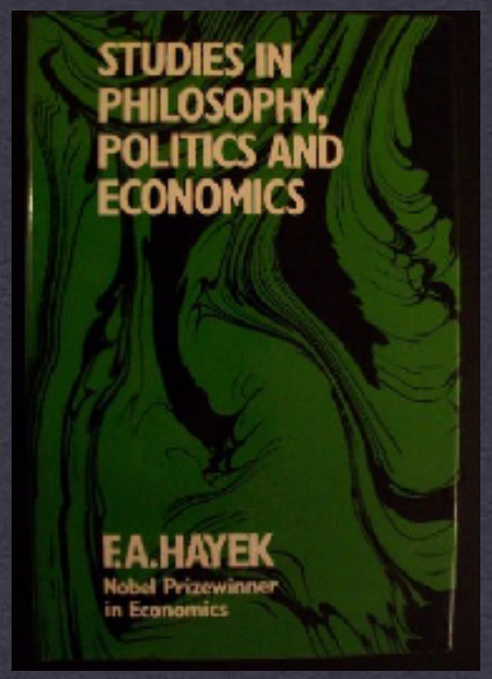

PHILOSOPHY OF ECONOMICS & POLITICS

LECTURE 3: CAUSATION I — SOCIAL MECHANISMS

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Today's agenda

- Today's topic is '**social mechanisms**'
- Economists and political scientists like to **explain phenomena of interest** (**outcomes** as well as **patterns of events**) by invoking mechanisms
- As methodologists we may ask:
  - **What is a social mechanism?**
  - And what's so special about a **mechanistic explanation**?

Social mechanisms

- Social scientists frequently appeal to ‘mechanisms’ when they attempt to explain social phenomena
- From the reading for the first tutorial…
- Melvin Richter is a historian
- In economics, talk of mechanisms is ubiquitous

What is a social mechanism?

- Social mechanisms are used for a variety of purposes — such as mechanism design — but here we'll focus on the context of **explanation**
- In most general terms, an explanation is an **answer to a why-question**:
  - Why did the financial crisis happen?
  - Why is there a boom-bust cycle?
  - Why do democratic nations not go to war with each other?
  - Why did Brexit happen?
- To explain a phenomenon means to cite its causes — because **causes explain their effects**

What is a social mechanism?

- A mechanism is thus a kind of cause
- But not any cause will qualify as a mechanism:
  - Smoking and lung cancer
  - Money supply and hyperinflation
- Mechanisms are often depicted by variables and arrows: e.g., Tilly's 'Mechanisms in Political Processes'

What is a social mechanism?

- The description of a mechanism thus gives us information about **how** one set of variables (**a designated cause or set of causes**) is related to the outcome variable (**the designated effect**)

- Though there are **multiple notions of mechanism** used in the social sciences, this idea of an '**underlying structure or process**' is an important one and closely related to notions of mechanism discussed in the philosophy of science

Mechanistic explanation

- A **mechanistic explanation** (i.e., an explanation that describes the mechanism responsible for an outcome of interest) is a good explanation because it provides **understanding**

- To cite its cause means to explain an outcome:
  - Why did Paul develop lung cancer? Because he smoked.
  - Why is Venezuela experiencing hyperinflation? Because of exorbitant monetary growth
  - Why do the UK and the U.S. not go to war with each other? Because both are democracies

Characteristics of mechanisms

- Causation was closely related to determinism for much of intellectual history
- Thus, it was believed that causes necessitate their effects (i.e., it was believed that a cause must be followed by its effect)
- However, this is not normally true (e.g., not all smokers develop lung cancer):
  - Effects may be ‘pre-empted’
  - Causes normally need ‘helping factors’ to bring about their effects
  - Causes may be stochastic

Characteristics of mechanisms

- Causes can be linked to their effects by **many mechanisms**
- E.g., these are all ‘channels of monetary transmission’:
  - the traditional Keynesian interest rate channel;
  - the exchange rate channel in open economies;
  - the asset price channel;
  - two credit channels:
    - the bank lending channel
    - the balance sheet channel.

Characteristics of mechanisms

- Some mechanisms may affect an outcome in one direction, others in a different direction
- Thus, depending on the exact circumstances (the environment, other causes that are present or absent), cause and effect may be positively correlated, negatively correlated or uncorrelated
- Here, then, we have a first reason why ‘correlation is not causation’: not all causally related variables are also correlated

Characteristics of mechanisms

- Finally, it is not always clear under what conditions a mechanism is triggered
- This is especially problematic when there are many mechanisms, some of which work in opposite directions
- E.g., Jon Elster:
  When people try to make up their mind whether to participate in a cooperative venture, such as cleaning up litter from the lawn or voting in a national election, they often look to see what others are doing. Some of them will think as follows: "If most others cooperate, I too should do my share, but if they don't I have no obligation to do so." Others will reason in exactly the opposite way: "If most others cooperate, there is no need for me to do so. If few others cooperate, my obligation to do so will be stronger." In fact, most individuals are subject to both of these psychic mechanisms, and it is hard to tell before the fact which will dominate.

Mechanisms and prediction

- All three characteristics we just discussed:
  - Causes don’t necessitate their effects
  - Causes and effects can be linked by many mechanisms
    - It is not always clear how exactly a mechanism is triggered
- … make it hard to exploit knowledge of mechanisms for prediction
- Explanation is thus not the same as prediction; knowledge that is useful for one purpose, may not be useful for another

Mechanisms and policy

- On the other hand, knowledge of mechanisms can be valuable for formulating policy interventions
- E.g., ‘smoking causes lung cancer’ on its own doesn’t tell policy makers how they should regulate e-cigarettes; knowledge of the mechanism by which smoking causes cancer does
- More generally, the better we understand the mechanisms through which causes operate, the better we are able to formulate policies with desirable outcomes
- This is for instance why we want to understand the mechanisms of development!

Back to Tocqueville

- Tocqueville didn't only formulate abstract 'threats' to liberty in a democracy, he provided **detailed descriptions of how democracy has the capacity to undermine freedom**
- In other words, he described the **mechanisms through which democracy leads to tyranny**/despotism
- Consider, for instance, what he called 'administrative despotism'
- A detailed description enables **targeted solutions**

In sum, …

- Mechanisms are a **very popular topic** in the philosophy of science at the moment
- The idea of mechanism is closely related to that of **causality**, and to those of **explanation** and **understanding**
- **Knowledge of mechanisms does not**, in general, **help to predict social phenomena**: mechanisms can ‘break’, they can be stochastic, and sometimes we don’t know how to trigger them
- However, by furthering our understanding of phenomena, knowledge of mechanisms can also **help with the design of policies**