CHAPTER XI

TRANSCENDENTAL REALISM

1. Introduction

In this and the following chapter I discuss the question how we should proceed with institutional individualism and in particular how we should conceptualize the fact that institutions are both the products of human actions and the conditions for human action. Bhaskar and Giddens have both formulated answers to this issue, but from very different points of view. Bhaskar defends naturalism, i.e., he endorses epistemological monism. In contrast Giddens tries to

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Naturalism is used here in quite a different meaning than I shall use the term in Part III. Naturalism in this chapter refers to the unity of method for the natural and social sciences. The discussion about naturalism in Part III concerns the relation between the ‘natural’ qualities of goods or states of affairs and their value. (see chapter XVI)
reconcile the social system and the social action perspectives. In this chapter my focus is on Bhaskar's theory of transcendental realism. Since Lawson has used the approach of Bhaskar to formulate a strong criticism of economic mainstream theory, the exposition of Bhaskar’s approach inevitably introduces a discussion about economic science.

The constituting argument of Bhaskar is that social sciences face a reality similar as the natural sciences (i.e., a layered reality) and have the same task (i.e., to identify generative structures). The object of science, in this view, is to identify generative structures and causal mechanisms. Transcendental realism assumes that reality is layered and that the existence of these layers can be deduced from the phenomena they regulate. Transcendental realism takes as its point of departure that social life is highly a matter of routine, and then asks the question: what must exist in order for such routine to be possible? The answer is: (configurations of) rules, related to positions-practices, which take the form of 'if X, do Y in circumstances Z'. Transcendental realism sees social structures both as medium and as unintended products of human agency. A strongly contested issue is whether social structures only exist in the activities they generate, i.e., do they have only a virtual existence. In other words, are social structures and human agency merely internally related to each other or do they have an external relationship. The troublesome aspect of transcendental realism is that it seems to defend both positions.

I start with a description of the main features of Bhaskar general theory -transcendental realism- that is followed by an exposition of its application in the social sciences. Here the structure-agency relation will be discussed. Section 4 is devoted to a comparison between traditional methodology in economics and transcendental realism. I will use this comparison to launch some criticism of transcendental realism.
2. Transcendental realism

The question whether the objects of the natural and the social sciences are sufficiently homogeneous to justify a similar epistemology has led to fierce debates within the social sciences ("Die Methodenstreit"). The proponents of the unity of science joined the side of naturalism. Their opponents, the anti-naturalists, thought that the naturalist ‘project within the social sciences (logical empiricism) is not only unfeasible but also undesirable given the nature of the object of the social sciences. Social reality is burdened with meaning and this meaning must be elucidated, and made intelligible ("Verstehen"). As opposed to positivism they embraced hermeneutics.

Transcendental realism[^190] is the philosophical position in which it is believed that the naturalism project within the social sciences is not only possible, but also inevitable.[^191] This position is based on ontological considerations from which epistemological recommendations follow. Transcendental realism strongly criticizes positivism, or logical empiricism, that defines reality, in terms of experiences (empiricism). A certain phenomenon is explained by means of an empirical generalization. The phenomenon to be explained must appear to be a case of a general regularity. There is no need for theory as such. Explaining is primarily a syntactic question, essentially a question of deduction.

Hume, one of the founding fathers of empiricism, argued that we have no knowledge of 'causal power' because we

[^190]: Transcendental realism is the term for Bhaskar’s general philosophical position, while critical realism is the term used for the application of that program in the social sciences. There are two levels of methodological prescriptions: first, those arising from the transcendental realist approach to science and second, modifications arising from the transposition of these ideals to the social realm.

[^191]: The claim is epistemological not methodological monism. There is no dispute that social sciences cannot employ the same methods as the natural sciences. But in both the natural and the social sciences the challenge is to uncover generative mechanisms.
have no direct experience of it. All we can observe is the spatial and temporal continuity of events. The possibility of general knowledge rests upon the constant conjunction of events as they are experienced, i.e., upon regularities of the type 'when event x then event y'. "The idea of a necessary connection cannot be drawn from our observation of the external world but must instead be a projection onto it, originating from our repeated experience of the regular associations of events." (Pratten, 1993, 405)

Transcendental realism reacts against the Humean theory of causality. Bhaskar believes that although the objects of the natural and the social sciences differ enormously, the idea of a transcendental reality is relevant for both domains. Knowledge of this transcendental reality is in both domains a pre-condition for acquiring knowledge through experience. Laws are not tied to constant conjunctions of events. The primary focus of science is not the flux of events at all but the generative structures that lie behind and govern them. (Bhaskar, 1979, 9)192 The essence of scientific activity is the transition from the identification of invariance to the classification of mechanisms and structures that produce them. In the natural sciences we can think about energy, magnetic fields, etc. In the social sciences we can think of ‘roles’, ‘institutions’, ‘social structures’ and so on. This is not a question of induction or deduction, but of abduction (or, retroduction). Retroduction is the deduction of generative structures from manifest phenomena. (Lawson, 1997a, 24; Bhaskar, ib., 12)

Transcendental realism assumes that reality is layered. Three separate domains are distinguished: the real (made up of mechanisms, structures, powers and tendencies that produce the events and the states of affairs at the actual level); the actual (made up of events and states of affairs), and the empirical (made up of experiences and impressions). (Lawson, ib, 21) The existence of those layers, which cannot be observed directly, must be deduced from the phenomena

192 References are to the third edition, published in 1998.
they regulate. The Humean notion of causality limits the concept of causality to the description and/or prediction of observable phenomena. An explanation, however, should go beyond the establishment of empirical regularities. Science cannot confine itself to a search for empirical regularities and to the deductive-nomological forms of argumentation and verification. Science should have the ambition to model hypothetical mechanisms whose raison d’être is deduced from their effects. A scientific analysis, therefore, must be executed in three phases: first there is a phenomenon or a complex of phenomena that is to be identified and described (when possible by means of experimental research), next a hypothetical mechanism (i.e., a generative mechanism) is postulated and finally this mechanism must be explained. (Bhaskar, ib, 12) The use of metaphors, analogues and models is inherent to realism, because the scientist moves constantly from the level of the observable to the level of the unobservable and hypothetical units as structures, systems and powers. People think about these hypothetical units in terms of what they already know and for this reason metaphors and analogues take the place of concrete descriptions. (Lloyd, 1989)

The anti-naturalist argument is that natural reality can be observed but not understood, while social reality can be understood but not observed. Social reality is full of meaning, and is a human creation; to describe her is to interpret her. The interpretations of the world by scientists and laymen are intertwined, and reinforce each other; this is the hermeneutic circle. Because of this, the social world cannot be approached in the same way as the natural world.

Opposing this view, Bhaskar believes that the search for generative mechanisms is the common element in the methods of both social and the natural sciences. "The human sciences can be sciences in exactly the same sense, though not in exactly the same way, as the natural sciences". (Bhaskar, ib, 159)\(^{193}\) Of course, there are distinctions, on the level of the

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\(^{193}\) Bhaskar acknowledges, for instance, that the results of social science
object of research as well as on the level of the methods of research. Analyzing society is by necessity a theoretical exercise. Society cannot be observed as a whole and it cannot be identified empirically independently of the effects of this empirical research. The natural sciences also wrestle with the problem that many objects are not observable, but the natural world exists whether or not it is identified. (Bhaskar, ib, 21)

Another difference is that empirical social research always takes place in open systems, as a consequence of which invariant empirical regularities are absent. Decisive tests are withheld in the social sciences. The criteria for rational theoretical development must be extracted from the explanatory potential of theories, not from their predictive potential. Precision in rational explanation takes the place of measuring in the natural sciences.

Explanation involves the re-description of the explananda. Objects of empirical descriptions are described as something else, as manifestations of a system of ‘deeper’ entities. (Mäki, 1990). An explanation is primarily an attempt to reveal the essential characteristics of the real world. It is only by means of the conceptual resources of a theory that empirical facts can be re-described. An explanation is essentially a matter of disposing over a valid theory, a theory with references to representations of the real reasons for events. Only through the conceptual power of theories can empirical facts be rewritten in such a way that it becomes clear what these facts amount to. Theories should refer to real existing, though not necessarily observable, entities and express them. In this approach the ontological framework plays an essential

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research have the potential to influence the very objects of such enquiries. This introduces a hermeneutic moment in the social sciences that is lacking in the natural sciences.

194 To clarify the idea of explanations as re-description Mäki introduces the notion of identification. We identify an explanandum (the object of empirical description) with the object of its theoretical re-description by means of a declaration of identity: for instance water = H₂O.
role. "Not merely the derivational properties, but, most importantly the ontological properties of theories are essential for scientific explanation." (Mäki, 1990, 322)

As a consequence, theoretical propositions are trans factual or normic statements. Such statements are not arrived at by intuition or on an a priori basis but by an a posteriori process of retroduction. Whereas a standard statement says that A would Ø, in appropriate circumstances, a normic statement says that A really is Øing, whether or not its actual (or perceivable) effects are counteracted. "They are not counterfactuals, but trans factuals; they take us to the level at which things are really going on irrespective of the actual outcome. (...) Now in this account, to talk about factors having effects that may not be manifest (to make trans factual statements) presupposes that the world must be stratified." (C. Lawson, 1999, 53) Retroduction involves the stipulation of a mechanism at a 'deep' (non-actual) real level.

But if the naturalism of transcendental realism is to be upheld, then it must be possible to identify causal mechanisms, structures or powers in the social realm analogous to those in the natural realm. One of these mechanisms so identified is social structure. A social structure is first of all a configuration of social rules, which are related to the routine patterns of social life. Social life is highly rule governed, but it by no means follows that all rules are available or apply to everyone. To the contrary, society is highly segmented in terms of obligations and prerogatives. Therefore, we should relate social rules to social positions and define social structures (also) as comparatively durable configurations of social relations. Transcendental realism introduces causality in the social sciences also in another form, namely as human action, which is intentional under some description, and where reasons are (sufficient) causes in so far as human doings are caused by reasons. Transcendental realism thus claims that both social structures and human agency are causal mechanisms.
3. Critical realism

In sociology one can distinguish two main schools of thought that are associated with Durkheim and Weber respectively. The Durkheimian School believes that people are ‘products’ of social structure; while the other maintains that social structures are the products of human actions. Bhaskar rejects this contrast, for he believes that: "Society is both the ever-present condition (...) and the continually reproduced outcome of human agency. And praxis is both work, that is conscious production, and (normally unconscious) reproduction of the conditions of production, that is society. One could refer to the former as the duality of structure, and to the latter as the duality of praxis." (Bhaskar, 1979, 34/5)

Society creates the necessary conditions for intentional action and these actions are the necessary condition for the continuation of society; the one cannot be reduced to the other. "(...) people do not create society. For it always pre-exists them and is a necessary condition for their activities. Rather society must be regarded as an ensemble of structures, practices and conventions that individuals reproduce or transform, but which would not exist unless they did so. Society does not exist independently of human activity (the error of reïfication). But it is not the product of it (the error of voluntarism)." (Bhaskar, 1979, 36)

From Bhaskar’s point of view society is a composition of relatively independent generative mechanisms, which he calls social structures. Social structures are products of human actions. They only exist by the favor of the activities they generate. Social structures are continuously reproduced/transformed and simultaneously they regulate human practices. This interaction requires a system of mediating concepts that relates human dynamism and social structures. Such a mediating system is the system of

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195 For Giddens the duality of structure refers to the dual feature of social structure that is both condition and consequence of action.
practices-positions. Society is constituted by a set of positions, each associated with obligations, rights and duties. The practices are oriented towards other individuals, thus the obligations, rights and duties are relational. The picture that emerges is a network of positions characterized by the rules and the practices associated with them. Bhaskar calls this mediating system the position-practice system. (Ib., 41) Thus “(...) a social system is best conceived of as a structured process of interaction, (...)”. (Lawson, 1997a, 165)

The conception of human agency that emerges is very much one of a situated sort. At any given point in time each individual is situated in a range of positions, with associated, perhaps contradictory interests and motives. The advantage of such an approach is that it draws attention to the distribution of the structural conditions for action; the distribution of resources over agents. And it emphasizes the importance of conflicts of interests and the problem of social order.

The central themes of the critical realist position with respect to the nature of social structure and the connection between society and people can be elaborated by outlining what Bhaskar calls the Transformational Model of Social Activity. In this model human agency is the power to effect changes in the world. It depends on the ability to evaluate and intentionally control one’s motivations and actions and then make choices accordingly. Human agency carries with it the idea that people have a real choice in deciding which course of action to engage in from a number of alternative courses of action. Thus people are agents who work in and on the society they compose, reproducing it or transforming it. However, they do not create society from scratch. They transform/reproduce an already existing society using means present in that society. They do so largely unintentionally in performing work with intended effects at another level (e.g., material production).

196 There is some lack of clarity here. It looks as if position-practices are called social structures by Bhaskar and social systems by Lawson.
Closely associated with this model of human agency is a stress on the relational character of the subject matter of the social sciences. All social forms depend on or presuppose social relations. Social relations are here understood as more or less enduring relations in which agents find themselves and through which they (inter-) act. Such relations are usually unacknowledged and unintentionally reproduced in the course of human productions, practices etc., but they are material conditions of activity; they make a difference and thus are real. The effects of the structure of social relations on individuals are manifested in the interests, resources, powers, constraints and obligations built into each position by the web of relationships. Structures and ‘agency’ are to be seen as interdependent.

The ontology adopted by critical realism is not only layered but also transformational. Similar to Giddens’ notion of the ‘duality of structure’, the transformational theory of Bhaskar sees structures both as medium and as unintended products of people’s agency. The transformational principle centers on the mechanisms and structures that are the ever-present conditions, and the continually reproduced and/or transformed outcome of human agency. Operating with a layered and transformational ontology, the emphasis of investigation necessarily switches from the domains of the empirical and actual, to the domain of the real and the deep structures that govern these actions.

At this point I want to address some ambiguities in Bhaskar’s argument. The first refers to the definition of social structures; the second concerns the nature of social structures. Bhaskar argues that the existence of (unobservable) social

\[197\] It is important to note that, while social structures are necessary for actions, i.e., they facilitate or causally govern actions they do not determine them. By using this conception, critical realism is able to maintain an active role for human agency whilst at the same time avoiding the error of voluntarism and retaining constraining (and enabling) structures.
structures can be deduced from their effects. These effects are the routines of social life. Social practices support rules that generate these routines. These rules (connected to rights, obligations, duties, prerogatives) produce the social practices and are reproduced and transformed in return by these practices Social structures, therefore, seem to be configurations of rules that produce the collective routines and are reproduced or transformed in return. But there is a second definition of social structures in which they are understood as more or less enduring relations in which agents find themselves and through which they act purposefully. These social relations are pictured as relations between position practices, i.e., as relational configurations of social practices.

The second question is whether social structures are agent-dependent. The first answer is yes: they are agent-dependent and only have a virtual existence, as both Bhaskar and Lawson have argued. The second answer is no: social structures are 'emergent properties' of social systems. The concept of ‘emergent properties’ is used to justify the existence of social structures as generative mechanisms, i.e., as causal mechanisms that explain the routinization and stratification of social life. As generative structures they belong to the real layer of reality as opposed to

198 "Social structures (..) do not exist independently of the activities they govern." (Bhaskar, 1979, 38) "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. 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 human dependent it is only ever manifest in human activity." (Lawson, 1995, 18) But both admit that social structures may not depend upon any specific activity currently undertaken. The reason is that there are many social structures and quite a lot are internally related. The interrelatedness causes a certain independence of specific social structures and activities directly related to it. (Bhaskar, ib., 174; Lawson, 1997a, 157-72)
actions/practices that belong to the actual layer. It looks as if Bhaskar under the guise of emergence is still committed to a dualistic social ontology of individual and society. (see King, 1999, 274)

I postpone the discussion about critical realism and its concepts of social structure until I have discussed Giddens' structuration theory. I proceed to discuss the ontological logic of transcendental realism by means of Lawson’s confrontation with economic science.

4. Transcendental realism versus empirical realism

Transcendental realism starts with the ontological distinction between the underlying causal laws (generative structures, capacities, causal powers, mechanisms etc.) and the observable patterns of events (empirical regularities). Causal laws are tendencies that may or may not exhibit themselves empirically in any particular situation.

From Lawson’s point of view, realism is necessary both to accommodate an understanding of underlying mechanisms and to explain why contemporary economics fails. Only by adopting a realist perspective and looking ‘beneath’ the irregularity of phenomenal relations, can economics begin to make progress. Lawson’s central thesis, that economics should be a search for the structures and mechanisms that generate the typically irregular data that economics gathers, is accompanied by a strong criticism of the methodological position of mainstream economics, which he occasionally calls empirical realism. Lawson claims that the problems of mainstream economics are a consequence of its methodology,

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199 The notion of emergence (and of emergent properties) is primarily of ontological importance. It would be difficult to justify the relative autonomy of the different levels without it. I shall postpone a further discussion of ‘emergent properties’ until chapter XIII, because it is a complicated concept and it plays a crucial role in the distinction between transcendental realism and Giddens’ structuration theory.
its positivist approach, built on Humean notions of causality. A wholesale reconstruction of economics according to critical realist principles provides the only way to resolve these problems. Empirical realism makes the objects of scientific investigation the same as the objects of sense experience. Since those things that can be observed are most often empirical event regularities, event regularities become the objects (the only objects) of scientific inquiry. But scientists should look for the underlying, hidden, causal mechanisms that generate the empirical regularities they observe, and consider these underlying causes, not the empirical regularities themselves, to be the proper objects of scientific inquiry.

The advantage of transcendental realism, according to Lawson, is that it provides the resources to make sense of what happens outside controlled situations. This should not be taken to imply that transcendental realism claims that ‘science is not concerned with event regularities at all’. Rather the claim is that in the transcendental realist interpretation "science is no longer confined to or even dependent upon the seeking out of constant event conjunctions, but aims at identifying and illuminating the structures and mechanisms, powers and tendencies that govern or facilitate the course of events". (Lawson, 1997a, 23)

From a realistic point of view, a constant relation of events will only occur under specific conditions, that is, when the operation of a causal mechanism can be effectively isolated from the operation of (an) other causal mechanism(s), i.e., only under the conditions of a closed system. Only in exceptional cases will this condition be met. This fact does not undermine the effectiveness of realistic analysis, for the

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200 Under normal conditions any causal claim needs a counterfactual analysis, otherwise one is not able to keep pseudo-causes apart from real causes. Mere counterfactual reasoning does not give insight into the ontological structure which gives rise to the relevant counterfactuals. Therefore, critical realism requires that causal generalizations be based on the knowledge of the underlying mechanisms.
analysis is directed to the identification of the real mechanisms/generative structures that bring the observed phenomena about. The generative capacity of mechanisms usually will not result in a regular flow of events, for the influence of each causal mechanism is counter-acted by the effects of other mechanisms. The capacity of a structure/mechanism can be called a tendency. (Lawson, 1989a) Thanks to these tendencies phenomena can exhibit a certain kind of connection or uniformity. The conceptualization of this kind of uniformities can bring forward ‘stylized facts’ which can serve as point of departure for the analysis of tendencies.\(^{201}\)

Lawson’s argument is basically grounded on two assertions: First, traditional methodology is inadequate and has to be replaced, and second, a transcendental realist approach will succeed where empirical realism failed.

These assertions have raised a number of critical reactions, especially concerning Lawson’s judgment of empirical realism; the possibility of naturalism (the question whether a layered social reality is plausible) and the question whether transcendental realism meets traditional scientific standards.

Hands criticized Lawson’s assertion that the philosophical underpinning of modern neoclassical economics is empirical realism. He notes that Lawson refers especially to general equilibrium theory as a paradigmatic example of what he means by mainstream economics. But the hypothesis of general equilibrium is not based on empirical regularities.\(^{202}\)

\(^{201}\) Whereas Lawson first used the notion of ‘stylized facts’, later on he introduced the concept of demi-regs (demi-regularities). Demi-regs are regularities actually observed. They can inspire theorizing about possible underlying mechanisms. More specifically, it is the ‘contrastive’ demi-reg that should provide the starting point for explanation. (see Lawson, 1997a, 206 ff) An answer to a contrastive question as, why does an object have property P instead of Q, will provide information about the features that actually differentiate the actual causal history from an unactualized alternative. (Bouwel van, 2003)

\(^{202}\) Hands argues that when we have a look at the canonical text of the genre, the book by Arrow and Hahn (1971), then what we see are “existence proofs”. Such proofs provide a kind of theoretical assurance that laws of economic phenomena exist. Existence proofs provide us with
"The history of methodological discourse not only demonstrates that radical empiricism has played very little role in the development of economic thought, it also demonstrates that the Millian tendency law view that Lawson advocates has played a rather significant role. The argument that economics is a separate science that cannot be conducted in strict compliance with the empiricist’s method of natural science has been an influential perspective in the history of economic methodology". (Hands, 1999, 179)

Parsons (1999) and Summers (1991) also deny that empirical realism has played or still plays a significant role in modern neoclassical theory. All argue that formalistic economic modeling should not be interpreted as exemplifying empirical realism. Many of the axioms commonly invoked in economic theory seem to be posited on an *a priori* basis and then retained even in the face of empirical evidence that contradict them (see the independence axiom in expected utility theory).

Baert (1996) takes a step further and argues that the picture of contemporary social science by transcendental realists is blatantly false. Most contemporary researchers go far beyond the immediately accessible level of empirical reality. A multivariate analysis is nothing but a search for deeper structures or mechanisms. Or take rational choice theory. Rational choice theory does not merely refer to surface some assurance that we are on the right track. But we do not find empirical regularities in Arrow and Hahn, we only know that there could be causes of economic phenomena that would be consistent with the kind of coordinated activity that seems to prevail in a market economy. All that is demonstrated by the equilibrium analysis is that a set of variable values can be determined which renders the equations of a system mutually consistent; the system as a whole is shown to possess a particular formal property. Just about the only challenge is whether such a solution can be provided. Hands adds that such existence proofs demonstrate that economists know the laws of the ‘greater causes’ of economic phenomena. (Hands, 1999, 176) But that misrepresents the exercise in Lawson’s view. Lawson simply denies that the goal of explaining coordinated market activity is a concern of the formalistic modeling project. (see also Rosenberg’s comment in chapter VIII)
phenomena; it refers also to unobservables like preferences and beliefs.

Lawson argues in defense that Hands’ criticism largely derives from one basic misunderstanding. The crux of it is that Hands interprets him as claiming that all mainstream economists are empirical realists. But, Lawson stresses that his central claim is that they are deductivists, they employ a mode of explanation which involves deducing the explanandum from a set of initial conditions plus regularities that take the form ‘whenever this event/state of affair, then that event/state of affairs’. And what he takes as essential to a deductive explanation is the structure of explanatory claims, not their empirical adequacy. If knowable reality is restricted to atomistic events given in experience, as is done in the positivists’ tradition, then the only conceivable generalities are correlations, or regularities in the connection and succession, of these events. (Lawson, 1999, 224 ff)

The second question to be discussed concerns the possibility of naturalism. The causal explanation that critical realism proposes may often involve reference to unobservable but possibly real variables and this raises a difficulty for restricting the number of possible explanations. The appeal to a layered ontology is insufficient to bypass the mapping from the observational evidence to the unobserved powers and structures. The confidence of critical realists in the existence of underlying (hidden) powers and mechanisms amounts, in the view of some critics, to an ungrounded assertion that ironically echoes the claims of earlier positivists about the truth content of observed reality. “Indeed it might be argued that critical realism is rather more positivist about what we cannot observe than many supposed positivists are about what we can.” (Walters & Young, 2001, 500) They also think

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203 Lawson view is incorrect, Hausman remarks, because he conflates laws and regularities. (Hausman, 1999)
that a particularly noticeable feature of critical realist accounts involves some allusion to a form of essentialism. Bhaskar argues that such objections to essentialism reflect an ‘epistemological fallacy’: essences are an ontological category while the objections involve epistemological difficulties. The reply of Walter and Young is that if this is the case they are entitled to ask what this conception of essence amounts to. 'If by ‘essence’ critical realism simply means ‘defining characteristics’ - essential properties are those properties of an object or mechanism that it must have to be an object or mechanism of that kind- then in a trivial sense it might be true that this use of the term is not vulnerable to the criticism we have just noted". (Ib., 499)

The third, and last theme, to be discussed is whether transcendental realism is able to meet the standards of a scientific enterprise. Baert, in particular, challenges the realist perspective. In his view, the realist attempt to establish yardsticks by which to judge scientific theories is unconvincing. These attempts centre around three notions: explanatory power, empirical testability, and stylized facts.

"The realist notion of explanatory power seems to leave the door wide open for some non-falsifiable (or hardly refutable) theories to enter the realm of science.(..) Whereas verification and falsification are, partly owing to the nature of open systems, dismissed on meta-theoretical grounds, they are brought back (..) once the issue of empirical testability is introduced. But one cannot have it both ways. Either empirical corroborations or refutations count, or they do not. (..) Realists draw upon stylized facts to infer generative mechanisms, but by doing so they face problems traditionally associated with inductivism. Ever since Hume the logical flaws in generalizing from observable phenomena have been exposed". (Baert, 1996, 518)

Lawson defended his position against these charges. He once again stipulates that by a transcendental enquiry he refers to sub-species of retroductive argument, i.e., the move from a description of some phenomenon to an account of something by which it is produced or otherwise conditioned.
Transcendental realism makes an ontological distinction between causal laws and patterns of events. In open systems causal laws should be analyzed as expressing not event regularities, but tendencies of things that may be actually unrealized because of the action of countervailing powers. A law refers to the transfactual activity of mechanisms, which is to their activity as such, and is not a claim about the actual outcome that in general will be co-determined by numerous mechanisms. (Lawson, 1999, 210-215) But this leave quite open the question what criteria transcendental realism would accept to refute a theory.

6. Conclusion

Transcendental realism holds the view that an explanation must be based on objective grounds. An explanation must primarily be an attempt to penetrate into the essential features of the world that surrounds us. And this explanation must be based on a theory with clear references to real grounds for events. In this way one can try to make events intelligible.

The objective of economic analysis is the identification of structures which facilitate economic activities: "(..), that is, identifying and understanding the unacknowledged conditions of these practices, their unconscious motivations, the tacit skills drawn upon, and the unintended consequences." (Lawson, 1995, 27)

Transcendental (or critical) realism has transformed the question how institutions can both be conditions for and consequences of human actions, to the question how the perseverance of routine can be explained. The solution it offers is that social structures as rules connected to social practices generate these practices and are simultaneously reproduced or transformed by these practices. But it has also raised two concerns: the definition and the nature of social structures. These two issues are the ones that are relevant for discussing the agent-structure relationship and for the further development of an institutional theory of rational choice. I will
return to this subject in chapter XIII, after discussing Giddens’ structuration theory.

The central claim of transcendental realism is ontological. Because the levels of reality are conceived as being out of phase, surface experience, in general, does not reveal the non-actual world of powers, mechanisms and generative structures.

The methodological prescriptions of the realist approach are relatively straightforward. The objective of social science is the revelation of the underlying mechanisms and powers that govern our social world. These mechanisms and powers are hidden by a constantly changing open system that disallows experimentation and vitiates methods that attempt to proceed by picking out surface correlations. This means that the elucidation of the causal structure of the world is exclusively explanatory. The key question this account raises is whether such an approach will ever have the epistemological power to provide a prescriptive model of scientific activity.

To conclude: it cannot be denied that transcendental realism is based on some interesting observations concerning the traditional, deductive-nomological approach in human sciences. But the message that Lawson sends to social scientists is embedded in a controversial metaphysics, which, as Hausman (1998) suggests, distracts readers from his main concern.

204 In itself, this is scarcely something new. Every serious researcher wonders whether there is some inner principle or system behind the observable entities, which could explain them. (see Bottomore, 1975) Already in 1962 G. Gurvitch emphasized that “social structures are at the same time the producers and the products of cultural activities”, see Gurvitch. G (ed.) “Traité de Sociologie”, Paris: Presses Universitaires de France, vol. I, chapters IV and V (cited in Bottomore, 1975). The peculiar view of transcendental realism is that it does not try to uncover an inner principle but causal powers.