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Tetiana Fedorenko

*Postgraduate, Kyiv National Economic University
named after Vadym Hetman, Kyiv, Ukraine,
<https://orcid.org/0000-0002-2044-7219>*

THE INFLUENCE OF ETHICAL VALUES ON SOCIO-ECONOMIC DEVELOPMENT: REGRESSION ANALYSIS

Abstract. The article is devoted to the influence of culture and ethical values on the economic indicators of European countries based on the World Values Survey data. The results indicate cultural differences in ethical decision-making depending on economic (sufficient income), social (trust), behavioral, and moral aspects.

Ethical and moral values are the basis of individual economic behavior. They create social capital, increase productivity and reduce costs. The economic aspect of ethics is studied in behavioral economics, moral economics, business ethics, management theory, economic culture. It focused on increasing trust and reducing transaction costs.

Values are the key elements of the economy as they play a significant role in resource supply, income redistribution, and governance. Understanding the ethical aspects of economic decision-making is serious for shaping the strategy of institution development, economic and social policy.

Ethical aspects of economic behavior are payment for public services and understanding the principles of public goods. It also includes a positive attitude towards paying for them, paying taxes, and zero tolerance for bribes. The results of the ethical value investigation are based on the World Values Survey data [1].

The economic and ethical values of payment for public goods, the so-called free-rider problem, are apparent when an individual consciously avoids payment for the public goods or makes efforts to reduce the price. The distinction of public goods is the benefits for all citizens; the consumption of these goods does not reduce their number available for use by other citizens.

The danger is that non-payment for the benefits usage of free-riders citizens reduces the motivation to pay the honest. As a result, it decreases the efficiency of the system. The theory and practice of social management indicate that the effectiveness of the group depends on all participants. We can assume that individuals will put less

effort into teamwork or voluntary pay when they see others evading work or payment. Coherence in-group work directly affects community evolution, productivity, and economic outcomes.

Keywords: culture, ethical values, economic growth, public goods, economic behavior.

Introduction. Ethical and economic problems may arise because of conflicts between the moral or rational values of individuals and the social culture in which they live and interact. We are interested in the intercultural aspect of the ethical values of public goods and the relationship between national cultural characteristics and ethical values.

The willingness to pay for public goods usage demonstrates individual beliefs and is directly related to social trust. The question is what the willingness not to pay is: lack of economic resources (inability to pay) or cultural factors (really reluctance).

Analysis of research and publications. Moral and ethical standards, according to D. Rose, really have an economic effect; they are even more significant than traditional economic factors (resources, technology, and innovation). Morality and ethics affect the economy precisely because of cultural values that either contribute to the prosperity of society or hinder the development and building of a "free-market democracy." The free market and democracy complement each other and need a culture of trust so that all members of society are reliable, refrain from shifting their responsibility for paying for others, even when it is difficult to verify compliance. Trust and reliability must be the basis of culture, the "collective brain of society". These values will be passed from one generation to the other through imitation and learning, through culture, and will contribute to the prosperity of society [2].

Moral aspects of the pleasure of enjoying public goods have been observed in the works of D. Kahneman and J. Knetsch. Voluntary and honest payment for public goods using brings a sense of moral satisfaction, while the benefit acts as a means to an end to obtain a psychological feeling of satisfaction. A fascinating feature of this behavior is that with the size of the contribution, the feeling of satisfaction increases [3]. This effect is not the same for all categories of public goods, but the moral satisfaction that individuals receive from paying for public goods cannot be obtained from the consumption of traditional goods.

C. Camerer and E. Fehr note that the rationality of the individual, which previously dominated economic theory, would not contribute to the payment of public goods, it would rather lead to the principle of zero amount. However, experimental studies of behavior show that individuals do not use any opportunity to enjoy the benefits free [4]. Deviations in economic rationality can be explained by cultural and ethical values, based on responsibility, justice, and reciprocity [5]. These factors determine the individuals' behavior, depending on how other community members behave.

Sh. Schwartz emphasizes that the behavior model is a cognitive and consistent process from stimulus to action. It defines two personal moral norms in the decision-making process: awareness of need and awareness of responsibility [6]. The motivation of the individuals in the decision-making process values, they determine the choice of decisions and preferences, as well as forms of interaction with other individuals and society: cooperation or confrontation.

At the same time, the sphere of ethical values in making economic decisions at the level of cross-cultural analysis has not yet been sufficiently studied. Therefore, it is appropriate to assess the interdependence of ethical values and the well-being of society. This will help form assumptions about the economic behavior of the individual in countries with different income levels and cultures.

The purpose of the article: is to analyze the impact of ethical values on individual economic behavior in public goods usage.

Results. What determines the willingness to pay? Economic models consider willingness to pay depending on determinants such as income and consumption of goods/services. The first factor is the ability to pay. In the context of public goods, it represents disposable income, including the number of money, individuals are willing to spend on public goods to provide better quality services or prevent their deterioration. We apply this to security, public order, protection of the environment, use of critical infrastructure, saving of cultural heritage, and more.

We can assume that income will have a positive effect on the willingness to pay in public goods usage. There is an assumption that individuals are willing to pay for goods and services that they value. Public goods are paid through a tax mechanism formed by the state and the government. Benefits are provided to meet the needs of citizens, not to make a profit [7].

The second factor is the public goods usage, which is also directly related to the economic concept of value. If an individual enjoys a good, he will feel its instrumental value. In this context, there is a direct behavioral link between the well-being and the satisfaction of an individual's needs. On the other hand, if an individual does not enjoy the good (does not drive across the bridge, does not travel by public transport, and does not rest in the park), it has no value in use. Therefore, the service-payment relation is not always confirmed. Let us assume that non-users will not have willing to pay for the benefits of the public goods. An appropriate code of behavior can be formed by cultural and ethical values, knowledge, and information about public goods.

The main feature of the public goods is their non-competitiveness, in particular, the good is produced for collective use, and the marginal cost of increasing consumers does not require an additional one, equal to zero. The second difference is non-appropriation, in the conditions of production of goods for one group of individuals, it is impossible to prohibit others from using it. The benefits give without

reference to individual consumption, and no one can be excluded from the use chain. The common awareness and collective rationality of the importance of public goods must be nourished by individual rationality based on cultural and ethical values.

The problem of ethics in public goods usage is that individuals will always have a seducement to avoid sharing their costs, to shift their responsibility, or payment to others. Benefit from the public goods will have both - individuals who pay and those who use it for free or illegally. Moreover, almost everyone is tempted to avoid paying. If only a few community members do not pay for services, there will not be a significant impact on others. However, when the number of defaulters increases, it negatively affects the production, operation, and community welfare.

Thus, several aspects of individual behavior affect the process of using and paying for public goods:

- economic – the ability to pay;
- social – attitude to the public goods and services and the organizations which it provides, in particular, the level of quality of public goods and the level of trust in the government, the country;
- moral – a sense of social justice as to how other members of the community follow the rules of conduct and pay;
- behavioral – cultural and ethical values that determine the awareness of the need and responsibility to pay, shape the conscious behavior of the individual.

Economic aspect. Consider the ethics factor of claiming government benefits to which the individual is not entitled. The coefficient of ethics is calculated based on the World Values Survey data. Lower coefficient values demonstrate ethical behavior (the answer is "never justified"). The higher values show that individuals are tempted to violate ethical principles in their favor, (the answer is "always justified").

Regression analysis is applied to test the tightness of ethical values and well-being on the example of 76 countries. Differentiation by income was carried out according to the classification of the World Bank [8], where the low level of income corresponds to GDP per capita less than 4096 USD, average income – in the range of 4096 – 12695 USD, high income - above 12,700 USD.

Fig.1. Scatter plot of income and ethical values, based on World Values Survey data.

In low-income societies, the general population considers it unjustified to receive government benefits to which the individual is not entitled. We can assume that the level of income and public services is nearly low, subsidies are not significant, or communities are so small that it is not possible to hide the financial condition of the economy from others.

Interesting is the change in behavior with increasing income, individuals are tempted to reduce their spending. In countries with a low-income level (upper line) and a medium level, the percentage of people who consider it justified to receive benefits from the government to which they are not entitled increases. We can assume the influence of social, moral, and other factors, including trust in government, personal moral beliefs, corruption, and crime, is growing in addition to economic factors.

High incomes have a positive correlation with ethical values, with increasing incomes, the share of those who consider it unjustified to receive subsidies from the government, to which they are not entitled. Here we see confirmation of the needs hierarchy. The fulfillment of essential needs is the basis of the needs of a higher order - ethics and morality.

Let us point out that receiving government benefits to which an individual is not entitled differs from traditional public benefits because the benefits received by one individual reduce the size of the budget for other individuals. When a household receives a subsidy while having a sufficient income, it deprives others of the

opportunity to receive the dotation. This impairs the efficiency of the distribution of goods, reduces the motivation of other individuals, and negatively affects community development as a whole.

Social aspect. Low levels of public confidence are at the root of many economic problems. Loss of trust in core organizations (political, judicial, educational, religious) decreases trust in other people. There is an enormous institutional problem; it cannot be solved by reforms alone. Restoring trust is a more complex objective, requires the whole community's efforts.

Fig.2. Scatter plot of income and trust, based on World Values Survey data

Trust is positively correlated with GDP per capita, namely in high-income countries. Trust rates in middle-income countries are comparable to those in low-income ones. Our findings provide evidence for the country's well-being is based on economic, institutional, and social factors in addition to trust.

Moral aspect. Ethical values that discourage individuals from taking bribes in the course of their duties correlate with the Corruption Perceptions Index. Higher indicators of the index mirror the transparency of public administration. Countries with the best index performance have almost zero tolerance for bribes. People in non-transparent countries are more likely to justify taking bribes in the course of duty.

Fig.3. Scatter plot of CPI and ethical values, based on World Values Survey data

Religion is a fundamental factor in the formation of moral values. The analysis is extended by differentiation on religious grounds: Protestant, Catholic, Orthodox, and Muslim societies. The results show a sufficiently high level of differences in the countries of "Protestant ethics", simultaneously there are numerous differences in the value orientations of Catholic countries. Hence, *the extensive study of the ethics problem* of bribes requires analysis of political and social factors.

Behavioral aspect.

Table 1

Correlation of ethical values

Correlation	Claiming government benefits	Cheating on taxes	Avoiding a fare on transport	Someone accepting a bribe
Claiming government benefits to which you are not entitled	1			
Cheating on taxes if you have a chance	0,645	1		
Avoiding a fare on public transport	0,715	0,792	1	
Someone accepting a bribe in the course of their duties	0,740	0,770	0,702	1

The behavioral aspect demonstrates that if an individual tends to violate ethical principles of behavior in one sphere, he will easily do so in another.

Regression analysis. The multifactor regression model of income dependence and ethical values is estimated in the example of 35 European countries. The initial data are the scores of the World Values Survey (2017-2021) and GDP per capita (World Bank data, 2016-2020). The data are observed on the example of a regression model that estimates the relationship between independent (GDP per capita) and dependent (values) variables.

Table 2

Regression analysis of ethical values and income

Regression Statistics		ANOVA				
Multiple R	0,918		df	SS	MS	F
R Square	0,842					Significance F
Adjusted R Square	0,808	Regression	6	24,696	4,116	24,883
Standard Error	0,407	Residual	28	4,631	0,165	
Observations	35	Total	34	29,327		

	Coefficients	Standard Error	t Stat	P-value
Intercept	6,654	1,160	5,736	0,000
Corruption Perception Index	-0,018	0,206	-0,088	0,930
Trust	-0,504	0,243	-2,078	0,047
Bribe	0,181	0,174	1,042	0,306
Transport	0,543	0,315	1,720	0,096
Tax	0,236	0,717	0,329	0,745
Government Benefits	0,041	0,009	4,632	0,000

Regression analysis shows a high-level dependence ($R^2 = 0.808$) of income on ethical values. Trust and the ethical factor (claiming government benefits to which you are not entitled) have the most significant impact on income.

Thus, behavioral economics based on values describes the pattern of behavior of individuals more accurately than traditional economic theory. Cultural economics complements behavioral economics in determining the orientation of behavior, motives for choice, consumption, and the way decisions are made. It specifies what results from the individual's wants and how he will achieve them.

Economic and ethical values are reasonable for the countries' development, as they set goals that become a guide for the collective choice of community members. Culture, defined as shared values and beliefs, can affect economic efficiency in many

ways. The culture of a group, national, regional, or ethnic, can be considered as an actual type of intangible public good.

Conclusions. Ethical values (payment of taxes, claiming only those government benefits that individuals are entitled to) have a direct impact on economic efficiency and social development. Unethical consumers do not contribute to the collective well-being, but instead, continue to use its benefits. Simultaneously, unethical consumption of public goods, avoiding payments for benefits reduces the incentive for honest citizens. As a result, the community and the country process less efficiently.

Thus, there is a direct link between ethical values, morality, and wealth. Reasons and principles that motivate individuals to act ethically or unethically directly affect economic outcomes.

Economic growth cannot be achieved exclusively through economic factors and incentives (prices, taxes, subsidies), they are only part of government economic policy. A crucial element of development is trust and ethical principles, the ability of individuals to be honest, responsible consumption, and self-control.

Culture is the significant construct that can combine the moral and ethical values of the community, transfer them to other members and future generations. Culture is necessary to create a high trust community - a civilization in which we trust each other and trust the system.

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