

Adverse selection, twisted incentives and social inefficiency at the UN

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Introduction

In his book "[Discover your inner economist](#)", Tyler Cowen explains why parents should not pay their children to do the dishes. He argues economic incentives are not appropriate in this case. Parents make their children do the dishes to create a sense of belonging and contribution to the family. Paying them annihilates these essential family values and children do an even poorer job.

More generally, economic incentives² can demoralize pro-social motivation. In theory, they crowd-out intrinsic motivation by destroying the sense of "gift" or "civic duty", or by creating doubts about your true motives ([Bénabou and Tirole 2006](#)).

[Goette and Stutzer](#) (2008) explain this phenomenon with the market for blood donations. Blood donations, if done for free, are motivated by the desire to help others (or to acquire a reputation). Hence, paying for blood might not increase the number of donors. They conduct a field experiment in which they give two different types of economic incentives to blood donors, free lottery tickets or a free cholesterol test.

Their results are the most revealing. *"Lottery tickets significantly increase donations, in particular among less motivated donors. The cholesterol test leads to no discernable impact on usable blood donations. If anything, it creates a small negative selection effect in terms of donations that must be discarded."*

The UN office in Geneva

While I could make the case against economic incentives in any activity that involves pro-social motivation (the desire to help the society you live in), such as social workers, doctors or even firefighters, I choose the example of the UN office in Geneva. I do so because it is

characterized by inefficiency, corruption, puppets with high wages and procrastination.

The most common discussion at any UN agency in Geneva involves complaining about short term contracts, low salaries and bad working conditions. As if getting good money and working conditions was the main factor driving people to work there, not the desire to help solve global problems. It is indeed very rare to hear a UN employee complaining about how his work doesn't contribute enough to poverty reduction, or any other UN goal.

I attribute these problems to high wages for two reasons, adverse selection and twisted incentives.

Adverse selection

*"Lottery tickets significantly increase donations, in particular among less motivated donors".
"The cholesterol test [...] creates a small negative selection effect in terms of donations that must be discarded".*

High wages at the UN should increase the number of job applicants, especially among less intrinsically motivated individuals³. This is why there is an adverse selection of people who don't care about poverty or climate change at the UN.

Twisted incentives

By paying them higher salaries, UN employees do not produce higher quality work. Instead, it destroys the intrinsic motivation of well-intentioned workers. This loss of true motives ends up in poor quality work, empty of belief.

Social inefficiency

The extra cash does not increase the productivity of good employees and attracts bad employees. This bad allocation of resources is, obviously, socially inefficient.

References

Bénabou, R. and Tirole, J., 2006. *Incentives and Prosocial Behavior*. American Economic Review 96(5): 1652-1678.

Cowen, Tyler, "[Discover Your Inner Economist: Use Incentives to Fall in Love, Survive Your Next Meeting, and Motivate Your Dentist](#)", Dutton Adult, August 2, 2007

Goette, Lorenz & Stutzer, Alois, 2008. "[Blood Donations and Incentives: Evidence from a Field Experiment](#)," IZA Discussion Papers 3580, Institute for the Study of Labor (IZA).

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² I should say monetary, as economic incentives include more than money.

³ In a previous [column](#), I had called these less motivated individuals "luxury lifestyle seekers".