The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens (Castle Lectures Series)

Samuel Bowles
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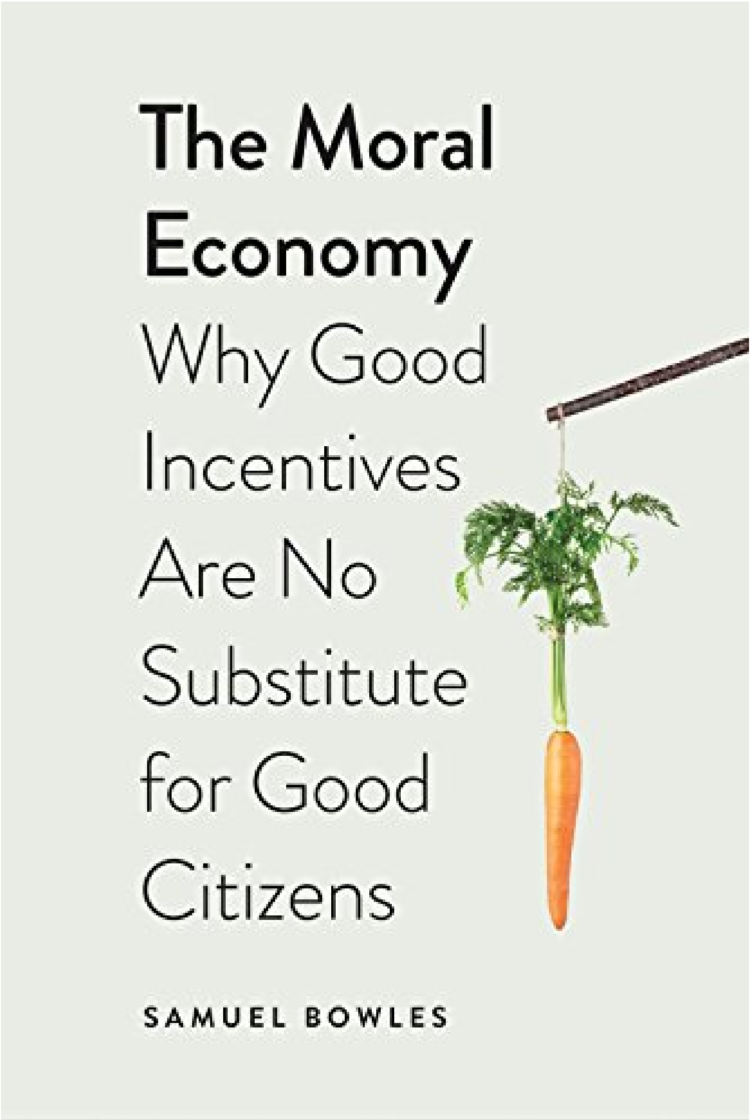

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Samuel Bowles : The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens (Castle Lectures Series) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens (Castle Lectures Series):

16 of 17 people found the following review helpful. Great account of how an inclusive understanding of social sciences might be applied to economic and political problemsBy Hugh SansomGreat new book from Samuel Bowles.

No matter whether you share his particular views, Bowles is an important read.Bowles is an unusually expansive thinker among economists, both in terms of where his thinking is on the spectrum of views and in his awareness of other disciplines -- political science, history, biology, sociology. Bowles was multi- and inter-disciplinary before it became fashionable. (Do you get the sense I'm a fan?) In the past, I would have characterized him as leftist/progressive. With Herbert Gintis and others, he was one of the architects of UMass Amherst's deeply under-appreciated, progressive economics department. I'm not sure where he might be placed now. And that's good. He challenges everyone, as far as I can tell.Bowles moves easily from technical, academic treatments of his subjects (see "A Cooperative Species", "Microeconomics: Behavior, Institutions, and Evolution", or "The New Economics of Inequality and Redistribution") to ones easily understood by almost any reader. (I have some comfort with mathematics, for example, but have no learning in mathematical economics beyond what I've managed to cobble together for myself.)"The Moral Economy" is quite accessible to readers not versed in technical economics, but it does not condescend or over-simplify (a problem with most economic writing directed at general audiences). Readers with no awareness of contemporary economics -- especially the role game theory and behavioral sciences have played in recent years -- may find the book less enjoyable or rewarding. But it is still very readable.Most important, Bowles is delving into a subject which I think is beginning to get more (and needed) attention in the long aftermath of the 2008 financial crisis. After seeing critical flaws in conventional economics laid bare in the crisis (and plenty of economists and others still effectively deny that there are problems), how do we apply new findings in the social sciences to do advance beyond mere critiques of old approaches? The answer, if I understand Bowles and others correctly, is that we need a better understanding of the economic actors -- us -- an understanding that doesn't omit or mis-characterize key features of human behavior (like altruism). We need to apply an understanding of essentially moral humans.All my take, all possibly mistaken. Still a very interesting read.3 of 3 people found the following review helpful. The first half of the book is a somewhat tedious description of ideas that seem almost obvious enough to ...By Peter McCluskeyThis book has a strange mixture of realism and idealism.It focuses on two competing models: the standard economics model in which people act in purely self-interested ways, and a more complex model in which people are influenced by context to act either altruistically or selfishly.The stereotypical example comes from the semi-famous Haifa daycare experiment, where daycare centers started fining parents for being late to pick up children, and the parents responded by being later.The first half of the book is a somewhat tedious description of ideas that seem almost obvious enough to be classified as common sense. He points out that the economist's model is a simplification that is useful for some purposes, yet it's not too hard to find cases where it makes the wrong prediction about how people will respond to incentives.That happens because society provides weak pressures that produce cooperation under some conditions, and because financial incentives send messages that influence whether people want to cooperate. I.e. the parents appear to have previously felt obligated to be somewhat punctual, but then inferred from the fines that it was ok to be late as long as they paid the price.[*]The book advocates more realism on this specific issue. But it's pretty jarring to compare that to the idealistic view the author takes on similar topics, such as acquiring evidence of how people react, or modeling politicians. He treats the Legislator (capitalized like that) as a very objective, well informed, and altruistic philosopher. That model may sometimes be useful, but I'll bet that, on average, it produces worse predictions about legislators' behavior than does the economist's model of a self-interested legislator.The book becomes more interesting around chapter V, when it analyzes the somewhat paradoxical conclusion that markets sometimes make people more selfish, yet cultures that have more experience with markets tend to cooperate more.He isn't able to fully explain that, but he makes some interesting progress. One factor that's important to focus on is the difference between complete and incomplete contracts. Complete contracts describe everything a buyer might need to know about a product or service. An example of an incomplete contract would be an agreement to hire a lawyer to defend me - I don't expect the lawyer to specify how good a defense to expect.Complete contracts enable people to trade without needing to trust the seller, which can lead to highly selfish attitudes. Incomplete contracts lead to the creation of trust between participants, because having frequent transactions depends on some implicit cooperation.The book ends by promoting the "new" idea that policy ought to aim for making people be good. But it's unclear who disagrees with that idea. Economists sometimes sound like they disagree, because they often say that policy shouldn't impose one group's preferences on another group. But economists are quite willing to observe that people generally prefer cooperation over conflict, and that most people prefer institutions that facilitate cooperation. That's what the book mostly urges.The book occasionally hints at wanting governments to legislate preferences in ways that go beyond facilitating cooperation, but doesn't have much of an argument for doing so.[*] - The book implies that the increased lateness was an obviously bad result. This seems like a plausible guess. But I find it easy to imagine conditions where the reported results were good (i.e. the parents might benefit from being late more than it costs the teachers to accommodate them).However, that scenario depends on the fines being high enough for the teachers to prefer the money over punctuality. They appear not to have been consulted, so success at that would have depended on luck. It's unclear whether the teachers were getting overtime pay when parents were late, or whether the fines benefited only the daycare owner.1 of 1 people found the following review helpful. Refreshing ideas on the intertwinement of our social and economic selves.By A. MenonDespite its short length, the moral economy has some very extensive ideas it presents. Mechanism design in economics has become increasingly focused on as the results of game theory have been internalized by the economics profession over the last 50 years. As a consequence fixing market failures at the margin with incentive schemes to guide improved behavior seems like a natural avenue to improve resource allocations. The trouble with the idea the author points out, is that behind our actions lies not homo economicus but a complex social person as well who does not add incentive payoffs with an ethical fixed value system. The Moral Economy brings up some simple examples in which incentives erode our social side and decrease our overall output and from there the author builds up how this can happen and what are the things a legislator should consider when constructing incentive schemes for a diversified public. This is a combination of philosophy and behavioral science and gives some important ideas to consider for mechanism design as well as for general public policy.The book is split into 7 parts which guide the reader through the ways to think about social games and the way the structuring as well as verbal framing lead to various empirical payoffs in repeated settings. The author starts by discussing the conditions necessary for the invisible hand to guide the economy to pareto optimality, so in particular the conditions required for Arrow Debreu economy to reach equilibrium. One of the requirements is complete information and complete contracts. Neither are realistic assumptions and as a consequence alongside coordination problems the market will often fail and lead to socially undesirable outcomes. The use of incentives can be employed to re-guide the market back to an improved equilibrium in economic theory if the incentives better align prices with full costs including externalities. This is the starting point of why incentives can be beneficial. The author then takes us back to reality where it is intuitively obvious to most people that the pure Nash equilibrium of games like how to divide a pie and the dictator "game" are not actually played by people when confronted with the game as people reject strictly better payoffs they deem unfair. The author reminds us that behind behavior is not a cold calculating economic agent but a social animal with a value system that considers other aspects in exchange. The author later in the book discusses some of the neuroscience behind this so its not an aspect that should be overlooked and seen as to be a blip in the data that will be taken advantage of by the hawks in the market. The author discusses how incentives can change the combination of moral calculation and economic calculation that in-fact erode efficiency. The author highlights this idea as incentives crowding out our moral socially enhancing side and crowding in our rational self serving side. The author discusses how a reframing of the same incentive of pure monetary payment to monetary payment as well as moral obligation can achieve a vastly different and more beneficial outcome where the incentive crowds in the moral side. The subtlety of this is important and brings in strongly an Aristotelian sense of civic duty. There is much to think about in this book but the point should be well taken by the reader that civil society is not based on a pure contractual foundation and instead trust is at the core of a market economy. Incentives which try to put a price on everything can backfire when misused as the marginal benefit of the incentive payoff can be overwhelmed by the marginal change in social conscience. The author uses the late parents picking up their kids from school and getting a token fine subsequently increased frequency of tardiness as one of the core examples of this phenomenon.The Moral Economy brings back ideas we need to consider for political economy when thinking about policy at the microeconomic level. It is founded in game theory and empirical study and makes a strong economic case for an idea that is known to everyone intrinsically and Sandel discusses in "What money can't buy". Definitely not a light book but the idea is both simple and powerful, people don't separate moral judgments from economic judgments and changes in economic calculations can change moral calculations potentially permanently. We need to be careful when thinking about what that means when instituting policy that is intended to change behavior at the margin.

Should the idea of economic manmdash;the amoral and self-interested Homo economicusmdash;determine how we expect people to respond to monetary rewards, punishments, and other incentives? Samuel Bowles answers with a resounding ldquo;no.rdquo; Policies that follow from this paradigm, he shows, may ldquo;crowd outrdquo; ethical and generous motives and thus backfire. nbsp; But incentives per se are not really the culprit. Bowles shows that crowding out occurs when the message conveyed by fines and rewards is that self-interest is expected, that the employer thinks the workforce is lazy, or that the citizen cannot otherwise be trusted to contribute to the public good. Using historical and recent case studies as well as behavioral experiments, Bowles shows how well-designed incentives can crowd in the civic motives on which good governance depends.

"The Moral Economy plows new ground in exploring how the actions we take are motivated by their meaning. Samuel Bowles is proposing a paradigm shift in how we think about our lives and about economics."mdash;George Akerlof, Nobel Laureate in Economics