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INTRINSIC VERSUS EXTRINSIC MOTIVATION: APPLICATIONS ACROSS THE SOCIAL SCIENCES

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ABSTRACT

The notion of intrinsic motivation is one of the subtler concepts in the literature of the social sciences. Too often, the carrot-and-stick economics of extrinsic motivation dominates due to the prestigious role of Economics among the social sciences. Yet, intrinsic motivation plays an important role in education, management, social work, and most any other human activity beyond the crudest forms of physical labor. This paper reviews some of the classic authors and literature on the subtleties of intrinsic motivation in the human activities where a presumed 'helper' (teacher, manager, social worker, etc.) are working with a certain class of 'doers' (students, workers, clients, etc.).

KEYWORDS: Intrinsic motivation, extrinsic motivation, autonomy-compatible assistance, locus of control, atrophy effect

1. INTRODUCTION

There is now a considerable body of literature in education, psychology, sociology, and organizational behavior on intrinsic and extrinsic motivation.¹ Although considerations of intrinsic motivation have figured prominently in the Romantic critique² of "political economy," the topic has only received sporadic treatment in economics literature.³ For instance, Bruno Frey's *Not Just for the Money* [1997] is the first book-length treatment of the topic of intrinsic motivation in the economics literature.

Methods: What is Intrinsic Motivation?

As with "utility" and "preferences," less than rigorous definitions of intrinsic and extrinsic motivation will suffice for our purposes. A better understanding of human affairs and improved advice on social policies rarely must await the rigor of the natural sciences. In the human sciences, we often need to distinguish "night from day" even without an algorithm to parse all the shades of "dusk or dawn."

¹ See Deci and Ryan 1985, Elster 1983, Lane 1991, Kohn 1993, and Deming 1994.

² See, for example, Ruskin 1918.

³ See Titmuss 1970, Arrow 1972, Scitovsky 1976, Hirsch 1976, Sen 1982, Schelling 1984, Akerlof 1984, and Hirschman 1992.

"Extrinsic" motivation refers to what would ordinarily be known as market or "economic" incentives. These would usually take the form of payments in money or commodities but might take a more circuitous form as in many bribes.⁴ When something is not done *because* of such an extrinsic incentive (even though payments might be involved), then we might say it was done "for its own sake." In that case, the motivation was intrinsic or internal to the activity. For instance, professors typically pursue their professional work for its own sake even though they also receive a salary and other emoluments.

In economic models, these extrinsic-intrinsic distinctions are not usually considered. Economics models individual human action as the maximization of utility or preferences within constraints given by technique, institutions, and economic resources. Action for love of family, community, or country is not distinguished from action in return for a certain sum of money. "Utility" subsumes all as the common coin of human motivation. Yet the variables represented in typical economic models (e.g., consumer behavior) refer only to extrinsic motivation (e.g., money and commodities). Since intrinsic motivation can be seen as another source of utility, why is it important to treat it separately? We will focus on three broad categories of reasons: (1) extrinsic incentives are only "half of the story" so "economic" approaches to institutional design will be somewhat incomplete, (2) a resentment or negative reactance to a threatened loss of autonomy may result from using extrinsic motivation to try to "take control" of a person's behavior (which in turn affects performance), and (3) extrinsic motivation may crowd out and eventually reduce intrinsic motivation.⁵

Results: Intrinsic Motivation: The "Other Half" of the Story

Agency theory or, more generally, incentive theory⁶ as well as rational choice theory focuses on market-style or "economic" incentives, i.e., extrinsic motivation. Yet, that is only "half the story." Intrinsic motivation typically plays an important role in organizations and institutions so (extrinsic-) incentive theory and the rational choice approach to institutions are unlikely to give comprehensive descriptions or to provide well-rounded policy prescriptions for institutional reforms. Indeed, reforms

⁴ In one example, relatives of Olympic Committee members received ersatz college scholarships in cities contending for the Olympic Games.

⁵ Both (2) and (3) are part of Frey's "crowding-out effect" which Lane 1991 calls the "hidden cost effect" following the idea of the "hidden cost of rewards" as in Lepper and Greene 1978. The threat-to-autonomy effect (2) is a short-run effect that may result from an intervention to entice or cajole a person to externalize their "locus of control" while the atrophy effect (3) is a longer-term drying-up or withering of intrinsic motivation that may result from the externalization.

⁶ The phrases "principal-agent relation" and "agency relation" have been imported into economics [see Ross 1973] from legal theory but are then used to denote contractual relationships that are not agency relations in the original legal sense. Agency relations tend to arise from large asymmetries in knowledge so the principal cannot contractually specify the detailed actions of the agent (e.g., doctor or lawyer). Instead the agent takes on a legal or institutional role involving the trust to "act for or in the interest of" the principal. Since all contracts are somewhat incomplete and each party would like to influence the behavior of the other concerning unspecified actions, economists have applied the "agency" phraseology to the general economic theory of contractual incentives. For example, Killick [1997] applies agency language to the relationship between an international financial institution (IFI) and a developing country where the IFI is the "principal" and the country is the "agent." This is not a good (prescriptive) model for the IFI-country relationship since the country does not have an institutional role to act in the interest of the IFI. In general, the creditor-debtor relationship is not, in the legal sense, a principal-agent relationship but is a more general contractual relationship. If the IFI is seen more as a "country doctor" in a doctor-patient relationship, then it should be noted that the doctor is ordinarily the agent, not the principal.

designed according to "economic principles" tend to focus only on the "economic" incentives which may be the easier and/or less important parts of the institutional design. Even markets themselves, in the absence of "perfect" monitoring and law enforcement, require a modicum of trust and social capital to operate effectively, and yet these "moral resources" and "virtues" cannot be readily "produced" for the market or "purchased" on the market.

In the classical agency relationship, the agent is supposed to act in the interest of the principal but the principal cannot completely monitor the agent and does not have all the agent's relevant information. The agent has hidden actions and hidden information. Agency theory strives to devise ingenious extrinsic incentives so that the agency contract is "incentive-compatible" in the sense that the agent by following self-interest will act in the interest of the principal.

In the application to the workplace, the hidden actions of the workers are concerned with the effort level of the work or the quality of the effort. For instance, there might be quality bonuses that would reward employees for producing at a certain level of monitored quality in the products. Yet what are loosely called "Japanese-style" management techniques (e.g., often associated with W. Edwards Deming) go in quite the opposite direction and achieve world-renowned levels of quality. For instance, Deming's "New Economics" recommends to "Abolish incentive pay and pay based on performance" [1994, 28], e.g., to pay salespeople by salary rather than by commission. Deming recommends replacing a system based on monitoring and quality bonuses with a system using (for the most part) trust based on self-esteem and pride in the quality of one's work. In short, this approach to quality relies not on cleverly constructed pay-for-performance schedules but on switching over to a quality system driven largely by intrinsic motivators such as self-esteem and pride in one's work. The cost-based "low road" relies on controlling production with external incentives,⁷ while the quality-based "high road" focuses on developing intrinsic motivation while not ignoring "economic" incentives.⁸

The importance of intrinsic motivation is evident in the professions where intelligence, creativity, diligence, and empathy are important. For instance, given the patient's very limited ability to monitor a doctor's actions and the knowledge asymmetry between doctor and patient, a medical system based solely on extrinsic motivation would be hardly workable. As long as doctors can "bury their mistakes," even the reputational mechanism is a poor substitute for the intrinsic motivators of empathy and professionalism (e.g., as expressed in the Hippocratic Oath).

The Threat-to-Autonomy Effect

The notions of internal or external "locus of control" [see Lefcourt 1976] are related to intrinsic and extrinsic motivation. When an externally offered reward or punishment is used successfully to change a person's behavior, then the behavior is said to have an "external locus of control."

⁷ For instance, the "reengineering" fad of computer-age Taylorism as in Hammer and Champy 1993, not to mention the more recent "excitements" about robotics and artificial intelligence.

⁸ See Piore 1995 for the contrast "Quality versus cost: the high road and the low road." [78]

When one acts for one's own reasons and is the source of one's actions, then one would be said to have an "internal locus of control" Having an internal locus of control is to act autonomously in contrast to responding to heteronomously imposed rewards or punishments.

External interventions to change a person's behavior "tend" to be based on extrinsic motivators. The threat-to-autonomy or reactance [see Brehm 1972] effect results from using extrinsic motivators to shift the locus of control from internal to external.⁹ The effect shows itself in a poor quality and low effort performance, in sullen and perfunctory behavior fulfilling the letter but not the spirit of an agreement, and perhaps even in the urge to do the opposite just to show one's autonomy.

The Atrophy Effect

The imposition of extrinsic motivation may have untoward long-term effects. Intrinsic and extrinsic motivation might not be additive. Indeed, it frequently seems to be the case that extrinsic incentives superimposed onto a system involving intrinsic motivation in order to better achieve control will tend to "crowd out"¹⁰ and atrophy the intrinsic motivation.

It was on the basis of this atrophy dynamic—the less the requirements of the social order for the public spirit, the more the supply of public spirit dries up—that the United States' system for obtaining an adequate supply of human blood for medical purposes, with its only partial reliance on voluntary giving, was criticized by the British sociologist Richard Titmuss. And the British political economist Fred Hirsch generalized the point: once a social system, such as capitalism, convinces everyone that it can dispense with morality and public spirit, the universal pursuit of self-interest being all that is needed for satisfactory performance, the system will undermine its own viability, which is in fact premised on civic behavior and on the respect of certain moral norms to a far greater extent than capitalism's official ideology avows. [Hirschman 1992, 155-6]

This crowding-out or atrophy effect might also be amplified by what Frey calls a "motivational spillover effect." The imposition of controlling extrinsic incentives might not only atrophy intrinsic motivators in the given system but in related areas of endeavor where the market-type incentives were not applied.

⁹ For example, suppose one buys a townhouse in the middle of Winter and is looking forward to Spring to spruce up the poorly attended front yard. But the Townhouse Association Beautification Committee [a.k.a. "Lawn Nazis"] arrives before Spring to inform the new owners that they must attend to the yard or face certain penalties. Instead of just thinking "Now we have two reasons to spruce up the lawn," the new owners might well resent the attempt to externalize their locus of control.

¹⁰ See Frey 1997 passim.

Frey is also careful to note that intrinsic motivation may be crowded out or overridden not only by extrinsic incentives but also by external interventions in other forms such as compulsory laws and regulations. Frey develops a number of illuminating examples of the crowding-out effect:

- a constitution or other system of laws (e.g., tax laws) designed on the assumption that the citizens are knaves bent on trying to break or evade the law may well lead to civic virtue drying up;¹¹
- an environmental control system based on market incentives and penalties may lead to the atrophy of environmental morale; and
- a system of military conscription ignores intrinsic motivation to serve, and, moreover, a system allowing conscripts to buy their way out would quickly undermine any residual motivation of the other conscripts.

The history of religions provides interesting examples of the interplay between intrinsic and extrinsic incentives. A poor church, like a poor man or woman, can at least feel assured that "suitors" are not driven solely by economic motives. In the history of Christianity, the early and poor church is often seen as achieving a "victory" in the conversion of the Roman emperor Constantine and in his massive endowment of the church. Yet a rich church associated with political elites could no longer be assured that acolytes were intrinsically motivated by the "love of God" or that any such motivation would be soon crowded out as initiates climbed the internal job ladder. The Puritan writer and poet, John Milton, made this point in his tract against "hirelings" in the church, an early work on intrinsic motivation and the crowding-out phenomenon.

That which makes [hire] so dangerous in the church, and properly makes the *hireling*, a word always of evil signification, is either the excess thereof, or the undue manner of giving and taking it. What harm the excess thereof brought to the church, perhaps was not found by experience till the days of Constantine; who out of his zeal thinking he could be never too liberally a nursing father of the church, might be not unfitly said to have either overlaid it or choked it in the nursing. [1957 (1659), 858]

The organizational dynamics of a church are particularly revealing since intrinsic motivation is clearly supposed to be uppermost in a church, but a similar story can be told in governments or other large organizations and bureaucracies facing problems of corruption.

Economistic recommendations for the "reform" of public bureaucracies tend to recommend raising salaries and benefits to levels competitive with the private sector (where extrinsic motivation is more openly condoned) in order to attract and retain "the best talent." Yet this can clearly be a motivational "slippery slope." Such practices will attract and retain the best *extrinsically motivated* talent, and will

¹¹ "The first [effect] is the expected deterrent effect: the fear of getting caught and the severity of sanctions motivate taxpayers to comply with the law. However, the retroactive, confrontational, and coercive aspects of a deterrence approach to law enforcement also have an indirect, negative effect by alienating taxpayers and lowering their willingness to comply voluntarily with the law." [Kinsey 1992, 259]

tend to crowd out the *esprit de corps* and dedication to public service of those with such intrinsic motivation. This corruption of the motivational base of an organization may, given the difficulties of monitoring, lead in the end to more, rather than less, of the mundane sort of corruption. Such in general may be the outcome of "economic reforms" that ignore intrinsic motivation or that assume extrinsic incentives will simply add to intrinsic ones with no crowding-out effect.

Autonomy-Compatible Interactions

While external interventions or interactions "tend" to rely on extrinsic motivators, they need not. Indeed, much of the subtlety of human interaction and thus of institutional design lies in the forms of interaction that operate through a person's intrinsic motivation and do not displace their locus of control. These forms of external intervention and interaction are said to be "autonomy-compatible." The notion of an autonomy-compatible intervention has a whiff of paradox since it is an external intervention that somehow does not override or interfere with the person's internal locus of control and intrinsic motivation. It is the paradox or conundrum contained in the notion of "helping others to help themselves." The notion of autonomy compatibility differs from the notion of incentive compatibility in the economic theory of incentives since the latter focuses on extrinsic incentives while the former is concerned with maintaining intrinsic motivation. If "incentive compatibility" is interpreted broadly to include any motivation, then "autonomy compatibility" would be the special case of compatibility with intrinsic incentives.

Since the notion of autonomy compatibility is central to our later recommendations, we will illustrate it here with a number of examples.

Socratic Dialogue

The ancient ideal of Socratic instruction is one of the oldest examples of autonomy-compatible education. The Socratic interlocutor does not tell the student or learner the "answers" but rather asks questions so that the learner will through his or her own activity develop the answers. By indirectly inducing the learner to find the answer, the Socratic teacher tries to keep the locus of activity within the learner.

The Socratic notion of dialogue fits well with activist theories of learning which see the mind as an active appropriator, not as a passive recipient, of knowledge. Samuel Taylor Colridge's discussion of Socrates' system of education connects the active mind with the autonomy-respecting influence of the teacher.

We see, that to open anew a well of spring water, not to cleanse the stagnant tank, or fill, bucket by bucket, the leaden cistern; that the EDUCATION of the intellect, by awakening the principle and *method* of self-development, was his proposed object, not any specific information that can be *conveyed* into it from without; not to assist in storing the passive mind with the various sorts of knowledge most in request, as if the human soul were a mere repository or banqueting-room, but to place it in such relations

of circumstance as should gradually excite the germinal power that craves not knowledge but what it can take up into itself, what it can appropriate, and re-produce in fruits of its own. To shape, to dye, to paint over, and to mechanize the mind, he resigned, as their proper trade, to the sophists, against whom he waged open and unremitting war. [Coleridge in Coburn 1968, 80]

The Socratic teacher is described variously as a coach, a catalyst, a midwife, or even as a "brooder" both in the sense of one who meditates about questions but as a hen brooding over her eggs and chicks. Scott Buchanan, the rather Socratic architect of the famous learning program at St. John's College (Annapolis, MD), describes the Socratic teacher as:

knowing more than the pupil does, yet in some sense not conveying it but seeing that it is made available to the pupil. The great use of superior knowledge is to understand what the pupil is learning as it is learned. It takes great wisdom to be able to follow a learning pupil sensitively enough to know what the next step is for him, and you don't press the next step. You watch it happen. If it sticks, you help it a bit, but it's not a transmission or an imposition or a filling of a vessel of any of those things. Those are all bad images of the real teaching function: the real one is this penetration of the intelligence, of one intelligence into another. [Buchanan 1970, 51]

Dewey's Activist Theory of Education

John Dewey's theory of education was based on the autonomy-compatible actions of the teacher and the activist role of the learner. It is useful to begin with a keen appreciation of just what can be imparted from the teacher to the student and what the student needs to actively appropriate.

It is that no thought, no idea, can possibly be conveyed as an idea from one person to another. When it is told, it is, to the one to whom it is told, another given fact, not an idea. The communication may stimulate the other person to realize the question for himself and to think out a like idea, or it may smother his intellectual interest and suppress his dawning effort at thought. [Dewey 1916, 159]

Dewey evokes the subtlety of autonomy-compatible action with the common metaphor that one can lead a horse to water but cannot make it drink and similarly "while we can shut a man up in a penitentiary we cannot make him penitent." [1916, 26] The reliance on extrinsic rewards or punishments, not to mention physical control, may yield conforming behavior but has little educative effect. Indeed, the threat to autonomy may lead to an adverse reactance effect. "His instincts of cunning and slyness may be aroused, so that things henceforth appeal to him on the side of evasion and trickery more than would otherwise be the case." [26] An autonomy-compatible educational program needs to engage the person's more natural and intrinsic motivation.

When we confuse a physical with an educative result, we always lose the chance of enlisting the person's own participating disposition in getting the result desired, and thereby of developing within him an intrinsic and persisting direction in the right way. [27]

The students' active interest and involvement is a necessary component so one must consider the roots of engagement. Students do not construct knowledge in a void. Learning is contextual; it builds upon the context of previous knowledge, experience, and problems. For the teacher to guide and assist in the process, the teacher must first learn to see the world through the eyes of the student—to see the student's context.

Like Alice, she must step with her children behind the looking glass and in this imaginative land she must see all things with their eyes and limited by their experience; but, in time of need, she must be able to recover her trained vision and from the realistic point of view of an adult supply the guide posts of knowledge and the skills of method. [Mayhew and Edwards 1966, 312; quoted in Westbrook 1991, 101]

Hence Dewey's "pragmatic" emphasis on placing the learning in the context of the "social environment," albeit simplified and ordered in a school, so that the student would have a natural or intrinsic incentive to learn. Hence Paulo Freire's emphasis on dialogue as the prelude to, as well as the means of, learning [1970]. By formulating a literacy campaign in terms of the peasants' daily concerns, the peasants are motivated to be involved and take ownership of the process. The cases, examples, and questions can be couched in terms that make sense from the student's viewpoint and are relevant to the student's interests. With this preparation, the student can take responsibility for actively reconstructing and appropriating knowledge with occasional prodding and questioning from the teacher as midwife. Knowledge obtained in this active way is truly the student's own; it is neither a gift nor an imposition.

The most common error in an educational effort is for the one with superior knowledge (the teacher) to try to impose or imprint knowledge on the one with less knowledge of the relevant sort (assisted by manipulated rewards and punishments). These pedagogical errors are aided and abetted by the Lockian epistemology which sees the mind as a passive *tabula rasa* or waxed tablet upon which knowledge may be imprinted.¹² The next most common error is to think that the alternative role for the teacher is passivity (leaving the children to "free play"). Between these poles lies the autonomy-compatible modes of interaction that Dewey's "direction by indirection." [Westbrook 1991, 107]

When the parent or teacher has provided the conditions which stimulate thinking and has taken a sympathetic attitude toward the activities of the learner by entering into a common or conjoint experience, all has been done which a second party can do to

¹² For a discussion of these and similar metaphors for the mind, see Abrams 1953, 57-69.

instigate learning. The rest lies with the one directly concerned. ... This does not mean that the teacher is to stand off and look on; the alternative to furnishing ready-made subject matter and listening to the accuracy with which it is reproduced is not quiescence, but participation, sharing, in an activity. In such shared activity, the teacher is a learner, and the learner is, without knowing it, a teacher—and upon the whole, the consciousness there is, on either side, of either giving or receiving instruction, the better. [Dewey 1916, 160]

Such an autonomy-respecting interaction is even more subtle when all parties concerned are adults with their own past educations and life experiences.

Bruner's Theory of Learning as Discovery

A more recent treatment of Dewey's themes can be found in Jerome Bruner's theory of learning as discovery (as opposed to passive assimilation) which also explicitly makes the connection with intrinsic motivation. The more learning can be an active process of discovery, the more the learner will "work with the autonomy of self-reward or, more properly, be rewarded by discovery itself" [Bruner 1967, 88] in contrast to the more passive process that is typically driven by the external rewards of grades, gold stars, and other bribes. In terms of the teacher's role, Bruner distinguishes the "expository mode" (with the learner in the passive listening role) from the "hypothetical mode" where

the teacher and the student are in a more cooperative position with respect to what in linguistics would be called "speaker's decisions." The student is not a bench-bound listener, but is taking a part in the formulation and at times may play the principal role in it. He will be aware of alternatives and may even have an "as if" attitude toward these, and he may evaluate information as it comes. ...I think it is largely the hypothetical mode which characterizes the teaching that encourages discovery. [Bruner 1967, 83]

Eventually the learner is able to internalize the process of generating ideas, formulating hypotheses, probing experience, and appropriating knowledge through discovery. Now the learner fits the model of the autonomous person receiving feedback as information rather than as controls.

[The learner] is now in a position to experience success and failure not as reward and punishment but as information. For when the task is his own rather than a prescribed matching of environmental demands, he becomes his own paymaster in a certain measure. Seeking to gain control over his environment, he can now treat success as indicating he is on the right track, failure as indicating that he is on the wrong one.

In the end, this development has the effect of freeing learning from immediate stimulus control. When learning leads only to pellets of this or that in the short run rather than to mastery in the long run, then behavior can be readily "shaped" by extrinsic rewards. But when behaviour becomes more extended and competence-oriented, it

comes under the control of more complex cognitive structures and operates more from the inside out. [Bruner 1967, 90]

McGregor's Theory Y Management

For our purposes, we can group management theories into two broad categories which could be referred to following McGregor [1960] as Theory X and Theory Y. In terms of our theme, Theory X is based on extrinsic motivation, while Theory Y includes intrinsic motivation as an important part of worker motivation. Behaviorism, Taylorism, industrial engineering, or recently, reengineering exemplify Theory X approaches while humanistic psychology, Deming's approach to quality management, and participative management would be associated with Theory Y. Economists have on occasion not restricted themselves to *homo economicus*.

A high wage will not elicit effective work from those who feel themselves outcasts or slaves, nor a low wage preclude it from those who feel themselves an integral part of a community of free men. Thus, the improvement of this element in the supply of labour is an infinitely more complex and arduous task than if it depended upon wage alone, but at the same time a task more possible of fulfilment by an impoverished world. [Robertson 1921, 244; quoted in Whyte 1955, 5]

But this is more the exception than the rule. The standard "economistic" treatment of work is essentially Theory X; work is a disutility, people are paid wages to overcome their aversion to work, satisfaction is obtained from expenditure of the wages outside of work, and people are naturally adverse to responsibility and risk. There is always plenty of empirical basis for the "economic" viewpoint since sufficient money will usually override intrinsic motivation, at least in the short run, so that one can thus verify that "money talks." Moreover, work organized on the economistic basis of Theory X will "cut across" any intrinsic motivation that might be otherwise derived from work, and that crowded-out motivation will then tend to atrophy. Then the motivation assumed by Theory X will predominate so the theory once applied becomes a self-fulfilling prophecy.

People, deprived of opportunities to satisfy at work the needs which are important to them, behave exactly as we might predict—with indolence, passivity, unwillingness to accept responsibility, resistance to change, willingness to follow the demagogue, unreasonable demand for economic benefits. It would seem that we may be caught in a web of our own weaving. [McGregor 1960, 42]

Distrust breeds distrust in the Theory X vicious circle. Or again;

The introduction of pay into a task situation, then, moves, or seems to move, the locus of causality from disposition to circumstance, from internal to external; it alters the task from chosen to unchosen, and since people do not work without motives, it transmutes

intrinsic motivation into pecuniary motivation. Strangely, it *creates* Skinnerian man where he was missing earlier. [Lane 1991, 379]

Thus, conventional economics and Theory X management can usually find suitable "empirical verification" for their *homo economicus* presuppositions.

Theory Y management starts with a different presupposition and may well yield a very different result in the form of a trust-breeds-trust virtuous circle.¹³ McGregor bases Theory Y on the principle of integration and self-control (autonomy): "the creation of conditions such that the members of the organization can achieve their own goals *best* by directing their efforts towards the success of the enterprise." [McGregor 1960, 49] The activity of management with respect to subordinates is thus to be autonomy-compatible in the sense of inducing the workers to pursue their own goals of self-development and actualization. But it is not "abdication" of management's role to further the goals of the organization. Hence management needs to create a situation so that the workers by responding to their own intrinsic motivation are led "as if by an invisible hand" (to apply a phrase ordinarily applied to extrinsic motivation) to further the objectives of the organization. How does management increase the "ownership" or "buy-in" of the workers to the objectives?

The important theoretical consideration, derived from Theory Y, is that the acceptance of responsibility (for self-direction and self-control) is correlated with commitment to objectives. Genuine commitment is seldom achieved when objectives are externally imposed. Passive acceptance is the most that can be expected; indifference or resistance are the more likely consequences. Some degree of *mutual* involvement in the determination of objectives is a necessary aspect of managerial planning based on Theory Y. [68]

When the determination of the objectives is part of the fruits of their labor, then the workers will have some ownership of those objectives. McGregor illustrates these points with a narrative between a Vice President and his new subordinate who is taking over the personnel department. The VP asked the director to draw up a statement of the responsibilities of the job as the director saw them. Then the VP continues:

"Perhaps you expected me to define your job for you, to tell you what I want you to do. If I were to do so, it would not be your job. Of course, I don't expect that I will necessarily see eye to eye with you on everything you have written down. I do take it for granted that we have a common purpose: We both want yours to be the best damned personnel department anywhere.

¹³ For the general role of self-fulfilling prophecies in social affairs, see Merton 1968, or Rist 1970 with a focus on schooling. The work of the Santa Fe school, e.g., Arthur 1990, on self-reinforcing processes has emphasized the multiplicity of equilibria, e.g., Theory X and Theory Y.

"The difficulty we are likely to have in discussing your ideas is that if I disagree with you, you'll feel you have to accept what I say because I'm your boss. I want to help you end up with a list that we are both completely satisfied with, but I can't help if you simply defer to my ideas or if I don't express them for fear of dominating you. So try to think of me as a colleague whose experience and knowledge are at your disposal—not as your boss. I'm certain we can resolve any differences that come up."
[64]

Thus, we see the contours of the relationship wherein the manager (VP) has an autonomy-compatible interaction with his subordinate (new head of personnel). On the basis of an agreement on a general goal, the subordinate is given freedom to define the job according to his own knowledge and experience. That maximizes the subordinate's ownership of the job. Where there is disagreement, the manager refrains from using authority, which would only get a sullen acceptance from the subordinate, and appeals instead to dialogue and discussion "as a colleague." In that way, whatever joint product they both finally agree upon would have their ownership and commitment.

After the agreement on the shared objectives, the boss needs to stand aside and to only help the workers achieve those ends—"to act as teacher, consultant, colleague, and only rarely as authoritative boss. He will not help them if he attempts to keep direction and control in his own hands; he will only hamper their growth and encourage them to develop countermeasures against him." [152]

Rogers' Client-Centered Therapy

The next example of autonomy-compatible interaction comes from Carl Rogers' notion of client-centered therapy [Rogers 1951]—which was also called "nondirective" theory echoing Dewey's notion of direction by indirection. The temptation for the therapist, as for the teacher and manager, is to "take charge" and to try to "produce" the right results. And as in the other cases, this overbearing approach cuts across the other person's internal resources for self-directed activities. On the other hand, a complete *laissez-faire* or hands-off approach would lead to no interaction rather than an autonomy-compatible interaction. The key for the therapist, as for the educator, is to see the world through the client's eyes.

This formulation would state that it is the counselor's function to assume, in so far as he is able, the internal frame of reference of the client, to perceive the world as the client sees it, to perceive the client himself as he is seen by himself, to lay aside all perceptions from the external frame of reference while doing so, and to communicate something of this empathic understanding to the client. [29]

The client-centered therapist must guard against this "empathy" being used as a gimmick to control the patient "while pretending to let him guide himself" [30] just as the Theory Y manager needs to avoid seeing "participation" as a tool to get worker "buy-in" to management decisions. The basis in all cases is the respect for the autonomy of the client (student or worker):

the sincere aim of getting "within" the attitudes of the client, of entering the client's internal frame of reference, is the most complete implementation which has thus far been formulated, for the central hypothesis of respect for and reliance upon the capacity of the person. [36]

The therapist's role is to be a "catalyzer of change, rather than a director, controller, or external motivator. ...In terms of causality..., the goal of therapy is to be a strengthening of one's autonomy orientation, that is, one's capacity to be self-determining." [Deci and Ryan 1985, 291]

Rogers applies the client-centered approach to education where it becomes "Student-Centered Teaching" [chapter 9 of Rogers 1951], which acknowledges the debt to Dewey and develops the same themes and even some of the same explanatory metaphors ("You can lead a horse to water..."). In later works, Rogers [1961, 1969] included the theme of learning as discovery: "the only learning which significantly influences behavior is self-discovered, self-appropriated learning." [1961, 276]

Rogers also points out the connection to management.

The grounds for the theory of administration which McGregor calls "Theory Y" have been exemplified in all of the preceding chapters of this book. The assumptions on which this theory is based, the kinds of evidence from the behavioral sciences which support it, the view of human nature which permeates it, constitute the backbone of what I have set forth. [Rogers 1969, 207]

Rogers also notes the application of these principles to community development. How would an external expert or leader be able to best help in the development of a community? "If the leader was a catalyst, a person genuinely able to accept the neighborhood as it existed and to release the group to work toward its real purposes and goals, the result was in the direction of socialization." [Rogers 1951, 59] If, however, the expert tries to give the community the answer based on knowledge of "best practices" or whatever, then this is incompatible with their own autonomous development. Rogers quotes at length from a 1944 memo by Clifford Shaw about experience in a Chicago-area community project.

[A]ttempts to produce these changes *for* the community by means of ready made institutions and programs planned, developed, financed, and managed by persons outside the community are not likely to meet with any more success in the future than they have in the past. This procedure is psychologically unsound because it places the residents of the community in an inferior position and implies serious reservations with regard to their capacities and interest in their own welfare. What is equally important is that it neglects the greatest of all assets in any community, namely the talents, energies and other human resources of the people themselves....What is necessary, we

believe, is the organization and encouragement of social self-help on a cooperative basis. [quoted in Rogers 1951, 59]

Addams-Dewey-Lasch's Ethic of Respect Versus the Ethic of Benevolence

We now turn to the forms of social interaction where those who are better-off offer help for those who are worse-off. How can we differentiate those forms of help that are compatible with the autonomy of the beneficiary from those forms that are paternalistic and controlling. Jane Addams, John Dewey and Christopher Lasch (among others) have developed a critique of benevolence and compassion along these lines. Dewey expressed the argument as a critique of oppressive benevolence, and Lasch juxtaposed the "ethic of respect" to the "ethic of compassion" [Lasch 1995].

Dewey's thinking about the controlling aspects of paternalistic employers was prompted by the Pullman Strike of 1894 and by the critique of Pullman's paternalism in the Chicago reformer Jane Addams' essay "A Modern Lear" [1965], an essay that Dewey called "one of the greatest things I ever read both as to its form and its ethical philosophy." [quoted by Lasch in Addams 1965, 176]

As its title suggests, Addams's essay was based on an extended analogy between the relationship between King Lear and his daughter Cordelia and that of Pullman and his workers. Like Lear, Addams suggested, Pullman exercised a self-serving benevolence in which he defined the needs of those who were the objects of this benevolence in terms of his own desires and interests. Pullman built a model company town, providing his workers with what he took to be all the necessities of life. Like Lear, however, he ignored one of the most important human needs, the need for autonomy. [Westbrook 1991, 89]

Autonomy-Compatible Economic Rewards

It should be said at the outset that in certain areas of human interaction, intrinsic motivation has little or no role so "economistic" reasoning applies without modification. Anonymous market transactions of the self-enforcing (*quid pro quo*) variety are probably the best example. Rude forms of physical labor (e.g., the labor typically performed in prisons or workhouses, the "natural" domain of Taylorism) might provide another example. Our concerns are the areas of social interaction where intrinsic motivation can be expected to be of some importance, where "man does not live by bread [or by compulsion] alone."

To understand how economic rewards might work with or against intrinsic motivation, we must consider one of the main types of such motivation, the preference for self-determination and autonomy. Autonomous action has an internal locus of control; it displays "internality." "Externality" has a different meaning in psychology than in economics. "Externality" is the psychological condition of seeing whatever happens to oneself as having external causes. At best, there is a highly circumscribed sphere of personal or mental life where one might be able to exercise some internal locus of control.

Externality leads to a condition of learned helplessness, apathy, and fatalism. In contrast, "internality" is the condition of having an internal locus of control over what happens to oneself.¹⁴

Economic rewards and, more generally, external interventions can then have two types of effects: *controlling*, which tend to displace the internal locus of control and thus diminish that source of intrinsic motivation, and *supportive or informational*, which do not challenge internality or pose a threat to autonomy and which are thus autonomy-compatible.¹⁵ In the language of feedback, the feedback can be controlling or just informational which in turn have, respectively, an adverse or neutral-to-positive effect on self-determination and autonomy.

Other sources of intrinsic motivation might be less obstructed by economic rewards. The political economist, Robert Lane, in his comprehensive work on social psychology and economic relationships, *The Market Experience*, argues that in contrast to self-determination, internal standards of excellence¹⁶ and feelings of equity or conscience are sources of intrinsic values less vulnerable to the hidden cost effect.¹⁷

The crowding-out or hidden cost effect (in the inclusive sense of both the short-term threat-to-autonomy and longer-term atrophy effects) is not determined solely by the economic incentive but by the whole expectational, institutional, and cultural setting. The market can have autonomy-compatible or -incompatible effects depending on the setting. Suppose a stranger sent by your host picks you up at an airport and drives you to your hotel. If it was the person's job (e.g., a taxi or limo driver), then a monetary gratitude would probably not be a threat to autonomy and would be supportive of any intrinsic satisfaction the driver may have for doing a good job. But if the stranger was a friend of your host (who was detained) and was picking you up as a favor to your host, then a monetary gratitude would obstruct the whole sense of "doing a favor" and would probably be rejected.¹⁸

In another example, suppose an employer pays a worker a wage higher than is customary or higher than that which clears the market for a certain type of work. If the worker sees this as an attempt to impose control and "buy" the worker's best efforts, then the resulting resentment, "reactance" [Brehm 1972], or threat to autonomy could lead to a minimum effort performance. On the other hand, the worker might see it as a gift and be moved by a feeling of equity to respond in kind with a high effort performance—as in Akerlof's "gift exchange" theory of efficiency wages [1984]. The difference might be determined by the norms and culture of the workplace.¹⁹

¹⁴ See Chapter 14 on "Localness" in Senge 1990; Chapter 9 on "Self-attribution: market influences" in Lane 1991; or Bandura 1995.

¹⁵ See Deci and Ryan 1985 for development and extensive use of this distinction.

¹⁶ Such as the "instinct of workmanship" in Veblen 1914.

¹⁷ See Chapter 19, "The limits of hidden costs in the market" in Lane 1991.

¹⁸ See Kruglanski 1978 for the example.

¹⁹ A common (partial) gift exchange is embodied in the practice of a dinner guest bringing a bottle of wine to the dinner. Suppose that an economist-guest forgot the wine but then offered to "buy" the bottle supplied by the host after pointing

One strategy to limit the hidden costs of pay is to make it relatively non-contingent on performance (in contrast to the pay-for-performance strategy) and to move pay into the motivational background by emphasizing other more intrinsic sources of workplace motivation such as pride in workmanship, professional self-esteem, and dedication to the collective endeavor of the firm. For instance, in the large Japanese-style firm, the members advance on the basis of seniority and competitively established rank with motivation coming in the dual currency of money and socially recognized pride of accomplishment. In comparison with the typical large American company, the relative stability of pay and employment and the much smaller top-to-bottom pay differentials indicate a much larger role for (and less crowding-out of) intrinsic motivation in the Japanese-style company.

The crowding-out will also be minimal when the recipient of economic rewards is clearly "in the driver's seat" (i.e., having an internal locus of control) so that the threat to self-determination is not a problem. Workers with skills in very short supply, such as "divers on oil rigs, carpenters in a frontier boomtown, doctors in an epidemic" [Lane 1991, 393], will tend to interpret high economic rewards as just an informational recognition of their value and not as a controlling influence. The scarcity of their skills gives them the sense of "being in the driver's seat." Another way to be "in the driver's seat" is to have clearly chosen to do the work independently of pay (thereby establishing an internal locus of control) so that any "reasonable" or "customary" economic incentive would not be controlling and would not crowd out intrinsic motivation.

CONCLUDING REMARKS

We have emphasized the importance of intrinsic motivation in most any human activity (aside from prison labor and the like). Yet the lessons learned are subtle and routinely neglected in common situations where extrinsic motivators are more easily manipulated by managers, teachers, social workers, and others in a position to be 'helpers' to certain 'doers.' In the training and education of such helpers, there is unfortunately a Gresham's Law ("Bad money drives out good.") where the crudities of simple "carrot and stick economics" tend to displace the subtleties of autonomy-compatible assistance. The human sciences are endowed with the perhaps Sisyphean task on constantly emphasizing the subtlety of all human activities involving intrinsic motivation.

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out, with impeccable economic logic, that it was much "the same transaction" with or without the host-middleman. Doubtlessly the host or hostess would see it differently and would reject the offer as sullyng their gift of the meal.



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