

## SPECIAL REVIEW ESSAY SECTION

**Samuel Bowles: *The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens***  
 New Haven, CT, 2016: Yale University Press, 288 pp.

**Beyond Crowding In and Out:  
 Why We Need to Study Policy Design  
 in a Communicative Context**

Using economic incentive policies to make people contribute to the common good may backfire. To begin with, people may not be as self-interested and antisocial as this practice assumes. But more than this, incentive-based policies may 'crowd out' the initially positive effects of 'social preferences' that would have mattered more in the absence of incentives (e.g. altruism, morality, reciprocity, concern for the common good). Crowding out may happen because incentives convey the message that the legislator, and other fellow citizens, do not trust me and are probably not trustworthy. Crowding out may also result from 'moral disengagement', if people begin to think that social behaviour is not expected, or because the socially-minded feel less rewarded as their contributions become 'overjustified' by incentives. These mechanisms are all short-term consequences on the *salience* of social preferences. However, incentive-based policies may also have long-run consequences. Playing incentive-based 'games', Bowles argues, may affect habits also after the incentives are removed. Thus, incentives may in the long-run hurt social preferences themselves, and not just their short-term salience in a specific situation.

Not all is doom and gloom with incentives, of course. They usually have a positive impact of their own and are therefore an indispensable part of society. And incentive-based policies, if correctly designed, may sometimes leave social prefer-

ences untouched. Even better, Bowles argues, wisely designed incentives may trigger a 'crowding in' effect, where incentives not only work but also increase the salience of social preferences. For example, this seems true when fellow citizens can punish, name and shame free riding, at the same time as policies also convey the message that the punishers do not gain personally from punishing. In general, the features of incentive policies can signal that a social behaviour is expected and that citizens could and should demand this from each other. An observation in the same vein concerns country-variation in the efficiency of such policy designs. According to Bowles, the crowding in of social behaviour is more widespread in democratic, high trust, equal societies with well-functioning rule of law. Such institutional settings lower the costs of being exploited, encourage a social behaviour in strategic situations, and elicit greater positive effects of altruistic peer punishment. Overall then, correctly designed incentive-based policies, in the right policy context, may signal that a social behaviour is expected and will be reciprocated.

It should be easy for most social scientists to like this book. It makes an argument of interest to most of us in a text free of any jargon that could otherwise needlessly complicate things. The basic argument develops in dialogue with the classics of economic and political theory; the reader gets to say hello to Aristotle, Machiavelli, Smith, Rawls, and many more. Even more importantly, Bowles shows how recent experimental research forces large swathes of an academic discipline (eco-

nomics) to rethink eternal problems, having discovered that incentives do not work as expected. As if the reader needed a bonus, the cover looks great, as do the spacious pages. It is an attractive book to hold in your hand and it certainly is a good read. Only the title felt a little 'stock'; this reader owns several volumes with similar titles.

Let me take this opportunity to highlight a moderating factor that currently seems under-theorised. This should not be understood as a sharp criticism of the research discussed in this book and the conclusions drawn from it, but as a possibility for the future integration of different corners of social science. When thinking about the many empirical examples of crowding out I was often left wondering what the policymaker had said and not said, in public, about the underlying rationale. Such communication is a natural part of rule-giving and rule-taking in families, firms, and polities. For the most part, however, it seemed to be missing from the many clever experiments and at least from the initial arguments made.

Specifically, Bowles initially argues that policy design is what matters; policies 'convey' messages about the 'salience' of social preferences and the 'framing' of the situation. This makes sense and is supported by theory and evidence. But there are many ways to convey messages in a social setting. The logic of policy designs is only one of them. Consider the shortest example in the book (p. 9): 'I once offered my teenage kids a price list for household chores as a way of topping up their modest weekly allowance. In response, they simply stopped doing the housework that they had once more or less happily done without incentives.'

Did the good author not talk to his kids about his policy change? And what did he say? That he was angry and that they were lazy? Or that he understood that chores are no fun but needed for the family

to work. Perhaps he added that *he knew that they knew* this—having seen how they had done their chores voluntarily—and that he wanted to support this even further. Or perhaps the author did not explain one way or the other, in which case the kids were left to their own devices in giving meaning to the incentives.

The broader point here is that institutions, contrary to the language often adopted in the book, do not 'convey messages' or 'frame' situations on their own. We normally associate such terms with public sphere communication. Policies—whether in a family, a firm, or a democratic mass polity—are embedded in a communicative context where legislators have considerable agenda-setting and framing power. Thus, we should conceptualise and empirically test for interactions between policy design and communicative context. Similar arguments have recently been made in the literature on welfare state-related 'policy feedback' effects on political attitudes and behaviour [Soss and Schram 2012; Kumlin and Stadelmann-Steffen 2014]. These studies raise the possibility that policy designs may often fail to 'convey messages' and affect the public to the extent that policy messages are not reinforced in the public sphere.

In the concluding chapter, Bowles increasingly seems to think along similar lines. The discussion partly switches from a relatively strict focus on policy design to intricate examples of successful *combinations* of policy change (partly involving incentives) and information campaigns that, taken together, 'crowded in' the effects of social preferences on behaviour. I applaud this move, but it does represent a major theoretical shift of focus, and one that is made with too little fanfare. I think we end up with a very different set of questions once we agree that what is communicated by policymakers in the public sphere interacts with policy design. Some of these questions are likely to be new: can policy-

makers generally dampen crowding-out policy effects, or even trigger crowding in, by publicly reinforcing a positive interpretation? Or does any such interaction effect in turn depend on policy details that render such a message more or less credible?

Other questions about policy-communication interactions are likely to be new versions of old problems long examined in social science. For example, when is the information flow intense enough to trigger any sort of policy design effect, one way or the other? And to what extent is the information coded with partisan and ideological cues such that only those positively predisposed to the sender of the message will agree and be affected by policy design? Alternatively, perhaps all major political parties (or, say, both parents in a family) propagate the same consensual frame. Returning to the household chore example, perhaps both the author and the mother united around the same (cynical or social) message about the meaning of incentives? In such cases, policy design should matter more than usual and in the same direction regardless of predispositions towards individual parents or parties (in whatever direction reinforced around the kitchen table or in the public sphere). Of course, consensus in the interpretation of policy is probably unusual in family life, democratic politics, and other situations.

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#### References

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#### Prosociality Matters, But Let's Not Throw Out the Knaves Assumption for Heterogeneous Populations

What are the conditions for the emergence of cooperation, solidarity, and a 'social order' in groups, communities, and societies? Following Machiavelli, Hobbes, and, in a sense, the British Moralist tradition (Hume, A. Smith), many thinkers have answered this question by pointing out the role of appropriate institutions, which provide constraints and incentives (material rewards or punishments) to motivate individuals who are dominantly self-interested into contributing to public goods. Using the *homo economicus* model of man, that is, (complete) rationality and self-regarding preferences, it seemed safe in this tradition to argue that cooperation in social dilemma situations requires external incentives.

In the social sciences, classical sociologists like Durkheim and Parsons argued against this rationalist-utilitarian tradition. Durkheim objected that modern societies could not achieve cooperation via voluntary contracts among rational and self-interested agents because contracts are binding only owing to pre-contractual elements that are provided by 'society', that is to say by legal institutions, and, most importantly, the internal sanctions of morality. In a similar vein, Parsons developed what has been called the 'normative' solution to the Hobbesian problem of social order. Cooperation in society depends on categorical commitments to specific norms of cooperation that require that agents act, from time to time, against their narrow self-interests. Parsons argued against one fundamental premise of economics that he called the assumption of a 'randomness of ends'. Parsons believed that without any restrictions with regard to individual preferences (preference neutrality) a stable social order cannot be achieved. In recent decades, many economists have explicitly or tacitly adopted many ideas from sociology and