**Economic Incentives**

***As you read this information about incentives – hi-light or underline the most important parts.***

Introduction

Have you ever purchased a kids meal just to get the toy? Or, have you ever purchased a box of cereal because of the prize inside? If you have, you have done so because of incentives. Incentives are often added to items to increase our influence in buying them. In order to understand incentives, you must know the difference between the following:****

**Economic Incentives** are offered to influence our behavior.

* **Positive economic incentives** reward people financially for making certain choices and behaving in a certain way.
* **Negative economic incentives** punish people financially for making certain choices and behaving in a certain way.

**What Are Economic Incentives?**

**Economic incentives** are offered to encourage people to make certain choices or behave in a certain way. They usually involve money, but they can also involve goods and services.

**Positive economic incentives** leave you better off if you do what was asked of you. These incentives benefit you in some way. They reward you with money or some sort of financial gain such as a better price, a free item, or an upgraded item. Coupons, sales, freebies, discounts, and rewards can be positive economic incentives. They are called positive because they are associated with things many people would like to get.

**Negative Incentives** leave you worse off financially by making you pay money. These incentives cost you money. Fines, fees, and tickets can be negative economic incentives. They are called negative because they are things you don't want to get.

**Think About It! Economic Incentives** use money to:

* encourage you
* persuade you
* convince you
* bribe you
* punish you
* reward you
* penalize you
* influence you

You will only get the **economic incentive** if you make the required choice or behave in the way that you are asked. You might be influenced by the incentive, but you still must make a **choice.**

**Who Offers Economic Incentives and Why?**  
Businesses often use economic incentives to encourage people to come and do business with them. Offering incentives is one way to get customers to **choose** to come and spend money at a business.

* Restaurants use coupons, buy-one, get-one deals, Kid's Eat Free Night, and other incentives to encourage people to **choose** their restaurant.
* Stores offer coupons, sales, discounts, buy-one, get-one free and other incentives to get customers to **choose** their store.
* Airlines give frequent flier miles as incentives for people to **choose** to fly with them.

Government agencies also use economic incentives, but they usually do it to encourage certain behaviors in people. Offering incentives is one way the government tries to get people to behave responsibly.

* Public libraries use library fines to discourage people from keeping the books too long. Fines encourage people to **choose**to turn books in on time.
* Park rangers & park police officers use littering fines as a way to keep people from littering. Fines help people **choose** not to litter, and this keeps the parks clean.
* Police officers use speeding tickets and parking tickets as incentives to keep people safe. Speeding tickets discourage people from **choosing** to speed and encourage them to drive safely. Parking tickets help keep parking spaces open for the handicapped and fire hydrants clear of unwanted cars. Parking tickets encourage people to **choose**only legal parking spaces.
* Police officers give out tickets if babies are not riding in car seats or if people are not wearing their seatbelts. These negative incentives discourage people from **choosing** unsafe behaviors.