

of our honesty, the only defense we have against this kind of transgression is a rational cost-benefit analysis. But who is going to consciously weigh the benefits of taking a towel from a hotel room versus the cost of being caught? Who is going to consider the costs and benefits of adding a few receipts to a tax statement? As we saw in the experiment at Harvard, the cost-benefit analysis, and the probability of getting caught in particular, does not seem to have much influence on dishonesty.

THIS IS THE way the world turns. It's almost impossible to open a newspaper without seeing a report of a dishonest or deceptive act. We watch as the credit card companies bleed their customers with outrageous interest rate hikes; as the airlines plunge into bankruptcy and then call on the federal government to get them—and their underfunded pension funds—out of trouble; and as schools defend the presence of soda machines on campus (and rake in millions from the soft drinks firms) all the while knowing that sugary drinks make kids hyperactive and fat. Taxes are a festival of eroding ethics, as the insightful and talented reporter David Cay Johnston of the *New York Times* describes in his book *Perfectly Legal: The Covert Campaign to Rig Our Tax System to Benefit the Super Rich—and Cheat Everybody Else*.

Against all of this, society, in the form of the government, has battled back, at least to some extent. The Sarbanes-Oxley Act of 2002 (which requires the chief executives of public companies to vouch for the firms' audits and accounts) was passed to make debacles like Enron's a thing of the past. Congress has also passed restrictions on "earmarking" (specifically the pork-barrel spending that politicians insert into