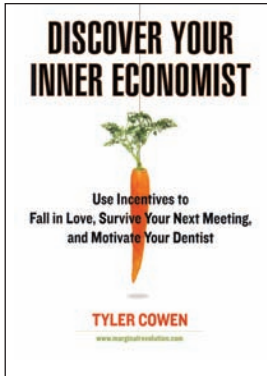


## Self-Help Economics



**DISCOVER YOUR INNER ECONOMIST:  
USE INCENTIVES TO FALL IN LOVE,  
SURVIVE YOUR NEXT MEETING,  
AND MOTIVATE YOUR DENTIST**

BY TYLER COWEN

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REVIEWED BY BETTY JOYCE NASH

Self-help books typically fill psychology or religion or parenting shelves, but here's one in an unexpected aisle: economics. It promises that life improves as one cultivates economic intuition, one's "inner economist."

Quite a claim. A quick look at *Discover Your Inner Economist's* chapter headings will clue in the reader to the book's ambitions: For instance, Chapter Two, "How to Control the World, the Basics" and Chapter Three, "How to Control the World, Knowing When to Stop." That's a relief.

The point of economics, author/economist/polymath Tyler Cowen observes, is to make the world a better place. And it can start with enhanced opportunities and, heck, just more mindful shopping. People need only apply reliable economic tools to discern underlying patterns.

Cowen is professor of economics at George Mason University, and much more. He writes restaurant reviews for his online ethnic dining guide to the Washington, D.C., area, and eclectic entries at MarginalRevolution.com, a widely read economics blog he co-authors. Cowen also writes for the popular press on a wide variety of subjects as well as on scholarly topics for economics journals. One of his books is about Mexican amate painters and their foray into the global marketplace.

Cowen admits at the get-go: "Economists cannot solve all of our problems, but contemplating the complexity of human motivation will help us make better decisions." Human motivation largely relies on incentives, so Cowen suggests that one start by instructing his inner economist about a basic human need, a sense of control that underpins responses to incentives. If you've ever tried (in vain as I have) to motivate adolescents to do chores for money, then this is the book for you. Why, oh why, might teenagers work diligently for others, but drag their feet for parents?

The inner economist, according to Cowen, knows that money isn't always the best motivator. The trick lies in calculating if, when, and how much money matters. To explain, he describes his experience in trying to get his daughter to clean dirty dishes. Using money to bribe, er, entice, offspring to wash the dishes probably won't work.

"The failure of the bribe reflects the complexity of human motivation," he explains. People are motivated by

many factors, including money, but also internal rewards like satisfaction, or perhaps "wanting to do a good job for its own sake." In other words, internal motivation sometimes rules and a monetary payment can backfire. According to Cowen, explain to the offspring that the chore is expected for the good of the family, and the daughter may feel the need to cooperate and "meet expectations." But payment transforms the cooperation into a "market relationship."

A useful insight. And if that doesn't work, there's always praise. (It's amusing, though, to imagine a teenager's reaction when a parent praises him or her for a particularly stunning talent in dishwashing or vacuuming.) Again, while there may be a gender problem — boys perhaps being less cooperative than girls — with this particular example, it's hard to argue with the logic of thinking carefully about incentives based on peoples' need for control. Cowen puts it all together with some tips on when and when not to offer money: Money works best when "performance at a task is highly responsive to extra effort," like selling cars or for work that is tedious but requires attention to detail.

The book's final chapter examines the economics of giving, from Christmas gifts to United Way, to handing money to beggars on the streets of third-world countries. Look inward, Cowen advises. Are we giving to feel good *ourselves* or to do the world good? For instance, he suggests not buying in to the professional beggar, who works so hard to maintain his job. Give, if you must, to a street person who isn't working for your money — that way you're not encouraging those needy people who have not made a career out of chasing others' money. How about tipping? Wasteful beyond 15 percent. "If customers pay waiters more, employers will get away with paying them less. Waiters won't receive more money, but restaurant owners will, and at the expense of diners. Is that the kind of altruism we had in mind?"

Cowen riffs on some of his favorite topics throughout the book. Some of those hold a tenuous connection to nourishment of the inner economist, but that's OK because they're entertaining, such as his advice on how to get the most from an art gallery or how to look good at home, on a date, or even while being tortured. Alas, the inner economist's toolbox may be useless in this last case, as the captive, perhaps innocent and willing to sing, can't signal this to his captors — they won't believe him.

Sending signals is a concept seemingly ignored later on in his chapter advising people not to bother buying "fair trade" coffee because it may hurt other coffee farmers. Isn't that what buying is all about? Market signals? If I don't buy it, then how will the market know I prefer it? My inner economist may still be confused, but at least Cowen got her thinking.

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