

# Carrots And Sticks Summary

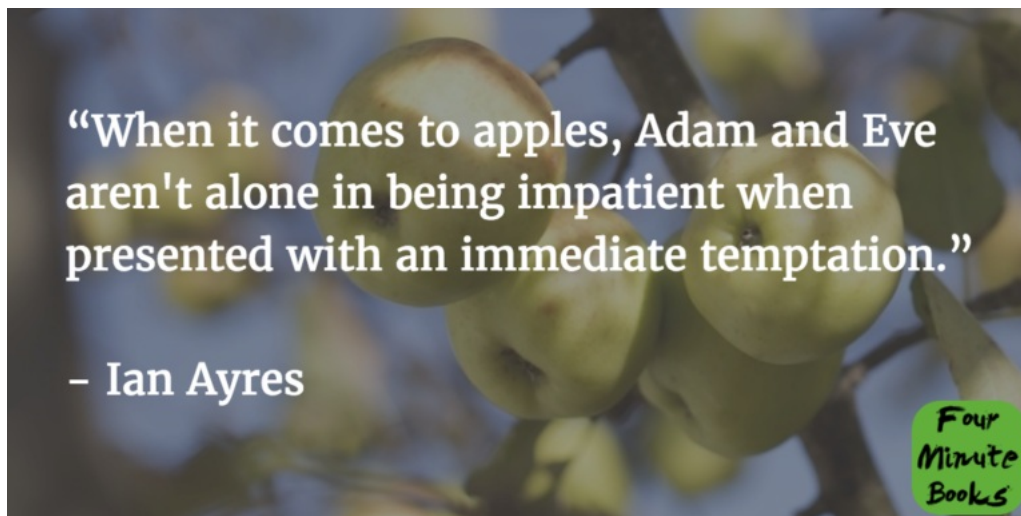
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 [fourminutebooks.com/carrots-and-sticks-summary](https://fourminutebooks.com/carrots-and-sticks-summary)

**1-Sentence-Summary:** *Carrots And Sticks* explains how you can harness the power of incentives – carrots and sticks – to change your bad behaviors, improve your self-control and reach your long-term goals.

**Read in:** 4 minutes

**Favorite quote from the author:**



When I read *The Four-Hour Workweek* for the first time in 2013, I was surprised to find that a website to hold yourself accountable had existed even back when Tim Ferriss wrote the book in 2007. It's called Stickk and it lets you set a goal, an amount of money, a referee, and an anti-charity to donate the money to, in case you fail.

Sounds like a powerful tool using incentives to help you behave? That's because Yale economist Ian Ayres co-founded it. He also wrote this book, which reminded me a lot of *Freakonomics* – until I found out he's a contributor to that very blog.

*Carrots And Sticks* shows you why and how incentives work, and what you can do to use them to your advantage.

Here are 3 lessons from the book:

1. Because waiting creates uncertainty, we prefer small rewards now over big rewards later.
2. We hate losing, unless we're losing something we don't own yet.
3. Get it together by employing one gigantic stick, instead of many little carrots.

Ready to incentivize your life? Let's do this!

## Lesson 1: Waiting always brings uncertainty, which is why we'd rather have a small reward now, than a big reward later.

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Richard Thaler made a fascinating discovery in 1981. In a study he did, he asked people to choose whether they'd like to receive one apple in one year, or two apples in one year and one day.

Of course, most people chose the second option – who cares about an extra day when you have to wait for a year anyways, right?

However, when he gave them the same choice in the present, namely getting one apple today or two apples tomorrow, the vast majority opted for the immediate reward.

That's because when making decisions about the near future, we *hate* uncertainty. **As soon as an instant reward is made available to us, all bigger rewards become less attractive, if we have to hold out a little longer for them.**

"Many things could happen in those 24 hours, who knows if you'll even get any apples at all, so better be safe and take what you can get right now," your brain tells you.

Waiting means uncertainty means risk of loss and boy, do we hate losing...

## Lesson 2: We hate losing, unless we're losing something we don't own yet.

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If you give monkeys the option between two slices of an apple with a 50% chance of one being taken away and one slice of an apple with a 50% chance of getting another one, they'll always choose the second option. Even though the outcome is exactly the same, they'd rather not have something and then lose it, so they never even take the risk.

We hate losing a lot more than we like to win, which is one of the main reasons that there are so few millionaires. Winning big entails risk and that alone keeps most people in their comfortable salary jobs.

However, there are some things we're very much willing to lose – **everything we don't yet have**. While this is the reason that most people don't save nearly enough for their retirement (why take money out of your paycheck *today* for something that might never happen?), Ian Ayres says we can also turn this into an advantage.

He created a saving program called "Save More Tomorrow", which encourages people to commit to saving a tiny percentage of their income, *should* they get a raise. Since it's not cash they have to shell out now, most people agree, and dramatically improve their savings over time.

## Lesson 3: Use one, gigantic stick to get it together, instead of fiddling around with many little carrots.

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Once you know that we spend a lot more of our time avoiding losing than chasing the next win, you'll also understand why sticks (=punishments) work better than carrots (=rewards).

Imagine the government offered you \$10 for every cigarette you didn't smoke. That could add up to a lot of money, couldn't it? Yet, it's very unlikely that you'll give up your precious ciggies, because you don't mind *not getting* those \$10 dollars.

Let's flip this around. How much more would you fight the urge to take a puff, if I told you that every single cigarette means \$10, straight out of your pocket? Not only that, but also, I'd give those \$10 straight to Donald Trump. Sounds a lot more powerful, right?

But here's the real trump card (pun intended): **What if, in order to be able to buy cigarettes in the first place, you'd have to pay \$5,000 for a smoker's license, which is only good for 1,000 cigarettes?**

Faced with an incredibly hard punishment up front, most people wouldn't even start smoking, and those who already are, would be likely to quit (simply because all of a sudden, they can't afford it).

The good thing about huge sticks is that they might never have to be used as well. Having to pay everyone \$10 for every unsmoked cigarette might financially ruin the government, but a heavy \$1,000 littering fine is something they hopefully never have to enforce (and if they do, they'll *make* money, not lose it).

Forget little carrots. Use big sticks.

## Carrots And Sticks Review

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I liked *Carrots And Sticks* a lot more than I thought I would. I expected it to re-hash many of the ideas from Freakonomics. That was an unfair judgment. I'm glad I was wrong. There's lots of good stuff in here, Ian is one serious researcher!

The examples are awesome and some of the arguments he flips around have made things a lot clearer to me. Definite recommend.

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## What else can you learn from the blinks?

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- Why drug addicts have a tough time breaking out of their cycle
- When our willpower is hardest to maintain
- What could make a stick backfire
- Why the best sticks force you to give up altogether
- How a commitment contract can keep you in line
- Why even the farthest long-term goals need realistic milestones

## **Who would I recommend the Carrots And Sticks summary to?**

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The 22 year old shopping queen, who can't resist a good sale, the 27 year old online entrepreneur, with big ambitions, who constantly finds himself out of money at the end of the month, and anyone who's a smoker.