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► **To cite this version:**

Bjørn-Ivar Davidsen. Towards a critical realist-inspired economic methodology. *Journal of Philosophical Economics*, 2010, Volume III Issue 2 (2), pp.74-96. 10.46298/jpe.10595 . hal-03704553

**HAL Id: hal-03704553**

**<https://hal.science/hal-03704553>**

Submitted on 25 Jun 2022

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# Towards a critical realist-inspired economic methodology

*Bjørn-Ivar Davidson*

**Abstract:** This paper argues that critical realism conceived as a meta-theory for scientific activities offers a consistent set of helpful philosophical resources from which a potentially fruitful position of economic methodology may be developed. When fully developed, a critical realist-inspired economic methodology may in turn underlabour for more concrete scientific undertakings, economic theorising and applied analyses. Adopting such a strategy for further advancement of the critical realist project would prove a much needed supplement to, or perhaps even substitute for, the currently dominating strategy of grand scale philosophical underlabouring aimed at reorienting more or less the whole discipline of economics. The main trust of the argument made then, is that critical realism comes with a constructive and practical potential that goes beyond critiques of mainstream economics and philosophical underlabouring for already existing schools of thought within economics and that it is time for this potential to be actualised.

**Keywords:** critical realism, meta-theory, ontology, epistemology, methodology

## Introduction [1]

Thus far critical realism has first of all been noted for its sustained critique of mainstream economics. More recently, however, efforts have also been made in order to render critical realist ontological theories a common philosophical basis for various economic heterodox schools of thought. [2] These strategies for situating the critical realist project within economics have, however, been somewhat wanting. The critique launched against mainstream economics has failed to convince, not only mainstream economists, but also commentators who

at the outset are sympathetic to the critical realist project. Moreover, arguments made for establishing critical realism as a unifying basis for various heterodox positions have been questioned on the grounds that they seem to overrate the credibility of critical realist ontological theories as well as the degree of ontological agreement among adherents of different economic schools of thought. [3] The critical realist project within the discipline of economics may thus be in danger of losing momentum and eventually of running into stagnation.

Against this background it is my purpose here to explore a somewhat different strategy for developing critical realist approaches to economics; a strategy that takes a more practical turn. This turn is motivated by the view that in order to be convincing, the potential fruitfulness of critical realism needs to be demonstrated through analyses of relevant economic questions and issues. It has to be demonstrated that critical realist-informed approaches to economics actually make a difference. To contribute to a development in this direction I will, in what follows, inquire into the prospects for establishing a helpful critical realist-inspired economic methodology. More specifically I will argue the case for a critical realist meta-theory that offers a consistent set of philosophical resources, tenets and heuristic ideas that may underpin a self-contained and potentially fruitful position of economic methodology. When fully developed, such a methodology may in turn underlabour for more specific economic theorising and for concrete analyses of substantial economic issues and phenomena. Against what many advocates of critical realism within the discipline of economics seem to uphold then, I do indicate that there may be something like a critical realist-inspired approach to economic theorising and economic analyses. The approach suggested will also represent a contribution to the current debate over the development of economic methodological thinking more generally.

## **Critical realism as a meta-theory**

The critical realist position discussed in what follows is outlined and developed in the seminal works of Roy Bhaskar dating back to the 1970s and 1980s, and later elaborated upon by contributors within various social sciences. [4] In bringing out the main tenets of this position, seen as a meta-theory for scientific activities, particular attention will be paid to claims made within the

philosophical sub-fields of ontology and epistemology and to possible interrelations between them.

Within the realm of ontology, addressing basic questions of being or existence, the critical realist position takes as its point of departure the view that the world, social and natural, exists independently of our investigations of it. Most realists would subscribe to such a claim, which separate them from philosophical idealists or anti-realists more generally. What makes critical realism stand out as a position of philosophy in its own right, then, is to a large extent due to its further elaborations of some substantial, yet abstract, claims about social and natural reality. In the critical realist view of things, the world is seen as structured, stratified, and differentiated. Encompassed in this account is also a particular understanding of causation and of open versus closed systems.

The general argument of stratification implies a world view in which we move from a basic physical level to strata of chemistry, biology, psychology and society. At each stratum we find structured objects; that is, objects moulded through combinations of more basic entities. Typically, objects at a higher stratum possess properties that cannot be reduced to its parts. These properties are considered acquired through processes of emergence, and they contribute in a significant way to the causal powers and capabilities of the objects in question. Water has acquired causal powers through emergence that cannot be reduced to its component parts hydrogen and oxygen; human beings have powers and capabilities that cannot be fully explained in terms of their constituent parts, and so on. As a consequence, causal powers are seen to reside with structured objects in virtue of these objects being what they are. When triggered, causal powers turn into operating mechanisms. Causation then, on this account of reality, is nothing like event regularities. Rather, causation is viewed as powers and capabilities ascribed to structured objects at different strata of a hierarchically organised reality, by way of their nature. [5]

The social realm has been paid special attention to in the critical realist account of existence or being. In his 'transformational model of social activity' Bhaskar (1989A, 1989B) argues that social reality must be understood as made up by intentional actors, as well as social structures with emergent powers which enable and facilitate, restrict and direct, individual action. Social structures are conceived as pre-existing individual actions, and are thus irreducible to them. At the same time social structures are obviously dependent upon individual actions

for their existence. By employing social structures in planning and performing activities of various kinds, individual actors contribute to the reproduction or transformation of such structures. Bhaskar, consequently, outlines a transformational view of social reality in which both intentional individuals and social structures have real existence while they at the same time are interdependently related. Margaret Archer (1995 and 2003) elaborates this agent-structure model further by discriminating between cultural and structural emergent structures and introducing more nuanced concepts of agents and actors in the social realm.

In a broader perspective then, the critical realist account depicts a stratified world view in which what happens at any one stratum should be viewed as the outcome of powers and mechanisms existing and acting at the stratum in question and potentially at all underlying strata. Events and states of affairs at the social stratum of reality, for example, will on this account be the combined results of powers and capabilities residing with structured objects at the social level as well as at underlying psychological and natural strata. According to this view, critical realists see the world as differentiated in the sense that an ontological distinction is posited between three domains of reality called the 'empirical', the 'actual' and the 'deep' domain. Events and states of affairs that are potentially observable comprise the domain of the actual. Phenomena that are actually observed make up the domain of the empirical. Causal powers and mechanisms, which in various ways govern and influence what goes on at the domain of the actual, are seen as existing and acting, at least partly, at the underlying deep domain of reality. As different mechanisms and powers in action may countervail or reinforce one another they cannot be readily identified through empirical observations at the actual level. On this view then, there tends to be a lack of spontaneous regularities between observable objects, which render the domains of the actual and the empirical 'open' systems in the critical realist terminology. [6] Effects of mechanisms and powers in operation, consequently, manifest themselves as tendencies rather than law-like empirical regularities.

Turning to epistemology, addressing questions of knowledge production and evaluation of claims to knowledge, the critical realist position claims that knowledge of the depicted structured, stratified and differentiated world is in principle possible. It is argued, however, in accordance with the ontological views advanced, that knowledge of these phenomena is not readily given to us in

experience. We do not, in other words, have access to all aspects of the world by way of observation or any other direct methods. Rather, knowledge is something we have to work for in various ways and with different means. Moreover, the ontological claims made by critical realists indicate that uncovering and understanding underlying structures, mechanisms and their emergent properties are the most rewarding goals of knowledge production.

When it comes to the question of how to discriminate between competing claims to knowledge of phenomena of interest, and to the question of how to evaluate claims made to knowledge of such phenomena, critical realists entertain a position of judgemental rationality. All empirical observations and descriptions are considered theory-laden. They are, in complex ways, seen as conceptually mediated. More generally, the critical realist position maintains that there can be no neutral or value-free knowledge. All knowledge is considered a social product. Advocates of critical realism do steer clear of full-blown relativism, however, by invoking a claim for judgmental rationality. It is argued that rational judgements can be passed on claims to knowledge despite the fact that empirical 'data' will not do as a sole, or final, arbiter. [7]

There is nothing like empirical aversion implied by this. Empirical identifications of underlying forces in operation in the natural sphere, for example, are highly acclaimed by critical realists when conducted under reliable experimental control. In the notoriously open system conditions characterising the social realm, however, the possibilities for controlled experiments are scant or almost non-existent. Consequently, investigators of social phenomena, according to the critical realist view, will to some extent have to rely on mental activities like abstractions and thought-experiments as vehicles of inquiry, having the outcomes checked against various forms of empirical material whenever possible. What seems to be entailed in the critical realist approach, then, is a non-foundational stance on questions epistemological in which evaluations of claims to knowledge have to be based upon a mix of empiricist and rationalist considerations. Even if admittedly overly difficult to achieve, the overall goal of critical realist inquiries is true statements of the world; and at this point a final arbiter is invoked: 'claims are true or false in virtue of the way the world is.' (Fleetwood 2006, p. 172).

Following Outhwaite (1987, p. 34), critical realists often characterise their meta-theoretical position as 'ontologically bold and epistemologically cautious'.

This statement seems to imply that ontology and epistemology are two distinct or separate departments of the critical realist meta-theory. It is clearly indicated that it is possible to be bold regarding questions of ontology while at the same time entertaining a cautious stand on questions epistemological. Or rather, as many protagonists of the critical realist project within economics seem to uphold, that a particular attention to questions of ontology can somehow help us get around tricky questions of epistemology. I seriously doubt the tenacity of such an allegation.

In order to argue my case here, I find it expedient to invoke the distinction made in critical realist vocabulary between the 'transitive' and the 'intransitive' dimension of knowledge. Objects and phenomena of the world taken to exist independently of our investigations of them constitute, on this account, the intransitive dimension of knowledge. They are our objects of knowledge, so to speak. The knowledge we at any point in time claim of these objects and state in the form of observations, descriptions, hypotheses, theories and so on, belong to the transitive dimension. This material is considered a social product, fallible and liable to change and transformation as our insights progress and develop. Now, what is at stake here then, are the ontological claims made in the critical realist meta-theory as set out above. What status or credibility accrues to these claims? Are they in any way separate from epistemological arguments?

The claim made by critical realists to the effect that the world exists independently of our investigations of it, I would characterise as a basic philosophical *stance*. You either take it onboard or you discard it. There is hardly any way to argue sensibly and convincingly pro or contra this stance. It is a matter of *belief*, or some would say *informed belief*, as it were. So, there is at least one element in the critical realist ontology distinct from matters epistemological. As soon as some substantial claims about reality are made, however abstract and general these claims may be, things change radically. When critical realists claim that not only does the world exist independently of our investigations of it, it is also structured, stratified and differentiated (in the critical realist understanding of these concepts), we enter the realm of theories and empirics. We are thoroughly within what critical realists call the transitive dimension of knowledge production. Critical realists' claim to a structured, stratified and differentiated world is, in other words, an ontological *theory*. And a theory will have to be supported by arguments in its favour if it is to be accepted or approved. Such arguments are, of course, epistemological in nature.

To realise this, consider how the critical realist ontological theories are set forth. They are established and elaborated mainly by way of transcendental arguments. To claim absolute truth, or some close equivalent, for the conclusions drawn from such arguments would, of course, verge on dogmatism. Rather, the conclusions offered should be seen as contested and fallible theories dependent for their epistemic status upon evaluations made of the initial premises chosen as well as of the subsequent inferences made. Bhaskar, being keenly aware of these facts, and consequently also of the need for additional support for his transcendental elaborations, invokes the method of immanent critique of competing positions for this purpose. In the case of the natural realm, Bhaskar's transcendental arguments in favour of ontological depth are bolstered by an immanent critique of the contrasting 'flat' ontology accruing to the empirical realist account of reality (Bhaskar 1979). And in the case of the social realm Bhaskar invokes immanent critiques of voluntarism, collectivism and the 'dialectic' approach of Berger and Luckmann in order to further substantiate the propositions advanced in his 'transformational model of society' (Bhaskar 1989A).

Questions of ontology and questions of epistemology then, are not separate realms in the critical realist meta-theory. To be consistent, therefore, the critical realist position of epistemological prudence should carry over to a position of ontological prudence. If critical realist ontological theories are supported by cautious epistemological arguments, it should follow that the ontological theories in question are viewed likewise. I would suggest, therefore, that critical realist meta-theory should be characterised as 'ontologically and epistemologically cautious with prominence given to questions ontological', rather than 'ontologically bold and epistemologically cautious'. It is, or should be, cautious in the sense of entertaining an anti-foundational stance on all knowledge production, including knowledge of basic properties of existence or being. Ontological theories should, on this account, be considered fallible and contingent and subject to revision and adjustments, or even possibly replacement, in the face of convincing arguments to this effect. This insight ought, moreover, to be taken seriously when critical realism is evaluated as a potential meta-theory for scientific undertakings.

To take stock then, the claims made with respect to basic questions of ontology and epistemology obviously delineates critical realism from other meta-theories like variants of positivism on the one hand, and post-modernism and strong



social constructivism on the other. Accordingly, the critical realist tenets as set out above qualify as a separate and distinguished meta-theoretical position in its own right. The one feature which most of all characterises this critical realist meta-theory is its explicit concern with questions of ontology. The epistemic status of critical realist ontological theories, however, needs to be paid attention to. They are to be seen as conjectures expressing carefully argued theories or hypotheses about how the social and natural world is constituted. Consequently, they are conditional and revisable in the event of convincing arguments offered to this effect. This is the main reason why critical realist ontological theories are not suitable as a basis, or point of departure, for critical assessments of practices based on a different methodology and ontology. Being interesting and potential fruitful hypotheses about the social and natural world, however, critical realist ontological theories, and the critical realist position of which they are a part, offers a rich and fertile basis for more practical scientific endeavours, including endeavours directed towards developing a viable economic methodology.

## **From meta-theory to methodology**

Let us turn then to considerations of how the critical realist meta-theory may be turned into an operational position of economic methodology. As we have seen above, the critical realist meta-theory gives prominence to matters ontological. At the heart of this position we find a systematic account of some basic features of social and natural reality. Invoking the critical realist meta-theory as a philosophical underpinning for a position of economic methodology will then to a large extent turn on taking advantage of these ontological insights.

Whether starting out from empirical observations of some new or surprising phenomena or addressing more traditional economic issues, researchers informed by the critical realist meta-theory would be advised to seek explanations of the phenomena in question in terms of underlying powers and mechanisms, being particularly aware of the fact that such powers and mechanisms reside with structured objects at different strata of reality. Adding to this general picture, researchers would also be urged to make sure they amply capture the interplay between economic agents and relevant underlying enabling and constraining social structures, paying due attention to processes of reproduction and transformation of structures and further consequences thereof. The main aim of

such undertakings then, would be to uncover and describe causal powers and capabilities pertaining to objects of relevance for the issue or problem at hand, and their ways of working as mechanisms whenever triggered. Several aspects need to be addressed in this process: What powers and capabilities do the relevant objects possess, under what circumstances will these powers be triggered and turned into operating mechanisms, what will be the effect of an operating mechanism when taken in isolation and what will happen when several mechanisms operate in concert?

In a particular research project then, having depicted objects of relevance for explaining the issues at hand, researchers will be advised to address the task of uncovering necessary and constitutive properties of these objects. According to the critical realist view, however, causal powers and capabilities may exist without being exercised, and when triggered the resulting mechanisms may or may not imply observable effects, depending, among other things, on the question whether other mechanisms in operation will act in countervailing or reinforcing ways. As a consequence, causal powers are rarely directly observable and may in many cases not even be indirectly identified through their effects. Investigations, therefore, will normally have to be undertaken by conceptual abstractions invoking structural analysis and the method of retroductive inference. Researchers will have to find answers to questions like: What is fundamentally constitutive for object X? What properties will have to be in place for X to be what X is? What causal powers and capabilities follow from these answers? (Danermark et al. 2003, p. 110). To be somewhat more concrete, within economics it may for example be relevant to ask what social and cultural structures and mechanisms must be in place for exchange of commodities to take place.

Contexts will then have to be envisaged in which causal powers and capabilities intrinsic to the objects in question are triggered, turning them into operative mechanisms. Moreover the effects of such mechanisms in operation will have to be studied. In the natural sciences researchers will in many cases be able to study the effects of separate mechanisms in controlled experiments in which closed systems are artificially established. Under the notoriously open systems conditions of social sciences like economics, however, there are hardly any possibilities for creating experimental settings of this kind. Social scientists, therefore, will, to a large extent, have to take resort to abstract thought-experiments in which they may sort out how conceptualised mechanisms

introduced work themselves out. By combining the workings of several mechanisms, processes of countervailing and reinforcing forces may be studied in more complex theoretical models. It must be underlined, however, that critical realist-inspired tasks of this kind would always pay heed to the need to work with proper abstractions of reality, as set forth in critical realist ontological arguments, rather than mere fictions.

The notion of natural necessity, central to the critical realist understanding of causality, needs to be commented somewhat further upon here. Structured objects are seen to have emergent properties, like powers and capabilities necessary for the objects in question to exist and to be what they are. This, however, has nothing to do with unchangeable essence. The notion of necessity as applied here refers to properties which at a certain point in time determine what an object is. As time goes by, however, these properties may change turning the object in question into a different entity. Analyses according to a critical realist meta-theory would, in other words, be open to the possibility of qualitative change in its subject matter. [8]

When R. B. Walters and D. Young (2001) more or less discard critical realism as a basis for a viable position of economic methodology, their concern is mainly with questions of epistemology. In their view the critical realist "ontological boldness has never been supported by any plausible epistemology" (Walters and Young 2001, p. 500). As argued in the previous section, I find it contentious to treat ontology and epistemology as though they were separate departments of the critical realist, or indeed any, meta-theory. Rather, ontology and epistemology should to a large extent be viewed as being intimately related while pertaining to different aspects of the meta-theory in question. [9] In considering the plausibility or credibility of economic analyses conducted according to a critical realist-inspired methodology, therefore, one has to address the whole package, so to speak: the ontological theories introduced as well as the more concrete scientific work undertaken.

In this respect it should be noted that critical realist ontological theories are not introduced as dogmatic or metaphysical assertions about the social and natural world. Rather, they are developed by transcendental arguments from a set of premises. The premises are painstakingly chosen to encompass what is believed to be widely accepted features of the world in which we live; the success of experimental natural sciences and the notion of intentional actors in the social

sphere being the most central ones. By invoking transcendental reasoning, then, an account is offered of what the world must be like for these features to be possible or intelligible. The resulting ontological theories, being admittedly contingent and fallible and consequently open to critical assessment, nevertheless anchor critical realist-inspired analyses in a carefully argued account of what exists rather than in some lofty speculations or plainly fictional statements of what the world might be like.

While abstract reasoning and theorising will be indispensable in critical realist-inspired economic analyses, empirical evaluations and support should be brought in whenever possible. In considering how this can be done, critical realists will insist upon paying due attention to the nature of the subject matter in question. In any critical realist-inspired approach to scientific work the methods applied should be adjusted to the basic characteristics and properties of the objects under investigation, rather than the other way around. A critical realist-inspired economic methodology will, in other words, reject evaluative procedures that invoke particular test methods or techniques in a compulsory or mandatory way. What methods and techniques are considered adequate or suitable for the purpose at hand will have to be decided upon and defended by practical researchers with due regard being paid to the nature of the objects into which they inquire.

Due to the nature of critical realist-inspired analyses, in which the direction of investigations is from observations of issues of interest to underlying forces and mechanisms that may explain such phenomena, the empirical side of research undertaken may in many instances most productively take the form of case studies. By focusing upon a few carefully selected cases researchers will be able to carry out investigations in the necessary depth and detail. Contexts crucial for triggering mechanisms, and allowing them to work their effects out, may be studied more efficiently and closely on a case study basis. Following a case in point over a period of time, moreover, during which relevant contexts may change, will offer opportunities for empirical material to be collected which may support or question claims made to knowledge of how envisaged mechanisms actually work. The unavoidable openness of such studies and the socially mediated quality pertaining to any empirical data implies, however, that 'tests' of this kind will only be one element in an overall judgement of what credibility accrues to explanations offered.

In a positivist conception of science, still influencing the minds of many, case studies are invariably regarded as appropriate only for investigations of particular or unique instances with no claims to generalised knowledge. In a broader picture, moreover, case studies are often seen as useful preparations for large-scale data collection schemes and subsequent analyses. The demise of positivism has however, among other things, brought with it a new conception of the role of case studies in scientific undertakings. Case studies are generally acknowledged as a methodological approach consistent with depth ontologies. And when theoretically based and structured, case studies are now becoming increasingly recognised as supporting claims to generalised or theoretical knowledge of transfactual phenomena like underlying powers and mechanisms (R. K. Yin, 1989, G. Easton, 1992). There are, consequently, no scientific hazards involved in adopting case studies as an integral part of a critical realist-inspired approach to economics. Rather, this seems to be a potential road for empirical support of abstract reasoning which deserves closer attention in endeavours to develop a critical realist-inspired economic methodology.

To sum up then, epistemic evaluations of critical realist-inspired analyses of economic phenomena or issues of interest will have to involve several elements; the arguments advanced to anchor the analyses in reality from the outset, the consistency and creativity exhibited in envisaging powers and mechanisms explaining the phenomena at hand, and the degree to which empirical support are found in case studies or by other means being the most central. Moreover, when competing accounts of explanatory forces and mechanisms are set forth, criteria like explanatory power may also be invoked to discriminate between the candidates. In any case, no single or simple algorithm for theory evaluation or theory choice will be available. Rather, rational judgements will have to be made taking into consideration material of different character and content.

Now, for some, such a broad and encompassing approach to questions of epistemology, invoking among other things the need to make rational and argued judgements, may seem less than satisfactory or even unconvincing. Difficult problems of epistemology, however, seem to haunt all philosophical meta-theories and consequently all methodologies and practical academic approaches that build upon them. The fact that critical realists entertain an anti-foundational position in the realm of epistemology, invoking recourse to rational judgements rather than some untenable simple test-criterion or reliance upon 'self-evident' axioms and pure logic, therefore, should not in any way be

considered a serious drawback or weakness accruing to critical realist-inspired approaches. [10]

Turning finally to more specific questions of methods to be applied in investigations as set out above, a position of pluralism will typically be endorsed. This, however, is not to be understood as anything like methodological relativism or 'anything goes' at the level of method. Rather, it indicates that there are no a priori preferences for any particular method and no methods are banned or excluded at the outset. [11] The choice of the best methods is left to the discretion of researchers in each particular case within the restrictions set by the ontological considerations at the heart of a critical realist approach. In general, critical realist approaches according to the methodological reflections set out above seem to invite combinations of a range of various methods. Approaches of method triangulation or conscious mixes of qualitative and quantitative methods according to the insights and creativity of the researchers will be seen as potentially fruitful. [12] Regarding questions of methods to be applied then, the critical realist approach offers broad but helpful guidelines with final decisions to be made by the researchers.

According to Dow (2003, p. 17) critical realists see their project "as being in support of an approach to economics rather than a specific methodology, suggesting that the approach can support a range of methodologies." My above arguments and deliberations do support a somewhat different view. According to this view the critical realist meta-theory offers a consistent set of philosophical resources that will underpin a self-contained and potentially fruitful approach sufficiently distinguished and characteristic to warrant the label 'a critical realist-inspired approach to economic methodology'.

## **Critical realist-inspired economic methodology in perspective**

Traditionally economic methodology has been prescriptivist and empiricist focusing upon formulation and implementation of precepts for 'good' scientific practice within the discipline of economics. These precepts were invariably based upon, or taken directly from, different positions within the philosophy of natural science, like positivism, Popper's falsificationism and Lakatos' methodology of scientific research programmes. [13] Little or nothing was said

about problems related to the question of how theories might be established and developed. Emphasis was, in other words, upon issues belonging to the 'context of justification' to the almost total neglect of questions pertaining to the 'context of discovery'. Wade Hands (1994) succinctly terms this the 'shelf-of-scientific-philosophy' approach to economic methodology.

During the 1980s and the 1990s, however, things changed profoundly. Leading economic methodologists, with some remarkable exceptions, now turned away from prescriptive approaches and even critical analyses. In the ensuing 'new economic methodology' as Hands (2001) terms it, focus has been upon descriptive accounts of on-goings mainly within mainstream economics, including among other things rhetorical, social, and economic aspects of this activity. The underlying rationale for this descriptive turn seems to be predicated upon the view that economic methodologists can best contribute to the future development of economics by enhancing our understanding of what actually goes on within the discipline. [14]

The critical realist-inspired position of economic methodology set forth above represents a distinct alternative to both the 'old' and the 'new' approaches to economic methodology. The suggested approach differs from the 'new' descriptive economic methodology by being more normative, indicating that methodology can, and should, have a constructive role aimed at influencing academic economic practice. Moreover, the critical realist-inspired methodology, as against most positions within the 'new' methodology, is explicitly developed from a meta-theory or a position within the philosophy of science. According to the critical realist-inspired view there still is, in other words, an important role for explicit philosophical reflection in matters methodological.

The approach set forth above will also, in several respects, stand apart from 'old' or 'traditional' normative approaches to economic methodology. The normative content of the suggested approach is introduced as argued advice and constructive guidance rather than prescriptions. And even though the process delineated starts out from philosophical reflections, insights from scientific work may well feed back upon these reflections and possibly induce changes and adjustments in them, indicating a cautious approach in which philosophical deliberations and scientific practices are considered mutually interrelated activities. A critical realist-inspired economic methodology will thus not be a rules-based methodology. In fact, it will not be a top-down methodology at all. Every

element in the suggested methodological scheme will at all times and in all respects be open to critical assessments and possible changes, even as a consequence of results and insights gained through scientific work itself. A critical realist-inspired economic methodology will, moreover, through its preoccupation with ontological reflection, offer helpful and constructive precepts and guidelines for activities directed towards establishing and developing economic theories and analyses. And it will come with consistent and accommodating epistemological considerations indicating how theories and analyses may be evaluated and supported by various kinds of argument. A critical realist-inspired economic methodology, thus, will be balanced in the sense that it encompasses a mix of elements belonging to the context of discovery as well as the context of justification, as opposed to the context of justification-bias that characterises the traditional 'shelf-of-scientific-philosophy' approach to economic methodology.

Scientific practice in accordance with, or informed by, the main tenets of critical realist ontological theories may also imply a more multidisciplinary approach to economic analyses and economic theorising. According to Bhaskar's transformational model of social activities, researchers will be advised to make sure that they amply capture the depicted interplay between economic agents and relevant enabling and restricting social structures. Processes of reproduction and transformation and the further consequences thereof, should be built into the analyses. This indicates the need for economists to draw upon insights developed within disciplines like sociology and political science. The critical realist vision of a structured and multi-layered world may, moreover, be applied also at the level of the individual. According to such a view, there will be more to human nature than instrumental rationality. Critical realist-inspired economic analyses would, consequently, induce increased openness towards knowledge produced within the discipline of psychology. Finally, it should be remembered that critical realist ontological theories of the social and natural spheres of reality are not separate or unrelated entities. Rather, as argued above, what happens at the social stratum should be seen as the result of mechanisms and forces existing and acting at this stratum of reality as well as all underlying strata, including the entire natural world. Critical realist ontology thus suggests that economic analyses would benefit from, and ought to be more integrated with, lines of thought developed within natural sciences like biology and ecology. Such integration would entail not only inter-disciplinary but even trans-disciplinary approaches to questions and issues under investigation.



In sum, then, a critical realist-inspired position of economic methodology stands out as viable and helpful in the areas of 'discovery' as well as 'justification'. Moreover, it is flexible and open-ended in many respects, leaving much to the creativity and discretion of practising researchers without lapsing into an approach of 'anything goes', or what goes is decided by the 'best practices' of the discipline. Finally, a critical realist-inspired economic methodology would encourage analyses of economic issues and problems which draw upon insights from several other disciplines, quite different from the disciplinary separateness which, as Hausman rightly argues, has for a long period of time dominated and circumscribed much of mainstream economics (Hausman, 1992). Consequently, the suggested critical realist-inspired approach exemplifies a third way with respect to questions methodological within the discipline of economics, a constructive and potentially fruitful alternative to the traditional rules-based approaches on the one hand and the new 'recovering practice' approaches on the other hand.

## Concluding remarks

The arguments set forth in this paper have been predicated upon the view that the critical realist projects within economics need a new turn, or at the very least a third leg, directed more explicitly towards the development of economic theories and concrete analyses of substantial economic issues and problems. More specifically, the paper has inquired into the question whether, and how, a critical realist-inspired economic methodology may be developed and elaborated, which in turn would underlabour for more concrete critical realist-informed economic theorising and applied analyses.

Starting out with critical realism conceived as a meta-theory for scientific activities it has been argued that this position comes with a consistent set of helpful philosophical resources addressing relevant questions of ontology and epistemology. Considerations of necessary interrelations between ontology and epistemology in the critical realist meta-theory led to the view that the ontological theories at the heart of critical realism have properties which render them potentially fruitful as underpinnings for a critical realist-inspired methodology. As a particularly attractive feature a position of economic methodology predicated upon the critical realist meta-theory would offer helpful guidelines for establishing and developing economic theories and analyses. When it comes to theory evaluation the critical realist meta-theory suggests a basically

non-foundational stand. Rather than invoking a single test procedure or some decisive evaluative criterion, the notion of judgemental rationalism is invoked. This notion points to the need for taking into consideration all material relevant for evaluating the case at hand, theoretical as well as empirical, and to pass an argued judgement made open to critical assessment. Attention has also been drawn to the fact that a critical realist-inspired economic methodology would induce a more interdisciplinary approach to analyses of economic issues and problems and stimulate increased openness to, and awareness of, insights from other disciplines within the natural as well as other social science disciplines.

The argument of this paper, encouraging more concrete theoretical and practical work inspired by a critical realist meta-theory, may perhaps seem less glorious and prestigious than the currently dominating critical realist strategy of grand scale philosophical underlabouring with the overriding goal to reorient economic thinking more generally. The strategy suggested here may, however, turn out to be more viable with a real potential of making a difference. At the bottom line 'action speaks louder than words', and the future prospects of the critical realist project within economics will depend crucially upon the ability of its adherents to address substantial economic issues in ways that demonstrate the benefits from what should be the hallmark of any scientifically oriented critical realist project: Explicit ontological reflection as an integral part of scientific analyses of substantial issues and problems. At the present stage there is room for further improvements of, and amendments to, the suggested critical realist-inspired position of economic methodology. Even at this stage, however, the suggested approach stands out as a constructive, self-contained and potentially fruitful alternative to the traditional rules-based approaches to economic methodology, on the one hand, and the so-called 'new' descriptive or 'recovering practice' approaches on the other.

## Endnotes

[1] I would like to thank the journal's referees for helpful and constructive comments on an earlier draft of this paper. The usual disclaimer, of course, applies.

[2] The most central contributions to the process of establishing and situating the critical realist project within economics are T. Lawson (1997, 2003) and a

number of articles by the same author. Discussions of various aspects of these endeavours are found in S. Fleetwood (ed) (1999), P. Downward (ed) (2003) and P. Lewis (ed) (2004).

[3] The critical realist critique of mainstream economics is discussed in D. W. Hands (1999), B. Waltres and D. Young (2001), J. Reiss (2004), G. Hodgson (2009) and B.-I. Davidsen (2005). The endeavours to establish critical realism as common ontological basis for various heterodox positions within economics are addressed in C. S. Dow (2004, 2006), J. Vromen (2009), B.-I. Davidsen (2009) and a number of contributions in Lewis (ed) (2003).

[4] A non-exhaustive list of contributions would include R. Bhaskar (1979, 1989A, 1989B), A. Collier (1994), M. Archer (1995), M. Archer et al (1998), A. Sayer (1992, 2000), B. Danermark et al (2002), J. Cruickshank (2003), S. Ackroyd and S. Fleetwood (eds) (2000), S. Fleetwood and S. Ackroyd (eds) (2004) and publications by T. Lawson mentioned in note 1.

[5] R. Groff (ed) (2008) offers a thorough exploration of the notion of causality in a realist perspective. In a special issue of the *Journal of Critical Realism*, vol. 8, no. 3, devoted to causal powers, R. Groff situates critical realist views of causation within the broader realist take on this issue; Groff (2009).

[6] In fact, the critical realist definitions of open and closed systems are more elaborate than suggested here, turning on what Bhaskar (1978 ch. 2) terms requirements for internal and external closure (also attended to in Lawson 1997, pp. 77-79). In practice, however, the simpler definition turning on event regularities is often invoked. The critical realist critique of mainstream economics, for example, takes at its point of departure the view that "Isystems in which [event] regularities occur are said to be *closed*." (Lawson 2003, p. 5; italics in original). This definition does not, however, follow from Bhaskar's stated requirement for external and internal closure, which does not deny ontological depth as indicated by the 'event-regularity'-definition of closed systems.

[7] C. Wight (2006, pp. 53-56) offers an insightful and constructive discussion of epistemological questions and judgements along a cautious and non-foundational line of reasoning.

[8] The debate over essence has a long history in the literature of philosophy and even within the discipline of economics. Meikle (1985), O'Neill (2001) and Ellis

(2001) offer a relevant and balanced survey and discussion of some main questions here.

¶9I Critical realism, for example, focus on questions of ontology. As argued above, however, the ontological theories of critical realism are necessarily supported by epistemological arguments (necessary if they are not to be stated as mere assertions or dogmatic beliefs). In other meta-theories, giving prominence to questions of epistemology, a particular view of questions ontological will follow, whether they are explicitly stated or not.

¶10I The problem of substantiating claims to knowledge of underlying powers and mechanisms and of discriminating between competing claims to such knowledge should not, however, be underestimated. This is a feature of a critical realist-inspired economic methodology in need of further elaboration. J. Runde (1998) offers some important reflections on these problems which may prove a fruitful instigation of such processes.

¶11I The question of legitimate methods has caused some controversy in the literature pertaining to the critical realist project. T. Lawson (1997) and S. Fleetwood (2001) represent in a way the 'hardliners' in this debate being strongly negative to almost any use of mathematical and econometric methods (at least in their traditional forms) in critical realist-inspired economic analyses. This view, however, has been contested by a number of commentators, many of them sympathetic to the critical realist project. The debate over methods seems to be closely related to the parallel debate over definitions and applications of closed and open systems in economic analyses. If the constructive and insightful arguments offered in S. Nash (2004) and V. Chick and S. Dow (2001, 2006) on these problems were taken onboard, the critical realist project might also get the debate over methods onto a more productive track.

¶12I P. Downward and A. Mearman (2003, 2006) and W. Olsen (2003, 2004) are examples of recent work addressing the question of method triangulation in a critical realist perspective.

¶13I Economic methodology according this view is thoroughly exposed by M. Blaug (1980/92) and B. Caldwell (1982/94).

¶14I Dow (1997, 2002) offers excellent overviews over the developments of and tensions between 'old' and 'new' approaches to economic methodology.

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