describing, in smaller scale, the mathematical relations of some other system.
7. What are models?

- *Week 9*

1. Why is formalism intimately linked with the use of models?
2. What is 'basic formalism'? What is set theoretic formalism? What is the difference between the two?
3. Which one is, according to the author, the predominant formalism in current economic analysis? Are Kesting and Vilks suggesting that we should abandon that type of formalism in economics? Why should we/should we not?
4. In the end, according to the authors, what is the epistemological status of economic models is?

- *Week 10*

1. How is CPI typically measured in an economy? [You may report from Reiss's paper, or from your own stock of knowledge; and either on the method of measurement in the USA or in some other country. If you choose to *not* refer to Reiss, quote your sources.]
2. Why was the Boskin Commission employed in the first place? What are the challenges in measuring a country's CPI?
3. How should the question of what a CPI index is measuring be ultimately settled, according to Reiss?

4. Describe one of the principles of expertise of your choice, among those that Reiss lists in his article. How was the principle violated by the Boskin Commission?
5. In the second part of his article, Reiss says that “in case of a conflict between a normative theory [...] and practice [...]” we need to decide whether to challenge the theory as inadequate, or admit that the practice is deficient against the theory. Which of the two routes does Reiss take? How does he evaluate his “principles of expertise”? (Pick only one, as example, and describe how Reiss evaluates it.)

- *Week 11*

1. Explain the INUS analysis of causality as Hoover reports it from Mackie.
2. Explain what the “Lucas critique” is, in relation to the identification problem.
3. What a-priori principles are, according to Hoover, fundamental for building models starting from Economic theory?
4. What is “weak apriorism” in Econometrics?
5. What is the difference between “autonomous relations” and “confluent relations”? Can we measure the latter?
6. What does it mean to be a realist, rather than a nominalist, in econometrics? How does Hoover justify the former stance in econometrics?

- *Week 12*

1. Explain the problem of indeterminacy in game theory. What is the difference between epistemic and strategic indeterminacy?
2. What is a Nash equilibrium? Give an example of a Nash equilibrium.
3. How can the concept of evolution help us solve indeterminacy in game theory?
4. When and why did experiments become important in game theory?
5. What is the role of norms and expectations in economics?