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Philosophy of Economics *versus* Methodology of Economics

ABSTRACT. As McCloskey noted many years ago, there are two views of methodology: small-m and big-M. In economic model building, small-m methodology is a study of why model builders assume what they assume when building models. Big-M methodology is the view of philosophers of economics who are more concerned with questions such as: What do economists mean by 'realism' or 'realistic' assumptions? Are economic models testable? What is the cognitive status of economic theory? And so on. Since the time when McCloskey was talking about this, the field of small-m economic methodology has been subsequently hijacked by would-be philosophers of economics to the extent that conferences that in the past would have addressed questions of small-m methodology are today devoted to topics of interest only to philosophers, particularly to analytical philosophers who reject Karl Popper's view on economic methodology. What they reject is actually a mistaken characterization created by Imre Lakatos. Contrary to Lakatos, Popper's view is not 'falsificationism'. Popper had denied such a characterization, but this fact is ignored by most philosophers of economics. As a result of their rejection of what is thought to be Popper's view of science, those of us who think Popper's views of explanation are more worthy of discussion than those of analytical philosophers of economics are too often excluded from participation in conferences about the methodology of economics.

KEY WORDS: economic methodology, philosophy of economics, Karl Popper, Imre Lakatos

1. Introduction

Thirty years ago Deirdre McCloskey raised a distinction between what she called small-m methodology and big-M methodology which suggested a difference between what economics methodologists like me talk about and what philosophers of economics talk about. What I have been doing for over fifty years is trying to identify the various answers to the simple