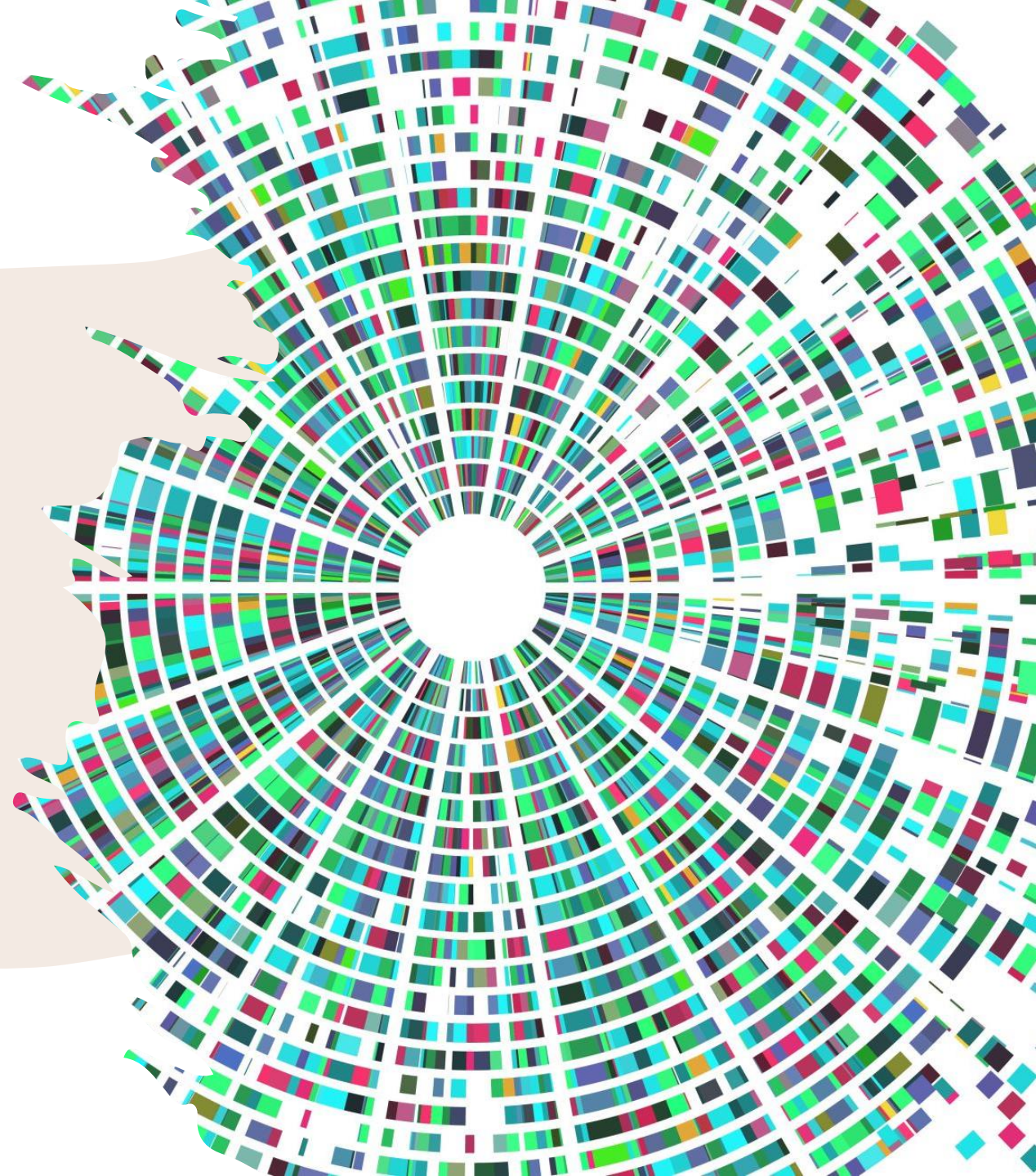
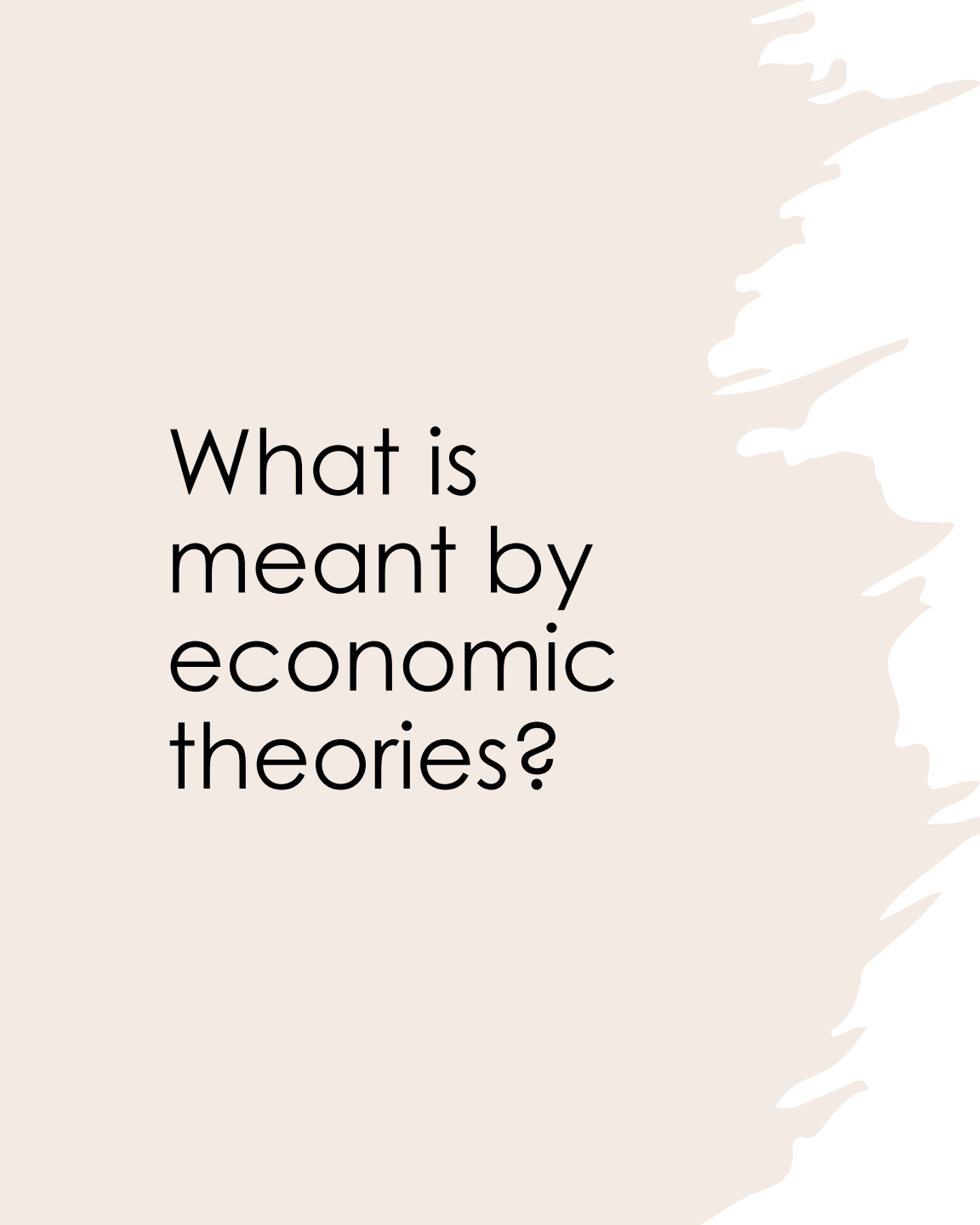


Economic Thought, Economic Growth, and Economic Development in Sri Lanka

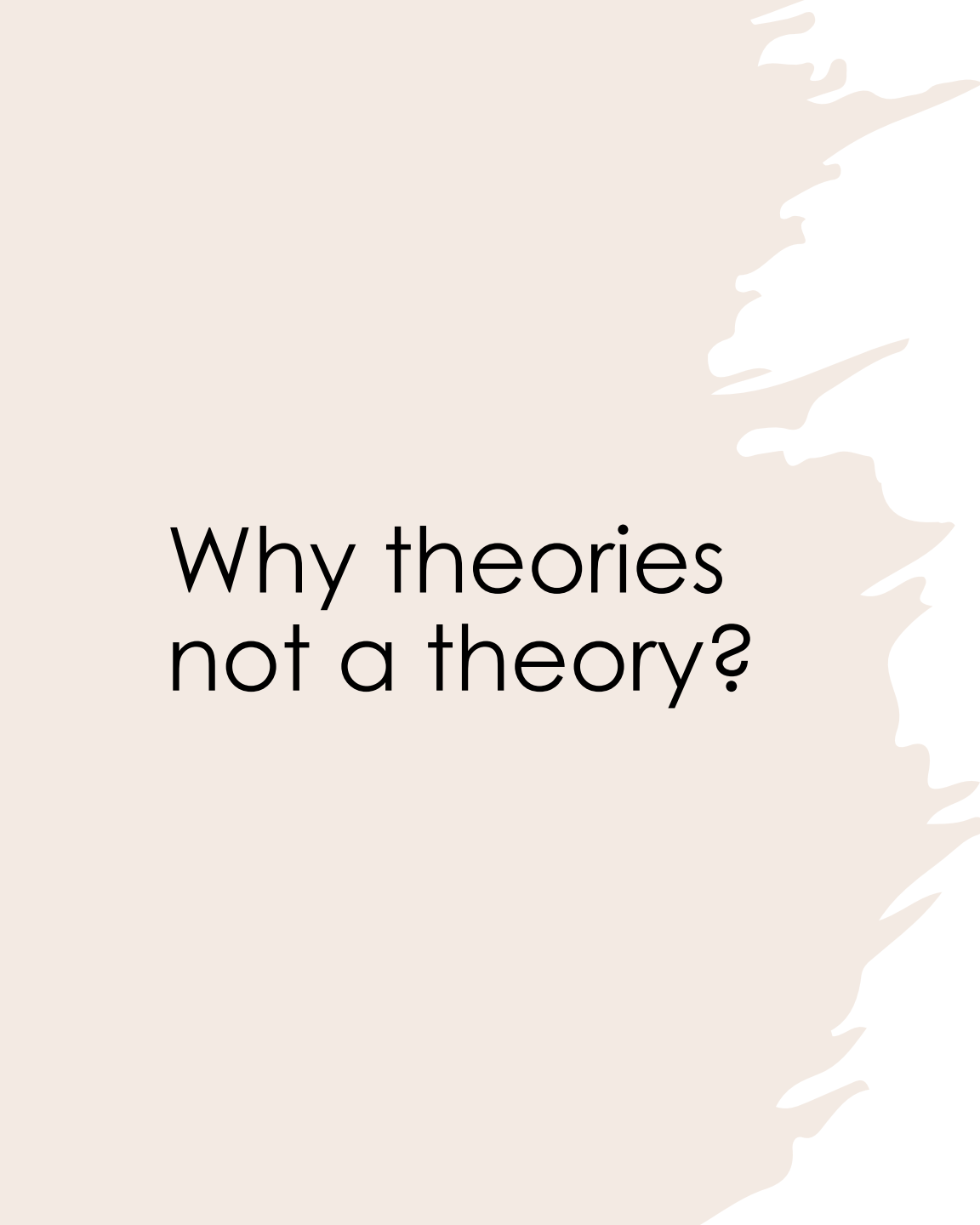
SUMANASIRI LIYANAGE





What is meant by economic theories?

- Attempts to understand how economies work;
- All of our theories, whether we are aware of them or not, play major roles in shaping our actions and experiences;



Why theories not a theory?

- If everyone agreed about how economies work, one grand economic theory can exist;
- But, that is not the case;
- This is so even in natural sciences.



Are we all economic theorists?

- Everyone has some idea about how economy works?
- You consider only some things;
- When you explain, you consciously or unconsciously, use theories.



Theories and society

- We see economic theories matter? So theories influence individuals as well as society;
- But society also influences theories;
- Hence, to explain different societies, different theories may be necessary.

Development of theories

- Thomas Kuhn: A Structure of Scientific Revolution (1962)
- A **paradigm shift** is a fundamental change in the basic concepts and experimental practices of a scientific discipline.



Thomas Kuhn and Karl Popper

Popper's standard of [falsificationism](#) was widely taken to imply that a theory should be abandoned as soon as any evidence appears to challenge it:

While Kuhn's descriptions of scientific activity were taken to imply that science is most fruitful during periods in which 'normal', theories are supported despite known anomalies.



Scientific Revolution and Normal Science

Kuhn contrasts paradigm shifts, which characterize a [scientific revolution](#), to the activity of [normal science](#), which he describes as scientific work done within a prevailing framework or [paradigm](#). Paradigm shifts arise when the dominant paradigm under which normal science operates is rendered incompatible with new phenomena, facilitating the adoption of a new theory or paradigm.

Stages of Scientific Revolution



1. Normal Science dominant paradigm is active and generally accepted;
2. Extraordinary research: a state of crisis, and researchers going beyond prevailing boundaries. “the proliferation of competing articulations, the willingness to try anything, the expression of explicit discontent, the recourse to philosophy and to debate over fundamentals”;
3. Adoption of a new paradigm:
4. Aftermath of the scientific revolution: new text books, new courses etc.

Imre Lakatos Research Programs

1. a *hard core* of theoretical assumptions that cannot be abandoned or altered without abandoning the program altogether.
2. More modest and specific theories that are formulated in order to explain evidence that threatens the 'hard core' are termed *auxiliary hypotheses*.
3. They may be altered or abandoned as empirical discoveries require in order to 'protect' the 'hard core';
4. When they enhance the program's explanatory and/or predictive power, and that they are at least permissible until some better system of theories is devised. They are productive.



What is pseudoscience?

if theory fails to make any novel predictions of previously unknown phenomena or its predictions were mostly falsified, in contrast with scientific theories, which predict novel fact(s).

Progressive scientific theories are those which have their novel facts confirmed and degenerate scientific theories, are those whose predictions of novel facts are refuted.

The Historical Development of Economic Thought

