“Economy Harm Profile Analysis”

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Abstract:

This paper presents and explores the concept of an “economy harm profile” to assess the harms that arise within an economy. An economy harm profile is given by the nature of the harms to which an economy is prone; the distribution of harms; the rationale for harms; the mechanisms of harm inducement and distribution; and the degree of coercion that is associated with harm-generating processes. The paper fleshes out the features of harm profile analysis, exploring the potential and complexities that the project entails.

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I. Introduction

Economists are complicit in the design of institutions and rules that influence what I will call the "harm profile" of the economy. An economy harm profile captures *inter alia* the nature and the distribution of the harms to which an economy is prone, the mechanisms that generate the harms, the rationale for or purpose of the harms, the voluntariness of the behaviors that induce the harms, etc. The presumption guiding the argument is that distinct economies, with distinct institutions, rules, practices, and norms will be characterized by distinct harm profiles. The normative presumption follows. The economic profession has a duty to attend to economy harm profiles; to investigate the harms that proliferate under the kinds of economic arrangements they advocate; and to explore in public view what harms they take it to be legitimate (and illegitimate) to tolerate or even impose on some (or all) in society in pursuit of valued goals, such as prosperity, sustainability, justice, or freedom. I hasten to add that economy harm profile analysis provides an additional basis for assessment of alternative economic systems that can complement but is not intended to replace other standards that economists embrace. Economies are complex entities populated by complex agents, the evaluation of which requires heterogeneous normative frameworks (Sen 1992).

II. Economy Harm Profiles

An economy harm profile entails at least five principal features (see Figure 1). They are the 1) nature and 2) distribution of prevalent, averted, and covered harms; 3) rationale for or purpose of harms; 4) mechanisms of harm inducement and distribution; and 5) consent and coercion that attend the generation and distribution of harms.

Figure 1
Features of Economy Harm Profile (Abridged)

A. The Nature of Prevalent, Averted, and Covered Harms
B. Distribution of Harms
C. Rationale for Harms
D. Mechanisms of Harm Inducement and Distribution
E. Consent and Coercion

The five features are internally complex, and they traverse each other's boundaries. Moreover, they necessarily entail positive and normative elements—a consequence of the inherently normative nature of the concept of harm (DeMartino 2016). An adequate treatment of harm profile analysis would require an extended discussion that is not possible here. For the sake of brevity, I explore just a few of the features in any depth—those that might be of particular interest to economists.[1]

[1] A more comprehensive treatment will appear in *The Tragedy of Economics*, in preparation.

A. The Nature of Prevalent, Averted, and Covered Harms

An economy harm profile must be sensitive to the heterogeneous nature of the harms that are prevalent, those that are averted, and those that are insured against. The nature of harm comprises several elements (see Figure 2).

Figure 2
The Nature of Prevalent, Prevented, and Covered Harms

1a) Prevalence, depth, and risk of
reparable and *irreparable* harms
compensable and *non-compensable* harms
foreseeable and *unforeseeable* harms
avoidable and *unavoidable* harms
necessary and *unnecessary* harms (superfluous/gratuitous harms)
ethically benign and *ethically indictable* harms

1b) Nature of harms *averted, prevented, diminished* in frequency/severity

1c) Nature of *exposed* harms vs. nature of harms *insured against* or otherwise *ameliorated*

Reparable and irreparable, compensable and noncompensable harms

All harms are not created equal. This obvious point is obscured in the predominant approach to welfare economics, which tends to treat all goods and harms in a welfarist framework based on preference satisfaction, and theorizes harm simply as the diminution of welfare that attends the loss of one or more goods (see DeMartino 2016). The implication that is generally drawn is that all harms can be repaired through adequate compensation—that once compensation in the appropriate amount is provided to the harmed agent, she is restored to her previous indifference surface. That conclusion depends on the presumption that all goods are commensurable (according to the welfare they generate), and substitutable. There is no lexicographic ordering of preferences here; no discontinuities in the utility function of the rational economic actor. Hence, there is presumably some amount of money that can render a harmed agent whole, no matter the nature of the harm.

The textbook's welfarist normative framework that presumes substitutability and compensability facilitates determinate conclusions regarding interventions that cause harm. The Kaldor-Hicks compensation test and cost-benefit analysis do the heavy lifting here. But the normative framework and associated assumptions obscure fundamental differences that must figure into any mature, responsible harm accounting. An economy that routinely generates serious *irreparable* harms to some for the benefit of others is distinct from and more perilous than one whose harms tend to be *reparable*.

Not all harms are compensable, economists' protests notwithstanding. Irreparable harms are noncompensable by definition. But even some reparable harms are noncompensable in the sense of making the harmed agent whole (restoring him to his previous indifference surface) through monetary transfer. Compensation is simply the wrong mechanism when someone has been dis-honored, wrongly shamed, or brutalized; or when they've lost a loved one owing to heinous, negligent, or heroic acts. In cases involving serious harms from wrongdoing, or sacrifice in the service of others, the appropriate response is *acknowledgment*, not compensation. Acknowledgment can be private, as one neighbor apologizes quietly to another for some transgression. But it can and often must take the form of publicly sanctioned recognition and apology if it is to contribute to repair. Truth commissions come to mind. Here, public recognition of and apology to victims for the atrocities they suffered during civil conflicts is the key moment, regardless of whether the proceedings also provide for monetary reparations (Bouris 2007). Acknowledgment can also take the form of public honors for those whose losses result from voluntary sacrifices on behalf of others—such as serious injuries and casualties of first responders sustained during periods of crisis. In these kinds of cases it may be possible for the harm to be repaired, at least in part, by public acknowledgement that allows the harmed agent to cope with and even recover from her loss. Here, compensation doesn't and can't do the work. Indeed, compensation might be an entirely inappropriate response to the harm, and may demean the recipient. As McGowan (2010, 589, 591) puts it, referring to the loss of honor, "Once lost, honor is extraordinarily hard, if not impossible, to regain . . . the very idea of [pricing honor] seems inconsistent with the concept." It is noteworthy that communities confronting public projects that will cause them harm sometimes refuse monetary compensation but then accept a public good. Here, the public good serves not just or primarily as compensation, but rather as recognition of the sacrifice that the community is being asked to bear for the greater good (see Frey et al. 1996; Mansfield et al. 2002).

This is not to say that acknowledgment can't also manifest as monetary transfer, such as in the form of reparations. Indeed, it can and often does. It is to claim that monetary transfer in cases such as this ought not be theorized as compensation that has the power to render the aggrieved whole. Monetary transfers can serve many functions, including the assurance that the apology, gratitude, respect, or honor that accompanies it is genuinely felt. Martha Nussbaum puts it this way:

> Indeed, we might say that the main importance of reparations, too, is expressive. Obviously the fact that my grandmother-in-law received a regular income from the German government did nothing to bring back the family members who had perished during the Holocaust. Although the financial support was not negligible, its primary significance was as a public expression of wrongdoing and the determination to do things differently in the future (2001, 173).[2]

One test of the purpose of a monetary transfer is to ask whether it matters from whom and the context in which the payment is made. The economist's notion of compensation hinges on the fact that the identity of the provider and the broader context of the transfer are immaterial—all that matters is the sum of money. Is it adequate to shift the harm victim back to his previous indifference surface? When the identity of the provider,

[2] The requirement for reparations may also serve the instrumental purpose of making actors who are in the position to harm others to be more prudent, so as to minimize that harm (Kornhauser, 2014).

her relation to the harm, and the overall context of the transfer do matter, we should be alerted to the possibility that the transfer serves purposes other than compensation.

The economist's mistake is elementary and enormously consequential. It is to treat all monetary transfers in cases of harm as compensation that, in the right quantity, can cancel the welfare loss suffered as a result of the loss of or diminution in another good, no matter how central is that good to the person's identity or wellbeing. The problem is that many kinds of harm, such as rights violations, are generally viewed as too precious to repair, after the fact, with compensation (Rendleman, 2002). [3]

Ethically benign and ethically indictable harms

Economic systems are also apt to vary in the ethical status of the harms they induce. I return to this matter below; here it need be said only that not all serious harms are ethically indictable; but neither are all legally permitted harms ethically benign. The first point follows from the nature of any reasonably complex society—we harm each other as a routine feature of living with others. Competition for positional goods is relevant in this context. We often seek the very same goods, positions, partners, rankings, and honors under circumstances where the success of one agent necessarily entails loss to another. Two people competing for the same public office (or job) can't both win it; and the harm to the loser might be deep and enduring. His life plans might be altered for the worse for the duration of his life. And yet, we would not be apt to condemn the victor for his success (provided the contest was fair in salient respects). The harm suffered in this case, even if severe, is ethically benign. We are apt to feel compassion for the vanquished, but we are not apt to feel outrage at the system that put him in a harmed position. That said, systems may permit or even encourage behaviors that induce ethically illegitimate harm. The legacy admission system at elite universities in the United States is a case in point. It is entirely legal for Harvard and similar institutions to reserve a substantial number of positions in their entering classes for the sons and daughters of alumni, and to weigh how much their parents have donated to the university when making admissions decisions. But the harm to applicants from less influential families who are more qualified but who are excluded from admission as a consequence of the discriminatory practice is illegitimate on the basis of the most basic and relatively uncontested justice criteria.

These cases demonstrate that we need to assess carefully the morality of the harms that predominate under alternative economic systems. It is not enough to show that one economic system generates fewer or less severe harms than another—moral assessment doesn't reduce to "moral geometry" (Radest 1997). Numbers count, to be sure. But in drawing up an economy harm profile we are forced to distinguish between prevalent harms that are and are not ethically worrisome. That determination may depend on the mechanisms that generate harm—a matter to which we turn presently.

B. Distribution of Harms

[3] The libertarian philosopher Robert Nozick (1974) calls for reparations for rights violations, and this might seem equivalent to "pricing" the violation with an eye to full compensation. But in Nozick's framework, reparations merely cover the adverse *economic* consequences of the rights violation; reparations do not and indeed cannot "compensate" for the violation itself.

Economic arrangements vary dramatically in terms of the distribution of rewards and penalties. We review the mechanisms by which distribution of harms occurs below; here we take account of two principal features of the distribution patterns that ought to feature into the construction of an economy harm profile (see Figure 3).

Figure 3
Distribution of Harms

2a) Distribution of winners and losers
-- in each period, and over the course of successive periods

2b) Relative stakes, winning and losing

In any period t_i the risks of harm that the economic system generates (or fails to prevent) will be distributed across the economy's members in some way or other. The distribution can be fairly egalitarian, as when the community shares equally in its collective output. Alternatively, the risks can be concentrated among a majority, to the benefit of a risk-insulated minority; or among a minority, to the benefit of an insulated majority. An assessment of the justice of the economic system ought to concern itself *inter alia* with harm distribution mechanisms and patterns in each particular time period.[4] The imperative to do so is enhanced the degree to which some of the harms are partially or fully irreparable.

Eclipsing the importance of the distribution of harms in any one period, however, is the distribution of the flow of harms over successive periods. An economic system in which being harmed in period t_0 predisposes the agent to being harmed in periods t_{i+1}, t_{i+2}, and beyond is on that ground suspect.[5] A proposed defense of the serial dependence of harms would need to clear a very high bar before that feature of the system could be adjudged to be ethically legitimate.[6]

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[4] It is a matter of controversy whether what matters is the mechanisms of harm distribution, or the patterns that result from those mechanisms. See Nozick (1974).
[5] So is a system in which the *risk* of harm is serially correlated.
[6] One possible defense is that the agents suffering successive harms in periods t_{i+1} and beyond enjoy unearned or otherwise illegitimate privilege (yielding unfair income or wealth) in t_i that redounds to the detriment of others, restitution for which enhances social justice and aggregate welfare. This argument is in principle sustainable—it is often the case that crooks and elites earned their privileges in ways that violated the rights of others. Where economic privilege arises from improper practices, a case can be made for public policy that diminishes that privilege over time (but what about the descendants of those who secured gains via illicit privilege?). But the argument is also prone to abuse since it can be used to justify too easily the harms perpetrated on some for the good of others—even when those being harmed are worse off than the beneficiaries. One example will have to suffice: free traders in the U.S. reflexively deride working people who oppose trade liberalization as a "special interest" whose undeserved high wages reflect illicit union bargaining power rather than dessert. The diminution of wages relative to the return to

Actual economic systems are often characterized by serial dependence of harms (and the risk of harm). Over the past forty years the U.S. has been an exemplar of economies exhibiting a pro-winner bias. More generally, increasing income and wealth concentration over time provides *prima facie* evidence of the serial correlation of benefits, and of harms. Wherever economic elites enjoy outsized political influence, we might expect policy choice from among the menu of available policies to reflect the interests of the elite, at the expense of the relatively disenfranchised. In this case, those who lose in one policy round should expect to lose in successive rounds, the limit being reached when elites find that their own interests require the promotion of the interests of others; or when the disadvantaged manage to secure increased political influence. This example suggests the obvious: that assessing an economy's harm profile requires attention not just to explicitly economic institutions and practices but to political institutions and practices as well.[7]

Relative stakes, winning and losing

All economies comprise arenas of competition as well as cooperation. An economy harm profile must take measure of the balance between the two, the fairness of the competitive arenas, and also the stakes associated with winning and losing. There is no natural distribution of the economic goods that an economy produces, or of the harms that it permits. At one extreme, one can imagine a "conquistador economy" in which the victors enjoy the lion's share of the goods that arise as a consequence of economic activity, and the losers face severe and even irreparable threats to their capabilities and life chances. At the other extreme, one can imagine de-fanged competitive arenas where the material stakes for winning and losing are substantially diminished; where even the losers receive "participation trophies" in the form of a significant share of the goods the system affords. In the latter case, winning may yield more in the way of honor and recognition than material benefits. Between these two poles lie diverse economic arrangements that involve relatively greater or lesser material stakes. All else equal, professionals whose practice affects the lives of others have a moral duty to advocate systems where the stakes are relatively low rather than high. Low stakes diminish the harms associated with absolute and relative deprivation, reduce desperation and the opportunities for exploitation of one agent or group by another, and diminish the coercion that the system entails. When instead a professional advocates a regime that entails higher stakes than those necessary to achieve highly valued goods, the professional bears responsibility for inducing unnecessary harms (see below).

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capital over the past several decades can be taken, then, as a restoration of the appropriate balance between respective rewards.

[7] The discussion in the text is purposely stylized for the sake of brevity. Political systems may exhibit all sorts of coalitions of relatively powerless individuals and groups, each of which would on its own enjoy little influence in economic policymaking. The character and extent of such coalitions (and the opportunity for such coalitions to form and exert influence, as shaped by the structure of political and economic institutions) may be expected to bear heavily on the harm generating and harm distributing character of economic policies.

C. Rationale for Harms

How are we to distinguish between necessary and unnecessary harms? Necessary harms are those the occurrence or toleration of which is vital to the generation of highly valued goods that the system conveys (see Figure 4). The list of relevant goods is long and contested. It includes rights (political, civil, economic, social, and cultural), negative freedoms (personal liberties), positive freedoms (capabilities), welfare, security, sustainability, sustenance of community, and others (Hausman and McPherson 1993; Sen 1992). Harms that can plausibly be claimed to be essential to the realization of these and other valued goals are to be accorded a higher moral status than those for which a plausible case of necessity cannot be made. In neoclassical theory, for instance, the incentive of harm that the unproductive suffer in a market economy is essential to the benefits of economic efficiency; for some economists, the harm incentive is also essential to the good of economic justice where each agent earns a reward commensurate with his or her contribution to society.

Figure 4
Rationale for Harms

3a) Degree of centrality of harms to the goods the system conveys
-- goods comprise rights, liberties, positive freedoms (capabilities), welfare, sustainability, etc.

Danger lurks, however, whenever a necessitous connection is drawn between a good and a harm. Economists who are trained to reject the idea of free lunches—who are schooled to agree with J.R. Hicks (1939) that all interventions cause harm (see the epigraph)—may be too cavalier about what they see as collateral damage. "*Oh, well*" can't be the right attitude when livelihoods and even lives are at stake. The ethically appropriate attitude is to resist the presumption of the necessity of harm until one has conclusive proof.

That said, even knock-out evidence of the necessity of harm does not terminate the professional's ethical obligations. In the face of such evidence, one must then inquire whether the good whose achievement depends on the harm warrants the harm. In this assessment we need a means for weighing the good and the related harms. Economists tend toward a welfarist standard, activated through the concept of preference satisfaction, to enable the comparison. But an equation of the good with preference satisfaction, and harm with the failure to satisfy preferences, will not suffice. "Preferences are the creation of experience and, therefore, also of laws and institutions," Nussbaum (2001, 192 xxxx) reminds us; hence, they are relative to existing economic arrangements. They may be wrong-headed, and they may very well reflect the privilege that some enjoy and deprivation that others suffer under those arrangements (see also Elster 1982). Judgments must be made, then, about which preferences deserve respect; and which preference satisfaction failures warrant concern. Such judgments entail value-driven laundering of preferences before according them weight in any harm calculations (Goodin 1986; Adler and Posner 2006, ch. 5).

Assessing the necessity of harm in pursuit of precious goods is more complicated still. Finding the harm to be necessary to achieve a valued good under *prevailing* social arrangements should alter but not end the conversation. It should provoke the ethical professional to inquire whether the harm would be unnecessary under *alternative available* arrangements. The point is fundamental: the *necessity* of harm may be *contextually contingent*—necessary only relative to established economic arrangements. A finding of "tragic choices," where necessitous harm is required to achieve a valued good should provoke in the minds of the professional what Nussbaum identifies as the "Hegelian question": "how can we bring it about that citizens do not face such tragic choices all the time?" (Nussbaum 2001, 187).

The framework of economy harm profile analysis could be of service to a profession that seeks to rise to the Hegelian challenge. The comparison of alternative economic arrangements that economy harm profiles enable helps to correct errant thinking about the universality of any particular tragic choice. It might help to distinguish those harms that are necessary under a wide range of (or, in the limit, all imaginable) viable economic arrangements, and those that are peculiar to the particular economic arrangements within which they emerge. The central point is that appreciation of a range of economy harm profiles undermines the status quo bias in which we take existing arrangements to be given, natural and/or invariant.

Appreciation of the contingent harm-good relation might prod the harm-conscious economist to search for institutional and policy reforms that render a necessary harm unnecessary. Reforms that eliminate tragic choices—that break the link of dependence between particular goods and harms—serve to generate a more benign economy harm profile. Moreover, recognition of contingency might encourage us to be wary of claims that certain harms are in fact the price that must be paid for some valued good. In some contexts, at least, institutional reform might provide a path to important goods that skirts certain harms. .

Theorizing a Partial, Highly-Stylized Economy Harm Profile

A simple diagram might help to elucidate the variability of the harm-good relationship.. It will also allow us to visualize a highly stylized, very partial economy harm profile (see Figure 5, end of article).

An economic system may exhibit two functional relationships that, relative to existing economic arrangements, are determinate and that bear heavily on its economy harm profiles. One is the relationship between systemic risk of economic instability and the achievement of valued goods, which I will aggregate here into economic performance; the other is the relationship between the distribution of benefits and harms and performance. We can presume that at very low levels of systemic risk, performance increases with risk. The intuition is that a society must purchase increased performance with increased levels of flexibility and risk-taking, which induce certain forms of instability. At some point, however, increasing risk disrupts beneficial economic activity, such that higher risk beyond that point reduces performance. In a similar vein, at very low levels of inequality (of benefits and harms) higher performance may require increasing inequality in economic rewards and punishments. Beyond some level of inequality, however, the reverse relationship between the variables sets in—perhaps because high levels of inequality dampens human capabilities of the relatively dispossessed (Sen 1992). This intuition yields two performance curves with an inverted "U" shape. Figure 5presents a very partial, highly stylized economy harm profile featuring just these two relationships. The southwest quadrant yields the risk-inequality loci that are associated with any particular level of (or rate of increase in) performance. In the diagram, H_1 is the point where P_1 is associated with a level of risk given by R_1, and a level of inequality given by I_1.

Two points bear emphasis. First, the location and shape of the functional relationships that appear in the upper two quadrants result from myriad features of the economic system, some of which may be amenable to alteration via public policy. Policy that succeeds in shifting either curve toward the origin, for instance, will yield a more benign economy harm profile—one that faces a more favorable set of choices than the one given by the curves as they appear in Figure 5. Economists should play a central role in searching for policy options that have this effect. For instance, progressive income tax policy that compresses after-tax income distribution and at the same time alters expectations and norms regarding what are appropriate rewards for labor effort and savings may yield a more just distribution of harms without undermining performance. Second, even in the absence of such shifts in the respective curves, there are multiple equilibria in the model. Any available level of performance is associated with high and low levels of risk and inequality. In the diagram, H_1 represents a high-risk, high-inequality equilibrium. The same level of performance can be achieved with either lower risk, or lower inequality, or both. H_2 is a low-risk, low-inequality equilibrium that yields the same level of performance as H_1. Public policies that can shift the economy from H_1 to H_2 would succeed in altering the harm profile of this economy, without loss of economic performance. Alternatively, from H_1, any policies that move the economy toward H_3 represent improvements in the economy harm profile *and* the level of performance. Beyond H_3, decreases in either risk or inequality will entail diminished performance. In itself, this does not indict policy moves that improve the economy harm profile since in all cases the harms imposed must be weighed against the value of the good pursued. Moreover, depending on the shape of the R-G and I-G curves, substantial reductions in either risk or inequality as the economy moves away from maximum performance may be purchased at low cost.

D. Mechanisms of Harm Inducement and Distribution

Direct vs. Indirect Harm

Harm may figure into a pattern of events in diverse ways that are largely overlooked in welfare economics (see Figure 6). On the one hand, the pursuit of a valued goal may require "direct harm"; in this case, the harm serves as a means to goal achievement (McIntyre 2011; see also Spranca, Minsk, and Baron 1991; and Howard-Snyder 2008). Examples in the ethics literature are typically evocative: is it ethically appropriate to push a large man with a heavy backpack from a railroad overpass if that is the only way to stop an oncoming train that will otherwise kill several people? More prosaically, it might be claimed that a union might have to be broken by court injunction or other measures to promote industry viability. In contrast, indirect harm refers to the unintended but likely or even unavoidable consequence of the action taken to achieve the good or avert the greater harm (Cushman, Young, and Hauser 2006). An example is the loss of industry competitiveness and employment following trade liberalization. Here, the harm to the industry stakeholders is not the means to the end; it is instead a foreseeable but unintended result of the steps taken (wisely or not) to achieve the goal of increased economic performance.

Figure 6
Mechanisms of Harm Inducement and Distribution

4a) Direct harm vs. indirect harm

4b) Fairness of contests and other arrangements that distribute goods and harms

4c) Ability of those causing harm to escape consequences

4d) Fragility/anti-fragility of economic system

Welfare economists tend not to concern themselves with the distinction between direct and indirect harm. Typically, what counts for the economist is the ultimate net effect of an action on social welfare, not the means by which that effect was achieved.[8] But economists are in the minority in this regard. Moral philosophers, professionals (such as physicians) and lay people grapple with the moral distinction between direct and indirect harm (Cushman, Young and Hauser 2006). Given its normative salience to those who populate an economy, an economy harm profile ought to be sensitive to the distinction between direct and indirect harm even if the distinction is not taken as a sufficient moral criterion for adjudicating harms.

Fairness of Distributive Arrangements

Economic systems are characterized by a wide range of competitive contests, cooperative arrangements, and other mechanisms that distribute goods and harms. These do and should attract normative examination. Not least, we should want to know which distribution-implicated arrangements are widely taken to be fair or just, and which are not. It stands to reason and follows from empirical review that the harm distribution regimes of some economic systems are far more fair than others, though the actual rankings of economic systems according to their harm distribution mechanisms would be subject to dispute owing to distinct, plausible conceptions of fairness and justice. That said, certain features of harm distribution mechanisms are apt to draw similar judgments under diverse normative frameworks. For instance, the competitive contests that distribute rewards and punishments should not be biased in favor of some contestants as against others. The more consequential the game, the more vital it is that the game not be rigged, and that all contestants have genuine (and not just formal) opportunities to prevail or, minimally, to secure reasonable returns from their participation. A contest that on its face benefits a minority, and that entails stakes that are larger than necessary (as per the above), is on these grounds normatively objectionable. Moreover, the contest should be fairly played,

[8] But see Friedman (1962), where he distinguishes between what he calls “positive” and “negative” harm in his (in)famous discussion of racial discrimination.

and fairly judged. A game that permits and rewards violations of the terms, or that permits the changing of rules mid-stream by privileged actors to their benefit, ought to be regarded as unjust. Finally, it can be argued that the distinct contests that bear on the distribution of rewards and harms be independent of each other in the sense that one's success in one domain ought not give that person a leg up in other domains. Philosopher Michael Walzer (1983) argues along these lines that no one distributive criterion, and the distribution of no one good, should dominate others. Earning more money than others by virtue of having prevailed in the contest over income, or political power by virtue of having prevailed in a political contest, should not bear on the distribution of medical care, the grounds for which should be need and not economic wealth or political power. An economic system in which winning one kind of distributive contest predisposes the victor to prevail in others is ethically suspect, not least since the correlation across contests implies unfairness in the concentration of harms.

Shifting Harm onto Others

Mechanisms that concentrate harms requires further attention. In complex societies, the actions of some may generate the risk of harm not just for themselves, but for many others. But there may be dissonance between the mechanisms that generate the risk, and those that allocate the burdens of the risk. Under one set of arrangements, for instance, an actor may undertake behaviors from which he stands to benefit substantially if all goes well, but also stands to be harmed if things go badly. This actor has what Taleb (2012) aptly calls "skin in the game": he is susceptible to the adverse consequences of his risk generating behavior. Under alternative arrangements an actor may benefit from the upside of his risky behavior but be insulated from the downside. Lacking skin in the game this actor is apt to take excessive risks, gambling with the lives of others who will suffer the adverse impacts of his risk taking.

On the matter of harm shifting advocates of diverse political and moral philosophies are apt to converge. An economic system that permits agents to gamble with the lives of others while remaining themselves insulated from their imprudence are fundamentally unjust. Agents should typically share in the suffering of the adverse consequences of the risks they take—they should not be able to offload the risk onto others when things go wrong. Taleb advances the skin in the game rule as the appropriate ethical standard for acting when one's behavior entails risk: act only so as to face the consequences of the risks you take. Institutional arrangements must ensure that one cannot escape the downside of one's behavior.

Fragile vs. Anti-Fragile Economic Systems

Skin in the game features directly into a distinction that Taleb draws between fragile and anti-fragile systems (2012). Fragile systems are those in which instability in one area ramifies and compounds throughout the system. A large bank failure can touch off a general banking crisis owing to the interconnections in the system that leave each institution dependent on the viability of all the others. Systems of this sort are prone to unpredictable but inevitable disruptions that can redound to the harm of those who depend upon them. In contrast, anti-fragile systems are those that not just survive localized instability but actually thrive in response to disruption. Airline travel as an anti-fragile system. Each disaster or near disaster provides new information and gives rise to learning, revised procedures, and improved technologies that over time yield far safer air transport.

Skin in the game relates directly to the matter of fragility. When actors lack skin in the game—when they are held harmless in the event of faulty risk taking—they tend toward riskier behaviors in search of greater rewards. Under these arrangements imprudence is rewarded, caution is punished, and the learning about how to avoid crisis that would be expected to occur is short-circuited since those generating the harm do not suffer its consequences. This is why a banking system that features institutions that are deemed too big to fail is fragile. Here, one systemic crisis follows upon the heels of another without reform in bankers' risk taking behaviors. As banks grow larger over time, and as governments become less willing to let failed institutions fail, the financial system as a whole grows more fragile. The harms that are offloaded onto others rise proportionately.

An economy harm profile should take account of the fragility of the institutions, sectors and practices that constitute the economic system. Fragility measures might induce harm-sensitive economists to search for institutional reform that requires risk takers to have skin in the game—not just as a matter of basic fairness, but also as a matter of economic regulatory prudence. A fragile economic system is one that exhibits *gratuitous* harm—it will be one that is far more dangerous than it needs to be to generate the goods that its agents seek.

E. Consent and Coercion[9]

Economic systems will vary according to the extent to which they embody voluntarism and consent as opposed to coercion. There is good reason to distinguish between the risks of harm agents consent to, and the risks that are imposed upon agents absent their consent. If an agent freely chooses a course of action that entails a risk of harm, she then has little justification (generally) for feeling aggrieved when she ultimately suffers the harm. We would feel differently about the matter were she coerced into undertaking the risky behavior.

Economists of most persuasions recognize an ethical distinction between consent and coercion.[10] Neoclassical economists have celebrated the liberalized market economy not just on efficiency grounds, but also on the grounds that the market economy institutionalizes freedom to choose. But in that evaluation the focus has tended to be far too narrow. Moreover, the concern with consent appears at least one step too late in the argument to do the ethical and conceptual work that is assigned to it. To repair that error

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[9] The consensual or coercive nature of arrangements that induce harm is a particularly important and yet fraught issue. The arguments provided here would require substantial elaboration in a more adequate treatment than space here permits.

[10] But see Ellerman (1993), who argues that consent does not suffice to render a market transaction inherently legitimate. Instead, we must always be prepared to subject the *terms* of consensual transactions to normative assessment. Inquiring into the content of the labor contract Ellerman finds that its terms are inherently illegitimate from the perspective of liberal (especially Kantian) philosophy since it requires the worker to disavow responsibility for his actions; to serve as the mere means to the ends of another.

we need to take account of the diverse levels where consent and coercion may enter into economic systems in ways that bear on the matter of harm (see Figure 7).

Figure 7
Consent and Coercion

5a) Extent & intensity of coercion within each particular game comprising the economic system.

5b) Extent & intensity of coercion to play any particular game (availability of exit option for that particular game)

5c) Extent & intensity of coercion to play any particular *class* of games (availability of exit option from that class of games)

5d) Relative availability of exit option from economic system as a whole (porousness of economic system)

Coercion Within each Particular Game

Liberal economists, Milton Friedman (1962) perhaps most notably, argue that a competitive market is a kind of economic arena that uniquely features consent rather than coercion. Provided there is a sufficiently large number of firms confronting a sufficiently large number of consumers, suppliers, and laborers, any transactions that occur within the market should be adjudged to be voluntary since both buyers and sellers have many others with whom to contract. A chief virtue of the market economy is that it facilitates the production and distribution of an extraordinary range of goods without coercive pressure from without (by a heavy handed government), or within. Coordination here emanates from voluntary cooperation.

The liberal defense of the market as non-coercive has been rejected by non-orthodox economists for well over a century. Most notably, Marx ridiculed the idea, arguing that the formal freedom afforded workers served as a condition for their substantive subjugation. The early institutionalists pursued parallel lines of argument. Robert Hale was perhaps the most influential. He held, counter-intuitively, that even under idealized conditions the market arena was a site of mutual coercive behavior, with each agent applying coercive pressure on other transactors (Hale 1923; see also Fried 1998).

This is not the place to adjudicate this dispute. The point to emphasize is that mapping an economy harm profile requires attention to the presence and degree of coercion within the various types of harm-generating games that constitute the economic system. A system that comprises many games that are internally consensual, and/or that balance the coercive force of the players, is one that is morally better than one where the games entail coercive mechanisms, and/or where the coercive force is deeply unbalanced.

Coercion to Play a Particular Non-Coercive Game

Evaluating the coerciveness of harm-generating economic games requires something more than review of intra-game mechanisms, however. A harm-generating game that affords the participants extensive latitude to make their own decisions—such as with whom to contract and at what terms, and what other strategies to pursue, etc.—might yet be deeply indictable if the players are formally or effectively coerced into playing. One way to frame the matter before us is in terms of exit options. An arrangement where an agent can opt out of participation in a particular game that threatens his welfare, rights or other valued goods is to be preferred, morally, over one that does not provide exits.

Economists like Friedman tend to presume rather than examine carefully the presence or absence of exit options. Friedman mocks the problem. He opens the relevant discussion in *Capitalism and Freedom* by portraying the simplest form of economy, where "independent households" produce for themselves and exchange output with others. Here, "since the household *always* has the alternative of producing directly for itself, it need not enter into any exchange unless it benefits from it" (Friedman, 1962, 13, emphasis added). A paragraph later he applies the same logic without qualification to the modern economy, neglecting to examine whether the disappearance of the household enterprise, with the means of production and other capacities necessary to engage in production, undermines the condition for effective freedom. He finds, unproblematically, that workers who are unwilling to supply labor at the going market rate can withdraw from the labor market and produce independently. The exit option is simply presumed rather than demonstrated. But in fact, the absence of exit options in the modern economy may help to explain how it is that so many participants play economic games for which they are so poorly suited, and in which they are destined to and do suffer serious, serial harms.

Coercion to Play a Particular Class of Non-Coercive Games

In assessing consent and coercion the number of alternative games by itself provides insufficient information. We need to know if there are alternative *classes* of games—characterized by arrangements that are sufficiently diverse so that agents can avoid those games that threaten the grave hazards that agents seek to escape. It does the agent no good to exit one harm-inducing game only to find that the twenty available options all entail similar harm-generating mechanisms. In this case, the exit option is formal rather than substantive. We may conclude that her participation in a game is genuinely voluntary only if she has before her the choice of many distinct classes of games that differ one from the other in terms of the hazard profiles they embody.

Ascertaining the presence of genuine consent can be difficult, even in the presence of apparent exit options. The work of liberal legal philosopher Joel Feinberg is helpful in this regard. In keeping with the liberal tradition from J.S. Mill forward, Feinberg opposes paternalistic interventions by the state that are intended to protect individuals from their own harmful behaviors (1986). Feinberg nevertheless acknowledges the state's authority to criminalize participation in duels (where one party challenges another to a two-person contest involving handguns, swords, or other weapons). Why draw the line here? Feinberg finds that in societies where the practice of the duel exists, the party who is challenged to the duel faces extraordinary social pressure to accept the challenge. Refusing to do so leads to a loss of honor and may thereby harm him in real and substantial ways. Hence the duel represents an offer that can't be refused. In short, the challenge to the duel is coercive despite the fact that under the conventions of dueling the challenged party has the legal right to refuse the invitation.

Feinberg's analysis of the coercive nature of the voluntary duel alerts us to the fact that pressures to participate in harmful activities can be far more subtle than the "gun to the head" that stands in figuratively (and sometimes literally) for coercion in some liberal (and especially libertarian) thought. While Friedman trivializes the forces that can compel behavior, Feinberg would counsel us instead to probe the background conditions against which agents appear to be making self-defeating choices to ascertain whether coercion lurks there in some form or other—be it material, political, social, or even cultural. Absent adequate information on such determinants we might take as a proxy for the extent of coercion in an economic system the degree to which the existent economic games generate outcomes that are deeply hazardous, patently unfair, serially correlated, or biased in favor of some set of economic actors. The failure of those seriously and/or serially harmed to withdraw from the games in which they are situated should give us pause, even if they enjoy the formal right of withdrawal. Continuing to participate in dangerous or biased games provides at least *prima facie* evidence that the harmed actors participate under coercion.

Exiting the Economic Arrangement

Until now we have treated an economic *arrangement* as synonymous with an *economy*. But now we must push past that simplification. Some economies might entail fairly homogeneous economic arrangements—defined in terms of risk-reward profiles, for instance—that largely cover the entire landscape. Social scientists are trained to think that this is the norm: that a capitalist economy, say, is one in which capitalist production and exchange crowd out all other economic forms. But recent research by economic geographers, economists, anthropologists and others suggests that this view is mistaken. In fact, many economies tend to be internally heterogeneous, exhibiting a wide range of diverse economic arrangements (see Gibson-Graham 2006; 2008). The research suggests that when we do find systemic monopolies, we should presume that they are supported by legal sanctions that privilege one set of economic institutions and practices and undermine or obstruct viable alternatives. Distinct arrangements for economic provisioning arise and sometimes thrive side-by-side in complex, evolving, kaleidoscopic constellations. In some economies alternative economic arrangements occupy distinct landscapes, making them more legible. Spain's Mondragon region, which houses the world's largest and most complex worker coop network, is a case in point. In other economies alternative economic arrangements cohabit the very same landscape. This may have the effect of suppressing awareness of the heterogeneity of the economic terrain, especially when one economic system is taken to be primary.

The extent of economic arrangement coexistence bears directly on the matter of consent and coercion. Where one economic arrangement predominates and crowds out alternative forms of economic provisioning, by virtue of its inherent properties, historical accident and path dependence, or the monopoly status conferred on it by public policy, the degree of coercion is greater. Where instead alternative arrangements flourish across the landscape, not only might the economy be less prone to systemic instability, but economic agents will have greater effective freedom to opt out of economic arrangements that they find to be excessively hazardous (or otherwise unsuitable). An economy harm profile that is attentive to the matter of consent and coercion, then, should map the range of viable economic arrangements that inhabit the economy. And harm-sensitive economists who aspire to the elimination of wrongful harm—those that follow from coercion—and gratuitous harms—those that serve no vital public purpose—might also advocate for reforms that create the conditions for the proliferation of economic forms. This would be an ecosystem characterized by economic polyculture rather than monoculture. Not for the sake of efficiency, necessarily, but for the sake of expanding economic agents' genuine freedom to choose the nature of the risks of harm that they are willing to accept (DeMartino 2013b).

IV. Conclusion

Figure 8 brings together the diverse features that an economy harm profile comprises. As extensive as it is, it is no doubt incomplete.

Figure 8
Features of Economy Harm Profile (Extended)

A. The Nature of Prevalent, Prevented, and Covered Harms

1a) Prevalence, depth, and risk of
    reparable and *irreparable* harms
    compensable and *non-compensable* harms
    foreseeable and *unforeseeable* harms
    avoidable and *unavoidable* harms
    necessary and *unnecessary* harms (superfluous/gratuitous harms)
    ethically benign and *ethically indictable* harms

1b) Nature of harms *averted, prevented, diminished* in frequency/severity

1c) Nature of *exposed* harms vs. nature of harms *insured against* or otherwise *ameliorated*

B. Distribution of Harms

2a) Distribution of winners and losers
    -- in each period, and over the course of successive periods

2b) Relative stakes, winning and losing

C. Rationale for Harms

3a) Degree of centrality of harms to the goods the system conveys
    -- goods comprise rights, liberties, positive freedoms (capabilities), welfare, sustainability, etc.

D. Mechanisms of Harm Inducement and Distribution

4a) Direct harm vs. indirect harm

4b) Fairness of contests and other arrangements that distribute goods and harms

4c) Ability of those causing harm to escape consequences

4d) Fragility/anti-fragility of economic system

E. Consent and Coercion

5a) Extent & intensity of coercion within each particular game comprising the economic system.

5b) Extent & intensity of coercion to play any particular game (availability of exit option for that particular game)

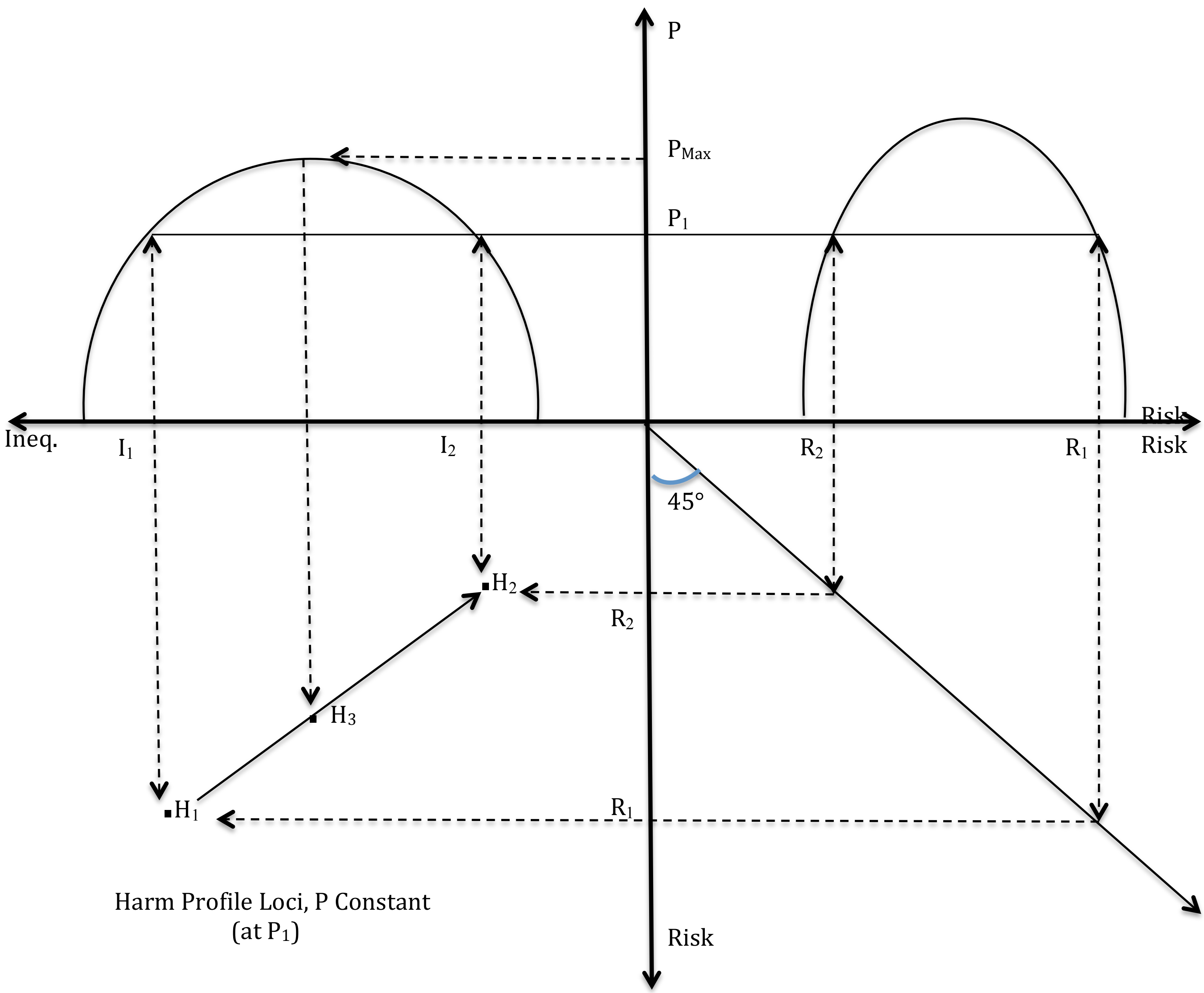
5c) Extent & intensity of coercion to play any particular *class* of games (availability of exit options from that class of games)

5d) Relative availability of exit option from economic system as a whole (porousness of economic system)

The nature of the harms that economies induce matter. If it is to pass ethical review, an economy that generates much irreparable, avoidable, or gratuitous harm, for instance, is one that would require a much stronger defense by its economist advocates (and economic ethicists) than one that is similar in salient respects but whose harms are largely reparable, unavoidable, or necessary. Also suspect would be an economic system that distributes harms unequally, a fragile economic system, or one that coerces agents into playing harm-inducing games for which they are not well suited.

The foregoing should help to dispel the view, so common within economics, that since benefitting almost always entails harming, economists needn't concern themselves overly with the harms their practice induces. Not all harms are created equal; and neither are all acts of harming in pursuit of the greater good. In place of moral geometry, like the Kaldor-Hicks compensation test that too readily excuses harm-inducing interventions, the profession can and should give careful attention to the myriad diverse factors that define and generate economy harm profiles. Not with the ultimate goal of eliminating all risks of harm from the economy, but with the more limited goal of ensuring that as economists target the achievement of valued goods such as prosperity, freedom, and sustainability, it also accepts its culpability in generating, preventing and ameliorating the harms that economic actors suffer; and its corresponding duty to seek economic arrangements that entail ethically defensible harm profiles.

Figure 5: Economy Harm Profile: Risk, Inequality and Performance



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