

WHAT makes us tick?

From land rights in Sicily to bankers' bonuses, **Professor Oriana Bandiera** designs field experiments to evaluate how individual behaviour is shaped by monetary incentives and social relationships. She explains the ideas behind her work and its implications.

Maddy Wall: What was your first academic interest?

Oriana Bandiera: I've always been intrigued by organisations, how they incentivise individuals to work for them, and how different motivations interact in the workplace. My first paper looked at rural tenancy contracts, which are between a landowner and a tenant who cultivates that land. There were quite a lot of studies which considered how they were used to incentivise the tenant, but the studies tended to focus on contracts which only covered a year. The work didn't consider that whatever is done in one year will affect the land's productivity in following years, so if tenants are incentivised just for the short term, it could make them exploit the land and detrimentally affect the land's productivity later on. I decided to look at historic rural tenancy contracts for land with long-term objectives, such as land with long-living trees, to see if the contracts took this longer-term view into account. The idea was to see whether the tenant therefore considered future productivity. This approach gave a new perspective on the subject. I found that these contracts did balance incentives with long-term objectives and this opened up a really interesting area of study. It enabled me to look at how increased productivity in the short term can come at the expense of future productivity and how it's important to consider contracts for the longer term.

MW: Is it a premise relevant to other sectors?

OB: Yes, it's relevant to many other areas of the economy – one of the more obvious is bankers' bonuses, which are linked to short-term objectives. A banker doesn't know if he'll be working for the same bank in a year's time so he (and it generally is a he) focuses on maximising the bank's value and his own bonus for just that one year, not necessarily considering the effect his actions will have on the bank's future performance.

MW: Why did you choose to look at the issue through rural tenancy contracts in your first paper?

OB: I was studying for my PhD at Boston College at the time and although development work is normally done in the field, I didn't have the funds back then. So I thought about the archives in Sicily, which is where I'm from, and its extensive records, which go back to the 1600s in some areas. Sicily was as underdeveloped 150 years ago as developing countries today, so I went back to the archives to collect data on rural tenancy contracts to look at long- and short-term incentives. Of course, I also made the most of some free accommodation!

MW: Since that first paper, your subjects have ranged very widely, from CEOs to public health workers in Zambia – what connects them all?

OB: I can see how all my work fits together but sometimes I do worry that I might be the only one! However, although it might be a stretch to say that CEOs and rural nurses face the same issues, they are all human beings and therefore share the same fundamental motivations. I like to study how an individual's motivation interacts with the motivation of the organisation and that's an interaction you can study in many different settings and periods.

MW: How do you choose where you go next with your research?

OB: It's a combination of things. Research tends to develop itself, so once you finish a paper you almost always end up with more questions than answers. Then I look for the best setting to answer those questions. Behind all the published papers, there are a fair few that don't make it to the end. My work is usually done in an organisational setting so there needs to be a coincidence of needs and wants between the research and the organisation's interests.

MW: Do you think economics is becoming broader as a discipline?

OB: I think economists are realising more that individuals aren't purely motivated by money, and that factors such as relationships are also important. The department here at LSE is great as people are so willing to talk and work across disciplines and share ideas, which can lead research in new directions – it's perfect for someone like me who's interested in lots of different fields. For example, there's some work from psychology which economists have borrowed which suggests that somebody whose first motivation for work is a sense of community spirit or goodwill may lose their original motivation and perform more poorly if they are subsequently paid well to do that job. This is just a hypothesis, there's no evidence from the field, and it presents the clear problem that it could be used to justify paying government workers a pittance. However, it also raises an interesting area for consideration.

MW: How long have you been at LSE? Do you enjoy the teaching side of your role?

OB: Forever! It was my first job and seems to be the last. I don't teach as much as I used to now I'm director

of STICERD (Suntory and Toyota International Centres for Economics and Related Disciplines), but I do love it. LSE is a great place to teach – I used to teach the undergraduate development course and I met some of the best students, many of whom went on to do PhDs at some other great universities. Being director is also really interesting though. The research centre's like me – very wide-ranging! We give grants to researchers around the School and it's very satisfying to help with other people's work. It also lets me see beyond the department as I get to hear about initiatives from all over the School. LSE is great as it's very flexible and allows you to spend terms visiting other universities around the world, so I've been to NYU, Yale, University of Chicago and others over the years. But in England it's hard to imagine anywhere better than here.

MW: What do you do away from work?

OB: After you have children, you have no idea how you used to have spare time. I remember having hobbies, I used to run and I used to do yoga, but it's more difficult with small children – we have a two-year-old daughter and a five-year-old son. We try to visit Sicily three or four times a year, so the grandparents can see the grandchildren. I speak to them in Italian and their father speaks to them in English so hopefully they'll be bilingual – when my son started school he was speaking English with a strong Italian accent, a bit like in *The Godfather*, but now he speaks like a Londoner and speaks Italian with an English accent! ■

Oriana Bandiera is a Professor of Economics at LSE and director of STICERD (see sticerd.lse.ac.uk). She was talking to Maddy Wall, assistant press officer.

