

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.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Senior Economist, Healthcare & Technology

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Deputy Global Head of Editorial and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporate Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com