

When the students could shred both their papers, dip their hand into the money jar, and walk away, every one of them could have claimed a perfect test score, or could have taken more money (the jar had about \$100 in it). But none of them did. Why? Something held them back—something inside them. But what was it? What is honesty, anyhow?

TO THAT QUESTION, Adam Smith, the great economic thinker, had a pleasant reply: “Nature, when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his bretheren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard,” he noted.

To this Smith added, “The success of most people . . . almost always depends upon the favour and good opinion of their neighbours and equals; and without a tolerably regular conduct these can very seldom be obtained. The good old proverb, therefore, that honesty is always the best policy, holds, in such situations, almost always perfectly true.”

That sounds like a plausible industrial-age explanation, as balanced and harmonious as a set of balance weights and perfectly meshed gears. However optimistic this perspective might seem, Smith’s theory had a darker corollary: since people engage in a cost-benefit analysis with regard to honesty, they can also engage in a cost-benefit analysis to be dishonest. According to this perspective, individuals are honest only to the extent that suits them (including their desire to please others).

Are decisions about honesty and dishonesty based on the same cost-benefit analysis that we use to decide between cars, cheeses, and computers? I don’t think so. First of all, can you