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# The Economy of Incentives

Chester I. Barnard

[An] essential element of organizations is the willingness of persons to contribute their individual efforts to the coöperative system. The power of coöperation, which is often spectacularly great when contrasted with that even of large numbers of individuals unorganized, is nevertheless dependent upon the willingness of individuals to coöperate and to contribute their efforts to the coöperative system. The contributions of personal efforts which constitute the energies of organizations are yielded by individuals because of incentives. The egoistical motives of self-preservation and of self-satisfaction are dominating forces; on the whole, organizations can exist only when consistent with the satisfaction of these motives, unless, alternatively, they can change these motives. The individual is always the basic strategic factor in organization. Regardless of his history or his obligations he must be induced to coöperate, or there can be no coöperation.

It needs no further introduction to suggest that the subject of incentives is fundamental in formal organizations and in conscious efforts to organize. Inadequate incentives mean dissolution, or changes of organization purpose, or failure of coöperation. Hence, in all sorts of organizations the affording of adequate incentives becomes the most definitely emphasized task in their existence. It is probably in this aspect of executive work that failure is most pronounced, though the causes may be due either to inadequate understanding or to the breakdown of the effectiveness of organization.

## I

The net satisfactions which induce a man to contribute his efforts to an organization result from the positive advantages as against the disadvantages which are entailed.<sup>1</sup> It follows that a net advantage may be increased or a negative advantage made positive either by increasing the number or the strength of the positive inducements or by reducing the number or the strength of the disadvantages. It often occurs that the positive advantages are few and meager, but the burdens involved are also negligible, so that there is a strong net advantage. Many "social" organizations are able to exist under such a state of affairs. Conversely, when the burdens involved are numerous or heavy, the offsetting positive advantages must be either numerous or powerful.

Hence, from the viewpoint of the organization requiring or seeking contributions from individuals, the problem of effective incentives may be either one of finding positive incentives or of reducing or eliminating negative incentives or burdens. For example, employment may be made attractive either by reducing the work required—say, by shortening hours or supplying tools or power, that is, by making conditions of employment less onerous—or by increasing positive inducement, such as wages.

In practice, although there are many cases where it is clear which side of the "equation" is being adjusted, on the whole specific practices and conditions affect both sides simultaneously or it is impossible to determine which they affect. Most specific factors in

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so-called working conditions may be viewed either as making employment positively attractive or as making work less onerous. We shall, therefore, make no attempt to treat specific inducements as increasing advantages or as decreasing disadvantages; but this underlying aspect is to be kept in mind.

More important than this is the distinction between the objective and the subjective aspects of incentives. Certain common positive incentives, such as material goods and in some senses money, clearly have an objective existence; and this is true also of negative incentives like working hours, conditions of work. Given a man of a certain state of mind, of certain attitudes, or governed by certain motives, he can be induced to contribute to an organization by a given combination of these objective incentives, positive or negative. It often is the case, however, that the organization is unable to offer objective incentives that will serve as an inducement to that state of mind, or to those attitudes, or to one governed by those motives. The only alternative then available is to change the state of mind, or attitudes, or motives, so that the available objective incentives can become effective.

An organization can secure the efforts necessary to its existence, then, either by the objective inducements it provides or by changing states of mind. It seems to me improbable that any organization can exist as a practical matter which does not employ both methods in combination. In some organizations the emphasis is on the offering of objective incentives—this is true of most industrial organizations. In others the preponderance is on the state of mind—this is true of most patriotic and religious organizations.

We shall call the processes of offering objective incentives "the method of incentives"; and the processes of changing subjective attitudes "the method of persuasion." Using these new terms, let us repeat what we have said: In commercial organizations the professed emphasis is apparently almost wholly on the side of the method of incentives. In religious and political organizations

the professed emphasis is apparently almost wholly on the side of persuasion. But in fact, especially if account be taken of the different kinds of contributions required from different individuals, both methods are used in all types of organizations. Moreover, the centrifugal forces of individualism and the competition between organizations for individual contributions result in both methods being ineffective, with few exceptions, for more than short periods or a few years.

## I. THE METHOD OF INCENTIVES

We shall first discuss the method of incentives. It will facilitate our consideration of the subject if at the outset we distinguish two classes of incentives: first those that are specific and can be specifically offered to an individual; and second, those that are general, not personal, that cannot be specifically offered. We shall call the first class specific inducements, the second general incentives.

The specific inducements that may be offered are of several classes, for example: (a) material inducements; (b) personal non-material opportunities; (c) desirable physical conditions; (d) ideal benefactions. General incentives afforded are, for example: (e) associational attractiveness; (f) adaptation of conditions to habitual methods and attitudes; (g) the opportunity of enlarged participation; (h) the condition of communion. Each of these classes of incentives is known under various names, and the list does not purport to be complete, since our purpose now is illustrative. But to accomplish this purpose it is necessary briefly to discuss the incentives named.

(a) Material inducements are money, things, or physical conditions that are offered to the individual as inducements to accepting employment, compensation for service, reward for contribution. Under a money economy and the highly specialized production of material goods, the range and profusion of material inducements are very great. The complexity of schedules of

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and the power of exchange which money  
gives in organized markets, have served to  
exaggerate the importance of money in par-  
ticular and material inducements in general  
as incentives to personal contributions to  
organized effort. It goes without elaboration  
that where a large part of the time of an in-  
dividual is devoted to one organization, the  
physiological necessities—food, shelter,  
clothing—require that material induce-  
ments should be present in most cases; but  
these requirements are so limited that they  
are satisfied with small quantities. The un-  
aided power of material incentives, when  
the minimum necessities are satisfied, in my  
opinion is exceedingly limited as to most  
men, depending almost entirely for its de-  
velopment upon persuasion. Notwithstand-  
ing the great emphasis upon material incen-  
tives in modern times and especially in  
current affairs, there is no doubt in my mind  
that, unaided by other motives, they consti-  
tute weak incentives beyond the level of the  
bare physiological necessities.

To many this view will not be readily  
acceptable. The emphasis upon material  
rewards has been a natural result of the  
success of technological developments—  
relative to other incentives it is the mate-  
rial things which have been progressively  
easier to produce, and therefore to offer.  
Hence there has been a forced cultivation  
of the love of material things among those  
above the level of subsistence. Since exist-  
ing incentives seem always inadequate to  
the degree of cooperation and of social in-  
tegration theoretically possible and ideally  
desirable, the success of the sciences and  
the arts of material production would have  
been partly ineffective, and in turn would  
have been partly impossible, without incul-  
cating the desire of the material. The most  
significant result of this situation has been  
the expansion of population, most of which  
has been necessarily at the bare subsistence  
level, at which level material inducements  
are, on the whole, powerful incentives. This  
has perpetuated the illusion that beyond

this subsistence level material incentives  
are also the most effective.<sup>2</sup>

A concurrent result has been the creation  
of sentiments in individuals that they *ought*  
to want material things. The inculcation of  
“proper” ambitions in youth have greatly  
stressed material possessions as an evidence  
of good citizenship, social adequacy, etc.  
Hence, when underlying and governing mo-  
tives have not been satisfied, there has been  
strong influence to rationalize the default as  
one of material compensation, and not to be  
conscious of the controlling motives or at  
least not to admit them.

Yet it seems to me to be a matter of com-  
mon experience that material rewards are  
ineffective beyond the subsistence level ex-  
cepting to a very limited proportion of men;  
that most men neither work harder for more  
material things, nor can be induced thereby  
to devote more than a fraction of their  
possible contribution to organized effort. It  
is likewise a matter of both present expe-  
rience and past history that many of the  
most effective and powerful organizations  
are built up on incentives in which the ma-  
terialistic elements, above bare subsistence,  
are either relatively lacking or absolutely  
absent. Military organizations have been  
relatively lacking in material incentives.  
The greater part of the work of political or-  
ganizations is without material incentive.  
Religious organizations are characterized on  
the whole by material sacrifice. It seems to  
me to be definitely a general fact that even  
in purely commercial organizations mate-  
rial incentives are so weak as to be almost  
negligible except when reinforced by other  
incentives, and then only because of  
wholesale general persuasion in the form  
of salesmanship and advertising.

It will be noted that the reference has  
been to material incentives rather than to  
money. What has been said requires some,  
but not great, qualification with reference  
to money as an incentive—solely for the  
reason that money in our economy may  
be used as the indirect means of satisfying  
non-materialistic motives—philanthropic,  
artistic, intellectual, and religious motives

for example—and because money income becomes an index of social status, personal development, etc.

(b) Inducements of a personal, non-materialistic character are of great importance to secure coöperative effort above the minimum material rewards essential to subsistence. The opportunities for distinction, prestige, personal power,<sup>3</sup> and the attainment of dominating position are much more important than material rewards in the development of all sorts of organizations, including commercial organizations. In various ways this fact applies to many types of human beings, including those of limited ability and children. Even in strictly commercial organizations, where it is least supposed to be true, money without distinction, prestige, position, is so utterly ineffective that it is rare that greater income can be made to serve even temporarily as an inducement if accompanied by suppression of prestige. At least for short periods inferior material rewards are often accepted if assurance of distinction is present; and usually the presumption is that material rewards ought to follow or arise from or even are made necessary by the attainment of distinction and prestige. There is unlimited experience to show that among many men, and especially among women, the real value of differences of money rewards lies in the recognition or distinction assumed to be conferred thereby, or to be procured therewith—one of the reasons why differentials either in money income or in material possessions are a source of jealousy and disruption if not accompanied by other factors of distinction.

(c) Desirable physical conditions of work are often important conscious, and more often important unconscious, inducements to coöperation.

(d) Ideal benefactions as inducements to coöperation are among the most powerful and the most neglected. By ideal benefaction I mean the capacity of organizations to satisfy personal ideals usually relating to non-material, future, or altruistic relations. They include pride of workmanship, sense

of adequacy, altruistic service for family or others, loyalty to organization in patriotism, etc., aesthetic and religious feeling. They also include the opportunities for the satisfaction of the motives of hate and revenge, often the controlling factor in adherence to and intensity of effort in some organizations.

All of these inducements—material rewards, personal nonmaterial opportunities, desirable physical conditions, and ideal benefactions—may be and frequently are definitely offered as inducements to contribute to organizations. But there are other conditions which cannot usually be definitely offered, and which are known or recognized by their absence in particular cases. Of these I consider associational attractiveness as exceedingly, and often critically, important.

(e) By associational attractiveness I mean social compatibility. It is in many cases obvious that racial hostility, class antagonism, and national enmities absolutely prevent coöperation; in others decrease its effectiveness, and in still others make it impossible to secure coöperation except by great strengthening of other incentives. But it seems clear that the question of personal compatibility or incompatibility is much more far-reaching in limiting coöperative effort than is recognized, because an intimate knowledge of particular organizations is usually necessary to understand its precise character. When such an intimate knowledge exists, personal compatibility or incompatibility is so thoroughly sensed, and the related problems are so difficult to deal with, that only in special or critical cases is conscious attention given to them. But they can be neglected only at peril of disruption. Men often will not work at all, and will rarely work well, under other incentives if the social situation from their point of view is unsatisfactory. Thus often men of inferior education cannot work well with those of superior education, and vice versa. Differences not merely of race, nation, religion, but of customs, morals, social status, education, ambition, are frequently controlling.

Hence, a powerful incentive to the effort of almost all men is favorable associational conditions from their viewpoint. . . .

(f) Another incentive of the general type is that of customary working conditions and conformity to habitual practices and attitudes. This is made obvious by the universal practice, in all kinds of organizations, of rejecting recruits trained in different methods or possessing "foreign" attitudes. It is taken for granted that men will not or cannot do well by strange methods or under strange conditions. What is not so obvious is that men will frequently not attempt to cooperate if they recognize that such methods or conditions are to be accepted.

(g) Another indirect incentive that we may regard as of general and often of controlling importance is the opportunity for the feeling of enlarged participation in the course of events. It affects all classes of men under some conditions. It is sometimes, though not necessarily, related to love of personal distinction and prestige. Its realization is the feeling of importance of result of effort because of the importance of the cooperative effort as a whole. Thus, *other things being equal*, many men prefer association with large organizations, organizations which they regard as useful, or organizations they regard as effective, as against those they consider small, useless, ineffective.

(h) The most intangible and subtle of incentives is that which I have called the condition of communion. It is related to social compatibility, but is essentially different. It is the feeling of personal comfort in social relations that is sometimes called solidarity, social integration, the gregarious instinct, or social security (in the original, not in its present debased economic sense). It is the opportunity for comradeship, for mutual support in personal attitudes. The need for communion is a basis of informal organization that is essential to the operation of every formal organization. It is likewise the basis for informal organization within but hostile to formal organization.<sup>4</sup>

It is unnecessary for our purpose to exhaust the list of inducements and incentives

to cooperative contributions of individuals to organization. Enough has been said to suggest that the subject of incentives is important and complex when viewed in its objective aspects. One fact of interest now is that different men are moved by different incentives or combinations of incentives; and by different incentives or combinations at different times. Men are unstable in their desires, a fact partly reflecting the instability of their environments. A second fact is that organizations are probably never able to offer all the incentives that move men to cooperative effort, and are usually unable to offer adequate incentives. To the reasons for this fact we shall advert later; but a result of it to which we shall turn our attention now is the necessity of persuasion.

## II. THE METHOD OF PERSUASION

If an organization is unable to afford incentives adequate to the personal contributions it requires it will perish unless it can by persuasion so change the desires of enough men that the incentives it can offer will be adequate. Persuasion in the broad sense in which I am here using the word includes: (a) the creation of coercive conditions; (b) the rationalization of opportunity; (c) the inculcation of motives.

(a) Coercion is employed both to exclude and to secure the contribution of individuals to an organization. Exclusion is often intended to be exclusion permanently and nothing more. It is an aspect of competition or hostility between organizations or between organizations and individuals. . . . I suppose it is generally accepted that no superior permanent or very complex system of cooperation can be supported to a great extent merely by coercion.

(b) The rationalization of opportunity is a method of persuasion of much greater importance in most modern activities. Even under political and economic regimes in which coercion of individuals is at least temporarily and in some degree the basic

process of persuasion, as in Russia, Germany, and Italy, it is observed that the processes of rationalization of other incentives, that is, propaganda, are carried on more extensively than anywhere else.

The rationalization of incentives occurs in two degrees; the general rationalization that is an expression of social organization as a whole and has chiefly occurred in connection with religious and political organizations, and the specific rationalization that consists in attempting to convince individuals or groups that they "ought," "it is to their interest," to perform services or conform to requirements of specific organizations.

The general rationalization of incentives on a noteworthy scale has occurred many times. The rationalization of religious motives as a basis of the Crusades is one of the most striking. The rationalization of communist doctrine in Russia is another. The rationalization of hate as a means of increasing organization (national) "solidarity" is well known. One of the most interesting of these general rationalizations is that of materialistic progress, to which we have already referred. It is an important basis of the characteristic forms of modern western organization. In its most general form it consists in the cult of science as a means to material ends, the glorification of inventions and inventive talent, including patent legislation; and the exaltation of the exploitation of land, forests, mineral resources, and of the means of transportation. In its more obvious current forms it consists in extensive and intensive salesmanship, advertising, and propaganda concerning the satisfactions to be had from the use of material products. . . .

Specific rationalization of incentives is the process of personal appeal to "join" an organization, to accept a job or position, to undertake a service, to contribute to a cause. It is the process of proselyting or recruiting that is commonly observed in connection with industrial, military, political, and religious organizations. It consists in emphasizing opportunities for satisfaction that are

offered, usually in contrast with those available otherwise; and in attempting to elicit interest in those incentives which are most easily or most outstandingly afforded.

The background of the individual to whom incentives are rationalized consists of his physiological requirements, his geographical and social location, and the general rationalization and especially the social influences to which he has previously been subjected by his society, his government, and his church. . . .

This brief<sup>5</sup> discussion of the incentives has been a necessary introduction to the considerations that are important to our study of the subject of organization and the executive functions. The processes concerned are each of them difficult in themselves, and are subject to highly developed techniques and skills. Their importance as a whole arises from the inherent difficulty that organizations experience either in supplying incentives or in exercising persuasion. The most appropriate phrase to apply to this inherent difficulty is "economy of incentives"; but it should be understood that "economy" is used in a broad sense and refers not merely to material or monetary economy.

## II

In the economy of incentives we are concerned with the net effects of the income and outgo of things resulting from the production of objective incentives and the exercise of persuasion. An organization which makes material things the principal incentive will be unable long to offer this kind of incentive if it is unable to secure at least as much material or money as it pays out. This is the ordinary economic aspect which is well understood. But the same principle applies to other incentives. The possibilities of offering non-material opportunities, desirable conditions, ideal benefactions, desirable associations, stability of practice, enlarged participation, or communion advantages are limited and usually insufficient, so that the utmost economy is

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ordinarily essential not only in the material sense but in the broader sense as well. The limitations are due not alone to the relationship of the organization to the external physical environment, but also to its relationship to the social environment, and to its internal efficiency.

A complete exposition of the economy of incentives would among other things involve some duplication of the theories of general economics, rewritten from the point of view of organization. This is not the place to attempt such an exposition; but as the economy of incentives as a whole in terms of organization is not usually stressed in economic theory<sup>6</sup> and is certainly not well understood, I shall attempt to indicate the outlines of the theory. It will be convenient to do this with reference to organizations of three radically different purposes: (a) an industrial organization; (b) a political organization; and (c) a religious organization.

(a) In an industrial organization the purpose<sup>7</sup> is the production of material goods, or services. For the sake of simplicity we may assume that it requires no capital. It secures material production by applying the energies of men to the physical environment. These energies will result in a gross production; but if the inducements offered to secure these energies are themselves material, and are sufficient, then it will pay out of its production something on this account. If the amount paid out is no more than the production the organization can survive; but if the amount paid out is more than the production, it must cease, since it cannot then continue to offer inducements.

Whether this occurs depends upon the combined effect of four factors: the difficulties of the environment, the effectiveness of organization effort, the internal efficiency of organization, and the amount of inducements paid. Obviously many coöperative efforts fail because the environment is too resistant, others because the organization is ineffective, others because internal losses are large, others because the price paid for services is too large. Within the range of ordinary experience, these are mutually

dependent variables, or mutually interacting factors. Under very favorable environmental conditions, relative ineffectiveness and relative internal inefficiency with high outgo for inducements are possible. Under unfavorable conditions, effectiveness, efficiency, and low inducements are necessary.

In most cases the limitations of conditions, of effectiveness, and of efficiency permit only limited material inducements; and both effectiveness and efficiency require an output of individual energies that cannot be elicited from most men by material inducements in any event. Hence, in practice other inducements also must be offered. But in such an organization such inducements in some degree, and usually to a considerable degree, require again material inducements. Thus, satisfactory physical conditions of work mean material inducements to factors not directly productive; satisfactory social conditions mean the rejection of some of those best able to contribute the material production and acceptance of some less able. Almost every type of incentive that can be, or is, necessary will itself in some degree call for material outgo, so that the question is one of choice of methods and degree of emphasis upon different incentives to find the most efficient combination of incentives determined from the material viewpoint. Hence, the various incentives are in competition with each other even from the material point of view.

But the economy of incentives in an industrial organization only begins with the analysis of incentives from the standpoint of material; that is, dollars and cents, costs. The non-material incentives often conflict with each other or are incompatible. Thus opportunity for personal prestige as an incentive for one person necessarily involves a relative depression of others; so that if this incentive is emphasized as to one person, it must be in conjunction with other persons to whom personal prestige is relatively an unimportant inducement.

The difficulties of finding the workable balance of incentives is so great that re-

course must be had to persuasion. But persuasion in connection with an industrial effort itself involves material outgo. Thus if coercion is the available method of persuasion, the maintenance of force for this purpose is involved; and if the contribution that can be secured by coercion is limited, as it usually is, except for short periods, the cost of coercion exceeds its effect. The limited efficiencies of slavery systems is an example.

If the method of persuasion is rationalization, either in the form of general propaganda<sup>8</sup> or that of specific argument to individuals (including processes of "selection"), again the overhead cost is usually not negligible. When the general social conditioning is favorable, of course, it is a windfall like favorable physical environment.

(b) A political organization is not ordinarily productive in the materialistic sense. The motives which lie at its roots are ideal benefactions and community satisfactions. Such organizations appear not to survive long unless they can afford these incentives; yet it is obvious that every extensive political organization requires the use of "inferior" incentives. Of these, opportunity for personal prestige and material rewards are most prominent. Hence the necessity, under all forms of political organization, for obtaining great supplies of material inducements for use either in the form of direct payments or of "paying jobs." Accordingly, a striking characteristic of political organizations has been the necessity for securing material contributions from "members" either to capture the opportunities to secure additional material (through taxation) or for direct payment (as in campaigns). But here again the balancing of incentives is necessary. For the limitations of material resources, the impossibility of giving more than is received, the discrimination between recipients as respects either material benefits or prestige granted, all tend either to destroy the vital idealism upon which political organization is based or to minimize the general material advantages which are perhaps an alternative basis of political organization in many cases.

It is hardly necessary to add that persuasion in its many forms is an important aspect of political recruiting—and that much of the material expenditure goes for this purpose; but this thereby decreases the material available as an incentive to intensive efforts of the "faithful."

(c) In religious organizations the predominant incentives<sup>9</sup> appear to be ideal benefactions and the communion of "kindred spirits," although inferior incentives no doubt often are effective. The fundamental contributions required of members are intensity of faith and loyalty to organization. A most important effort of religious organizations has been persuasion, known as missionary or proselyting effort. But both the maintenance of organization and missionary effort (and coercion when this is used) require material means, so that superficially, and often primarily, members are required by various methods to make material contributions to permit great material expenditures. . . .

It will be evident, perhaps, without more elaborate illustration, that in every type of organization, for whatever purpose, several incentives are necessary, and some degree of persuasion likewise, in order to secure and maintain the contributions to organization that are required. It will also be clear that, excepting in rare instances, the difficulties of securing the means of offering incentives, of avoiding conflict of incentives, and of making effective persuasive efforts, are inherently great; and that the determination of the precise combination of incentives and of persuasion that will be both effective and feasible is a matter of great delicacy. Indeed, it is so delicate and complex that rarely, if ever, is the scheme of incentives determinable in advance of application. It can only evolve; and the questions relating to it become chiefly those of strategic factors from time to time in the course of the life of the organization. It is also true, of course, that the scheme of incentives is probably the most unstable of the elements of the coöperative system, since invariably external conditions affect the possibilities of ma-

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terial incentives; and human motives are likewise highly variable. Thus incentives represent the final residual of all the conflicting forces involved in organization, a very slight change in underlying forces often making a great change in the power of incentives; and yet it is only by the incentives that the effective balancing of these forces is to be secured, if it can be secured at all. . . . Since all incentives are costly to organization, and the costs tend to prevent its survival, and since the balancing of organization outgo and income is initially to be regarded as impossible without the utmost economy, the distribution of incentives must be proportioned to the value and effectiveness of the various contributions sought.

This is only too much accepted as respects material incentives, that is, material things or money payment. No enduring or complex formal organization of any kind seems to have existed without differential material payments, though material compensation may be indirect to a considerable extent. This seems true up to the present even though contrary to the expressed attitude of the organization or not in harmony with its major purpose, as often in the case of churches and socialistic states.

The same doctrine applies in principle and practice even more to non-material incentives. The hierarchy of positions, with gradation of honors and privileges, which is the universal accompaniment of all complex organization, is essential to the adjustment of non-material incentives to induce the services of the most able individuals or the most valuable potential contributors to organization, and it is likewise necessary to the maintenance of pride of organization, community sense, etc., which are important general incentives to all classes of contributors.

# NOTES

1. The method of statement convenient for this exposition should not be allowed to mislead. Only occasionally as to most persons and perhaps as to all persons is the

determination of satisfactions and dissatisfactions a matter of logical thought.

2. It has been suggested to me that the illusion is also a result of the neglect of motives and the excessive imputation of logical processes in men by the earlier economists, and in purely theoretical economics. This was associated with the deterministic and especially the utilitarian doctrines of the greater part of the nineteenth century, and with the materialistic philosophies of Marx and others.
3. Largely an illusion, but a very dear one to some.
4. Referring to this paragraph, one of my valued correspondents, an army officer of long experience in active service, writes to the effect that I do not relatively emphasize this incentive sufficiently. Speaking of comradeship he says: "I was impressed, somewhat to my innocent surprise, during 1918, by the influence of this factor. I came out of the war with the definite impression that it was perhaps the strongest constructive moral factor, stronger than patriotism, and in many cases stronger than religion." He quotes Professor Joergensenson of Denmark, in his treatise appearing (with other contributions) in the Interparliamentary Union's book *What Would Be the Character of a New War?* as saying: "In the opinion of many experts these feelings [of brotherhood and comradeship among the troops] constituted the most important source of inner strength from a psychological point of view, and helped the soldiers to bear the sufferings and perils of the battlefield."
5. Among other matters it has not been necessary to develop here are those of fraud, trickery, and "economic compulsion," as related either to force or social pressures. At periods or in specific situations all have been important, and in the aggregate at any time no doubt are substantial. In principle, however, it is usually evident that, like direct coercion, they all involve disadvantages or sacrifices that offset their advantages; and it is doubtful if they often are the dominant factors in coöperation. On the contrary they arise from and are chiefly evidence of non-coöperation. They are disruptive, not integrating, methods.

6. I think it doubtful that many of the aspects of the economy of incentives have any place in theoretical economics.
7. The purpose is not profit, notwithstanding that business men, economists, ecclesiastics, politicians, labor unions, persistently misstate the purpose. Profit may be essential to having a supply of inducements to satisfy the motives of that class of contributors usually called owners or investors whose contributions in turn were essential to the supply of inducements to other classes of contributors. The possibilities

of profit and their realization in some degree are necessary in some economies as conditions under which a continuing supply of incentives is possible; but the objective purpose of no organization is profit, but services. Among industrialists this has been most emphasized by Mr. Ford and some utility organizations.

8. General propaganda of industrial concerns usually relates to that class of contributors to organizations known as consumers.
9. That is, without taking into account supernatural benefactions.