

## Stand back and deliver!

Covid-19 has made social distancing the norm in many countries. Standing back to receive deliveries is encouraged. Most follow the rules and fines are uncommon. This is because many transactions in society rely on trust. This has implications not only for the wider economy but also the way individuals organise their finances



Social distancing at work in Thailand

Laws designed to limit the spread of disease have been passed in many countries and fines can be issued to those who do not comply. Yet, despite the severe disruption to people's lives and normally accepted ideas of freedom, most comply with new laws.

Accurate data is difficult to obtain but it appears fines for breaking these new rules are uncommon. For example, a report from Italy on 20 March noted 53,000 had been fined over the previous eight days for breaking the new laws. Given that Italy has a population of 60m, that represents only 0.1% of the population. Similarly, it is reported that 9,176 fines were issued in Wales and England over the month to 27 April. Wales and England have a combined population of 59m, so fines were issued to only 0.02% of the population. Taken at face value this implies compliance of more than 99%. This is undoubtedly too high as not all rule-breakers are fined and, if reports of complaints to police of non-compliance by others are accurate, many may be bending the rules. Still, explanations for this high level of compliance can be thought of in two ways. First as

a balance between the costs and benefits of disobedience. Second, from societal pressure.

## Crime and punishment

When rushed for time and needing to be at a meeting, economist, Gary Becker debated with himself whether he should [park illegally](#) to be closer to that meeting. He faced two risks – being late or being fined for illegal parking. Becker did some quick calculations and chose to park illegally and be on time to meet his colleagues.

This hard-headed approach led Becker to write his 1968 essay “Crime and Punishment: An Economic Approach”. Becker, who was awarded the economics Nobel prize in 1992 for extending economic analysis to a wide range of human behaviour, renewed discussion on utilitarian approaches crime discussed by the 18th-century philosopher Jeremy Bentham.

In our Covid-19 affected world, some undoubtedly calculate the possibility of being fined compared with breaking isolation rules. Given the size of the fines in general and the probability of being caught, it feels unlikely that the utilitarian explanation alone explains the high level of compliance. Other factors could play a role.

## Society and shame

Compliance can occur because people are generally honest. Psychological, moral and societal factors may explain this. Citing research from 2019, [this article](#) from the University of Sydney argues that not only does our own moral compass contribute to honest behaviour, but how others view us is also important.

However, both our moral compass and how society views us can be swayed in certain circumstances. These include the context in which actions occur, tolerance by ourselves and others of a fudge factor between acceptable and unacceptable behaviour, and how directly related an action is connected to money. Behavioural economist Dan Ariely outlines these and other ideas in amusing fashion in [this 2011 video](#).

This may be why fines are sometimes made public. Bundling the monetary cost of the fine with the prospect of disapproval by society can prove effective. [This 2009 study](#) argued that fines were more effective at changing behaviour when made public.

## Relying on strangers

Today's pandemic has laid bare complex relationships within society. This is readily understood when it comes to avoiding being infected by Covid-19. If unknown others behave poorly, we may be individually affected. An implicit understanding of this may be why compliance with new laws is high.

The pandemic provides a metaphor for the way economies operate and our lives in general. It is not sufficient that others merely do their jobs. We must also trust that others will behave responsibly in doing their jobs. This stretches from being confident that the [baby milk formula you buy](#) is safe to the amount of financial risk people are willing to take.

[A 2015 study](#) suggests less trusting individuals are less likely to buy stock. This may be costly. [A 2018 paper](#) found those with higher levels of trust have a lower likelihood of defaulting on household debt and higher net worth. However, you can both trust too little and too much. [This](#)

[2014 study](#) found that about 10% of the population has trust beliefs so poorly calibrated that they lose more than 13% of their income, which is similar to income lost by foregoing a college education. Not trusting enough means missing profitable opportunities. Trusting too much risks being cheated.

Human society is unique in this reliance on trust. No other species co-operate as humans do. This is the key argument behind Paul Seabright's 2010 book ["The Company of Strangers"](#).

Because society requires trust to work effectively and individuals require trust to be prosperous, fines should be thought of as a last resort. They are ineffective if trust does not exist.