

# Incentives and Commitment

## Syllabus

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(with the participation of Miriam Teschl)

### Course's objective

The general idea of the lecture is to spell out what economists usually mean by incentives and to connect it with insights from social and behavioral sciences. The aim is to give students a better understanding about what incentives are and how incentives are used to shape behavior. The lecture will situate incentives in a historical context. We will also present the evolution of experiments in the behavioural sciences. We distinguish incentives in markets from incentives to do certain sort of things in organizations. Binding incentives in markets play essentially the role of a coordination device, whereas incentives in organizations are key ingredients of contractual arrangements. We will have a closer look at how incentives are used in the context of contemporary economic analysis within organizations, notably in principal agent models. We will then present some key experiments in behavioral sciences that introduce incentives, from animal models to humans. This will allow us to discuss non-price incentives. There is a growing literature in economics that focuses on the role of intrinsic motivation instead of any extrinsic motivation such as payoffs and experimental earnings, borrowing insights from cognitive and social psychology. Finally, we will study the concepts of compliance and commitment from social psychology and how it can be operationalized in economic experiments.

### Outline

1. Who needs incentives? Historical analysis of incentives up to principal-agent models
2. Incentives in the behavioural sciences from animals to humans: from classical conditioning to intrinsic motivation
3. Compliance without pressure and commitment: Insights from social psychology
4. Commitment and compliance in economic experiments: The case of the oath

## Grading

Students will be graded on participation in class and on the basis of a final short dissertation. The dissertation will be prepared at home. The dissertation will be reviewed based on the quality of the arguments. The topic of the dissertation will be either decided by the professor or jointly with the students.

## References for the lecture

Freedman, J. L., & Fraser, S. C. (1966). Compliance without pressure: The foot-in-the-door technique. *Journal of Personality and Social Psychology*, vol. 4(2): 195-202.

Frey, Bruno S., and Felix Oberholzer-Gee. (1997) "The Cost of Price Incentives: An Empirical Analysis of Motivation Crowding-Out." *The American Economic Review*, vol. 87(4): 746–755.

Grenier, J.Y « Faut-il rétablir l'esclavage en France ? Droit naturel, économie politique et esclavage au XVIIIe siècle » *Revue d'histoire moderne & contemporaine* 2010/2 (n° 57-2)

Jacquemet N., Luchini S., Rosaz J., Shogren J.F. (2019) « Truth-Telling under Oath.' » *Management Science*, 65(1): 426-438.

Laffont and Martimort (2002). *The Theory of Incentives*. Princeton University Press.

Ruth W. Grant (2002). The ethics of incentives: historical origins and contemporary understandings. *Economics and Philosophy*, null, pp 111-139  
doi:10.1017/S0266267102001104

Sugden, R. (2018) "Awards, incentives and mutual benefit", *International Review of Economics*.