The Realist Approach of J.K. Galbraith

Stephen P. Dunn and Andrew Mearman

ABSTRACT

Realist methodology and theory is of growing importance in economics, particularly in heterodox circles. This paper aims to examine the extent to which John Kenneth Galbraith can be considered a realist. We argue that J.K. Galbraith recognised the significance of ontological reflection for economic analysis— even if never making reference to ‘ontology’ as a specific category – and furthermore that this realist orientation marks a distinctive, enduring as well as a fundamental aspect of his contribution. Notable aspects of his contributions share the hallmarks of a realist approach not least his concern with ontology, his pluralistic and tailored method, his provisional and empirically grounded theory, which is then marshalled to provide emancipatory critique. We conclude that those seeking to reorientate economics would be wise to further consider the economic and social theory of J.K. Galbraith.

Keywords: Galbraith, Post Keynesian Economics, methodology, open-systems, Critical Realism

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In considering the image of modern industrial society, one must have clearly in mind two factors that act strongly and persistently to distort the economist’s view of that reality. The first of these distorting factors is the very great inclination to think of the ultimate subject matter with which we deal in static terms … The second factor that distorts understanding is the very great social and political convenience – or so it seems – of the wrong image of economic society. (Galbraith, 1979, pp. 3-5)

1. Introduction

In recent years, social theory that is committed to elaborating the nature of social being and how we understand and access that reality is experiencing something of a revival in economics. Indeed an increasing number of (heterodox) economists are increasingly recognizing that explicit ontological analysis is essential to fashioning a successful social science. The salience of ontological analysis, it is argued, is that it enables the researcher to build into their theoretical structure relevant dimensions that would be otherwise overlooked or ignored. Consequently it is possible to identify many of the problems associated with economics as conventionally practiced as originating from its history of ontological neglect (Lawson, 1997, 2003). Indeed the failure of mainstream economists to engage in explicit ontological
analysis appears to have resulted in many of them adopting methods that appear quite inappropriate for exploring social phenomena.

In contrast, it is possible to argue that those who have made lasting contributions to the development of an economics that functions as an explanatory science – such as Hayek, Keynes, Marshall, Marx, Menger and Veblen – can be viewed as adopting an implicit realist orientation even if never using the specific term ‘ontology’ (Lawson, 1997, 2003). The argument we wish to sustain here is that likewise, J.K. Galbraith shared similar realist concerns, and that this realist orientation marks a distinctive, enduring as well as a fundamental aspect of his contribution.

In courting a popular audience, Galbraith’s deeper ontological and methodological reflections are perhaps somewhat obscured from view. Yet throughout his major works Galbraith nonetheless acknowledges the importance of methodological considerations as underpinning the process by which his more substantive contributions and conclusions are developed. Further, although Galbraith seldom undertakes lengthy methodological enquiry, he is nevertheless keen to stress the fact that his analysis “reverses the established method” (Galbraith, 1967, p. 14). Indeed he felt compelled to insert “An Addendum on Economic Method” to the second edition of *The New Industrial State* so as to explain how his analysis differed so markedly from that of the mainstream economics profession.

Galbraith was keen to develop an alternative and comprehensive conceptualisation of the economic system that in quite fundamental respects – in terms of method, theoretical structure and policy – was at variance with the
prevailing economics. Galbraith (1973, p. 4) proposed “a revised view of the purpose of the economic system [and] a revised view of the purpose of economics”. Such considerations suggest that a more detailed examination of the ontological and methodological presuppositions that underlie Galbraith’s contribution is warranted.

As we shall see Galbraith (largely) rejected the methods of the mainstream economics project as inappropriate for the study of historical change. Consequently, Galbraith developed an analytical approach that reflected a historical and evolutionary conceptualisation of the economic process and resulted in the adoption and tailoring of methods accordingly. Indeed his subsequent theoretical structure reflects a range of ontological and epistemological considerations that accord well with recent attempts to develop economics as realist social theory. His theoretical system can be interpreted as an explanatory critique, aimed at exposing false beliefs, illuminating important features of reality which generate those beliefs, and promoting the emancipatory response that such analysis entails. Furthermore, while it is offered as an enduring contribution to economics and wider social theory, Galbraith nevertheless openly acknowledges that, in accordance with his overriding methodology, his analysis is fallible and provisional.

In what follows we shall endeavour to illuminate such methodological considerations in more detail. In doing so we take for granted that the reader is acquainted with the wider realist literature (those unfamiliar with realism should consult Lawson, 1997, 2003). Equally it is important to note that we are not here interested in evaluating the specific content and explanatory power
per se of Galbraith’s contribution. We leave that to others (see Anderson and Dunn, 2004; Dunn, 2001; Dunn and Pressman, 2005; Stanfield, 1996). To reiterate, our purpose here is to consider the realist orientation of J.K. Galbraith and its methodological underpinnings.

2. Galbraith and Ontology

Before Galbraith’s substantive claims about ontology, i.e. his scientific ontology, are considered, it is instructive first to examine his reflections on the more general nature of reality, i.e. his philosophical ontology. That is to say Galbraith (1967, pp. 392-402) recognised the need to determine the implicit (philosophical) ontological presuppositions of the conventional wisdom in order to promote greater engagement with the real world and reorientate economics to function as a socially useful discipline.

Galbraith argues that in contrast to the physical realm, the social realm (including economic science) appears intrinsically dynamic or processual and contingent upon inherently transformative human agency. What is more Galbraith appears recognises the realist distinction between the ‘intransitive’ dimension of reality, i.e., the object of analysis; and the ‘transitive’ dimension of the objects of knowledge which condition future knowledge and come to facilitation and actively transform it through the laborious social practice of (economic) science (cf. Lawson, 1997, pp. 23-26):

In the physical sciences – chemistry, physics, biology – change is associated only with discovery, with the improving state of knowledge.
The matter being studied does not change. In economics, as in other social sciences, there is change both in the state of knowledge and in what is being studied. (Galbraith, 1967, p. 400)

In reflecting on such matters Galbraith focuses on the question of naturalism, i.e., he is questioning whether social phenomena are amenable to (scientific) explanation in essentially the same manner as natural phenomena. He notes that “Physics, chemistry, geology and biology are indubitably sciences; they are mounted on an unchanging subject matter” (Galbraith, 1967, p. 401). In drawing attention to the immutable nature of the subject matter of the physical sciences it is clear that Galbraith recognises the import and value of engaging in ontological analysis. In doing so Galbraith – like Hayek, Keynes, Marshall, Marx, Menger and Veblen – is unusual among economists in questioning the ontological presuppositions of the methods of science of economics. What is more, in considering the (ontological) underpinnings of the methods of the natural sciences, which attempt to intervene, insulate and isolate some fixed or relatively stable causal mechanism through experimental methods of control, Galbraith raises the possibility that not all objects of scientific enquiry need to be constant, atomic, or free from the influence of the scientist.

Galbraith (1970, p. 9) recognises the fact that the successes associated with the physical sciences are related to the fact that “the natural sciences are not subject to underlying institutional or behavioural change”, i.e. with their ability to (i) isolate objects of analysis, and (ii) to guarantee their constancy. In
realist terminology these two clauses are now commonly referred to respectively as the extrinsic and intrinsic conditions of ‘closure’. In the first case, the object is considered always to have been affected by the same causal factor, such that ‘every effect has the same cause’. In the latter case, the objects and structures of the physical sciences exhibit an immutability which can loosely be summarised as signifying the fact that a cause, always and everywhere, results in the same effect.\(^1\) In such conditions, a ‘closed system’ exists, in which event regularities are likely to exist.

Social phenomena, however, exhibit a degree of flux and change such that the conditions of closure do not hold, and open systems, in which, consequently, event regularities are unlikely to occur, will result. As such, the methods of the physical sciences – which attempt to intervene, insulate and isolate some fixed or relatively stable causal mechanism through experimental methods of control – may obfuscate wider social reality. Indeed, Galbraith (1967, p. 23-4) explicitly highlights the limitations of reductionism and isolationism for analysing social change:

> to view [social change] in isolation from each other, the usual practice, is greatly to minimise their effect. They are related to each other as cause to consequence. All are part of a yet larger matrix of change. In its effect on economic society this matrix has been more than the sum of its parts.
In other words, if social reality is complex, evolving and comprises open systems, then the employment of methods that are tailored to the study of immutable phenomenon is likely to throw up fictitious and misleading accounts of human (individual and collective) behaviour. This ontological insight underpins Galbraith’s questioning of the relevance of the methods of the physical sciences:

Are we concerned with a science or subject matter that is essentially static? Does economics explore and serve human motivations, aspirations and institutions that are ultimately constant? Does the subject matter change only as its unchanging context is more deeply explored and understood? Is there change only, or anyhow primarily, as the result of increasingly precise and technically more elegant examination and exposition.

Or, on the contrary, are we dealing with a subject matter that is in a constant state of transformation? Is the ultimate economic motivation subject to change? And, more particularly, are the economic institutions through which it is expressed and served also in process of change? If this last is the case there is an inescapable need for continuing modification in content and conclusions and needless to say, in the guidance that economists presume to offer both to individuals and to governing authority. (Galbraith, 1991, p. 41)
Therefore, to the extent that economics is a subject that is characterised by change (and indeed, that the subject can in some way affect the object), the methods of natural science, which presuppose a constant and invariable subject matter, cannot be accepted as universal. In more contemporary terminology we might say that Galbraith views the (closure) assumptions and methods conventionally associated with the physical sciences as overly restrictive for the study of social phenomenon. Thus, consideration of other methods that may help access an inherently transformative social reality is warranted.

It is for such reasons that Galbraith (1970, p. 8) warns against the narrow pursuit of ‘imitative scientism’ – or in realist terminology, positivistic naturalism – i.e., the mimicking of the methods of the natural sciences, “which is carried further in economics than in any other discipline”. Galbraith seeks to explain why the methods of mainstream economics appear to be pursued largely on the criterion that they facilitate formalistic modelling, rather than by any explicit engagement in (social) reality. He suggests that this criterion is accepted for no better reason than that formalist methods are perceived to form the basis of the successful natural sciences, rather than any more substantive (ontological) reflection as to their efficacy in illuminating the processes of social change:

Economics resists consequential and durable change because it seems more scientific to do so … If economics is to be equally scientific, it presumably should have a similarly stable platform. If this does not
exist it can be assumed. To accept underlying change is to be dubiously respectful of the scientific aspirations of economics. To deny that it has relevance is to assume a much better scientific posture. (Galbraith, 1967, p. 401. See also 1988, p. 376)

However, the consequence of pursuing and employing the methods conventionally associated with the physical sciences is the exclusion from consideration of human agency, and its associated change and consequence. Galbraith is concerned that the (social) desire to emulate the hard sciences is contributing to the active withdrawal of economists from engaging reality, causing a lack of consideration of the appropriateness of various methods for the study of social processes. Indeed, a primary consequence of ‘imitative scientism’ has been the establishment of a well-graded prestige system that accords status to those that mimic the methods and presuppositions of the physical sciences and assigns low regard to those that actively seek to engage reality:

The prestige system of economics … assigns … the very lowest position to the man who deals with everyday policy. For this individual, in concerning himself with the wisdom of a new tax or the need for an increased deficit, is immediately caught up in a variety of political and moral judgements. This puts him in communication with the world at large. As such, he is a threat to the sharp delineation which separates the tribal group from the rest of society and thus to the
prestige system of the profession. Moreover, his achievements are rated not by his professional peers but by outsiders. This causes difficulty in fitting him into the professional hierarchy and argues strongly for leaving him at the bottom. (Galbraith, 1970, p. 32)

In the same way, a further and related effect of ‘imitative scientism’ has been the similar disparagement accorded to interdisciplinary social theorising: “A very low position is also assigned to economists who, even though forsaking any interest in practical affairs, occupy themselves with related disciplines – urban sociology, education, the social causes of poverty or juvenile delinquency … They [too] are assumed by their [economic] colleagues to be escaping the rigours of their own subject” (Galbraith, 1970, pp. 32-33).

Yet, as Galbraith (1967, p. 393) warns: “specialisation is a scientific convenience, not a scientific virtue”. The consequence and confluence of such ‘imitative scientism’ is the inappropriate employment of (closed system) reasoning which, by its nature, excludes consideration of institutional and behavioural change. The problem is such that applying the methods of natural science to the study of evolutionary and open processes is unlikely to assist in the generation of practical insights and solutions. Moreover it perhaps makes clear source of popular derision habitually levelled at economists:
This explains why professional economists of the highest standing often come forward with proposals of the most impractical sort – for the abolition of corporations or trade unions, the outlawing of oligopoly, the enforcement of free competition, therapeutic unemployment, cathartic deflation, elimination of central banks, ending of income taxes – with no damage whatever to their reputations. No store is set by ability to assess such measures in their political and social context. On the contrary, such preoccupation is discrediting. (Galbraith, 1970, p. 33n)

In taking up this position, it important to note that Galbraith does not reject *per se* formal methods or mathematical deduction on *a priori* grounds. If mathematics can be brought to bear to illuminate reality, then its usefulness should of course be considered. Nevertheless the *a posteriori* lack of practical content of much economic and mathematical reasoning is suggestive of the limitations of formalistic method in illuminating change (see Galbraith, 1970, p. 9). Thus, to narrow down *a priori* the range of methodological approaches by eschewing those that do not accord with the methods of the natural sciences is clearly unwarranted. Rather, a broader more considered view of the appropriateness of variety of different methods is required.

3. Economics as Explanatory Social Science

Notwithstanding the above, it is important to observe that Galbraith does not reject the possibility of scientific analysis of social phenomenon. Galbraith
appears to recognise that a more considered view of the nature of scientific method is not that it seeks to elaborate universal event regularities – which in open systems are unlikely to result – but rather that it aims to explain the causes of social phenomena. Evidence for such an interpretation is offered by Galbraith’s (1973, p. 23) eschewal of ‘imitative scientism’ and his aim to “revert to the older, more traditional, more scientific, expository purpose which is to seek to understand how things are.” This call echoes realist claims that social science is possible in the same character as, if using different practices from, natural sciences (Bhaskar, 1979).

Galbraith, in seeking a reorientation of economics, like Lawson (1997, 2003) subsequently, is not rejecting the possibility of naturalism or scientific understanding – that is the possibility that the study of social objects can be scientific (in the sense of natural science). Rather he appears to be arguing that scientific enquiry and methods must be tailored appropriately and must proceed by avoiding positivist naturalism and scientism forms. Galbraith rejects the equivalence of the underlying subject matter of the natural and social realms (positivist naturalism) and argues that there are likely to be significant differences in methods appropriate to studying social and natural objects (contra scientism). That is to say natural science methods are inappropriate for economics; however the possibility of a scientific economics remains. Indeed further support for this view is provided by Galbraith’s evident desire to produce explanatory social theory!

Galbraith is arguing for a fashioning of distinct methods that reflect what we would now refer to as the ontological presuppositions of the
phenomenon under investigation. He is not rejecting the possibility of
scientific analysis of social phenomenon. Rather, Galbraith envisages a
revised purpose of economics. Realism and relevance are paramount,
Galbraith argues, if economists seek to maintain standing as the ‘guardians of
the possibility of civilisation’. The scientific nature of economic ideas should
be evaluated against their ability to relate to popular concerns about the
economic system rather than the congruence of method with the natural
sciences (contra ‘imitative scientism’). That is to say the value of a useful
economics rests on its ability to elucidate contemporary social concerns:

The ultimate test of a set of economic ideas – a system, if the word be
allowed – is whether it illuminates the anxieties of the time. Does it
explain problems that people find urgent? Does it bear on the current
criticisms of economic performance. Most important, perhaps, is does
it bear upon the issues of political debate, for these, though many have
always preferred to believe otherwise, do not ignite spontaneously or
emerge from the mouths of agitators to afflict the comfortable.

(Galbraith, 1973, p. 215)

More specifically, the aim of science is to identify and explain the structures
and mechanisms that characterise social reality, which in realism, principally
proceeds via the logic of retroduction. Retroduction (also known as abduction)
typically has two steps. First identify empirical matters of interest (perhaps, as
Lawson, 2003 argues, as the result of anomalies or surprise), and second,
make claims about the generative mechanisms producing these empirical phenomena. It is clear that Galbraith employed both of these steps, identifying numerous phenomenon of interest as well as their associated generative mechanisms (although he did not refer to them as such).

In seeking to understand institutional change Galbraith, as noted above, “reverses the established method” (Galbraith, 1967, p. 14). Rather than deductively tease out the implications of a given set of (fictitious) assumptions, or inductively project history into the future and then admonish reality for its departures there from, Galbraith starts from nascent facts and features of everyday experience upon which he then proceeds to develop his theoretical system. Throughout all his major theoretical contributions, Galbraith begins by identifying emergent trends (stylised facts or, in realist terminology, ‘demi regularities’) that call for further investigation and elaboration and then proceeds to analyse their salience (cf. Lawson, 1989, 1997). Galbraith aims to probe beyond surface phenomena and develop a theoretical system that is appropriate and concerned with real social structures (and not artificial constructs) and the essential (although not necessarily ubiquitous and general).

For example, there are several emergent trends that feature throughout his principal theoretical contributions and which underpin the broader Galbraithian vision. First, there is the increasingly technologically sophisticated production process which has underpinned productive advance (Galbraith, 1952, 1967). The second important social trend (or demi-regularity) is the unquestionable growth and development of the corporate form of
organisation with its associated divorce of ownership from control and its diminishing symbiosis with unionism (Galbraith, 1952, 1967). The third visible trend is the increasing private affluence of the corporate sector in modern society, as rendered by the productive advance of the modern business enterprise (Galbraith, 1952, 1958, 1967, 1973). Fourth, and relatedly, there has been a massive growth in the apparatus of ‘persuasion and exhortation’ and an associated rise of consumerism, as evidenced by the continuing preoccupation with increasing the net national output with its concomitant impact on the environment and the quality of life (Galbraith, 1949, 1952, 1958, 1967). Fifth, there is the dramatic increase in the extent of state activities in social and economic life especially since the Keynesian revolution (Galbraith, 1958, 1967). Sixth, this increase in state activity has not been typically associated with an even and properly funded investment in public goods such as healthcare, higher education, parks and recreational facilities (Galbraith, 1958, 1973, 1992). Finally, there is the inflationary bias that characterises the modern economy (Galbraith, 1952, 1967, 1973).

Having established these empirical phenomena for investigation, Galbraith can be interpreted as then proceeding to analyse the underlying causal mechanisms and emergent properties and structures that has given rise to these wider trends. Numerous examples of generative mechanisms abound. The conventional wisdom (Galbraith, passim), ideas (1958, p. 14 et passim), the American Mood (1958, ch. 5), vested interests (1958, ch. 13), technology (1967, p. 86 et passim), the myth of the entrepreneur (1967, pp. 93, 96), motivation (1967, chs. 11-13), and so on, can all be interpreted as distinct
generative mechanisms. However, it should be noted that, consistent with an open systems approach, these mechanisms do not operate deterministically, nor is it necessary that they operate at all.

In focusing on such generative mechanisms it is clear that Galbraith was practising explanatory social science. Galbraith can be viewed as adopting an inferential logic consistent with the philosophical ontology of depth realism and causal powers and mechanisms; and of offering a scientific ontology of the same character, in which a range of specific mechanisms can be identified.

It can also be claimed, however, that Galbraith developed an ontology of social structures and position-practice systems consistent more broadly with realist social theory. Indeed Galbraith’s (1967) analysis of the technostructure and the modern corporation are perhaps the best examples of such structures in his theoretical contributions. Moreover, it is clear from Galbraith’s discussion that the agents within those structures are the source of the reproduction and transformation of societal structures. Such considerations are worthy of more detailed elaboration.

4. The Modern Corporation as the locus of change

Galbraith seeks to offer a comprehensive view of the modern economy that seeks to illuminate contemporary trends and bring the underpinning social changes closer into view. In doing so the principal locus of change what
warrants further analysis and explanation that Galbraith identifies is the modern business enterprise:

The critical instrument of transformation is not the state or the individual but the modern corporation. It is the moving force in the change. (Galbraith, 1973, p. 54)

Nevertheless in focusing on the modern firm Galbraith is conscious to avoid engaging in ‘institutional reductionism’. Galbraith, recognises the emergent and internally related nature of social change which impinge on the nature of social theorising and continues by noting:

But all social life is a fabric of tightly interwoven threads. The change of which the corporation is the driving force is a complex process in which many things are altered at the same time and in which cause becomes consequence and cause again. No description is uniquely correct; much depends on where one breaks into this matrix. But a starting point which has application over the whole development is technology and its yet more important counterpart which is organisation. (Galbraith, 1973, p. 54)

Such considerations highlight the process of abstraction that Galbraith seeks to pursue in developing his theoretical structure. Galbraith recognises that much of what is essential to the explanation of social structures and processes
is highly context related. Nevertheless he proceeds to focus on what he deems to be indispensable so as to individuate the nature of technology and organisation as it relates to the modern corporation in order to illuminate the latter. What is more it also makes clear that Galbraith recognises that abstraction, carefully executed, may enable up to access and understand and structured, dynamic and holistic reality (cf. Lawson, 1997, pp. 131-133, 232-237). That is to say, abstraction is clearly an indispensable method of scientific analysis that can be marshalled to illuminate change and clarify aspects of the social world that we inhabit.

Galbraith’s (1973, p. 54) contention is that it is advanced “technology – the development and application of scientific or systematic knowledge to practical tasks – is a central feature of modern economic development” that calls for organisation. The consequence of such modern technology is that it requires detailed specialised knowledge, effective group decision-making and the need for large capital commitments to be conducted and co-ordinated over long periods of time and cannot be left to whim and chance and must be sought to be managed:

Goods being in process for a greater time, the investment in working capital is greater. Steps must be taken to ensure that initial decisions are not ruined and capital lost by events that occur before the results are achieved. The capital that is now at risk and the organisation that now exists must be paid for – are an overhead cost. It is incurred or persists whatever the level of output. Things that might go wrong and
jeopardize sales and therewith the return to capital or the revenue that is needed to pay for organisation must be prevented from going wrong; things that need to go right must be made to go right.

(Galbraith, 1973, p. 55)

It is for such reasons that the firm is obliged to engage in (extensive) planning. Planning promotes the successful organisation of production and facilitates the active mitigation of unfettered agency from outwith the firm. Planning is an inescapable consequence of advanced technology and the extended, highly specialised, division of labour that is called forth to manage it.

Nevertheless it is important to note that Galbraith does not reify the modern corporation. Rather, he focuses on the (social) structures and mechanisms, and the actions of agents within those structures, that seek to transform and reproduce the modern corporation. This leads Galbraith to identify a class of business specialists that includes management, accountants, lawyers, technicians, marketers and engineers among others – what is referred to as the technostructure. In doing so Galbraith articulates a holistic socially embedded view of the knowledge process upon which corporate success is founded. Anticipating much of the recent discussion on the nature of the learning economy, Galbraith recognises that the requisite technical knowledge associated with modern production is embodied in seasoned experience, tacit knowledge and intuition and is thus not always explicit or codifiable (cf. Hodgson, 1999).
Moreover, in contrast to the conventional wisdom, which encourages a socially atomistic methodological individualism, in which individuals are to be the sole explanatory units of analysis and in which those individuals are stripped of their agency and relations to others, Galbraith’s focus on the technostructure implicitly challenges such a conception of the economic process. Galbraith offers a socialised view of “practical” knowledge which is transformed and reproduced through the planning rules and routines of the modern corporation (Dunn, 2001). Under Galbraith’s conception “practical” knowledge is both a condition and consequence of social activity: this is again suggestive of a realist orientation (cf. Lawson, 1997, pp. 25-6, 58-61, 177-180).

The salience of the technostructure is that it is involved in and responsible for such investments and is of necessity highly committed to ensuring its success for its own narrow ends:

An organisation acquires power, it uses that power, not surprisingly, to serve the ends of those involved. These ends – job security, pay, promotion, prestige, company plane and private washroom, the charm of collectively exercised power – are all strongly served by the growth of the enterprise. So growth both enhances power over prices, costs, consumers, suppliers, the community and the state and also rewards in a very personal way those who bring it about. Not surprisingly, the growth of the firm is a dominant tendency of advanced economic development. (Galbraith, 1973, p. 56)
Thus the simultaneous cause and consequence of technology is that it promotes the consolidation of economic power, as well as requires it: “The larger the firm, the larger it will be in its industry. The greater, accordingly, will be its influence in setting prices and costs. And the greater, in general, will be its influence on consumers, the community and the state – the greater, in short, will be its ability to influence, i.e. plan its environment” (Galbraith, 1973, p. 56). It is the dominant modern corporation that has a major impact upon the transformation and reproduction of society over time and space. Nevertheless, its effects are not even, nor wholly benign, reflecting somewhat the narrow aims and objectives of its incumbent technostructures:

This growth, with the associated exercise of power, is the primal force by which economic society is altered. In its practical manifestation, however, it is singularly uneven. In some parts of the economy such growth by the firm is subject to nor clear upper limit. In others parts it is subject to severe limits or its proceeds against increasing resistance. Where the growth is stunted, so, of course, is the capacity to persuade consumers as to products, and the state as to products and needs, and so is the technical competence that goes with organisation. These are facts of the first importance for understanding the modern economy. That is why, in some parts of the economy, product and the associated blessings are great or excessive and in other parts deficient. It is why the rewards to workers and other participants are far more favourable
In some parts of the economy than others. It explains, as we shall see, much else. (Galbraith, 1973, pp. 56-57)

From this initial and primary abstraction Galbraith (1967, 1973) then proceeds to explain and elucidate the impact, effects and consequences of a number of popular and contemporary concerns such as: the over production of private goods (associated with the modern corporation) and the underproduction of merit and public goods (due to the deficiency of technology and organisation); the increasing superfluous nature of much technical innovation directed at socially less irrelevant commodities; the failure of economic growth to ameliorate enduring social problems; the environmental anxiety; the uneven distribution of government expenditure reflected in the spending on the military and other forms of social infrastructure, e.g. roads, to the relative of neglect of others, e.g. healthcare and education; the increasingly skewed income distribution between different sectors and personnel; the enduring distinction between the high and low wage industries, i.e. the bimodal distinction between the planning and market systems (and the domination of the latter by the former); the problems of economy wide co-ordination; the continuing fear of inflation as opposed to deflation; the unresponsiveness of the modern corporation and international institutions to public pressure and opinion; the vilification of the multinational corporations and its associated multi-lateral trade institutions; and the economic foundations of the contemporary ‘war on terrorism’, and so on.
What is important to note, however, is that Galbraith, by focusing on the consequences of technology, the associated size and resultant power of the modern corporation, and the agency of the technostructure, is positing a series of structures and generative mechanisms. Again this is consistent with a realist orientation which seeks to identify the underlying powers and structures that give rise to dominant social and economic trends.

5. On the provisional nature of theorising

Galbraith, like Veblen, is renowned – perhaps unfairly – for his often sardonic prose. He is also accused of exaggeration. Indeed, some of his claims are made in strong, plain-spoken language. However, as has been noted above, Galbraith also adopted considerable caution, fallibilism and a willingness to revise his own conclusions in a way that markedly differs from those whose court a popular audience. What is more, one of the benefits of Galbraith’s long life and career and his social prominence is that his many of his works have been subject to several revisions, editions and retrospectives. Accordingly the robustness over time of his analysis and conclusions has at various points been subject to re-evaluation and he has had ample opportunity to revisit his analysis. Such discussion permits us to further expound Galbraith’s ontological orientation in focusing on social and institutional change.
An American Economics Association symposium on ‘The New Industrial State after Twenty Years’, for example, provided Galbraith with an opportunity to acknowledge the provisional nature of his theories:

A willing recognition, if not of error, at least of obsolescence, is, in fact, implicit in the view of economics that I avow in The New Industrial State … I see economics as a subject in constant accommodation to social, political and institutional change and not, certainly, as a search for, and expression of, unchanging truth. It follows that I cannot suppose myself to be exempt from the effects of this insistent process of change. (Galbraith, 1988, p. 373)

In that article Galbraith sought to expound what a posteriori modifications he would seek to make to his theoretical system. In considering the durability of his contribution Galbraith re-affirmed his bimodal view of the developed economic system – that of the distinction between the planning and market systems and the domination (and internally related nature) of the later by the former. Similarly Galbraith argued that the bureaucratic apparatus of the firm – the technostructure – continues to yield a broader multi-faceted view of the objectives of the firm which continues to create conflict between management and ownership. Likewise affirmed is the “effort of the modern great enterprise to influence or control its context, including, notably the management of the consumer” (Galbraith, 1988, p. 374).

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Nevertheless Galbraith acknowledges that the march of events has made aspects of his system somewhat obsolete, or in need of revision. Specifically Galbraith suggests that his hypothesis that the pursuit of Keynesian macroeconomic policy would be in the rational interests of the large firm seems to have been somewhat undermined by the monetarist retrenchment. Similarly Galbraith acknowledges that his description of the modern firm seemed to convey a natural and efficient durability and thus imperviousness to competition. Accordingly the sclerotic nature of the technostructure was under-emphasised and so was the threat of increased competition associated with the rise of Globalisation.

Saliently for present purposes, moreover, Galbraith (1988, p. 376) also suggests that were he writing *The New Industrial State* again he would be keener to dwell on issues of economic methodology. He would subsequently choose to further expand on the “now sadly evident policy error in the conventional separation of microeconomics from macroeconomics”. Similarly he also suggests that he would “be more appreciative of the difficulty that our subject matter has of accepting change. And also for the reasons therefore” (Galbraith, 1988, p. 376). Nevertheless, although he suggests that this is area in need of revision he proceeds to focus on the problems of ‘imitative scientism’ and the subsequent ‘instrumental role’ of economics that then transpires (in essence restating the case made in the final chapter of *The New Industrial State* entitled ‘An Addendum on Economic Method and the Nature of Social Argument’)."
The purpose of this necessarily brief illustration, however, is not a concern with the validity *per se* of Galbraith’s concerning the durability of his contribution or his assessment of change. Rather it is to note that Galbraith, in focusing on change, is open to the revision of his conclusions in light of experience. This is quite unusual among economists and further supports the claim made here that Galbraith adopted a realist and fallible approach.

6. ‘The emancipation of belief’ and explanatory critique

Galbraith’s willingness to criticise his own conclusions conveys his belief that as well as being explanatory, economics and other social sciences should also be critical. Furthermore the pursuit of explanation and critique are not undertaken for their own sake. Galbraith, like Marx, believed that the purpose of economics was not just to understand or explain the economy, but also to change it. Indeed Galbraith’s theoretical contributions, through his popular works, seek to identify the existence of relevant shared human objectives and raise self-awareness of such needs and interests such that they feed into action and agency:

It is possible to imagine a family which sets an income target as its goal; which has husband and wife share in the provision of that minimum; which makes a considered and deliberate choice between leisure and idleness and consumption; which specifically rejects consumption which, by its aggregate complexity, commits the woman
to a crypto-servant role; which encourages self fulfilling as against
useful education for the offspring; which emphasises communal as
opposed to individual enjoyments with the result that it resists
industrial or other economic encroachment on its living space; which,
in its public outlook, sets slight store by increased production of the
goods of which it has a sufficient supply; and by which is indifferent to
arguments for expenditures on behalf of national prestige or military
power from which it derives no identifiable benefit. (Galbraith, 1973, p.
243)

According to Galbraith the purpose of analysis is to acquire understanding
and thus to further transform social structures in a way that facilitates
alternative futures that might align more closely with such needs. Thus, for
Galbraith, the emancipation of belief leads to action and transformation of
those structures that create false beliefs and obfuscate reality. Galbraith
proceeds by first identifying views, structures and institutions that are
unwarranted, restrictive or misleading, with a view to replacing them with
those that are wanted, needed and empowering:

The first step in reform … is to win emancipation of belief. Until this
has happened, there is no chance for mobilising the public on behalf of
its own purposes in opposition to those of the technostructure and the
planning system. (Galbraith, 1973, p. 239)
In so doing, Galbraith arguably goes further than any economist apart from Marx in engaging in what realists refer to as ‘explanatory critique’. Through his notion of the conventional wisdom, for example, Galbraith criticises mainstream economics as a set of false beliefs originating through its neglect of historical and social change. Furthermore, as we have seen, he argues that specific structures – technology, the modern organisation, the planning system and the social positions, such as the technostructure – as well as agents within them – are cause and consequence of such beliefs. Consequently, he argues that prevailing beliefs operate in the interests of such structures and agents and should be understood and challenged. In contrast to neo-classical economics, social emancipation and political engagement are thus explicit and intrinsic goals of economic analysis. Like realism, Galbraith adopts a view that factual or analytical claims can lead directly to, or indeed constitute, evaluative and axiological claims.

Galbraith’s explanatory critique, unsurprisingly, targets neo-classical economics and its ‘imitative scientism’. Galbraith argues that the pursuit of such ‘imitative scientism’ is not neutral in effect. In its neglect of change the mainstream economics project (unintentionally) excludes urgent as well as politically disturbing questions from professional consideration. The attachment to and acceptability of established ideas is great and resistant to the accommodation of new circumstance into social thought. In terms of the body of economic ideas this is reflected in both the historical genesis of economics itself and the (deductive) methodological orientation of the mainstream economics project (Galbraith, 1970, pp. 50-72).
The consequence is that economics functions not to improve understanding or broader civil society through the development of appropriate social policy, but rather to promote the goals of those who possess power in the economic system. This is what Galbraith refers to as its instrumental role:

The accepted economics models … have not necessarily been the ones that illuminated reality. They have frequently served to divert attention from questions of great social urgency which, in the established view, had alarming implications for political action. In doing this, they and the subject of economics have served a political function. Economics has been not a science but a conservatively useful system of belief defending that belief as science. (Galbraith, 1970, p. 53).

Further:

At the higher levels, economics divorces itself fully from practical questions and form the influence of other fields of scholarship with the exception of mathematics and statistics. One can think of the full prestige structure of the subject as a hollow pyramid or cone, the sides of which, though they are transparent and with numerous openings at the base, become increasingly opaque and impermeable as one proceeds to the apex. Positions near the apex are thus fully protected from external
communication and influence. Work here is pure in the literal sense. Questions of practical application are excluded as also the influence of other disciples. And this being so, tasks can be accommodated to the analytical techniques which the scholar wishes to use. These techniques may not be mathematical but the absence of extraneous practical considerations is conducive to mathematical techniques ... It is no criticism of this work that it is unrelated to the real world. Such divorce is its most strongly intended feature. Galbraith (1970, p. 33)

The effect is that much of economics operates as a convenient fiction, which serves to reproduce and reinforce the sociology of the profession, rather than illuminating reality. Such considerations help illuminate and explain the recent crisis evidenced in terms of method, methodology and social theory associated with the mainstream project (as documented and subject to a more extensive philosophical investigation by Lawson (1997, 2003) among others). Furthermore, the essence of such considerations appears to have been somewhat anticipated by Galbraith.

7. Concluding comments

As we have seen, Galbraith’s principal focus has been on the march of events: seeking to bring them into sharper view and analysing their ramifications for economic and social analysis. Throughout his major works Galbraith has consistently sought to identify a posteriori salient changes in the economic
structure and elaborate their consequences for economic and social theory. In doing so, Galbraith’s approach to economics appears realist and historical, with institutional change as his principal focus. The consequence has been that this methodology has led him to markedly different conclusions than the prevailing mainstream.

Galbraith recognised that all approaches have ontological presuppositions, i.e., conditions under which their usage is appropriate. Galbraith’s approach accords with a realist assessment that a significant reorienting of the modern discipline of economics is warranted. Anticipating much of the recent realist ontological enquiry Galbraith argues that the conventional wisdom, or what has become the modern mainstream project, effects to constrain economics from realising its (nevertheless real) potential to be explanatorily powerful and useful:

Lord Keynes, in a famous forecast, thought the subject would eventually become unimportant – in social significance it would rank about with dentistry ... But though in a sense Keynes was right about the subject in decline, in a larger sense he was wrong ... the future of economics could be rather bright. It could be in touch with the gravest problems of our time. Whether this is so – whether economics is important – is up to economists. They can, if they are determined, be unimportant; they can, if they prefer a comfortable home life and regular hours, continue to make a living out of the infinitely interesting gadgetry of disguise ...
Or economists can enlarge their system. The can embrace, in all its diverse manifestations, the power they now disguise. (Galbraith, 1973, pp. 341-3)

If the aim of economists is to be socially useful then one must seek to develop an approach to social science, including economics, which tailors its methods to its ontological presuppositions and modifies its methods, practises and theories in the light of better understanding of social reality. Moreover, it must be recognised that “Economics that assumes transformation, change, can never be as tidy, secure and elegant as that which assumes and cultivates unchanging verity” (Galbraith, 1991, p. 41).

Of course, as our discussion will no doubt have raised in the mind of the reader, Galbraith’s discussion as to the specific conception of science that is adhered to is not fully explicit. That is to say, Galbraith neither formally accepts, challenges nor discusses underlying (positivistic or deductivist) conceptions of science. Occasionally he appears to cede a role for positivism in the natural sciences, sometimes he talks of ‘reversing the established method’, but overall Galbraith is somewhat opaque. This may reflect the fact that Galbraith was seeking a wide readership, and thus seeking to avoid a potentially distracting discussion on the philosophy of science.

Such considerations aside, however, it is noteworthy to record that Galbraith still sought to make explicit, albeit perhaps superficially, his ontological and methodological presuppositions. Furthermore, although Galbraith (1967) pre-dates critical realisms emergence in the late 1970s,
notable aspects of his contributions share the hall-marks of a realist approach not least his concern with ontology, his pluralistic and tailored method, his provisional and empirically grounded theory, which is marshalled to provide emancipatory critique. As such those seeking to reorientate economics would be wise to further consider the economic and social theory of J.K. Galbraith.
Notes

1 This is a strong version of the closure conditions. Alternatively, it is sufficient for closure that the external causes of events operate in a constant, or in a stochastic, way; and that objects change in a constant way.

2 Similarly, and not unlike other tribal modes of behaviour, such scientism has resulted in economics developing its own inimical series of logic, rules, rites and rituals that are associated with such ontological presuppositions (see Samuels, 1984).

3 Such a realist orientation, may however, explain why Galbraith’s method has typically been dismissed as a less rigorous, literary expression of hypotheses developed more formally elsewhere. Indeed his seeming eschewal of the methods associated with the conventional wisdom that has resulted in Galbraith’s contribution being relegated to that of social theory and deemed not to be proper economics. Marris’s (1968, p. 240) comments, for example, are typical of the general attitude to Galbraith: “for the professional economist it is important to recognise at the outset that Galbraith is dealing in loose but not necessarily unreal concepts, of whose descriptive value he seeks to convince by a mixture of literature and some logic based on casual observation, induction, and selected evidence.” This, however, points to the different methods employed by Galbraith, an approach, which appears realist in orientation. Moreover, if Galbraith is adopting vague language, this might also demonstrate his ontological approach. For, as Dow (1996) and Klaes (2003) argue, in open, complex systems, vague concepts are likely to be more useful than the precise terms required by positivist approaches.

4 It is also clear that Galbraith rejects strictly pragmatist conceptions of truth and instead requires empirical adequacy: “We should not test our image of the economic system by its political convenience, or we should not if we are interested in analytically serviceable truths. We should see, instead, whether our image accords with observed circumstance, observed need” (Galbraith, 1979, p. 9). This also accords with realism.

5 See Lawson (1989, 1997) for his rationale for abandoning the term ‘stylised fact’. Essentially, he is concerned that the term stylised fact has been hijacked by those who wish to “legitimise their ‘whenever this then that’ formalisations as stylised facts interpreted as Kaldorian” (Lawson, 1997, p. 208).

6 It is in fact possible to demonstrate that all these trends are present through American Capitalism, The Affluent Society, The New Industrial State and Economics and the Public Purpose (Galbraith, 1952, 1958, 1967, 1973). They nonetheless are subject to different degrees of emphasis. Thus the citations in the subsequent paragraph refer to dominance and centrality of the themes in the relevant contributions rather than their appearance per se.

7 As such, Galbraith anticipates a central feature of the realist Transformational Model of Social Activity, developed principally by Bhaskar (1979).

8 See also Galbraith (1989).

9 In doing so Galbraith seemingly ignores his own earlier reflections on such matters. It may, however, be that Galbraith is just seeking to make a more substantive point by glossing over his earlier considerations.

10 Galbraith’s work can be seen to be full of explanatory critique. For example in his exposition of the conventional wisdom, Galbraith (1958) discusses how acceptable ideas get reproduced (p. 17), particularly if they accord with the self-interest of agents (p. 18); he claims that the complexities (which have been developed over time) of the conventional wisdom are used as a means of defending it (p. 19); and he claims that the articulation of the conventional wisdom is the “prerogative of academic, public or business position. Thus, any individual, on being elected president of a college or university, automatically wins the right to enunciate” the conventional wisdom; they are then expected to expound it (p. 21). In making this argument, Galbraith again demonstrates his conception of the reproduction of social position-practice systems.

11 Moreover, such realist considerations also perhaps explain Galbraith’s lifelong engagement in politics (cf. Schlesinger, 1984).
References


