A Critical Realist Model of Markets: Understanding the Causality behind Economic Complicity

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Abstract: Christians have many reasons to care about the harms that occur in the lives of others, but does buying a product generate any moral responsibility for injustices suffered by those who produced it? Economics cannot decide whether first world consumers have any moral responsibility for problems far abroad, but as a science, economics should be able to decide whether there is any causal connection between consumers and the harms caused by markets to distant others. The neoclassical paradigm does not equip an economist to do this, but applying the insights of critical realist sociology to economics makes it possible, providing heterodox economists a view of markets better tailored to their needs. A social structure is a system of relations between pre-existing social positions. Social structures have causal impact on the persons within them by generating restrictions, opportunities, and incentives that shape their decisions. This essay begins with the example of the market for textiles and understands it as a social structure, a long chain of relations among positions from consumer and department store clerk all the way up the chain of production to the relation between factory manager and seamstress half a world away. Each link in this chain is causally related to all the others and this causal connection can then form the scientific basis for a moral decision, outside of economics, concerning the degree of moral responsibility that consumers may have for the harms which markets cause to distant others.

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1 Introduction

The stitches in the collar of the shirt I am wearing were sewn by a woman somewhere in Bangladesh. Her participation in the market has no doubt increased her economic well-being, but she might also be subject to unjust practices at her workplace, or she might even have died a horrific death in the fire at the Tazreen Fashions factory outside Dhaka that killed 112 (New York Times, 2012). And unbeknownst to either her or me, there may be a woman in Mexico whose economic security was swept away when the textile firm she used to work for went bankrupt due to lower-priced clothing produced by Bangladeshi seamstresses.

Christians, of course, have many warrants for the obligation to assist others in their need that are completely independent of whether the believer played any role in causing the problem. Hebrew law required that the owner of the field of grain leave the corners unharvested so that widows, orphans, and resident aliens would have access to food. Jesus taught his disciples that love of neighbor was to be their central moral commitment. And Christian teaching on individual property ownership—whether in the early church, the middle ages, or the Reformation—made clear that those with a surplus are under a moral obligation to share with those unable to meet their own needs.

Yet beyond these warrants, this paper sets out to establish the causal basis for the claim that, simply because we are market participants, we have a moral responsibility for the harms that markets cause to distant others. This is important for three reasons. First, moral arguments rooted in the Christian tradition are typically unconvincing to those who do not share Christian faith; arguments rooted in causal relationships are more persuasive in a secular world. Second, articulating the relation of social causality and moral responsibility will provide an important additional reason why Christians should be concerned about their participation in markets and involved in structuring those markets more justly. Third, because markets are truly beneficial in so many ways, without an analysis of their structural shortcomings both ignorance and economic interest tend to focus society’s moral energy on the relief of suffering without addressing its causes.

There are important questions here about our moral responsibility in the harms caused in the lives of the women mentioned above, questions that the discipline of economics cannot address. However, under-
lying any question of whether I am morally complicit here must be the question of whether I am causally complicit in those harms, and causality is indeed the proper concern of science. If I buy a shirt that was sewn by women who later die in a factory fire, have I played any causal role in their deaths simply by buying the shirt, and if so, how should we describe that role?

Such a question is rarely addressed in mainstream economics, and the view of markets articulated there does not provide much help in thinking about this issue. The market for shirts is understood in an abstract and individualistic way, with the market presenting an opportunity set to each participant—whether consumer, department store clerk, clothing brand CEO, factory owner, or seamstress—in response to which each participant makes utility-maximizing decisions. Because any one consumer has an imperceptible effect on the market as a whole, within the neoclassical paradigm there is little sense that such a consumer has any significant causal role in harms suffered by a seamstress half a world away.

This essay will go beyond the existing literature on critical realism and economics. Examining international trade in textiles as an example, it will employ the insights of critical realist sociologists into the nature of social structures to understand the market as a social structure, as a long chain of ontologically real relations between pre-existing economic positions, a chain of relations linking consumers to the distant producers of the products they buy. While this approach exhibits similarities to the sizable body of economic sociology already in existence (Smelzer & Swedberg, 2005), it pushes beyond those borders by identifying empiricism as the most fundamental problem of both mainstream economics and most economic sociology.

Critical realism is one of the most promising methodological alternatives to be proposed in recent decades. It is founded on the work of British philosopher Roy Bhaskar (1975, 1998). The leading advocate for critical realism within economics has been Tony Lawson, who has said that his “overall aim . . . is to bring reality (or more of it) back into economics” (1997, p. xii). Although critical realists agree that the market is a social structure, there has been little attention by those writing on critical realist economics to what critical realist sociologists have to say about the character of social structures, including among those who speak approvingly of those very sociologists (Fleetwood, 2011, p. 19). All too many critical realist economists operate with assumptions that look in-
adequate to critical realist sociologists. This essay will provide a concrete example of a critical realist conception of markets as social structures, relying on the work of sociologists Margaret Archer, Pierpaolo Donati, Douglas Porpora, and Christian Smith.

The critical realist perspective on markets promises five contributions to economists dissatisfied with the mainstream neoclassical paradigm. First, it provides resources for better analysis in several subfields of economics, concerning institutional evolution, international trade, and the economics of supply chains and fair trade consumer movements. Second, it provides a more adequate understanding of the market as a social phenomenon. It grounds traditional mainstream supply and demand explanations in real relations in the economy; it describes what goes on inside the black box of the market. Third, it connects economics today with its more practically-based historical roots. Whether in the 1770s (Adam Smith’s day) or the 1870s (Leon Walras’ day), economists used to feel the need to make at least some effort to relate economic theory to how markets actually work. Fourth, it provides a more adequate methodology for economics, grounded in a philosophy of science that explains what scientists do better than empiricism can, and thereby better sustains heterodox critiques of the mainstream. By treating prices as only one of a number of causal forces generated within the social structure of the market, it allows room for the neoclassical view (after all, some decisions are adequately modeled by utility maximization) as a subset of a more comprehensive perspective, and brings institutional influences forward from the background to the foreground, understanding them as operating parallel to the influence of prices. Fifth, by providing a better causal account of the long chain of relations that constitute global markets today, it provides a better foundation for ethical deliberation (outside of economics) about those markets.

One final introductory note is appropriate. Markets, of course, don’t only cause harms. The same market in textiles that deprived the Mexican seamstress of her job provided jobs for women in Bangladesh. The same market in electronics that has pressed American manufacturing workers into lower paying service jobs has raised the standard of living of a hundred million Chinese citizens. This essay focuses on the harms which markets cause, but the analysis proposed to do this can articulate the beneficent effects of markets equally well.
2 What Is Critical Realism?

As a view of how science operates, critical realism arose out of the work of British philosopher of science Roy Bhaskar to overcome 250 years of inadequacies of empiricist interpretations of what scientists do. He was not the first to try, of course. The history of methodological disputes within economics makes this clear. The economists of the nineteenth century German historical school (Rocher, 1854), and their British allies (Leslie, 1876), were famous for their holistic methodology and their critique of the abstractions and unrealistic assumptions of the mainstream. A number of American Institutionalist economists (Ayres, 1966) relied on the American pragmatism of Charles Sanders Peirce (1997) and John Dewey (1998) as their philosophical basis. And Austrian economics (Mises, 1933) presented a philosophical alternative to neoclassical empiricism. But neither the historical school nor Institutionism nor Austrian economics was able to provide a satisfying account of how an improved understanding of causality in the natural sciences can underpin social science as well. Bhaskar has accomplished this goal, making his position more likely to be acceptable within economics, a discipline that has tried to emulate the natural sciences for the past two centuries.

Ever since David Hume in the mid-eighteenth century, most philosophers of science have argued that we can only be certain of the data we perceive through our five senses. As John Stuart Mill summarized the views of Auguste Comte a century after Hume,

*We have no knowledge of anything but phenomena. . . . We know not the essence, nor the real mode of production, of any fact, but only its relations to other facts in the way of succession or similitude. . . . Their essential nature, and their ultimate causes, either efficient or final, are unknown and inscrutable to us.* (Mill, 1866, p. 6)

Empiricism remains officially agnostic about how or why causal forces work. Empiricists need not deny the reality of objects in the world, whether planets or persons, but limiting human experience to what is sense-perceptible prevents the consistent empiricist from claiming any access to what everyday human experience demonstrates to the person on the street: the sense that we can know “why” things happen. The boulder that fell off the mountainside crushed the car below because it was so
heavy. The mugger was able to kill his victim because of the causal power of the gun he held.

Because of this epistemological limitation in empiricism, the understanding of causality is similarly constrained. Mill’s definition is typical of the tradition: the cause of a phenomenon is “the antecedent, or the concurrence of antecedents, on which it is invariably and unconditionally consequent” (Mill, 1874, p. 245). All we can say about causes is that if A always and unconditionally precedes B, then A is the cause of B. We cannot delve into why or how causality works.

According to Bhaskar, this eclipse of real things in the world misunderstands what scientists actually do, and it leads to the empiricist assignment of causal power to scientific laws (Bhaskar, 1975, pp. 45–56). In the dominant view—both philosophical and popular—when I let go of a book I am holding, it hits the floor “because of the law of gravity.” Bhaskar objects to the empiricist construal of causality as consisting in an invariant sequence of events because, outside of the laboratory, invariant sequences of events almost never occur in the real world. That is, he argues, the scientist in the lab does not think he’s describing only an invariant sequence of events, but thinks he is more robustly making a claim about how things “out there” in the real world actually operate. How else could one justify the assumption that invariant patterns discovered in the highly controlled “closed” system of the lab would also be maintained in the “open” system of the real world?

In addition, the book does not hit the floor “because of the law of gravity.” The law of gravity is simply the scientist’s description of (one part of) the invisible but ontologically real causal relation between the earth and the book, and it is the relation itself that causes the book to fall. (For simplicity, we ignore here the gravitational influences of the sun and other celestial contributors). The relation generates the force we call gravity. Even though we are speaking of what cannot be observed, there is no mysticism here. As sociologist Christian Smith puts it, “scientific inquiry as a project should be concerned more with the structured properties of causal relations and mechanisms than with the regularity of observable sequences of events—theorizing unobserved causal dynamics is what the best of science actually does and is more important than measuring the strength of association between variables” (Smith, 2010, p. 96). The implication for economics is that prices do not rise or fall due to the law of supply and demand. Rather, this “law” is a human attempt
to describe the effects of real causal relations between producers and consumers.

A second major insight of critical realism is the importance of “emergence,” which occurs when two or more “lower level” elements combine to form a “higher level” element that has different characteristics (Smith, 2010, p. 26). The best example here is water. Although it is made of hydrogen and oxygen, water’s characteristics are quite different from either. Water puts out fires, while hydrogen and oxygen feed them.

The relevance for economics is that social structures emerge from the actions of individuals. Here, critical realist social science points to phenomena which are also the focus of evolutionary economics. Friedrich Hayek thus makes a similar point in arguing that “the order of society . . . is a result of those regularities of conduct which the individuals have developed in society” (1967, pp. 76–77). An endorsement of Hayek’s notion of “spontaneous order” is provided by Robert Sugden in his critique of mainstream economics for turning to governmental solutions too frequently to address market failures. “It seems that economics underestimates the ability of individuals to coordinate their behavior to solve common problems: it is unduly pessimistic about the possibility of spontaneous order” (1986, p. 4). Critical realists, of course, challenge two fundamental assumptions of this sort of evolutionary economics. First, they understand the resulting structure as ontologically real and not simply a system of rules of conduct, something this essay will address below. Second, they fault the individualistic and reductionist assumptions that so much of evolutionary economics borrows from the neoclassical paradigm.

Emergence is a phenomenon that demonstrates the futility of reductionism, the assumption quite pervasive in empiricist thought that all realities can be explained, at least in principle, by the functioning of their constituent parts. In the empiricist view, human psychology is explainable by biology, which is reducible to chemistry, which if we simply knew enough would be explained by the laws of physics. Hayek’s version of this, for example, is clear in his claim that “the whole of economic theory . . . may be interpreted as nothing else but an endeavor to reconstruct from regularities of individual actions the character of the resulting order” (1967, p. 72).

Critical realism, on the other hand, recognizes that any new, higher level “emergent” reality has characteristics that simply cannot be explained by examining (i.e., cannot be “reduced” to) the characteristics
of the lower level realities that combined to create it. Protons and neutrons have characteristics simply not present in the up quarks and down quarks that combine to produce them. The human mind emerges from and cannot exist without the electrochemical synapses in the brain, but it has characteristics different from them and can act back upon them. And, most importantly for the economics, social structures emerge from the actions of individuals and require the participation of individuals for their continued existence, but structures have an independent existence and independent causal effects in the lives of those individuals, at times contrary to the intentions of those who might have consciously created the structures in the first place. The implication for economics here is that the market is a social structure that emerges from individual activity (both intra-market behavior and extra-market influences like rule-setting by government) and has independent causal impact back on those individuals.

3 What Is a Social Structure?

The central insight of critical realism is that science is about describing real things in the world and the real relations among them, not simply our sense perception of all this. Thus, in social life, critical realism judges any individualistic interpretation of economic life—what is often called methodological individualism—to be deeply inadequate, because it focuses on the decisions of individuals and largely ignores the independent causal impact of the relations into which individuals enter. Still, the implications of this conviction for how to describe the structural relations within which market activity occurs have so far been largely unexamined by critical realist economists.

Tony Lawson argues that “the essence of science lies in the move, at any one level, from some manifest phenomenon to the structures which generate it” (1997, p. 52). An understanding of real structures is clearly important to him. And because the market is itself a social structure, economists who are committed to a critical realist approach to economics should begin, one would think, by asking critical realist sociologists for advice about the character of social structures. Lawson and many others allied with him have not yet done this. This essay will next briefly summarize some of the elements relevant to economics in the work of critical realist sociologists.
The British sociologist Margaret Archer provides a critique of the individualism that characterizes much of social scientific research (1995, pp. 33–64). Consider the claim often heard after a national election that “the people have spoken.” While there is much truth to this claim, it is also true that the outcome of the election—which party has how many seats in the legislature—is heavily influenced by the rules for elections and the way in which voting districts are constructed. The people speak in elections, but only within the causally efficacious constraints of social structure.

A similarly individualistic error is committed in the microeconomic theory at the center of the neoclassical paradigm when economists model economic activity in markets simply by tracing it to the utility-maximizing decisions of consumers and the profit-maximizing decisions of producers, first mathematicised by Leon Walras’ general equilibrium analysis (Walras, 1874). These, of course, are the essential causal mechanisms identified in the neoclassical paradigm and the general equilibrium analysis which is its foundational model. There is no claim here that the neoclassical analysis is simply wrongheaded, either in whole or in part. It is frequently quite insightful, both in economic and non-economic matters.

Many economists, including many readers of this journal, work hard to stretch this basic framework to more adequately explain what goes on in economic life, for example, by adding altruistic elements to the utility function or relaxing its assumption that the elements in this function are exogenously determined. Such efforts, and behavioral economics in particular, have provided significant insight. But as Andrew Yuengert has argued, for all its insight, economics has its limits and it is a mistake to assume “that anything can be modeled if economists are inclined to model it” (2012, pp. xi–xii).

Archer articulates the critical realist view in sociology that only persons are conscious agents but that social structures have causal impact by means of the opportunities, restrictions, and incentives which they present to individuals who operate within them (Archer, 2014; Morandi, 2011). But what is a social structure? Even within the sociology of economics, this question is often avoided. Leading economic sociologist Mark Granovetter, not a critical realist, has not defined a social structure explicitly, but talks of the embeddedness of markets within structures as a way of improving on the neo-classical explanation of such things as “sticky” prices (Granovetter & Swedberg, 2001, pp. 13–14).
American sociologist Douglas Porpora has described the four basic options within sociology for understanding the character of social structures. Some schools of sociology have seen structures as simply “patterns of aggregate behavior,” while others describe them as “law-like regularities that govern the behavior of social facts.” Others see them as largely “collective rules” structuring human behavior. The critical realist approach, taken by Porpora, understands social structures as “systems of human relations among social positions” (1989). Let us first consider a non-economic example: a university.

A university is a social structure that contains many different kinds of relations, but the most basic is that between professor and student in the classroom. Here, one person enters into the social position of professor and others into the social position of student. The relation between the two positions is ontologically real and it generates restrictions and opportunities, which are experienced by the persons involved as incentives, and these have causal impact on the persons who enter those positions. The ontological reality of these relations represents an important distinction between the analysis presented here and that offered by Granovetter, who sees this interpretation as a reification of the relations that make up the market as a social structure. Critical realism articulates a stronger causal link.

Consider a new Ph.D. who takes a first job at an economics department. As that young assistant professor first enters a classroom, he encounters a number of restrictions built into the position of university instructor. There are departmental requirements for what topics he must cover in an introductory course, university requirements that he must give grades to his students at the end of the term, and legal requirements that may threaten dismissal if he makes sexual advances toward his students. Just as importantly, however, there are student expectations of professors that are a restriction as well. He needs to prepare for each class, and he must assign readings, hold office hours, and provide answers to the students’ questions. The students, on the other hand, also face restrictions. They must read what the professor assigns, take tests on the days scheduled, and sit respectfully in class taking in what the professor says.

Such restrictions do not operate in a deterministic way. Neither faculty member nor student is forced to do anything. The assistant professor could come unprepared to class or the student could refuse to do the
reading, but these restrictions mean that each would pay a price. The
pre-existing relation between the position of professor and the position
of student exercises its causality through the choices of persons who take
on those positions.

Similarly, the relation of professor and student generates opportunities
for those who take on those positions. Our new assistant professor
gets to structure the class, invent creative ways to explain economics to
the uninitiated, and devise his own grading criteria (though within the
general restrictions of the department and student expectations). Stu-
dents face the opportunity to learn from a well-informed economist and
to contribute to their earning of a college degree. Here too, this relation
among positions has causal effect in a non-deterministic way, by holding
out possibilities that can be taken up (or not) by the persons involved.

Objectively, social structures generate restrictions and opportunities. From a subjective point of view, these are experienced by the individual
as incentives (or disincentives).

Either professor or student could resist the causal impact of restric-
tions, opportunities, and incentives, but this will indeed have other, typi-
cally negative, effects in their lives. This, of course, is how social structures
are maintained. Because resistance entails a price, most people most of
the time make decisions that avoid significant costs and provide significant benefits. They “go along” and sustain the existing social structure
by their compliance. (Resistance to restrictions and even transformation
of social structures does occur, of course, but these matters will be left
unexamined due to constraints of space.)

To summarize, only persons are conscious agents but social structures
have independent causal impact upon the decisions of agents by
means of the opportunities, restrictions, and incentives which are emer-
gent characteristics of the relations among social positions that consti-
tute those structures. This causal impact is not deterministic. Any person
can ignore opportunities, resist restrictions, or act counter to the incen-
tives he or she faces. But in each case that person will be worse off for
doing so and this basic fact of life is the source of the causal power—and
stability—of social structures.

4 The Market as a Social Structure

Mainstream economists will be quite amenable to this talk of individ-
uals making decisions in the face of opportunities, restrictions, and incentives. Economists, of course, think of prices as having exactly these effects. Business firms exist because their owners understand that at current prices they face an opportunity to purchase all the inputs necessary and sell their products at a profit. When consumers find their buying power restricted by the rise in the price of some product they currently purchase, they typically respond by consuming less of this product, often substituting another now-relatively-cheaper product that provides comparable utility. Both critical realists and neoclassical economists understand agents as making decisions to accomplish their goals within the opportunities, restrictions, and incentives they face in markets.

In addition, many economists in the history of the discipline have pointed to the importance of non-economic factors underlying markets. Joseph Schumpeter famously cautioned that the logic of markets tends to undermine the moral commitments that make markets possible (Schumpeter, 1942). Heterodox economists have insisted on the social and cultural factors that are entailed in the creation and operation of markets (Garcia-Parpet, 2007).

But most economists will have to stretch to wrestle with the underlying insight—the “realism” in critical realism—that these opportunities, restrictions, and incentives are not simply present in a sort of disembodied opportunity set, as neoclassical economics describes them. Nor are they simply presented by one individual or group of individuals to another, as methodological individualism would have it. Rather, they are generated by relations that are ontologically real, in the sense that the relation between the position of professor and the position of student is real.

Many economists think of prices as simply generated by the abstract interaction of supply and demand. But the history of economics as a discipline demonstrates well that this abstract interaction is dependent upon real people negotiating prices in the market. Adam Smith talked about “the higgling and bargaining of the market” (1776, p. 31). Leon Walras pictured an auctioneer calling out prices to potential buyers and sellers through a process of “tâtonnement” (French for “trial and error”), eventually finding the market-clearing price for all commodities (1874). Critical realist sociology offers economists a scientifically founded model of social structures that roots the theory of supply and demand in the real relationships into which people enter.
Put concretely, when a freeze in Colombia damages this year’s coffee crop, the eventual rise in price of a cup of Colombian dark roast at a coffee shop in the United States begins with the very real negotiation between the person who holds the position of sales manager at a particular coffee plantation and someone else who holds the position of purchasing agent for an international coffee company (and, of course, there are multiple plantations and several coffee companies). This is why we must be clear that the price does not rise “because of the law of supply and demand.” That “law” is helpful, but it is only economists’ attempt to summarize the causal forces at work in the market; it has no causal force of itself. The price rises because of decisions that occur all along the chain of relations among positions from plantation/coffee company to coffee shop/customer.

From the critical realist perspective, each market is a social structure. That is, it is a system of social relations among pre-existing social positions, and individual persons move into and out of various positions in multiple markets during the ordinary activity of the day. A typical person might go to work in the morning (entering into the position of subordinate to one’s boss) and stop to buy gasoline on the way home (paying at the pump and taking on electronically the position of customer in relation to the clerk inside). She may also that evening take on the position of citizen and send an email to her US senator endorsing a proposal to alter the current laws structuring the market for fossil fuels.

One great advantage of the critical realist view of markets is that it allows heterodox economists to accomplish one of their goals: to more seamlessly attend to the institutional characteristics of markets that the neoclassical model eclipses. Rather than seeing institutional features as simply background conditions for the price system, both prices and other structural influences arise from the same source.

The easily-monetized opportunities, restrictions, and incentives—largely prices—that neoclassical economists tend to focus on are generated by the same real relations among social positions that generate the non-monetary causal impacts that, say, a business owner faces. A firm will be worse off if it ignores prices, of course, but it also won’t survive if it ignores the restrictions imposed by various civil laws (concerning the treatment of workers, the character of contracts, the standards for financial reporting, etc.) or the restrictions entailed in the minimal expectations of workers in this market (concerning the frequency of bathroom breaks or
For many decades now, the calendrical five-day workweek has allowed business firms to respect the traditional work restrictions of Christian and Jewish religious culture without really noticing them as restrictions. The appearance of large numbers of American Muslims in the workforce, and their insistence on a place and time for prayer during the workday, has made such economically relevant religious restrictions more noticeable. Although the neoclassical model privileges prices, they are but one of a multitude of opportunities, restrictions, and incentives generated by the relation of social positions that constitute the market.

The Italian sociologist Pierpaolo Donati has criticized the “black box” approach to markets, the reluctance of neoclassical economics to investigate the character of markets (2014, pp. 63–66). What occurs inside this black box is invisible, and as a result some options faced by consumers and producers are ignored by many economists. For example, workers can try to alter the restrictions they face through unionizing, and consumers are also citizens who can influence whether and how the rules governing markets can prevent abuses in the production of the products they buy. These are exactly the kind of concerns whose absence from the basic neoclassical economic paradigm heterodox economists have long lamented.

The critical realist analysis of markets as social structures also allows for a more adequate description of the far-flung character of global markets. There is, of course, a growing economic literature on fair trade markets and supply chains (Dragusau, Giovannucci, & Nunn, 2014; Hayes & Moore, 2005; Ciscel & Smith, 2005), and a very large literature in business ethics on the relation of supply chains and corporate social responsibility (Doorey, 2011; Strand, 2009; Park-Poaps & Rees, 2010). Yet here too the critical realist view of markets as social structures can strengthen the analysis.

Let us return to the example of a typical consumer who goes to a Macy’s department store to buy a shirt that has been manufactured in Bangladesh. Here the person enters into the pre-existing position of consumer which is in social relation to the position of clerk, in a long chain of social relations among pre-existing positions that extends from the consumer to the seamstresses. (For simplicity, we ignore offshoots from many links in the chain to suppliers of inputs at each stage.)

The consumer interacts with the clerk in the department store and
each faces opportunities, restrictions, and incentives built into the consumer/clerk relation, elements that exist independently of the two particular persons interacting with each other. To take but one example, the consumer at Macy’s is not free to bargain over a price, even though in some places in markets such haggling is quite acceptable. The clerk also faces restrictions—for example, the need to be unflappable even in the face of an irresponsibly irate customer, perhaps something she might never do in other parts of her life.

In turn, the clerk has a relation with her supervisor, who has a relation with the store manager, who has a relation with the corporate purchasing manager who decides which shirts Macy’s will offer for sale. This person has a relation with the sales manager of a clothing brand, who in turn has a relation within that firm with corporate buyers, who deal with the owner of a clothing factory who is in relation with the floor supervisor who oversees the work of the women who sew the shirt our consumer buys.

Each one of these relations between pre-existing social positions is ontologically real and is one link in a long chain of causally structured relations that relay price signals up and down the market for shirts. Neoclassical economics shows little interest in how such a market works, as if the only thing that mattered is that there is a price for and availability of shirts. But if we look inside the black box of the market we can clearly tell that each of these links that make up that long chain of relations includes a number of economically important opportunities, restrictions, and incentives, and each link is causally dependent upon and causally integral to what we call the market for shirts. How individual agents react to the opportunities, restrictions, and incentives in each of these relational links is critically important for whether and how the market for shirts operates, and market prices are only part of the economic picture. This insight provides the rationale for attention to institutional form and cultural influence on economic life that heterodox economists have long insisted upon.

Many people outside of economics, particularly those committed to reducing economic injustice in the world, criticize international trade as the fundamental cause for a variety of disasters in developing nations, such as factory fires or the collapse of factory buildings. Economists understand the benefits of international trade in ways most others do not, and this is a real advantage. Yet economists often judge the arguments against trade as simply shallow and uninformed. From the mainstream
point of view, the lack of, say, fire escapes that contributed to fatal factory fires is usually understood as a form of government failure to enforce fire codes or managerial irresponsibility, not the fault of the market itself. This view, however, is insufficient.

A more adequate, structural analysis acknowledges the role that markets themselves also play in such disasters through the opportunities, restrictions, and enablements they generate. Following the November 2012 death of 112 garment workers in the worst industrial fire in the history of Bangladesh, the Wall Street Journal (2012) reported the testimony of one of the managing partners of the firm that owned the factory. He made clear the role of market forces in the disaster: “It’s hard to continue to improve factory compliance and safety when there is ever increasing downward pressure on the prices that global retailers are willing to pay.” Such a factory owner is in a pre-existing social position of supplier of textiles and is thus in relation to others in the position of buyer for large retailers, and he faces the restrictions generated in that relation, including the threat to buy from other sources. Although mainstream economics speaks abstractly of market competition pressing firms toward greater efficiency, the causal power of prices occurs in every link in the chain, here within the relation of supplier and buyer, and that power can cause harms to workers by threatening the economic well-being of those who own productive assets.

The last step in the analysis occurs outside of economics. The real causal link between my purchase of a shirt in a department store and the harms suffered by the seamstresses who made it provides a critically important fact to both ethicists and citizens in their inquiry as to whether my purchase of the shirt generates a moral obligation on my part to allay the suffering of those women and/or to press for a more just factory for them to work in.

A final note is appropriate concerning policy, or more broadly concerning what can be done if, after a moral judgment, one decides that something ought to be done. Following a suggestion from Donati, we could distinguish conceptually three different temporal phases. The first concerns what occurs “before” a person engages in market behavior. Here, for example, both political conservatives and liberals can agree that one way to improve the circumstances of producers in the developing world is for consumers to join together and purchase products appropriately certified by “fair trade” nongovernmental organizations. The
second concerns what occurs “after” market interactions. Here liberals more than conservatives endorse efforts by governments (and both may endorse efforts by civil society organizations) to assist those market participants who have been harmed by markets. For example, Democrats far more than Republicans support governmental funds to be used in “trade adjustment assistance,” providing retraining and/or relocation funds to US citizens whose jobs have been lost to international trade.

Third, facilitated by the critical realist view of markets as a social structure, there are changes that can occur within the black box of the market. Whether initiated by organized labor, anti-sweatshop consumer pressure on clothing manufacturers, better government enforcement of labor laws in Bangladesh, or the creation of more responsible “economy of communion” firms (Bruni, 2002), what happens “inside” markets can also be altered for the better.

5 Conclusion

The critical realist approach to economics described in this essay promises five contributions of interest to readers of this journal: insights in particular subfields of economics, a grounding of neoclassical supply and demand explanations in real relations in the market, connecting economics today with its more practically based historical roots, a methodology that understands the impact of both prices and institutional forces as arising from the same source, and a better causal account of market harms that can thereby provide a better foundation for moral judgments outside of economics.

Every market is a social structure, a long chain of relations among pre-existing social positions. Market relations—whether between the consumer and the clerk at Macy’s, or the seamstress and her supervisor in Bangladesh—are structured, with a variety of opportunities, restrictions, and incentives to be faced by any person who takes on one of those pre-existing social positions.

The seamstress and the customer at Macy’s are causally connected by the long chain of relations we call the market for shirts. Each link in that chain is causally dependent upon and causally critical to the cooperation at a distance which the market makes possible. This means that the consumer and the seamstress are causally present in each other’s lives.

Economists are not well equipped to make a judgment about the
moral responsibility a consumer may incur by purchasing a shirt at Macy’s. However, economists ought to be able to describe the chain of causal relations linking that consumer to the seamstresses in Bangladesh who made the shirt he buys. Critical realism provides an explanation of those causal connections, and holds out the possibility of a re-conceived view of the market as a social structure that allows Christians to articulate the causal foundations for moral judgments about our responsibilities in a globalized world.

Endnotes

1 One significant difference between Porpora and Lawson here is that, for Porpora, these relations are ontologically real “things” in the world, while Lawson has explicitly denied that social structures are things at all (Lawson & Garrod, 200, p. 240).
2 Private email exchange with the author, February 18, 2014.

References


