

The purpose of this talk is twofold: it is methodological in that it applies a recent and promising theory of causation—namely the interventionist theory of causation Woodwardian-style—to economics using the example of the Phillips curve. Additionally, it is a contribution to the history of economics, since it is supposed to be an unconventional reconsideration of the very origin of this macroeconomic generalization, i.e. of Phillips (1958). This endeavor of applied philosophy of science shows five things: (i) it shows what exactly Phillips' claim means that the unemployment rate and its rate of change cause and hence explain the rate of change of money wage rates—namely to commit oneself to the truth of two specific interventionist counterfactuals. (ii) However, these counterfactuals are highly problematic, for they urge us to make sense of hypothetical interventions on the level of unemployment of past and future periods. (iii) Quite surprisingly, indeed Phillips himself attempts to invoke hypothetical interventions. However, this attempt fails because his method for doing this is inappropriate; instead of proper hypothetical interventions, it achieves merely artificial or pseudo interventions, which do not have the potential to buttress his causal claim. (iv) A further reason why the derived counterfactuals are problematic is that all three variables involved lack a certain kind of objectivity and reality because they are constructed in a considerably arbitrary way. A striking example for this is Phillips' shift to another index of wage rates when faced with empirical anomalies. (v) Irrespective of whether the Phillips curve represents a causal relationship or not, it is at any rate a relatively unstable relationship because it breaks down under many different changes in background circumstances. From an interventionist point of view, this instability of the Phillips curve should prompt us to critically reassess the very role of its explanans variables—namely to consider to assign them instead to a set of enabling background circumstances with respect to a revised Phillips curve that is more stable due to other explanans variables.