



Epistemology and Economics

Summer Semester 2014

Blockseminar — V or B4 (the course is open for open for BA4 and BA6 students but due to space constraints preference will be given to advanced students)

Objectives: To understand the concepts of evidence and justification in economics.

Classes: Friday 11:00 - 19:00, Saturday 10:00 - 19:00, Sunday 09:30 - 17:00 - Classroom: TBA

Assessment:

- 2CP: 50% class attendance and participation + 50% presentation
- 8CP: 25% class attendance and participation + 25% presentation + 50% final paper (4000 words)

Description of the course

A 2013 paper by Reinhart and Rogoff was found by an student of economics to contain what became the most famous coding mistake in an economic spreadsheet. The paper showed that an an economy's growth-rate decreases sharply once government debt exceeds 90% of GDP; thereby providing evidence that seemed to justify austerity measures across the world. Only, the conclusion was based on gross methodological mistakes (wrong coding, data selection, etc.) the authors of the paper had overlooked. But let us assume for a moment that the paper had contained no mistakes. Is a correlation found on a spreadsheet *evidence* for an economic policy? Are models good evidence for economic policy? Do historical arguments fare better or worse than models? Are the opinions of experienced economists to be valued more or less than an economic data model, a case study, a mechanistic model etc.?

In this course we will examine what it means to *know* something in economics. How do we establish facts and evidence about economic phenomena? The fundamental questions will be 'what constitutes evidence, that is justification, in economic discourse?' 'What methods are available for gathering evidence in economics, and, for each, what are their desirable and undesirable traits?' We will consider these and other questions mostly from the point of view of policy preparation. Because the science of economics is constantly evolving with new methods, new forms of social measurement, and so on, the question cannot be answered once and for all; therefore, the principal objective of the course will also be to arrive at an understanding of the main challenges for economics today. The close link between economics and policy making makes the problem of justification in economics all the more pressing, and that is, in essence, the nature of all epistemological problems for economic science.

Schedule of classes

The following list of readings and the schedule will most likely see small adjustments before the start of classes.
All texts will be available in the Reader

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1. SCIENCE AND ECONOMIC METHOD **Friday 25 9:15 – 12:45**
Readings: Schumpeter, *History of Economic Analysis* – Part 1: Scope and Method
Hausman, ‘Economic methodology in a nutshell’
Mäki, ‘Two portraits of economics’
2. HISTORY & CASE STUDIES **Friday 25, 14:00 – 15:30**
Readings: Chang, ‘Kicking Away the Ladder’
Field, ‘Economic History’ (Palgrave Dic. of Economics)
Reiss, ‘Counterfactuals, Thought Experiments, and Singular Causal Analysis in...’
3. LITERARY & RHETORICAL ANALYSIS **Friday 25, 15:45 – 17:15**
Readings: McCloskey, ‘How to do a rhetorical analysis, and why’
Brown, ‘The economy as text’
McCloskey, ‘The limits of expertise, if you’re so smart why ain’t you so...’
4. FORMAL MODELS **Friday 25, 17:30 – 19:00**
Readings: Sugden, ‘Credible worlds.’
Mäki, ‘MISSing the world.’
Cartwright, ‘If no capacities then no credible worlds.’
5. EXPERIMENTS **Saturday 26, 10:00 – 11:30**
Readings: Smith, ‘Experimental methods in economics’
Guala, *The Methodology of Experimental Economics* – Ch. 2, 3, 8, 9
Plott, ‘Dimensions of parallelism: some policy applications of experimental methods.’
6. THEORETICAL ANALYSIS **Saturday 26, 11:45 – 13:15**
Readings: Ricardo, *On the Principles of Political Economy...* (Ch 1: On Value)
Becker, ‘Crime and punishment: an economic approach’
Morgenstern, ‘Thirteen Critical Points in Contemporary Economic Theory...’
7. QUANTITATIVE ANALYSIS/ECONOMETRICS **Saturday 26, 14:15 – 15:45**
Readings: Spanos, ‘Philosophy of Econometrics’
Lucas, ‘Econometric Policy Evaluation - A Critique’
Boumans, *How Economists Model the World into Numbers* – Ch. 5
8. SIMULATIONS **Saturday 26, 16:00 – 17:30**
Readings: Schelling, ‘Dynamic Models of Segregation’
Reiss, ‘A Plea for (Good) Simulations: Nudging Economics Toward an Experimental Science’
Axelrod, ‘Advancing the Art of Simulation in the Social Sciences’
9. SESSION 10: BACKUP SESSION / DISCUSSION **Saturday 26, 17:45 – 18.45**
10. SESSION 11: WORKING GROUPS **Sunday 27, 9:30 – 10:30**
11. SESSION 11: WORKING GROUPS’ PRESENTATIONS (GROUPS 1 TO 3) **Sunday 27, 10:45 – 12:15**
12. SESSION 11: WORKING GROUPS’ PRESENTATIONS (GROUPS 4 TO 7) **Sunday 27, 13:45 – 15:45**
13. SESSION 11: GROUP DISCUSSION **Sunday 27, 16:00 – 19:00**