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## REVIEWS

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*Philosophy of Economics: A Contemporary Introduction*, Julian Reiss.  
Routledge, 2013, xvi + 331 pages.

To draw up the reading list for a philosophy of economics course has always been tricky. In my early days as a lecturer I remember browsing the internet, hoping that the syllabi of my colleagues would solve my problem. Unfortunately each of them had a different conception of what the philosophy of economics was, which topics were worth teaching, and what students should read for the exam. A course entirely devoted to the normative aspects of economics, to be sure, could rely on Dan Hausman and Michael McPherson's *Economic Analysis and Moral Philosophy* (now in its second edition), which is still a masterful survey and introduction to this part of the subject. But nothing similar was available for the philosophy of science of economics. For many years I worked with journal articles, plus the exhortation to read parts of Mark Blaug's *The Methodology of Economics* and Hausman's *The Inexact and Separate Science of Economics*.

Fifteen years later the situation has improved significantly. To begin with, the field has reached a higher degree of cohesion around a set of core topics. And second, this cohesion is beginning to be reflected in textbooks like Julian Reiss' *Philosophy of Economics*. The book is part of the Routledge Contemporary Introductions to Philosophy series. It appears alongside excellent textbooks such as Robert Audi's *Epistemology*, Michael Loux's *Metaphysics* or William Lycan's *Philosophy of Language*. Its inclusion in the Routledge series is an important recognition of the growing reputation of philosophers of economics, and hopefully it will contribute to the diffusion of our discipline in undergraduate and graduate curricula.

Julian Reiss is a philosopher of science by training, and it shows. Out of thirteen chapters, nine are devoted to classic philosophy of science issues (explanation, measurement, testing) and four to normative issues that lie at the border between ethics, political science and economics.

After a general introduction, the first substantive chapter (2) focuses on explanation, laying the foundations for most of Parts 1 and 2 of the book. This chapter covers some of the fundamental concepts – explanans, explanandum, laws, deductive explanation – and provides the necessary background for those students who have never attended a philosophy of science course. Chapters 3 and 4 examine some specific types of economic explanations, focusing on rational choice and game theory. This is an interesting strategy, with pros and cons. On the one hand, rational choice and game theory have been a goldmine of conceptual puzzles for philosophers and economists, so to make students familiar with them is clearly important. On the other hand, there is a sense in which rational choice and game theory may not be representative of economics in general. Instrumentalism is still alive in microeconomics, for example, so many economists would argue that aggregate models are explanatory regardless of the conceptual and empirical anomalies that affect rational choice theory. In the early chapters of a textbook it may be sensible to introduce students – especially philosophy students – to standard, uncontroversial economic explanations such as those based on supply-demand analysis, equilibrium and the like. To start with rational choice and game theory may give a skewed picture of economics. It is a bit like using quantum mechanics as a paradigmatic example of physical explanation: very interesting and relevant for philosophers, surely, but possibly not representative of the discipline as a whole.

Chapters 5 and 6 resume the discussion of economic explanation, focusing on causal and mechanistic explanations, respectively. Given Reiss' expertise, unsurprisingly these are among the best chapters of the book. Chapter 6 is very critical and eventually dismissive of mechanistic explanation, an approach that has become increasingly popular over the last decade or so. Here and elsewhere Reiss writes as a participant in the philosophical debate, rather than merely as a surveyor – a style that makes for a lively reading but that could make some colleagues unhappy. Chapter 7 focuses on models and idealization. Reiss uses an original presentation strategy, organized around a 'paradox of idealization': (i) economic models are false, (ii) economic models explain, (iii) only true accounts can explain (p. 127). In the course of the chapter, each of the three propositions is discussed in depth and alternative ways to solve the paradox are examined. Although Reiss does not think the paradox can be overcome satisfactorily, he gives an excellent example of philosophical reasoning in action, at a level that is easily accessible to undergraduate students.

Part 2 of the book is devoted to specific methods of empirical inquiry. A couple of decades ago a methodology textbook would have focused almost exclusively on econometrics. Nowadays, economists use a much broader and more varied set of tools – including laboratory experiments,

field experiments, and randomized trials. Like most contemporary philosophers of science, Reiss does not try to subsume these methods under the umbrella of a general philosophical theory. Each method has strengths and weaknesses, and each deserves a separate discussion. Chapter 8 outlines the intricacies of measuring fundamental economic variables like inflation, unemployment and GDP. The approach is mostly descriptive, and although Reiss' detailed account gives a vivid impression of the tricky assumptions that lie below the surface of economic indexes, this is a chapter where I would have liked to see a little more philosophy. It would have been helpful, for example, to cast Reiss' concrete examples within the general problem of induction, theory-laden vs. theory-free observation (which is mentioned but only briefly), or the 'measurement without theory' debate that inflamed the economic profession in the 1940s.

Chapter 9 (on econometrics) includes a simple, accessible introduction to regression analysis – which is to be applauded. The methodological controversies in which economists and philosophers are involved usually concern much more esoteric methods of estimation and testing, which are at the forefront of research but also far removed from the everyday practice of most social scientists. Most applied economists just run lots of regressions, and rarely depart from linear equations. A simple discussion of what is involved in this practice is essential to give students a sense of what 'normal' empirical research is like in the social sciences.

Chapter 10 offers an overview of experimental economics, including a thorough discussion of the two problems of validity (internal vs. external). Reiss conveys a good picture of the many uses of laboratory experiments in economics, again emphasizing the pros and cons with respect to the various goals economists may pursue. Chapter 11 is devoted to randomized control trials (RCTs), a methodology that is becoming increasingly popular especially in development economics. Philosophers here can exploit a critical literature that emerged earlier in medicine, where the evidence-based movement advocated RCTs as the 'gold standard' for causal inference. As in medicine, several economists and methodologists regard such claims with scepticism and argue that the efficacy of RCTs depends on specific assumptions that may or may not be satisfied in real-world contexts. Reiss emphasizes especially the theoretical assumptions that are used to derive recommendations for evidence-based policy, assumptions that inevitably are just as good (or bad) as the economic theories they belong to.

Chapter 11 concludes the philosophy of science parts of the book. Part 3 ('Ethics') comprises four chapters devoted to the normative issues that arise from economic theorizing and applications. Although not as comprehensive and detailed as Hausman and McPherson's textbook – for which, as I said, Reiss's book is not meant to be a substitute – it covers a good selection of topics, including some new entries that do not feature in

any other book on the market. Chapter 12 lays out and examines critically the foundations of standard welfare economics, focusing in particular on the concept of preference and its many interpretations. Chapter 13 introduces the Coase Theorem and discusses the issues of property rights and commodification. The overarching theme is markets and what they can and cannot do for us. The chapter covers a lot and will probably require some back-up readings, but I like the idea of a general critical overview of the arguments for and against markets. This is probably still the hottest issue in the media and the public arena, although philosophers – me included – sometimes allow less room for it in their syllabi than it would deserve.

The penultimate chapter (14) is devoted to the debate on distributive justice. The main positions are illustrated using the classic scheme based on the Rawls-Nozick-Sen trinity. Finally, the main concepts introduced in Part III are applied in a chapter devoted to Nudge, the policy approach inspired by behavioural economics promoted with spectacular success by Cass Sunstein and Richard Thaler. I quite like the idea of ending the book with a case study, and the concept of nudge provides a rich playing ground for the philosopher of economics – spanning the methodology-normative economics divide and with concrete implications for the design of institutions and policies. Since philosophers are often accused of practical irrelevance, there is no better way to finish a textbook than this.

Mark Blaug's *The Methodology of Economics* was the first book I ever read on the philosophy of economics, back in 1993. It clearly had a lot of influence, given my later career decisions. Although not every reader of a textbook will become an academic, good textbooks are of great importance for the survival and diffusion of an academic discipline. Undergraduate textbooks are the primary source of information for most people, and they influence the views of both professional and non-professional consumers of philosophical and scientific literature. So the absence of a good overview of the field has been in my view a major problem for the philosophy of economics. Reiss now fills this gap.

As a result of common training – we did our PhD almost simultaneously in the same department – I share with Reiss many background presuppositions and I am sympathetic with his approach throughout the book. I only have a few complaints: one is that his pugnacious spirit leads him sometimes to be not as charitable as he should be towards alternative positions that he does not like. Some colleagues as a consequence may find it problematic to integrate his textbook in their lectures. A second, related complaint is that he sometimes sounds excessively critical of economics itself. Especially in these years of crisis, it is easy to dismiss the ambition of the dismal science to predict, control

and intervene in the economy. But we should not forget its successes either. Economic models are routinely used by private firms and public agencies to make forecasts that turn out to be correct most of the time. Moreover, the value of economics emerges clearly when we compare it with alternative (especially hyper-moralized or politicized) theoretical frames. I am often shocked by the mistakes made by non-economists – including academics – when they discuss matters such as poverty or growth. When I ask first-year students why the native inhabitants of the Amazon forest are poor, the most common answer is ‘because of globalization’. Thinking in terms of economies of scale, mutual benefit, incentives, equilibria and transaction costs helps avoid many errors, even if we concede that it does not provide a universal frame of explanation for all social phenomena. But no science does everything right – the same complaint in fact could be raised for biology or physics. The failure of physicists (*and* engineers, geologists, politicians, ...) to prevent dramatic events like the Fukushima disaster, however, do not lead philosophers or laypeople to question its scientific credentials. Philosophers generally treat physics with respect, and you do not finish a textbook with the feeling that the discipline is in a mess. While philosophers should not necessarily play the role of apologists for science, I think that a more balanced attitude would help recruit more followers within the economics profession and educate the public about the difficulties that are inherent in the application of science.

But these are just personal tastes. Many students and scholars that turn to the philosophy of economics are dissatisfied about the state of economics, and in some cases are moved by deep moral and political motives (which is, of course, a good thing). Reiss’ critical attitude will be attractive to this large audience, and my remarks are not meant to diminish the great qualities of his book. Quite the opposite: the next time I teach a philosophy of economics course, it will certainly be the first item on my reading list.

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*Justice for Earthlings: Essays in Political Philosophy*, David Miller. Cambridge University Press, 2012, vii + 254 pages.

According to David Miller, there are two ways to think about justice. *Platonic* approaches to justice are based on universal moral truths – values that are independent of both common sense morality and the