

# *The tragic science: how economists cause harm (even as they aspire to do good)* by George F. DeMartino

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**Abstract:** This paper discusses the book *The tragic science: how economists cause harm (even as they aspire to do good)* by M. George F. DeMartino. The Author criticizes the moral geometry used by economists to evaluate harm, arguing for a more multifaceted understanding of harm that considers epistemic uncertainty. While the book under review lacks a systematic study of the moral dimension of harm, the Author's versatility and scholarship are admirable, making it an inspiring read for both casual readers and professionals in economics and philosophy.

**Keywords:** harm, causality, moral geometry, cost-benefit analysis, uncertainty, welfare economics

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George F. DeMartino, a University of Denver economist who specialises, among other things, in political and international economics as well as the relationship between economics and ethics, wrote *The tragic science: how economists cause harm (even as they aspire to do good)* essentially for two reasons. First, the author realised he had not properly analysed the category of harm in his previous work *The economist's oath: on the need for and content of professional economic ethics* (2011), in which he proposed to develop a specific professional ethics for economists along the lines of medical and legal ethics. An intuitive understanding of harm does not capture its complexity or the relationship between its descriptive (what is harm) and normative components (which harms should be avoided because they are morally unacceptable). The other reason was the belief that the rising anti-democratic movements and populist leaders gaining traction in the US and elsewhere were somehow prompted by the errors of economic professionals. In his view, the underlying fault of the economics community is an inadequate interpretation of the harms of the public policies promoted by economic experts.

The main ideas of *The tragic science*... can already be found in "Econogenic harm': On the nature of and responsibility for the harm economists do as they try to do good," published in *The Oxford handbook of professional economic ethics* (2016), which the author co-edited with Deirdre McCloskey. It offers an argument for seeing harm as a complex and multifaceted phenomenon as well as a critique of the so-called moral geometry employed by economists to evaluate conflicting states of affairs and its reductionist perspective on the issue of doing harm

(a taxonomy of harm). In this article, the author also makes the case that economics is a tragic science, because, in their pursuit of good, economists invariably inflict harm on some members of society. The reforms they advocate always benefit some while imposing a burden on others. It is precisely the message of the tragic nature of the choices made by economic experts was intended to be communicated to a broad audience through *The Tragic Science*... Avoiding specialised jargon and citing numerous examples to illustrate his points, the author also tackles the problem of the responsibility of economists for actions that cause harm to people.

The book consists of four parts. In the first one, the author, in response to the question of why economics is a tragic science, argues that economists are constantly forced to accept trade-offs that benefit some groups of people gain while harming others. They make heroic efforts to find optimal solutions, but often disregard the fact that their ideal plans have little chance of being implemented and that attempting to do so at all costs results in severe social harm when compared to sub-optimal ones. He cites the example of market reforms introduced in Russia as well as other Central and Eastern European countries in the 1990s. Revolutionary privatisation and the liberalisation of trade, brought sudden poverty to large swaths of the population, contributed to a decline in people's mental and physical health, and even premature death (in the 1990s in Russia, the number of men of working age decreased by around 10 million, accounting for 6.7 per cent of the country's total population). In doing so, he draws attention to the economists' paternalistic mentality: they tend to believe that because of their scientific background, they know better than the general public which actions are worth taking and which harms should be considered tolerable. They fail to acknowledge the complexity of the harms caused by economic decisions (econogenic harms), even though it is clear that the latter are not limited to the economic domain (where they can be fairly easily compensated), but have far-reaching effects on private life (e.g. physical and mental health) and society at large (e.g. crime, homelessness).

Part Two of the book addresses the question of why economists' decisions inevitably cause harm. The author points out that while economic models offer an illusion of control since changing assumptions causes a change in the modelled values, economists themselves have no such control over real-world processes. The universe of economic models is a predictable, ergodic world in which the probability that certain event will occur is determined, much like a dice roll. In contrast, the real world is volatile, non-ergodic, and characterised by uncertainty about the consequences of actions. Economists can thus harm many people both because their decisions have broad social ramifications and they are unable to control their often far-reaching effects. Control requires knowledge of the world's causal relationships, which economists lack and are unable to acquire, and, as a result, they are doomed to irreparable ignorance. In order to prove that one event caused another, one must reconstruct the sequence of relevant events and imagine what the world would have looked like if the event identified as the cause had not occurred. The author devotes a great deal of space to the philosophical analysis of causality from David Hume to Judea Pearl. He hopes to persuade the reader that causation in economics is counterfactual by pointing out that scholars tend to focus on what would have happened if the event in issue had not occurred. As a result, understanding causal relationships must necessarily be speculative and fraught with uncertainty. Economists cannot be certain of the impact of a certain economic intervention in the future or the impact it had in the past since they lack a time machine that would allow them to re-examine the course of events. In the author's view, irreparable ignorance is the root cause of conflicting recommendations on what to do in the future and divergent interpretations of what happened in the past.

Part Three shows how economists prefer to disregard the problem of irreparable ignorance and take a reductionist approach to the concept of harm, rather than address it seriously. Their strategy is underpinned by an approach developed by welfare economics, which the author refers to as moral geometry. This is basically a utilitarian framework applied to economic analysis, in which the goodness refers to the consequences of actions, while rightness is assessed with reference to how much goodness an action brings. Good effects are those that meet the subjects' preferences (utility), and the degree to which they are satisfied is assumed to be measurable in monetary terms. For example, a person can be asked how much he or she would be willing to pay to leave the trees around his or her home intact (conditional valuation). In this way, it is possible to determine whether it makes sense to invest in a new tram line that involves cutting down these trees. Moreover, it is assumed that if the benefits of removing trees and having a new tram line are potentially sufficient to compensate for the losses suffered by those in favour of leaving the trees standing, then the project is worthwhile and should be pursued. This type of reasoning is referred to as cost-benefit analysis and is commonly used to evaluate investment projects. The implications of reasoning based on moral geometry are extremely significant for interpreting the harm caused by economic decisions. First, moral geometry implies that all of the goods that a person may choose are commensurable and that money is their common denominator. Second, harm is defined as a reversible and compensable loss of utility for a subject. DeMartino convincingly criticises this approach as incompatible with reality (people do not usually believe that everything important to them can be expressed in money), counter-intuitive, and reductionist (diverse categories of harm, e.g. health, emotional, ecological, and social, are reduced to material harm). Furthermore, he invokes theories that deconstruct the moral geometry perspective, one of which is the capability approach proposed by Amartya Sen and Martha Nussbaum.

The fourth and final part of the book explores how economists should deal with situations where it is impossible to avoid the harm done to a social group due to their recommendations without resorting to moral geometry and cost-benefit analysis. The author suggests that instead, they should analyse the harm profiles caused within specific socio-economic systems. He also makes several recommendations based on the recognition that an economy characterised by a higher risk of irreparable harm is worse off in this respect than an economy with a lower risk of such harm, and that an economy with a higher risk of inflicting non-compensable harm is inferior to an economy where such risk is lower. Bearing in mind that the key reason for causing harm is irreparable ignorance that economists have to face, the author proposes that cost-benefit analysis (CBA) should only be applied in cases where it is possible to assess the probability of individual outcomes with a reasonable degree of accuracy and where the goods being compared can be considered commensurate. In uncertain situations, he recommends the use of the increasingly widely developed decision-making under deep uncertainty methods (DMDU), which require decision-makers to involve experts from different fields, and directly affected stakeholders rather than only economists. These methods involve developing flexible scenarios that can be implemented in response to changing environmental conditions. DMDUs are not about maximising the utility of members of a community, but about optimising the robustness of the available action plans so that they are acceptable to a wide range of stakeholders under a variety of scenarios.

On well over two hundred pages, drawing on various theories like pieces of a jigsaw puzzle, DeMartino builds his narrative about the tragic nature of economic decisions, the inevitability of harm, and the obligation to act responsibly. He pays particular attention to one piece of

the puzzle, which is irreparable ignorance as a consequence of the counterfactual nature of causal relations. However, he does not seem to sufficiently elaborate upon another key piece of the puzzle, namely the issue of the normativity of the harm inflicted. Although the author emphasises in many of his works, including in the reviewed publication, that the category of harm is both descriptive and normative, although the systematic elaboration of this category was the main motivation for writing *The Tragic Science...*, and although his work does contain an elaborate taxonomy of harms, he provides no satisfactory answer to the question of why certain harms should be avoided while others can be tolerated under certain conditions. This missing piece of the puzzle is the ethical concept of harm.

The recommendations cited above suggest that economists should avoid causing harm that is both irreversible and non-compensable. Why are both types of harm wrong? It is worth looking at the examples used by the author to illustrate his point. He argues that it is futile to attempt to pay compensation for lost human lives or the destruction of a community's cultural legacy. These goods are irreplaceable and have no monetary equivalents that would allow for compensation. But is it wrong to cause harm in the form of human death only because it is irreversible and non-compensable? And if bringing people back to life were possible, would we consider killing to be ethically acceptable? On the other hand, if someone steals or damages my car, even though it can be bought back or repaired, in general such an action is still wrong. If we demand respect for human life and condemn the theft or destruction of material possessions, it is most likely because we recognise that certain actions should not be performed against other people or their property. Yet these are only intuitions. We need a theory to replace moral geometry and address issues concerning the valuation and prioritisation of goods and their attending harms, as well as to identify the content of moral responsibilities. In any event, irreversibility and non-compensability cannot be considered as moral value standards. In the author's view, the capability approach pioneered by Sen and Nussbaum is a good contender for an alternative theory. This concept characterises well-being using the so-called objective list theory, i.e. a list of goods that every individual should possess whether they want to or not. It usually comprises the capability to live a normal-length and healthy life, educational opportunities, mobility, quality housing, clothing, and food, etc. While the list appears to be universal, its use in decision-making practise raises concerns of paternalism, moreover, the rationale for including certain items in the list and the weights assigned to them are also problematic.

Rejecting moral geometry is thus vital not only for epistemic reasons – a world where we know the consequences of our decisions and can predict their probability is being replaced by a world where uncertainty reigns supreme. To reject moral geometry is to reject the utilitarian framework, which gives us confidence that the preferences of all stakeholders should be considered when making a decision, and that it is the decision-maker's duty to maximise good consequences. Without moral geometry, we are left with not only epistemic but also ethical uncertainty.

DeMartino's focus on epistemic uncertainty offers an array of in-depth analyses of causality as well as the suggestion that CBA be supplemented, and in some circumstances superseded, by DMDU. Nevertheless, ignoring ethical uncertainty has resulted not only in a lack of systematic study of the moral dimension of harm as a loss of good but also in a failure to recognise the importance of ethical uncertainty in decision-making. Perhaps decision-making under deep ethical uncertainty would also be worth developing as a decision-making aid. In DeMartino's project devoted to ethical reflection on the actions of economists, which has spanned more

than a decade, the jigsaw puzzle of ethical analysis of harm is still waiting to be put together. These reservations, however, in no way change my general opinion that the author's efforts, his versatility and scholarship are admirable. Last but not least, while *The Tragic Science...* was written with a broad range of non-specialists in mind, its depth of argumentation makes it an inspiring read both for casual readers and professionals in economics and philosophy.

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## Conflict of Interest

The authors declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

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