

EDITOR'S CORNER

On macroeconomic politics

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The nature of Post Keynesianism and its links to other traditions: a realist perspective

1. Introduction

A browse through prominent assessments and internalist statements of Post Keynesian contributions reveals or suggests (at least to this browser) the following seemingly diverse features:

- i. The most common or unifying theme of Post Keynesianism is a generalized dissatisfaction with, or opposition to, something called

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¹ On this point the following remarks are typical:

Post-Keynesian economics can be seen as covering a considerable assortment of approaches. It has sometimes been said that the unifying feature of post-Keynesians is the dislike of neoclassical economics. [Sawyer, 1988, p. 1]

[P]ost-Keynesian economics is often portrayed as being distinguished more by its dislike of neoclassical theory, than by any coherence or agreement on fundamentals by its contributors. [Hodgson, 1989, p. 96]

It is less controversial to say what post-Keynesian theory is not than to say what it is. Post-Keynesian theory is not neoclassical theory. [Eichner, 1985, p. 51]

[P]ost-Keynesians tend to define their program in a negative way as a reaction to neo-classical economics. [Arestis, 1990, p. 222]

Some have argued that what unites post-Keynesians is a negative factor: the rejection of neoclassical economics. [Dow, 1992, p. 176]

What seems to be striking to outsiders of post-Keynesianism and neo-

Ricardianism is that these two schools of thought and their major proponents only seem to have one common theme, their rejection of the dominant neo-classical paradigm. [Lavoie, 1992, p. 45]

See also Hammond and Harcourt (1989, p. 2) and Harcourt (1985, p. 125; 1988, p. 924), amongst many others.

ii. There is a significant emphasis upon methodological questions and reasoning.²

iii. At a very abstract or general level various substantive themes or emphases do appear with a high degree of frequency. Specifically, it is not uncommon to find claims or requirements that the economy be viewed as a dynamic historical process; that uncertainty be recognized as a significant feature of all economic life; that questions of distribution are as fundamental as any other; that human choice be acknowledged as real; that economic and political institutions (especially money and structures of power) be acknowledged as shaping economic events; that human emancipation be included amongst the goals of policy.³

iv. At the level of more concrete substantive issues, Post Keynesianism gives the impression of being little more than a collection of largely unrelated questions, aims, theories, and arguments united only

²This is apparent from a glance at the content of any Post Keynesian contribution; in addition, the following explicit internalist assessments are to be found:

So the methodological content of post-Keynesian writing tends to be high. This contrast with the minimal attention paid to methodological issues in neoclassical textbooks! . . . the post-Keynesian view of methodology as ranging from ideology through to technique requires that it be continually raised as an issue. [Dow, 1992, p. 182]

[T]he post-Keynesian school of thought represents a positive statement of methodology, ideology and content. [Arestis, 1990, p. 223]

[One] approach to specifying post-Keynesian economics is a methodological one. Elsewhere . . . I have attempted to define post-Keynesianism as a shared methodological approach. . . .

. . . Post-Keynesianism can be understood as a subset of political economy which can in turn be understood as a general embracing of a methodology of diverse methods. An attempt will therefore be made to relate post-Keynesianism and political economy in methodological terms. [Dow, 1990, pp. 346-347]

A typical example is the following:

The characteristics of the historical and humanistic models employed by Post Keynesians may be summarized in the following three propositions: 1) The economy is a historical process; 2) in a world where uncertainty is unavoidable, expectations have an unavoidable and significant effect on economic outcomes; 3) economic and political institutions play a significant role in shaping economic events. [Davidson, 1980, p. 158]

Under the third heading above Davidson explicitly notes that the "distribution of income and power is a basic concern of Post Keynesians" (p. 162) and spends some time discussing the Post Keynesian concern for matters of democracy, policy, and institutional issues more generally. In truth, just about all Post Keynesian contributions appear to share this general perspective.

in their claimed status as constituting alternatives to contemporary orthodoxy.⁴

v. Post Keynesians perceive their roots as lying in some or other feature of the writings of Keynes, some classical economists, and (sometimes) Marx.⁵

Now the obvious question that arises here—one that in some form or other has often been posed before—is, can such apparently disparate

⁴ This fact is evident from the most cursory glance at Post Keynesian contributions. It is a situation that underpins, for example, the following remarks and assessments:

Notably, over fifty years after the publication of the *General Theory* there is still no consensus amongst [Post Keynesians] as to what are the basic theoretical foundations of their economics. [Hodgson, 1989, p. 96]

[T]here is a sense of confusion, even among some post-Keynesians, as to what post-Keynesianism is. [Dow, 1990, p. 346]

One important feature of existing post-Keynesian literature is its apparent diversity of content. [Dow, 1990, p. 352]

Post-Keynesian economics is thus a portmanteau term which contains the work of a heterogeneous group of economists who nevertheless are united not only by their dislike [of contemporary orthodox economics] but also by their attempts to provide coherent alternative approaches to economic analysis

. . . . We say "approaches" because we may identify several strands which differ from each other both with regard to method and with regard to the characteristics of the economy that are included in their models. [Hamouda and Harcourt, 1988, p. 2]

In attempting to tease out some coherence in the Post Keynesian project, Arestis (1990) makes numerous remarks of the following sort: "its boundaries have not been precisely defined" (p. 222); "there is a substantial diversity of theoretical premises" (p. 222); "there is another dimension to this argument in that there are different 'approaches' that comprise post-Keynesian economics which not only differ in terms of method and economic features subsumed in their models but sometimes conflict with each other" (p. 222). And so on.

⁵ Just about all Post Keynesians who reflect upon their lineage support this claim. For reasons of space I merely report here a recent typical (if highly abbreviated) assessment:

As the name "post-Keynesian" suggests, the work of John Maynard Keynes is a significant influence. But Keynes is not the sole influence on the school, and indeed the earlier writers who influenced Keynes himself are often identified by post-Keynesians as having influenced them directly. . . . Post-Keynesianism has its roots in classical economics. . . .

Adam Smith is regarded as the first key figure. . . .

As far as the content of post-Keynesian economics is concerned, the key classical figures are Malthus, Ricardo and Marx, each influencing different groups within post-Keynesian economics. [Dow, 1992, p. 177]

natures as these⁶ be interpreted as mutually supportive/consistent and central characteristics of some coherent whole or perspective? Unlike most previous commentators, I shall answer in the affirmative.⁷ The chiefting of this coherence, however, not only necessitates an emphasis upon philosophical reasoning in line with feature (ii) noted above, but elies upon it to a degree that some Post Keynesians may regard as disturbing. Specifically, I shall argue that (a) contemporary economic orthodoxy is a project *founded* upon erroneous philosophical results, and in particular upon results that are rooted in an unsustainable Humean version of positivism; (b) the transcendence of these errors requires an elaboration of an alternative philosophical perspective to positivism— one that will be systematized here as transcendental realism or, with

⁶ Where other commentators for inclusion, Staffa for example (along, indeed, with other possible nominal features of Post Keynesianism not focused upon here), seem to be accepted by only a section of Post Keynesians and whose inclusion would appear to be especially controversial, my strategy has been to omit them from explicit consideration here. This seems appropriate. If coherence within Post Keynesianism cannot be found amongst those features that appear to be widely agreed upon by Post Keynesians, then the inclusion of controversial features is unlikely to change matters. Alternatively, if coherence can be brought to, or found within, the agreed features, it should then be that much easier to assess whether, conditional upon coherence being required, those features not considered here do, could, or should not, etc., belong.

⁷ While many previous commentators appear to reject such a possibility, Hamouda and Harcourt (1989, p. 32) go further in suggesting that "attempts . . . to synthesize the strands [of Post Keynesianism] to see whether a coherent whole emerges . . . [are] misplaced exercise," and that those who do so search in vain. While most appear to think that any such coherence has not been found because none such exists, a minority view appears to be that the problem reflects, rather, a relative lack of serious attempts so far to establish the nature of the tradition's coherence. Avovic (1992, p. 46), for example, provides an assessment that appears to place him in the latter camp:

[Recent surveys] . . . have not really attempted to pull together the common elements of various strands and authors. For instance while Arena's survey is quite analytical, he insists more upon the differences than the similarities (Arena, 1987). Hamouda and Harcourt (1989) present an exhaustive survey but they are more descriptive than analytical, centring their attention on the identity and personality of the economists concerned, rather than their ideas. They unexpectedly conclude that the search for a coherent vision is a futile endeavour. Coherence within each strand . . . is sufficient in their view. Their conception . . . is thus similar to that of Dow (1985:73) who claimed that post-Keynesians had a Babylonian methodological approach, i.e., one that was eclectic, without being able to identify the essentials . . . But this only leads critics . . . to conclude that post-Keynesians and their allies have not yet provided a suitable alternative to neoclassical theory (Backhouse, 1988).

respect to the social realm specifically, as critical realism; and (c) it is the philosophical system stylized here as critical realism that provides the coherence to the noted nominal features of Post Keynesian contributions.⁸ It will be seen, however, that a cost of the coherence achieved by such reasoning, the consequence that some may regard as unfortunate, is that Post Keynesianism may have to jettison (or at least moderate) any claim to being a body of specific substantive economic doctrine at all. Let us examine how this all works out.

2. Contemporary economics and the results of positivism

What, first of all, are these results upon which contemporary economics is founded, and how do they derive from the philosophical system of positivism? As I have indicated elsewhere (Lawson, 1989a, 1989b, 1992, 1994a, 1994b, 1994d), the result that, in my view, is the most significant in its influence on contemporary economics relates to a particular conception of science. Specifically, the essential feature (and primary error) of contemporary orthodox economics, or so I shall argue, is a commitment to the formula "whenever event (type) X then event (type) Y" as a generalized condition, image or goal of, or ideal for, science.⁹

Now it is not, I think, contentious to suggest that this general formulation of the condition or goal of science is fundamental to orthodox reasoning. As Allais (1992), a recent winner of the Nobel Memorial Prize in Economic Science, puts it in his assessment of "the economic science of today":

The essential condition of any science is the existence of regularities which can be analysed and forecast. This is the case in celestial mechanics. But it is also true of many economic phenomena. Indeed their thorough analysis displays the existence of regularities which are just as striking as those found in the physical sciences. This is why economics is a science, and why this science rests on the same general principles and methods as physics. [P. 25]

⁸ It must be noted that although previous contributors do not appear to have claimed as much for philosophical perspectives, some forms of realism have been discussed elsewhere in the context of assessing Post Keynesianism—see especially Aronist (1990) and Dow (1990, 1992).

⁹ Note that this formulation is intended to be quite general. The measurable event-types X and Y can, where appropriate, be scalars, vectors, or matrices, and the relationship can be simple or complex, deterministic or probabilistic, and so on.

Perhaps not all orthodox economists would put things quite like this. Nevertheless, the fundamental conception in question is clearly presupposed by most econometric time-series analyses just as it is underlies the axiomatic-deductive reasoning of orthodox pure theory. Quite simply, the supposed generalized relevance of both streams of orthodoxy sits upon the supposed universal validity of this particular image, or condition, of science. What is particularly noteworthy here is the manner in which such orthodox methods as econometrics or axiomatic-deductive reasoning, and so implicitly the "whenever this then that" view of science, are considered by their proponents as being so obviously universal in their legitimacy or scope that their automatic adoption, in any context, is, in effect, considered to be beyond reproach. Frank Hahn's dismissal of criticisms of the axiomatic-deductive approach provides a recent case in point. He writes (1985, p. 9)¹⁰:

Opponents of [economic] theory often argue that it is tautologous because it consist of logical deductions from axioms and assumptions. If one is kind to such critics one interprets them as signalling that they do not care for these axioms or these assumptions. In any case all theory in all subjects proceeds in this manner.

A second conception that is more or less universally embraced in contemporary orthodox economics, one that we shall see below is once more a result rooted in positivist philosophy, is that of the human agent as an essentially passive responder to external knowledge stimuli. Usually the agent of contemporary economic theory responds merely to market price "signals" or some such. In this fashion, if amongst other things, knowledge is analyzed in a purely individualistic way.

One further characteristic of contemporary economic orthodoxy that might also to be mentioned here—one that, as we shall see below, is

¹⁰ In the light of this unhesitant belief that deductivism is universal and unchallengeable, the following remark by Whitehead (1925) seems particularly pertinent:

When you are criticizing the philosophy of an epoch, do not chiefly direct your attention to those intellectual positions which its exponents feel it necessary explicitly to defend. There will be some fundamental assumption which adherents of all the variant systems within the epoch unconsciously presuppose. Such assumptions appear so obvious that people do not know what they are assuming because no other way of putting things has ever occurred to them. With these assumptions a certain limited number of types of philosophical systems are possible, and this group of systems constitutes the philosophy of the epoch.

again rooted in positivist thinking—is a reluctance (to say the least) to indulge in questions of methodology. Manifestations abound. In the latest U.K. Economic and Social Research Council *Guidelines for Post Graduate Training*, for example, only the disciplines of economics and town planning, out of twenty subject areas listed, fail to require or encourage any methodological/philosophical training. On the occasion of his retirement from Cambridge, Frank Hahn chose to mark the event with an inclusion in the Royal Economic Society *Newsletter* (April 1992) advising young economists to "give no thought at all to methodology." His view (also restated in a subsequent *Newsletter* [July 1992]) is that methodological reasoning is inconsequential, merely an avoidable distraction. In addition, of course, there is the jibe, often heard, that "those who can—do orthodox economics, while those who cannot—do methodology," and so on.

There are other nominal features of contemporary economic orthodoxy that abound. But I think that these three results, the conceptions of science, of human beings, and of the limited usefulness of methodology, capture the most enduring and fundamental. With a bit of reflection (and as I have argued explicitly elsewhere [see Lawson 1994d]), it can be seen that most of orthodoxy's standpoints—its individualist orientation including its stress on rationality, concern for equilibrium, assumptions about knowledge and foresight, significant emphasis upon exchange activities rather than those of production and distribution, and the like—can be shown to be rooted in one or more of these three results or conceptions.¹¹ The question then is what do these conceptions have in common? Or rather, given that I have already asserted that they all are results that stem from a particular (Humean) version of the philosophical position of positivism, the question is how do they come about? What exactly does this assertion entail and how can it be established?

¹¹ Thus, for example, the desire to elaborate constant conjunctions of events necessarily orientates the research process to examining premises that ensure that under any given set of events or states of affairs X then the same thing Y always follows. The obvious (if noncontroversial) premise that serves this purpose is the assumption of economic rationality—that with respect to his or her situation (including preference ordering, etc.), each individual always optimizes. In addition, with a "system" of supposed event regularities of the sought-after form, some system solution concept ensuring equation consistency is obviously desirable. This, of course, is achieved, amongst other ways, through concepts of equilibrium—the requirement that all actions are mutually compatible; and so on (see Lawson, 1994d).

3. The foundations of contemporary economic orthodoxy in a Humean version of positivism

What, then, is to be understood here under the heading of positivism, and how do the results already discussed arise? Before addressing this question, let me briefly introduce explicitly some philosophical terminology that facilitates the discussion that follows. Two terms that require some clarification immediately are *realism* and *ontology*. Any position can be designated a (philosophical) *realism* which asserts the existence of some disputed (kind of) entity (such as black holes, causal laws, economic equilibria, or utility functions). The concept of realism is thus clearly associated with that of *ontology*—that is, the study of, or theories or claims about, the *nature* of being, the nature of objects of study.

Now positivism, at least in its Humean guise under consideration here,¹² is first of all a theory of knowledge, its nature, and its limits. Specifically, it is a claim that human knowledge takes the form of sense-experience or impression. Hume¹³ encouraged this viewpoint with his attempted critique of any philosophical account of being, with his denial of the possibility of establishing the independent existence of things, of the operation of natural necessity. Of course, it is never possible to dissolve completely any conception of being, of the object of study. Any theory of knowledge, Hume's included, must assume, even if only implicitly, that the nature of reality is such that it could be the object of knowledge of the required or specified sort. Humean analysis, then, implicitly entails an account of reality, or an *ontology*, of experiences or impressions constituting atomistic events. Humean theory, in other words, entails implicitly an *empiricist ontology*—that is, one that restricts reality to the objects of direct experience. Thus, because reality, on this conception, is effectively constituted in experience I shall follow Bhaskar and others in referring to the perspective entailed as *empirical realism*. Now the point to note is that if particular knowledge is of atomistic events sensed in experience, then any general, including scientific, knowledge must be of patterns that such events reveal in space and over time. From

¹² For conceptions of positivism similar to, or which include, the interpretation sustained here, see, for example, entries on the term in Outhwaite and Bottomore, 1993; Bullock, Stallybrass, and Trombley, 1988; or Gould and Kellb, 1964.

¹³ This interpretation of Hume is, if not uncontested, the most prevalent and, I think, most convincing one.

the Humean perspective these are the only sort of generalizations conceivable. In other words, science, if it is to be possible at all, must take the form of elaborating the constant conjunctions of events—that is, regularities of the form "whenever event (type) X then event (type) Y"—that provide the basis for contemporary orthodox economics. These event regularities, of course, constitute the Humean or positivist account of "causal laws." The recognition that science not only exists, but that its successes are pervasive, encourages, in turn, a belief in the ubiquity of such constant event conjunctions.

Any theory of knowledge, to repeat, presupposes an ontology, an account of the nature of reality, and in the case of positivism, as noted, this comprises atomistic events and their constant conjunctions. It is a conception that gives rise to the image of science noted above, and which is entailed by just about all branches of contemporary economic orthodoxy. Now, in addition to an ontology, any theory of knowledge also presupposes a social theory, that is, some account of human agency and institutions. Clearly these must be of the form that enables knowledge of the specified type to be produced. Positivism, then, supports a conception of human agents as passive sensors of atomistic events and recorders of their constant conjunctions. It is this conception, of course, that encourages the behaviorist theories of contemporary economic orthodoxy. It is this that underpins the orthodox conception of agents as, in effect, mindless (albeit frequently programmed to be endlessly optimizing) atomistic automata, perpetually rebounding under the influence of external market signals and the like.

Finally, it is also the case that any theory of knowledge presupposes, in addition to an ontology and a social theory, some account of how its characteristic results are achieved. Positivism presupposes some theory of methodology just like any other theory of knowledge. In fact, in positivism, whatever is experienced is an event, while experience, because in effect constitutive of the world, is in consequence held to be certain. The impression, the viewpoint, sustained, then is that science is monistic, the accumulation of incorrigible facts. In consequence, clearly, the certainty of facts, the incorrigibility of knowledge in positivism, serves ultimately, if implicitly, to undermine the possibility of substantive scientific criticism. The result is a conservative ideology that serves as ways to rationalize contemporary orthodox practice: a perspective notoriously expressed within positivism itself precisely as a denial of the usefulness of methodology/philosophy.

No wonder, then, the often found orthodox economic dismissal of methodology as inconsequential. It is not inconsequential, of course, even as understood within positivism. Specifically, as just observed, it is crucial to sustaining the status quo. The truth of the assessment that methodology is inconsequential is that the *specific* theory or conception of methodology that is supported by positivism is *useless for science* including economics. The upshot, then, the real import of all this, is that the jibe that "those who can—do orthodox economics, while those who cannot—do methodology" is better reformulated as "those who do orthodox economics—cannot (fruitfully)¹⁴ do methodology."

Now, while it is doubtful that many economists would wish to accept the Humean analysis upon which these results rest, it is (a) clear, as noted above, that the results themselves have been accepted in economics quite pervasively (if often selectively), while (b) difficult to imagine how else results such as these could have been generated. In short, positivism, whether or not explicitly acknowledged or understood, functions as an ideology for economics, encouraging by injunction or by resonance conceptions of the nature of science, nature, society, economy, people, and their interconnections. The point, then, is that if the characteristic forms of contemporary orthodox economics are to be rejected, as Post Keynesians amongst others suggest, then, at the very least, their positivist foundations need to be transcended. In other words, a philosophical perspective on the nature of society, science, and people, and the like is required that provides an acceptable set of alternatives to the noted results of positivism and that can be shown simultaneously to be a more sustainable, more adequate, philosophical position. The elaboration of such a perspective is the issue that I turn to next.

4. The transcendental realist alternative

The alternative perspective that I want to maintain here can be gathered under the general heading of *transcendental realism*.¹⁵ According to this

¹⁴ I say "fruitfully" because although the noted result is derivable from positivism as interpreted here—indeed the Humean theory of knowledge was probably motivated by the aim of showing how it was that supposedly justified scientific knowledge arose (so rendering methodological discussion irrelevant)—positivism is hardly internally consistent, while those who draw upon it usually do so only selectively. Thus, there are some orthodox economists who engage in explicit methodological thinking even if, given their perspective, and as Hahn (1985) notes, it has achieved very little.

¹⁵ For further discussion of transcendental realism, see Bhaskar (1978, 1979, 1986, 1989) and Lawson (1989a, 1989b, 1992, 1994a, 1994b, 1994d).

perspective, and in contrast to the claims of empirical realism, reality is constituted not only by events, and our experience or perception of these, events, but also by (irreducible) structures, mechanisms, powers, and tendencies that, although perhaps not directly observable, nevertheless underlie actual events and govern or produce them. Thus, not only does the autumn leaf pass to the ground, and not only do we experience it as falling, but, according to this perspective, underlying such movement and governing it are real mechanisms such as gravity. Similarly, the world is composed not only of such "surface phenomena" as skin spots, puppies turning into dogs, and relatively slow productivity growth in the United Kingdom, but also of underlying and governing structures or mechanisms such as, respectively, viruses, genetic codes, and the British system of industrial relations. In short, three domains of reality are, on this perspective, distinguished—namely, the *empirical* (experience and impression), the *actual* (events and states of affairs, that is, the actual objects of direct experience), and the *nonactual* or, metaphorically, the "deep" (structures, mechanisms, powers, and tendencies).

Now, not only is it the case that these domains are ontologically distinct, according to transcendental realism, but, and crucially, they are unsynchronized, or out of phase as it were, with one another. Thus, while experiences are out of phase with events, allowing the possibility of contrasting, as well as revisions to, experiences of a given event, so events are typically unsynchronized with the mechanisms that govern them. On the latter structure/event noncorrespondence, for example, autumn leaves are not in phase with the action of gravity for the reason that they are also subject to aerodynamic, thermal, and other tendencies. In consequence, transcendental realism supports an alternative conception of science. This is the identification of the structures and mechanisms that govern the events of experience. And because the underlying structures are not straightforwardly manifest in events (or "appearances"), this goal of science can be recognized as necessary, possible, and nontrivial.

To recap, according to transcendental realism, the world is composed, in part, of objects that are structured and (to use Bhaskar's term) *intransitive*—structured in the sense of being irreducible to the events of experience,¹⁶ *intransitive* in the sense of existing and acting independently of their identification. According to empirical realism, in contrast,

¹⁶ Notice that this usage of the term structure is to be distinguished from that of economists' as denoting a putative relationship between measurable events.

the world consists only of experience and the events of (and which, in effect, are constituted by) experience. From these alternative theories of ontology flow different conceptions of science. Specifically, from the perspective of empirical realism science is necessarily restricted to seeking out constant conjunctions of events (including probabilistically formulated ones), whereas from the perspective of transcendental realism, the primary concern is not with events (or their hoped-for constant conjunctions) at all but with identifying the structures and mechanisms that underlie and govern them.

If transcendental realism provides a contrasting perspective on both reality and science to that of positivism, what is the theory of knowledge that is involved? Clearly, if a knowledge of structures cannot be obtained merely through sense experience, it is hardly intelligible that they can be created out of nothing, as it were. What is at issue here, then, is a transformational conception of knowledge. From the transcendental realist perspective, knowledge progresses as existing theories, hunches, hypotheses, anomalies, and the like, come to be transformed in, and through, the laborious social practice of science. In science, in other words, human beings intervene in and manipulate reality; they confront it on the basis of theory, through practice, through experiment, and in doing so come to transform their (always historically transient) account of it.

From the transcendental perspective now being elaborated, then, knowledge is obtained or revised through transformative social activity, and reality is viewed as structured and intransitive. In addition to this conception of knowledge and theory of ontology, a social theory is supported whereby human beings and institutions are of the sort that knowledge of social structures and the like is possible. Human beings are thus recognized as possessing transformative capacities, as being able, knowledgeably and capably, to intervene in and to manipulate reality so that, amongst other things, it is more assessable, more easily revealed.

The transcendental realist perspective, of course, also entails a theory of philosophical method, of how its results are obtained. Given that science is revealed as a laborious social practice concerned with revealing structures governing phenomena of interest, and given the open nature of the world, it follows that methodological reasoning must be constructively involved at every stage of research. Something more specific can be said, however, about its central mode of reasoning or method involved. Empirical realism, with its focus upon generalizations about conjunctions of events can, at best, support debates about whether these are better revealed by methods of induction or by those of deduction. As is often noted, of course, such discussion never seems to lead

anywhere. It is vital to recognize, then, that the essential mode of inference warranted by the transcendental realist perspective is neither induction nor deduction but one that can be styled *retroduction* or *abduction* or "as if" reasoning. It consists in the movement (on the basis of analogy and metaphor, amongst other things) from a conception of some phenomenon of interest to a conception of some totally different type of being, mechanism, structure, or condition that is responsible for the given phenomenon. If *deduction* is, for example, to move from the general claim that all grass is green to the particular inference that the next lawn to be seen will be green, and *induction* is to move from the particular observations on green grass to the general claim that all grass is green, then *retroduction* or *abduction* is to move from the particular observations on green grass to a theory of a mechanism intrinsic to grass that disposes it to being green. It is the movement, paradigmatically, from "surface" phenomena to some "deeper" causal thing(s).

In sum, two perspectives, best characterized as empirical realism and transcendental realism, have been elaborated and contrasted, and attention has been drawn to the differing associated conceptions of knowledge, science, people, and methodology. As yet I have not provided any argument for accepting transcendental realism as the more satisfactory theory, nor have I given reason to suppose that even if transcendental realism were accepted, constant conjunctions of events would not be a pervasive eventuality. These two issues can now be dealt with together.

5. Positivism and transcendental realism contrasted

With the transcendental realist alternative to positivism in mind, including its causal as well as perceptual criterion for ascribing something as real, it becomes meaningful to question the conditions under which experience is in fact found to be significant for science. Specifically, it becomes meaningful, and, given the contrast between empirical realism and transcendental realism, appropriate, to question or elucidate the conditions, if any, under which the sought-after constant event conjunctions of Humean science are actually found to occur.

Consider first the situation in the natural sciences. The relevant factors here have been noted and previously addressed by Bhaskar (1979). The first observation is that, outside astronomy at least, most of the constant conjunctions of events held to be significant in natural science in fact only occur in situations of experimental control—that is, they are not typically spontaneously occurring. The second observation is that the results or

"laws" supported in controlled experimental activity are nevertheless frequently applied with success outside of the experimental situation.

These observations raise certain problems for Humean accounts which the laws to constant conjunctions of events. For, if scientific laws, or significant results, only occur in such restricted conditions as experimental setups, then this bears the inhibiting implication that science and its results, far from being universal, are effectively fenced off from most of the goings-on in the world. In other words, most of the accepted results of science are not of the form "whenever event X then event Y always follows" after all, but are of the form "whenever event X then event Y always follows, as long as conditions E hold," where conditions E typically amount to a specification of the experimental situation. This also bears the rather counterintuitive implication that any actual regularity of events that a law of nature supposedly denotes does not, in fact, generally occur independently of human intervention. But, in addition to such problems, and at least as serious, the constant conjunction view of laws leaves the question of what governs events outside of experimental situations not only unanswered but completely unaddressed. In doing so it also leaves the observation that experimentally obtained results are successfully applied outside experimental situations without any valid explanation.

In order to render Bhaskar's observations intelligible it is necessary to abandon the view that the generalizations of nature consist of event regularities, and to accept instead the transcendental realist account of the objects of the world, including of science, as intransitive and structured. That is, experimental activity and results, and the applications of experimentally determined knowledge outside of experimental situations, can be accommodated only through invoking the transcendental realist ontology of generative structures, powers, mechanisms, and necessary relations, and so on, that lie behind and govern the flux of events in an essentially open world. The fall of an autumn leaf, for example, and as already noted, does not typically conform to an empirical regularity, precisely because it is governed, in complex ways, by the actions of different juxtaposed and counteracting mechanisms. The path of the leaf is governed not only by gravitational pull, but also by aerodynamic, thermal, inertial, and other tendencies. On this transcendental realist view, then, experimental activity can be explained as an attempt to intervene in order to close the system, in order, in other words, to isolate a particular mechanism of interest by holding off all other potentially counteracting mechanisms. The aim is to engineer a closed system in which a one-to-one correspondence can obtain between the

way a mechanism acts and the events that eventually ensue. In other words, on this view, experimental activity can be rendered intelligible *not* as creating the rare situation in which an empirical law is put into effect but as intervening in order to bring about those special circumstance under which a nonempirical law, a power, a tendency, or way of acting of some mechanism can be empirically identified. The law itself, of course, is always operative—if the triggering conditions hold, the mechanism is activated, whatever else is going on. On this transcendental realist view, for example, a leaf is subject to the gravitational tendency even as it holds in the palm of my hand. Through this sort of reasoning, then, transcendental realism can render intelligible the application of scientific knowledge outside of experimental situations. The context or *milieu* under which any mechanism will be operative is irrelevant to the law's specification. Once activated, the mechanism is operative whatever event pattern ensues.

In short, although the traditional conception of science is the seeking of constant conjunctions of events, in practice such event regularities that have been elaborated have been restricted in the main to situations of experimental control. Transcendental realism, unlike empirical realism, can render this situation intelligible. And it follows from the transcendental realist perspective that the traditional Humean conception rests upon an inadequate analysis, and illegitimate generalization, of what emerges as a special case—wherein a single and stable aspect or mechanism, or set thereof, is physically isolated and thereby empirically identified.

It will not have gone unnoticed that most of the discussion on this point has referred to the situation in the "natural" sciences. However, it is not difficult to reason that the transcendental realist perspective must carry over to the social realm. To see this, it is necessary only to consider two often noted problems of contemporary economics. The first is that significant event regularities of the sought-after kind have yet to be turned up in the social realm. The second is that many economists appear to share the intuition that human agents possess the capacity of real choice even if these same economists are unable to reconcile this insight with their understanding of scientific explanation. Now, if choice is real, any agent could always have done otherwise, each agent could always have acted differently than he or she in fact did. A necessary condition for this, clearly, is that the world, social as well as natural, is open in the sense that events really could have been different. Put differently, if under conditions X an agent chose in fact to do Y, it is the case that this same agent could really instead have done not Y. Choice, to repeat, presupposes that the world is open and actual events need not have been

But the possibility of choice not only presupposes that events could have been different; it also entails that agents have some conception of what they are doing and wanting to achieve in their activity. That is, if choice is real, then human actions must be intentional under some description. Now all agency (whether human and intentional or otherwise) is inherently transformatioal. Its exercise thus necessitates that there are real material cases that proceed it. Just as acid cannot corrode without materials to break down, nor a spider set its trap without objects to hang its web on, so human activity cannot take place without means, media, and resources of some kind—conditions which, through human agency, come to be transformed. The intentionality aspect of human agency is, in turn, bound up with knowledgability. For agents must have some knowledge at least of the conditions that render their intended acts, when they are, as feasible. In turn again, of course, knowledge presupposes sufficient durability in the objects of knowledge to facilitate their coming to be known. Now, if event regularities, or at least significant ones, do not, as widely reported, generally occur in the social realm, then the enduring objects of knowledge must lie at a different level—at that of structures that govern, but that are irreducible to, events, including human activities, of experience.

But are there any real material causes or facilitating structures that can be said to be clearly social? If we accept as criterial for the social the property of depending upon human agency, then it is easy to see that the answer is yes. Items such as (societal) rules, relations, and positions clearly both depend on human agency and condition our everyday (physical) activities. The human (intentional) activities of speaking, writing, driving on public roads, casing checks, playing games, giving lectures, and the like would be impossible without such social material conditions as rules of grammar, highway codes, banking systems, and so on. Now, if it is the dependency of such structures upon human agency that marks them as being social, it is their ability, in turn, to make a difference (to enable as well as to constrain) physical states, or actions, that (as with nonperceivable objects of the natural realm such as gravitational and magnetic fields) establishes that they are real.

At a very general level, then, the transcendental realist ontology carries over to the social realm. Now it was observed that, in the natural realm, constant event conjunctions appear to be spontaneously occurring (at least outside astronomy) only in conditions of experimental control. Of course, the feasibility of experimental control in the social realm is rather limited. Are there, then, any grounds for expecting significant constant event conjunctions to be a feature of the social realm? If natural and social realms are similar in that both are characterized by structures

underlying the events of experience, they are dissimilar in that social, unlike natural, structures depend for their existence on human agency—including human conceptions and action. If the human race were to disappear tomorrow, so too would social structure. Human agency and social structure then presuppose each other. Neither can be reduced to, identified with, or explained completely in terms of, for each requires, the other. The point of relevance here, of course, is that because social structure is dependent on the human agent, it is only ever manifest in human activity. Thus, given the open nature of human action, the situation that any agent could always have acted otherwise, it follows that social structure can *only* ever be present in an open system. Thus, any economic laws must usually be manifest merely as tendencies and only rarely—usually in cases where they are consciously brought about (e.g., the occurrence of annual holidays)—as event regularities, so that the Humean project in its economic guise must, as a general approach, be recognized as misguided.

6. From transcendental to critical realism

Before returning to the question of how all this ties in with Post Keynesianism, indeed as a preliminary to that discussion, let me briefly elaborate key features of the perspective opened up by these considerations with specific regard to the objects of social science. While the general perspective on reality as structured and intransitive has been stylized as transcendental realism, the specific version of it that has been developed for, or more accurately, extended to include the specificities of, the social realm can, following Bhaskar once more, be gathered under the heading of *critical realism*. If a key feature of critical realism is the hermeneutic insight of the concept-dependent nature of social material, an equally fundamental aspect is the recognition that social structure is also dependent upon human activity or praxis. It is through human activity that social structures come about and endure (when they do), whether or not individuals have a discursive awareness that, or how, this is so. Thus, irrespective of whether or not people of a particular culture are, for example, discursively aware of the rules of grammar of their language, the existence and any endurance of such rules are undoubtedly dependent upon the speech acts in which agents engage.

At issue here, clearly, is a specific assessment of the nature of the relationship between social structure and human agency. Because social structure depends upon human agency, it cannot be treated as fixed. At the same time, neither can it be treated as the creation of individuals, for

individual intentional action presupposes its prior existence. Structure then can be neither *reified* nor interpreted as a *creation* of individuals. Rather, the relevant conception here must be of *reproduction* or *transformation*—individuals reproduce or transform social structure which, at the moment of any individual act only, can be treated as given. More specifically, individual agents draw upon existing social structure as a, typically unacknowledged, condition for acting, and through the action of all individuals taken in total social structure is, typically unintentionally, reproduced or transformed. Of course, if the transformation of social structure is rarely the reason that agents have for acting in the way they do, they will always have some conception of what they are doing in their activity. Human acts are always intentional under some description. The point, though, is that whatever the motivations and intentions of each and any individual, human action in total is always reproductive/transformational. In short, social structure is neither created by nor independent of human agency, but rather is the typically unmotivated condition of all our motivated productions, the noncreated but drawn upon and reproduced/transformed condition of our daily economic/social activities. Structure and human agency, in sum, each presuppose, although neither can be reduced to, identified with, or explained completely in terms of, the other.

With this transformational conception of social activity in place, various consequences of, and for, the critical realist perspective easily follow. The first to note is that, because of the ever present transformative potential of the human agency on which social structures depend, the latter will at most be only relatively enduring, being inescapably space-time bounded or geohistorically grounded. Social science, then, is necessarily historical and geographical in nature.

A second consequence or implication of all this, clearly, is that the phenomena to be explained, the event-analogs of the social world, the phenomena that social structures govern, are, of course, *social activities*. On this critical realist conception, then, the goal of economics is primarily to identify the structures governing, the conditions surrounding, facilitating as well as being transformed through, some human activities of interest. Social explanation entails providing an understanding of certain practices and activities of interest, that is, identifying and understanding the unacknowledged conditions of these practices, their unconscious motivations, the tacit skills drawn upon, as well as unintended consequences. While society and economy are the skilled accomplishments of active agents, they remain to a degree opaque to the individuals upon whose activities they depend. The task of science is to describe all

that must be going on (whether or not adequately comprehended by the agents involved) for some manifest social phenomenon, for some set of practices or activities, to be possible.

A third consequence, or better requirement, of the critical realist perspective is that, with social activities acknowledged as both drawing upon and also reproducing social structure, some explicit elaboration is required of the point of contact between human agency and social structure. If, as is clearly the case, human agency and social structure are different kinds of things, it is necessary, in other words, to develop some conception of their coming together; one that allows the possibility of the individual acting for his or her own reasons while, in so doing, simultaneously contributing to the reproduction of social structure.

In order to elaborate this point of contact between human agency and structure, it is essential to consider the nature of social relations. In fact, two types of relations are distinguishable—*external* and *internal* relations. Now, two objects or aspects are said to be externally related if neither is constituted by the relationship in which they stand to the other. Bread and butter, coffee and milk, or two passing strangers provide examples. In contrast, two objects are said to be internally related if they are what they are by virtue of the relationship in which they stand to the other. Landlord and tenant, employer and employee, hunter and prey, magnet and its field are examples that spring easily to mind. In each case you cannot have the one without the other; each, in part, is what it is, and does what it does, by virtue of the relation in which it stands to the other.

Of particular relevance here are the internal relations that hold between social positions. If it is the case, say, that presidents exercise different rights, obligations, tasks, duties, powers, and so on, to the rest of us, or that, say, teachers exercise different rights and obligations to students, it is equally the case that the relevant rights, tasks, powers, and so on exist independently of the particular individuals fulfilling these roles. At issue then is a system of relational defined position-practices, a system of positions, with associated practices, obligations, and powers defined in relation to other such positions, and into which agents essentially slot. With reflection it should be clear that all social structures and systems—the economy, the state, international organizations, trade unions, and households, and the like—depend upon or presuppose social relations of this form.

It is the position-practice system, then, and specifically the concept of a position into which individuals slot, that provides the concept of the contact point between agency and social structure. Notice, of course, that at any one time a particular individual will occupy any of a number

of positions—parent, worker/boss, immigrant/native, male/female, old/young, member of religious or political or community organization, and so on. If, then, we understand a group or *collectivity* as consisting in, or depending upon, or as a set of people distinguishable by their current occupancy of, a specific social position, then we have a conception that (i) renders intelligible the often noted, but reputedly difficult to sustain, sense of a group or collective interest and thus the basis for a theory of collective action, and one that (ii) allows the possibility of a conflict of interest at the level of the individual. Put differently, on this relational conception any specific collectivity must be understood both in terms of its relations to other groups—especially those against which it defines itself and/or is opposed—as well as with regards to the complex of internal relationships within the collectivity itself. Notice, too, that such a conception allows, in stark contrast to contemporary orthodox economics, a focus upon a range of distributional questions and issues—such as resources to groups as well as people to positions. In short, the need to provide an account of the point of contact between human agency and social structure gives rise to the concept of the position-practice system, a conception that in turn gives impetus to a range of insights and perspectives with which contemporary orthodox economics cannot contend.

There are clearly numerous other consequences of this critical realist perspective that cannot be explored here, but one last point should be emphasized. On the Humean or positivist conception, policy formulation or intentional change is necessarily limited to the amelioration of events or states of affairs while the emphasis is upon control. This follows because of the focus on relationships of the form “whenever event X then event Y.” The most that can be achieved or hoped for under such a scenario is to fix “event X” with the expectation that “event Y” must follow—that is, with the expectation that future events are thereby determined. From the *critical realist* perspective, in contrast, the goal of human emancipation can now be seen to be a real possibility. Specifically, policies, plans, and strategies can be formulated not with the objective merely to fix events and states of affairs in order to control the future, but with the aim, instead, of replacing structures that are, for example, unwanted and restrictive by those that are needed and empowering, to facilitate, in short, a greater or more desirable or equitably distributed range of human opportunities. Moreover, there opens up the possibility, unique to social (as opposed to natural) science, of facilitating social emancipation through explanatory critique. This follows from a recognition that social structures, unlike natural ones, are concept-

practice-dependent. This bears the consequence that, because it lies within the competence of social science to change such conceptions, so it can facilitate a transformation in social practices and thereby in social structure. Specifically, it lies within the potential of social science both to identify discrepancies between social objects and general beliefs about those objects, and also to provide an explanation of such discrepancies—that is, to identify the social causes responsible. When this is achieved, the basis is clearly laid for the possibility (although it will never be sufficient for the realization) of rational, intentional, social transformation.

It warrants emphasis here that the real possibility for emancipatory change revealed by the foregoing analysis, however it is pursued (i.e., whether or not it hinges fundamentally upon explanatory critique as interpreted here) is not a potential that is merely consistent with, but one that is facilitated by the explanatory function of science—at this point, of course, more adequately, nonpositivistically, conceptualized.

Let us take stock. I have argued that there are empirical and theoretical (ontological) grounds both for questioning the Humean or positivist perspective on knowledge, science, people, and their interconnections that underpins contemporary economic/orthodoxy, as well as for accepting the transcendental realist alternative in its place. The elaboration of the latter in the context of the social realm, a perspective gathered under the heading of critical realism in this social context, supports, amongst other things, a transformational conception of social activity, a view of social material as highly relational, a focus upon questions of distribution amongst others, and a conception of policy and, generally, intentional change as structure-transformative and potentially emancipatory. With this perspective achieved, the question that can at last be explicitly addressed is how this critical realist perspective relates to Post Keynesian contributions and their links to those of other nonorthodox traditions. It is this issue, then, that I consider next.

7. Rendering the nominal features of Post Keynesianism intelligible

It should already be clear how I am suggesting that the more generalized or abstract of the features of Post Keynesianism noted at the outset can be rendered intelligible, that is, how they can be seen to fall in place as part of a coherent whole or project. Such features can all be interpreted as criticisms of some (or every) manifestation of the results of positivism elaborated above and/or some aspects of attempts to elaborate an alternative perspective along something very much like critical realist lines. Consider first the noted results of positivism—specifically, its ontol-

ogy of constant conjunctions of events and consequent account of science, its conception of human agents as passive sensors of atomistic facts, and its view of methodology as an inconsequential distraction. It is clearly an explicit opposition to the first of these, to the positivist ontology of atomistic events and their constant conjunctions, that underpins the Post Keynesian rejection (see especially Davidson, 1981, 1989) of the usual econometric assumption of an ergodic and/or stationary economy. This opposition is also, of course, implicit in the Post Keynesian criticisms of the universal orthodox reliance upon axiomatic-deductive reasoning. In similar fashion, a rejection of the second positivist result, of the account of human agents as passive receivers of atomistic facts, is equally manifest in numerous different forms in Post Keynesian contributions. By far the most prominent and emphasized of these, of course, is the pervasive emphasis upon the real-world prevalence of fundamental economic uncertainty, and how this enters into economic decision making. The fact that the nature and extent of uncertainty is a factor so often highlighted in Post Keynesian writing and yet constitutes an insight that is so little developed (see Lawson, 1985) is presumably accounted for by a Post Keynesian perception that this indisputable fact is so destructive of contemporary economic orthodoxy. Finally, and as noted at the outset, an opposition to the orthodox dismissal of methodology is manifest in the transparently, and usually explicitly acknowledged, methodological nature of Post Keynesian contributions.

Now if an effective (albeit typically unacknowledged) opposition to the results of positivism can explain the high frequency of Post Keynesian discussions of ergodicity, uncertainty, and methodology, and the like, other prominent features of Post Keynesianism are straightforwardly explicable as (again typically unacknowledged) expressions of the critical realist alternative. Most obviously, the significant Post Keynesian emphases upon viewing events as shaped by economic and political institutions, upon viewing economies as dynamic historical processes, upon raising questions of distribution as well as exchange, and upon accepting the goal of human emancipation, can all be viewed in this way. The first of these issues, of course, resists straightforwardly upon the transcendental realist conception of society as structured and intransigent. Behind the events of experience, behind the activities of human agents, are the structures or conditions that govern and produce, but are irreducible to, them. Economic and political institutions are obviously highly significant examples.

The second issue, the stipulation that economies must be viewed as

dynamic historical processes, is in turn given substance, grounding, and bite by the critical realist transformational conception of social activity. On this conception, as we have seen, social structures are inescapably geohistorically grounded, being drawn upon and reproduced/transmitted through inherently transformative human social activity.

Finally, of course, the interdependent but distinct natures of agency and social structure allow the possibility of human emancipation through rational, intentional, structural transformation. In particular, the grounding provided by the position-practice system for dealing with questions of distribution, and by the concept- and practice-dependent nature of social structure for facilitating questions of human emancipation via explanatory critique, have already been explicitly noted.

Explaining diversity and conflict at the level of more concrete substantive theory

From the perspective of the foregoing realist analysis, then, the more general or abstract of the commonly identified characterizations of Post Keynesianism appear to fall easily into place—as reactions to the results of positivism and/or manifestations of insights of the critical realist alternative. But what about the more concrete substantive claims of Post Keynesians, claims that appear often to be totally unrelated to each other or even in conflict? Surely, it is impossible to render these, or rather the noted diversity and the like, coherent?

So far, I have argued that Post Keynesianism, both in its reaction to economic orthodoxy and in the more generalized of its positive contributions, can be rendered intelligible and coherent by viewing it as, or as a tradition rooted in, or adhering to, an essentially philosophical perspective. It is important here, then, to acknowledge that there are always limits to what philosophical (or methodological) reasoning can achieve. In essence, I think, the task of methodology or philosophy of science is, in the manner of Locke, to act as a ground-clearing device. Certainly it can be utilized to assess critically the self-interpretations and claims to scientificity made by economists of whatever tradition or outlook; but it cannot license any particular substantive theory. At its most constructive, it serves, as with critical realism specifically, to provide a set of perspectives on the nature of economy, society, people, and their interrelations, and on how to understand them. But it cannot do the work of science for it. Thus, although critical realism emphasizes, for example, the aim for science of uncovering the structures and conditions responsible for manifest phenomena, it

cannot do the job of uncovering. It is a perspective, in other words, that is ontologically bold, but substantively cautious or open.

The upshot, then, is that at the level of highly concrete substantive theory, it is clearly possible for competing theories to be maintained by different economists, each of whom, nevertheless, may broadly adopt the critical realist perspective. For, to repeat, critical realism *per se* does not license any particular substantive claim.¹⁷ Of course, where critical realism is accepted, the aim will be to discriminate between competing accounts on the basis of explanatory power and the like (see Lawson, 1989a). However, the extent to which this is possible will be severely dependent upon, amongst other things, the context of analysis. But, more generally, all theory is fallible; it is historically specific and potentially transformable. It is, then, not surprising, and indeed it is perfectly desirable, that competing accounts are sought—even if the aim must be continually to seek to determine, and then provisionally at least to maintain, those accounts that provide the more adequate (explanatorily powerful) expressions of the relevant aspect(s) of reality.

If, then, Post Keynesianism is to be rendered intelligible as an acceptance or manifestation of something like the critical realist perspective, it is not surprising *per se* to find that the specific claims or viewpoints of individual Post Keynesians diverge when considering matters of a highly concrete substantive sort. In other words, from the realist perspective elaborated, the diversity of substantive Post Keynesian thought can be accommodated. Moreover, it can be accommodated along with the contrasting high degree of homogeneity to be found at the level of more abstract perspective. Indeed, I can imagine no other way in which these nominally contrasting features can be reconciled. If coherence is desirable, then, if Post Keynesians do believe there is a consistent basis to their contributions, it would seem to follow that something very much like the explanation here being provided has to be accepted.

Links with other traditions—the claimed roots of Post Keynesianism

Finally, all of this also facilitates an explanation, or interpretation, of the remaining Post Keynesian perception noted at the outset, that it is a

¹⁷ The same is true, of course, of positivistic claims. This is why criticisms of mainstream or neoclassical economics that focus upon the unrealistic, nonexplanatorily adequate nature of mainstream substantive assumptions are usually met with the retort that the assumptions in question are not essential anyway, or some such. Deductivism, though, is essential to that project (Lawson, 1994d), just as something very much like critical realism seems necessary to any sustainable alternative.

tradition rooted in the (often conflicting) contributions of classical economists, as well as Marx and Keynes. Keynes is an obvious example that fits the bill here—at least this is true of the Keynes of the later 1930s. While his invective against the then contemporary orthodox centers on the neglect of fundamental uncertainty, his ridicule of Tinbergen's efforts to introduce econometrics into economics turns precisely upon ontological considerations—that is, on the inappropriateness of applying at least in the social realm, methods that in effect presuppose atomism and closure (although this is not always Keynes's language, of course) to a world or environment that is essentially organic/holistic and open.

There is first of all the central question of methodology—the logic of applying the method of multiple correlation to unanalysed economic material, which we know to be non-homogeneous through time. If we were dealing with the action of numerically measurable, independent forces, adequately analysed so that we were dealing with independent atomic factors and between them completely comprehensible, acting with fluctuating relative strength on material constant and homogeneous through time, we might be able to use the method of multiple correlation with some confidence for disentangling the laws of their action

In fact we know that every one of these conditions is far from being satisfied by the economic material under investigation

To proceed to some more detailed comments. The coefficients arrived at are apparently assumed to be constant for 10 years or for a larger period. Yet, surely we know that they are not constant. There is no reason at all why they should not be different every year. [Keynes, 1973d, p. 285]¹⁷

Marx too, of course, or at least the later Marx of the *Grundrisse* and of *Capital*, is easily seen to accept a commitment to the sort of realist perspective here at issue. Most obvious, or indicative, perhaps, of

¹⁷ The above-noted comment is made in response to a request for a book review on Tinbergen's work. A fuller elaboration is found in the review eventually published in the *Economic Journal*. Of course, it is not just in his reactions to econometrics that Keynes's attachment to an essentially transcendental realist, anti-positivist, conception of the social realm is to be found. As early as 1926 Keynes argues that the atomic hypothesis in particular is inappropriate for social material:

The atomic hypothesis which has worked so splendidly in physics breaks down in psychology. We are faced at every turn with the problems of organic unity, of discontinuities, of discontinuity—the whole is not equal to the sum of the parts, comparisons of quantity fail us, small changes produce large effects, the assumptions of a uniform and homogeneous continuum are not satisfied. [Keynes, 1973d, p. 262]

numerous relevant, well-known, and explicitly philosophical/methodological comments, passages, or tracts is his well-known assessment that "all science would be superfluous if the outward appearance and essence of thing directly coincided" (*Capital*, III, ch. 48). This view indeed underpins his criticism of the then contemporary orthodox political economy—leading Marx to note "That in their appearances things often represent themselves in an inverted form is pretty well-known in every science except Political Economy" (*Capital*, I, ch. 19).

What about the "classical economists," those writing throughout the classical period—from the time of Adam Smith until about 1870? Rather than attempt to isolate explicit philosophical comments and passages for all such claimed progenitors of Post Keynesianism, the hypothesis at issue here can, I think, be substantiated in a more general way. The point I am getting at is that, whilst the economists in question tended, more or less without exception, to interpret society as driven by divergent interests and conflict, positivism, in its structure, encourages a quite different image of society that resonates with those who view, or present, society as a harmonious, nonconflictual affair, and specifically as the unproblematic result of individuals optimizing their own welfare, and so on. In other words, the emphasis in positivism upon atomistic events and their connections serves to conceal, to detract attention from, the underlying structures which are irreducible to events. In particular, it detracts from the social structures, including class relationships and structures of power, that are irreducible to, though manifest in, human activities, as well as societies that are irreducible to people. In short, society and economy become unstructured, uniform, and unchanging. The social world contains no unsolved mysteries, no hidden structures of power, no oppressive relations, only the passing flux of experience as described in common sense. Hence, amongst other things, those who argue for significant change (especially upon emancipatory or related

In his later economic writings, of course, he writes explicitly about tendencies that persist giving rise to events ("mean positions") that are in no sense inevitable or "natural".

But we must not conclude that the mean position thus determined by "natural" tendencies, namely, by those tendencies which are likely to persist, failing measures expressly designed to correct them, is, therefore, established by laws of necessity. The unimpeded rule of the above conditions is a fact of observation concerning the world as it is or has been, and not a principle which cannot be changed. [Keynes, 1973a, p. 254]

See Robinson (1993) on this last point, and for an assessment of chapter 12 of the General Theory from a critical realist perspective, see Lawson (1990, 1994c).

criteria—but indeed on any basis) can be safely dismissed (along with "methodologists") as deluded or misguided.

It is clear, of course, and this is the point, that most of the economists writing up until the late nineteenth century adopted something approaching the antithesis of this position. In Marx's case this is hardly contentious. Ricardo, too, is usually recognized as having elaborated a conflictual account of capitalism, an outline of a system governed by, amongst other things, the perpetual warring of different factions—and especially that between landowners and the owners of capital but also that between laborers and employers.¹⁹ And this sort of vision seems to be shared generally by writers of this period. Perhaps Adam Smith, given the manner in which he has recently been portrayed, will be regarded as constituting an exception here, but I think he is not. However, given the predominant interpretation of Smith, at least amongst orthodox economists, and given in addition the penchant of some Post Keynesians for tracing their lineage to Smith in particular, some explicit, albeit necessarily brief, consideration of his arguments as contained in the *Wealth of Nations* seems warranted here.

Recent conventional wisdom has it, of course, that Smith is an unflinching exponent of laissez-faire views whereby a spontaneous, natural, harmonious order establishes itself under the guidance of some "invisible hand," provided only that governments do not interfere in economic matters. There are passages in the *Wealth of Nations* that do lend themselves to such a reading. But the overall picture to be found there is rather less simple or straightforward than this. Indeed, Smith's vision of the economy might just as easily be characterized as one of perpetual conflict between opposing interests giving rise to inevitable disorder in need of remedial action. Unfortunately, it is possible here to provide only the briefest substantiation of this.

The main divisions of society, according to Smith, are between landlords, wage earners, and those who receive profits. And it appears neglectful not to acknowledge that, in Smith's view, these groups are perpetually in conflict—with significant consequences for the economy. Most obviously, people of a shared or similar position in the economy collude to raise their power over resources. Notably, in the workplace, not only do workers combine in an attempt to raise wages, or to resist

¹⁹ Indeed, Ricardo is acknowledged amongst some as having provided, or attempted, the "theoretical foundations for the bourgeoisie in its clash of interests with the land-owning class" (Rubin, 1979, p. 365).

wage cuts—action resulting sometimes “in the most shocking violence and outrage”—but equally “masters” combine to reduce wages:

We rarely hear, it has been said, of the combinations of masters: though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual and one may say, the natural state of things which nobody ever hears of. Masters, too, sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ringleader. [Smith, 1976, pp. 84–85]

Smith also spends much time discussing the conspiracy of monopolists against the public, a conspiracy to collude with others in similar product market positions in order that prices might be made to rise: “People of

the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices” (p. 145). The remarkable point is that, in Smith’s account, it is not just that such a tendency is recognized as *riche*, but it is revealed as a source of perpetual conflict, outrage, and sometimes personal danger. Certainly, any one in authority, including members of Parliament, who attempts to resist the activities of monopolists is never going to find things easy. Thus, if any such person opposes the monopolists:

and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of famous and disappointed monopolists. [Smith, 1976, p. 471]

Just as notably, because the interests and actions of merchants and manufacturers always run counter to those of the general public, Smith implores the public to be cautious towards any new legislative proposals emanating from this quarter—for the aims of its protagonists will generally be to oppress and also to deceive:

The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it. [P. 2671]

Though brief, these few passages should at least be sufficient to indicate that Adam Smith’s portrayal of the economy is hardly reducible simply and unambiguously to a system of spontaneous harmonious order. Furthermore, it is essential to recognize that, for Smith, the basis of conflict does not lie in the caprice of atomistically conceived individuals. Rather, people are recognized as being very much products of their economic/social positions—with such positions conveying both objective or real needs upon the individuals standing in them as well as governing their objective possibilities for action and development. Indeed, it is easy enough, in places, to read into Smith’s account something like the critical realist “position-practice system” elaborated

above. Thus, for Smith, people are not born unequal in abilities and dispositions. Rather, differences arise almost entirely as a result of unequal access to opportunities, as a consequence of the class structure of society or the specific division of labor that obtains:

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and convenience of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents. [P. 29]

The image of Smith's perspective as unambiguously harmonious and noninterventionist, then, appears to be called into question by all this—an image still further queried if we observe the quite miserable state into which, in Smith's view, laborers, by virtue of their restricted opportunities, necessarily fall; a state which, apparently, can be remedied only through some kind of government intervention:

In the progress of the division of labour, the employment of the far greater part of those who live by labour . . . comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations . . . has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but

of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgement concerning many even of the ordinary duties of private life . . . His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it. [Pp. 781-782]

The point, here, is not that Smith's precise claims must be accepted, nor even that these passages contain, necessarily, the central insights of Smith's contribution. But they are indicative of the general vision held. And it is not one of an inevitable, regular flow of some surface harmonious order, but of a reality structured by power relations and opposed interests and moved by, amongst other things, perpetual conflict and tendencies to disorder. In short, it is the sort of vision that only a transcendental realist perspective, or one very much like it, can accommodate.

8. Links between Post Keynesianism and other contemporary nonorthodox traditions

An interpretation of Post Keynesianism has been achieved, then, that can render coherent the most prominent nominal features of the project as were noted at the outset—including the claims that its roots lie in the contributions of Keynes, Marx, and the classical economists, amongst others. However, the achieving of this coherency, turning as it does upon what is fundamentally a philosophical perspective, appears to entail consequences that some Post Keynesians may regard as less than desirable. Specifically, with the tradition apparently lacking any significant degree of unity at the level of concrete substantive theory, it seems *a priori* highly likely, and on the face of it *ex postiori* plausible, that Post Keynesianism is not really very different in structure from other contemporary, and reputedly rival, heterodox traditions—such as, for example, certain strands in the Austrian and Institutionalist schools. Of course, similarities between contemporary nonorthodox traditions such as these have been noted before. O'Driscoll and Rizzo (1985), for example, suggest commonalities between their own Austrian perspective and that of Post Keynesianism:

In recent years a largely American branch of the Cambridge (UK) school, known as post-Keynesian economics, has arisen to carry forth the subjectivist aspects of Keynes' system . . . Paul Davidson has conveniently

summarized the post-Keynesian perspective in three propositions . . . :

- (1) the economy is a process in historical (real) time;
- (2) in a world where uncertainty and surprises are unavoidable, expectations have an unavoidable and significant effect on economic outcomes;
- (3) economic and political institutions are not negligible, and, in fact, play an extremely important role in determining real world economic outcomes.

The reader will be hard pressed to find any significant differences between these propositions and the arguments of this chapter. What is even more surprising is that Davidson's explication of the meaning of these propositions increases, rather than reduces, the amount of overlap. It is evident that there is much more common ground between post-Keynesian subjectivism and Austrian subjectivism. Cross-fertilization between the two schools is, however, exceedingly rare, although the possibilities for mutually advantageous interchange seem significant. [P. 9]

In parallel fashion, common ground between Austrianism and Institutionalism has also been noted (e.g., Sannuels, 1989; Boetke, 1989). There has even been a symposium on the subject.²⁰ Moreover, it is clear that the commonalities regularly highlighted here consist in the sort of features noted at the outset as characteristic of Post Keynesianism. Thus, for example, Sannuels (1989) finds of Austrianism and Institutionalism that, amongst other things, "each tends to define itself, in part, in terms of its contrast with neoclassical economics" (p. 60); "each is internally heterogeneous" (p. 60); "both schools comprise more a paradigm than a fully detailed body of particular theories" (p. 61); "both schools are preoccupied (relative to neoclassicism) with methodological, philosophical (including epistemological), and political economy issues and foundations" (p. 61); and so on.²¹

Perhaps, then, it is time for some fuller reconciliation between the

²⁰ In the *Journal of Research in the History of Economic Thought and Methodology*, vol. 6, 1989.

²¹ It is equally necessary to acknowledge here, of course, that, just as suggested commonalities between traditions are occasionally observed by some, such suggestions are usually immediately and summarily rejected as illusory by others. Thus Davidson (1989), for example, is quite dismissive of the specific claims of commonality between Post Keynesians and Austrians noted by O'Driscoll and Rizzo, just as Miller (1989) rejects the specific claims of commonality between Austrians and Institutionalists as made by Sannuels (1989) and Boetke (1989). However, it is not clear that these "rejections" are sustainable. Runde (1993), in examining Davidson's "rejection" in particular, argues explicitly as much. Runde's insight is that Davidson and

different traditions grounded in a shared philosophical perspective. If this suggestion is resisted, any response must at least address the fact that the substantive basis for separate traditions remains to be laid. Specifically, if Post Keynesians prefer to go down their own separate path in a coherent way, it would appear that they still have to produce a reasonably concrete substantive economic program that can both (a) be clearly seen to be differentiated from that of other traditions, and (b) unite Post Keynesian economists. Whether such is possible remains to be seen. At this point in time anyway there is little evidence (that this browser at least is aware of) that such a program is seriously in the offing. But what the full implications of all this, if it is correct, will be for Post Keynesianism (and indeed for supposedly competing orthodox traditions), and in particular what the more desirable or likely responses or paths of development may be, are questions, of course, that I can only leave as open.

9. Final comments and conclusion

The arguments of this article can be summarized as follows. The usual or most prominent nominal features of Post Keynesianism can be rendered intelligible as aspects of a coherent position. In particular, it is possible to render intelligible how it is that specific broader features of perspective (an emphasis upon uncertainty, historical processes, etc.) both arise and attain general agreement, while at the same time more concrete substantive claims are marked by diversity and often opposition. However, the achieving of this coherence appears to necessitate, in effect, nothing more (so far at least) and nothing less than adopting (at least the results of) what is essentially a philosophical perspective—one stylized here as critical realism. Whether or not this conclusion is a welcome one, I am not aware of any other equally explanatory powerful interpretation than can render the manifest phenomena, results, or claims of this tradition intelligible. There are, of course, advantages of the

perhaps O'Driscoll and Rizzo also write on two different levels—corresponding, in effect, to the transcendental realist and the empirical realist perspectives, respectively. In both cases, the transcendental realist perspective, if implicit, is the more dominant. Runde's argument, in essence, is that while it is the shared implicit perspective of transcendental realism (or certain of its results) that O'Driscoll and Rizzo emphasize in arguing for commonalities, it is the empirical realist stream in Austrian thought compared with the transcendental realist aspects of Post Keynesianism that Davidson draws attention to in arguing for opposition.

interpretation here being sustained. In particular, it casts favorable light upon the Post Keynesian claim for a lineage that stretches through Keynes and Marx to the classicals. It also, however, leaves open the possibility that Post Keynesianism is not, and perhaps is not able to be, significantly different from alternative contemporary nonorthodox schools—schools that numerous Post Keynesians appear to regard as oppositional. Maybe this is an important realization to face up to. However, for those who prefer to reject such an inference, one particular response appears to be unavoidable. This, of course, is that it is beholden upon them to develop a program that can both differentiate and unite Post Keynesians (or whomever) not merely in terms of broad perspective but also, and specifically, at the level of relatively concrete substantive economic theory.

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MARCLAVOIE

A Post Keynesian approach to consumer choice

There have been few efforts made by Post Keynesians to explain how consumers make choices. Granted, there are several studies on the choices entrepreneurs have to make when their firms face uncertain prospects, à la Stuckle. Also, neo-Ricardians are known for their analysis of the choice of technique in production. But, except for a few authors, such as Earl (1983, 1986), Baxter (1988), and Drakopoulos (1990, 1992a, 1992b), Post Keynesians have been relatively silent about the microeconomics of household choice.¹ As pointed out by Earl (1983, p. 2), there is no chapter on consumer behavior in the essays of the Post Keynesian study guide edited by Eichner (1979). Does that mean that Post Keynesians, or all nonorthodox economists for that matter, accept the neoclassical way of determining the composition of consumption output? Would Post Keynesians endorse the axiomatic neoclassical presentation of consumer's choice?

The answer to both questions is no. Although there have been few contributions, even few comments, about consumer behavior by Post Keynesian authors, there is a certain degree of coherence among the few contributions. There are several pieces of work that fit, like a puzzle, the major conceptions advanced in other fields of economics by Post Keynesian authors. The object of this article is to outline the views around which Post Keynesians agree, or around which they could agree. Three warnings are in order. First, my Post Keynesian approach to consumer choice does not arise solely from contributions of well-identified Post Keynesian authors. It has much in common with the work of some Institutionalist, Schumpeterian evolutionists, social economists, behavioralists, marketing specialists, famous but hard-to-label nonorthodox economists, and even some dissident mainstreamers. Second,

¹ The author is Professor of Economics at the University of Ouawa. He is grateful for the comments received from the referee.

² There is also a chapter on consumer behavior in Eichner (1987, ch. 9) and Lavoie (1992b, ch. 2), the main themes of which are taken afresh here.