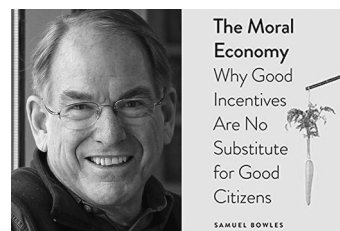


Not by money alone

adapted from an article by Bob Holmes

- 1 HOW should a society encourage its members to act in socially beneficial ways, when these can run counter to their own self-interest? For several centuries, Western societies have tried to do this through incentives. We penalise things we want to discourage, by, say, taxing fossil fuel. Conversely, we reward what we want to encourage, for example, by giving tax breaks to job-creating businesses.
- 2 If we get the incentives right, say economists, the invisible hand of the market guides people to do the right thing out of sheer self-interested greed, with no need to appeal to mushy notions of ethical responsibility. "Virtue was something economists thought they could safely ignore," writes Samuel Bowles, himself an economist at the Santa Fe Institute in New Mexico.
- 3 In his new book, *The Moral Economy: Why good incentives are no substitute for good citizens*, Bowles makes the case that economists have got it wrong — as his subtitle suggests, incentives alone can't push people toward responsibility. In fact, they can backfire.
- 4 Consider the experience of an Israeli day-care centre, which had a problem with parents who picked up their kids late, forcing staff to work overtime. When the centre instituted a fine for tardy pickups, they found it turned inconsiderate behaviour into 26. Parents were happy to pay to be late.
- 5 This sort of reframing often happens with incentives for good behaviour, Bowles argues. And it isn't the only problem: they can convey subliminal messages, too. When a Boston fire commissioner decided to dock the pay of firefighters who took too many sick days, it sent the message that he didn't trust his employees — and absenteeism went up because he lost their goodwill.
- 6 More subtly, even when incentives work, they may not be necessary. Economic inducements can crowd out moral and ethical motives for doing good. The effect is hard to prove in the real world, although Bowles provides plenty of examples from experiments to show that it can happen under controlled conditions.
- 7 But the rot goes deeper still. An over-reliance on incentives can stifle our ethical development. People tend to value what they are familiar with, so a world that frames decisions within an economic calculus teaches that selfish motives matter more than ethical ones. That's a problem, because even the smoothest market economy still needs virtue to oil its gears — which is why business people prefer to deal with those they trust.



8 For Bowles, the upshot is that sound public policy should take account of people's virtuous motives as well as selfish ones. Sometimes, ethical persuasion alone 28. A former mayor of Bogota, Colombia, for example, tamed the city's chaotic traffic by issuing hundreds of thousands of thumbs-down cards for citizens to flash at inconsiderate drivers.

9 But properly done, economic incentives can help, especially when the problem is framed ethically to start with. The day-care fines might have worked, says Bowles, if it had been pointed out to parents first that late pickups upset the kids and kept staff from going home to their own families.

10 Bowles makes an appealing case that virtue has a place in the world of economics. Unfortunately, much of his argument rests on the results of games played out in labs, such as the prisoner's dilemma. Real-world tests would be more accessible and more persuasive, but are hard to come by. Still, Bowles's book adds to a tide of research (such as the work of economist Elinor Ostrom and evolutionary biologist David Sloan Wilson) showing that selfishness is not the only human incentive in the real world.

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