



TITLE: The (Honest) Truth About Dishonesty

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NB

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Dan Ariely: Human beings basically try to do two things at the same time; on one hand we want to be able to look in the mirror and feel good about ourselves. On the other hand we want to benefit from being dishonest. Now you could say you could do one or the other. You can either look at yourself as honest or you could benefit from dishonesty, you can't do both.

Well it turns out that thanks to our flexible cognitive psychology and thanks to our ability to rationalise our actions we could do both. And as long as we rationalise our actions and as long as we cheat just a little bit we can benefit from cheating just a little bit and at the same time we can keep thinking of ourselves as honest, wonderful people.

It's all about rationalisation. If we can rationalise things to a higher degree we will be able to cheat more or be more dishonest and think of ourselves as good people; and if we can rationalise less we would be more honest. And, by the way, it's not as if we have a lot of big cheaters, we have a lot of little cheaters.

In this book, in this research, we've basically tested about 30,000 people, and from those 30,000 people we find 12 big cheaters and those 12 big cheaters together stole about \$150 from me. From those 30,000 people we also had 18,000 little cheaters, and they stole together \$36,000 from me.

And I would like to argue this that this kind of reflects what we have in society, sure there are some big cheaters out there people who just go all the way, but there are very few of them. And in fact the magnitude of dishonesty we most likely see in society is by good people who think they're doing good work, but in fact cheating just a little bit but because there's so many of them, of us, this actually has a tremendous economic impact.

There's a little joke that Johnny comes home from school with the little note that says that Johnny stole a pencil from the kid who's sitting next to him. And Johnny's father is furious. And he said, "Johnny, you never, never, never steal a pencil from the kid who's sitting next to you. This is unacceptable. I can't

believe you'd do this. You're grounded for two weeks. And besides, Johnny, you know very well that if you need a pencil you can just say something. You could just mention it and I can bring you dozens of pencils from the office."

Now why is this slightly amusing? Because I think we all recognise that if we took ten cents from the petty cash box we could not help but think of ourselves as thieves, but if we took a pencil we would feel very differently. In fact if we took ten cents from a petty cash box and went to buy a pencil we would still feel like thieves. But taking a pencil is kind of removed from money. Because if you think about it we're becoming a cashless society.

We're becoming a society with a higher distance between us and the consequences of our actions. Credit cards, electronic wallets, mortgage backed securities, stock options think about all of those things that represent psychological distance between us and the people, us and money - could it be that as the distance increases people can be dishonest but at the moment don't think of themselves as doing anything dishonest. And I think the banking industry is kind of trying to think about things exactly in that way.

Imagine you manipulate something like, I don't know, interest rates, there are so many layers on top of that and you don't see who exactly you're affecting, even though you might affect the whole global economy, that it might be very easy for people to take steps in that wrong direction and still think of themselves generally as not doing anything terrible.

By the way, so in the last year and a half as I've been working on the book every time I go to a restaurant I ask the waiter if there's a way to eat in this restaurant and escape without payment. And I say, "Look I'm not going to do it but just tell me if you were giving me advice how would you tell me to do it?" And aside from one person they always have great suggestions.

And then I say and how often does it happen? And they say almost never. They say from time to time somebody walks out without paying but they walk slowly and we stop them and they just say they forgot. Almost never people just walk without payment.

Contrast that with illegal downloads. My book that came out about a month ago in the first two days was downloaded 20,000 times from some websites. It's kind of ironic a book on cheating was... But if you talk to young people virtually all of them have illegal music on their computers and nobody feels bad about it. In fact one young guy recently we talked about it he stood up he said, "Excuse me, I don't think this is wrong." He said musicians want the music to be heard that's what they wrote it for and ((label - 0:04:33?)) companies are evil. And he said, "Beside I was not going to buy this music anyway so I'm not hurting anybody. And everybody's doing it." This guy in fact if you listened to him he was not downloading illegal stuff he was fighting for freedom. He was promoting the world, making it a better place.

An amazing level of rationalisation that you couldn't do in a restaurant. You can't go and say to yourself oh you know what chefs really want their food to be eaten. And it's really owned by a conglomerate that is really not that good. Some things lend themselves to a much higher degree to rationalisation, some things are much harder.

So we talked about what gets people to cheat more. What would get people to cheat less? What would get rationalisation to go down, to kind of scrutinise their own actions, being reminded of values. Yeah we've done that in a couple of ways and it's really quite I think optimistic. We went to UCLA, Los Angeles, and we asked about 500 students to try and recall the Ten Commandments. But after trying to recall the Ten Commandments when we gave them the same opportunity to be dishonest nobody was dishonest. In fact even when we take a self-declared atheist and we ask them to swear on the Bible and we gave them a chance to cheat they don't cheat.

So this suggests that there is something about reminders that the moment we think about morality even if it's not our own moral code all of a sudden we're kind of supervising ourselves to a higher degree. We're more thoughtful about our own actions and as a consequence we let ourselves get away with less activities.

We also looked at the Catholic confession. We went and talked to Catholic priests and we said from an economic perspective we don't understand confession, please explain it to us. ((They?)) said if you can confess and be absolved shouldn't you cheat more? Shouldn't you cheat on the way to confession? The priest said no.

So here are three theories how confession might work. One theory is that you think to yourself I want to rob this convenience store but I'll have to confess; it'll be unpleasant, the priest will think badly of me and this added cost makes the whole thing not worthwhile. We don't find any evidence for that.

Another possibility is like the Ten Commandment experiment I told you about; you come out of confession and you feel good and wonderful about yourself and for a little while longer you want to keep that feeling of being good. We find some evidence for this.

But the most interesting version is the following. When we gave people hundreds of opportunities to steal and to cheat over time what we find is that people are slightly dishonest, balancing feeling good about myself, cheating a little bit, feeling good, cheating a... And then at some point many people switch and start cheating all the time. And we call this switching point the 'what the hell' effect. It turns out we don't have to be 100% good to think of ourselves as good. But if at some point you don't think of yourself as good you might as well enjoy it. And many people, by the way, report this same thing with diets. You start a strict diet and then you violate your diet and then you say ah today I'm not dieting, I might as well

have a burger and some fries and start tomorrow or next Monday or next month.

Now if people cheat a lot all the time why would they ever stop? Why would you ever stop? If you think you're going to hell in the Catholic version why would you ever stop? The Catholic confession might have actually stumbled on this, this just might be a really good idea that if you are cheating a lot maybe you need to be able to open a new page.

So we did this experiment, so we do a non Catholic kind of confession. People cheat a little bit, they cheat a lot, we give them a chance to say what they have done badly, we give them a chance to ask for forgiveness from whatever spirits they believe in, what happens after those two actions together - cheating goes down. Opening a new page does seem to be very successful.

And this, by the way, I think is something that religion figured out and the question is how do we put it into civic society - should we create opportunities for bankers, for example, to ask for forgiveness from time to time and start a new page. People ((0:08:20?)) there's nothing that we can do about it, how do we get people to feel clean again and able to act on their goodness?

Let me just summarise with the following: If you think about it this is really, the whole thing is a question of conflicts of interest. And conflicts of interest mean that we have a pull to see reality in a certain way and we can justify our view. Imagine that you like a particular soccer team and you go to a game and the referee calls a call against your team - is there anyway but for you to think the referee is evil, vicious, stupid, blind something like that? Of course not, you can't help but having your motivation influence how you see reality. Now replace your team with five million dollars or with something else and you can see how the same forces would get you to see reality in a biased way.

So imagine you were a banker and I imagine that I paid you five a million dollars a year to view mortgage backed security as a good product. Could you help but see them as

better than they are? Now I'm not saying that you would shift your opinion from thinking that they are terrible to thinking they are wonderful but you will probably shift your understanding of them. And what if everybody around you thought that they were great as well. And what if they were difficult to compute and you were sitting there with a big spreadsheet and different calculations and parameters and estimators. And in the bottom you will see their final value but it would also reflect on your end of year bonus. Wouldn't you shade your evaluation even further?

And this is actually quite important because if you think about the whole financial crisis we've taken people and we put them in situations which basically are guaranteed to blind, or at least to distort their vision. And we expect people to overcome that. You know we all have a tendency to think of people as good or bad. And we say as long as we kick the bad people everything will be fine. But the reality is that we all have the capacity to be quite bad under the right circumstances.

And I think in banking we've created the right circumstances for everybody to misbehave, and because of that it's not such a matter of kicking some people and getting new people in, it's about changing the incentive structure that because unless we change that we're not going to get forward.