(1) From: **Predictably Irrational** by Dan Ariely
New York: HarperCollins, 2008
Chapter 12, p. 218-224
Book available in the NTU library and for downloading here:
http://www.scribd.com/doc/13495985/Predictably-Irrational-The-Hidden-Forces-That-Shape-Our-Decisions-Harper-2008

…When we look at the world around us, much of the dishonesty we see involves cheating that is one step removed from cash. Companies cheat with their accounting practices; executives cheat by using backdated stock options; lobbyists cheat by underwriting parties for politicians; drug companies cheat by sending doctors and their wives off on posh vacations. To be sure, these people don't cheat with cold cash (except occasionally). And that's my point: cheating is a lot easier when it's a step removed from money.

(2) Do you think that the architects of Enron's collapse – Kenneth Lay, Jeffrey Skilling, and Andrew Fastow—would have stolen money from the purses of old women? Certainly, they took millions of dollars in pension monies from a lot of old women. But do you think they would have hit a woman with a blackjack and pulled the cash from her fingers? You may disagree, but my inclination is to say no.

(3) BECAUSE WE ARE SO adept at rationalizing our petty dishonesty, it's often hard to get a clear picture of how nonmonetary objects influence our cheating. In taking a pencil, for example, we might reason that office supplies are part of our overall compensation, or that lifting a pencil or two is what everyone does. We might say that taking a can of Coke from a communal refrigerator from time to time is all right, because, after all, we've all had cans of Coke taken from us. Maybe Lay, Skilling, and Fastow thought that cooking the books at Enron was OK, since it was a temporary measure that could be corrected when business improved. Who knows?

(4) To get at the true nature of dishonesty, then, we needed to develop a clever experiment, one in which the object in question would allow few excuses. Nina, On, and I thought about it. Suppose we used symbolic currency, such as tokens. They were not cash, but neither were they objects with a history, like a Coke or a pencil. Would it give us insight into the cheating process? We weren't sure, but it seemed reasonable; and so, a few years ago, we gave it a try.

(5) This is what happened. As the students at one of the MIT cafeterias finished their lunches, we interrupted them to ask whether they would like to participate in a five-minute experiment. All they had to do, we explained, was solve 20 simple math problems (finding two numbers that added up to 10). And for this they would get 50 cents per correct answer.

(6) The experiment began similarly in each case, but ended in one of three different ways. When the participants in the first group finished their tests, they took their worksheets up to the experimenter, who tallied their correct answers and paid them 50 cents for each. The participants in the second group were told to tear up their worksheets, stuff the scraps into their pockets or backpacks, and simply tell the experimenter their score in exchange for payment. So far this experiment was similar to the tests of honesty described in the previous chapter.

(7) But the participants in the last group had something significantly different in their instructions. We told them, as we had told the previous group, to tear up the worksheets and simply tell the experimenter how many questions they had answered correctly. But this time, the experimenter wouldn't be giving them cash. Rather, she would give them a token for each question they claimed to have solved. The students would then walk 12 feet across the room to another experimenter, who would exchange each token for 50 cents.

(8) Do you see what we were doing? Would the insertion of a token into the transaction—a piece of valueless, nonmonetary currency—affect the students' honesty? Would the token make the students less honest in tallying their answers than the students who received cash immediately? If so, by how much?

Even we were surprised by the results: The participants in the first group (who had no way to cheat) solved an average of 3.5 questions correctly (they were our control group).

(9) The participants in the second group, who tore up their worksheets, claimed to have correctly solved an average of 6.2 questions. Since we can assume that these students did not become smarter merely by tearing up their worksheets, we can attribute the 2.7 additional questions they claimed to have solved to cheating.

(10) But in terms of brazen dishonesty, the participants in the third group took the cake. They were no smarter than the previous two groups, but they claimed to have solved an average of 9.4 problems—5.9 more than the control group and 3.2 more than the group that merely ripped up the worksheets.

(11) This means that when given a chance to cheat under ordinary circumstances, the students cheated, on average, by 2.7 questions. But when they were given the same chance to cheat with nonmonetary currency, their cheating increased to 5.9—more than doubling in magnitude. What a difference there is in cheating for money versus cheating for something that is a step away from cash!

(12) If that surprises you, consider this. Of the 2,000 participants in our studies of honesty (described in the previous chapter), only four ever claimed to have solved all the problems. In other words, the rate of "total cheating" was four in 2,000.

(13) But in the experiment in which we inserted nonmonetary currency (the token), 24 of the study's 450 participants cheated "all the way." How many of these 24 extreme cheaters were in the condition with money versus the condition with tokens? They were all in the token condition (24 of 150 students cheated "all the way" in this condition; this is equivalent to about 320 per 2,000 participants). This means that not only did the tokens "release" people from some of their moral constraints, but for quite a few of them, the extent of the release was so complete that they cheated as much as was possible.

(14) This level of cheating is clearly bad, but it could have been worse. Let's not forget that the tokens in our experiments were transformed into cash within a matter of seconds. What would the rate of dishonesty have been if the transfer from a nonmonetary token to cash took a few days, weeks, or months (as, for instance, in a stock option)? Would even more people cheat, and to a larger extent?

(15) WE HAVE LEARNED that given a chance, people cheat. But what's really odd is that most of us don't see this coming. When we asked students in another experiment to predict if people would cheat more for tokens than for cash, the students said no, the amount of cheating would be the same. After all, they explained, the tokens represented real money—and the tokens were exchanged within seconds for actual cash. And so, they predicted, our participants would treat the tokens as real cash.

(16) But how wrong they were! They didn't see how fast we can rationalize our dishonesty when it is one step away from cash. Of course, their blindness is ours as well. Perhaps it's why so much cheating goes on. Perhaps it's why Jeff Skilling, Bernie Ebbers, and the entire roster of executives who have been prosecuted in recent years let themselves, and their companies, slide down the slope.

(17) All of us are vulnerable to this weakness, of course. Think about all the insurance fraud that goes on. It is estimated that when consumers report losses on their homes and cars, they creatively stretch their claims by about 10 percent. (Of course, as soon as you report an exaggerated loss, the insurance company raises its rates, so the situation becomes tit for tat).

Again it is not the case that there are many claims that are completely flagrant, but instead many people who have lost, say, a 27-inch television set report the loss of a 32-inch set; those who have lost a 32-inch set report the loss of a 36-inch set, and so on.

(18) These same people would be unlikely to steal money directly from the insurance companies (as tempting as that might sometimes be), but reporting what they no longer have—and increasing its size and value by just a little bit— makes the moral burden easier to bear. There are other interesting practices. Have you ever heard the term "wardrobing"? Wardrobing is buying an item of clothing, wearing it for a while, and then returning it in such a state that the store has to accept it but can no longer resell it. By engaging in wardrobing, consumers are not directly stealing money from the company; instead, it is a dance of buying and returning, with many unclear transactions involved. But there is at least one clear consequence—the clothing industry estimates that its annual losses from wardrobing are about $16 billion (about the same amount as the estimated annual loss from home burglaries and automobile theft combined).

(19) And how about expense reports? When people are on business trips, they are expected to know what the rules are, but expense reports too are one step, and sometimes even a few steps, removed from cash. In one study, Nina and I found that not all expenses are alike in terms of people's ability to justify them as business expenses. For example, buying a mug for five dollars for an attractive stranger was clearly out of bounds, but buying the same stranger an eight-dollar drink in a bar was very easy to justify. The difference was not the cost of the item, or the fear of getting caught, but people's ability to justify the item to themselves as a legitimate use of their expense account.

(20) A few more investigations into expense accounts turned up similar rationalizations. In one study, we found that when people give receipts to their administrative assistants to submit, they are then one additional step removed from the dishonest act, and hence more likely to slip in questionable receipts. In another study, we found that businesspeople who live in New York are more likely to consider a gift for their kid as a business expense if they purchased it at the San Francisco airport (or someplace else far from home) than if they had purchased it at the New York airport, or on their way home from the airport. None of this makes logical sense, but when the medium of exchange is nonmonetary, our ability to rationalize increases by leaps and bounds.

(Another experiment: p. 207-209)

(21) …The test consisted of 20 simple problems, each requiring participants to find two numbers that would add up to 10 (for a sample problem, see the table below). They had five minutes to solve as many of the problems as they could, after which they were entered into a lottery. If they won the lottery, they would receive ten dollars for each problem they solved correctly.

p. 206: Math test

Look at your watch, note the time, and start searching for two numbers in the matrix below that will add up to exactly 10. How long did it take you?

1.69	4.81	4.28
1.82	3.05	6.36
2.91	5.82	5.19
4.67	5.06	4.57

(22) As in our experiment at the Harvard Business School, some of the participants handed in their papers directly to the experimenter. They were our control group. The other participants wrote down on another sheet the number of questions they solved correctly, and then disposed of the originals. These participants, obviously, were the ones with the opportunity to cheat. So, given this opportunity, did these participants cheat? As you may have surmised, they did (but, of course, just by a bit).

(23) Up to now I have not told you anything new. But the key to this experiment was what preceded it. When the participants first came to the lab, we asked some of them to write down the names of 10 books that they read in high school. The others were asked to write down as many of the Ten Commandments as they could recall. After they finished this "memory" part of the experiment, we asked them to begin working on the matrix task.

(24) This experimental setup meant that some of the participants were tempted to cheat after recalling 10 books that they read in high school, and some of them were tempted after recalling the Ten Commandments. Who do you think cheated more?

When cheating was not possible, our participants, on average, solved 3.1 problems correctly.

When cheating was possible, the group that recalled 10 books read in high school achieved an average score of 4.1 questions solved (or 33 percent more than those who could not cheat).

(25) But the big question is what happened to the other group— the students who first wrote down the Ten Commandments, then took the test, and then ripped up their worksheets. This, as sportscasters say, was the group to watch. Would they cheat—or would the Ten Commandments have an effect on their integrity? The result surprised even us: the students who had been asked to recall the Ten Commandments had not cheated at all. They averaged three correct answers—the same basic score as the group that could not cheat, and one less than those who were able to cheat but had recalled the names of the books.

(26) As I walked home that evening I began to think about what had just happened. The group who listed 10 books cheated. Not a lot, certainly—only to that point where their internal reward mechanism (nucleus accumbens and superego) kicked in and rewarded them for stopping.

(27) But what a miracle the Ten Commandments had wrought! We didn't even remind our participants what the Commandments were—we just asked each participant to recall them (and almost none of the participants could recall all 10). We hoped the exercise might evoke the idea of honesty among them. And this was clearly what it did. So, we wondered, what lessons about decreasing dishonesty can we learn from this experiment? It took us a few weeks to come to some conclusions.

(28) FOR ONE, PERHAPS we could bring the Bible back into public life. If we only want to reduce dishonesty, it might not be a bad idea. Then again, some people might object, on the grounds that the Bible implies an endorsement of a particular religion, or merely that it mixes religion in with the commercial and secular world. But perhaps an oath of a different nature would work. What especially impressed me about the experiment with the Ten Commandments was that the students who could remember only one or two Commandments were as affected by them as the students who remembered nearly all ten. This indicated that it was not the Commandments themselves that encouraged honesty, but the mere contemplation of a moral benchmark of some kind. …