



## **Incentives Are Not Enough, by Barry Schwartz**

When you incentivize everything, you de-moralize it, you take the moral dimensions out of it.

Arguably, in the olden days, bankers wanted to make money, but they also wanted to serve clients and communities. What that means was that there was a certain way to proceed if you were a banker to make sure that people were not taking on more debt than they could handle, that people were putting away enough money so that when they retired they would be able to pay their mortgage and buy food and clothing ... Nobody thinks that way anymore.

When you rely on incentives, you undermine virtues. Then when you discover that you actually need people who want to do the right thing, those people don't exist because you've crushed anyone's desire to do the right thing with all these incentives. And if you bring in a new set of people to replace them -- virtuous, moral people who want to do the right thing -- and they're subjected to the same set of incentives, they're going to become just like the people they replaced.

I'm not talking about getting rid of incentives; people have to make a living. But people need to understand that rules and incentives aren't enough.... The more rules and incentives you have, the less wisdom you will have. There needs to be room left on the one hand to nurture in people the desire to do the right thing and on the other hand to give them the tools so that they'll know what the right thing is. This incredible pressure to increase payoffs is an obstacle to doing the right thing. You will never be able to create a system of incentives that rewards people for doing the right thing. The system of incentives may start out that way, but very quickly clever people will find ways to ... game it.

I think the first step toward achieving [a solution] is appreciating that the tools we currently use are not sufficient.... The step after that is to identify and acknowledge the existence of moral exemplars -- if you like, moral heroes -- that the people you're training can aspire to emulate. And they don't have to be people who do extraordinary things. There are people who do small things that count as moral heroes. And then giving the people you're training the room both to improvise and to have room in their lives for wanting to do the right thing and not just the profitable thing.

--Barry Schwartz, on Practical Wisdom

[<http://blog.wired.com/business/2009/02/ted-barry-schwa.html>]

