

# **Joseph Stiglitz' economics of information – the perspective of realistic philosophy of economics**

Marcin Gola

PhD dissertation written under the scientific supervision of prof. dr hab. Adam Glapiński

## **ABSTRACT**

Information and knowledge had been gradually growing in significance in the economic thought of the 2<sup>nd</sup> half of the twentieth century. The transformation was described in detail by the American economics historian Philip Mirowski who also criticized incoherences and lack of realism in such theories.

In his publications, Mirowski describes how numerous economists treat the incorporation of information and knowledge to economics theory as an evolutionary development of the neoclassical economics paradigm. On the other extreme, he points to Joseph Stiglitz for whom the emergence of the economics of information (or information economics) is a radical and epochal upheaval which refutes the fundamental knowledge regarding the laws that govern economy.

Indeed, Stiglitz calls the economics of information the New Paradigm. But contrary to Mirowski's opinion, he indicates a realistic image of working economy as the main advantage of that paradigm.

The dissertation aims to answer the question whether Stiglitz' theory of economics of information could in its essence be called realistic.

In order to resolve that research problem, as a point of reference for analysing the realism of information economics theory, the two most mature projects of realistic philosophy of economics were utilized: critical realism of Tony Lawson and commonsense realism of Uskali Mäki.

The dissertation proves the following main hypothesis to be true: *Joseph Stiglitz' information economics, being an attempt of making economics science more realistic, is to a large extent compliant with the realistic philosophy of economics projects of Uskali Mäki and Tony Lawson. It however faces, on the way to its realisticness, some methodological problems which do not have straight and unambiguous solutions within these philosophical concepts.*

In the first part, three chapters focus on the reconstruction of the theory utilized in the dissertation. The first chapter includes an overview of popular connotations of information economics notion as well as

a short historical review of merging that concept into economics theory. The second chapter reconstructs the main research problems and information economics mechanisms of Stiglitz' theory as well as presents the crucial explanation schemes utilized by that American economist. The third chapter presents the most important characteristics of realistic economics via a reconstruction of the postulates proposed by the main representatives of realistic philosophy of economics. That chapter summarizes the similarities and differences between the research projects of Mäki and Lawson.

The second part of the dissertation analyses Stiglitz' information economics theory from the perspective of realistic philosophy of information.

The fourth chapter concerns Mäki's research project, and its content proves the first auxiliary hypothesis of the dissertation to be true: *Stiglitz' information economics complies with Uskali Mäki's fundamental postulates of realistic philosophy of economics and it has features of ontological unification.*

In the fifth chapter, Stiglitz' information economics theory is confronted with Lawson's postulates and the second auxiliary hypothesis of the dissertation is proven to be true: *Although Stiglitz uses mathematical modelling unacceptable by Tony Lawson's critical realism, the essence of his information economics meets the postulates of Lawson's reorientation of economics science towards social reality.*

The sixth chapter proves the third auxiliary hypothesis to be true: *Stiglitz' information economics faces methodological problems which do not have straight and unambiguous solutions within realistic philosophy of economics.* For the purpose of the last chapter, four areas, problems or challenges have been identified. The areas are: realistic theories not reflecting perceived reality, the dual nature of social mechanisms, mechanisms composition and the ontic unity problem. The problems are greatly important in any pursuit for more realistic economics science, but, on the other hand, they are not discussed in enough detail by the abovementioned philosophers of economics in such a way that we could have clear guidelines for doing realistic economics science, or we could have a reference point for an easy evaluation of economics theories from the perspective of these four problems. At the same time, chapter six shows that Joseph Stiglitz' approach to these four challenges is the key to presenting realistic characteristics of his information economics.