A LEGACY OF LEADERSHIP: A SPECIAL ISSUE HONOURING THE TENURE OF OUR VICE CHANCELLOR, PROFESSOR ARMAYA'U HAMISU BICHI, *OON, FASN, FFS, FNSAP*

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A Critical Examination of Methodological Approaches in Economics: Theoretical Foundations and Implications

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ABSTRACT

This paper aims to foster a nuanced and comprehensive understanding of the intricate relationship between methodological choices, theoretical frameworks, and the practical implications of economic thought. More precisely, it seeks to provide a comprehensive understanding of how methodological choices influence economic conclusions and policy recommendations. From a theoretical standpoint, this paper explores the various methodologies used in economics. It analyzes the philosophical assumptions and core principles of major economic schools of thought, including classical, neoclassical, Keynesian, Marxist, and Austrian economics. A key focus is the dissection of central methodological debates, contrasting methodological individualism with holism, and positivism with interpretivism. The paper also examines the epistemological foundations of economic inquiry, contrasting these different schools of thought. The paper demonstrates how different frameworks, stemming from inherent assumptions and limitations of each methodological approach, lead to varying understandings of economic phenomena, analytical conclusions, and policy recommendations. It scrutinizes how fundamental methodological choices – encompassing epistemological stances and preferences for individualistic/holistic or positivist/interpretivist approaches – significantly influence the construction of economic theory and its practical application. The study concludes that economic analysis is deeply rooted in methodological frameworks, and varying assumptions across schools of thought can lead to substantially different interpretations and outcomes and ultimately emphasizes the importance of methodological awareness in evaluating economic research. Based on the analysis, it is recommended that researchers and policymakers maintain a strong awareness of the underlying methodological choices inherent in different economic theories and analyses. This awareness is crucial for a more nuanced and comprehensive understanding of economic phenomena and for evaluating the validity and applicability of various policy recommendations.

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INTRODUCTION

Economics, as a social science, seeks to understand, explain, and predict how societies allocate scarce resources to satisfy unlimited wants. The validity and reliability of its findings heavily depend on the methodologies employed by economists. Economic methodology, therefore, is a critical area of study that examines the principles, procedures, and practices used in economic inquiry. It delves into the philosophical underpinnings of economic reasoning, the nature of economic models, the role of assumptions, and the criteria for evaluating economic theories.

This paper aims to provide a comprehensive theoretical perspective on methodologies in economics. It will explore the historical evolution of economic thought and its corresponding methodological shifts, analyze the key methodological debates, and discuss contemporary approaches shaping economic research. By examining these theoretical aspects, we can gain a deeper understanding of the strengths, limitations, and evolving nature of economic inquiry.

The methodologies employed to study economic phenomena significantly shape the insights and recommendations economists produce. This paper offers a theoretical perspective on these methodologies, highlighting their philosophical underpinnings and implications for economic analysis

HISTORICAL EVOLUTION OF ECONOMIC METHODOLOGY

Economic inquiry involves formulating hypotheses, constructing models, and testing theories. Unlike the natural sciences, economics deals with human behavior, making it more susceptible to normative assumptions and interpretive approaches. Therefore, understanding the nature of economic inquiry requires engaging with both empirical and theoretical dimensions.

The history of economic thought is intertwined with the development of its methodologies. Early economic thinkers often relied on philosophical reasoning, ethical considerations, and historical observations. Examples of early economic thinkers are:

Pre-Classical Era

Thinkers like Aristotle and the Mercantilists focused on normative questions, offering policy prescriptions based on philosophical and political objectives rather than systematic theoretical frameworks. The main idea of the Pre-Classical Era of thinkers like Aristotle and the Mercantilists is that their economic thinking was primarily driven by normative concerns and policy recommendations derived from philosophical and political goals**,** rather than systematic theoretical analysis of how economies function (Ekelund & Tollison, 1981). They focused on what *should* be done in the economy based on their ethical, social, and political objectives, rather than developing comprehensive models to explain economic behavior and outcomes. Their economic ideas were thus deeply embedded within their broader philosophical and political viewpoints. [Cited in Blaug, (1992)].

Classical Economics

Are Adam Smith, David Ricardo, John Stuart Mill among others, this era marked a shift towards more systematic analysis, emphasizing principles like the division of labor, free markets, and the labor theory of value. Methodologically, it involved deductive reasoning from general principles and a focus on long-run equilibrium. John Stuart Mill notably discussed the methodology of political economy, distinguishing between deductive and inductive methods [(Smith, 1776), (Ricardo 1817) and (Mill 1848)].

Marginalist Revolution (Late 19th Century)

This period introduced the concept of marginal utility and a greater emphasis on individual decision-making and mathematical formalism. Neoclassical economics, with figures like Jevons, Menger, and Walras, adopted a more rigorous mathematical approach, focusing on equilibrium and optimization. The main idea of the Marginalist Revolution in the late 19th century was a fundamental shift in economic thinking, moving away from classical economics' focus on objective costs of production to a subjective theory of value based on marginal utility.

Instead of viewing value as determined by the labor or resources used to produce a good, the Marginalist Revolutionaries argued that the value of a good or service is determined by the additional satisfaction (utility) a consumer gains from consuming one more unit of it. This "marginal" utility diminishes as consumption increases, a key insight that helped explain demand and price formation in a new way.

Alongside this central idea, the Marginalist Revolution also brought:

1. Increased emphasis on individual decision-making: Economic analysis shifted towards understanding how individuals make choices at the margin, weighing the additional benefits and costs of their actions.
2. Greater use of mathematical formalism: Economists like Jevons, Menger, and Walras employed mathematical tools to model economic behavior, focusing on concepts like equilibrium and optimization. This laid the groundwork for modern neoclassical economics.

In essence, the Marginalist Revolution provided a new lens through which to understand economic value, emphasizing subjective preferences and individual

choices analyzed with mathematical rigor. [(Jevons, 1871), (Menger, 1871) and (Walras 1874)]

Keynesian Revolution (20th Century)

John Maynard Keynes challenged the classical emphasis on self-regulating markets, advocating for government intervention during economic downturns. His work introduced macroeconomic aggregates and a focus on short-run dynamics, influencing both theoretical and empirical methodologies.

The main idea of the Keynesian Revolution, spearheaded by John Maynard Keynes in the 20th century, was a fundamental challenge to the classical economic belief in self-regulating markets and a powerful advocacy for active government intervention to stabilize the economy, particularly during periods of recession and depression.

Keynes argued that aggregate demand, the total spending in an economy, was the primary driver of economic activity and could fall short of the level needed to maintain full employment. Unlike classical economists who believed that markets would naturally return to equilibrium at full employment, Keynes contended that economies could become stuck in prolonged periods of low output and high unemployment.

His core ideas included:

1. Importance of Aggregate Demand: Keynes emphasized that the overall level of demand in the economy determines production and employment. Insufficient demand leads to recessions.
2. Sticky Prices and Wages: He challenged the classical assumption of perfectly flexible prices and wages, arguing that these could be "sticky" in the short run, preventing automatic adjustments to full employment.
3. Role of Expectations and Animal Spirits: Keynes highlighted the influence of psychological factors, such as confidence and expectations ("animal spirits"), on investment and consumption decisions, which could lead to volatile economic behavior.
4. Need for Government Intervention: To counteract insufficient aggregate demand, Keynes advocated for active fiscal policy (government spending and taxation) and monetary policy to influence economic activity and move the economy towards full employment.

In essence, the Keynesian Revolution shifted the focus of macroeconomics from long-run supply-side factors to short-run demand management, providing a theoretical justification for government intervention to mitigate the business cycle and promote economic stability. His work had a profound impact on economic policy and the development of macroeconomic theory and empirical methodologies, leading to the development of national income accounting and macroeconomic modeling (Keynes, 1936).

Econometrics and Formalization (Mid-20th Century onwards)

The development of econometrics, pioneered by Jan Tinbergen and Ragnar Frisch, provided tools for statistically testing economic theories using data. This led to an increasing emphasis on quantitative methods, mathematical modeling, and statistical inference in economic research [Frisch, (1939), Tinbergen, (1939), Tinbergen, (1940), Tinbergen, (1951)]

METHODOLOGY IN ECONOMICS

At its core, economic methodology is the study of the methods, principles, and philosophical underpinnings of how economists conduct their research and build economic knowledge. It is a meta-level analysis of how economics as a science operates. It examines the nature of economic theories, models, data, and the processes of explanation and prediction used in the field. However, It considers questions like:

1. What are the appropriate ways to study the economy?
2. What kinds of assumptions are acceptable in economic models?
3. How can we test economic theories?
4. What is the role of values and ethics in economic analysis?
5. Is economics more like a natural science or a social science?

Major Methodological Approaches

Classical and Neoclassical Methodology

Classical economics, rooted in the works of Adam Smith, emphasized natural laws and deductive reasoning. The Classical Methodology focuses on the following key areas:

Emphasis on Natural Laws

Classical economists believed that the economy operated according to inherent, discoverable principles, much like the physical world as described by Newtonian physics. They sought to identify these "natural laws" of economics, such as the law of supply and demand, the division of labor leading to increased productivity, and the tendency towards a natural rate of unemployment in the long run.

Deductive Reasoning

Their primary method of analysis was deductive. They started with general principles or axioms (often based on observation or philosophical reasoning about human nature) and then logically deduced specific conclusions and predictions about economic behavior and outcomes. For instance, the principle of self-interest was used to deduce how individuals would respond to incentives in markets.

Limited Role of Mathematics
While not entirely absent, mathematical formalism was less central to classical analysis. Their arguments were primarily verbal and logical, often illustrated with examples and simplified scenarios.

Focus on Long-Run Growth and Distribution
Classical economists were deeply concerned with the sources of long-run economic growth (e.g., capital accumulation, technological progress) and the distribution of income among different social classes (e.g., wages, profits, rent).

Belief in Self-Regulating Markets
A core tenet was the belief that free markets, guided by the "invisible hand" of competition, would generally lead to efficient resource allocation and full employment in the long run, with minimal need for government intervention.

The Neoclassical Methodology focuses on the following key areas:
Mathematical Formalism
The Neoclassical Revolution brought a significant shift towards the rigorous use of mathematics to model economic phenomena. Calculus, statistics, and econometrics became increasingly important tools for expressing and testing economic theories. This allowed for the development of more precise and complex models.

Rational Choice Theory
The cornerstone of neoclassical methodology is the assumption that individuals are rational actors who make decisions by weighing the costs and benefits of different options to maximize their utility (consumers) or profits (firms). This involves analyzing choices at the margin.

Equilibrium Analysis
Neoclassical economics heavily emphasizes the concept of equilibrium, a state where economic forces balance, and there is no inherent tendency for change. They developed sophisticated models of partial equilibrium (analyzing a single market) and general equilibrium (analyzing all interconnected markets).

Methodological Individualism
This principle asserts that all economic phenomena can ultimately be explained by the behavior and choices of individual agents. Macroeconomic outcomes are seen as the aggregation of these individual decisions. This contrasts with more holistic approaches that might emphasize social classes or institutions as primary units of analysis.

Optimization and Marginal Analysis
Economic agents are assumed to engage in optimization behavior, seeking the best possible outcome given their constraints. Marginal analysis, examining the impact of small changes in variables, is crucial for understanding these optimization decisions (e.g., marginal utility, marginal cost).

Abstraction and Simplification
Neoclassical models often rely on abstract assumptions and simplified representations of reality to make analysis tractable. The goal is to identify fundamental principles that drive economic behavior, even if real-world complexities are temporarily set aside.

Keynesian and Post-Keynesian Methodology
John Maynard Keynes introduced a macroeconomic perspective that emphasized aggregate demand, uncertainty, and government intervention. Post-Keynesians critique the neoclassical synthesis, advocating for historical time, fundamental uncertainty, and the role of institutions.

The Keynesian Methodology focuses on the following key areas:
Macroeconomic Focus
Keynesian economics operates primarily at the level of aggregate economic variables, such as national income, aggregate consumption, aggregate investment, government spending, and the overall price level. The focus is on the determinants of aggregate demand and its impact on output and employment.

Emphasis on Short-Run Disequilibrium
Unlike the classical focus on long-run equilibrium, Keynesian analysis is particularly concerned with situations of short-run disequilibrium, where aggregate supply may not automatically adjust to aggregate demand, leading to unemployment or inflation.

Role of Expectations and Confidence
Keynes stressed the importance of psychological factors, such as "animal spirits" (the spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative[1] probabilities), and expectations in driving investment and consumption decisions. These are often volatile and difficult to model with purely rational frameworks.

Sticky Prices and Wages
Keynesian models often assume that prices and wages are "sticky" in the short run, meaning they do not adjust instantaneously to changes in supply and demand. This can prevent the economy from automatically returning to full employment.

Active Government Intervention
A key methodological implication of Keynesian theory is the advocacy for active government intervention through fiscal policy (changes in government spending and taxation) and monetary policy (actions by the central bank) to manage aggregate demand and stabilize the economy.

The Post-Keynesian Methodology focuses on the following key areas**:**
Historical Time and Irreversibility
Post-Keynesians argue that economic processes unfold in historical time, which is irreversible and characterized by path dependence. Past events and decisions shape the present and future possibilities. This contrasts with neoclassical models that often treat time as reversible or focus on timeless equilibrium states.

Fundamental Uncertainty
They emphasize that many economic decisions are made under conditions of genuine or fundamental uncertainty, where future outcomes are not merely unknown but unknowable in a probabilistic sense. This has profound implications for investment decisions, financial markets, and the role of conventions and institutions.

Importance of Institutions
Post-Keynesians stress that economic behavior and outcomes are heavily influenced by social, political, and economic institutions (e.g., financial systems, labor markets, legal frameworks, social norms). These institutions are not simply background conditions but actively shape economic processes.

Critique of Reductionism and Equilibrium
They often critique the neoclassical tendency to reduce complex economic phenomena to the aggregation of individual optimizing behavior in equilibrium. Post-Keynesians favor a more holistic approach that considers emergent properties and systemic interactions.

Endogenous Money
Post-Keynesians typically view the money supply as endogenous, meaning it is created within the economic system in response to the demand for credit, rather than being exogenously determined by central banks.

Income Distribution and Power
Issues of income distribution, class relations, and power structures within the economy are often central to Post-Keynesian analysis, reflecting a concern with social justice and the political economy.

Marxist Methodology
Marxist economics adopts a dialectical and historical materialist approach. It focuses on class struggle, modes of production, and the contradictions of capitalism. Methodologically, it is holistic and critical of static equilibrium models, which includes:

Dialectical Approach
Marxist methodology is deeply rooted in Hegelian dialectics, which emphasizes the interconnectedness of phenomena, internal contradictions, and the process of historical change through the interplay of opposing forces (thesis, antithesis, synthesis). Economic phenomena are not seen as isolated but as part of a dynamic and evolving whole.

Historical Materialism
This is a core tenet, asserting that the material conditions of society – particularly the mode of production (the way society organizes its productive forces) – are the primary determinants of social, political, and intellectual life (the superstructure). History is seen as a progression through different modes of production (e.g., feudalism, capitalism, communism), each with its own characteristic social relations and contradictions.

Focus on Class Struggle
Marxist analysis centers on the inherent conflict between social classes with opposing economic interests, particularly in capitalist society between the bourgeoisie (owners of capital) and the proletariat (wage laborers). This class struggle is seen as the driving force of historical change.

Theory of Surplus Value
A central concept is the theory of surplus value, which argues that capitalists extract profit by paying workers less than the value they create through their labor. This surplus value is the source of capitalist accumulation and exploitation.

Critique of Capitalism
Marxist methodology is fundamentally critical of capitalism, viewing it as a system characterized by inherent contradictions (e.g., overproduction, crises), exploitation, and alienation. It seeks to understand the systemic flaws and potential for its transformation.

Holistic Analysis
Marxist analysis tends to be holistic, examining the interconnectedness of economic, social, political, and ideological aspects of society. It rejects the reductionist approach of focusing solely on individual behavior in isolation from its social and historical context.

Emphasis on Social Relations of Production
The focus is not just on the technical aspects of production but also on the social relationships and power dynamics that shape how production is organized and controlled.

Critique of Static Equilibrium Models
Marxist economists generally critique the static equilibrium models of neoclassical economics for failing to capture the dynamic, contradictory, and historically specific nature of capitalist development. They emphasize the inherent instability and tendency towards crisis within capitalism.

Austrian School Methodology
Austrian economists, such as Menger, Mises, and Hayek, emphasize praxeology, subjectivism, and methodological individualism. They reject empirical testing in favor of logical deduction from axiomatic premises. The Austrian School Methodology focuses on the following key arears:

Praxeology
The core of Austrian methodology is praxeology, the deductive study of human action. It starts with the fundamental axiom that humans act purposefully, meaning they consciously employ means to achieve chosen ends. From this single axiom and a few subsidiary postulates (e.g., the existence of scarcity, time preference), Austrians deduce a body of economic principles through logical reasoning.

Subjectivism
Austrian economics emphasizes radical subjectivism, asserting that economic value, cost, utility, and knowledge are fundamentally subjective and reside in the minds of individuals. There are no objective measures of these concepts. This contrasts with neoclassical approaches that sometimes treat utility or preferences as if they can be objectively measured or aggregated.

Methodological Individualism
Like neoclassical economics, Austrians strongly adhere to methodological individualism, arguing that all economic phenomena can ultimately be explained by the purposeful actions of individuals. However, their understanding of individual action is rooted in praxeology rather than the more behaviorist assumptions of rational choice theory (Davis, 2007).

Rejection of Empiricism and Econometrics
Austrians are highly skeptical of the application of empirical testing and econometrics to economic theory. They argue that human action is too complex, context-dependent, and influenced by subjective factors to be reliably captured by statistical analysis and historical data. They believe that valid economic principles can be discovered through logical deduction from the axiom of action, which they consider apodictic (self-evidently true).

Emphasis on Process and Time
Austrian economics focuses on the processes through which markets operate and how individual actions unfold over time. They are particularly interested in the dynamic adjustments of markets and the role of entrepreneurship in discovering and exploiting opportunities. They also emphasize the importance of time preference, the idea that people value goods and services more highly the sooner they are available.

Critique of Equilibrium Concepts
While not entirely rejecting the idea of equilibrium, Austrians view it as a mental construct or a tendency rather than a state that is ever truly reached or statically maintained. They emphasize the disequilibrium processes driven by entrepreneurial action as crucial for economic progress.

Sound Money and Free Markets
Based on their methodological principles, Austrians typically advocate for laissez-faire economic policies, sound money (often linked to a commodity standard), and minimal government intervention in markets.

Key Methodological Debates in Economics
Positivism vs. Interpretivism
Positivists advocate for a scientific approach to economics based on observable and quantifiable data. While, Interpretivists, however, stress the importance of understanding meaning, context, and the subjective experiences of economic agents. Positivism advocates for the application of the scientific method (as used in natural sciences) to the study of social phenomena. It emphasizes objectivity, empirical evidence, quantifiable data, and the identification of causal relationships and generalizable laws. Positivists believe in an objective reality that can be measured and understood through observation. Interpretivism argues that the social world is fundamentally different from the natural world because it is shaped by meanings, interpretations, and subjective experiences of individuals. Interpretivists emphasize understanding these meanings and experiences through qualitative methods, recognizing that reality is socially constructed and can vary between individuals and groups.

Deductive vs. Inductive Reasoning
This debate concerns the primary mode of reasoning in economic inquiry. Deduction involves deriving specific conclusions from general principles, while induction involves generalizing from specific observations. Classical economics leaned towards deduction, while the Historical School emphasized inductive reasoning and empirical

observation. Modern economics often employs a combination of both.

Deductive reasoning starts with general principles and derives specific conclusions, common in neoclassical economics. Inductive reasoning builds theories from empirical observations, often favored by institutional and historical economists.

Positive vs. Normative Economics

Positive economics aims to describe and explain economic phenomena as they are, focusing on "what is." Normative economics, on the other hand, involves value judgments and policy recommendations, focusing on "what ought to be." While economists generally strive for positive analysis, normative considerations often influence research questions and policy debates.

Quantitative vs. Qualitative Methods

The quantitative method emphasizes numerical data, statistical analysis, and econometric techniques to measure and test economic relationships. This is the dominant approach in mainstream economics. While, qualitative method focuses on in-depth understanding of economic phenomena through non-numerical data such as interviews, case studies, and historical analysis. Gaining prominence in areas like behavioral economics and institutional economics.

Theoretical vs. Empirical Approaches

The theoretical approach involves developing abstract models and frameworks to understand economic behavior and relationships. Often uses mathematical tools and logical reasoning. While, empirical approach focuses on testing economic theories and hypotheses using real-world data. Relies heavily on statistical and econometric methods.

Microeconomics vs. Macroeconomics Methodology

The microeconomics methodology is often focuses on individual agents (consumers, firms) and market behavior, with a greater emphasis on theoretical modeling and controlled experiments (though field experiments are increasing). While, macroeconomics methodology deals with aggregate economic phenomena (inflation, unemployment, growth), often relying on time-series data, macroeconomic models, and policy analysis.

Micro foundations of Macroeconomics

A key debate concerns the need for microfoundations in macroeconomic models. Critics argue that individual behavior cannot always be scaled up to explain macro phenomena. Following the Keynesian revolution, a debate emerged regarding the need for macroeconomic models to be based on sound microeconomic principles of individual behavior (Colander, 1996). This led to the development of New Classical and New Keynesian economics, which attempt to provide micro foundations for macroeconomic phenomena (Boumans & Davis (2015).

Mathematical Formalism vs. Verbal Reasoning

The increasing use of mathematics in economics has been both praised for its rigor and criticized for potentially oversimplifying complex phenomena and obscuring intuitive understanding. The appropriate balance between mathematical formalism and verbal reasoning remains a subject of debate.

Contemporary Methodological Approaches in Economics

Modern economic methodology is characterized by a pluralistic approach, incorporating a variety of tools and techniques:

Mathematical Modeling

Mathematical models remain a central tool for representing and analyzing economic relationships. These models range from simple supply and demand frameworks to complex dynamic stochastic general equilibrium (DSGE) models (Debreu, 1984).

Econometrics and Statistical Inference

Econometric techniques are used to estimate economic relationships, test hypotheses, and forecast economic variables using statistical data. Advances in computing power and statistical methods have led to increasingly sophisticated econometric analyses (Frisch, 1936). A crucial methodological tool in economics that combines economic theory, mathematics, and statistical inference to analyze economic data, estimate relationships between variables, and test hypotheses (Angrist & Pischke, 2009).

Behavioral Economics

This field integrates psychological insights into economic models to better understand decision-making under uncertainty, cognitive biases, and the influence of social and emotional factors on economic behavior that deviates from strict rationality. Employs experiments and surveys extensively (Camerer, 2003).

Experimental Economics

Experimental economics uses controlled laboratory or field settings to study individual and group behavior in economic contexts. While economics has traditionally relied on observational data, the use of controlled experiments, both in the lab and in the field, has grown significantly. This has raised methodological questions about the internal and external validity of experimental findings and their generalizability to real-world economic settings. Uses controlled laboratory or field experiments to study economic behavior and test theoretical predictions

in a controlled environment. This allows for the testing of theoretical predictions and the exploration of causal relationships (Hayek, (1945).

Computational Economics

With the rise of powerful computers, computational methods, such as agent-based modeling and simulation, are increasingly used to study complex economic systems and emergent phenomena (Hicks, (1937).

Narrative Economics

This relatively new approach, championed by Robert Shiller, emphasizes the role of popular narratives and stories in driving economic fluctuations and shaping economic behavior. It involves analyzing the spread and impact of these narratives using historical data and textual analysis (Hands, 2001).

Heterodox Economics

This encompasses various schools of thought that offer alternatives to mainstream neoclassical economics, often emphasizing different methodologies, such as historical analysis, institutional perspectives, and a focus on power relations and social structures. Examples include Post-Keynesian, Marxist, and Institutional economics (Garba, 2014).

Institutional Economics

Focuses on the role of institutions (laws, social norms, organizations) in shaping economic behavior and outcomes. Often uses historical analysis, case studies, and comparative institutional analysis (Hausman, 1992).

THEORETICAL PERSPECTIVES ON EVALUATING ECONOMIC METHODOLOGICAL CHOICES AND ITS IMPLICATIONS

Different theoretical perspectives exist on how to evaluate economic methodologies:

Positivism and Falsificationism

Inspired by the philosophy of science, this perspective emphasizes the importance of empirical testing and the ability of theories to be falsified by evidence. Methodologies that generate testable predictions are favored [Caldwell (2004), Caldwell (1982)].

Realism

This perspective argues that the goal of economic methodology should be to develop theories that provide a true or accurate representation of the underlying economic reality, not just predict outcomes. The realism of assumptions is considered crucial. A long-standing debate concerns the extent to which the assumptions underlying economic models need to be realistic (Fleetwood, 1999). Milton Friedman, in his influential essay "The Methodology of Positive Economics," argued that the predictive power of a theory is more important than the realism of its assumptions. This view has been challenged by those who argue that unrealistic assumptions can lead to flawed conclusions and policy recommendations (Friedman, (1953).

Pragmatism

This view focuses on the usefulness and practical relevance of economic methodologies. A methodology is considered good if it helps economists solve real-world problems and provides useful insights for policy-making (Backhouse, 2009).

Conventionalism

This perspective suggests that methodological choices in economics are often based on conventions and shared agreements within the economics profession rather than purely on logical or empirical grounds (Lucas, 1967).

Social Constructivism

This view emphasizes the social and historical context in which economic knowledge is produced. Methodologies are seen as shaped by the prevailing social norms, power structures, and intellectual trends within the economics community (Boumans, 2015).

Therefore, the choice of methodology affects not only theoretical constructs but also policy implications. For instance, neoclassical models might advocate for minimal intervention, while Keynesian models support active fiscal policy. Moreover, methodological pluralism encourages diverse perspectives, enhancing the robustness of economic analysis (Sent, 1998).

CONCLUSION

Methodology is central to the practice of economics. A theoretical understanding of different methodologies reveals the diversity and complexity of economic thought. Embracing methodological pluralism can lead to more nuanced and effective economic insights.

Economic methodology is a dynamic and evolving field. It has moved from philosophical reasoning to formal mathematical modeling and sophisticated econometric techniques, and now increasingly incorporates insights from other social sciences and computational methods. The ongoing methodological debates reflect the inherent complexity of studying human behavior and social systems.

A comprehensive theoretical perspective on methodologies in economics highlights the importance of understanding the philosophical underpinnings of economic inquiry, the strengths and limitations of different approaches, and the criteria used to evaluate economic knowledge. As the global economy becomes increasingly complex and interconnected, the development and critical

evaluation of economic methodologies will continue to be crucial for advancing our understanding of economic phenomena and informing effective policy decisions. The ongoing dialogue and innovation in economic methodology are essential for ensuring the rigor, relevance, and progress of economics as a social science.

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