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# Grounded Theory and Heterodox Economics

By Frederic S. Lee, Ph.D.

# Abstract

The dominant theory in the discipline of economics, known as neoclassical economics, is being challenged by an upstart, known as heterodox economics. The challengers face many obstacles, the most significant of which is the actual creation of an alternative economic theory. However heterodox economists have not settled on what the methodology of theory creation should be. The aim of this paper is to advocate that the method of grounded theory is the best set of guidelines for theory creation. In addition, I shall argue that the grounded theory method results in the creation of heterodox economic theories that are historical in structure, content and explanation.

# **Grounded Theory and Heterodox Economics**

The dominant theory in the discipline of economics, known as neoclassical economics, is being challenged by an upstart, known as heterodox economics. Heterodox economics can be understood in two ways. The first is as a collective term of many different approaches to economic analysis, such as radical and Marxian economics, Post Keynesian economics, institutional economics, feminist economics, and social economics. Each of these approaches rejects various methodological and theoretical aspects of mainstream economics, including supply and demand curves, equilibrium, marginal products, deductivist approach to theory creation, methodological individualism and the optimality of markets. Because the different approaches utilize somewhat different theoretical arguments and methods of theory creation, there has been little progress over the last forty years towards developing an encompassing theoretical alternative to mainstream theory. But in recent years, this fragmentation among the heterodox approaches has declined as heterodox economists have taken positive steps towards developing a coherent synthesis. This activity has generated the second meaning for heterodox economics; that of referring to the development of a coherent theory that is an alternative to and replacement for mainstream theory. This alternative theory is based on the view that the discipline of

economics should be concerned with explaining the process that provides the flow of goods and services required by society to meet the needs of those who participate in its activities.

Heterodox economists believe that any explanation or theory of the social provisioning process must be grounded in the real world of actual historical events, must incorporate radical uncertainty and social individuals, and must tell a causal analytical story. Consequently, they reject the method of theory creation and development utilized by mainstream economists which is based on positivism, empirical realism, and deductivism. Numerous suggestions for an alternative method of theory creation have been raised by heterodox economists, but none have been widely accepted; and without a widely accepted method, progress towards developing an alternative heterodox theory will be slow indeed. The aim of this paper is to overcome this roadblock by advocating the method of grounded theory as the best set of guidelines for the creation of heterodox economic theory. In addition, I shall argue that the grounded theory method results in the creation of heterodox economic theories that are historical in structure, content and explanation. Thus, the first section of this paper will delineate the method of grounded theory. This is followed, in the second section, by a discussion of three methodological issues--the nature of data. the role of case studies, and mathematics and models--as they relate to the grounded theory method. The final section concludes the paper with a brief discussion of the historical nature of grounded economic theories.

# The Method of Grounded Theory

To develop a theory that analytically explains causally related, historically contingent economic events, the critical realist heterodox economist needs to identify and delineate the structures, causal mechanisms, and causal processes producing them. The best methodological guideline for creating causally explanatory theories is the *method of grounded theory*. The method of grounded theory can be described as a process in which researchers, or more specifically economists, create their theory 'directly' developed from data (which are not the same as the 'objective facts' of the empiricist); and in which data collection, theoretical analysis, and theory building proceed simultaneously.<sup>1</sup>

The use of the method begins with the economist's becoming familiar

with, but not dogmatically committed to, the relevant theoretical, empirical, and historical literature that might assist him/her in approaching, understanding, and evaluating the data relevant to his/ her research interest. Then, one engages in 'field work' by collecting comparable data from economic events from which a number of specific categories or analytical concepts and their associated properties are isolated and the relationships between them identified. With the concepts and relationships empirically grounded in detail, the economist then develops a theory in the form of a complex analytical explanation based on the data's core concepts. An essential property of the theory is that it explains why and how the sequence of economic events represented in the data took place.

Hence, the economist does not attempt to construct a simplified or realistically deformed empirically grounded theory by ignoring or rejecting particular data. Rather, s/he endeavors to capture the complexity of the data by establishing many different secondary concepts and relationships and weaving them together with the core concept into structures and causal mechanisms. This ensures that the resulting theory is conceptually dense as well as having causal explanatory power. The process of selecting the central concepts and developing the theory brings to light secondary concepts and relationships that also need further empirical grounding, as well as suggesting purely analytical concepts and relationships which need empirical grounding if they are to be integrated into the theory. After the theory is developed, the economist will evaluate it by seeing how it explains actual economic events.

Let us now consider aspects of the grounded theory method in more detail. First, the collection of data is a complex task that involves collecting the data themselves, that is counting up pieces of data, as well as constantly comparing, analyzing, and interpreting the data collected while simultaneously organizing them into conceptual or generalized categories. The categories that emerge come from the data themselves, not after they are all collected, but in the process of collecting them. Consequently each category is tied to or empirically grounded in its data; and since the data are real, observable, measurable, so is the category.<sup>2</sup> Moreover, since the data lie in time and history, each category is anchored in a particular historical setting. In addition, the purpose of constant comparison of the data is to see whether they support and continue to support emerging categories. Thus, each category that becomes established will have been repeatedly present in very many comparable pieces of data

derived from multi-sources. In this way, individual pieces of data that would not be significant on their own obtain a collective, emergent significance. The categories that emerge are of two types: one that is derived directly from the data and the other that is formulated by the economist. The former tends to denote data self-description and actual processes and behavior while the latter tend to denote explanations.<sup>3</sup> In addition, each category will have properties also derived from data in the same manner, that is using constant comparisons. The more properties a category has the denser and hence the more realistic it is. A grounded theory category does not ignore the complexity of reality; rather it embraces it.

In the process of collecting data, the economist may feel that what is being collected is not revealing additional properties of a specific kind that s/he believes, owing to his/her familiarity with the relevant theoretical, empirical, and historical literature, might exist. As a result, s/he will engage in theoretical sampling. This involves sampling or collecting data that are expected to increase the density of a specific category by producing more properties, as well as increasing the number of pieces of data supporting each of the properties hence making it more definitive and analytically useful. Theoretical sampling and collection of data for a single category, as well as for a range of categories, continues until theoretical saturation is reached, that is when no new data regarding a category and the relationships between the categories continue to emerge. The significance of this empirical grounding process is that the categories cannot be unrealistic hence false since they are derived from the data. If the data collection and theoretical sampling is incomplete then the categories will not be adequately dense. as relevant properties will be missing; thus such categories will be incompletely realistic. On the other hand, if future data emerge which the empirical grounding process shows do not fall into a previously existing category, then that category is not relevant, but it is not empirically false.

Once the real, observable categories are delineated and grounded, the economist, perceiving a pattern of relationships among them, will classify some directly as economic structures and others as components of economic structures. Continuing the practice, other categories that centered on human motivation and action and a set of outcomes will be woven together into a causal mechanism. The resulting structures and causal mechanisms will be real, observable as opposed to unreal, metaphoric, and hidden. That is, to observe

a structure or causal mechanism is to observe the working together of its observed concrete components, including the human actions involved, much as a family is observed through the interaction of its members. Hence structures and causal mechanisms are real, observable precisely because their categories are real and observable.

Given the research interest of the economist, s/he will select from the causal mechanisms identified, one as the central causal mechanism around which the structures and secondary causal mechanisms with their outcomes are arranged. Criteria for selecting the central causal mechanism from among a number of possible causal mechanisms include that it appears frequently in the data as a cause of the outcomes, that it has clear implications for a more general theory, and that it allows for complexity. Thus the causal mechanism is central to the narrative to be analytically developed in conjunction with the economic structures and secondary causal mechanisms. More specifically, the narrative is not a description of present or a recounting of past unique and/or semi-regular economic events, although both techniques of presenting empirical and actual economic events are included in the narrative. Rather, it is a complex analytical explanation of those described or recounted events. Even when the basic narrative is decided upon, its development will involve further theoretical sampling and collecting of data as new properties for the existing structures and causal mechanisms emerge. Consequently, the narrative evolves into an economic theory while at the same time becoming increasingly dense (in terms of properties and empirical grounding) as well as increasingly complex.

The complexity arises because of the variations in the categories and in the properties of the categories that make up the theory. The grounded economic theory that eventually emerges is a complex analytical explanation or interpretation of the actual economic events represented in the data. Thus the theory is not a generalization from the data, but of the data; that is, a grounded theory does not go beyond the data on which it is based--it does not claim universality or the status of an empirical-theoretical law. Moreover, with the grounded theory in hand, the heterodox economist can directly "see" the causal mechanisms and structures and "hear" the economic actors determining the empirical and actual events—the mysterious and unintelligibility is replaced by clear explanation. Moreover, being a weave of a central causal mechanism, secondary

causal mechanisms, and economic structures designed to explain actual economic events in historical time, the theory also consists of descriptively realistic (as opposed to stylized or fictionalized) descriptions of economic events and accurate narratives of sequences of economic events. As a result, the grounded economic theory is an emergent entity, a concatenated theory that cannot be disassembled into separate parts. Hence the question of logical coherence of a deductivist kind cannot be applied to a grounded theory; instead the coherence of the theory is judged on how well its explanation corresponds to the actual historically contingent economic events.

Economic theory centered on a single central causal mechanism is classified as a substantive economic theory since it is an explanation of a single basic economic process that occurs widely in the economy. From a number of substantive theories, a formal economic theory can be developed into a general or holistic theory where the relationship or pattern among the substantive theories is its analytical explanation. As in the process of grounding the substantive economic theory, the formal theory also has to be grounded. In particular, the relationships between the substantive theories that constitute the formal theory need to be grounded in data assisted and directed by theoretical sampling. Consequently, the formal economic theory is grounded, historically contingent, and its analytical explanations are not empirical extrapolations. As the economic world is not static, a formal theory is never complete, but undergoes continual modification with ever newer data relating to newly emerging patterns or configurations of economic reality.

There are two aspects of the grounded theory method that need further delineation. The first deals with the role of pre-existing ideas, concepts, and categories, that is, the issue that all observations, data and descriptions are theory laden. To use the method fruitfully, the heterodox economist must become familiar with the contemporary theoretical and non-theoretical literature, the controversies between economists, and the relevant literature from the history of economic thought. In particular, s/he needs to make a detailed and critical investigation of the pre-existing heterodox ideas and concepts to see which lend themselves to empirical grounding. S/he also needs to be familiar with some of the empirical literature as well as with the relevant literature from economic history. By acquiring a critical awareness of the pre-existing economic theories and empirical findings, the economist acquires a theoretical sensitivity regarding

the data and theoretical concepts s/he will be examining, comparing, and empirically grounding. As a result, the economist will have the ability to recognize what might be important in the data and to give it meaning as well as recognizing when the data do not support a preexisting concept or category, requires a large or small transformation of the pre-existing concept or category, or 'produce' a new category. Thus, the grounded theory method not only recognizes that observations, data, and descriptions are theory laden, it reinforces the latter by demanding that all economists enter into theory creation as theoretically knowledgeable and aware individuals, as well as with the conviction that the creation of a new substantive economic theory will most likely require them to set aside forever some of that acquired knowledge. By acknowledging the issue of theory-laden observations while at the same time demanding that the economist be skeptical of all pre-existing theory, the grounded theory method is a highly self-conscious, engaging and open-minded approach to economic research, data creation-collection, and theory building.

The second aspect deals with evaluating a grounded theory. It is noted above that, since the categories that constitute the theory are intimately linked with the data, the grounded theory itself can not be falsified. More specifically, because a grounded theory is developed with the empirical data rather than prior to it, it does not stand independently of the data. Thus, it is not possible to test for the truth or falsity of a grounded theory by checking it against independently given empirical evidence. But a grounded theory can be evaluated by how well it explains actual economic events; that is, how well it identifies empirically and weaves together the causal mechanisms, structures, and descriptions into a narrative of the economic events being explained. In short, a grounded theory refers to real things, represents real entities, and is evaluated on how well it corresponds to the causal way the economy actually is. The evaluation process takes place within a community of scholars, in that papers delineating tentative drafts of the theory are presented to colleagues at conferences and seminars for critical comments; and more refined presentations of the theory are published where colleagues have the opportunity to point out inadequacies. Through this cooperative process of economic-writing, economic-reading, and critical commentary, the community of heterodox economists arrives at adequate theories. Consequently, a grounded theory is, in the first instance, only as good as its categories. If the data selected do not cover all aspects of the economic event(s) under investigation; if the economist compiles categories and properties from only part

of the data collected or forces data into pre-determined categories; if the density of the categories is small or the relationships between categories under-grounded due to incomplete data collected; if the economist chooses the 'wrong' central causal mechanism; and/or if the narrative is static, terse, unable to fully integrate structures and central and secondary causal mechanisms and relatively uncomplex, then the commentary of critics will make it clear that the economic theory is poor, ill-developed hence to a greater or lesser extent unrealistic, and unable to provide a comprehensive and convincing explanation of actual economic events. As a result, the economist will have to begin the theory creation process anew.

A second way to evaluate a grounded economic theory is to see how well it deals with new data. That is, the relatively enduring structures, causal mechanisms and their outcomes of a grounded theory are based on data collected in a specific time period. Thus, it is possible to evaluate whether they have remained enduring outside the time period by confronting them with 'new' data derived from replicating studies, especially data from actual events that at first glance appear to fall outside existing categories and not to support expected transfactual results. If the new data fall within the existing categories and conform to the transfactual results, then the structures and causal mechanisms have been relatively enduring.<sup>4</sup> On the other hand, if the new data falls outside the existing categories and not supporting the transfactual results, then at least some of the structures and causal mechanisms have changed. Consequently, the existing grounded economic theory needs to be modified or replaced by a completely new one. Therefore, theory evaluation in the grounded theory method based on the introduction of new data is designed to check the continual correspondence of the theory with the real causes of ongoing unique and semi-regular economic events. Hence, it is essentially a positive way of promoting theory development and reconstruction as well as new theory creation when the correspondence between theory and events breaks down.

The fact that a good or poor research process leads to better or worse grounded economic theories indicates that choices made by economists do affect the final outcome. Therefore, within the grounded theory method it is possible, although not likely, to have good but different substantive and formal economic theories for the same economic events. Given the same categories, a different choice of a central causal mechanism will produce a different theory;

or if the same central causal mechanism is used but integrated with different structures and secondary causal mechanisms a different theory will also be produced. However, since their theories concern causal historical events, heterodox economists do not accept the possibility that there is no empirical data that could distinguish between two incompatible theories. Thus, following the same procedures as above, the way forward for the grounded theorist would be to collect new data to see which of the two theories they support supplemented by critical commentary from colleagues. Hence, although the procedures used are the same and the data collected are, in principle, the same, checking the continual explanatory adequacy of a grounded theory is a different activity from choosing between two different theories, for the former produces a historically linked sequence of grounded theories, while the latter concludes that one of the two theories was not an explanation after all. [Annells, 1996; Glaser and Strauss, 1967; Conrad, 1978; Turner, 1981 and 1983; Charmaz, 1983; Strauss, 1987; Konecki, 1989; Strauss and Corbin, 1990 and 1994; Corbin and Strauss, 1990; Glaser, 1992; Dey, 1999; Finch, 1999 and 2002; Tsang and Kwan, 1999; Bigus, Hadden, and Glaser, 1994; Tosh, 1991; Diesing, 1971; Wilber and Harrison, 1978; Fusfeld, 1980; Wisman and Rozansky, 1991; Boylan and O'Gorman, 1995; Atkinson and Oleson, 1996; Runde, 1998; Saver, 1992; Megill, 1989; Emigh, 1997; Maki, 2001; McCullagh, 2000; Hunt, 1994; Pentland, 1999; and Ellis, 1985]

### **Methodological Issues**

The grounded theory method of theory creation effectively dismisses not only the traditional issue of the "realisticness" of assumptions but also the role of assumptions in theory creation and development. That is, since assumptions as a basis for theory creation are not part of the grounded theory method and hence not grounded in the real world, the degree of their "realisticness" or their adequacy as a logical axiomatic foundation for theory is not a concern. This implies that logical coherence is irrelevant for evaluating grounded theories. Moreover, because the role of theoretical isolation in traditional theory building and theorizing is dependent on assumptions, their absence in the grounded theory method means that grounded theories are not isolated theories that exclude possible influencing factors. The combination of structures and causal mechanisms with the grounded theory method produces theories that include all the relevant factors and influences, are historically contingent and exist in 'real' space. To exclude some factors would leave

the mechanisms, structures, and theories insufficiently empirically grounded; and to claim to establish laws and certain (timeless) knowledge would remove the mechanisms, structures, and theories from the real world economic events they are to explain. Thus, grounded theory results in theories and theorizing fundamentally different from the traditional mode. In particular, it means that heterodox economic theory is not an axiomatic-based approach to theory creation, does not use deductivist methods to create theory, and rejects every method of theory creation that is not empirically grounded. This means that heterodox theory is very different from neoclassical theory (or any other axiomatic/assumption-based theory) and that neoclassical theory has no empirically grounded meaning. On the other hand, their integration produces its own set of methodological issues, centering on the nature of data, the case study method, and mathematics and economic models. [Spiethoff, 1953; and Maki, 1998]

### Data

Originally, the grounded theory method was developed as a way to utilize gualitative data to build a theory; however, the use of quantitative data was not excluded. As economists are interested in developing historically grounded explanations of past and present economic events, their possible sources of data include all existing written, recorded, physical, and guantitative records. Since existing data sources might provide an incomplete record of economic events, the economist must also utilize different research strategies--such as surveys, interviews and oral statements, ethnographic and industrial archaeology studies, guestionnaires, mapping, direct observation, participation in activities, fieldwork, and statistical analysis--to create new gualitative and guantitative data. For example, when it is important to explain how and why particular business decisions are made and who made them, the economist will need to create narrative accounts of relevant lived-historical experiences embedded within the cultural milieu of particular business enterprises. Thus s/he will need to examine letters and other written documents, undertake interviews and other oral documentation, and possibly engage in participant observation in which the economist may directly engage with, for example, the enterprise in the process of collecting data. What constitutes appropriate data depends on the object of inquiry; but it is important that much of the data deals with process, intentionality and their outcomes. Consequently, real, observable, and measurable

categories, hence real, observable, and measurable economic structures and causal mechanisms, are empirically grounded in both qualitative and quantitative data obtained from various sources (Goulding, 2002).

### Case Study

The conceptual categories that make up grounded theories are based on an array of comparable data generated by case studies. A case study is defined as an in-depth, multifaceted investigation of a particular object or theme where the object or theme gives it its unity. The object or theme can be historical or a current real-life event and the study will use several kinds of qualitative and quantitative data sources. For example, the theme of a case study can be the pricing procedures used by business enterprises; consequently the case study will be the collection, comparison, categorization, and tabulation of pricing procedures obtained from various empirical pricing studies along with a critical narrative that examines and integrates the data. Thus, the case study approach is the principle method of qualitative and quantitative data collection and comparison used to develop categories, structures, and causal mechanisms. Moreover, by providing information from a number of different data sources over a period of time, it permits a more holistic study of structures and causal mechanisms.

A case study does not stand-alone and cannot be considered alone; it must always be considered within a family of comparable case studies. If the economist is faced with a shortage of case studies, the response is not to generalize from them but to undertake more case studies. Moreover, theoretical sampling is specifically carried out through case studies in that the economist makes a conscious decision to undertake a particular case study in order to increase the empirical grounding of particular categories. Thus a case study can be of an individual business enterprise and the theme of the study can be to delineate the complex sets of decisions regarding pricing, production, and investment and to recount their effects over time. On the other hand, it can be concerned with a particular theoretical point, such as pricing, examined across many different case studies of different enterprises. The different cases not only provide comparable data for comparisons but also descriptions of structures and causal mechanisms and a narrative of the causal mechanism in action over time. A third type of case study is a narrative that explains an historical or current event. The narrative includes

structures and causal mechanisms which, when combined with the history or facts of the event, explains how and why it took place. Hence, this type of case study is both a historical and theoretical narrative, an integration of theory with the event. Consequently, it provides a way to check how good the theory is and, at the same time, contributes to its grounding and extension. A robust substantive theory is one that can be utilized in an array of case studies of historical and current events.<sup>5</sup> [Smith, 1998; Stake, 1998; Eisenhardt, 1989; Orum, Feagin, and Sjoberg, 1991; Wieviorka, 1992; Vaughan, 1992; Finch, 1999 and 2002; Yin, 1981a, 1981b, and 1994; George, 1979; Glaser and Strauss, 1994; and Sayer, 1992]

### Mathematics and Economic Models

Mathematics and economic models are useful as tools and instruments that can contribute to the development and evaluation of causal mechanisms and grounded theory. Their uses are, however, restricted since the method of grounded theory prescribes that the type of mathematics used and economic models constructed are derived from (as opposed to being imposed upon via analogy or metaphor) the empirically grounded theories being developed. Consequently, the economic model reflects the narrative of the theory from which it is derived. To translate a grounded theory into an economic model, its structures and causal mechanisms (which embody accurate measurements and observations) have to be converted, as far as possible, into mathematical language where each mathematical entity and concept is in principle unambiguously empirically grounded, meaning in part they also have to be measurable and observable. As a result, the mathematical form of the model is determined and constrained by the empirically grounded structures and causal mechanisms, and hence is isomorphic with the theory and its empirical data. This relationship between mathematics and empirically grounded theory is similar to the late 19<sup>th</sup> century view in which mathematical rigor was established by basing the mathematics on physical reasoning resulting in physical models. However, the difference here is that rigor results when the mathematical model is based on social reasoning represented by empirically grounded theory. In this manner, mathematical modelbased analysis remains subjugated to the study of economic activity. Thus, while mathematics helps illuminate aspects of the grounded theory and making clear what might be obscure, it does not add anything new to the theory, that is, it does not by itself produce new scientific knowledge.

One implication is that the model's mathematical form is not derived by analogy or based on a metaphor, both of which are not constrained by reality. A second is that the model is an accurate, but reflective, description of the grounded theory and its data and therefore not a simplification of it. Additional implications are that the relationships between the variables in the model are derived from the empirically grounded theory as opposed to being assumed fictions. that the same model is used in both theoretical and applied work; that the model does not operate mechanistically like a machine, and that different grounded economic theories have different models. Consequently the mathematical-theoretical arguments and the measurable and observable numerical outcomes derived from the model are determined, constrained, and real. In particular, the outcomes of the model are not logical deductions from given axioms or unique (or multiple) mathematical solutions; rather they are non-logical empirically grounded outcomes. Such mathematicaltheoretical arguments and models derived from empirically grounded theories are characterized as rigorous and non-deductive. Thus, this form of mathematical argument cannot be used to transform economic reasoning and explanation into mathematical formalism with its chains of mathematical-deductive reasoning.

Being isomorphic with the theory and its data, yet an alternative representation of the theory, a model can be used by the economist to obtain a better understanding of the theory itself as well as an analytical-narrative summary for pedagogical purposes. In addition, it can be used to examine and evaluate propositions found in the theoretical literature. That is, the mathematical-theoretical arguments derived from a rigorous economic model can be used to examine whether particular mathematical-theoretical propositions associated with different economic theories and models are also rigorous or have no empirical grounding hence real world existence. Because it is grounded in the existing data, it is independent of new and future data. Thus, it can be used, for example, for discussing economic policies and simulating their possible impacts on future economic events. In particular it is a way of visually picturing the economy and simulating its evolving, moving outcomes. Economic models can also be used to see whether the resulting outcomes of new data conform to the expected outcome patterns of the theory and to explore the impact of changing structures and causal mechanisms on economic outcomes. In this last case, for example, if a structure is hypothetically altered so that the economic model produces hypothetically different outcomes, the outcomes can then

be compared to actual outcomes. If they seem to be the same, then the structures of the theory need to be re-examined and the process of grounding the theory renewed. [Weintraub, 1998a, 1998b, 2001, and 2002; Israel, 1981 and 1991; Boylan and O'Gorman, 1995; Boland, 1989; Dupre', 2001; Morrison and Morgan, 1999; and Carrier, 1992]

## Historical Nature of Grounded Economic Theories

The grounded theory method excludes, as part of heterodox theorizing, ahistorical, atemporal entities and theoretical concepts, atemporal diagrams, models and other forms of analysis unaccompanied by temporal-historical analysis, and the utilization of ahistorical first principles or primary causes. Being outside of history, historical time, and an unknowable transmutable future, these ahistorical entities and concepts are rejected by the grounded theory method as fictitious since they do not emerge as categories in the historical data. In contrast, the grounded theory method prescribes that heterodox theorizing include the delineation of historically grounded structures of the economy, and the development of historically grounded emergent causal mechanisms. Thus grounded economic theories are also historical theories in that they are historical narratives that explain the internal workings of historical economic processes and events in the context of relatively stable causal mechanisms (whose actions and outcomes can be temporally different) and structures. That is, the simultaneous operation of primary and secondary causal mechanisms with different time dimensions ensures the existence of historical economic processes that are being explained. But even when the causal mechanisms conclude their activity, the historical processes do not come to an end for the secondary and other causal mechanisms can also have an impact on the structures so that the slowly transforming structures (and their impact on causal mechanisms) maintain the processes.

Historical economic theories are possible because historical events are, due to the existence of structures and causal mechanisms, narratively structured. Hence, heterodox economists do not impose narratives on actual economic events to make sense of them, but derive them from the events via the grounded theory method. Moreover, being a narrative, the theories have a plot with a beginning, middle, and end centered on a central causal mechanism and set within structures and other causal mechanisms. Therefore, antedated events prompt the causal mechanisms to initiate activity

to generate particular results and hence start the narrative; and it comes to an end when the causal mechanisms conclude their activity. As with all narratives, there is a storyteller, who is a heterodox economist, whose objective is to help the audience which includes fellow economists, students, politicians, and the general public—to understand theoretically how and why the actual economic events transpired. Finally, a good storyteller is one who is intimately knowledgeable about the 'facts' of the story and therefore must be a grounded theory theorist!

# Endnotes

<sup>1</sup> The method of grounded theory was first delineated by Barry Glaser and Anselm Strauss (1967). Similar methodological guidelines going by the names of holism, pattern model, method of structured-focused comparison, and participant-observer approach using case study method were also proposed and developed at roughly the same time--see Diesing (1971), Wilber and Harrison (1978), George (1979), and Fusfeld (1980). Finally, historical economic theories based on pattern models was articulated by Arthur Spiethoff and members of the German Historical School—see Betz (1988), Spiethoff (1952 and 1953), and Hodgson (2001).

<sup>2</sup> Observable data is not solely restricted to sense experience. For example, historical documents or field reports contain data that cannot be verified by the reader's sense experience. The same can also be said for oral histories that deal with past events. On the other hand, non-written data, such as informal rules and hierarchical power inside the business enterprise, are not unobservable in that they can be verbally articulated and hence written down, filmed and then identified at a later point in time, or observed as institutions, that is, as observable patterns of behavior hence capable of being recorded. Thus all data is observable, although the sources and medium in which they exist varies; to be unobservable in this sense is not to be real and hence to be no data at all.

<sup>3</sup> In either case, the language used to describe the categories may be quite different from the existing theoretical language. In particular, the building of a grounded theory may require the creation of a new language and discarding old words and their meanings. On the other hand, the language used may come directly from the data collected and/or from commonly used language which is generally not theoretical language (Konecki, 1989; and Coates, 1996). <sup>4</sup> This has been called pattern-matching in that the existing theory is seen as a particular pattern of data and narrative and the new pattern of data with its narrative is compared to it to see if they match--see Wilber and Harrison (1978) and Yin (1981a and 1981b).

<sup>5</sup> This type of case study is similar to the extended case method advocated by Burawoy (1991 and 1998), with the caveat that the latter is predicated on a false dichotomy between structures and causal mechanisms, where structures change independently of causal mechanism, not in part because of them.

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