

# Entrevista

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## 1. Epistemology matters? For whom? Why?

Epistemology matters for economists since there is a range of legitimate approaches to knowledge. This argument stems from an understanding of the economic system as being open, such that no one body of knowledge is enough to grasp it.

But the dominant approach in economics supports the idea that there is one best approach to knowledge about the economy, which is to identify universal laws by applying deductive logic to 'self-evident' axioms of rational optimising individual behaviour and test them against independent facts. (This system of knowledge is closed; there are serious issues of how far this can be compatible with an open-system subject matter.) Because this is assumed to be the best approach, the impression is given that there is nothing to discuss in epistemological terms, distracting attention from alternative epistemological approaches; by definition these are assumed to be 'unscientific'. Unless there is an informed awareness of epistemological issues there is little scope for discussion and debate, and mainstream economic knowledge is accordingly limited.

Epistemology matters therefore also for society. Not only is policy design influenced by the nature of economic theorising, but also the way in which the economy is understood (or framed) is influenced by the epistemological approach taken by economists. Thus for example, in the run-up to the crisis, a closed-system approach required risk to be measurable, supporting confidence in the financial sector to price assets appropriately and thus for a crisis not to occur. This confidence was transmitted, not only to governments, but also to the financial sector itself and to society at large. Interpretation of the causes of crisis in turn reflected the dominant epistemology

**2. What do you think about the perspectives of Feminist Economics? Which aspects of the economic practice (if any) does it illuminate?**

Feminist economics is a good example of a particular epistemological approach based on an ontology focused on gender difference. Further, feminist economists have explicitly developed a methodology on the basis of this epistemology which is suited to a feminist understanding of reality. This has therefore provided a great exemplar of the importance of epistemology.

**3. Pluralism is a vital demand in many communities engaged in heterodox economics. Do you think it is a relevant subject to be philosophically addressed because of its consequences for the advance of the discipline or is it just an ideological and political demand on the part of marginal groups struggling for better conditions?**

I think that pluralism is relevant for the advance of the discipline. But from a pluralist perspective it is hard to separate that off completely from questions of ideology and disciplinary politics.

Again there is an asymmetry between orthodox and heterodox epistemology. The orthodox view is that economics can and should develop independently of ideology and politics. Further their closed-system epistemology supports monism: advocacy of one best epistemology and methodology. I say 'supports' but the case in favour of monism is usually assumed rather than articulated. But this means that heterodox economics is excluded, not only for not following deductivist formalism but also because it is openly accepted by many heterodox economists that ideology and politics are embedded in economic theory. Indeed heterodox economists would identify ideological and political elements in orthodox epistemology and its implementation within the sociology of the discipline.

So pursuing an analysis of pluralism at the philosophical level is necessary in order to try to draw orthodox economists into debate about the relative merits of different approaches. Pluralism allows for the legitimacy of the orthodox approach but requires that orthodox economists be willing and able to defend their choice of approach. At the same time, were pluralism to be adopted in hiring, curriculum, research funding and publications, then heterodox economists would have more opportunities to develop and share their ideas. They too would need to be able to defend their

choice of approach, but heterodox economists are used to doing that.

A philosophical analysis of pluralism is important, not just for heterodox economists, but also for providing a more robust basis for policy design. Policy-makers would arrive at more considered and well-founded policy conclusions if they were aware of a range of epistemological perspectives and could therefore form judgments as to the justification for different policy measures in particular circumstances.

**4. Behavioral Economics is now an established field of research. And contributions from the social sciences and the role of ethical issues have been growing in the practice of economics. How do you see the prospects of interdisciplinary work in the field of economics?**

It makes sense for economists to be involved in interdisciplinary work, given that economics is addressing only part of a social system which also involves politics, psychology and history. But there are different epistemological positions within these other disciplines too, so what is involved will vary depending on epistemology. Behavioral economics draws on psychology, but there is a big difference between the integrated use of psychology in 'old behavioural economics' and the importing of psychology (as a separable constraint or shock) into a deductivist formal framework in the 'new behavioural economics'.

**5. If you had to pick up five new promising issues in philosophy of economics, which ones would you choose?**

It may be a sign of my age, but I find that the philosophical issues which I see the need to focus on are not new, but ones to which inadequate attention has been paid. The current important philosophical questions were raised by Smith and Hume in the eighteenth century and by Keynes in the twentieth. These questions refer to the status of knowledge under uncertainty, the relationship between economics and other disciplines such as history, politics, law, mathematics, psychology and sociology, the relation between economics and ethics, a theory of human nature and a theory of mind. It is an indictment of modern economics education that students are not introduced to these ideas and their history as a matter of course.

**6. Related to the current economic practice, could you mention a couple of papers published in top economic journals that are questionable on epistemological or philosophical grounds? And what would that criticism be? Or if you prefer to put it in another way, supposing that the distinction between orthodox and heterodox economics is clear enough, which piece of orthodox economics deserves philosophical criticism? And what would that criticism be?**

There is a growing body of orthodox work at the edges of the paradigm which make criticisms of prevailing orthodoxy. In particular there are papers pointing out that behaviour according to the rational expectations hypothesis is irrational (an argument of long standing in Post Keynesian economics). There is also the growing body of empirical work in new behavioural economics challenging the standard assumption of rationality. Yet all of this work retains the orthodox reliance on deductivist mathematical formalism, together with a benchmark understanding of individuals as isolated calculative atoms (in defiance of observation, indeed introspection). Priority is given to internal logical consistency over consistency with experience. Yet the justification for this approach and its philosophical foundation in relation to alternatives is not generally articulated; it is taken for granted. My main philosophical criticism therefore is that the powerful exclusivist orthodox definition of economics is not given a philosophical justification and yet has been allowed to dominate the discipline.

**7. What is the relationship between economic models and reality? What can they tell us about real systems and how they do?**

The purpose of models is to illuminate some aspect of reality which can reasonably be segmented provisionally from the rest of the economy for the purposes of analysis (this includes macroeconomic models). A model is a closed system, so the issue for any model is whether this segmentation is reasonable in the context to which it is to be applied and then what is required in order to apply any conclusions from the model. A model is a rhetorical device – in Adam Smith’s terms, an ‘imaginary machine’ – designed to convey a way of understanding real social systems. The value of any conclusions crucially depends on the assumptions underpinning the model and the framework within which it operates.

Some heterodox economists resist the idea of models altogether as invoking closure where none exists. My own view is that knowledge can only be built by employing provisional segmentations in order to build up a range of arguments to address a particular situation. Models can be very useful, but are only useful as long as it is understood that any model only partly illuminates a particular issue and context, that the design of the model should be justifiable and the procedure for applying it to an open reality in combination with other sources of knowledge should be specified.