

THE CHANNEL KEEPS IT · CHAPTER THREE

When the Gift Becomes a Price

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THE LICENCE

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ABSTRACT

A teacher stands at the door of a day-care centre in Haifa, the children's coats on their hooks, one child left on the bench with a picture book. Closing time was four o'clock. It is ten past. The parent arrives, apologises, and the teacher, who has her own child to collect, says it is fine. It is not quite fine, and both of them know it, and that shared knowledge is what brings most parents back on time. Between January and June 1998, the economists Uri Gneezy and Aldo Rustichini ran a study in ten private day-care centres in Haifa, all in the same part of the city. For four weeks they simply recorded how many parents arrived late. Then, in six of the centres, a modest fine for late collection was introduced; the other four carried on as before. The theory was straightforward: add a cost to lateness and lateness should fall. It rose. The number of late parents increased significantly in the centres with the fine. After twelve weeks the fine was removed, and in the four weeks that followed, the higher lateness stayed.

CHAPTER THREE

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Ten past four at the day-care

A teacher stands at the door of a day-care centre in Haifa, the children's coats on their hooks, one child left on the bench with a picture book. Closing time was four o'clock. It is ten past. The parent arrives, apologises, and the teacher, who has her own child to collect, says it is fine. It is not quite fine, and both of them know it, and that shared knowledge is what brings most parents back on time.

Between January and June 1998, the economists Uri Gneezy and Aldo Rustichini ran a study in ten private day-care centres in Haifa, all in the same part of the city.[9] For four weeks they simply recorded how many parents arrived late. Then, in six of the centres, a modest fine for late collection was introduced; the other four carried on as before. The theory was straightforward: add a cost to lateness and lateness should fall. It rose. The number of late parents increased significantly in the centres with the fine. After twelve weeks the fine was removed, and in the four weeks that followed, the higher lateness stayed. The paper, published in 2000, states the finding in its title: *A Fine Is a Price*.

The parents had been in a gift relationship with the teachers. Lateness was a small debt, owed in the coin of embarrassment and repaid by punctuality the next day. The fine converted the debt into a purchase. Ten minutes of extra care now had a price, and the price was low. Once the relationship had been priced, removing the price did not restore it. The parents had learned what the extra minutes were worth.

The previous chapter argued that the gift is a structure, with obligations as binding as a contract. This one is about what breaks that structure. It is meant to be fair: the economics of reciprocity has been oversold, by economists and by the house's own literature, and the overselling has costs. Each problem below is stated as the evidence states it, and each is followed by a way through.

The raise that wore off

The strongest version of the gift-exchange idea says that paying people more than they expect will make them work harder, in proportion and for good. The laboratory supported it. In 1993 Ernst Fehr, Georg Kirchsteiger and Arno Riedl ran a market in which buyers, playing employers, offered prices and sellers,

playing workers, then chose how much quality to deliver.[10] Buyers offered far above the market-clearing level and expected high quality back. On average, they got it.

The field was less obliging. In 2006 Uri Gneezy and John List hired people for two short jobs, entering data for a university library and fundraising door to door for a research centre, and told some of them on arrival that they would be paid more than the advertised wage.[11] For the first few hours, those workers did considerably more. After that, the difference vanished. Over the whole job, the employer would have logged more data and raised more money by paying the advertised wage and hiring more hours with the difference. The authors were blunt: the gift treatment "yielded inferior aggregate outcomes for the employer."

A larger and more careful study in 2022, by Stefano DellaVigna, John List, Ulrike Malmendier and Gautam Rao, varied pay, the return to the employer and unexpected gifts across three field experiments.[12] Workers did put in effort with no private incentive at all, which is a kind of reciprocity. But their effort did not rise when the employer benefited more, and the gifts had no effect on productivity, though they did lead people to do extra work.

The way through. These studies are about short jobs, with strangers, for an employer the worker will never see again. They test the gift with the relationship removed, which is the condition Mauss would have predicted to fail. The effect fades because there is no line to keep open. The design lesson is that a gift wage without a relationship behind it is an expensive bonus. With a relationship behind it, as the cases in Chapters 5 and 6 show, the reading changes.

The gift that showed attention

A second problem looks like a quirk and turns out to be central. In 2012 Sebastian Kube, Michel André Maréchal and Clemens Puppe ran a controlled field experiment in which people hired for a cataloguing job were given a gift partway through: either money or a nonmonetary gift of equal value.[13] The nonmonetary gift had a much stronger effect on performance than the money. When workers were offered the choice beforehand, they preferred the money. But they reciprocated as if they had received the object.

The authors read this as the old saying that it is the thought that counts, and they tested the reading. When the employer put visible time and effort into presenting the money, it triggered reciprocity too.

Ecstatic Economics is precise on the reason, in a passage on why market exchange leaves people cold. A purchase, it says, ends the relationship: "You are strangers who briefly exchanged money for goods, and now you go your separate ways." Cash, handed over plainly, reads as that kind of exchange even when it is meant as a gift. An object chosen for the occasion, or money presented with evident care, reads as attention.

The way through. The size of a gift matters less than the evidence of attention in it. A leader with a fixed budget for recognition gets more reciprocity from specificity than from scale: the gift chosen for the per-

son, given by someone who knows what they did, at a moment that connects it to the work. This is not an argument for paying people in objects. It is an argument against assuming that a raise announced in a payroll notice will be received as a gift.

The payment that nearly halved the supply

In 1970 the British social policy scholar Richard Titmuss published *The Gift Relationship*, comparing the voluntary blood donation system in Britain with the partly commercial one in the United States. He argued that paying donors would not only fail to add to the supply but would drive some volunteers away, and lower the quality of what was given. Economists were sceptical. It seemed obvious that adding a payment could only add donors.

Carl Mellström and Magnus Johannesson tested it in Sweden in 2008.[14] People who had come for a health examination were offered the chance to become blood donors under three conditions: no payment, a payment of fifty Swedish kronor, or a choice between the payment and donating the same sum to charity. For men, the payment made no significant difference. For women, it nearly halved the supply of new donors. And when the payment could be given to charity instead, the drop disappeared.

Samuel Bowles, reviewing a wide range of such experiments in *Science* that same year, gave the general pattern a name.[15] Incentives designed for self-interested people can undermine the moral sentiments they were meant to supplement. They do this, he found, in four ways: by signalling that selfishness is the expected response, by teaching people over time to become more self-interested, by compromising their sense of acting from their own choice, and by conveying distrust.

The fourth is the one most leaders miss. A monitoring system, a fine, an individual bonus tied to a metric: each says, without saying it, *we did not think you would do this otherwise*. People who were doing it otherwise hear the message.

The way through. Mellström and Johannesson's third condition is the design. When the payment could be redirected to a cause, it stopped crowding out. The incentive was no longer a price on the act; it became a second gift the donor could make. In a firm, the parallel is to keep money and meaning on separate lines. Pay fairly and plainly, through the contract. Recognise the gift through relationship. Where a cash reward is unavoidable, let the person choose what it does.

What the house's own book oversold

A fair critique has to include the house. *Ecstatic Economics*, in its chapter on the body and money, leans on a body of research that has not held. It cites Paul Zak's work on oxytocin and says that "acts of trust and generosity trigger oxytocin release", and that trust-based exchange therefore shifts the nervous system toward safety.

The founding study was real. In 2005 Michael Kosfeld, Markus Heinrichs, Paul Zak, Urs Fischbacher and Ernst Fehr reported in *Nature* that people given oxytocin by nasal spray sent more money to a stranger in a trust game.[16] It was widely reported. Ten years later, Gideon Nave, Colin Camerer and Michael McCullough reviewed everything that had followed.[17] Their conclusion: the simplest finding, that nasal oxytocin raises trust, "has not replicated well"; the blood-level measurements were flawed by how oxytocin is measured; and large genetic studies found no consistent link. The cumulative evidence, they wrote, does not provide robust support that human trust is reliably associated with oxytocin or caused by it.

The book's larger claim does not depend on oxytocin. Its argument that exchange happens between bodies, and that bodies under threat behave differently from bodies at ease, can be made from the behavioural evidence alone. The book's own caveat on its practices says as much: "these practices are not magic. They will not pay your bills, fix systemic inequality, or resolve structural injustice." But the neurochemical story is weaker than the book makes it sound, and a reader who repeats it to a sceptical board will lose the room.

The way through. Ground claims about trust in what people do, not in what their hormones were once thought to do. The behavioural experiments of the next chapter carry the argument without the chemistry. Where the body is the subject, say what is observed and stop there. Chapter 10, on the hard conversations, returns to this, because the board is exactly where the overclaim costs most.

The gift that dominates

The oldest critique is the one Mauss himself recorded. A gift can be a weapon. The potlatch of the Northwest Coast, in some of its nineteenth-century forms, became a contest in which chiefs gave or destroyed property to shame rivals who could not match it. *Ecstatic Economics* names this directly: "The potlatch could be coercive — a form of competitive generosity that sometimes impoverished communities." It continues: "Gift obligations could create hierarchies of debt and dependence."

The workplace version is familiar. The manager who does favours in order to be owed. The firm that offers perks in place of fair pay, so that asking for a raise feels like ingratitude. The founder whose generosity makes dissent feel like betrayal. In each, the gift's obligation is real, and it is being used to close a line rather than open one.

The way through. The test is whether the gift can be refused without cost. A gift that cannot be declined is a demand. Leaders who want reciprocity, rather than compliance, keep three things separate: what people are owed by contract, which is never presented as a gift; what is offered beyond it, which can be declined without consequence; and what is returned, which is never demanded. Santa Anna's unpublished *Spiritual Abundance* series describes a working gift circle in a phrase that states the rule: "nobody tracks who gives more or receives more." The moment someone is tracking, it is no longer a gift circle.

The stance after the critique

Put together, the critique does not say that reciprocity is weak. It says that reciprocity is sensitive. It responds strongly to the relationship around it and weakly or perversely to money dropped into a relationship that was not there. That is a more useful finding than the one the enthusiasts began with, because it tells a designer where to put effort.

Five rules follow from this chapter, and the rest of the book uses them.

1. A price changes what a thing is. Introduce one only after asking what the people currently doing the thing would hear in it.
2. The relationship carries the gift. Without a line to keep open, a gift wage behaves like a bonus that fades.
3. Attention outweighs size. The evidence of care in a gift matters more than its cash value.
4. Money and meaning travel on separate lines. Pay what is owed plainly; give what is beyond it through relationship; let a cash reward be redirected where it can.
5. A gift that cannot be refused is a demand. Test every gift by whether declining it costs anything.

The history of gainsharing, the subject of a sibling volume (*The Gain Was Always Shared*), is in part a history of firms learning the second and fourth of these the slow way: a shared gain works only inside a shared process. And Karl Polanyi and Albert Hirschman (*The Embedded Market*) explain, at the scale of whole societies, why markets pulled out of social relationship tend to wear that relationship down.

The teacher at the day-care door did not need a fine. She needed the parent to keep feeling the ten minutes as a debt between two people, which is what it was.

The Tool: The Crowding-Out Check

A check to run before introducing any incentive, fine, bonus, tracking system or payment into work that people already do partly out of goodwill. It takes twenty minutes and one honest colleague.

1 · Name the behaviour.Write in one sentence what you want more of, or less of: "on-time handovers between shifts"; "suggestions from the floor"; "volunteers for the weekend rota".

2 · Name what currently motivates it.List every reason people do it now, before any incentive. Include the ones nobody says: pride, not wanting to let a colleague down, liking the manager, habit. Mark each as *money*, *relationship*, *identity* or *rule*.

3 · Read the incentive as a message.For the proposed incentive, write the sentence it says without saying it. A fine for late handovers says: *we expect you to be late, and this is the price*. A bonus per suggestion says: *sug-*

gestions are piecework. A tracking dashboard says: *we will check*. Read the sentence aloud. If the people currently doing the behaviour out of goodwill would be insulted by it, stop and redesign.

4 · Run Bowles's four questions.Answer yes or no.- Does it signal that self-interest is the expected response?- Will it teach people, over months, to do this only when paid?- Does it take away a choice people currently make freely?- Does it convey distrust of the people already doing it?Two or more yeses: the incentive is likely to crowd out at least some of what it rewards.

5 · Apply the redirect test.Ask whether the reward could be given in a form the person directs: to a cause, to the team, to a colleague who helped. Mellström and Johannesson's charity option removed the crowding out in their sample. If a redirect is possible, offer it.

6 · Separate the lines.Write down, in three short lists: what is owed by contract (pay it, plainly, never as a gift); what is offered beyond it (make it refusable without cost); what you hope will be returned (never demand it, and never measure it in a way people can see as a demand).

7 · Decide, and date a review.Choose: introduce as designed, introduce redesigned, or do not introduce. Set a date eight weeks out to compare the behaviour with its level before the change. If it has fallen, remove the incentive, and expect, as the Haifa centres showed, that the old level may not return at once.

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