



Friedman's Instrumentalism

Philosophy of Economics

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Background

Milton Friedman (1912-2006)

Nobel price (1976)

Founder of monetarism

Lasting influence on
conservative economists

Highly influential essay:
“Methodology of Positive
Economics” (1953)

Contents

1. **Friedman's Instrumentalism**
2. Friedman's Examples
3. Popper vs Friedman
4. Do economists follow Friedman's methodology?

Realists and Instrumentalists (Reiss)

	<i>Realists</i>	<i>Instrumentalists</i>
(a) Regard science as valuing:	truth;	usefulness
(b) See this value realized mainly in building models that:	faithfully represent causal structure;	make predictions about robust relations among measurable variables
(c) are: ... regarding our ability to learn causal structure.	optimistic	pessimistic

Reiss, Julian. "Idealization and the Aims of Economics: Three Cheers for Instrumentalism." *Economics and Philosophy* 28, no. 3 (2012): 363–83.

The Aims of Economics

[The] task [of economics] is to provide a system of generalizations that can be used to make correct predictions about the consequences of any change in circumstances. Its performance is to be judged by the precision, scope, and conformity with experience of the predictions it yields. (p. 146)

- Predictive Success is the main aim of an economic theory
- Simplicity and Fruitfulness are secondary desirable qualities

The Instrumentalist Claim

- There is no issue of the truth of the assumptions over and above predictive success (**instrumentalist thesis**):
the relevant question to ask about the “assumptions” of a theory is not whether they are descriptively “realistic” [...] but whether they are sufficiently good approximations for the purpose in hand. And this question can be answered only by seeing whether the theory works, which means whether it yields sufficiently accurate predictions [...]. (p. 153)
- But sometimes Friedman seems to say something much more radical (**strong instrumentalist thesis**)
Truly important and significant hypotheses will be found to have ‘assumptions’ that are wildly inaccurate descriptive representations of reality, and, in general, **the more significant the theory, the more unrealistic the assumptions** [...]. (p. 153)

Contents

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The Law of Falling Bodies

- Take the formula for falling bodies, $s = \frac{1}{2}gt^2$ (p. 154)
- This law rests on the “assumption” that bodies fall in a vacuum
 - ❑ This is generally not true
 - ❑ Still, for a **wide range of circumstances**, bodies (approximately) fall **as if** they were in a vacuum
 - ❑ So the theory “works” in many circumstances; this is why we accept it (p. 155)

Do assumptions in economics work like this?

Leaves and Billiard Players

- We can explain left growth in trees **as if** leaves maximised individual utility (p. 156)
 - ❑ Clearly, leaves do not maximise anything, so this assumption is false
 - ❑ But this is an elegant and economic way to state a successful theory
- The same is true if we say that professional billiard players act **as if** they applied rules of physics
- The same is true if we say that individuals act **as if** they were utility maximisers

Contents

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Popper on Realism

Within [the] rationalist tradition science is valued, admittedly, for its practical achievements; but it is even more highly valued for its informative content, and for its ability to free our minds from old beliefs, old prejudices, and old certainties, and to offer us in their stead new conjectures and daring hypotheses. Science is valued for its liberalizing influence—as one of the greatest of the forces that make for human freedom.

(Popper, *Conjectures and Refutations*)

Popper on Instrumentalism

But there is another way of looking at these matters. For some, science is still nothing but glorified plumbing, glorified gadget-making-‘mechanics’; very useful, but a danger to true culture, threatening us with the domination of the near-illiterate (of Shakespeare’s ‘mechanicals’). It should never be mentioned in the same breath as literature or the arts or philosophy. [...] It cannot and does not reveal to us new worlds behind our everyday world of appearance; for the physical world is just surface: it has no depth.

(Popper, *Conjectures and Refutations*)

Friedman on Popper

As **an amusing footnote**, one of the major benefits that I personally derived from the first meeting of the Mont Pelerin Society in 1947 was meeting Karl Popper and having an opportunity for some long discussions with him, not on economic policy at all, but on methodology in the social sciences and in the physical sciences. That conversation **played a not negligible role** in a later essay of mine, "The Methodology of Positive Economics" [...].

Interview with Milton Friedman, <https://www.minneapolisfed.org/publications/the-region/interview-with-milton-friedman>

Contents

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Questions

- What would economics look like if it lived up to instrumentalist standards?
 - ❑ Unrealistic model-building is vindicated (to a degree)
 - ❑ But: model-building for model-building's sake is strongly opposed
 - ❑ As in Popper, probably much more empirical testing would be required
- How do we determine that a model “works”?
 - ❑ Comparison to existing models?
 - ❑ Community standards? (The community of academic economists?)
- Is there no role for [understanding](#) in instrumentalism?
- If we're instrumentalists, do we not have pragmatic reasons to care for realistic assumptions?

Further Reading

- Hands, Wade. “Did Milton Friedman’s Methodology License the Formalist Revolution?” *Journal of Economic Methodology* 10, no. 4 (2003): 507–20.
- Popper, Karl R. *Conjectures and Refutations: The Growth of Scientific Knowledge*. New York: Harper & Row, 1968. Chapter 3, “Three Views Concerning Human Knowledge”.
- Reiss, Julian. “Idealization and the Aims of Economics: Three Cheers for Instrumentalism.” *Economics and Philosophy* 28, no. 3 (2012): 363–83.
- Boland, Lawrence. “A Critique of Friedman’s Critics.” *Journal of Economic Literature* 17, no. 2 (1979): 503–22.