Governing by carrot and stick: A genealogy of the incentive
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Information asymmetry was conceived as a new governmental problem in the latter half of the twentieth century. In the hands of postwar economists, what was at first considered only a local management problem became something with a far wider scope. The nineteenth-century engineers had a very specific domain of application in mind—the shop floor of large industrial firms—when they began to articulate what they perceived as malfunctioning practices. In postwar economics, however, the unequal distribution of information was seen as an abstract problem of government that could be discerned in a variety of relationships of power. With a world inhabited by principals and agents, the incentivizable subject had many surfaces of emergence indeed. Yet when we compare the solutions offered by the economists who studied information and incentives with earlier proposals for incentivization, the resemblance to the techniques of power advocated by the engineers at the turn of the century is striking. Again, monetary incentive schemes—equally important to Towne, Halsey, Taylor and Gantt—were expected to make individuals give their best. Again, the financial consequences of the public display of performance—reminiscent of the Man Record Chart developed by Gantt and Clark—were presented as an inducement for schools to meet or surpass standards. Despite the interwar problematization of material self-interest as the
predominant motive for human action, postwar economists were just as convinced as the engineers that the combination of performance measurement and monetary carrots and sticks would result in effects that were beneficial to the governor.

As my genealogy reveals, the development of the incentive was clearly at odds with a linear conception of scientific progress. With the neglect of past achievements and earlier techniques, there was neither an increased understanding of incentives through the slow accumulation of results, nor an elimination of theories that had proved to be erroneous. Instead, the succession of rationalizations of government that were centered on incentives was permeated by contingency.

First, changes in the delimitation of the individuals and groups that were expected to respond to incentives show that there was no stable idea of the incentivizable subject. The nature of human thought and action shifted with the disciplinary perspectives of the succeeding authorities who delimited it. Second, the differing techniques of power developed and advocated by these authorities makes clear that their ways of dealing with incentivizable subjects were equally diverse. Third, each governmentality may appear to be homogeneous on the surface, but they were in fact composed of heterogeneous elements. The different rationalizations of government came into being through a combining of elements that were contingent on the beliefs and knowledge of the particular time period, such as presuppositions about human action, orientation on particular academic and nonacademic networks and influences of prior debates, as well as the prevalent methods of research and conceptions of proof, and the forging of dominant interpretations and generalizations of research results. Fourth and finally, there was little necessity for the succession from one governmentality to the next. Did the interwar social and behavioral scientists really prove that earlier wage incentives systems failed completely, or were they just convinced of the superiority of their own assumptions about human behavior? Did the participants in the socialist calculation debate show that the issue of motivation was irrelevant to questions of allocation, or did they merely stick to an arbitrary demarcation between different scientific disciplines?

By understanding the historical contingency that permeated each formation of the incentivizable subject as an object of knowledge and each development of a technique of power, the role of incentives in the understanding of human behavior, and the attempts to change that behavior, becomes less self-evident. Thus, this multifaceted contingency compels us to reflect on what may be taken for granted in our thoughts about and uses of incentives.

Before addressing that topic (in section 7.3), however, I will first
recapitulate my genealogy of the incentive in order to show the extent of our
current understanding of how incentives are used in relationships of power. I
start with an extensive elaboration upon the relationship of power in the three
incentive-infused governmentalities: What does it mean to say that the interaction
between governors and governed was rationalized? In line with Foucault’s use of
the term, I will show that the rationalization of practices of wielding power was
twofold. First, the authorities on incentives endowed those who were governed
with a practical rationality: the incentivizable subject did not act randomly but
in a particular, predictable manner. In addition, these experts formulated a set of
requirements for the ones who were in charge. Along with the attempt to delimit
the behavior of the governed, thus stood the attempt to define how a rational
governor would have to behave (section 7.1).

The quintessential rational governor was one who made use of specific
techniques of power. In order to assess the incentive as a technique for changing
the behavior of individuals and groups, I will focus on the common features of
the three rationalizations of government, instead of on their differences as I did in
earlier chapters. Foucault analyzed a variety of disciplinary techniques that could
be used to increase the docility and utility of the governed. Similarly, the experts
on incentives, discussed in the previous chapters, developed instruments with
which managers, bureaucrats and lawmakers could change their subordinates’
courses of action. By contrasting my account of incentives with Foucault’s account
of discipline, I will be able to more precisely articulate what governing by carrot
and stick entails (section 7.2).

7.1 Rationalizing the relationship
between governor and governed

As I discussed in chapter 2, Foucault’s objective was “to create a history of the
different modes by which, in our culture, human beings are made subjects” (2000b,
326). He found one such mode in the production of knowledge in the human
sciences. The question of how certain aspects of human subjectivity were constituted
as new objects of knowledge ran through Foucault’s entire work. In his history of
succeeding rationalizations of government, he focused on the constructive work
by which political objects were constituted. In sixteenth- and seventeenth-century
political discourses of the raison d’état, ‘the state’ was constituted as a more or less
autonomous reality. The proposed objective of a balance between sovereign states was related to a conception of commerce as something that was amendable to the will of the political ruler. ‘The economy’ was later turned into an entity with its own distinct characteristics in the eighteenth-century liberal rationalization of government. According to this view, the dynamics of population growth and decline, and the laws that determined the fluctuations in the price of labor and commodities together made the political regulation of commercial processes problematic. In light of the beneficial effects produced by automatic economic adjustments, a ruler should avoid direct interventions and focus, instead, on securing an environment in which commercial activity can flourish by itself. The twentieth century saw different attempts to move beyond classical economic liberalism. In German ordoliberalism the human subject became a malleable figure that could be both embedded in competitive mechanisms and in local communities at the same time. The entrepreneurial subject, with its self-interestedness and its calculative outlook on the possibilities for action, was made into a new object of knowledge and a target for power in American neoliberalism. In each case, the characterization of the object of government came with a circumscribed role for the one who governed. In the liberal governmentality, the sovereign could not do as he pleased because the economy was a reality on its own; whereas in the neoliberal rationalization of government, legislators cannot change the inner self of the entrepreneurial subject but they can manipulate that subject’s behavior because it reacts to changes in the environment in predictable ways.

In the preceding genealogy, I made clear that the incentivizable subject was not without qualities. According to different authorities of delimitation, the subject acted in a particular manner; that is to say, the subject did not act arbitrarily but acted according to a certain practical rationality. After the subject had been located on determinate surfaces of emergence, authorities attributed a set of characteristics to it with the help of disciplinary grids of specification. The end point of this process of attribution was a conception of the motivations that caused the subject to act as it did. The delimitation of the individuals and groups that were to be governed was closely related to the delimitation of the role governors had to play. Therefore, the authorities argued that it was rational for those in charge to act in a certain manner and to abstain from other courses of action based on elaborate ideas of the subject’s inner self—its desires, inclinations and modes of reasoning. In the following subsections, I will address the distinct relationships of power between the subject that was governed and the figures that did the governing, which were at the heart of each governmentality.
Industrial managers face materialist workers

The nineteenth-century engineers delimited the incentivizable subject as a materialistic creature that was supposed to respond to monetary incentives in a mechanistic way. In the engineering of incentives, the characteristics of the worker became a topic of some interest in the articulation of the strengths and weaknesses of different methods of remuneration. Aspects of worker subjectivity were evoked by the advocates of a piece wage method to highlight its superiority vis-à-vis the other methods in vogue. The worker was presented either as a self-controlled individual who was able to postpone monetary satisfaction until the yearly bonus envelopes were distributed, or as a short-sighted creature who was only interested in immediate rewards. He or she either contributed to the overall gain of the company, together with colleagues, or was inclined to slack off upon seeing the laziness of coworkers. Managers could either rely upon the initiative of the workers or conclude that adherence was the most one could expect from them. The characteristics of the workers became more circumscribed in the elaborate system of scientific management. In this system, the worker was viewed as a person who was not prone to work hard—soldiering was an engrained habit—but he or she could be induced to do so when the reward was high enough. Moreover, workers were incapable of discovering the most efficient work methods, but they could be taught to do the job properly with the help of instruction cards. With the charting of human performance, finally, the engineers reached the limit of their ability to delimit the incentivizable subject. The shorter and longer lines drawn on the Man Record Chart were primarily a visualization of the productivity of individual workers and foremen; as such, they helped to determine and legitimate the distribution of bonuses. At the same time, however, these lines made it possible to ascribe other features to the workers than that of their relative ability to produce. Especially with regard to the class of short-line workers, underperformance was accompanied by personality traits that were equally relevant for managing the shop floor. These workers felt inferior, were keen to distract others and were often found among those who started arguments in their departments. Because the length of the line was the only access to the additional features of worker subjectivity, however, a more fine-grained categorization of workers was beyond the scope of the engineers. A new, ‘deeper’ understanding of workers became possible only after the emergence of other expert communities.

The materialism and mechanistic responsiveness of the incentivizable subject also defined the role of the governor vis-à-vis the governed. The engineers
had specific figures in mind when they reflected on the role these governors had to play: executives, superintendents and foremen in large industrial organizations. What was the rational course of action for the industrial manager who wished to induce the workers under his command? First, the executive should install a wage incentive scheme that offered a monetary reward to workers who exerted themselves and increased their output. That scheme should be so designed that there would be no need for future wage cuts. Management could keep the workers motivated by guaranteeing that piece rates would remain the same, once they had been established. Second, the lower management representatives—superintendents and foremen—should assist the worker in attaining goals and achieving the material rewards he or she desired. Instruction cards could be used to explain what needed to be done and the most efficient way to do it. If workers followed these instructions carefully, they would be able to earn the higher piece rate. Performance charts would have a similar instructive function. They would enable the attentive foreman, as well as the attentive worker, to discover the things that hampered the production process. When these obstacles had been eliminated, the worker would be able to complete his or her task and receive the bonus.

**Industrial managers face maladjusted workers**

The relationship of power that was central to the interwar management scientists was the same as the one addressed by the mechanical engineers. But that is as far as the resemblance between these authorities on incentives went. For one, the economists, psychologists and anthropologists of industrial organization delimited the incentivizable subject in a completely new way. First, the behavior of the worker was now explained by deeper instincts and inclinations that were largely beyond the worker’s control. Internal tensions would build up when outside circumstances prevented individuals from following their inclinations. The worker, who had no outlet for his or her frustrations, would suppress them until some trivial event on the shop floor triggered an excessive response. Second, the shop floor came to be considered a culture in its own right. The industrial anthropologist studied verbal communications, physical interactions, bonds of friendship and lingering antagonisms as if he were studying a foreign tribe. On the one hand, the working group was now viewed as something more than a set of individuals; it was a unity with a distinct set of norms and a set of strategies for maintaining those norms. On the other hand, the ethnographic researchers noted that the working group was far from homogeneous. There were different social
positions in the group, and it was made up of different kinds of workers. Third, the workers were now considered to be communicative beings who were eager to have discussions with their superiors rather than merely receiving orders from them.

At the end of the 1930s, the incentivizable subject was no longer a materialistic being with mechanical responses to monetary rewards. Instead, it had become a figure of considerable complexity that was either well-adjusted and productive or maladjusted and prone to cause problems within the organization. Similar to the three features of worker subjectivity discussed above, (mal) adjustment could take place along different lines. The subject was now endowed with an inner equilibrium, which could be disturbed by harsh treatment from the supervisory staff; however, it could also be strengthened by opportunities to relieve stress. Moreover, the subject was part of a group and acted according to relatively fixed patterns of behavior. The robustness of social interactions fostered a stable balance in the organization that could, however, be disturbed by sweeping organizational changes and disruptive elements within the group itself. Finally, the subject felt more in line with organizational purposes when its views were taken seriously by management and would become frustrated when instructions were badly communicated.

The governors who faced this novel incentivizable subject could no longer rely on their earlier role. Establishing an adequate wage incentive scheme and providing assistance where needed could not sufficiently address the various kinds of maladjustment. The manager or foreman had to be attentive to the mental and social processes on the work floor and also had to engage in friendly conversations with the workers. Thus, the proposal for a new class of personnel counselors, ones who would speak with workers in an open yet authoritative way, set an example for the new role of the governor. The personnel counselor was the most approachable management representative; he or she who could offer guidance and simultaneously gather vital information about conditions and moods on the shop floor. The open conversation was thus a way for management to get to know the workers, while at the same time making them feel at ease and fostering their adjustment to industrial conditions.

Principals face self-interested agents

Although the relationship between employer and employee was also addressed by postwar economists who were concerned with incentives, it was now considered
to be only a special case within a wider range of relationships of power. The interaction between governor and governed was no longer defined by a single site (i.e., the shop floor) on which that interaction occurred, but by the type of problem faced by anyone in charge. These economists viewed information asymmetry, rather than motivation, as the pivotal issue in relationships of power because it thwarted public- and private-sector principals’ ability to change agents’ courses of action.

Indeed, the issue of motivation was excluded from the economic debate about allocation of resources and information asymmetry; it was seen as something that belonged to other sciences. The question of what actually motivated people should best be left to psychologists or sociologists, not to economists. Hurwicz’s formalization of the communication process between a central coordinator and a set of participants to the economic mechanism (i.e., mechanism design theory) equally ignored the issue of human agency; he was initially preoccupied with building formal models of the messages they sent from one to the other. Things began to change as economists realized that people were not necessarily angels—truthful and concerned about others. Instead, participants often acted out of self-interest; thus they might be inclined to violate the planning rule designed by the coordinator if doing so would be to their advantage. Game theory subsequently offered mechanism design theorists the opportunity to characterize the self-interested individual in a mathematical way. In game theoretic terms, the individual was a strategic agent who optimized his own gains by constantly changing his tactics based on the strategies of other agents. In terms of information asymmetry then, the self-interested agent would exploit the informational advantage he had vis-à-vis the principal whenever the circumstances allowed him to do so.

For all its mathematical sophistication—or precisely because of it—mechanism design theory had a very narrow conception of the incentivizable subject in comparison with the elaborate conception of the interwar management scientists—and that was its main strength. The more abstract delimitation of the incentivizable subject as a self-interested and strategic agent made it possible to think of the problem of government in a far broader sense than engineers and the social and behavioral scientists had done before. The incentivizable subject was no longer the circumscribed figure of the materialist worker or the maladjusted industrial employee, but now appeared anytime information asymmetry could be said to occur.

The proliferation of the surfaces on which the incentivizable subject thus emerged was closely related to the expansion of the range of governors that faced
it. In this rationalization of government, the self-interested agent became the adversary of all principals, who lacked direct access to the characteristics, the effort or the performance of the individuals they tried to govern. The fact that the incentivizable subject was no longer found in a particular location, such as the industrial shop floor, called for a new awareness from public- and private-sector governors. A rational governor should keep watch for possible instances of information asymmetry that could be exploited by self-interested agents. When such situations are found, a rational governor should design procedures that reveal the knowledge agents try to hide. In other words, the informational or behavioral strategies of agents should be addressed with targeted incentive schemes. When the incentive is adequate, the goals of the agents can be made compatible with those of the principal.

7.2 From discipline to incentives as a technique of power

As one aspect of governmentality, the formation of the incentivizable subject as an object of knowledge and the specification of the role played by those in charge culminated in three relationships of power: In the work of the engineers, the industrial manager faced materialist workers and foremen. In the interwar science of management, the industrial managers faced maladjusted workers. In the postwar economics of incentives, public- and private-sector principals faced self-interested agents who made strategic use of their informational surplus. However, the experts on incentives did not just define particular relationships between governor and governed; they also articulated how the former could wield power over the latter with the help of specific techniques. In this section, I will focus on the overlap between the three successive attempts to develop techniques of power that could be used to change the behavior of individuals and groups. Despite the conflicting ways in which subsequent authorities advocated the use of incentives, there has remained a common theme of governing by carrot and stick. I will highlight these shared features through a comparison of the incentive as a technique of power to the techniques of discipline studied by Foucault.

The starting point for Foucault’s analysis of the rationalizations of government was the idea that power was something other than brute force. Of course, Foucault did not doubt the existence of rulers who used violent means to
make people submit to their whims, but he thought that the phenomenon of power should not be reduced to the level of physical violence and submission. Foucault’s working definition of power was a relational one where someone tried to change the course of action of someone else. These relationships of power were always instable because there is at least the possibility that those who are governed resist the being governed thus. Those who govern therefore deploy tactics directed at certain aims and use certain instruments to gain the upper hand; hence Foucault’s emphasis on the groups of experts that articulated these aims and developed these instruments.

In his genealogy of imprisonment, Foucault traced the emergence of disciplinary techniques that were used “to act upon the behavior of individuals taken separately or in a group” (1998b, 463). The nature of these techniques was revealed by an extensive account of seventeenth- and eighteenth-century practices of wielding power in different institutional settings. According to Foucault, the introduction of techniques to discipline the labor force was bound up with the gradual emergence of capitalist modes of production. The gathering of workers into factories created an urgent need to acclimate laborers to new methods of production. Foucault identified three elements of the disciplinary methods used achieve this goal. First, there was a spatial element to discipline in that the working space of the factory hall was enclosed and divided into smaller segments. Thereby it would be easier to exercise control of the workers, keep track of their activities and prevent them from assembling for the wrong purposes. Second, the techniques of discipline had a strong temporal dimension: the workers had to work under a strict schedule in order to get used to the daily rhythms of factory life. In that way, it would be possible to secure a maximum exploitation of their time and energy. Third and not (yet) relevant to the factory, discipline was a social technique that created hierarchies between individuals and set new standards of normal behavior. By looking more broadly at these concrete practices of industrial government, Foucault was able to discern a trend in the objectives for maintaining discipline. Whereas disciplinary techniques were initially intertwined with the subject’s self-mastery, they lent themselves quite easily to the attempt to master the behavior of others. As a consequence, docility and utility became the most prominent objectives for disciplining individuals in different institutional settings. On an even more aggregate level, Foucault discerned a shift in the predominant modality of power over a long period of time. The waning of sovereign power, with its public spectacles of corporal punishment, was made possible by the gradual emergence of a panoptic society.
My genealogy of the incentive begins roughly a century after the emergence of disciplinary techniques in the factory. Large industrial organizations were by then part and parcel of the economic fabric. Can we say then that the process of disciplining the labor force was completed? Did the workers’ familiarity with the new factory conditions turn physical discipline into a minor problem? An affirmative answer to these questions would be too strong. It suffices to mention the severe physical discipline required by Frederick Taylor’s system of scientific management. What I can say, somewhat tentatively, is that the search for the incentive as a technique of power begins where the efficacy of disciplinary techniques ends. Or more accurately, that physical discipline came to be seen as a necessary condition for a productive workforce but certainly not a sufficient one. The question of how to best govern remained, even when the majority of workers were already quite used to the spatial and temporal aspects of the factory regime. As new classes of management experts realized that solving the problem of physical discipline was not equivalent to solving industrial problems, a range of novel questions were brought to the fore. Was the body of the laborer really the prime target for managerial intervention, or was there something ‘beyond it’ that management should get a hold on? And was the docile worker really the best a manager or foreman could hope for? A preliminary answer to these questions reveals the peculiar nature of the power of incentives compared to the power of discipline. The incentive is part of a technique for inducing people to strive for goals set by others. Incentives, as a positive inducement, are first and foremost meant to speak to the subject’s willingness to act. True, disciplinary power is also ‘positive’ in the sense that it makes for a more productive individual, but it does so in a more rigid, restrictive and generally negative way. Discipline submits the subject to a strict spatial and temporal regime; it does not challenge the subject to improve by offering well-selected rewards or by making the subject feel at ease. Therefore, we can say that incentives are more about ‘minds’ than about ‘bodies’ because they address the wishes and the expectations of those who are governed. Disciplinary techniques are primarily directed at the body—at its location in space, its movements through time and its place in a social hierarchy. Those who advocate the use of incentives take physical discipline more or less for granted. The incentive is meant to target something beyond the movements of the human body: a latent ambition, a desire for money or recognition, an emotional overreaction, a disturbed relationship with others or an optimizing strategy.

One should not push the basic differences between discipline and incentives too far. For although directed at the body, disciplinary techniques equally target
the habits, the moral inclinations and the conscience of the individual. Moreover, the techniques to incentivize individuals often incorporate elements of discipline. The Gantt chart, on which managers could draw the performance of individual workers, serves as an example here: they subjected employees to time schedules, relied heavily on the employee (self)surveillance and created a social hierarchy between employees. Below, I will provide a deeper comparison of incentives and discipline through an elaboration of three features that are characteristic of the use of incentives as a technique of power.

_A newfound balance between seduction and threat_

The first of these features concerns the balance between punishing people for undesirable actions and rewarding them for desirable ones. With regard to discipline, Foucault states that both rewards and punishment are made use of in practices of training and correction (1995, 180–181). Although privileges, rewards and gratification certainly play their part in disciplinary practices, the balance tips toward the punitive side when we take the complete set of measures into account. Incentives similarly work in two directions; they are a positive inducement for certain behaviors but also a negative inducement to refrain from other courses of action. In contrast to discipline however, the balance between reward and punishment, when governing by carrot and stick, certainly tips in favor of the former. Incentives are, above all, an inducement to act in a certain way by offering a monetary reward or increased contentment. The early mechanical engineers focused on the use of monetary rewards in a piece rate system, which offered workers an increased wage for increased production. If a worker saved on the costs of production, he was allowed a fair share in the efficiency gain (Towne); those who managed to save time got a premium (Halsey); and workers who were able to accomplish a task within the time limit were either paid according to a high piece rate or they received a bonus (Taylor, Gantt, Clark).

The monetary incentive made way for individual and social adjustment as the main inducements to higher performance in the rationalization of government developed by interwar social scientists. What remained was the positive nature of incentives. The friendly rapport between supervisor and workers allowed the latter to achieve and keep a mental balance. In possession of an inner equilibrium, the workers were both willing and able to work hard work and to do so in a continuous manner (Mayo, Hall and Locke). The predominant moral codes found on the shop floor, moreover, gave the worker a sense of belonging to the group,
which increased their contentment. (Lloyd Warner, Dickson). Finally, workers felt that management took them seriously when they were allowed to have their say in organizational matters. This process of communication could take place either via worker representatives or via counselors and was important for maintaining a positive atmosphere at work (Roethlisberger, Mayo, Hall and Locke). The common denominator of these techniques of adjustment is that employees will have a positive incentive to exert themselves when they feel attached to the organization and its purpose.

The self-interested and strategic agent that we encountered in the economics of incentives was not concerned with feelings of attachment; yet it was equally susceptible to carrots. In Mises’s account of economic rivalry, capitalist entrepreneurs looked for more efficient ways to produce because they were influenced by the incentive of the profit motive. The incentive, according to Mises, must not be thought of as a specific element of a government program—quite the contrary. Only with the introduction of game theoretic notions of strategic agency in the design of economic mechanisms did the relevance of incentives for issues of government become apparent. The agent looks for opportunities to increase its utility level and is therefore willing to play by the rules if the reward for doing so is high enough. When the goals of the principal and the agent are not aligned, an adequate incentive must be offered so that they become compatible. The plea for teacher performance pay by Dutch economists is a good example of that belief in the realignment of interests by way of a positive inducement. When they began looking at the information and incentive structures in the educational field, the economists found that teachers could do as they pleased because their actions in the classroom could not be observed by school administrators. However, with the right measurement procedures and the right rewards for the best-performing teachers, the economists believed this weakness could be overcome. They therefore advocated that each teacher’s contribution to their students’ test scores should be made public, and a performance bonus should be used as a positive incentive to work up to standards.

Upon closer inspection, however, it has always been but a small step between the rewarding and punitive sides of incentives. The carrot went hand in hand with the stick as an inducement to the incentivizable subject. The method of differential rates developed under scientific management, for instance, was more than a positive incentive for laborers to work hard. The careful study of the movements, time and instruction needed to accomplish an industrial task made it possible to distinguish between a lower and a higher rate of pay. The high rate was for those who worked up to standard, whereas the low rate was for those who failed to meet it. The lower rate
was explicitly referred to as a punishment for the unwilling or incompetent worker, and it was significantly lower than the ordinary wage. Although not as harsh as Taylor’s differential piece rates, Gantt’s task and bonus system was also unequivocal in this regard. It offered a clear positive stimulus to the workers and foremen to increase their output in expectation of an additional reward. But at the same time, those classified as ‘short-line men’ knew what to expect in hard times. The unskilled workers who did not earn their bonus were well aware that they would be the first to be let go when work was scarce. Moreover, there was no place in the organization for the foreman who failed to solve the problems represented on the chart. The threat of being fired, Gantt thought, was a powerful incentive to speed up.

The development of more punitive incentives to accompany the positive ones holds equally true for the attempt to foster the adjustment of industrial personnel. Although the method of listening to difficult workers attentively and letting them voice their concerns was preferable, one could always resort to more punitive ways of getting the maladjusted individual back in line. When other methods failed, the supervisor had no other option but to appeal to the worker’s fears by taking away certain privileges or by threatening dismissal (Hall and Locke). The threat to exclude those who did not adjust easily, however, was strongest in the governance of the working group. Two examples support this claim. In the case of the Hawthorne experiments, the mental equilibrium reached by the five women workers required a major intervention on the part of the experimenters. Two women from the original experimental group were removed for uncooperative behavior and replaced by two other workers from the relay assembly department. Thus, even in the experimental phase, the researcher had already made clear that individuals who disrupted the atmosphere in the group and challenged the authority of management would not be tolerated (Mayo). In the second example, the behavior of difficult workers received equal attention in the elaboration on the makeup of the working group in a British factory. Not because these workers were on their way to better themselves, but because they belonged to a subset of employees who influenced the mood of the others in a negative way. The working group was too important a unit in the factory to let these different kinds of disruptive workers have their way: they were to be located and watched, and eventually replaced when things went truly awry (Hall and Locke).

When it comes to the punitive side of incentives in economics, the work of Dutch policy-oriented economists is again most illustrative. In chapter 6 I showed how performance pay came to be seen as the most promising policy measure to increase the output of education. A group of Dutch economists determined
that the information asymmetry between school administrators (principals) and teachers (agents) could be overcome by measuring the latters’ performance and providing them with a carrot. However, in educational systems, teachers are not the only agents with a surplus of knowledge—school administrators are much better informed about the performance of their schools than are politicians and parents. The solutions proposed for these two principal-agent problems show that negative inducements were crucial to the economists’ plan. At the government level, a lump-sum payment to schools (agents) provided the ministry of education (principals) with a tool to exert leverage. If a school performed badly, then it could be punished by diminishing the funds at its disposal. At the local level, the provision of information to parents (principals) made it easier for them to decide which school (agent) to choose. With schools ranked according to performance, parents were in a position to punish underperforming schools by voting with their feet: they could walk away from schools with poor performance records. Fearing a decrease in student enrollment, schools have an incentive to improve performance and thereby move up in the rankings. Thus, the principal has a stick to guide the agent in the right direction because the agent pays a penalty for inaction.

**Willingness to act with the preservation of control**

The second feature of the incentive as a technique of power is that it is less restrictive than discipline with regard to the possible actions available to the governed. In the development of disciplinary techniques of power, the docility of the worker became an essential objective. The ideal docile subject was fully devoted to productive activity and no longer prone to resist. Government by incentives, in contrast, left more room for the subject’s willingness to act. The experts discussed above did not opt for docility but for individuals who were willing to exert themselves. To be clear, though, both discipline and incentives are *techniques of power*, so being less restrictive is not the same as leaving the subject free to go its own way. Because incentives are designed to assist those in charge in coping with the behavior of individuals and groups, there must be a balance between the enticement to act on the one hand and the manipulability of the process on the other. This tension between voluntarism and manipulation exists in each of the three rationalizations of government I have studied. The attractiveness, for managers and politicians, of using incentives resides in this particular dichotomy:
Incentives are an attractive tool for public policy and private management for two basic reasons. First, they seem to enhance freedom because they preserve choice and are an alternative to coercion. Second, they offer the promise of an easy solution, a “quick fix”: if you can get the price right, an incentive ought to produce predictable changes in behavior immediately (Grant 2012, 133).

Those who govern try to maintain a middle ground, with the help of incentives, between encouraging the effort and commitment of the governed while guaranteeing the controllability of the process.

The engineers of the late nineteenth century recognized that the cooperation of the worker was tied to the worker’s own interest in his or her material welfare. Thus, they developed their wage incentive systems with the unmotivated or soldiering worker in mind, and relied on monetary rewards to stimulate the worker’s latent ambitions. Frederick Taylor similarly admitted that the worker would not simply accept the principles of scientific management with open arms. A high piece rate was necessary to make willing and capable workers accomplish their industrial tasks—as was a low piece rate needed to punish unwilling workers. The use of Man Record Charts, finally, was intended to foster the self-management of the workers. The public display of their performance should encourage each worker to bring any problem in the production process to the attention of the foreman.

Yet even though the individual engineers differed in the specific technique each advocated for addressing the material interests of the workers, they all served the same industrial clients. Executives had to be reassured that the role the engineers granted to the initiative or ambition of the worker did not impair management’s control of the industrial process. This reassurance is manifest in each of the proposals for the improvement of industrial management: the materialism of the wage incentive systems came with the predictability of human behavior in organizations; the differential piece rate was part of a management program to exercise strict control over the shop floor through a set of instructions regarding time limits and bodily movements; and the charting of worker performance not only contributed to their self-management but also guaranteed increased surveillance and guidance from above.

The human-relations approach to management, developed by Mayo and others, shows a similar combination of enticement and controllability: it “codified a managerial perspective that recognized the necessity of gaining the active support and participation of workers, while retaining all the key elements of
managerial control” (Gillespie 1993, 210). The codification of these two elements is noticeable in each of the three techniques of power developed in the interwar period. First, a productive workforce was one who felt at ease. Once individuals had acquired a stable mental equilibrium, they would be motivated to work hard and continuously by themselves—both to their own satisfaction and to the satisfaction of management. The balance required for such an active attitude on the part of the workers, however, was a delicate one that could only emerge and be maintained when management was fully in control of the mental life of the worker. An array of attentive managers should bring ready relief from the recurring states of tension among the workers. Second, the workers were granted some autonomy to keep up their own moral codes of behavior. These codes were not always directly beneficial to high productivity, but they did provide the organization with a certain stability. Again, management could be reassured that social processes on the work floor were not totally beyond its control. For instance, managers could still implement measures to make the organization more efficient, as long as they adjusted the pace of transformation so that the working group could adapt to the new circumstances. Moreover, they could also directly target socially maladjusted individuals, who were prone to spoil the mood of the group and to challenge the authority of the foreman or superintendent. Finally, the management scientists emphasized that good communication with supervisors was important in fostering a cooperative attitude among the workers. They therefore offered methods by which communication processes could be steered in the right direction. In the end, however, it was up to managers to keep the channels of communication open, thereby securing the cooperation of the workers.

Such concrete advice to managers was not the intent of the economists who studied incentives over the past four decades. Yet on an abstract level, the models developed by mechanism design theorists showed a similar combination of voluntariness and mechanical manipulability. In models of the interactions between principals and agents, the possibility for the agent to ‘opt out’ was one of the basic requirements. Therefore, instead of coercion, the principal had to make the preferred courses of action attractive to the agent. The need for incentives to realign the goals of the agent with those of the principal, however, went hand in hand with the idea that controlled manipulations of the economic mechanism would lead to predictable behavioral outcomes. The formalization of the self-interested agent made it possible for economists to calculate the agent’s choice of strategies under different conditions. This combination of voluntary action and control remained once the interaction between principal and agent had become
a more concrete issue. In the Dutch educational system, for instance, teachers (agents) knew more about their own performance than did the administration (principal). However, the policy of performance pay, advocated by CPB economists, allowed the principal to control the incentive, and, at the same time, spoke to teachers’ ambitions to better themselves. The mechanical outlook of these economic experts was revealed by their belief that performance pay for teachers would eventually result in a single, positive effect on the long-term economic growth of the country. Thus, in their view, human behavior was so predictable and manipulable that a particular policy measure would result in a uniform response on the part of the governed, and this response would be stable enough to use it in calculations of future effects. The other education policy measures proposed by this group were equally based on strong expectations of what would happen when measurement procedures revealed the characteristics of the agents. In each proposal, the agents were given room to maneuver; but they were never beyond the grasp of the techniques of power wielded by the principal.

From individual to collective and vice versa

The third and final feature that separates discipline from incentives has to do with the intended transformation of the collective through the targeting of the individual and vice versa. The introduction of disciplinary techniques in the factory made it possible to individualize an amorphous mass of people into a set of productive and docile workers. The disciplined individuals could then be used as elements in the formation of a new collective. After all, discipline was also an art of composition—an art of composing the bodily movements of separate individuals in order to achieve a higher purpose. In this process the individual was corrected via a set of restrictions and the use of punitive measures to enforce compliance. The individual and the group are equally present in the concept of the incentive as a technique of power.

The incentive is certainly a technique that specifically targets the behavior of individuals, but it does not merely individualize. When we consider the individual and the collective as correlative to a technique of power, then the incentive is an instrument that is used by those in charge to split up existing collectives. It either contributes to the emergence of new collectives or strengthens the vertical relationship between governors and the governed. On the one hand, then, the use of incentives is part of a deconstructive strategy to dismantle a collective that is perceived as dangerous or inefficient. On the other hand, the use of incentives is
part of a reconstructive strategy to build a collective that is expected to behave in an efficient and harmless manner.

The thematic of individual and collective first came to the surface in the wage incentive methods developed by the mechanical engineers. We find it, for instance, in Frederick Halsey’s critique of Towne’s proposal for gain-sharing. According to Halsey, Towne’s method relied too much on the collective effort of workers to enhance their own efficiency. When the method of remuneration failed to reward the individual worker for his own contribution, Halsey reasoned, he would simply look at the laziness of his colleagues and decide not to exert himself. When left to itself, the group would temper the working pace, even among those who were willing to work harder. To deconstruct the collective laziness of the workers, Halsey developed a method of remuneration that spoke directly to the material interest of the individual. Workers were no longer discouraged by others but worked only with the premium plan in mind. Frederick Taylor’s managerial interventions were also targeted at the collective; he intended to “break down worker solidarity” (Gillespie 1993, 48). There were two ways in which Taylor viewed the solidarity between workers as harmful to management. First, workers relished their traditional ways of working and their own practices of instructing new workers; they were therefore resistant to what they saw as management intrusions into their domains. Second, workers gathered in the modern collectives of labor unions, which strengthened them in their conviction that wage rates should be settled by collective bargaining. To target the first collective and make tradition obsolete, Taylor promoted the scientific study of time and motion. His studies resulted in the establishment of the best working methods, taught through the use of instruction cards, to achieve high standards of performance. Taylor equally favored the use of experiments to determine how high the differential piece rate should be. When scientific experiments had revealed the true price of labor, there was no room for bargaining over wages and no need for the union to step in. The intended result of this deconstructive effort was a group of hard-working employees who obeyed the principles of scientific management. For Gantt, finally, the main collective organizational problem lay in the nature of the relationships that prevailed within industrial organizations. In the absence of techniques for measuring the performance of individuals and groups, the existing informal relationships on the shop floor fostered favoritism and special privileges among the workers and foremen. But whereas Halsey and Taylor opted for stronger vertical ties between management and worker, Gantt tried to create a new kind of collective. With the full-scale introduction of Gantt charts, the
decisions about bonuses and promotions were no longer based on impressions but on facts; thereby, the earlier ties of privilege and favoritism should disappear. Moreover, the Gantt chart was a device that each individual worker could use to compare himself with all the others. It made the differences between workers visible, which enabled individuals to see their ‘objective’ place in the hierarchy. This gave the community of workers a strong moral imperative and resulted in a group of ambitious and cooperative workers who did not look for reasons to shirk; instead they looked for opportunities to lengthen their productivity lines.

With hindsight it is possible to discern the interplay of the individual and the collective in the management work of the mechanical engineers. Yet their idea of the material interest of the workers was too rudimentary to allow for a conception of the working group as something with a reality of its own. For the social and behavioral scientists of the interwar period, however, the working group was definitely something to discuss in its own terms. For Elton Mayo, the collective adversary was the same as the one targeted by Taylor. According to Mayo, the labor unions—and especially their leaders—were keen to arouse the easily agitated mind of the industrial worker. Yet the means by which unionized labor could be fought differed significantly. To prevent collectivization one had to address the individual with a therapeutic managerial technique. The personnel counselor should use a free conversational style in communicating with individual workers in order to relieve them of stress. The achieved mental balance of the workers would make them less prone to seeking a collective outlet for their buildup of internal resentments. On a smaller scale, management could also address collectives in a more direct manner. Again, the individual would be the primary target for changing the makeup of the working group. But this time the individual would be of a more circumscribed kind: the difficult worker. Managerial techniques to locate and transfer difficult workers would not aim for the total disappearance of collectives; such a result would not be considered a good thing given the stabilizing functions of the morale and culture of the working group. Instead, management should opt for a healthy social dynamic that would not be harmful for the mood of the workers or detrimental to the level of output they were able to achieve. All in all, the end result would be a group of workers who were mentally balanced and well-adjusted to one another, and who also had a good rapport with their superiors.

Although the initial abstractness that characterized the economics of information and incentives may seem to offer little in terms of the groups that became such a central feature of the preceding governmentality, the move
from individual to collective and back is there nonetheless. Similarly, with the introduction of game theory, the principal was confronted with strategic and self-interested agents; yet these individual agents interacted with one another as well as with the principal, and were thus bound together by the nature of the game they played. Therefore, the principal did not face the individuals one by one but as a group, and he could only maximize his own utility when the agents were in equilibrium. The use of principal-agent theory by a more policy-oriented circle of experts brings us closer to a reconfiguration of the way in which different individuals interact with one another. The CPB economists, for instance, thought that the transparency brought about by measuring the performance of schools and teachers would lead to a transfer of power from the agents to the principals. Thus, the end point envisaged was one where the rules of the game had changed: The underperformance of teachers, made possible by a surplus of information on their part, would give way to a competition for bonuses. The underperformance of schools, due to a lack of information on the part of parents and government agencies, would be replaced by a fierce competition for students among schools of a certain region. In those competitive games there would only be winners and losers. On the political level, the Dutch State Secretary of Education added a distinct flavor to the intended transformation. He insisted that performance pay—though targeted at individuals and teams—would also help to break the culture of equality in Dutch education; thereby creating a new culture of achievement-oriented employees. In such a culture, only the best teachers would be selected and honored as examples for the rest. The introduction of monetary incentives in education was thus a deconstructive and reconstructive effort, all in one.

7.3 Beyond self-evidence

Foucault focused on particular kinds of figures as he analyzed succeeding rationalizations of government. In his history of governmentality we come across theologians, who attempted to define the connection between earthly and heavenly powers and the right way to govern the flock; political thinkers, who conceptualized the state as an autonomous entity in competition with other states; and philosophers, who tried to determine when the wielding of sovereign power was no longer legitimate. Of course, philosophy is a blooming academic discipline, and one can still study theology. But are philosophers or
theologians the most obvious figures to look to for contemporary rationalizations of government? My study suggests they are not. From the end of the nineteenth century onward, new political thinkers emerged and established themselves as experts on power: engineers, who extended their expertise to matters of industrial government and consultancy; social and behavioral scientists, who developed new instruments for managing workers and tried to gain entrance into business circles; and economists, who were engaged in the design of highly abstract models of information and incentives as well as mundane practices of political advising and advocacy of particular policy measures.

When viewed from a distance, incentives appear as a distinct kind of power in the work of these experts on government. The comparison between discipline and incentives in the previous section shows that, by looking beyond the particularities of each governmentality, we can identify the overarching features of the incentive as a technique of power. First, incentives have a positive connotation in that they are meant to induce the subject to behave in a certain manner. By offering incentives the governor can convince individuals to choose a course of action that is beneficial to the governor. When the carrot fails to bring the desired result, however, the stick is always ready to hand. Second, incentives contain a promise to those who govern: the governed will be willing to act appropriately while, at the same time, the governor will remain in control of the process. When incentives are adequate, they will provide the governor with a set of individuals who are motivated to give their best, and whose behavior or output can therefore be monitored from a distance. Third, the possibility of governing from afar is further strengthened by the reconfiguration of the collective that will follow from targeting the individual. The incentivized subject will thus be embedded in a new collective, one that contains other individuals who survey its moves, react to its behavior, and exert pressure to perform.

The incentive may seem to be a simple and obvious instrument for tackling well-defined problems in one area of life or another—be it late nineteenth-century industrial shop floors or early twenty-first-century classrooms. In tracing the conceptual and institutional contexts through which the incentive has traveled, however, the preceding genealogy revealed a new form of power that was more complex in nature and contingent in its development. In line with the epigraph by Foucault, I have attempted to provide an indication of the fragility of our thoughts about and our uses of incentives as new form of power. This emphasis on fragility and contingency comes from Foucault’s normative agenda. His genealogical studies were normative in the sense that they attempted to strip contemporary
discursive and nondiscursive practices of their self-evidence. Without histories of the present, we are limited in our thoughts and actions because we take certain things for granted. With this caution in mind, we might ask: In what ways is our understanding of human behavior and our attempts to govern it limited by the self-evidence of incentives? Of course, one cannot simply deduce the answer to that question from a historical-philosophical inquiry into the emergence and development of incentives as a nexus of power/knowledge. But the genealogy of the incentive does make it possible to explore, however tentatively, what it means to go beyond the current framework of incentive-infused rationalizations of government. To do so, I will focus on three aspects of the relationship between governors and governed, which we may wish to reconsider: the role ascribed to the governor; the expectations regarding the thoughts and behavior of the governed; and the kinds of relationships established between both parties.

The governor

In the first aspect of the relationships of power, the rationalizations of government gave those who govern a circumscribed role to play. Governors were reassured that they could change the behavior of individuals by offering (mainly) positive inducements, such as rewards, relief and contentment, in order to secure the willingness of the governed. Moreover, governors could be tempted by the promise that interventions targeted at individuals would lead to a controlled reform of the collective. In what way, though, do the rationalizations of government, surveyed above, actually limit the governors who are captured by the promises of incentives? What are the alternative courses of action that may disappear from view when we see incentives as the only option for governing?

Discipline would be an obvious candidate for an alternative method of governance. For although incentives are meant to change the behavior of individuals, there is no intent to transform the inner self of the governed. In contrast to disciplinary practices that target the human body so as to transform the human soul, practices of incentivization presume that people are who they are and that they should be governed by their desires, dispositions and interests. The articulation of clear and universal (legal) rules, and the creation of institutions to enforce them, could be another alternative method. Should those who govern really concern themselves with the willingness of the governed, or should they just establish what is allowed and forbidden, and then hold people those limits? While considering alternative methods of governing, we should also reflect on
whether governing through adequate incentive schemes suppresses the moral or symbolic dimensions of wielding power. The conception of government as a technical endeavor may seem shallow if authority is conceived of as something that entails recognition—implicit or explicit—by the governed.

The governed

As a second aspect of the relationships of power, the rationalizations of government all contained a particular conception of the governed. Each governmentality came with circumscribed expectations about the thoughts and behaviors of the incentivizable subject. The final conception of the human subject that emerged was that of the individual who acts out of self-interest, and who is caught up in a game to compete with others over scarce goods. A combination of wage incentive schemes and performance measurements comes naturally when people like to compete and to be rewarded for their achievements. My genealogy reveals that the conception of human action only appeared in postwar economics after it had been made immune from anything that hinted at the mental and social complexity of the agents. But what if the interwar social and behavioral scientists were right to criticize the narrow conceptions of human motivation that were seen in the work of engineers and contemporary economists? What would happen if we inserted the interwar conception of the incentivizable subject—instead of the game theoretical one—into the models of information exchange?

In such a model, people would consider themselves to be part of a group, such as an organization, department, section or team, and therefore may not be so keen to compete with one another as individuals. The fact that competition drives some individuals to great achievements does not mean that it can be simply imported into a domain that was not competitive before. If we follow this line of reasoning, the third rationalization of government, with its game theoretic conception of self-interested strategies, does not do justice to the conditions that must be met before competition can begin to have beneficial effects. Moreover, the focus on the high(er) performance of the winners ignores the question of what the game has to offer for those who lose. Postwar economists seem to resume that individuals are good losers and that they will continue to strive for rewards even after they have lost many rounds. But what if the introduction of incentives leads to indifference when the bonus is considered beyond reach—as Mayo said was the case with the Philadelphia spinners? Equally, the game played by individual agents would look very different if we put some more malicious sentiments in their heads. What if
we substituted the sentiment of esteem that leads individuals to imitate those who are heralded as excellent, with one of resentment that leads the grudge-bearer or chronic failure to disrupt the process and start a fight? Finally, we could also give a rudimentary idea of justice to those who are governed. When groups of people have their own ideas about justice—as the group of bank wirers at Hawthorne had, with their idea of a fair day’s work—the question of what would happen if the distribution of rewards were perceived as unjust becomes urgent. In addition, the sense of injustice would likely be aggravated if the incentive to perform actually became an incentive to cheat.

**The relationship between governor and governed**

In regard to the third aspect of relationships of power, each of the rationalizations of government was found to contain a particular kind of relationship between those who govern and those who are governed. Given their intent to preserve control, the authorities on government had an ambivalent disposition toward the active support required by the governed. Governors needed to secure the willingness of the governed, but only to the extent that this willingness contributed to the governor’s own goals. As a final attempt to go beyond what is taken for granted in these governmentalities, we may ask: Do the fixed roles ascribed to both governors and governed strengthen the hierarchical relationship between a set of individuals who wield power, assisted by experts on the matter, and a set of individuals over whom power is wielded? What if the willingness to participate were to be understood in a wider, more democratic sense in which the governed actually have a say in the governmental process? That would include not only the ability to assist the governor in achieving goals, but also the possibility to challenge and transform the plans that are currently on the table. When the relationships between governor and governed are conceived of in this manner, the negative conception of the governed—whether it be the soldiering worker or the self-interested agent—that was fostered by the experts on incentives, is replaced by a conception of relationships of power as being dynamic and agonistic, involving situations in which the goals are equally contested by both parties.