

Suggested answers to  
Written Exam for the B.Sc. in Economics summer 2011

**Philosophy of Science**

*Deaton: Understanding the Mechanisms of Economic Development*

**Ad 1.** This question relates to lecture 5 and chapter 3 in B&D.

There is little doubt that Deaton is in fact inspired by Popper though the paper does not say so explicitly and thus there is room for discussion.. We have a hypothesis, the life cycle hypothesis, a bold hypothesis in the spirit of Popper, and this hypothesis has been subjected to a number of tests during two decades but eventually it was falsified, or at least shown not to be generally applicable.

**Ad 2.** This question relates to lecture 5 and chapter 4 in B&D.

Deaton does not explicitly refer to a progressive research programme. However, his way of thinking would be in line with Lakatos.

**Ad 3.** This question relates to lecture 5 and Focus 3.1 in B&D.

The phrase *the credibility of estimates is often undercut by the panoply of supporting assumptions* is reminiscent of the Quine-Duhem thesis. You cannot test a hypothesis (or get an estimate) directly but have to use a number of supporting (auxiliary) assumptions. The question therefore arises if your basic theory is wrong or you just chose the wrong supporting hypotheses.

**Ad 4.** This question relates to lecture 3 and chapter 1 in B&D.

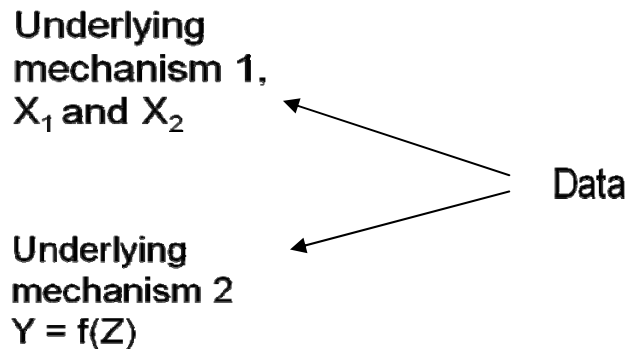
The student is supposed to give a clear presentation of the two concepts. There is no applicable theory but an attempt to obtain the facts on which to build a theory. This section belongs to the context of discovery.

**Ad 5.** This question relates to lecture 6 on Kuhn and chapter 4 in B&D.

Anomalies are phenomena that cannot be explained within the existing paradigm.

**Ad 6.** This question relates to lecture 16 on testing assumptions.

The student may use the figure to illustrate the fundamental identification problem.



**Ad 7.** This question may be answered in several ways. One way would be to refer to lecture 17 on the aftermath of the financial crisis. A major criticism in the paper *The Financial Crisis and the Systemic Failure of Academic Economics* is exactly that theorists do not take empirical facts into account.

**Ad 8.** This question could also be answered in several ways. Given the lectures it would be natural to give a brief discussion of the economics of happiness as an alternative., see lecture 19 and the paper by Graham on the economics of happiness.