

Debating critical realism in economics

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While accepting the contribution that critical realism has made in exposing the methodological weaknesses of mainstream economics, this rejoinder to Nielsen and Morgan reasserts the need for critical realism to go much further. In particular, it highlights the need for critical realism's explicit confrontation with—and critique of—economic theory, and the need for it to construct a political economy rooted in the categories of contemporary capitalism. The paper again calls on those who espouse critical realism to undertake the important work of developing a careful exposition of the meanings of structure, relation and tendency, etc., their interrelationships and their historical and social scope and variability—and to provide an explicit account of where critical realism diverges from Marxism and Marxist political economy.

In responding to Nielsen and Morgan, it makes sense to detail the context in which my original piece appeared (Fine, 2004a). The first draft was submitted to the editor in 2000, and the final version, shortened and tempered upon request, followed soon afterwards that same year. The volume itself, however, appeared more than four years later. Over the short lifetime of critical realism applied to economics ('CRE'), my piece necessarily responded to an early and minor part, at most, of what has now been contributed. To the extent that CRE has moved beyond methodology to address theory (and actual economies), this is both welcome and at least an implicit and unconscious recognition of the veracity and appropriateness of my earlier contribution. Elsewhere,

Nielsen (2002: 727) asserts: 'critical realism is a demarcated philosophical project that explicitly refuses to deal with substantive theoretical or political issues ... critical realism leaves an immense number of scientific practices open so that the scientist is left to navigate by him- or herself in an overwhelming space of choices and possibilities'. Yet 'The current orthodoxy in economics dictates the practice of thousands of economists, influences the development of many other social sciences and contributes a great deal to the current hegemonic neo-liberal ideology. Therefore the anatomy and ideological functions of current orthodox economics have to be analysed in depth' (ibid: 733).

But Nielsen and Morgan seem to demand much more for CRE. For they argue that both CRE and Marxism incorporate a number of competing and complementary strands, and that these should be allowed to flourish and mutually condition one another. This seems perfectly reasonable; but two of their implications warrant comment. The first is that I hold to some form of Marxism that is intolerant of such a project. Indeed, my critics infer that I perceive critical realism in terms of some sort of repressive tolerance, since it 'can be accommodated by the ideological apparatus as a minor element in the necessary illusion of a free market of ideas'. These are not my words; but even if I were to frame the matter in this way, I do, nevertheless, take critical realism to be genuinely critical and constructive. My stance can best be understood by contrasting critical realism with analytical Marxism, to which such negative comments do appear to apply. Its project can be seen to be a barely tolerated attempt to subordinate Marxism to standardised methodology, theory and techniques. Even so, it has garnered only temporary and slight interest. But as the opening paragraph to my original article (2004a) makes clear, I welcome CRE—so much so that I was reluctant to offer a critique, given what I would be addressing in terms of its analytical and, more significantly, its strategic weaknesses.

This is why I deployed the affectionate, if telling metaphor of CRE as a missionary in the neoclassical cannibal's cooking pot: an infallible self-belief overwhelmed by intellectual savagery. But perhaps I have been too kind—and certainly in comparison with Hodgson's (1999: 3) comparison of critical realism with an *Il Duce*-style fascist dogma.¹ For Nielsen (2002) identifies two directions that CRE could

take—either towards Marxist political economy, or towards political economy more generally. His preference is for CRE to depart from ‘classical’ Marxism, since ‘there is a rooted tendency within Marxism towards sectarianism and vigilance’ (p. 735). Perhaps, to mix metaphors, this is a more a matter of my being placed in the role of kettle and called black by CRE, from its position in the cooking pot. Nielsen and Morgan seem to think that a challenge to CRE from a Marxist perspective is an attempt to win it to Marxism, or to get CRE to act as a front for it. By contrast, their own stance is one of deploying CRE to serve as a front for a methodologically constrained eclecticism. I suspect that this is at the core of any disagreement between us, for we appear to agree on many things across our various writings; and it would be unfortunate if these were read as otherwise opposed to one another. But I also suspect that disputed claims over the ownership of CRE are liable to be marginal in the promotion of political economy of whatever variety. It is more a matter of addressing the issues involved directly and as a whole—methodology, theory and strategy in relation to the critique of neoclassical mainstream, and in the offering of alternatives. To be blunt, there are rapidly diminishing returns, both analytically and strategically, in being hauled back into proselytising an open, transhistorical methodology and condemning neoclassical economics for its original sin of deductivism.

Apart from its missionary zeal against a putatively dogmatic Marxism, a second implication of Nielsen and Morgan’s stance is the implicit equating of the weight of CRE with that of Marxism in the desire that they should coexist side-by-side. To suggest otherwise is not to claim for Marxism the status of conventional wisdom, nor to demand that it be given dogmatic priority over the new kid on the block. But Marxism does have a legacy of methodology and theory that CRE lacks—especially the latter. Moreover, since CRE has in large part been inspired and fed by Marxism, not least from its origins in Bhaskar, it is more than reasonable for me to suggest that it locate itself relative to Marxist political economy, especially since it appears to claim to be consistent with approaches as diverse as Marxism, varieties of post-Keynesianism, Pólya urns (or path-dependence as random sampling, Paul David-style), and (neo) Austrianism. My demand, however, seems to be perceived as an obstacle in that it serves to prise CRE away from

Marxism, or as a failure to recognise that both Marxism and CRE are heterogeneous. But the latter might render the demand that they situate themselves relative to one another more—not less—compelling. And, in practice, CRE has itself been developed both in specifying economic theory and in situating itself relative to Marxism since my original piece was drafted.

This relates, however, to the main substantive point about CRE that disturbed me: its trans-historical methodology. I do not wish to repeat my argument, but merely to put it again in the shortest terms. CRE is insufficiently *historical* (and hence insufficiently real). I do not mean that an entirely different methodology is necessary for every application. But methodology can only go so far before it needs to confront its object of study and draw upon it for conceptual content that has itself to be transformed critically (and theoretically). In short, the law of gravity is different from the laws of the capitalist mode of production (and each of these is different from the laws of feudalism), not only because gravity and the capitalist mode of production are different from one another, but also because the nature of the laws themselves is different. In short, I am not sure how far methodology can proceed without beginning to be theoretical and addressing the (historically and socially) real. I am not even convinced, beyond a point, that this is a very interesting question—but more just a simple matter of getting on with it and integrating method and theory. For, at the other extreme, theory without conscious methodology almost inevitably does incorporate some, however incoherently and inconsistently. I am also mindful that in practice, if not by necessity, CRE has gone too far in its ahistorical methodology, not least in embracing David's path dependence. It is markedly and significantly an ahistorical notion of history with respect to the deployment of universal, unrooted categories of analysis; and, dare I say, it is a form of deductivism, albeit stochastically variable (Milonakis & Fine, forthcoming [2007]).

In this light, I am puzzled by Nielsen and Morgan's inference that I base my critique of CRE on the idea that its methodology-without-theory is equivalent to theory ignorant of its own methodology (the mainstream). I do not consider that such a proposition can have any veracity in general, since the strengths and weaknesses of each of the two extremes will depend upon their substance. There can be great value in the discussion of methodology on its own,

and this is not in dispute; nor is it in dispute that critical realism itself is important in this respect. And theory—Ricardo springs to mind—can be insightful while being more or less oblivious of methodology (if not method—for Ricardo, try and understand as much of capitalism as possible on the basis of an embodied labour theory of value). In this context, it is worth recalling that Ricardo is generally acknowledged to have been the first major source of deductivism within economics—see Fine and Milonakis (forthcoming [2006]) for a full discussion. But this did not prevent him from obtaining genuine insight and considerable, often progressive influence. By contrast, of course, the deductivism associated with neoclassical economics is entirely different because of its peculiar form of methodological individualism (utility maximisation) and rejection of value (other than as price) theory. The distinguishing criterion between theories here is not their method(ology), conscious or not, but whether they do or do not demonstrably reproduce in thought the structures, practices and tendencies of the (capitalist) economy. And this is a criterion that is to be applied to all theory, including variants of Marxism itself. By contrasting Ricardo and neoclassical theoreticians, it follows that the balance of methodological and theoretical critique cannot be predetermined, nor can they be independent of one another.

Accordingly, my main concern with CRE has been strategic, and with its claim that the best and possibly the only way to combat mainstream economics is through its deficient methodology. This is a strategy, by the way, that proved a miserable failure at the end of the nineteenth century, irrespective of the accepted merits of the arguments of the historical school in its debate with marginalism (Fine & Milonakis, forthcoming [2006]). I hasten to emphasise that this is a matter of assessment and balance, not of universal truths. Possibly CRE has proven to be the best way forward in Cambridge, inspired by Tony Lawson's lead, although the prominence and influence of Ha-Joon Chang (notably weak on explicit treatment of methodology and Marxism) might offer an alternative perspective. This points to a false dichotomy in terms of either/or: why not both? But the hothouse conditions provided by Cambridge are not necessarily replicated elsewhere. This is, in part, why I provoked its adherents by suggesting that CRE was insufficiently critical and insufficiently real—this repre-

senting a considerable play on words, rather than a deep methodological statement. In terms of the real, it is in part its trans-historical methodology that has no doubt allowed CRE to become eclectic as it has engaged with theory.

This may allow it to engage in critical dialogue with the mainstream. If so, it will only be because it is theoretically and not methodologically engaged. I agree that nothing heterodox in theory, let alone in methodology, has much chance of finding its way into the mainstream journals—although the balance must surely favour theory, given an even greater antipathy and ignorance in the case of methodology. Yet critical realism *within* economics—my piece appears in a book entitled *Transforming Economics: Perspectives on the Critical Realist Project*, to which economists were asked to contribute—must surely address its audience in order to reach and persuade it. Within the small space allowed by the mainstream to exert some heterodox leverage, it is liable to be easier to do so through theory than through methodology. Otherwise, there is a need to leapfrog from an unacceptable theory ignorant of methodology to a different methodology, without an intermediate step of posing an alternative theory or theoretical (or empirical) critique.

Let me give an illustrative example that also points to the lack of sharp division between methodology and theory. Stiglitz's information-theoretic approach to economics is at the forefront of the economics imperialism that I have sought to highlight in my piece and elsewhere.² As a result of its continuing reliance on methodological individualism (a methodological property), it is relatively easy—and has proven attractive—to point to the absence of power (and other such meaningful social categories) in his approach, and the author himself admits as much of his theory. But when it comes to accounting for his own experiences as a professional economist, not least his enforced resignation from the World Bank, Stiglitz abandons his economics altogether and appeals to notions of vested interests and ideologies (especially those attached to finance)—see Fine and Van Waeyenberge (2006) for a full discussion. Now, if we could sit Stiglitz down and lead him by the beard through these inconsistencies in his worldview, the jump into critical realism or methodology more generally would be liable to be less persuasive than the suggestion that he examine alternative theories of the capitalist economy and finance. And what is true of Stiglitz—a neoclassical high priest forced

to confront the real world, and relatively open as far as the mainstream goes—is surely equally true of others of lesser status, whether already in or entering the discipline as students, researchers or whatever.

Thus, while it is important to have a critique of the mainstream for its (deductivist and deterministically closed) methodology, it is equally if not more important to address its theoretical substance, not least since it is the way in which it will be most commonly presented and used by practitioners. But I have argued that the same conclusion is to be reached for entirely different reasons when it comes to the relationship between economics and the other social sciences. In light of economics imperialism—the attempt to colonise the other social sciences by economics—and the decline of both postmodernism and neoliberalism, there is likely to be a debate over the political economy of capitalism in the coming period (Fine, 2004b): in the context of globalisation, for example. For the other social sciences, compared to economics, are much less naïve and negligent when it comes to matters of methodology. CRE is important for them, but less important than it is for economics in promoting heterodox political economy. The deficiency of other social sciences lies in their lack of knowledge of economic theory as it is currently evolving, and of how best to criticise and offer alternatives.

In conclusion, I can do no better than to reiterate the suggestions for CRE with which I closed my original piece. And these are that it should seek:

- An explicit confrontation with, and critique of, economic theory.
- The construction of a political economy rooted in the categories of contemporary capitalism.
- A careful exposition of the meanings of structure, relation and tendency, etc., and of their interrelationships and their historical and social scope and variability.
- An explicit account of where it diverges from Marxism and Marxist political economy.

I would have hoped that a critical commentary might either have explicitly addressed these issues, pointing them out as having been met in the intervening period; or that it might have suggested that they are unreasonable. Or is it possible that, as CRE has moved beyond its critical methodological

foundations, it has become too diffuse to offer answers? And will it, ultimately, fail to survive as a distinct school or approach, other than as a broad, a-Marxist umbrella for those who have, commendably, primarily attained a critical stance on economics on methodological grounds?

Notes

1. Note how the debate engendered is replete with metaphors of religion and virtue.
2. See Fine (1997) for an early contribution, and Fine and Milonakis (2006) for a fuller account. Note that Morgan and Nielsen offer at least qualified support for my views in this respect (Morgan, 2003; and Nielsen and Morgan, 2004, to which I was not allowed to make a response).

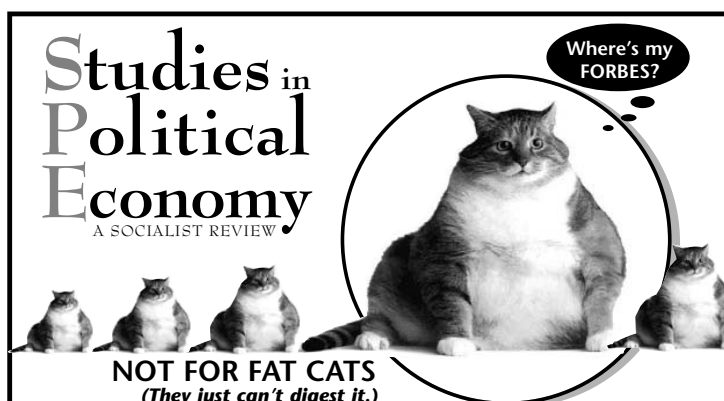
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