



The Scientific Method and Economics

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1 QUESTION

Ask yourself, "What do I want to learn more about?", or "I wonder what would happen if . . .?"

2 HYPOTHESIZE

Research to help you make an educated guess, or hypothesis, and then answer your question.

3 EXPERIMENT

Test your hypothesis by making a plan and conducting an experiment.

4 OBSERVE & RECORD

Make careful observations and write down what happens.

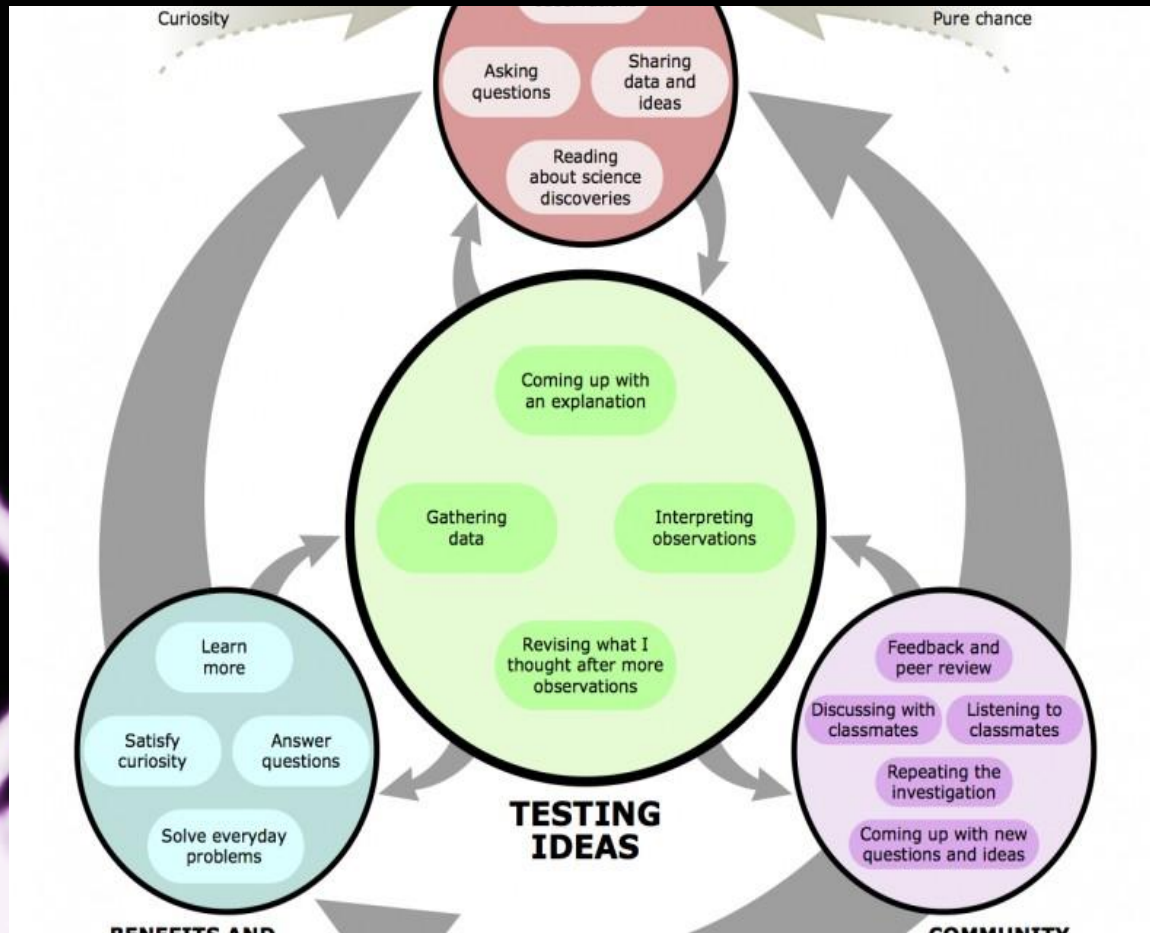
5 ANALYZE

Use your information to draw conclusions about your experiment. Was your hypothesis correct?

6 SHARE RESULTS

Traditional Scientific Method

But it doesn't describe reality of how science works



Science Flowchart

This is more realistic

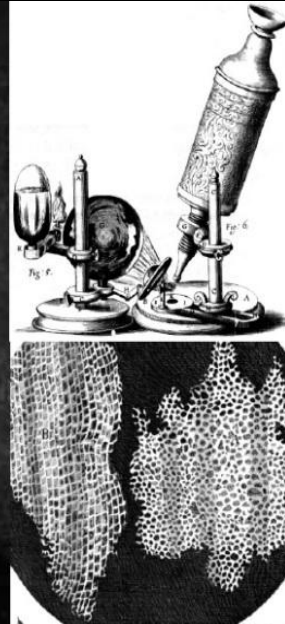
The Cultural Side

- The scientific community and the educational institution can rightly be considered ‘subcultures’ each with its own set of material and nonmaterial components. Scientists, including social scientists, share a set of beliefs, values, and norms and employ various material items that form the toolkits of both the natural and social sciences.

Robert Hooke 1663



*-observed a thin slice of cork,
- called the empty spaces "cells"*



Emic vs Etic

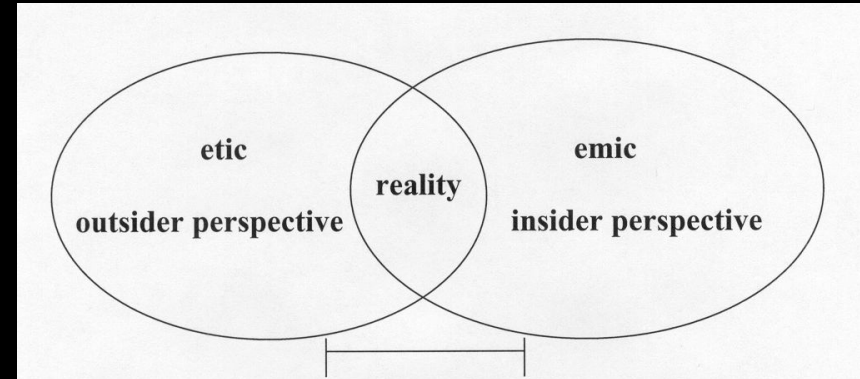
EMIC VS. ETIC

Emic

- ▶ Focuses on one culture and looks for culturally specific behaviors.
- ▶ Looking for "Culturally Specific Behavior"
- ▶ Emphasizes uniqueness of cultures.
- ▶ Seeks an inside perspective.

Etic

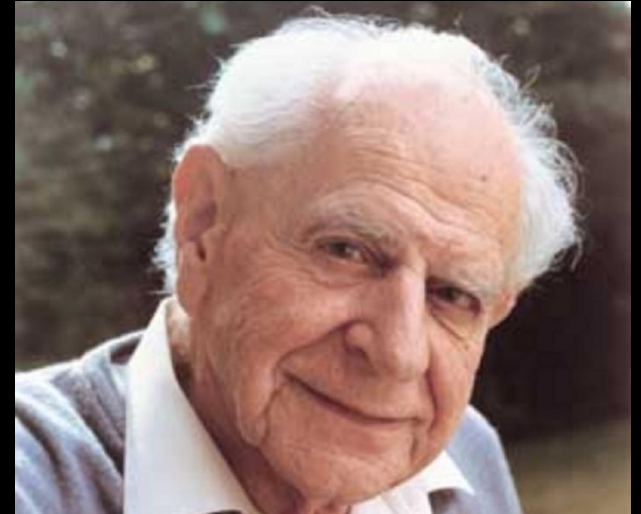
- ▶ Compares psychological theories across cultures.
- ▶ Looking for "Universal Behaviors"
- ▶ Emphasizes similarities and differences between culture.
- ▶ Brings outside perspective



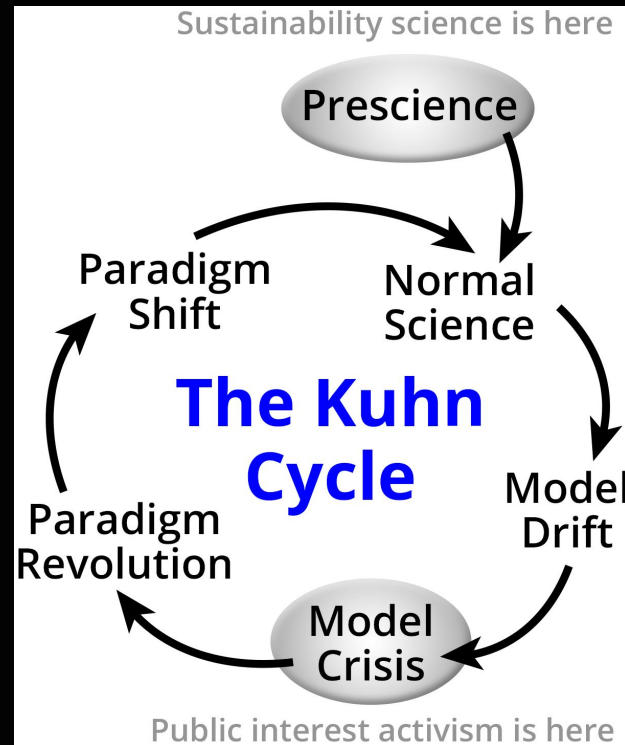
As it turns out, this distinction in the point of view of the analyst, which originated in anthropology, is important in economics as well

Philosophy of Science: Karl Popper, 1902-1994

- Falsification: a theory is scientific when it is capable of being proven false by reproducible evidence



Philosophy of Science: Thomas Kuhn, 1922-1996



- Paradigm Shift: science is a set of methods of discovery and understanding; periodically those methods go through a revolution and new methods become standard.



Economics Paradigms 1: Mainstream US & UK

- -Classical Economics: Adam Smith to Alfred Marshall. Focus on Microeconomics, the long term, free markets
- -Keynesian Economics: John Maynard Keynes to John Kenneth Galbraith. Focus on Macroeconomics and the government's ability to manage the economy

Econ Paradigms 2: Socialism

- Marxist: revolution by the working class displaces capitalists, so that workers own the means of production
- Social Democratic: the government heavily intervenes in the economy to protect the well-being of workers



Economics Paradigms 3

- -Monetarism: Milton Friedman. Focus on the ability of the Central Bank to manage the economy; de-emphasize fiscal policy
- -Austrian School: Friedrich Hayek, Ludwig von Mises. Built around the ideas of free markets, minimal govt intervention, anti-socialism



Economics Paradigms 4: Libertarianism

the 24 types of libertarian



NO FAIR
OVERSIMPLIFYING
OUR SIMPLISTIC
PHILOSOPHY!

NAIVE

IF THE GOVERNMENT WOULD DISAPPEAR, EVERYONE WOULD ACT SENSIBLY AND WE'D ALL BE ABLE TO GET ALONG!



PETULANT

LIBERTARIANS DON'T WIN ELECTIONS BECAUSE WE'RE TOO PURE AND GOOD!



TOO SMART FOR SCIENCE

OBVIOUSLY, CLIMATE SCIENTISTS MADE UP GLOBAL WARMING, BECAUSE THEY'RE SOCIALISTS.



ARROGANT

CLEARLY YOU'VE NEVER READ THE EVIDENCE.



LEFT-WING

I'M HERE! I EXIST!
I'M AGAINST THE GOVERNMENT AND CORPORATIONS!
WHY DOES EVERYONE ALWAYS IGNORE ME?



DENIAL-ICAN

JUST BECAUSE I'VE VOTED REPUBLICAN EVERY ELECTION FOR 20 YEARS IS NO REASON TO CALL ME A REPUBLICAN!



MORE LIBERTARIAN THAN THOU

WE SHOULD PRIVATIZE THE POLICE! PEOPLE WHO CAN'T AFFORD TO PAY THE COPS WON'T HAVE ANYTHING WORTH STEALING, ANYWAY.



TERRIFIED

BIG GOVERNMENT IS COMING! THANK GALT I'VE STOCKPILED SO MUCH AMMO!



TOO MUCH HEINLEIN

LAZARUS LONG SAID THAT ALL MEN ARE CREATED UNEQUAL. IT'S NOT MY FAULT I'M SMARTER THAN POOR PEOPLE!



THE ISLAND

NO ONE EVER GAVE ME ANYTHING! SO DON'T FORCE ME TO GIVE TO OTHERS!



CREEPY

WHY SHOULD I HAVE TO GO ALL THE WAY TO THAILAND TO HAVE SEX WITH A CHILD PROSTITUTE?



SELECTIVELY FRUGAL

THE DEFICIT IS TOO HIGH TO AFFORD ANYTHING FOR THE POOR! OR THE ENVIRONMENT!



NEPOTIST

AS THE LATEST OF A LONG LINE OF WEALTHY PUNDITS, I KNOW SUCCESS IS CREATED BY MERIT!



THE APOSTLE

WE JUST NEED TO TRUST THAT THE MAGIC OF THE MARKET WILL MAKE EVERYTHING WORK OUT! THAT'S WHY IT'S MAGIC!



ATLAS

SOMEDAY ME AND MY FRIENDS WILL QUIT UPDATING OUR BLOGS AND THE ECONOMY WILL COLLAPSE!



CONSISTENT

STOCKS WERE UP, SO I SAID: CUT TAXES! THEN STOCKS WENT DOWN, SO I SAID: CUT TAXES!



THE HISTORIAN

I'VE READ SUMMARIES OF THE FEDERALIST PAPERS MANY TIMES, SO I KNOW THE FRAMERS SHARE MY VIEWS ABOUT EVERYTHING!



GUNNER JOE

THERE ARE ONLY TWO KINDS OF PEOPLE IN THE WORLD: GUN OWNERS AND SHEEP! AND SHEEP AREN'T REALLY PEOPLE.



BIZARRELY HYPOCRITICAL

GOVERNMENT SHOULD STAY OUT OF OUR PERSONAL LIVES! EXCEPT FOR WOMEN'S UTERUSES, WHERE GOVERNMENT BELONGS!



BRIEFLY TEMPTING

THE WAR ON DRUGS IS RIDICULOUS! END POLICE ABUSE! SCREW THE WAR!



WHITEY

I DO THINK IT'S A TERRIBLE AFFRONT TO LIBERTY IF RESTAURANTS HAVE TO SERVE BLACKS! HOW IS THAT RACIST?



MISSIONARY
YOU MUST READ THIS!



CAVEAT EMPTOR

NO NEED FOR A NANNY STATE! I CAN TEST MY OWN FOOD FOR BOTULISM!



STONED

HEE HEE HEE



-“Capitalism is a social system based on the recognition of individual rights, including property rights, in which all property is privately owned.”

-Ayn Rand

Evidence-Based

- MOST IMPORTANT TAKE-AWAY:
- In all this, Science involves collecting and assessing information; it DOES NOT MEAN YOUR OPINION!!!

