


The relevance of Philosophy of Economics in the HE Economic Curricula

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A quote by David Hume is displayed in white text against a background of stylized, layered mountains in shades of blue and orange. The quote reads: "I can well conceive a man without hands, feet, head. But I cannot conceive man without thought; he would be a stone or a brute."

I can well conceive a man without hands, feet, head. But I cannot conceive man without thought; he would be a stone or a brute.

David Hume

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To start with...

“What unites the great economists, and many other good ones, is a broad education and outlook. This gives them access to many different ways of understanding the economy. The giants of earlier generations knew a lot of things besides economics.”

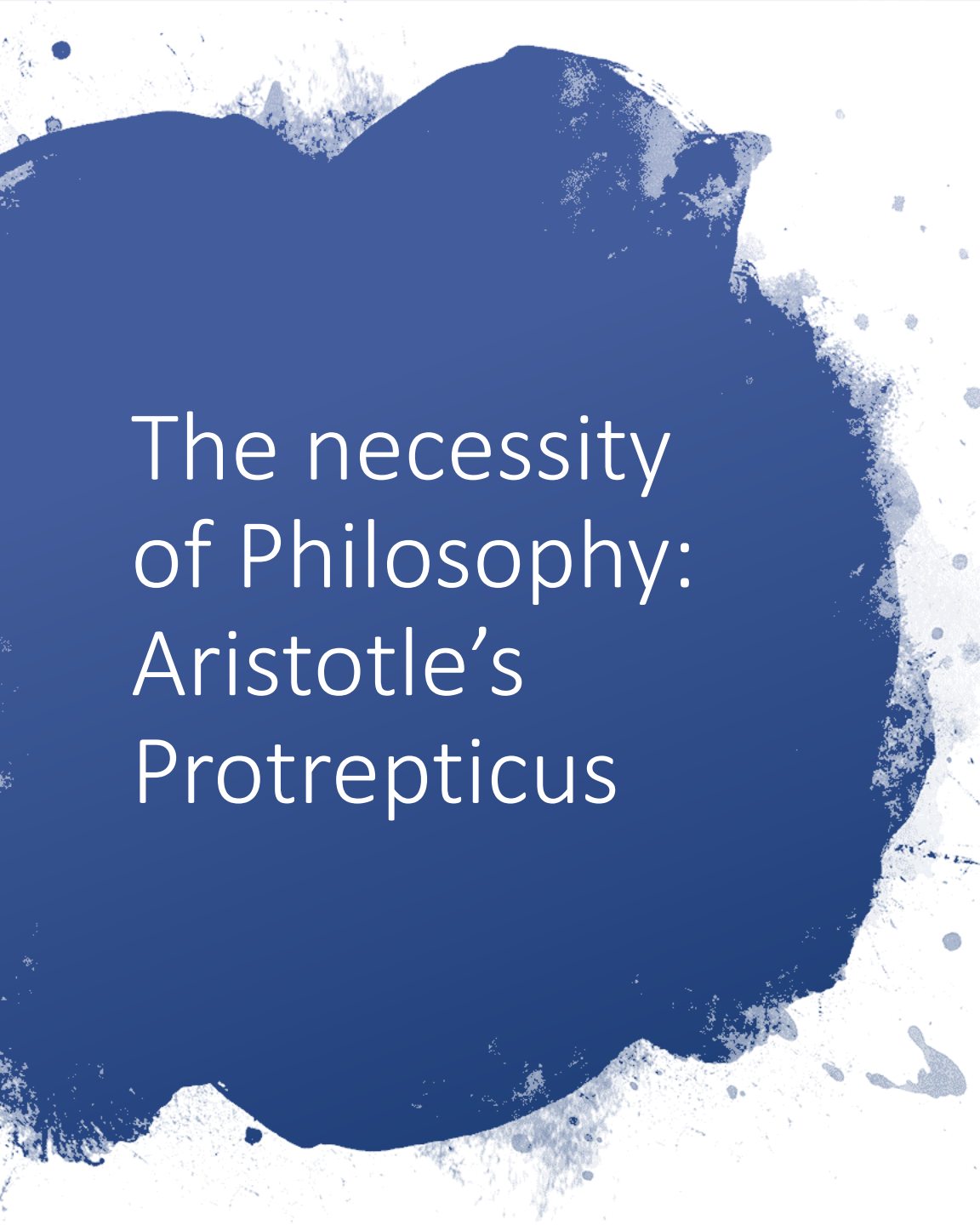
Skidelsky (2017)

“Today’s professional economists, by contrast, have studied almost nothing but economics. They don’t even read the classics of their own discipline. Economic history comes, if at all, from data sets. *Philosophy, which could teach them about the limits of the economic method, is a closed book.* Mathematics, demanding and seductive, has monopolized their mental horizons. The economists are the idiots savants of our time.”

- Students who come to us to study economics instead become experts in mathematical manipulations. I suspect that their views on economic issues are influenced by the way we teach, perhaps without them even realizing it
- Academic studies are not intended to be practical, nor are they an alternative to political activism

Rubinstein (2006, 2017)


- Casting doubt on the predictive ability of economic models is viewed as an attempt to sabotage the myth that economics is a practical field of study
- An undergraduate degree in economics is not essential to becoming an economist in the same way that a degree in engineering or medicine is essential to becoming an engineer or doctor
- A large group of senior Israeli businesspeople believe that a graduate in history or philosophy is no less qualified to work for them than a graduate in management or economics




The necessity of Philosophy: Aristotle's Protrepticus

If you should do philosophy, you should do philosophy, and if you should not do philosophy, then you should do philosophy. Therefore **in every case you should do philosophy.** For if philosophy exists, then positively we are obliged to do philosophy, since it truly exists. But *if it does not truly exist, even so* we are **obliged to investigate** how it is that philosophy does not truly exist. But by investigating we would be doing philosophy, since **to investigate is the cause of philosophy.**

The **key property** of thought consists in the faculty of taking itself as object of thought, while at the same time remaining also subject

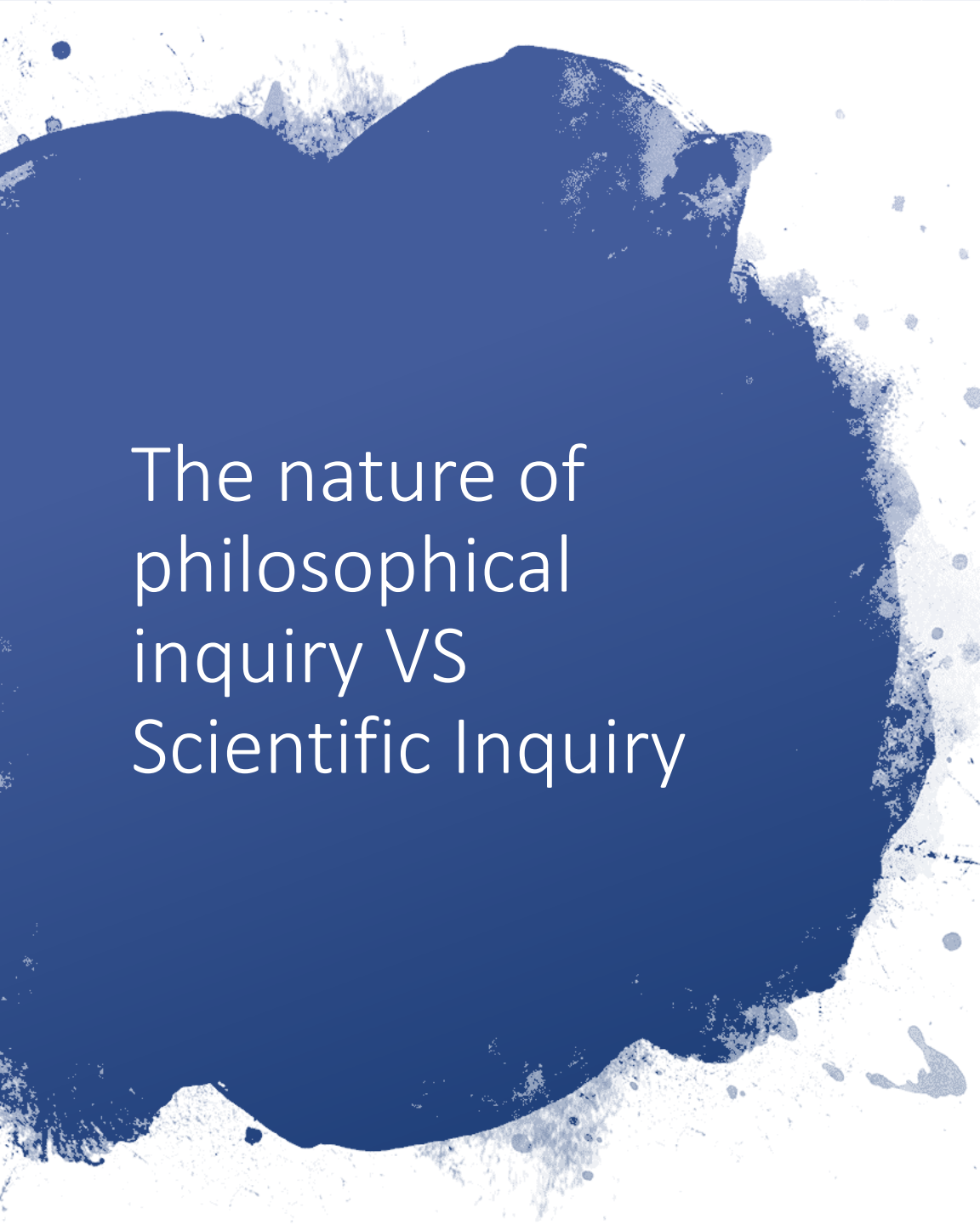


Such reflective thinking is the foundation of the critical function of thought, for it is precisely because thought can take itself as object that it can also criticise itself.



Since thought can criticise itself, it can also criticise that which is other from itself.

Reflective thinking and critical thinking



The nature of
philosophical
inquiry VS
Scientific Inquiry

- Philosophy, as questioning, gives rise to **critical thinking**: its capacity to **problematise the given**, i.e., data of experience
- This marks a difference with respect to sciences
- The latter assume the given as their starting point, since they start from facts that represent the assumptions of an inquiry

OBJECTIVITY
UNDER
SCRUTINY

Sciences consider data *as if* they were **objective**, i.e., independent from relations to the subject, while philosophical inquiry shows that data are bound to a system of reference, that allows to detect them

There are 4 parts:

Introductory Concepts

Philosophy of Science

Debates in Economics

Alternatives Approaches to Economics

Module Content

Introductory Concepts

Causality in Philosophy (Hume's
Challenge)

Inductivism and Deductivism (Mill,
Methodenstreit, Hausman)

Models and Scientific Explanation
(Vienna Circle and Logical Positivism)

Beyond Positivism (Caldwell's
Pluralism)

Popper and Falsificationism



Kuhnian Paradigms

Lakatosian Research Programmes

Instrumentalism: Friedman and his critics

Application to Economics

Philosophy of Science

Debates in Economics

Rationality in Economics

Methodological Individualism

vs

Methodological Holism

Value Judgements in Economics

Objectivity and Subjectivity in Economics

Alternatives Approaches

The Rhetoric of Economics and
Humanomics

Psychology and Economics
(Neuroeconomics), Behavioural economics

Austrian School

Summing Up: Is Economics a Science?

Methodological Individualism

- **Social phenomena must be explained in terms of individuals, their physical and psychic states, actions, interaction, social situation and physical environment (Udehn, 2000)**
- **Colander:** “Someone must be doing the maximizing, and in neoclassical economics it was the individual. One starts with individual rationality, and the market translates that individual rationality into social rationality”.
- “While individualism still reigns, it is under attack by branches of modern economics. Complexity theorists challenge the entire individualistic approach, at least when that approach is used to understand the aggregate economy. Evolutionary game theorists are attempting to show how such norms develop and constrain behavior. New Institutionalists consistently operate out of a framework at odds with methodological individualism”.

Methodological Holism

- **Society cannot be explained by resorting to individuals only, because it has its own rules and normativity. It is more than the sum of its parts.**
- Organisations, Institutions, cultural traditions have their own specificity which is not reducible to the individuals. Psychological explanations insufficient to explain macro-phenomena.
- Institutions and society are considered not just as *explananda* but also as *explanantia* (independent variables)
- **Emergentism:** New properties emerge from the system which are not reducible to the components.



Theoretical limitations of reductionism

There are two main problems at a theoretical level with reductionism:

1. It's an **endless enterprise**: society is reduced to the individual; the individual to its **psychological** basis, the latter to the **biological** dimension, this to the **chemical** dimension, then to the **physical** dimension, but in **physics** too scientists are far from being in agreement on the fundamental ultimate matter (think of quantum physics).
2. Any **determinate identity** refers to a limit that characterises it with respect to that which differs from it. Difference is constitutive of identity: a foundational last substance is no less an **illusion** than a **conceptual impossibility**.

Limitations of the systemic approach: Functionalism

- Systemic theory assigns **primacy to the relation**: what matters are the functions (roles) that terms play in the relation
- What matters is to compute these relations: Computational methods
- Page (2018): Agent-based models consist not of real people but of computational objects that interact according to rules

Reductionist Approaches

- Methodological Individualism
- Neoclassical economics
- Austrian economics
- Neuroeconomics
- Psychological Economics
- Behavioural Economics
- Happiness Economics

Functionalist Approaches

- Institutional economics
- Neo-institutional economics
- Complexity theory
- Agent-Based computational economics
- Evolutionary economics
- Civil economy approach

Reductionist and functionalist theories in contemporary economics

Dewey & Bentley

- Any knowing or known establishes itself or fails to establish itself through continued search and research solely, **never on the ground of any alleged outside “foundation,” “premise,” “axiom” or ipse dixit**
- We proceed upon the postulate that knowings are always and everywhere inseparable from the knowns—that the two are twin aspects of common fact.

Dewey's Relationism

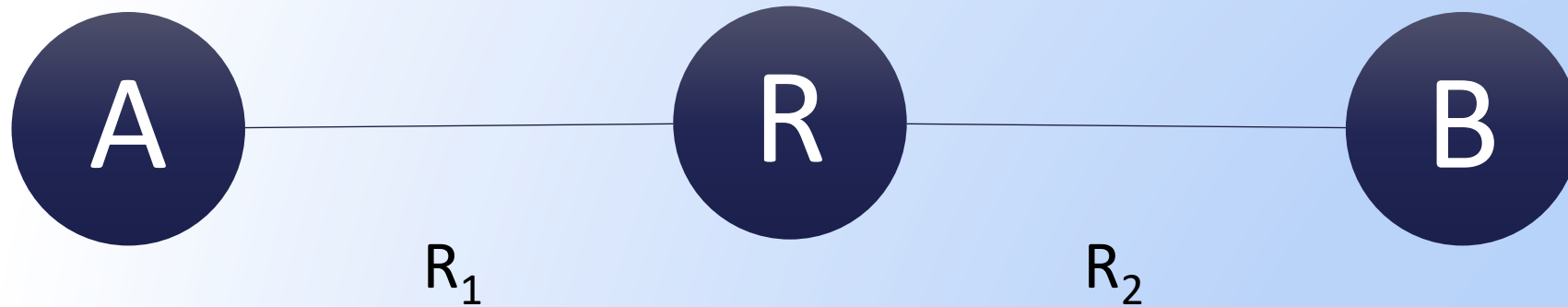
vs

Hartmann's Substantialism

Hartmann

“There are relations of relations, in which relata are themselves configurations of relations. And because relations are most likely to be rationally comprehensible and expressible in the structure of reality, there is a tendency of relationalism to resolve everything that exists in relations. In this way one gets pure relationalism in which the successive stages of a relationship exist without a base point of relatedness, i.e. without final relata. **The world is then one big spider web of relationships, without the entities that are related.** This immense nonsense is contrasted with the counter term of the relation, the substrate. **A relation presupposes a relatum.** Relata in this sense are the substrates of the relation”

Reductionism and Relationism as Insufficient theoretical Frameworks



The concept of relation

While the concept of relation that holds in science is based on a mono-dyadic construct

Philosophical inquiry can show it as the **act of self-referring**

Integrating and Overcoming Methodological Individualism and Holism

Methodological Individualism should be neither opposed nor juxtaposed: both would be categorical errors

They should be integrated within a different concept of relation

Methodological individualism is itself its own self-referring to holism and Methodological holism is itself its own self-referring to individualism

There's no understanding of the individual out of the society (market, trade, exchange, catallactics)

There's no understanding of society without its essential reference to individual.

Neither society nor the individual has an independent essence

Ideal | character and intention of inquiry

Philosophy can grasp that different perspective should not be considered as independent but in their character of referring to the difference

This act of referring confers unity to that which differs

This is an ideal (intentional) state which can never be achieved and makes science an unending quest

Assessments

Summative:

1. Individual Assessment worth 30%, submission by 29th of March, at 3pm, on ELE via Turnitin.
2. Final Exam 70%

Final exams lasts 90 minutes (essay type questions)

Individual essay cannot exceed 1500 words. You will be given 4 topics and will have to choose 1.

Formative:

1. Group Presentation + Short Essays

Tutorials are designed to prepare for the individual essay, which in turn will prepare you for the final exam.

Bibliography

On Methodology the students can choose one of the following 3 books:

Pheby, J. (1988) *Methodology and Economics: a Critical Introduction*, Palgrave MacMillan. (A concise and well written introduction to the main topics of the module, though a bit dated)

Boumans, M. and J. B. Davis (2015) *Economic Methodology, Understanding Economics as a Science*, 2nd ed. Palgrave MacMillan. (Less systematic than Pheby but more updated)

Holcombe, R. G. (1989) *Economic Models and Methodology*, (very good on the economic side)

On Philosophy of Economics the students can choose one of the following 2 books:

Reiss, J. (2013) *Philosophy of Economics*, Routledge (A clear and updated treatment of main philosophical issues concerning economics)

Kliemt, H. (2009), *Philosophy and Economics I: Methods and Models*, Oldenbourg (more sophisticated than Reiss, but goes more in depth)

Bibliography

- Also useful are
- Blaug, M. (1980/1992) *The Methodology of Economics*_Cambridge University Press
(A Classic discussion, very well written, with a clear perspective.)
- Hausman, D. ed (2008) *The Philosophy of Economics: An Anthology*_Cambridge University Press (includes a selection of basic readings, useful for the essay)
- Kincaid, H. and Ross, D. (2009) *The Oxford Handbook of Philosophy of Economics*, Oxford University Press. (Very useful for a first orientation into the basic categories introduced in this module)
- Ross, D. (2014) *Philosophy of Economics*, Palgrave
- Rodrik, D. (2015) *Economic Rules*, OUP
- Suggested Reading for the Philosophy part:
- Kolakowski, *Why Is There Something Rather Nothing?*
Questions from Great Philosophers. Penguin
- Morson, Schapiro (2017) *Cents and Sensibility*, PUP
- Smith, V. L. , Wilson B. (2018) *Humanomics*, CUP
- McCloskey (2016) *Bourgeois Dignity*, University of Chicago Press

Also

Stanford Encyclopedia:

<http://plato.stanford.edu/entries/economics/>

Institute for New Economic Thinking

<http://ineteconomics.org/>

EconTalk:

<http://www.econtalk.org/>

Marginal Revolution:

<http://marginalrevolution.com/>

Hausman's Interview:

https://www.youtube.com/watch?v=EfF6WD8s_ps

....and

New Palgrave Dictionary Online, available on the website of the Library

Many papers, which will be uploaded

Stella, Ianulardo (2018) Metaphysical Realism and Objectivity: some theoretical reflections, *Philosophia*

Ianulardo, Stella Philosophical premises to a theoretical study of economics: methodological Individualism, Holism and the concept of relation, (in progress)



Any Questions?