

9. ON THE SOCIAL NORMS REGULATING ECONOMIC MORALITY – NORMS OBEYED AND NORMS DEFIED

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9.1. Introduction

Some social norms encourage and others prohibit certain kinds of actions. The simplest types are encoded by commands such as “Do X” or “Don’t do X”, while their more complex variants can be expressed as “If you do Y, then do X” or “If others do Y, then do X” (Elster 1989: 113). We may regard an action as norm oriented if the motivations underlying it are not outcome oriented (*ibid.*: 113). With respect to content, social norms are highly diverse. There are social norms that focus on conventions (dress code), while others are etiquette based. The social norms analysed in this study encourage moral behaviour in an economic sense. These are norms that are worth dodging – provided the individual avoids getting caught. We start this chapter by defining the concepts used in our analysis. Next, the relationship between norms that promote economic morality and social advancement is explored. Finally, norm violation motivated by self-interest is explained in terms of labour market attributes.

9.2. Norm conformance and its measurement

We define norm conformance as an attitude that regards some particular unlawful or dishonest behaviour as unacceptable or unjustifiable. This definition helps us capture norm conformance in terms of attitudes, rather than actions or perceptions. Empirical studies of this issue usually measure norm violation on a scale, with *acceptance* of the norm violation at one end and its *rejection* at the other end. Respondents are taken to be norm compliant if they reject the specified behaviour by choosing the extreme rejection point on the scale.¹

The social norms analysed here encourage moral behaviour in an economic sense, and are related to the due payment of taxes or to welfare support claims that meet entitlement regulations. The great majority of the population appears to approve of these rules of behaviour. This demonstrates that every society adopts norms that prescribe the honest payment of taxes and the lawful claim of welfare support.

Figure 9.1 displays the 27 member states of the European Union in a plot that compares the two norms (tax compliance and lawful welfare claims). The norm of tax compliance is examined through a question that assesses norm conformance not in general terms but with reference to concrete income taxation (acting against one’s self-interest). The results reveal that the misuse of welfare support is more likely to be condemned than is tax evasion. This statement holds true for every EU country without exception: every data point falls in the bottom-right quarter of the plot. People’s attitudes are nevertheless consistent, in the sense that those countries that show strong support for the norm of tax compliance also tend to endorse lawful welfare support claims. Diverging from the overall direction of the relationship between the

¹ Depending on the direction of the 10-point response scale, this could be proportion of responses at 1 or the proportion of responses at 10.

two values, the norm encouraging tax compliance is more widely accepted than the norm regulating lawful welfare payment claims in France, Malta and Cyprus. In these countries, therefore, tax evasion is controlled by more *stringent* norms than is misuse of the welfare system. The opposite pattern is observed especially in Belgium and the Netherlands, where – relative to the lawful claim of welfare support – tax compliance is subject to more *lenient* social norms.

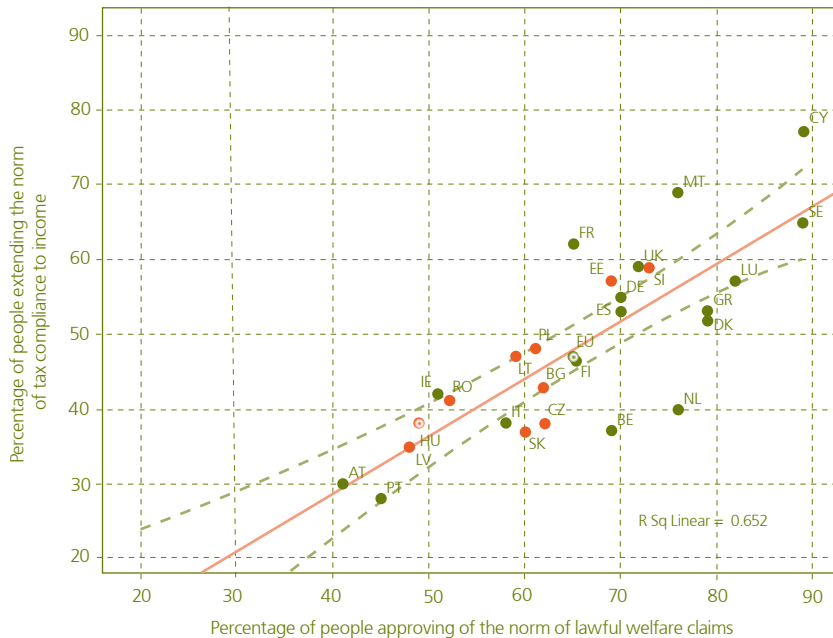


Figure 9.1: The relationship between the norm of tax compliance and that of lawful welfare claims, by country

Source: author's calculations based on the Special Eurobarometer 284/67.3 data (2007). [See European Commission (2007a) for further results of the survey.]

Notes:

Y-axis: "Now I would like to know how you assess various behaviours. For each of them, please tell me to what extent you find it acceptable or not. Please use the following scale: '1' means that you find it 'absolutely unacceptable' and '10' means that you find it 'absolutely acceptable'. Someone evades taxes by not or only partially declaring income." Percentage of people choosing "absolutely unacceptable".

X-axis: "Now I would like to know how you assess various behaviours. For each of them, please tell me to what extent you find it acceptable or not. Please use the following scale: '1' means that you find it 'absolutely unacceptable' and '10' means that you find it 'absolutely acceptable'. Someone receives welfare payments without entitlement." Percentage of people choosing "absolutely unacceptable".

The straight line (here and in similar graphs below) marks the linear regression line. The figures also show the goodness of fit (R Sq Linear).

The two broken lines (here and in similar graphs below) show the confidence interval within which the regression line, i.e. the (average) relationship between the two questions, is contained with 95% probability. The countries positioned above or below these curves diverge in some way from the average trend displayed by the data (www.curvefit.com/linear_regression.htm).

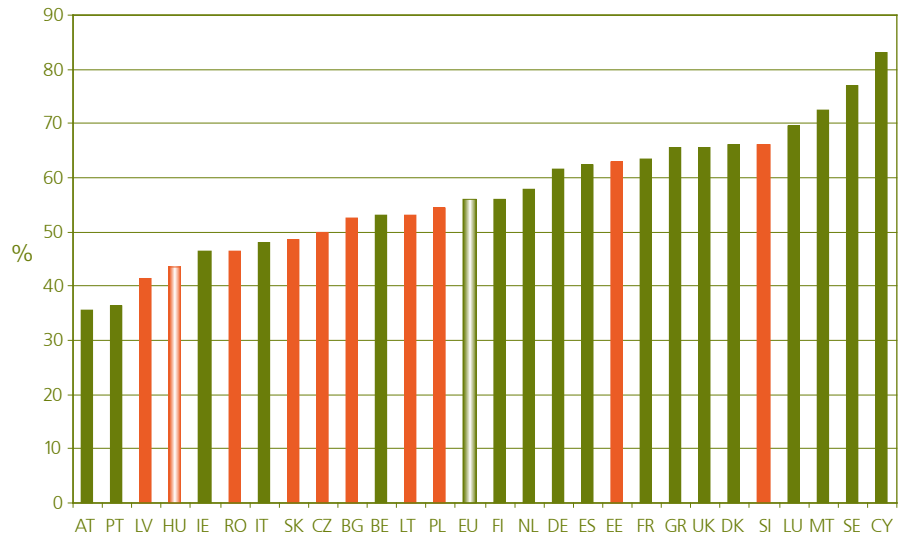
A norm conformance index measuring economic morality-oriented behaviour was calculated for each country by averaging the scores received for the two questions shown in Figure 9.1. A high index value indicates that the population of a given country displays a great deal of support for the social norms relating to tax compliance and lawful welfare claims, while a low index value signals a low level of support. The distribution of the index values is shown in Figure 9.2. The average of the European countries (56 points) is only slightly higher than the theoretical midpoint of the index (50 points). Relative to this midpoint, norm conformance is at a high level in Cyprus, Sweden, Malta and Luxembourg (around or above 70 points) and at a low level in Austria, Portugal, Latvia and Hungary (around 40 points). An evaluation of the position of individual countries should, however, take into account first, that we have no

guarantee that the populations of the different countries interpret norm violation in the same way (Sik 2002) and second, that we cannot tell whether people rely on their desires or on their experiences when making their choices (Phelps 2006). Unobserved factors such as these may be responsible for the low levels of economic morality measured among the Irish and the Austrian respondents.

Figure 9.2: Norms of economic morality: the norm conformance index, by country

Source: author's calculations based on the Special Eurobarometer 284/67.3 (2007) data.

Note: The index equals the average of the proportion of respondents finding it unacceptable to evade tax by not declaring income (norm of tax compliance) and the proportion of respondents finding it unacceptable to receive welfare payments without entitlement (norm of lawful welfare claims) multiplied by 100.



9.3. Norm conformance and social advancement

An interesting pattern to emerge from the data (Figure 9.3) is that the European population displays a shift in attitudes towards the norm of tax compliance if the question is worded in general terms, without implying that tax evasion may have direct personal benefits (from undertaking undeclared or “black” labour). In the countries where people find it absolutely unjustifiable for someone to evade tax (i.e. where the general norm of tax compliance is endorsed), a surprisingly *low* percentage of respondents find it unacceptable to evade tax by not declaring income (i.e. the income-oriented norm of tax compliance fails to be adopted). Those countries where there is a lower level of support for the norm of tax compliance covering “black” la-

bour than for the general norm of tax compliance include Bulgaria, Hungary² and, to a lesser extent, Italy and the Netherlands. In these countries, therefore, defying the general “law” of paying taxes is more unacceptable than “violating” the rules with the aim of increasing one’s income. Unlike the populations of these countries, the inhabitants of Cyprus firmly reject the practice of not declaring income from “black” labour.

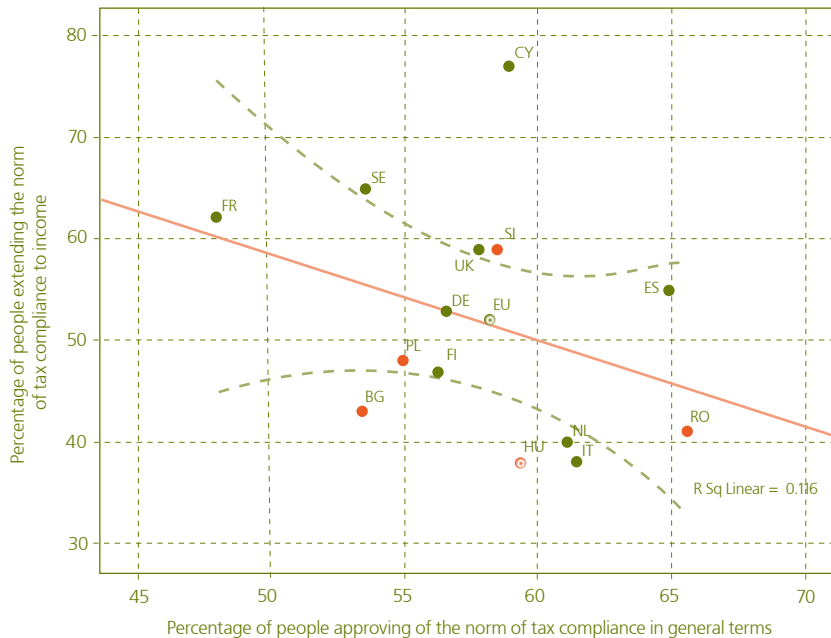


Figure 9.3: The relationship between the general and the special (income-oriented) interpretations of the norm of tax compliance

Source: see below for data sources, author’s calculations.

Notes:

Y-axis: “Now I would like to know how you assess various behaviours. For each of them, please tell me to what extent you find it acceptable or not. Please use the following scale: ‘1’ means that you find it ‘absolutely unacceptable’ and ‘10’ means that you find it ‘absolutely acceptable’. Someone evades taxes by not or only partially declaring income.” Percentage of people choosing “absolutely unacceptable”. Data source: Special Eurobarometer 284/67.3 (2007).

X-axis: “Please tell me for each of the following actions whether you think it can always be justified, never be justified, or something in between: Cheating on taxes if you have a chance.” Percentage of people saying it can never be justified (10-point scale). Data source: World Values Survey (WVS), wave 5 (2004–05; Spain: 2007; Hungary: 2009).

Of the 27 EU countries, no data are available for the following: Austria, Belgium, the Czech Republic, Denmark, Estonia, Greece, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Slovakia.

In Figure 9.4, we look at the relationship between attitudes towards norm conformance (defined by the economic morality norm conformance index introduced in Figure 9.2) and people’s views on whether coming from a wealthy family is one of the most important conditions of getting ahead in life. On the whole, the more important the role of the family background is thought to be for success in life, the less “force” the norm that promotes economic morality seems to have. With respect to social advancement, coming from a wealthy family may be seen as a “passive” component

² Other studies analysing economic morality (e.g. Böhm 2008) have demonstrated that Hungarians are quite sensitive to issues of morality, even though they have fallen victim to corruption more than the populations of any other European country. The attitudes of the Hungarian people therefore appear to be untouched by their experiences (*ibid.*: 144). Our analysis suggests that the average or higher than average level of morality characterizing Hungarians disappears once a statement concerning moral behaviour has been associated with gaining material advantage, getting by in life or advancing up the social ladder. The chapter by Keller and Sik in this volume (Chapter 10), for instance, concludes that Hungarians are more tolerant than the average European of paying bribes, which is also related to coping in life, since it helps get things done quicker, for instance.

of getting ahead in life, which cannot be shaped by individual effort. Looked at this way, it is not surprising that a high level of importance placed on an “active” component of advancement – namely, educational attainment – tends to be accompanied by strong support for the norms of economic morality among the countries (Figure 9.5).

It is a reasonable hypothesis that, in a society where the role of individual achievement is suppressed by the significance of origins (“passive” advancement),³ people are more tolerant of norm violations, because defying norms is the only way to “relieve” the tension of starting life with a “handicap”.⁴ The same argument may be turned on its head, however. If norm violation is common practice in a society, individual efforts to get ahead (“active” advancement) could easily “waste away”, since everyone cheats anyway. There will then be no other choice but reliance on one’s origins (“passive” advancement).⁵ We should note here that an outstandingly high proportion of the Hungarian population say that “passive” advancement is a possible way of getting ahead in life, and the percentage of those representing “active” advancement is correspondingly low in the context of Europe.⁶

Whether we juxtapose norm conformance with the “passive” (Figure 9.4) or the “active” (Figure 9.5) way of advancement, Slovakia, Latvia, Portugal, Austria and Ireland display *lower* values for the economic morality norm conformance index than for either approach to success in life. In Cyprus, Sweden, Malta and Greece, by contrast, the norms encouraging economic morality have *greater* force than the attitudes towards the factors driving social advancement.

³ Countries emphasizing the role of coming from a wealthy family in getting ahead in life tend to reject the role of education. There is a strong negative correlation (-0.7) between the two indicators across the countries.

⁴ This explanation is supported by the work of Csepeli *et al.* (2004), especially with respect to Hungary. The authors observe that dishonesty and deception tend to reign in societies where individual interests conflict with outside factors affecting social advancement (*ibid.*: 32).

⁵ The direction of the cause-and-effect relationship cannot be established from the available data (Taagepera 2008: 50–51).

⁶ This rather sad fact seems to be a permanent state of affairs in Hungary, since it was also pointed out in studies appearing a decade earlier (Tóth 1999).

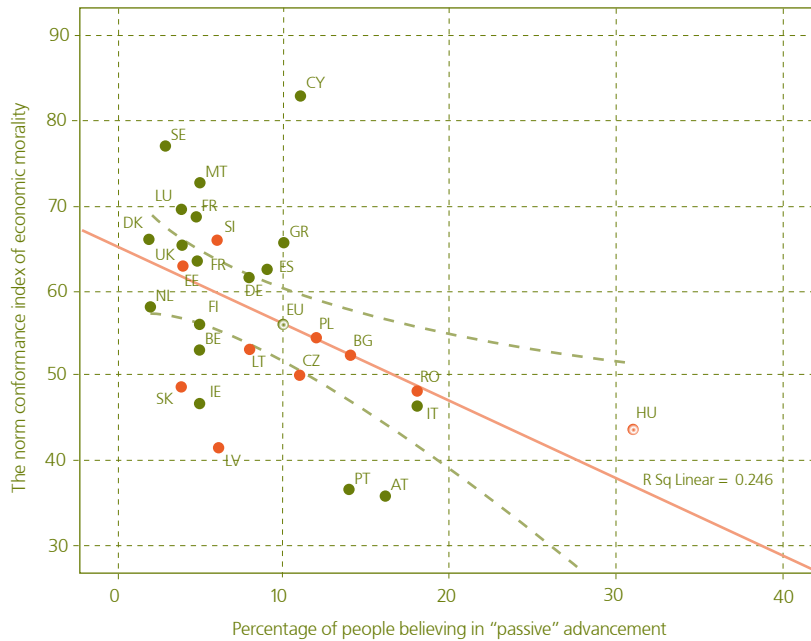


Figure 9.4: The relationship between the norms promoting economic morality and the “passive” approach to social advancement, by country

Source: see below for data sources, author’s calculations.

Notes:

Y-axis: The economic morality norm conformance index: the average of the proportion of people finding it unacceptable to evade tax by not declaring income (norm of tax compliance) and the proportion of people finding it unacceptable to receive welfare payments without entitlement (norm of lawful welfare claims) multiplied by 100. Data source: Special Eurobarometer 284/67.3 (2007).

X-axis: The percentage of people saying that coming from a wealthy family is one of the two most important things for getting ahead in life. Data source: Special Eurobarometer 273/66.3 (2006). [For further results of the survey, see European Commission (2007b).]

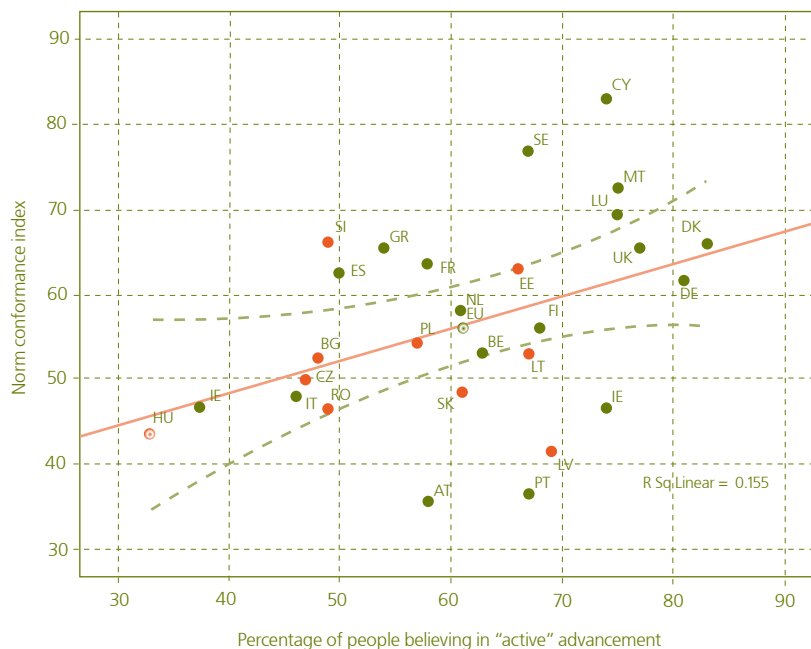


Figure 9.5: The relationship between the norms promoting economic morality and the “active” approach to social advancement, by country

Source: see below for data sources, author’s calculations.

Notes:

Y-axis: The economic morality norm conformance index: the average of the proportion of people finding it unacceptable to evade tax by not declaring income (norm of tax compliance) and the proportion of people finding it unacceptable to receive welfare payments without entitlement (norm of lawful welfare claims) multiplied by 100. Data source: Special Eurobarometer 284/67.3 (2007).

X-axis: The percentage of people saying that getting a good education is one of the two most important things for getting ahead in life. Data source: Special Eurobarometer 273/66.3 (2006).

9.4. Explanations for norm violation motivated by self-interest

The above section discussed the relationship between the acceptance of the norm of economic morality and people's attitudes towards social advancement. We have seen that self-interest may abate the power of the norms promoting economic morality. In this section, we turn to the reasons behind the corroding effects of self-interest on the norms promoting "purity" in an economic sense. Let us then try to explain norm *violation* motivated by self-interest.

In Figure 9.6, 20 countries of the European Union are arranged in increasing order of the level of acceptance of norm violations motivated by self-interest.⁷ The figures show the percentage of people who find it *absolutely acceptable* to stray from the honest path if it is a means to the end of making money.⁸ For Hungary, Italy, Belgium and Greece, the indicator values are about twice as high as the average of 7%, while very low values (below 3%) are observed for the Netherlands, Denmark, Spain, Sweden and the United Kingdom.

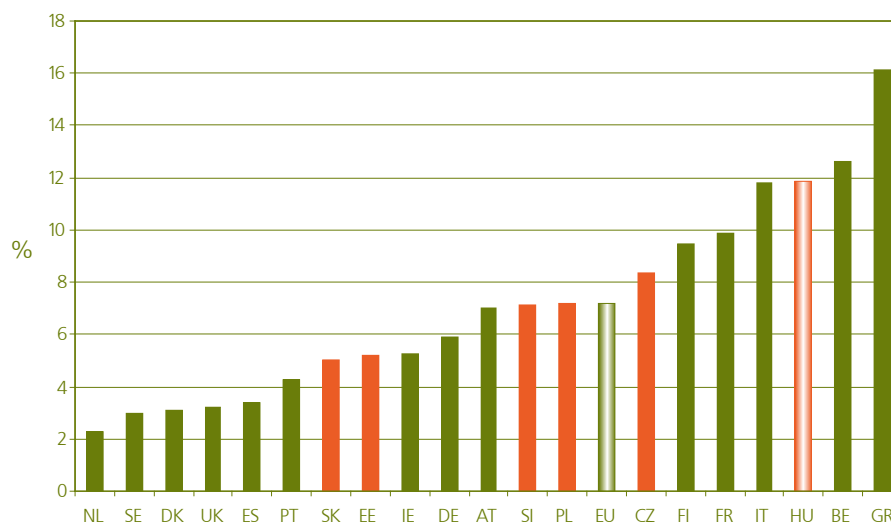
Figure 9.6: Percentage of people accepting norm violation motivated by self-interest, by country (%)

Source: author's calculations based on the European Social Survey (ESS), round 2 (2004/05) data.

Notes:

The question: "If you want to make money, you can't always act honestly." Percentage of people choosing "strongly agree" on a five-point scale.

No data are available for Bulgaria, Cyprus, Latvia, Lithuania, Luxembourg, Malta or Romania.



In what follows, we look at the reasons behind norm violation motivated by self-interest. It can be seen from Figure 9.7 that the less secure a population feels in the labour market, the more tolerant it will be of norm violations related to making money. The European countries where people have the least confidence that they will find a job requiring the skills and experience appropriate to their training within six months, should they lose their present job, are Germany, Hungary and Greece. In Germany, as

⁷ No data are available for Bulgaria, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Poland or Romania.

⁸ It should be noted that the actions described as *dishonest behaviour* do not necessarily correspond to *unlawful* acts (like tax evasion or misuse of welfare support) discussed in the previous section.

in Portugal and the Netherlands, however, norm violation motivated by self-interest is judged relatively *harshly*, given the level of perceived labour market security. Greek and Belgian respondents, by contrast, more readily accept norm violation with the aim of making money than we would expect from the level of perceived labour market security. In these countries, therefore, norm violation motivated by self-interest is judged relatively *leniently*, given the level of perceived labour market security.

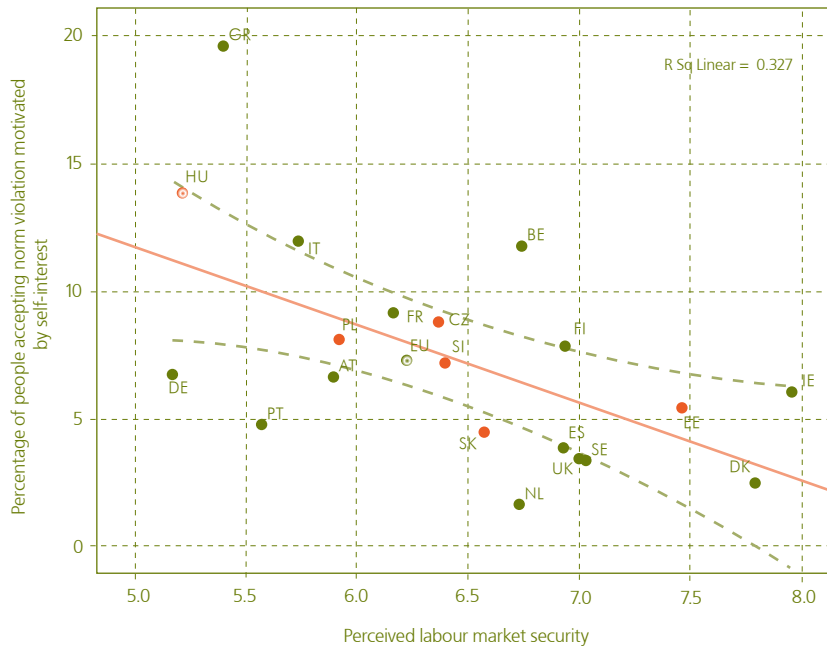


Figure 9.7: The relationship between norm violation motivated by self-interest and perceived labour market security, by country

Source: see below for data sources, author's calculations.

Notes:

Only those currently in employment are included in the analysis of both questions.

Y-axis: "If you want to make money, you can't always act honestly." Percentage of people choosing "strongly agree" on a five-point scale. Data source: ESS, round 2 (2004/05).

X-axis: "If you were to be laid off, how would you rate, on a scale of 1 to 10, the likelihood that you find a job requiring the same skills and experience in the next six months? 1 means that it would be not at all likely and 10 means that it would be." Average values. Data source: Special Eurobarometer 273/66.3 (2006).

No data are available for Bulgaria, Cyprus, Latvia, Lithuania, Luxembourg, Malta or Romania.

The relationship displayed in Figure 9.8 corroborates the hypothesis that norm violation motivated by self-interest tends to be evaluated with reference to the state of the labour market. In those countries of Europe where few people expect an improvement in the employment situation, there is a high proportion of inhabitants who tolerate norm violation motivated by self-interest (prime examples are Greece, Hungary and Belgium). Conversely, the populations of Estonia, Sweden and the Netherlands anticipate an improvement in the employment situation, and accordingly disapprove of straying from the path of rectitude in order to make money. In some countries (Portugal, Spain, the United Kingdom, Denmark and Slovakia), however, a lower proportion of the population tolerate norm violation motivated by self-interest than we would expect from people's assessment of the labour market. In these countries, therefore, this type of norm violation is judged *more harshly*. The Greek, the Belgian, the Italian, the French and the Finnish populations, by contrast, are *more lenient* than expected in their evaluation of norm violation for profit.

Figure 9.8: The relationship between norm violation motivated by self-interest and labour market prospects, by country

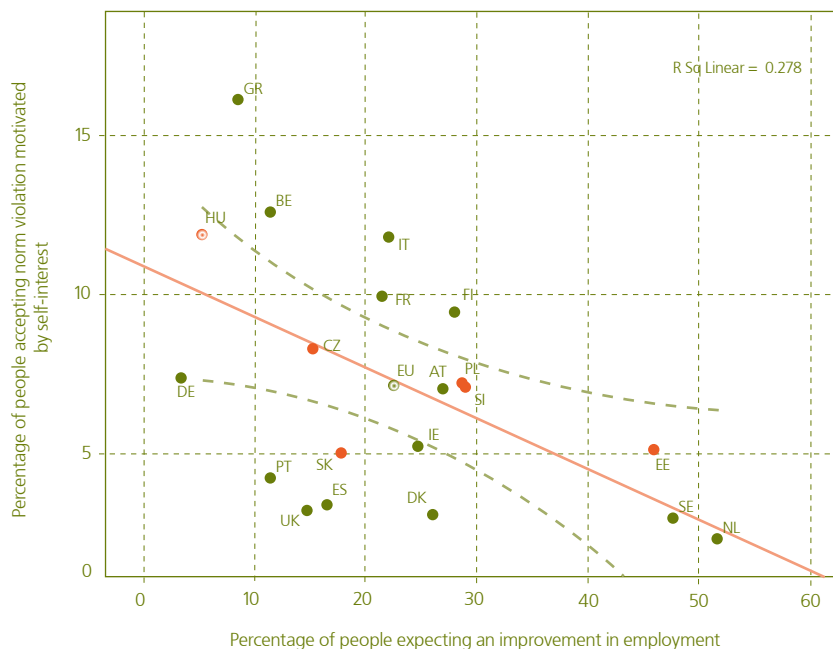
Source: see below for data sources, author's calculations.

Notes:

Y-axis: "If you want to make money, you can't always act honestly." Percentage of people choosing "strongly agree" on a five-point scale. Data source: ESS, round 2 (2004/05).

X-axis: "What are your expectations for the next 12 months: will the next 12 months be better, worse or the same, when it comes to the employment situation in your country?" Percentage of people expecting improvement. Data source: Special Eurobarometer 273/66.3 (2006).

No data are available for Bulgaria, Cyprus, Latvia, Lithuania, Luxembourg, Malta or Romania.



9.5. Conclusion

The first part of our study discussed the relationship between people's attitudes to norms that encourage economic morality and to social advancement. We found that, in a society that displays a relatively high level of support for norms of economic morality, people also tend to be convinced that individual effort is an important factor in getting ahead in life. Our results lead us to the conclusion that self-interest may, in some respect, overwrite the norms promoting economic morality. Next, our analysis focused on norm violation motivated by self-interest. We found that the level of tolerance of norm violation of this type is primarily a function of the perception of labour market prospects.

With respect to Hungary, the most important conclusion drawn from our research is that the Hungarian population appears to be highly norm compliant – so long as economic morality is discussed in general terms. When asked about norms that presumably demand financial sacrifice, however, Hungarians perform rather poorly compared to the rest of Europe. There is an explanation for this "pragmatic" self-interest-oriented approach. Of the countries analysed here, people living in Hungary are the least likely to have confidence in the role of individual effort in social advancement; they are less likely than any other European population to expect an improvement in employment prospects; and only German respondents feel less secure in the labour market than Hungarians.

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