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Sir,

Bad incentives

The recent news of bankers bonuses and role-based allowances, reminded me that when we were on holiday in the Galapagos the tour guide told us a story about trying to get rid of the wild goats who were eating the food of the giant tortoises and threatening them with extinction.

He explained that paying locals to shoot wild goats would not solve the problem. The only way to do this was to pay the goat-hunters to clear a whole island of wild goats. They did a survey of how many goats there were. The hunters were paid when the job was done. The hunters got very good at killing wild goats. On Santiago island, the ground-hunting phase of the project killed 53,782 goats. The second phase was three months of aerial attacks, by specialized hunters from New Zealand using semi-automatic rifles.

The tour guide, who was worldly wise, told me that if you pay someone to kill some of the goats they will not want to kill them all as they will do themselves out of a job. All that happens is that you get locals who shoot a few goats and enjoy the extra income. The only way to kill all the goats is to change the incentives.

Most of our regulators do not really want to stop all of the bad behaviour, as if they did they would do themselves out of a job. In many cases the incentives are for them to shout loudly how wicked and dangerous things are, how they need more resources to do their job and how unequal the struggle is.

Sincerely,

Cliff Weight
Remuneration Consultant
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