



*Governing by Carrot and Stick. A Genealogy of the Incentive*

G. Dix

## **English summary**

Managers, politicians and scientists frequently use the term 'incentive' in their explanations of human action. At the same time, individuals in the public and private sectors are now governed with the help of incentives: a bonus is an incentive for the banker to perform in an optimal way; the introduction of market forces in healthcare is an incentive for healthcare providers to use tax payers' money efficiently; the public availability of information about school performance is an incentive for school administrators and teachers to work hard. In this thesis, I study the incentive from a theoretical and normative perspective inspired by the work of the French philosopher and historian Michel Foucault. To challenge the current self-evidence of the incentive as an explanatory term and instrument of power, I focus on the contingency that permeates the transformations in nineteenth- and twentieth-century thoughts about and uses of the carrot and the stick (chapter 1).

One of the key themes in Foucault's work is the relationship between the development of knowledge and the wielding of power. Sometimes, power is a very brute phenomenon, but more often, it is cloaked in discourses that try to rationalize its exercise and justify its existence. At the end of the 1970s, Foucault began to investigate the history of these rationalizations of government in detail. In particular, he focused on two interrelated aspects of different 'governmentalities' that were developed by Western thinkers from the Middle Ages to the twentieth century. First, he studied the way the objects and objectives of political action were demarcated by different groups of (scientific) experts. Second, he studied the development of techniques with which the behavior of individuals and groups could be steered in a different direction. Similarly, in this thesis, I study three successive attempts to demarcate the 'incentivizable subject' as an object of knowledge and to design the techniques of power with which that subject could be governed (chapter 2).

American engineers were the first professional authority in matters of incentives. They held a unique position in the late nineteenth century because they worked closely with the workers and foremen and, at the same time, had access to the higher echelons of management. For the engineers, the incentivization of employees was synonymous with the introduction of a variant of piece wages. Their proposals for industrial government became more refined as their understandings of wage incentives progressed. Frederick Taylor's principles of scientific management and

Henry Gantt's system of charting each worker's performance are exemplary of this development (chapter 3).

From the 1920s onward, the authority of the engineers was challenged by social scientists from a variety of disciplines. British and American economists criticized their one-sided focus on the material motives of workers. That criticism was not lost on a group of management scientists who, in the 1930s, moved industrial research in a novel direction. From a background in psychology, sociology and anthropology, these management scientists developed different explanations for employee behavior and developed a set of alternative techniques to bring the individual in harmony with him- or herself, with the working group and with managers and foremen (chapter 4).

It took until the 1970s for a new rationalization of governing with the help of incentives to come into being. This time, mathematically trained economists broadened the theoretical debate on socialism versus capitalism as rival allocation mechanisms, to include a number of problems that were faced by all who governed. In their models, these economists forged a link between central economic planning and the information that was available to economic actors on the local level. The optimal allocation of goods and services, therefore, required that economic actors reported their private information to the planner honestly. But what if they were not inclined to do so? Indeed, if individuals were acting out of self-interest, it would be rational for them to withhold information from the planner. To minimize such instances of information asymmetry, the planner would have to give each individual an incentive to speak truthfully (chapter 5).

The relationship between information and incentives was developed further in the economic theory of principal and agent. The principal is someone who can only achieve his or her goals if a set of agents either honestly provides the necessary information or adequately performs certain actions. According to the economists, the world is inhabited by principals and agents; thereby, the idea took hold that governing with carrot and stick was not a local matter—as the engineers still thought—but that the information-incentive nexus could be located in a wide range of relationships between governors and governed in both the public and the private sectors. A study of the introduction of performance pay in Dutch primary and secondary education shows that principal-agent theory played a vital role in the

articulation of alleged problems in the educational system and in the proposal of suitable solutions (chapter 6).

In the final chapter, I analyze in more detail a number of recurrent themes in the three incentive-infused governmentalities. These themes are the delimitation of the incentivizable subject and the role granted to the governor; the contrast between incentives and discipline as rival techniques of power; and the things that are taken for granted in the nineteenth- and twentieth-century views on and uses of the carrot and the stick as twin elements in a comprehensive program for wielding power over people (chapter 7).