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978-0-521-86701-6 - The Methodology of Positive Economics: Reflections on the Milton Friedman Legacy

Edited by Uskali Mäki

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The Methodology of Positive Economics

Milton Friedman's 1953 essay "The methodology of positive economics" remains the most cited, influential, and controversial piece of methodological writing in twentieth-century economics. Since its appearance, the essay has shaped the image of economics as a scientific discipline, both within and outside academia. At the same time, there has been an ongoing controversy over the proper interpretation and normative evaluation of the essay. Perceptions have been sharply divided, with some viewing economics as a scientific success thanks to its adherence to Friedman's principles, others taking it as a failure for the same reason. In this book, a team of world-renowned experts in the methodology of economics cast new light on Friedman's methodological arguments and practices from a variety of perspectives. It provides the twenty-first-century reader with an invaluable assessment of the impact and contemporary significance of Friedman's seminal work.

Uskali Mäki is Academy Professor at the Academy of Finland. He has written extensively on the philosophy and methodology of economics and is editor of a number of books, including *The Economic World View* (Cambridge University Press, 2001), *Fact and Fiction in Economics* (Cambridge University Press, 2002), and *Handbook of the Philosophy of Economics* (2009).

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of New Institutional and Austrian economics; in journals such as the *Journal of Economic Literature*, *Philosophy of the Social Sciences*, *Studies in the History and Philosophy of Science*, *Perspectives on Science*, *Erkenntnis*, *Kyklos*, *Journal of Economic Methodology*, *History of Political Economy*, *Economics and Philosophy*, *Cambridge Journal of Economics*. He is editor of *The Economic World View: Studies in the Ontology of Economics* (Cambridge University Press, 2001); *Fact and Fiction in Economics: Models, Realism, and Social Construction* (Cambridge University Press, 2002); and a co-editor of *The Handbook of Economic Methodology* (1998); *Economics and Methodology. Crossing Boundaries* (1998); *Rationality, Institutions and Economic Methodology* (1993). He is Chair of the International Network for Economic Method and a former editor of the *Journal of Economic Methodology*.

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Preface

Milton Friedman is known for a variety of contributions. Professional economists acknowledge his work in monetary economics and some other fields of economic inquiry. Many others recognize his name in connection with the late twentieth-century free market ideology – an ideology advising how to conduct economic policy and how to organize social life more generally. His writings in these areas are numerous, influential, and controversial.

Friedman has also contributed to what may be called the ideology of science – an ideology advising how to conduct economic inquiry and how to organize academic life in general. On this topic, his recognized writings are less numerous, often considered reducible to one piece, “The methodology of positive economics,” that was published as the lead essay in his *Essays in Positive Economics* in 1953 (dubbed throughout this volume as “F53”). The essay was to become the most cited, the most influential, the most controversial piece of methodological writing in twentieth-century economics. It is also poorly understood – and indeed hard to understand, given its richness and obscurities. And it remains highly topical for the foundational debates in and around economics in the early twenty-first century. These are among the ingredients of a classic.

These features of F53 gave sufficient grounds for organizing a conference around it. The conference, organized by the Erasmus Institute for Philosophy and Economics, took place in Rotterdam, the Netherlands, on 12–13 December 2003. The occasion of the conference was the fiftieth anniversary of the publication of F53. Prior to the conference, in January 2003, there was a panel session on F53 at the ASSA meetings in Washington, DC, organized by Thomas Mayer. Milton Friedman was connected to the panel via a telephone connection – he had an opportunity to comment on our ideas and to reply to our questions. Papers originating from that panel were subsequently published in the *Journal of Economic Methodology* later that year. The Erasmus conference was an ambitious expansion of that panel.

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Papers for the conference were commissioned from what was close to the best possible team of scholars on the theme. They were asked to highlight a number of well-circumscribed issues that are contained in F53 or that F53 has given rise to. The assignment given to the contributors was broad and simple. They were asked to put themselves in the shoes of a twenty-first-century reader wishing to check by himself or herself what to make of F53: in the light of (1) the text of the essay, (2) the historical and intellectual context of the essay, and (3) the later developments of economics and its methodology – what is the twenty-first-century reader advised to think of the contents of F53 and their descriptive and prescriptive adequacy? The assignment was indeed broad, but each contributor was invited to approach it from a separate limited angle. Taken together, the responses, reported in the chapters of the present book, provide a rather comprehensive account of F53 for the twenty-first-century reader.

The harvest is no doubt thus far the most ambitious collective attempt to examine and assess F53 in its various contexts. The flow of commentaries, criticisms, utilizations, and debates over the credentials of F53 has continued for half a century now. I dare claim that the volume you're holding in your hands makes significant progress towards a deeper understanding of F53 and the difficult issues that it set out to address in the mid twentieth century and that economists and their critics keep arguing about half a century later.

I invited Milton Friedman to join us in Rotterdam, but at the age of 91, he was not eager to travel. Revealing his enduring interest in methodological issues, he did read the contributions and wrote a brief note that is included at the end of this volume. To my knowledge, this is the first time that he has publicly spelled out his views about what others have written about his essay, but unsurprisingly perhaps, he keeps his statement very general and polite (while in private correspondence and conversations, he has been active in reacting to various criticisms and suggestions in more substantive ways). He had decided to stick to his old private rule according to which he will let the essay live its own life. It remains a challenge to the rest of us to live our academic lives together with the methodological essay that he left behind. This is the challenge the current volume sets out to meet.

Special thanks go to Frank Hindriks, Caterina Marchionni, and Giorgos Papadopoulos for great help in preparing and running the conference, and to Samuli Pöyhönen for splendid assistance in preparing the volume.

We would also like to thank the University of Chicago Press for allowing us to reproduce F53 in its full and original form.

USKALI MÄKI