ABSTRACT. This paper investigates the relationship between ethics and income among individuals of different religions in the HKSAR of China. The presence of both traditional Chinese religion and Christianity from the West makes our study particularly interesting. The content of ethical beliefs varies with religion and thus the effect of ethics on income may also vary across religion. Furthermore, a reverse causal relationship may run from income to ethics. Since culture and taste affect the consumption behavior of a person, depending on the religion of the person, a person with a higher income may or may not like to ‘acquire’ more ethics. Our empirical results find that there is indeed a simultaneous relationship between income and being ethical so that a single equation estimation of income on ethics and vice versa generates biased estimates. Using a two-stage instrumental variable estimation, our study finds that being ethical contributes to higher income for Christians and the non-religious group, but lowers it for people of traditional Chinese religion. On the other hand, an increase in income increases the likelihood of a person’s being ethical for both Christians and the people of traditional Chinese religion, but reduces it for the non-religious group.

KEY WORDS: ethics, income, religion, christianity, traditional Chinese culture

Introduction

This paper investigates the relationship between ethics and income among individuals of different religions in the HKSAR of China. The presence of both traditional Chinese religion and Christianity from the West makes our study particularly interesting. Since the content of ethical beliefs varies with religion and their effect on income is uncertain, personal ethics may cause either an increase or a decrease in income. While personal ethics like integrity and honesty may pay off as trustworthiness and dependability are valued in the market, sometimes an ethical person may have to pay the price for his integrity in a competitive society. Besides, the higher values of certain religions may discourage an individual from pursuing material possessions actively, while the attempt to do good in following the teachings of his religion may lower his income. Therefore, whether personal ethics contribute to higher income is largely an empirical issue. Furthermore, a reverse causal relationship may run from income to personal ethics. Since culture and taste affect the consumption behavior of a person, depending on the religion of the person, a person with a higher income may or may not like to ‘acquire’ more ethics, which can be regarded as a spiritual good.

Previous studies indicate that religiousness may have a significant effect on one’s earnings and economic achievements. Freeman (1986) shows that church-going is associated with substantial differences in the behavior of youths, and thus their chances to ‘escape’ from inner-city poverty. It affects allocation of time, school attendance, work activity, and the frequency of socially-deviant activity. Steen (1996) finds that various religious traditions attempt to transmit values such as honesty and discipline, and these values can lead to higher earnings in the workplace. Brenner and Kiefer (1981) suggest that Jews make larger investments in human capital due to past
experiences with the appropriation of their material wealth. On the other hand, religious traditions that emphasize detachment from the world or the transitory nature of material goods may have adherents with lower earnings. He concludes that a possible explanation for earnings differentials are unobserved differences in attitudes and work habits that come about as a result of one’s upbringing in a particular religious tradition. Lipford & Tollison (2003) argue that religious participation reduces participants’ income through its effects on preferences and net earnings potential. At the same time, high incomes discourage religious participation by encouraging individuals to substitute market work for religious activities. However, his study is based on macro-data rather than micro-data which are far better for the study of individual decisions and outcomes.

Concerning the relationship between religiousness, personal values and ethics, Senger (1970) surveys 244 managers from nine corporations, who are asked to rank ten personal life goals and ten corporate goals. He finds that the more religious manager tends to be more socially and humanistically and less economically motivated. He also seems to be less “self-actualizing”, and tends not to hold the top job in the company, to be less well-educated, to tend to come from lower classes, to attend church regularly, and to participate in community and professional activities. On the other hand, Hegarty and Sims (1978, 1979) carry out laboratory experiments and find that religious value orientation of graduate students is not related to ethical behavior. Clark and Dawson (1996) conceptualize personal religiousness as a motivation for ethical action, and discover significant differences in ethical judgments among respondents categorized by personal religious motivation. Their results offer support for the conclusion that the influence of religiousness upon ethical evaluations may operate largely through the Moral Equity Dimension. However, there are no significant religiousness differences across the relativism and contractualism dimensions. Siu et al. (2000) investigate the relationship between the moral judgments of a business situation with ethical content and personal religiousness by using a sample of 429 university students. It is found that people who are religious are more oriented toward ethics than people who are not. However, their study does not differentiate among religions, which may affect ethical orientation differently. More recently, Conroy and Emerson (2004) find that religiosity as defined by church attendance is significantly correlated with ethical perceptions, whereas completing religion or ethics courses explains little of the variation in ethical attitudes.

Almost all of the above studies investigate religions that are of Judeo-Christian tradition, and none of Asian religions. Even though Siu et al. (2000) collected their data in Hong Kong, they group all religions together in measuring religiosity, rather than defining different religious groups separately. Besides, their study is directed towards non-working students whose ethical orientation may differ greatly from working individuals. On the other hand, our paper represents the first attempt to study the different effects Christianity and traditional Chinese religion might have on the ethical orientation of people. It enables us to study how ethics as perceived in different cultures and religions may affect earnings differently. Our study also contributes to the literature by studying the simultaneity between ethics and income at a micro-level. Using a two-stage instrumental variable estimation, our study finds that, holding other variables constant, an individual of higher income is more likely to be ethical for both Christians and people of traditional Chinese religion but not for the non-religious. Again, whether being ethical increases the income of an individual depends on his religion. For Christians and the nonreligious group, an ethical person tends to earn a higher income. However, being ethical lowers the income of people who are of traditional Chinese religion.

The organization of our paper is as follows: In Section 2, we explain how the ethical orientation of an individual may be affected by income and other socio-economic variables, how income may in turn be affected by an individual’s ethical orientation, and how these relationships may vary across different religions. Section 3 describes the data and the methodology, and the empirical results are reported in Section 4. The paper concludes with a summary discussion in Section 5.

Relationship between ethics, income and religion

Hypothesis 1: If an individual’s income is higher, it is more likely for the individual to be ethical