

Critical realism in economics – a different view

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Introduction

Among the new perspectives introduced to the methodology of economics the last few decades, critical realism, for various reasons, stands out as one of the most challenging. Two seminal books by Tony Lawson, *Economics & Reality* and *Reorienting Economics*, have played a pivotal role in the developments so far, setting the agenda for the unfolding of a critical realist project within economics. In perspective, it turns that Lawson and his close followers downplay endeavours aimed at developing critical realist-inspired analyses of substantive economic phenomena and issues. Rather, they choose to delimitate the scope of the project to philosophical underlabouring for various scientific practices within the discipline. The overall goal of these endeavours seems to be to reorient the whole discipline of economics towards increased attention to ontological questions in general, and especially to the ontological theories embodied in the critical realist position.

It is my purpose here to question this strategy of developing a critical realist project within economics. I will argue that the attempts made to establish dialogues with various existing mainstream and heterodox positions by way of critical endeavours and invitations to ontological unification and co-development have been less than successful so far and that the prospects of any future success are equally dim. One of the main reasons why is due to the fact that critical realists tend to endow the ontological theories central to their project with undue status and credibility. The properties of critical realist ontological theories do not render them apt as arbiters in critical endeavours or as some sort of unifying or common ontological basis for various heterodox schools of thought. In fact, I will argue that critical realist ontological theories are primarily, and perhaps only, suited for the one purpose that critical realists within economics seems to eschew – for establishing a basis for the development of critical realist-inspired analyses of substantive economic questions and issues.

In order to contribute to a process of looking in this direction I will offer some suggestions as to how tenable critical realist-informed economic theorising and substantive analyses may be developed from the philosophical stances and the general ontological theories of critical realism. In this critical realist-inspired approach to economics, ontological theorising is embedded in, or made part of, the overall scientific endeavours. According to this view then, critical realism can, and should, define itself as one among a range of other approaches to economic enquiries in a true pluralist fashion rather than as some common philosophical underpinning of already existing schools of thought. At the end of the day assessments of such a critical realist approach to economics would be due to its adherents' ability to shed light on old as well as new problems and issues pertaining to the realm of economics.

Situating critical realism and the role of ontology

Critical realism is a fairly new project within the discipline of economics. As with any newcomer to a well-established academic tradition it has taken the proponents of the project

some time to find its place and role. We do now, however, see a pattern emerging. To most external observers, whether sympathetic or hostile to the project, critical realism was at first noted for its far-reaching critique of mainstream economics. The purpose of these critical endeavours seemed to be aimed at discarding most of what goes for mainstream economics as part of a strategy advocating critical realist approaches to economic analyses. With time, however, it has become increasingly clear that Lawson and his close followers rather aspire at generating dialogues with various schools of thought within the discipline – mainstream as well as heterodox.

The critical realist attempt at establishing a dialogue with mainstream economics is mainly based on critical assessments of the latter. At a general level the critique is due to a charge arguing a mismatch between the mathematical-deductive methods allegedly adhered to by mainstream economists and the properties of social reality as seen by critical realists. According to critical realism social reality is an open and evolving system comprised of intentional individual agents and emerging social structures. The social structures of society are argued to enable and restrict individual actions, while at the same time being reproduced and potentially transformed by such agency. Mainstream economics is considered unable to capture this reality due to its adherence to a deductive mode of explanation in which event regularities of the form ‘whenever event x then event y’ are claimed to play a crucial role. Moreover, reinforcing these allegations, it is stated that mainstream economics is confined to analyses of issues pertaining to ‘closed systems’, defined as systems in which event regularities occur or obtain.¹ The implication of the critical realist critique then, amounts to urging mainstream economists to re-tailor their analytical tools to fit the basic features of social reality, as viewed by adherents of critical realism.

As opposed to the mainstream position of within economics, critical realists do find that they have a lot in common with several schools of thought within heterodox tradition. Initially, adherents of the critical realist programme approached heterodox economics through studies of the works of a number of outstanding representatives of such positions, like Commons, Hayek, Kaldor, Keynes, Marshall and Marx. It has been argued that these, and other, highly respected contributors to various heterodox traditions actually incorporated important aspects of critical realist thinking in their work, albeit spelled out in a different vocabulary.² These insights have recently been further developed, and the critical realist dialogue with heterodox economics now turns on the argument that, as a number of schools of thought within this tradition allegedly share basic ontological understandings with the critical realist position, they would benefit from redefining themselves under a common critical realist ontological banner. Critical realism would then be considered a position providing a common ontological basis for schools of thought whose identity would flow not from different ontologies but rather from the aspects of a common ontology upon which they choose to focus. The heterodox positions in question would, in other words, be rendered distinct according to a division of labour within a collective framework predicated upon critical realist ontology.³

A strategy for future development along these lines would contribute, it is argued, to increased awareness of commonalities as well as distinguishing features accruing to positions within the heterodox tradition. More specifically, a unification and ‘linked co-development’ based upon an acceptance of, or subscription to, critical realist ontology would allegedly provide:

philosophical resources that can help heterodox economists to make explicit, clarify and systematise their insights into the nature of socio-economic being and its implications for appropriate methodology for economics. (Lewis 2004: 2)

Possible virtues of such critical realist underlabouring are illustrated when Lawson (2003a) intervenes philosophically in a number of heterodox positions with critical realist ontology as a reference point. In the analyses overlaps with critical realist ontology are indicated and deficiencies and weaknesses of embedded ontological presuppositions noted, according to the critical realist perspective.

As critical realists apparently have had a lot to say about the academic practices of others, it is no wonder that they have been asked how they themselves would go about analysing substantive economic issues or developing economic theories. Lawson (1999) reports of such queries and provides at the same time an answer:

Probably the ‘request’ I come across most frequently in the context of discussing critical realism is for examples of ‘critical realist substantive theory’ meaning *the* critical realist account of some highly concrete phenomena. In my view there can be no such thing. (Lawson 1999: 14; italics in original)

The arguments Lawson offers for this stance regarding critical realist economic theorising and critical realist analyses of substantive economic issues are once again ontological. Lawson draws attention to the fact that critical realist ontology depicts social reality as ‘open, structured, dynamic, and in part holistic’. Consequently, critical realist ontology, so the argument goes, can sustain a range of theories and explanations, Theories and explanations supported by this ontology may even stand out as competing scientific accounts of the same phenomenon, and they may have to be considered explanations more or less in continuous change and transition. Accordingly, it is stated that ‘at no stage can a substantive theory be said to qualify as *the* critical realist one.’ (Lawson 2003: 178, italics in original)

Now, these arguments may seem somewhat bewildering. First of all, I do question if critical realists are notoriously requested to come up with *the* critical economic realist theory or *the* critical realist account of any economic phenomena. We are all well aware of the fact that critical realism is a budding project within the discipline of economics. Accordingly, no one expects critical realists to come up at this stage with *the* critical realist account of any issue, theoretical or practical. If such a thing were ever to occur it would, of course, take a considerable amount of time to be worked out. Moreover, most of us would, on grounds that Lawson rightly points out, not expect *the* critical realist account of anything to be possible or even something to be strived for – just as we do not ask for *the* post Keynesian, *the* institutionalist etc. account or theory of concrete economic issues or phenomena.

What in my view, however, is a fair question to ask, and what is in fact the question I myself have heard raised by many taking an interest in the perspectives brought to fore by critical realism, is for *examples* of critical realist studies of substantial economic issues and phenomena. What is asked for are, in other words, illustrating analyses indicating what difference it would make if economic theorising and analyses of concrete economic phenomena started out from, or at least explicitly incorporated, serious ontological reflection pertaining to the issues and questions at hand. Critical realists do, however, seem to refrain from going into such matters. The arguments brought up against the possibilities of providing *the* critical realist account or theory of substantive economic phenomena tend to be considered a good reason for not attempting to provide *any* critical realist account of them.⁴

The aspirations of the current critical realist project within economics then tends to be directed towards establishing a pluralistic discourse at the level of economic theory and methodology based upon a critical realist monist understanding of social reality. A barrier is more or less erected between philosophical deliberations on the one hand and theoretical and empirical work on the other, with critical realists thriving on the philosophical side of the fence. The activities undertaken, or aimed at, are often referred to as ‘philosophical underlabouring’ for scientific practice within the field of economics.

A critical realist project within economics thus conceived, however, has so far experienced limited success. As several commentators have argued, the critique levelled against mainstream economics is ineffective due to distorted descriptions and characterisations of the latter.⁵ Leaving these important problems of inaccurate and distorted descriptions of the practices of mainstream economics aside for now, I would like to draw attention to the ontological aspects of the critical realist critique. The critique states, it will be remembered, that there is a mismatch between the mathematical-deductive methods of mainstream economics and the properties of social ontology as claimed by critical realists. What would be required then, for such a critique to actually be paid attention to by mainstream economists?

For one thing, mainstream economists would have to be concerned about questions ontological. They would, in other words, have to be seriously concerned with the question whether their models and theories actually capture a proposed ontological account of social reality. Being somewhat reluctant to characterising all of mainstream economics in sweeping and general terms, I find it quite safe to submit that mainstream economists tend to favour different criteria for evaluating their theories and models. In the mainstream scheme of things criteria pertaining to formal consistency, elegance, simplicity, tractability, and more generally ‘what works’, seem to be held in high esteem. If some sort of methodological position were to be ascribed to at least much of current mainstream economics, I do find ‘pragmatism’ in some broad sense the best candidate. In any case, critical realist appeals to criteria of evaluation pertaining to questions of ontology seems to be a far cry from what occupies the minds of most mainstream economists.

And even if we, at least for the sake of the argument, envisage mainstream economists in near future persuaded to consider how questions of ontology might impinge upon their work, we all know that there are several theories out there offering competing accounts of basic questions pertaining to ‘existence’ and ‘being’. Are there, then, any reasons why the ontological theories of critical realism would occupy some sort of privileged position in this race? This is a most important question which needs to be convincingly answered in the affirmative if the critical realist critique of mainstream economics is to encompass any prospects of success in the future.

Turning to the critical realist solicitations with heterodox positions the question of identity needs to be addressed. Will the identity of the respective heterodox schools of thought, some of them well established since ages, be preserved if they were to join up with other positions in a linked co-development based upon critical realist ontology? If the prospects for identity retainment are considered dim, how will this fact affect adherents of the respective programmes and positions? In my view, possible dissenting and opposing attitudes stemming from such considerations should not be underestimated. Evidence so far seems to corroborate such scepticism. With the exception of the post Keynesian school of thought, most positions

approached by the critical realist solicitation seem to respond with different degrees of reluctance and polite distancing.⁶

Relevant as fear of, and opposition to, possible identity debasements may be, reluctant responses to the critical realist invites may also be due to considerations of a different and perhaps more fundamental character. It might be the case that critical realists tend to overrate the scope of ontological overlaps amongst heterodox positions within economics and between such positions and the critical realist view of social reality. And to the extent that the suggested unification and co-development were to require adjustments of implicit or explicit ontological presuppositions pertaining to different heterodox positions in order to bring them in line with critical realist ontology, the questions arises as to how such an implied privileged position for the latter is, or can be, justified. In my view, this is an essential question that needs to be addressed also when considering the future prospects of the critical realist invitation to the heterodox schools of thought.

To take stock, it seems that proponents of the critical realist position within economics aim at establishing critical realism as a philosophical project engaging itself in critical and constructive dialogues with various schools of thought within the discipline. Questions of ontology play a pivotal role in the endeavours. The critique launched against the practices of mainstream economists is predicated upon critical realist social ontology. Mainstream economists are deplored for an adherence to modes of explanation that allegedly cannot capture social reality as spelled out in the critical realist account of the social realm. Moreover, in dialogues with heterodox positions within economics, arguing the case for moves towards unification and co-development, critical realist ontology is set forth as the gathering point for such activities. And when critical realists explain why they tend to downplay, or abstain from, substantive economic theorising and analyses of concrete economic issues, the arguments are couched in terms of properties pertaining to social reality as seen by critical realists. A heavy burden is consequently laid on the shoulders of critical realist ontology. The prospects of any future success of the chosen strategy of situating critical realism within economics is crucially dependent upon the status or credibility that can be ascribed to the critical realist ontological account of social reality.

Assessing critical realist ontological theories

The argument set forth in the critical realist account of social reality makes the claim that society must be understood as made up by intentional actors as well as social structures with emergent powers which enables and facilitates, but also restrict and direct, individual action. Social structures are conceived as pre-existing individual actions, and are thus irreducible to them. However, by employing social structures in planning and performing individual action, the agents contribute to reproduce and transform these structures. The account offered then, represents an elaboration of the agency-structure problem in which the links between actions and structures are carefully argued. In this critical realist account social reality is, moreover, claimed to be an open system in a broad sense of this term

In what sense, one might ask, will such an account pertaining to the level of ontology differ from scientific theories of social reality or some delimited aspects of it? The distinction is mainly due to differences in the degree of specificity. An ontological account of social reality is kept at a rather abstract level, while in social science we are more specific about the elements of our analyses and relations between them. The point at which an account of social reality ceases to be ontological and turns scientific may be difficult to pin down in exact

terms. It should be quite clear, however, from the context when matters ontological and matters scientific respectively, are addressed.

At a sufficiently general level there is in principle no difference between ontological accounts of social reality and scientific accounts pertaining to aspects of this reality. They are all *theories* about the social world in the sense of being hunches, conjectures or hypotheses about social phenomena, albeit at different levels of specificity. The critical realist account of social reality as sketched above should accordingly be considered an ontological *theory* of the social realm. And as with any theory, the credibility or authority accruing to it will depend upon epistemological considerations; that is, upon what arguments are provided in support of it. It should be noted here that when drawing attention to questions epistemological in assessing ontological as well as scientific theories, I do refer to epistemology in a broad sense meaning all arguments – empirical, rational or otherwise – that is, or could be, offered in order to substantiate a theory.

Roy Bhaskar, the philosopher to whom the critical realist project within economics owes much by way of inspiration and initial conception, warns against what he terms ‘the epistemic fallacy’. According to Bhaskar western philosophy has for centuries been under the spell of this fallacy implying that questions of being (ontology) have been reduced to questions of knowing (epistemology).⁷ However, Bhaskar’s urge to avoid this fallacy should not be understood as implying that questions of ontology can be entirely separated from questions of epistemology. As soon as we move on from basic ontological stances, like the critical realist stance pertaining to a reality that exists independently of our investigation of it, to make more substantive claims about this reality, we enter into the world of theories. In Bhaskar’s terminology the independently existing reality belongs to the ‘intransitive’ dimension of knowledge production while theories, including ontological theories and other knowledge material, belong to the ‘transitive’ dimension. Knowledge is, in other words, considered a social product liable to critique, change and transition. The ontological account of social reality pertaining to critical realism in economics then is a theory in the transitive realm of knowledge production whose credibility or authority is not automatically assured in any way. It has to be argued and defended, and the defence should be made subject to critical assessments.⁸

Taking his clues from Bhaskar, Lawson sets out to derive and substantiate a social ontology by way of transcendental deduction (or inference), a method that complies well with the retroductive form of argument held high in regard by critical realists.⁹ In Bhaskar (1989a) this method is employed to derive what is termed a ‘transformational model of social activity’. Lawson, then, spells out this argument in some more detail, while at the same time adjusting and adapting it more specifically to major concerns of the economics discipline.¹⁰

In general, a transcendental argument implies inferring from some generalised features of experience (the premises) to conditions for these features to be the case (the conclusion). The status or credibility of a transcendental argument depends, therefore, in part upon the premises from which the argument proceeds. To what extent are the premises employed really generalised and uncontested observations? Moreover, the status of a transcendental argument will rest on the deductions made from the premises to their underlying conditions. If it is claimed that these conditions are *necessary* for the features of experience to be possible, deductions made can leave no room for doubt. The full epistemological burden of the argument will rest upon the initial premises and the subsequent deductive inferences made. If the claim made, however, is relaxed from necessary conditions to *plausible explanations* that

will render the premises intelligible, the epistemological burden of the argument will be somewhat different. In such cases, the transcendental deductions will only aim at rendering acceptable and likely explanations of the initial observations. There may, in other words, be other possible explanations. Additional support for the conclusion offered may then be sought in sources outside the transcendental argument itself, such as specific empirical examples, illustrations and so on that bear on the questions at hand. Invoking additional backing of this kind, however, makes us leave the realm of 'pure' philosophising and enter the realm of combined philosophical and scientific enterprise.

While transcendental arguments, under ideal conditions, might be relied upon to produce conclusions of high credibility, the prospects for such attainment when applied to social material are rather unpromising. Within the social sphere it is hard to find uncontested generalised observations of relevant features. And even if sufficiently interesting and uncontested generalised features were to be obtained, deductions made from them are quite unlikely to support claims to *necessary* underlying conditions for the premises to be the case. Due to the complexity of social reality one will, more often than not, have to settle for the more modest claim of plausible explanations in deductions or inferences of this kind. In general then, transcendental arguments within the social realm can hardly be relied upon to provide decisive arguments for the existence of any phenomena of interest, and hence for supplying a 'pure' philosophical or rationalistic support of any social ontology.

Advocates of the critical realist project within economics do seem to be well acquainted with these problems accruing to transcendental deductions and elaborations. In *Reorienting Economics*, for example, Lawson states quite explicitly that:

Any results achieved by way of transcendental reasoning are clearly conditional. They are contingent upon the human practices selected as premises and our conceptions of them, as well as upon the adequacy of the transcendental arguments employed. (Lawson 2003a: 34)

As a consequence, Lawson concedes that the critical realist ontological theory introduced to the discipline of economics is contingent and fallible, liable to change and even replacement. Equally cautious statements are to be found throughout Lawson's impressively prolific publications, and they are echoed in the contributions of other members of the inner circle of the critical realist project.

Turning to the critical realist practices, however, a somewhat different picture emerges. First of all, Lawson do not refrain from claiming conclusions to the effect of 'necessary' conditions for the premises invoked when elaborating his transcendental deductions. (e.g. Lawson 2003a: 36, 37, 39) Moreover, the ambitious strategy of situating critical realism as a philosophical underlabourer for a wide range of scientific practices within the discipline of economics, if anything, indicates confidence in the ontological theory of critical realism beyond any reasonable amount of doubt. The only way to reconcile the cautious pronouncements made regarding transcendental arguments and the observed practice of critical realists must be to understand their position as one of considering the critical realist ontological theory of the social realm to be fallible but nevertheless by far the best account of social reality available to us at the present. More specifically, they seem to be convinced that this theory outperforms competing candidates by a margin large enough to submit it as a cornerstone in a project of philosophical underlabouring for the whole discipline of economics.¹¹

Assessments made by others, however, do not bolster this favourable evaluation. In the literature pertaining to and commenting upon the development of the critical realist project in economics, there are examples of outright repudiations, or else severe critical appraisals, of the ontological theory invoked.¹² And even among commentators sympathetic to the project, a cautious line is advocated on grounds epistemological. Dow (2004) finds it timely, on reasons paralleling those set forth above, to remind critical realists that ‘different ontologies are possible’, and to suggest that apart from a common conception of an open-system ontology heterodox positions within economics entertain ‘different conceptions of reality’. (Dow 2004: 308, 310). And when Vromen (2004) considers the transcendental arguments offered in defence of critical realist ontology, he finds Lawson’s exposition of it ‘far from transparent’, starting from generalised observations that ‘appear to be somewhat arbitrary’ followed by deductions that ‘are rarely if ever carried out (or presented) in any detail.’ (Vromen 2004: 19). A more penetrating study is reported in Guala (2002). Based upon a reconstruction of the transcendental inference offered in Lawson (1997: 30-31) in support of claims made for the existence of social structures, Guala convincingly argues that the claims made are not, and probably cannot be, supported by the suggested method of ‘pure’ philosophical, or transcendental, reasoning.

From all this we should not draw the conclusion that there is necessarily something wrong or defective accruing to the ontological theory of critical realism. What is at stake here is the question of what status or credibility we can reasonably ascribe to this theory, and the implications of such evaluations for the future development of a critical realist project within economics. In my view, the ontological theory of critical realism seems intuitively sensible and of potential interest for scientific work within the realm of economics. I do also accept that the transcendental arguments offered in favour of it, in spite of their deficiencies, lend some support to the theory, a support that is further strengthened by invoked practical examples and illustrations. However, and crucially, advocates of the critical realist project within economics have so far failed to produce anything like a decisive or broadly accepted set of arguments in support of their cherished theory. The critical realist theory of social ontology remains in the sphere of hunches, guesses and hypotheses. In my assessment, Vromen (2004) has made the most adequate characterisation of the critical realist ontological theory when he considers it a ‘conjectural revisionary ontology’; conjectural in the sense that it represents ‘a first guess about how social reality in fact is constituted’ and revisionary in the sense that ‘it is different from the ontological views that mainstream economists entertain’. (Vromen 2004: 20).

To sum up then, the transcendental arguments offered in support of the ontological theory at the heart of the critical realist project within economics do not provide this theory with an epistemological credibility beyond any reasonable amount of doubt. The critical realist account of social reality can only be ascribed status as a ‘conjectural revisionary ontology’. As a consequence, the current endeavours to situate critical realism as a project of philosophical underlabouring for scientific practices within the discipline of economics stand out as ill advised. Such endeavours are not likely to be successful due to the fact that they are based upon an unfounded trust in the universality of the critical realist account of basic features of social reality. Critical realist critique of the practices of mainstream economists are not likely to have any effect if mainstream economists cannot be persuaded by the arguments supporting critical realist ontology. Moreover, invites to a heterodox unified co-development are also in the future likely to be met with polite rejections and reluctance for basically the same reasons. Such a dim assessment of the current strategy of situating critical realism within economics does not, however, imply anything like a general debasement of critical

realist projects within the discipline. What is called for is a strategy of developing a project in which the epistemological status of critical realist social ontology is taken seriously into account.

Towards a critical realist-inspired economics

The epistemological status of critical realist ontological theory implies that it cannot be ascribed any privileged position in scientific work within the discipline of economics. The critical realist theory of social reality may, however, be considered a constructive and helpful first step in processes of economic theorising and analyses. If critical realism is to make any difference to economics then, it will have to be by demonstrating positive virtues of introducing explicit ontological reflection to scientific work directed towards analyses of substantive economic questions and issues.

Against this background it is my purpose here, pace Lawson, to make some initial steps towards elaborating a critical realist approach to economics in which systematic ontological reflection will be an indispensable and integrated part of the scientific process. Before turning to this question in some more detail, let me render clear the philosophical stances underpinning this position. Two basic philosophical stances are made. First of all philosophical realism is adhered to in the sense that the world, social and natural, is assumed to exist independently of our investigations of it. Secondly, an anti-foundational stance on epistemology is endorsed. Knowledge of the world is in principle regarded possible, but we do not have direct access to it by way of observation or by any other means. An epistemological relativism is consequently adopted. These philosophical stances separate the position argued here from various forms of positivism on the one hand and social constructivist idealism on the other.

By adopting the philosophical stance that the world exists independently of our investigations of it, no substantial claims are made about this reality. The critical realist ontological theory of the social realm, however, moves on from this general philosophical stance elaborating an account of social reality in which social structures are claimed to have real existence as emergent properties irreducible to individuals or individual actions. Social reality is, in other words, claimed to consist not only in intentional actors but also in social structures enabling, facilitating as well as restricting and directing individual agency, while being reproduced and possibly transformed by the latter. The critical realist-inspired approach to economics argued here proceeds on the view that this theory, even if fallible and due to possible change or even replacement, at the outset is considered the best account of social reality currently available as a point of departure for theory developments and more concrete empirical work.

The main tenets of the critical realist social ontology thus perceived come with some helpful guidelines for scientific activities aimed at illuminating substantive economic issues. For economic theories and more practical work to be in accordance with the basic properties of the socio-economic world they should incorporate relevant interactions between economic agents and enabling and restricting social structures. Processes by which social structures are reproduced and transformed by individual action should also be paid due attention to, highlighting the geographically and historically specificity of social structures and their emergent powers. Accommodating economic theorising and economic analyses to these guidelines would contribute to establishing critical realist approaches to economics as a position distinguished from much of current work within the field. The noted guidelines are, however, kept at a rather general level and further concretisation may be called for.

Drawing to some extent upon Cruickshank (2003) I will suggest that the development of 'domain-specific' ontological theories may meet these requirements in a critical realist scheme of scientific activity. Domain-specific ontological theories can be established by invoking the method of immanent critique and knowledge-transformation. The general idea of this method is the conception that nothing is created out of nothing. Knowledge-like material like hypotheses and theories, for example, has some form of origin. Most of the time they are developed by processes in which pre-existing material of the same category is transformed.

In order to develop domain-specific ontological theories within the realm of economics existing theories and explanations pertaining to substantive economic issues and phenomena can be subjected to immanent critiques probing into the questions whether the theories in question offer adequate and consistent accounts of the reality they purport to explain. To the extent that they do not, ideas and hunches as to how to provide a more satisfactory account will readily ensue. The next step in the process then is to actually work out an alternative account overcoming and transcending identified deficiencies and shortcomings.¹³ In a critical realist approach to economics, these undertakings will naturally be guided by the precepts flowing from the general critical realist account of social reality.

Starting out with different economic theories and explanations of issues like consumer choice, employment, inflation and so on, the suggested method can be invoked in order to develop critical realist domain-specific ontological theories pertaining to the issue at hand. The resulting ontological theories will be 'domain-specific' in the sense that they relate to a particular research area within economics rather than to the entire socio-economic world, and they will be 'critical realist' in the sense that they are elaborated according to critical realist accounts of social reality. Domain-specific ontological theories developed in this way they will furnish more specific guidelines for activities directed towards conducting critical realist analyses of substantial economics issues and phenomena. They will supply precepts for more specific critical realist-informed economic theorising and for empirical work within the domain in question.

A critical realist approach to economics developed along these lines comes with some notable merits. Being elaborated in accordance with the general critical realist theory of social reality, the resulting analyses will incorporate an awareness of the interplay between economic agents and social structures, including processes of reproduction and transformation of such structures. Moreover, by being based upon domain-specific ontological theories developed from immanent critiques of pre-existing economic theories and explanations pertaining to relevant economic issues and phenomena, emerging critical realist-inspired economic theories and analyses will be kept in close contact with prevailing discourses within the respective research areas. In the process of elaborating a critical realist analysis of this kind, perceived shortcomings of existing theories and explanations will be rendered clear and the reasons for submitting an alternative thoroughly argued. The suggested process would consequently contribute to promoting understanding and communication between different positions or schools of thought within the field of economics in a true pluralist fashion.

It should be noted, moreover, that even if general and domain-specific ontological theories are envisaged as providing guidelines for the development of economic theories and analyses, and thus will influence the direction and focus of scientific work within this critical realist scheme, they will not determine work at the scientific level. Rather, the proposed ontological theories may ground alternative economic theories or analyses. Systematic ontological reflection thus will not render

scientific activities directed towards developing more concrete theories or models superfluous. It will, however, provide a more secure and relevant foundation for this kind of activity.

To sum up, and to clarify some additional points, the process of developing a critical realist approach to economics suggested above should be seen as a gradual and integrated one. The process starts out with general ontological theorising inquiring into the basic questions of being and existence within the social realm as explicated by Bhaskar's 'transactional model of social activity', further elaborated upon and adjusted by Lawson and others. This general account of social reality is accepted as point of departure in the process. It is important to note, and remember, however, that this account is only considered a contingent and fallible theory of social reality. The next step in the suggested critical realist-inspired approach is aimed at increasing the level of specificity of the precepts flowing from ontological reflection. By invoking the method of immanent critique of pre-existing theories and explanations combined with endeavours to offer an alternative to overcome noted deficiencies and shortcomings, domain-specific ontological theories may be developed in the light of precepts flowing from the general social ontological theory of critical realism. Domain-specific ontological theories then, if successfully elaborated at a required level of specificity, will yield more detailed precepts for the development of critical realist-inspired economic theories and empirical analyses pertaining to concrete or substantive economic issues and topics.

The critical realist approach to economics suggested here obviously takes a clear stance on the assumptions-debate which has haunted the discipline of economics at least since Friedman's influential methodology-article dating back to the 1950s. (Friedman 1953) The suggested framework indicates clearly that invoked assumptions are considered of crucial importance in critical realist approaches to economics, and systematic ontological reflection is set forth as the preferred way of introducing and elaborating upon fundamental presumptions in economic theorising and applied analyses. General and domain-specific ontological theories invoked in the process of developing critical realist-inspired economic analyses are not, however, introduced as dogmatic or metaphysical assertions about being or existence. Rather, they are carefully argued contingent and fallible theories liable to change and even replacement in the face of decisive critical assessments or the procurement of better alternatives. If scientific analyses stemming from, or based upon, the ontological theories invoked do not stand up to systematic epistemological scrutiny, this fact may reflect back upon any element in the suggested scheme. The problem may lie at the level of scientific activity, but it may just as well be located at the level of ontology. Insufficiently epistemological support pertaining to critical realist analysis of some substantial economic issue may thus induce changes and revisions in the domain-specific ontological theories of the scheme in question. Changes or adjustments in the general ontological theory may moreover be initiated by considerations made at the level of domain-specific ontological theories, or as the result of other information. The suggested critical realist approach to economics then would be one in which ontological, or more generally philosophical, and scientific endeavours are considered mutually interrelated activities.

Concluding remarks

The main claims of critical realism are ontological. Questions of situating and developing a critical realist position within economics, therefore, turn crucially on the epistemological status of the ontological claims made. According to the arguments set forth above I do not find the ontological claims of critical realism sufficiently substantiated to warrant the current endeavours aimed at situating critical realism as a project of philosophical underlabouring for

various positions or schools of thought within the discipline of economics. These endeavours have been less than successful so far, and the prospects of any future improvement in this state of affairs are at best quite uncertain.

Taking on board the fact that the critical realist account of social reality is a contingent and fallible theory, however, does not entail anything like a general dismissal of critical realist projects in economics. But it does indicate something different from the current endeavours of grand scale philosophical underlabouring. Above I have argued a critical realist approach to substantive economic theorising and empirical analyses developed from the general social ontological theory of critical realism. By invoking domain-specific ontological theories developed from immanent critiques of pre-existing theories and explanations pertaining to particular research topics, precepts will flow for the elaboration of critical realist-inspired economic theories and analyses pertaining to the issues at hand. The distinguishing character of this critical realist approach then, is its recourse to explicit integration of systematic ontological reflection and more traditional scientific endeavours.

The criteria of success for a critical realist project thus conceived would shift from the current dependency upon general acceptance of critical realist ontological theories to evaluations of its proponent's abilities to shed light on substantive economic issues. Moreover, the nature of the dialogue with well-established positions or schools of thought within the discipline would change dramatically. The current uncompromising critique of mainstream economics and ontological solicitations with various heterodox positions would be substituted for critical realist endeavours to come up with improved accounts of and solutions to new and old economic problems and issues. To the extent that the suggested line of development were attended to, the envisaged critical realist project would situate itself as yet another position of economics alongside already existing schools of thought with the purpose of advancing its own line of inquiry, while respecting and communicating with competing and complementary positions in accordance with true pluralist virtues.

Notes

1 Statements to these effects are prolific throughout the critical realist literature; for example Lawson (1994a: 259-262, 1997: 17-20, 2003a: 4-8); Fleetwood (2003: 28-31) and Lewis (2003: 183-86).

2 Representative studies of this kind are to be found in Fleetwood (1995, 1996); Lawson, C. (1994, 1996); Lawson, T. (1989, 1994b, 1994c, 1996, 2003b); Peacock (1993) and Pratten (1993, 1998)

3 This strategy is quite explicitly stated for example in Lawson (2003a: xxiii, xxiv, 165-168) and Lewis (2004: 1, 2, 13-18)

4 Some moves towards critical realist approaches to empirical studies in economics are initiated in a number of contributions in Downward (ed) (2003). It remains to be seen if these initiatives will amount to anything like a 'reorienting of (critical realism) in economics', paraphrasing Nielsen (2004).

5 The problem of distorted characterisation stems mainly from the invoked definition of 'deductivism', in which event regularities are claimed an essential element. This is not the way the term 'deductivism' is generally understood in the literature of philosophy, and it is certainly not the way deductive arguments are treated within mainstream economics. In the analytical scheme typically endorsed by mainstream economists, axioms and basic postulates may, of course, refer to underlying causal mechanisms, rendering observable phenomena explained by several, potentially reinforcing or countervailing, forces and mechanisms. Problems pertaining to the critical realist characterisations of mainstream economics are commented upon in Hands (1999, 2001); Walters and Young (2001, 2003); Reiss (2004); Hodgson (2004) and Davidsen (2005).

6 The positive reception of critical realism among post Keynesians is noted in a number of contributions to the *Journal of Post Keynesian Economics*, Fall 1999. See also Dunn (2004).

7 See for example Bhaskar (1978: 16, 36-42), (1989b:13, 38-39)

8 Dow (2004: 308) seems to indicate that there is 'a grey area between ontology and epistemology'. According to my arguments here, I am somewhat reluctant to accept this point made by Dow.

9 A retroductive argument is one in which we move 'from a conception of some phenomenon of interest to a conception of some totally different type of thing, mechanism, structure or condition that, at least in part, is responsible for the given phenomenon.' (Lawson 1997: 24).

10 Lawson's transcendental argumentation to this effect is spelled out quite explicitly for example in Lawson (1997: 30-32) and (2003a: 35-40)

11 Bhaskar, being keenly aware of the possible weaknesses pertaining to transcendental arguments, invokes the method of immanent critique of competing positions in order to strengthen the arguments for his own favoured account of social as well as natural reality. In the case of natural reality, Bhaskar's deductive arguments are supported by an immanent critique of empirical realism, and in the case of social reality he invokes immanent critiques of voluntarism, collectivism and the 'dialectic' approach of Berger and Luckman in order to substantiate the propositions embedded in Bhaskar's 'transformational model of social activity.' Against this background, it is surprising that critical realists within economics only occasionally, and then rather sketchy, explore this method for strengthening their ontological arguments.

12 See for example Hausman (1998), Parsons (1999), Boylan and O'Gorman (1995, 1999)

13 Bhaskar employs this method in his endeavours to work out and substantiate ontological theories of both the natural and the social realm. See note 11 above.

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