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Is Mainstream Economics a Science Bubble?

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ABSTRACT

This article uses George Soros' theory of boom–bust cycles to argue that mainstream economics, as built on Samuelson's Foundations, followed a similar boom-bust cycle. It underwent a reflexive, positive feedback pattern of development before 1980 followed by a reflexive, negative feedback pattern of development after 1980, making it a science bubble. The positive feedback pattern was associated with the 'misconception' that when economics is framed as a natural science as per Samuelson, it improves its descriptive capacities as a science; the negative feedback pattern was associated with increasing recognition that this was a 'misconception' and the emergence of mainstream economics' performative ambition—the idea that economics aims to construct the world in its own image rather than describe it. The article discusses how this latter aim is embodied in later game theory, 'new' behavioral economics and mechanism-design theory. Yet the vision of economics as a performative science is inconsistent with Samuelson's natural science model of economics. Thus, mainstream

economics turns out to be a science bubble much like many other mistaken, superseded research programs in the history of science.

KEYWORDS:

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Notes

1 Samuelson may have had second thoughts about his Whig position when he conceded to Mark Blaug that rational reconstructions of past ideas might deviate from historical reconstructions, thus implying a possible loss of important theoretical content and a problem for his progress view (cf. Samuelson, Patinkin, and Blaug 1991, p. 144). This admission came out of a debate with William Baumol over the status of Marxian economics, which led to a shift in Blaug's own position away from Samuelson's and considerable doubts for Blaug regarding progress in economics (see Davis 2013).

2 Gary Becker extended this to non-economic domains, meaning that rational choice theory is a universal theory of human behavior.

3 This is known as the Duhem–Quine thesis, which states that theories can never be conclusively falsified.

4 That these models did not predict well was ignored!

5 The decision problem was what later became known as the Allais paradox. For the Allais–Savage exchange, see Heukelom (2014, pp. 54ff.).

6 The work of Simon and Allais simultaneously became an ‘old,’ outdated behavioral economics (Sent 2004).

7 See the arguments of Infante, Lecouteux, and Sugden (2016) regarding the notion that decision-makers somehow contain within themselves an ‘inner rational agent’ ultimately able to make agents’ real choices.

8 Some commentators distinguish economics’ mechanism-design theory and matching-mechanism theory, as associated with medical resident matching programs, but I regard the two sorts of programs as structurally the same, even if some conceptualize their goals and motivations differently. In the US, the National Resident Matching Program began in 1952 as a response to criticism of the existing market-based system of medical resident hospital placement.