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METHODOLOGICAL PLURALISM IN ECONOMICS

PLURALIZM METODOLOGICZNY W EKONOMII

DOI: 10.15611/pn.2017.489.41
JEL Classification: B41

Summary: The purpose of the paper is to analyse the issue of a test method in economics. It calls for the necessity of adopting a methodological approach that will be flexible and cognitively inspiring, which is a prerequisite to establishing the foundations for economics, its development and effectiveness in clarifying social and economic phenomena. Currently believed to be a complex (both theoretical and empirical), and inductive-deductive science, economics fails to possess binding methodological arrangements. Therefore, when looking for good solutions, scholars propose universal pluralism, which lets them expand the research apparatus within defined, yet not tightly logical structures.

Keywords: methodology of economics, philosophy of economics, metaeconomics, test method, methodological pluralism.

Streszczenie: Celem artykułu jest analiza problemu metody badawczej w ekonomii. Postulowano konieczność przyjęcia stanowiska metodologicznego, które będzie elastyczne i inspirujące poznawczo. Stanowi to warunek konieczny stworzenia fundamentów ekonomii, jej rozwoju i skuteczności w wyjaśnianiu zjawisk społeczno-gospodarczych. Ekonomia, uważana obecnie za naukę kompleksową (zarówno teoretyczną, jak i empiryczną), a także indukcyjno-dedukcyjną, nadal nie dysponuje wiążącymi ustaleniami metodologicznymi. Dlatego szukając dobrych rozwiązań, proponuje się pluralizm uniwersalny, który pozwala na rozwinięcie aparatu badawczego w określonych, choć nie sztywno, strukturach logicznych.

Słowa kluczowe: metodologia ekonomii, filozofia ekonomii, metaekonomia, metoda badawcza, pluralizm metodologiczny;

1. Introduction

The cooperation between economics and other sciences, and thus also new research areas, triggered off a rise in the number of concepts and trends in the orthodox and heterodox economics. For that reason it is difficult to indicate the dominating school in economics, either in a given academic milieu or a whole country. It does not matter which classification is applied to that end: one of classifications of

Perlman¹, H. Chang², B. Snowdon, H. Vane and P. Wynarczyk's³ schools or the traditional M. Keynes's classification⁴ presented in each and every course book on the history of economic thought. Also in Poland the study "Identyfikacja polskich ekonomistów akademickich ze szkołami myśli ekonomicznej w latach 2014–2016" (Identification of Polish academic economists according to the schools of economic thought in 2014–2016)⁵ [Konat, Smuga 2016, pp. 512–513] confirmed the eclecticism of economic thought. The questioned economists were usually associated with the new institutional economics, new classical economics and new Keynesian economics [Ibidem, p. 516]. However, they pointed out that generally there was no consistent school or established paradigms.

An expression of that is an increase in the number of course books and popular scientific books on economics which depict the imperfections of economics and are a response to the course books that "often present a chaos created by esoteric theories, unrealistic graphs and professional terms" [Skousen 2015, p. 15]. What is looked for at present is alternative ways of presenting the science about people's actions and choices they make. Therefore, the following items of literature are especially valuable: [Skousen 2015; Sowell 2008; Sedlacek 2015; Harford 2011].

Often passed over in publications, studies and teaching, the theory of economics has started to be examined and developed in the context of the discussed changes. The philosophy of sciences, metaeconomics and methodology of economics has again come into fashion. The relation between philosophy and economics resulted in mature scientific works. Example here can be the following recently published books: [Gorazda et al. 2016; Flejterski 2015; Gorazda 2014]. Unfortunately, their scale and impact are still limited. Problems in the field continue to be treated as not very interesting, secondary and unnecessary.

However, a rise in economists and philosopher's activity lets us assume that the situation is to be changed, and the unsolved economic problems can again become the subject of analysis not only in the scope of the nature of economics, namely whether economics is an art, science, or exact science, or maybe it is "only biology dressed up as mathematics" [Gorazda 2014], whether it is dismal⁶ or beautiful [Wilkin 2009], it studies econs or humans' actions⁷ [Kahneman 2012, p. 357], rationality or

¹ He distinguished as many as thirteen schools, including the school of French rationalists or the school of public choice.

² The classification sets apart nine schools, but the division is vague and inconsistent. For instance, H. Chang differentiates also the development economics, apart from the Keynesian school.

³ Within the field of macroeconomics, a division into seven schools has been proposed.

⁴ M. Keynes distinguished positive economics, normative economics and the art of economics.

⁵ Six dominating schools (in a broad sense) were questioned in the study: Austrian, institutional, Marxist, neoclassical, new Keynesian, and post Keynesian. 20 Polish economists belonging to five academic centres (Łódź, Cracow, Poznań, Warsaw and Wrocław) were interviewed.

⁶ Already in 1849 T. Carlyle defined economics as a dismal science.

⁷ The concept of "econs" was introduced by Richard Thaler, a behavioural economist, who analysed the issue of models and the relation between economics and psychology. He said that: "Two

irrationality. What seems to be important, if not the most important, is the determination of the manner in which economics becomes a science, or, following I. Lakatos' terminology, the manner of founding the hard core and protection belt [Lakatos 2005].

The purpose of the article is to analyse the issue of test method. However, it has not been attempted to discuss such questions as the integrity of the science or the historical analysis of the 19th century methodological dispute (*Methodenstreit*) between G. Schmoller, a representative of German Historical School, and C. Menger, a representative of the Austrian School. What has been analysed is the problem of the stand that should be adopted in the scope of developing economic knowledge and the legitimacy of applying the scientific method.

The issues discussed are especially important in teaching and science alike. In Poland, where there are substantial gaps in terms of methodology, the issues referring to the research process are especially valuable. Naturally, the paper does not exhaust the topic since neither types of test methods nor the research process have been detailed. Owing to the limitations regarding the length of the text, only an outline of the approach that should be adopted towards the methodological aspects of economics as a science has been presented.

Further the analysis addresses three main research questions: What attitudes towards the test method prevail in science and economics? What are the consequences of applying induction and deduction in economics? What possibilities are opened up by applying verification and falsification in the process of research hypotheses evaluation?

The analysis of contemporary publications lets us make an initial hypothesis that problems in economics as a science arise from methodological gaps. Nevertheless, the best solution seems to be methodological pluralism in its moderate form, which makes it possible for economics to develop cognitively.

A large number of schools and a lack of a coherent economic system exacerbate the problem. It is significant whether an economist is a supporter of methodological realism, antinaturalism, pluralism or maybe individualism. Each of the schools proposes different solutions.

The paper refers to the following issues: metaeconomics⁸ [Mäki 2008; Backhouse 2008; Hausman 2013], methodology of economics and the philosophy of sciences. To that end, extensive literature on the subject and a number of studies on the issue about methods in economics have been analysed. Moreover, the article takes advantage of research results and earlier papers on the methodology of economics⁹ [Wojciechowska 2016].

different disciplines studied two different kinds of people". As he later called them "...some studied humans, the others "econs" (*homo oeconomicus*)".

⁸ A lot of credit is given to the following in terms of the establishment of the philosophy of economics in the methodological scope: U. Mäki, D. Hausman, and R. Backhouse. More at <http://www.filozofia-ekonomii.pl> (accessed on 2.05.2017).

⁹ This mainly refers to statutory research in 2015-2016, No KZiF/S23/15, titled: *Kompas metodologiczny w ekonomii*, statutory research, Warsaw School of Economics, Warsaw 2014-2016 and publication made within it.

The following methods have been used: analysis and elementary, casual and critical synthesis, both in a narrow and broad sense. The hypothesis was evaluated with a simple verification method.

2. Methodological fragility of economics

The unpretentious charm of economics is first and foremost in its changeability in relation to other sciences. It cannot be unambiguously said whether economics is imperialist or cooperative, whether it looks for common research areas or avoids such conceptual blurring. Surely, economics gains new research fields, an intersubjective verifiability and an opportunity of revealing new aspects of social and economic phenomena. Hence, nowadays we observe a proliferation of schools of economics and new disciplines, for instance: behavioural economics, neuroeconomics, econophysics, economic psychology and economic sociology. This dynamic development carries with it a major threat to the foundations of economics. From start economics aimed at being similar to exact sciences and imposed its “authority” on other social sciences. Hence economics used various methods which were a source of criticism against it. Each economic crisis undermined the essence of economics. That was the reason for establishing the methodology of economics, a guardian of order in the field. Based on knowledge taken from the philosophy of sciences, “it [economics] went from the stadium of incubation to the stadium of existence” [Stachak 1997, p. 5]. Therefore, at present it disposes of relatively great scientific achievements. The application of philosophy in economics was mainly discussed by: F. Quesney, W. Jevons, J. Mill, C. Menger, L. v Mises, F. Simiand, L. Walras, H. Mayer, A. Marshall, J. Keynes, J. Cairnes, L. Robbins, and T. Hutchison. Among the well-known contemporary methodologists there are: M. Blaug, S. Dow, L. Boland, B. Caldwell, D. Hausman, A. Rosenberg, U. Mäki, R. Backhouse, and J. Reissa. Especially important reflections can be found in papers by: O. Lange, J. Such, S. Nowak, M. Gorazda, Ł. Hardt, T. Kwarciniński, W. Giza, P. Kawalec, B. Scheuer, W. Kwaśnicki, A. Malawski, A. Glapiński, B. Fiedor, J. Godłów-Legiędź, A. Wojtyna, S. Stachak, K. Meredyk, B. Kuc, K. Kuciński, and W. Balicki.

Despite the fact that the methodology of economics, metaeconomics and philosophy of economics are developing dynamically nowadays, still a lot gaps are visible in a number of issues. A lack of unambiguous decisions regarding the process of establishing economic knowledge and research methods continues to give rise to misunderstandings. A review of Polish scientific journals confirms that methodology is frequently passed over, which not only prevents intersubjective verifiability but also deprives economists of a possibility of an open discussion and criticism since the assumptions, hypotheses, test methods or problems raised in scientific publications are unknown. What prevails is descriptive texts that are either typically historical, lacking analysis or synthesis, or texts immersed in a mathematical system of quotations. Models that are to help to understand the social and economic reality are often empty of

any content. Therefore, they fail to fulfil the function they are expected to meet. Thus it is not surprising that in papers or student's diploma theses, if there is a hypothesis, it is usually treated as a thesis, there is typically no interference, and verification is the most frequent method of checking hypotheses. It is rare to have falsification, logical or descriptive analysis, synthesis or criticism applied in them.

There is no methodological base. Yet, methodological awareness "improves the effectiveness of scientific research, increasing the probability of choosing the direction of research and the manner of its performance right" [Meredyk 2003, p. 103]. Additionally, adopting methodology lets economists understand the essence and sense of undertaken studies and findings recorded, which allows them to "notice relations between the nature of economic phenomena and processes and the nature and methods of sciences studying them" [Nowak 2011, p. 36].

These are economists themselves that should be blamed for that situation. A discussion on methodology and the relation between economics and philosophy has recently been initiated. In spite of the fact that in 2014 the Polish Philosophy of Economics Network was founded to that end [<http://www.filozofia-ekonomii.pl>], still it is hard to notice any substantial changes in the subject matter of scientific research that is being started. It even seems that the issues of philosophy of sciences and methodology of economics are not present in teaching or publications. The topic is perceived differently in Anglo-Saxon literature. In the USA the situation is different since what prevails is "a reflection over the subject of economics, its nature and the research methods used in it" [Gorazda 2014, p. 12]. The second reason is that what is mainly lectured on in Poland is classical and neoclassical economics, in which methodological issues are not analysed; the only thing read is the "theoretical economics of mathematical models" [Ibidem, p. 13–14].

Apart from that, the topic of methods is still in the discussion phase, an involved and unsolved one. It is possible to reject all methodological principles, following P. Feyerabend's proposal saying: "everything is permitted" [Feyerabend 1986]. Such a stand is defended by more freedom that ensures the fertility of thought and more opportunities for scientific cognition. Optionally, following H. Kincaid and D. Ross, one can adopt the new philosophy of economics where no methodological standards are applied. Solutions proposed and adopted by a certain group of economists should be simply accepted according to the rule: "good economics is what is accepted by the majority" [Gorazda 2014, p. 352]. After all, a diametrically opposed approach in which the course of scientific work, its language and methods are imposed can be also adopted. In that case scholars look for a single universal path of scientific work, one language or one method that would make it possible to attain unity in science, or a method depicting the specificity of a given discipline.

Therefore, economists can choose between a lack of a single method and fertility of thought, and a pattern of conduct that ensures scientificity, yet often results in lesser creativity. However, owing to the nature of economics, its peculiarity and the research problem in the stands presented in methodological anarchism, monism and

individualism are not adequate. Adopting an intermediate attitude, namely pluralism in its moderate version, seems to be the best proposal.

A significant share of supporters of pluralism could be noticed already in the early 1990s when a group of economists published an appeal for more pluralism in economics. As a result, in 1993 the International Confederation of Associations for Pluralism in Economics was established, gathering over 30 economic associations [Hardt 2010, p. 31].

It seems that such an approach is cognitively the most fertile one as it ensures opening economics to the diversity of concepts within specified structures. Therefore, it makes it possible to adopt various forms of research, methods or manners in the process of broadening scientific knowledge [Glapiński 2006, p. 55]. Nonetheless, one should underscore that indicating the principles of methodological adequacy seems necessary and does not rule out the abundance of beliefs. It is important for familiarity with methodological methods and principles defines the extent of development of a given science and a level of its scientificity. Otherwise, studies resemble “playing tennis with the net down” [Blaug 1995, p. 348].

3. Issue of test method in economics

Test methods are first and foremost an unchangeable, repeatable and conscious approach. Part of methods apply to theoretical studies, and part to empirical ones. The former are treated as basic research, because they are indispensable for analysing research problems, scientific theories, clarification and forecasting. The latter are a foundation in the process of checking hypotheses, models and theories.

Methods can be perceived in a narrow or broad sense. In the first case “a method is a system of assumptions and rules that make it possible to arrange practical and theoretical activities in such a way that the objective consciously pursued can be attained” [Sztumski 2010, p. 78]. In the second case, a method is a means of formulating knowledge or obtaining research material, and also a qualitative or quantitative analysis or technique of data collection. Selecting test methods is essential as it has an effect on the whole research process and research findings. For that reason, a wrongly chosen method may result in false conclusions or a failure to achieve initial objectives.

Test methods were created to improve the scientific value, in other words attain verifiability, repeatability and regularity in science. An important feature of each method is its purposefulness, legitimacy, simplicity, explicitness, usefulness, reliability and cost-effectiveness [Ibidem p. 80]. A method should support the accomplishment of the research objective with a certain system of operations that always lead to the intended outcome in a simple and repeatable way. In short, scientific methodology should ensure that research is scientifically successful: intersubjectively verifiable, reliable and coherent. The selection of methods determines whether findings are too adequately high scientific standards.

Therefore, test methods are inevitable in the process of gaining scientific information. They bring order, let scholars separate scientific statements from

the non-scientific ones, and find regularities in studied phenomena. Hence they lay a foundation for the sureness, reality and righteousness in science.

Every single scientific discipline needs to be based on information that is at the disposal of applicable methodology of sciences as that is a way to obtain a set of rules and actions that let scientists accomplish research, cognitive and empirical objectives, particularly taking into account that there are a number of basic methods and methods that are adjusted to the nature of a given academic discipline or field.

Doubtless, a universal test method is a trial-and-error method, a method “used by both Albert Einstein, an outstanding scholar, and the most primitive forms of life, like the amoeba” [Chmielewski 1995, p. 66]. However, there is no freedom in science, especially when the process of formulating theories is to be verifiable, repeatable (possible to be repeated by other scholars) and systematically organised [Sztumski 2010, p. 93].

A specific set of rules accompanying theoretical and empirical studies that are deemed to be basic can be found in every science. The most important ones are as follows: abstraction, analysis, synthesis, comparison, criticism and replication; very often, to justify a statement, scientists use induction or deduction, or the logical method of scientific cognition, modelling and the historical method. These methods are applied at every stage of a study, both at the very beginning and at the end. Other methods, methods that a scholar is bound to select individually, are adjusted to a given academic field. The selection made, namely the type, character and functionality of the method, depends on the type of science and the nature of theories formulated, research problem and means of testing (people and test tools). What is also important is such factors as social, technical, financial (a majority of methods uses tools the cost of which can be high, which limits the possibilities of their application), and historical (a given historical situation since test tools are “a creation of a specific development of civilisation” [Ibidem, p. 79]).

The issue of selecting the correct method in empirical sciences has mattered scholars for a long time now – philosophers and economists alike. They have been looking for a universal, single and best test method that would serve as a criterion for scientificity. The problem was studied by Aristotle, F. Bacon, T. Hobbes, J. Locke, I. Kant, G. Hegel, A. Comte, J. Mill, K. Popper, T. Kuhn, I. Lakatos, P. Feyerabend, and also by Polish logicians: K. Ajdukiewicz, T. Kotarbiński, W. Marciszewski, and S. Nowak.

All aforementioned basic methods are used in economics, with an economic analysis coming to the fore. The economic analysis can be defined as a set of tests and diagnoses that let scientists assess the activity of economic entities in terms of their condition (a static analysis) or on the basis of results attained by them (a dynamic analysis). Additionally, what is also used is comparisons in terms of time and space, model comparisons, static and dynamic comparisons, comparisons of balance sheets or company results, and material or formal comparisons. Apart from the typical methods, studies also take advantage of methods that are a criterion of demarcation, or a means of separating the scientific from the non-scientific. Induction and

deduction¹⁰, and verification and falsification are among the most important ones. However, it is not specified which of the methods dominates in economics or is better in this field. The specificity of the research process and the peculiarity of economics most frequently indicate that the application of both induction and deduction is equally legitimate, and, in the process of checking, verification is the most applicable one.

4. Conclusions

Scientific research should be characterised by intersubjective verifiability, openness, objectivity and, most importantly, rationality. It means that tests need to be systematic, complete, coherent with the background, and methodical; what is important is “the accuracy of the selection of methods and means in respect of the intended research objectives and conditions of their accomplishment, making it possible for scholar to learn about the required scientific values with possibly the least effort and fewest means employed” [Stachak 1997, p. 9]. It also means that the process of obtaining scientific information has a well-established methodological foundation. A lack of methodological premises, principles of correct reasoning or test methods is an argument indicating a lack of “scientific” value. That is the problem economics faces.

Still, no attitude towards test methods has been developed, which is also the reason why scholars rarely apply or indicate test methods used in their research or analyses. It frequently remains unknown whether it is verification or falsification, induction or deduction. Despite M. Blaug’s belief that the majority of economists are harmless falsificationists, an analysis of publications, especially those by Polish economists, fails to confirm that opinion. Therefore, there is the initially adopted hypothesis that methodological gaps unchangeably remain to be an important scientific problem in the economic theory and empirical knowledge should be accepted. If one considers the multitude of schools and subfields, the approach that should be proposed is the pluralistic and moderate one. Such a stand will ensure order and organisation, a lack of which is a huge problem nowadays.

The contemporary picture of the philosophy of economics “arises from the critical philosophy inspired by the mistrust towards the cognition process within recognised economists’ scientific procedures” [Gorazda et al. 2016, p. 38]. The image still calls for alterations since it is not complete yet and is very grey. Sticking to that metaphor, we can say that the colours and shapes of that picture are constantly being completed. It can be hoped that further work on its completion will bring a clear brush stroke, depth and will meet recipients’ expectations.

¹⁰ There is a number of classifications of reasoning. Among the most important there are proposals by: J. Łukasiewicz, K. Ajdukiewicz, T. Kotarbiński, and T. Czeżowski. Classifications of reasoning are a Polish “speciality”. In a typical division deductive reasoning and inductive reasoning are distinguished, a different classification distinguishes also reductive reasoning.

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