

Transforming Economics: Perspectives on the Critical Realist Project

Paul Lewis (Ed.)

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The fifteen essays collected in *Transforming Economics* offer incisive views on the critical realist project to 'reorient economics' that has been developed by Tony Lawson and other heterodox economists. The volume's contributors critically assess the project from their various perspectives—Post Keynesian, feminist, Austrian, Marxian, French intersubjectivist, institutionalist, Schumpeterian and neoclassical. The aim is to help critical realists discover strengths and weaknesses of the project that they might have overlooked. The book also hopes to persuade the critics of critical realism (CR) that the approach offers useful insights for constructing alternative approaches to economics. Most of the book's authors do at least agree that CR has made positive contributions to the development of economics, and their essays show that tensions and interactions across different perspectives can be fruitful.

Many Post Keynesians have adopted CR as their philosophical foundation. As Stephen Dunn points out in one chapter, Post Keynesians and critical realists share common outlooks on such issues as uncertainty, historical process, deliberate human choice, interdependency between human agency and structures, emergent properties and the open system approach. Moreover some Post Keynesians, like John Smithin, another contributor to the volume under review, believe that CR could provide a basis for transcending the putative neoclassical microfoundations of macroeconomics in a realistic and relevant direction along the lines of the 'original macro thinkers'—Marx, Keynes, Kalecki, Kaldor and Robinson. Smithin suggests that a 'macrofoundations of microeconomics' which emphasizes the influence of social structures—the class structure, the mode of production, money as a social institution, etc—on individual behaviors is consonant with critical realist methodology involving the identification and clarification of underlying causal mechanisms and structures under fundamental uncertainty.

CR contends that social processes are open-ended because society is not only institutionally conditioned but is also peopled with purposeful agents. Edward Nell argues however that CR is essentially static, and he suggests that an alternative approach, involving the analysis of processes of transformational growth, is better able to grasp the evolution that is 'inherent in the condition of social stasis.' Nell doesn't advocate the abandonment of CR in favor of the transformational growth framework; his point is that the two approaches ought to play complementary roles in the construction of an alternative economic theory.

The criticisms of CR presented in this volume can be summed up in four points. First, in refuting the neoclassical project that has replaced historical and social accounts in economics with mathematics, Ugo Pagano contends that critical realists do not seriously take into account the institutional features of the economics profession and economic education. Pagano argues from an institutionalist standpoint that neoclassicals propagate mainstream habits of thought (i.e. rational choice theory) in order to perpetuate their dominant status in the profession. To understand, and ultimately undermine, this neoclassical imperialism, Pagano advocates applying

the economics of institutions to the economics profession itself—a task which has so far been left out of the critical realist project.

Second, the feminist economist Edith Kuiper criticizes CR for failing to challenge the conventional masculine, Western, modernist orientation of economics. Taking account of gender, Kuiper argues, would deepen the critical realist depiction of economic structures, for example by analyzing the agency-structure model as *gendered* agency and *gendered* social structure.

Third, Ben Fine, a Marxian political economist, argues that CR is neither critical nor realist enough. It is not critical enough because it draws a strict dichotomy between methodology and theory, and devotes most of its attention to the former; it is insufficiently realist because it neglects to engage crucial economic issues, such as those relating to the nature and role of capital. Fine's charge strikes me as off-target, as CR is a philosophical standpoint not an analytical framework: the proper juxtaposition would therefore be between CR and historical materialism, not between CR and Marxian economics.

The fourth criticism is put forth by Clive Granger, whose essay is particularly interesting since his positivist outlook is what critical realists are attempting to refute. In line with his positivist orientation, Granger maintains that there exists only empirical reality. Thus for him the 'data generating mechanism' is the ultimate goal of doing economics because that's what renders economic projection, and hence individual rational choice, possible. Granger's confidence in the positivist methodology leads him to conclude that 'if there are important deep variables, economic tools exist to analyze them and their impact on possible relationships and thus many of them will already have been found and approximated. In that sense the new economics of critical realism is already here' (p. 102). This argument, however, reflects a superficial understanding of the CR position, and, ironically, reinforces the CR case that positivism is extremely limited in its ontology and methodology.

Other chapters in *Transforming Economics* discuss salient issues like the conceptualization of agency and social structure, rationality, social embeddedness, non-subjective individualism, and the affinities between CR and other heterodox perspectives. As a result the volume achieves its editor's aim 'to provide a forum for exploring and developing [the] commonality' that runs across heterodox lines. It may also be expected to enrich the critical realist project.

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