

Funding the Future

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I have referred to top-down thinking in a post on this blog today, and that does, I think, require me to explain what I mean by this term, and what I therefore mean by the alternative description, which is, unsurprisingly, bottom-up thinking. I have, therefore, added these definitions to this blog's glossary to explain these terms:

Top-down thinking

Top-down thinking is a mode of reasoning that begins with a prior proposition, theory or belief and then seeks evidence to confirm it. The framework comes first; observation follows. Evidence that fits the proposition is emphasised, while evidence that challenges it is often discounted, reinterpreted or ignored.

Top-down thinking is common in economics, policy-making and ideology, particularly where established models are treated as authoritative.

Its defining features include the following.

First, the primacy of theory over observation.

Top-down thinking assumes that the underlying model is broadly correct. Empirical data is used mainly to illustrate or validate the theory rather than to test whether it holds in practice.

Second, selective use of evidence.

Evidence is filtered through the initial proposition. Supporting examples are highlighted, while anomalies are treated as temporary, exceptional or the result of “distortions” rather than as reasons to question the framework itself.

Third, resistance to falsification.

When outcomes contradict predictions, top-down thinking tends to adjust assumptions

rather than abandon the model. This can lead to increasingly complex explanations that protect the original proposition from challenge.

Fourth, authority and consensus as validation.

Top-down reasoning often relies on expert consensus, institutional endorsement or established orthodoxy as substitutes for empirical proof. Models are defended because they are standard, not because they work.

Fifth, policy rigidity.

Because conclusions are anchored in prior beliefs, top-down thinking can justify persistent policy failure. If the theory says a policy **must** work, then negative outcomes are blamed on implementation, behaviour or insufficient commitment rather than on the idea itself.

From a Funding the Future perspective, top-down thinking explains why discredited ideas, such as austerity, NAIRU or market self-correction, continue to dominate policy long after evidence of harm has accumulated. The theory is defended first; reality is accommodated later, if at all.

Top-down thinking is not inherently illegitimate, but it becomes dangerous when it is insulated from evidence and used to impose social costs in the name of theoretical necessity.

See also bottom-up thinking.

Bottom-up thinking

Bottom-up thinking is a mode of reasoning that begins with observation, evidence and lived outcomes, and then seeks to develop explanations that fit the facts. Patterns are inferred from reality rather than imposed upon it.

This approach treats theory as provisional and revisable.

Its defining features include the following.

First, evidence precedes explanation.

Bottom-up thinking starts with what is actually happening, whether in data, institutions or lived experience, and asks why. Theory emerges as a tool to explain observed outcomes, not as a constraint on what may be seen.

Second, openness to contradiction.

Evidence that does not fit existing explanations is treated as informative rather than inconvenient. Anomalies prompt revision of assumptions rather than defensive elaboration.

Third, pluralism and humility.

Bottom-up approaches accept uncertainty and complexity. Multiple explanations may coexist, and confidence is proportional to the strength and consistency of evidence.

Fourth, adaptability in policy.

Because explanations are grounded in outcomes, bottom-up thinking supports policy learning. When interventions fail, the response is to reassess the framework rather than to blame those affected.

Fifth, alignment with democratic accountability.

Bottom-up thinking takes social consequences seriously. If policies produce insecurity, inequality or harm, those outcomes are evidence that something is wrong, not proof that people have failed to adjust.

From a Funding the Future perspective, bottom-up thinking underpins approaches such as Modern Monetary Theory, which begins with how money actually works and builds theory from observed institutional reality rather than from abstract assumptions.

A healthy political economy requires both imagination and discipline, but theory must remain accountable to evidence. Bottom-up thinking ensures that economics serves society, rather than demanding that society conform to economics.

See also top-down thinking.

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