

**'Natural Law' column 16, by Michael E. Price (uncorrected proof)**  
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## **Why cheaters win**

Problems of cheating and fraud, in a wide variety of professions, have received much recent attention. Many scandals have involved banking (for example Libor manipulation, tax evasion, and the repackaging of toxic assets). Lance Armstrong is just the latest major athlete brought down by a doping scandal. And scientific fraud has become a serious problem, especially in my own field of psychology, in which several highly successful researchers have been exposed for faking data.

Why have cheaters been able to prosper so much in these fields? You might say that they actually haven't, because they have so often been caught. But we never even find out about the many who probably get away with it for each one who gets detected. And even if a cheater succeeds only in the short term, that's often long enough for real damage to be done. Every win by the dishonest is one denied to the honest, and even if the fraud is ultimately revealed, real restorative justice for the honest usually won't be possible. The races won by Lance Armstrong can never be run again.

All fields of human endeavour are vulnerable to cheaters, because humans are designed by evolution to seek maximal rewards and status for minimal possible costs. Just as deception benefits individuals in many species (in forms like mimicry, camouflage, cuckoldry, and bluffing), it has benefited the survival and reproduction of human ancestors under certain circumstances. However, just because fraud is a product of human nature doesn't mean that it can't be minimized. Adaptations for detecting and punishing cheaters are part of human nature as well. The question isn't whether cheating or fairness is more natural; they're equally natural. The question is whether people are willing to design environments so that fair players, rather than cheaters, can prevail.

In any social system, there are three main reasons why cheaters win. First, mechanisms for detecting and punishing cheaters are often weak or gameable. Few checks exist to prevent scientists from manipulating data, and some athletes consistently outfox drug testing regimes. Second, although cheaters can harm the honest and cause long-term social decline, cheating can also be extremely beneficial, for both cheaters and those who support them. Major League Baseball began profiting greatly in the late 1990s from an unprecedented explosion of power-hitting, and was thus incentivized to delay confronting the fact that the explosion was fuelled by steroids. Third, trying to catch cheaters is often costly, unrewarding and risky. Most people would rather be trying to succeed in their own jobs, instead of spending energy policing colleagues. Evidence of fraud can be hard to obtain, and flimsily-backed accusations can damage the accuser's reputation. And cheaters have a great interest in defending themselves, so if you're going to go after them, brace yourself for a counterattack.

But there's an even more fundamental reason, one that's more subtle than the three just discussed, for why cheating prevails: it is inherently and uniquely empowering to individuals, and therefore

uniquely corrupting to organizations. People cheat in the first place only because they believe it will afford a more efficient and certain path to success than they would obtain by playing fair, and they're often right. Cheating can be marvellously advantageous, and once cheaters gain a foothold, they can quickly take over an organization, rising to prominence and dominance just as Armstrong did in cycling. And when cheaters gain more power, the reasons described above for why cheaters win become of greater concern. More powerful cheaters are more threatening to would-be whistleblowers, and better able to discourage the creation of effective sanctioning systems (lest they be caught themselves); and because their high status allows them to benefit colleagues so much, their colleagues gain strong incentives to support their regime.

Of course, it's also possible to have too much whistleblowing. Large rewards for exposing fraud (like the \$104 million regulators paid Bradley Birkenfeld for revealing UBS tax evasion) can be effective, but they also increase the risk of false accusations. Witch hunts can be as bad as cheating itself in terms of undermining organizational trust and harming the innocent. However, given the extent of damage caused by fraud in recent scandals, it seems that most of the time, we've been erring on the side of too little cheater detection, rather than too much.

To solve a cheating problem in any organization, a key question should be: have the cheaters already become powerful enough to render the organization incapable of summoning the will to police itself? In scandals involving banks, answers to this question have usually been yes, which is why intervention by external regulatory bodies has generally been needed. In other fields with fraud problems, like cycling and science, the answers remain to be seen.