
IF YOU DON'T LIKE THE OUTCOME, STOP COMPLAINING AND CHANGE THE RULES



Your Town. Your Voice.

News~Sentinel.com

By John Kessler, Professor of Economics and Continuing Lecturer, Indiana University Purdue University, Fort Wayne, Indiana. <http://www.pumpjack.me/john-kessler.html>. Written for the Fort Wayne News Sentinel on August 20, 2012.

Economics cautions us against passing judgement on the Chinese, Indonesians, Koreans or Spaniards for ostensibly losing their Olympic bouts; like them, we all respond to incentives.

The London Olympics was a showcase of talent and human ability by athletes from all over the world. The games, though, were not without some scandalous behavior.

The badminton teams from China, Indonesia and South Korea were disqualified for trying to throw their matches, and in men's basketball the Spanish team was accused of trying to lose on purpose against Brazil.

Olympic competition is supposed to be about representing your country by giving it your all in competition. These actions came under attack because they do not represent the Olympic spirit of sportsmanship and fair play. It begged the question, however, why highly skilled athletes representing their country on an international stage would try to lose on purpose.

Economics teaches us that people respond to incentives in predictable ways. Even if you've never formally studied economics you know this to be true. This is why I am always surprised that people are shocked when they see this in action. When people do things that seem out of the ordinary we should ask ourselves, what incentives are they facing?

It turns out the rules of the game matter. The badminton teams were trying to lose because of the round-robin format of the competition. By losing they would avoid some of the stronger competitors and face an easier path to the gold medal. The same was true for the Spanish basketball team. By losing to Brazil they did not have to face the United States until the gold medal game – assuring them of at least a silver medal instead of a potential bronze.

These athletes were merely responding to the incentives they faced. They, like everyone else, want to do what is best for them. In economics we call it pursuing your self-interest. They want a gold medal, and if losing will help them achieve that goal then seeing them try to lose should not surprise us. Their actions were merely an unintended consequence of the rules of the game. If you don't like it, then change the rule. Don't demonize the players.

John Kessler is represented by PumpJack.me Thought Leader Marketing.
For speaker and editorial queries, contact 260.255.4484 or PumpJack@PumpJack.me.

PumpJack.me
thought leader marketing

speakers bureau | editorial support | marketing
7525 Maplecrest Road, Box 106, Fort Wayne, Indiana 46835
PumpJack@PumpJack.me | www.PumpJack.me

We all pursue our self-interest within the confines of the rules of the game — rules that in life are established primarily by government. While these rules may have the greatest intentions they often have unintended consequences. Welfare recipients respond to incentives by working less. Owners of rent-controlled apartments respond to incentives by not repairing buildings or renting to wealthier, more connected clients. Employers respond to the incentives of minimum wage by hiring fewer workers, and when they do hire, hiring older, more experienced workers. People respond to higher marginal income tax rates by finding ways to avoid paying taxes.

Politicians are no different – they respond to incentives as well. Because increasing taxes is politically undesirable they borrow money to pay for today’s spending and increase our debt. Because many special-interest groups depend on government spending, they lobby for more spending and our debt increases. We’ve known for decades that Social Security and Medicare are in trouble and yet nothing is done to fix them because of the incentives politicians face for reelection. None of this should be a surprise – people respond to incentives.

The rules of the game matter in sports and in life because they create the incentives. If we don’t like the outcomes we need to change the rules instead of complaining about those playing the game.

John Kessler, M.A., an adjunct scholar of the Indiana Policy Review Foundation, marathon runner and one-time track coach, is a continuing lecturer in economics at Indiana University-Purdue University Fort Wayne.

John Kessler is represented by PumpJack.me Thought Leader Marketing.
For speaker and editorial queries, contact 260.255.4484 or PumpJack@PumpJack.me.

PumpJack.me
thought leader marketing

speakers bureau | editorial support | marketing
7525 Maplecrest Road, Box 106, Fort Wayne, Indiana 46835
PumpJack@PumpJack.me | www.PumpJack.me