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G. R. Steele

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ABSTRACT: *I agree with Paul Lewis that mathematics has a valuable but not all-encompassing role in economics, that event regularities must be supplemented with a persuasive narrative, and that inferences can inform our understanding of economic behavior. However, Lewis's full-throated defense of critical realism does little to allay my original concerns. It is absurd to maintain, as critical realists do, that mainstream economics has nothing valuable to offer heterodox economists, as their critique of the quantity theory of money tries to demonstrate. More crucially, critical realists—unlike Austrian economists—neglect to provide an epistemological explanation of economic actors' perceptions, which is necessary if we are to bridge critical realism's own division of the social world into the "actual," "empirical," and "non-actual real."*

In addressing Lewis's concern that critical realism has been misrepresented, it is important to ask "Which propositions are in dispute?"

On the proposition that mathematical and statistical dexterity is overplayed within mainstream economics, we agree. However, they are not without value; and the further elaborations by Lewis upon earlier illustrations (which cited the quantity theory of money, the practice of setting insurance premiums, and the impact of a blizzard) are entirely consistent with their original purpose. On the proposition that, unless a plausible story can be told, that is, unless a convincing theory can be given, event regularities must be treated as spurious, we also agree. On

G. R Steele, g.steele@lancaster.ac.uk, Department of Economics, The Management School, Lancaster University, Lancaster LA1 4YX, England, is the author, *inter alia,* of *Keynes and Hayek: The Money Economy* (Routledge, 2006).

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the proposition that statistical regularities are fragile, we agree, although I come to this conclusion by way of Goodhart's Law[1] and the Lucas Critique,[2] both from within the economics mainstream.

Within the lexicon of critical realism, *retroduction* is a key word; but, beyond defining it as "a mode of inference," there is little further elucidation. Retroduction sanctions "the use of analogy, metaphor, intuition and ordinary language" (Steele 2005, 152), but who would deny that these can inform? So again, we agree.

I contended that "since it is bereft of methodological precepts, CR in practice amounts to little more than the exclusive reliance on a particular ontology that, because of its (asserted) transcendental nature—such that if it were false, experience itself would be impossible—CR arguments are irrefutable" (Steele 2005, 151). In "picking up the gauntlet," Lewis rises to a challenge for critical realists "to identify what *is* methodologically legitimate" (ibid., 136), and he identifies a research method that has critical-realist approval: "'contrast explanation' and the closely-related notion of 'demi-regularies'" (Lewis 2011). If I understand the exposition that follows, demi-regularities (and, indeed, anything else) may be ontologically relevant even though they may escape (or fail) the narrow test of statistical t-ratios. On this, on the value of "contrast explanations," and on the relevance of surprises that cut across expectations, we can agree. Certainly each of these is a long-established methodological approach that has become undervalued with the technocratic emphasis of mainstream economics.

There is neither novelty nor exclusivity to critical realism regarding either (1) the relevance of surprises that cut across expectations; or (2) the espousal of metaphor, intuition, and rhetoric within scientific method. If I was "wrong to suggest that the critical-realist account of the role of metaphor in social science is completely lacking in novelty" (Lewis 2011), is anyone wiser in reading that the novelty rests in the emphasis placed upon "the role of metaphor as a 'non-definitional mode of reference-fixing'" (ibid.)? Here, I am not sure that we disagree, because I am not sure what Lewis means.

When we move to the relationship between critical realism and mainstream economics, the disagreements firm up. Although there is merit in the literature of critical realism, there is much more that disappoints. Lewis alleviates none of my disappointment with critical realism regarding its aversion to, and denial of any value within, mainstream economics; and for its promotion of "a project oriented to underlaboring for a more fruitful science of economics'' (Lawson 1999, 14). My propositions are that the aversion and denial are absurdly absolutist and that the underlaboring appears endless.

Given the overlap (which Lewis acknowledges) between heterodox economics (particularly post-Keynesianism) and critical realism, the attempt to undermine the plausibility of the quantity theory of money invokes no surprise; but it fails. Changing institutional and behavioral relationships (as in the United Kingdom in the early 1980s) are entirely consistent with the quantity theory. Although Lewis's implication is that transmission mechanisms between money and prices are dynamically complex, the monetarist conceptual proposition is robust: an excess supply of money (over the willingness to hold it) has a corollary in an excess demand for something else. Within the Keynesian paradigm, that excess demand is primarily for bonds; within the classical paradigm that excess demand is more diffusely spread across goods and services, housing, equity, etc. So, for Keynes, the impact of excess money in a recession is indirect, via interest rates; for the quantity theorists excess money directly affects the general level of prices. Periodically, circumstances put counterclaims to the test. It was the coexistence of high unemployment and inflation in the 1970s that refuted Keynes and brought greater attention to Milton Friedman's neo-quantity theory.

Finally, it should be noted that science is a creation of the mind. With no direct access to truth, ontology is necessarily a (study of the) commitment to one or another set of *conceptualization*s of reality. The complexities within any set of scientific propositions acquire plausibility by their consistency with an ontological commitment to such a set of conceptualizations. In short, ''it is the theory which decides what we can observe.''[3]

Critical realism places great emphasis upon ontology and therefore upon the legitimacy of a particular conceptualization of reality; and its criticism of mainstream economics is directed especially to ''elegant models that may have little connection to realism'' (Lewis 2011, 207). The mediation of mind is implicit in critical realism's social world of three domains: ''the *actual* (real states of affairs and events . . .); the *empirical* (our perceptions of the real); and . . . the non-actual real (the underlying, non-empirical social structures)'' (ibid., 210). A fourth, epistemological domain—our perceptions of the ''non-actual real''—would relate to the manner in which a commitment to a set of conceptualizations is determined. However, critical realism makes no reference to this epistemological domain.

Prima facie, this lacuna supports my criticism "that critical realists assert a priori an account of the social world and treat it as being immune from falsification" (Lewis 2011, 208). It may also explain why critical realism gives only faint-hearted approval to "Austrian" critics of mainstream economics, but full-throated approval to post-Keynesians. Both schools are heterodox, and both emphasize that real-world economic agents face radical uncertainty, but Austrians argue that this uncertainty is a product of the mediation of agents' perceptions of reality by their conceptualizations of it. This allows for the possibility that their expectations may not match reality, but it also allows for the possibility that they may. Post-Keynesians assert that it is reality itself that is in radical flux. In this they match critical realists in skipping over the epistemology of their own ontological commitments, and in both cases the result is dogmatism about those commitments.

NOTES

1. Where monetary growth is restricted, it is possible to switch to available substitutes that are not subject to control. It is then that a statistical correlation between any given money aggregate and the general level of prices may collapse. This view is now enshrined as Goodhart's Law "that *any* observed regularity will tend to collapse once pressure is placed upon it for control purposes" (Goodhart 1984, 96).
2. The Lucas critique (see Lucas 1976) is that an economic policy initiative implies a new context in which decisions are taken. Adaptive behavioural adjustments, continuously undertaken in reaction to policy adjustments, effectively emasculate macroeconomic forecasting and (thereby) Keynesian demand management.
3. Albert Einstein's response to Werner Heisenberg's assertion (in 1926) that only observable magnitudes should contribute to a theory was that "[i]n reality the very opposite happens. It is the theory which decides what we can observe" (Heisenberg 1971, 63).

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