

Ethical Behaviors and Wealth: Generation Y's Experience

Jay L. Zagorsky^a

This research investigates if ethical behaviors and personal finances are related using a large scale U.S. random survey called the National Longitudinal Survey of Youth 1997 (NLSY97). Fifteen indicators covering both ethical and unethical behaviors are compared to net worth for people in their 20s and 30s, who are called Generation Y. Breaking rules, stealing, and being arrested are associated with less wealth in this generation. Results suggest that among people in their early 20s, there is little or no relationship between ethical behaviors and wealth. However, as this cohort ages, a positive relationship between acting more ethically and wealth emerges.

Keywords: assets, ethics, moral, net worth, wealth

Do people who exhibit more ethical behaviors accumulate more assets and have fewer debts than people who behave less ethically? This research examines the question by using data from a large scale U.S. random survey of people belonging to Generation Y to see if any relationship exists between net worth and ethics. It finds that among people in their early 20s, there is little or no relationship between ethical behaviors and wealth. However, as this cohort ages, a positive relationship between ethical behavior and wealth emerges. Interestingly, the data suggest engaging in small scale Good Samaritan acts, such as providing money to the homeless or returning extra change to a cashier, appear to result in no financial penalty.

Defining ethical behavior is a complex and difficult task (Tenbrunsel & Smith-Crowe, 2008). Because not all people agree on what constitutes ethical behavior, this research creates 15 different moral indicators which are divided into two categories: ethical and unethical indicators. These 15 indicators were not chosen because they are the best moral gauges. Instead, they are the best indicators available in the dataset used. Moreover, although it would be more useful to know if a relationship between ethical behavior and finances exists for all adults, because of data limitations, this research is restricted to people in their 20s and 30s.

Among the 15 indicators, there are 6 that track unethical behaviors: stealing less than \$50, stealing \$50 or more, ever being arrested, times arrested, believing you are a liar or

cheater, and having a parent believe you are a liar or cheater. Nine indicators track ethical behaviors: donating money, volunteering time, returning extra change to a cashier, giving money or food to the homeless, believing people should help those less fortunate, believing that helping people in trouble is something to do, obeying societal rules, obeying religious rules, and responding honestly to interviews.

This research makes two unique contributions to the literature. First, no research to date has directly examined the relationship between ethical acts and wealth. Second, much of the previous research empirically investigating ethical behaviors use small convenience samples. By using a large randomly selected national sample, this research's findings are generalizable to one portion of the overall U.S. population.

Review of Literature

The limited amount of previous research that examined the relationship between personal finances and ethics came to mixed conclusions. A widely cited article is by Piff, Stancato, Côté, Mendoza-Denton, and Keltner (2012). It used seven different studies to argue that individuals from upper-class backgrounds behaved more unethically in both real world and laboratory settings than lower-class individuals. It is important to point out that although class standing and wealth are related, they are distinct concepts that Piff et al. did not separate.

Examples of wealthy individuals behaving unethically and abusing their positions of power abound such as a 2009

^aResearch Scientist, Center for Human Resource Research, The Ohio State University, 921 Chatham Lane, Suite 200, Columbus OH 43221.
E-mail: Zagorsky.1@osu.edu

scandal among British Members of Parliament who were caught taking very large and inappropriate expense reimbursements (Graffin, Bundy, Porac, Wade, & Quinn, 2013), scandals involving high-ranking executives at major corporations (Carson, 2003; Fombrun & Foss, 2004), and cheating among high school students from economically privileged communities (Galloway, 2012). Although scandals involving wealthy individuals receive wide media attention, this does not prove the wealthy are less ethical. Instead, it merely shows their misdeeds are more newsworthy.

The findings in Piff et al. (2012) receive support from Wang and Murnighan (2014) who found higher income people more likely to approve of unethical behavior than lower income people in many countries. McMurray and Scott (2012) also provide support by suggesting a link for Australian immigrants between gross national product (GNP) per capita of their country of origin, an income proxy, and work ethics. Trautmann, van de Kuilen, and Zeckhauser (2013), however, are concerned by the Piff et al. findings because the definition of upper class in the seven studies was relatively fluid. Trautmann et al. (2013) used income, wealth holdings, educational attainment, and job measures to check if upper-class Dutch people are less ethical than lower class, using self-reported ethical belief measures. The measures included questions such as, was it okay to accept a bribe, or okay not to pay public transport's fares. Trautmann et al. (2013) found wealthier individuals were different from poorer people only on two measures: they were more willing to commit adultery and more willing to cheat on taxes. Research from criminology also cast doubt on Piff et al.'s finding because Allen (1996) points out the poor are more likely to engage in crime because the cost of being caught and sent to jail is lower for people with little income compared to financially more successful individuals who have wealth and income to lose.

The impact of ethics on debt is another area research has investigated. Borrowing money is associated with moral hazard, especially for loans not backed by collateral. Borrowers sometimes strategically default, which means they walk away from a debt despite having the ability to pay (Bradley, Cutts, & Liu, 2015; Chan, Haughwout, Hayashi, & Van Der Klaauw, 2016). Although defaulting on credit card debt typically hurts an individual's credit card score for some years, lenders holding unsecured debt can do little beyond restricting access to future credit and harassing borrowers (Ausubel, 1997; Lopes, 2008). Student debt

(Cho, Xu, & Kiss, 2015; Elliott & Lewis, 2015) default faces similar ethical problems, even though U.S. federal rules make it almost impossible to erase these loans. These moral issues extend beyond individuals and are also seen in country-level loans (Jayachandran & Kremer, 2006).

Lenders also engage in unethical behavior by taking advantage of low-income individuals and naive borrowers when making loans (Incekara-Hafalir, 2015; Phillips, 2010) or simply by denying them access to credit (Hodge, Dawkins, & Reeves, 2007). Exceptionally high interest rates for loans used by the poor (Mayer, 2013) means individuals borrowing to finance purchases end up paying far more for an item than more financially successful people who pay up front (Hudon, 2007). Whereas some people default on a single type of debt, another area of concern is strategic bankruptcy, which is when an individual or corporation defaults on all debts (Delaney, 1992). For example, the rapper 50 Cent declared bankruptcy during the summer of 2015 to potentially escape paying a large jury verdict (50 Cent, 2015). His actions force the question of whether it is ethically or morally right to walk away from all debts to avoid legally sanctioned punishments.

In addition to studies on ethics and debt, there are also guidelines and research that deal with ethical issues surrounding assets and asset accumulation. Almost all financial professionals such as brokers, dealers, and investment advisors must read, understand, and pass exams on ethical conduct given by professional associations (American Institute of Certified Public Accountants, 2014; Certified Financial Planner Board of Standards Inc., 2015). Moreover, many government organizations such as the U.S. Securities and Exchange Commission (2005) have special ethics guidelines for investment advisors, commodity brokers, and other individuals dealing with the public's finances. These are needed because financial professionals have the ability to enrich themselves at the expense of relatively naive customers. The extent of ethical issues in asset accumulation is evident in numerous books and articles such as *Ethics in Finance* (Boatright, 2008), *Financial Ethics* (McCosh, 1999) and *Ethics in the Financial Marketplace* (Casey, 1988) which discuss in clear language the moral problems for students and laypeople in this area.

Shiller's (2013) work points out there are natural human tendencies toward aggression and hoarding. This suggests

that no matter how many guidelines regulators and trade associations issue, they are fighting against primal human emotions. Chowdhury (2015) links the ability of a person to express and understand their own emotions with being more likely to make prosocial actions. These studies suggest financial regulators might get better ethical results by focusing on basic human emotions as well as issuing guidelines and rules. Beyond buying and selling stocks and bonds, ethical issues arise in other personal financial matters such as insurance fraud (Warren & Schweitzer, 2016), personal tax evasion (Doerrenberg, Duncan, Fuest, & Peichl, 2014; McGee, 1998), and insider trading (Terpstra, Rozell, & Robinson, 1993). Some researchers such as Incekara-Hafalir (2015) use the monetary intelligence scale, which shows people's attitudes toward money, to reveal people at risk for acting unethically. However, Rawwas and Isakson (2000) suggest identifying people at risk is not useful because they find nonethical behavior happens primarily when people believe there is a low chance of being caught.

Although overall, the previous literature does not present a clear finding on the relationship between personal finances and ethics, understanding the relationship is important. For example, if Piff et al. (2012) are correct and financial success leads to less ethical behavior, then society needs more rules and punishment for richer people to ensure they act honestly. However, if Allen (1996) is correct that the poor are more likely to engage in crime, then more rules and punishment are needed for those who are unsuccessful financially. However, if causation runs the other way and more ethical behavior leads to financial success, then people have a reason to act ethically, without needing to assume there is a heavenly reward after death or being deterred by threats of punishment on earth. If less ethical behavior leads to financial success, then punishment should not only fit the crime but also the financial status of the guilty. The next section describes one dataset which sheds some light on the research question, "What is the relationship between ethical behaviors and financial outcomes?"

Methodology

One of the few datasets that contain information on both ethical behaviors and personal finances is the National Longitudinal Survey of Youth 1997 (NLSY97) cohort. The study is primarily funded by the U.S. Bureau of Labor Statistics and is a nationally representative panel survey of

nearly 9,000 people living in the United States. The study encompasses people born between 1980 and 1984. This group is sometimes referred to as the first cohort or earliest members of Generation Y. Using NLSY97 data, this research first uses correlations and then regression analysis to check if any ethical–financial relationships exist.

This research is based on data from the first 16 surveys. The first survey was fielded in 1997. The research ends in 2013, which is currently the latest publicly available dataset. During these years the NLSY97 interviewed the same people annually, except for missing 2012. All information used is from the public dataset located at www.bls.gov/nls/nlsy97.htm. Although investigating all age ranges is preferable to focusing just on Generation Y, data on ethical behavior is not available in the other National Longitudinal cohorts. Nevertheless, research (Gentina, Rose, & Vitell, 2015; Gentina, Tang, & Gu, 2016) suggests younger individuals are very useful to study because these are the ages when people develop financial and ethical attitudes and anxieties (Archuleta, Dale, & Spann, 2013; Britt, Canale, Fernatt, Stutz, & Tibbetts, 2015; HanNa, Heckman, Letkiewicz, & Montalto, 2014; Shinae, Gudmunson, Griesdorn, & Gong-Soog, 2016). It is also the time they start saving and taking on significant debts (Johnson, O'Neill, Worthy, Lown, & Bowen, 2016; Kim, Chatterjee, & Kim, 2012).

The NLSY97 panel consists of two groups: a nationally representative sample of 6,748 youths and a supplemental oversample of 2,236 Black and Hispanic youths. Because results are more precise using both groups, they are combined using the methods outlined in the NLSY97 User Guide (Center for Human Resource Research, 2015). All descriptive tables have data adjusted for the sampling structure using the 1997 baseline weight. This weighting ensures that the characteristics of oversampled respondents do not unduly influence the results. Moreover, using the weights means the descriptive tables represent national totals. Regressions do not use weighted data, instead they are adjusted by explicitly adding control variables which account for oversampled respondents.

Demographic Information

Table 1 provides a demographic overview of people interviewed. The table is based on the 2013 interview, the latest set of data available. The far left column shows that the

TABLE 1. Demographics of National Longitudinal Survey of Youth 1997 Respondents in 2013 Interview

Variable	Overall Mean	Overall Standard Error	Overall Number of Respondents	Male Mean	Female Mean
Age	30.4	0.016	8,984	30.4	30.4
Female	49%	0.005	8,984	0%	100%
White	71%	0.005	8,984	70%	71%
Black	15%	0.004	8,984	15%	16%
Hispanic	13%	0.004	8,984	13%	12%
Number of years of schooling completed	13.6	0.032	8,984	13.2	13.9
Married at age 20 years	7%	0.003	7,397	4%	10%
Married at age 25 years	28%	0.005	7,065	23%	32%
Married at age 30 years	43%	0.008	4,078	39%	47%
Household size at age 20 years	3.61	0.019	7,397	3.60	3.61
Household size at age 25 years	3.01	0.018	7,065	2.90	3.12
Household size at age 30 years	3.18	0.024	4,078	2.95	3.41
Weeks worked at age 20 years	34.5	0.225	7,242	33.8	35.1
Weeks worked at age 25 years	39.7	0.223	6,997	40.7	38.7
Weeks worked at age 30 years	39.0	0.311	4,045	41.1	36.9

Note. The results are weighted to represent all people born in the United States from 1980 to 1984. Asians and Native Americans are grouped in the White category.

typical respondent was approximately 30 years old, with respondents ranging in age from 28 to 34 years. The sample is roughly evenly divided between women (49%) and men (not shown 51%). Seventy-one percent of the cohort is White, 15% is Black, and 13% is Hispanic. The typical respondent completed 13.6 years of education, which means most have attended some college.

Marriage rates increase over time. The percentage married at ages 20, 25, and 30 years were about 7%, 28%, and 43%, respectively. The typical respondent's household contains slightly more than three people, and the average respondent worked between 35 and 40 weeks during the past calendar year. The sample size at age 30 years is smaller than those seen at ages 20 and 25 years because roughly one third of the cohort is less than age 30 years in 2013.

The two far right columns in Table 1 disaggregate demographic data by gender. The gender breakdown is potentially important because some research suggests women are more ethical than men; however, this finding is in dispute (Suar & Gochhayat, 2016; Tang & Sutarso, 2013). Age, race, and ethnicity are roughly similar for men and women. However,

women in the sample have more education, a higher chance of being married, live in slightly bigger households, and after age 20 years work fewer weeks than men.

Wealth and Income Information

To track financial status, this research focuses on wealth, which is a person's assets minus his or her liabilities. The NLSY97 tracks respondents' wealth by asking asset and debt questions when a respondent turns 20, 25, and 30 years old. The net worth data were adjusted for inflation using the consumer price index so all values are in 2012 dollars. The top section of Table 2 shows descriptive statistics for NLSY97 respondents' wealth at 5-year intervals and show that wealth steadily increases as respondents get older. One problem with the NLSY97 net worth variables is that the questions ask respondents to report on values they, or their spouse/partner, own or owe. This means a married or cohabitating respondent's wealth is partly a function of another person's decisions and characteristics (Fitzsimmons & Leach, 1994), whereas ethical responses, discussed in the next part, are only based on their own actions and decisions. To mitigate this issue, results are presented for all respondents and separately for single respondents.

TABLE 2. Wealth and Income of National Longitudinal Survey of Youth 1997 Respondents in 2012 Dollars

Variable	Median	75th Percentile	25th Percentile	Mean	Standard Error	Number of Respondents
Net worth at age 20 years	\$6,920	\$16,299	\$3,215	\$19,920	\$664	7,766
Net worth at age 25 years	\$8,576	\$30,680	\$1,673	\$30,833	\$1,094	6,712
Net worth at age 30 years	\$17,500	\$68,732	\$2,500	\$53,141	\$1,975	5,224
Income at age 20 years	\$53,767	\$104,973	\$21,224	\$77,921	\$1,030	6,790
Income at age 25 years	\$50,496	\$85,881	\$26,801	\$67,785	\$807	6,649
Income at age 30 years	\$58,112	\$91,994	\$31,722	\$70,824	\$975	3,803

Note. All figures are inflation adjusted using the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) into 2012 dollars. Net worth and income are family measures.

The second financial measure used in this research is income. Income is money received periodically in forms such as pay, bonuses, tips, and government transfers. Combining income and wealth together presents a relatively complete financial picture because income captures the amount of money flowing into a person's hands, and wealth captures the amount staying in their hands. The far right column in Table 2 shows fewer respondents for the income lines than for net worth because the income section of the NLSY97 does not ask people who don't know or refuse to provide an approximate answer. The income descriptive statistics shows a different pattern because income includes all members of the family, whereas wealth only includes the respondent and any spouse or partner. This means respondents still living at home with their parents have their parental income included in their income measures but not included in their wealth values. The table shows median income is more than \$50,000, whereas mean income is around \$70,000 per year.

Ethical Information

The NLSY97 surveys are an amalgamation of questions from different researchers and government agencies, none of whom were specifically interested in creating ethical indicators. Nevertheless, reading through the surveys reveals many questions which track ethical and moral behaviors. To create indicators, every survey was examined to find any question which potentially was associated with ethical behaviors. All possible questions were then summarized into 15 indicators, whose descriptive statistics are shown in Table 3. If the NLSY97 was designed to create an ethical behavior scale for each respondent, very different questions would have been asked. Nevertheless, the 15 indicators

detailed in the following provide useful but not perfect information on the ethical behaviors of each respondent.

Stealing and Being Arrested

One set of variables tracking ethical behavior includes self-reported values on stealing and being arrested—widely considered unethical actions. Although it is possible that some respondents who steal or are arrested do not divulge these actions, the exceptionally large number of individuals reporting these activities suggests few are hiding this information. Every NLSY97 survey since 1998 asked two simple questions that determine if a respondent has stolen something since the last interview. Each interview has the question have you “stolen something from a store or something that did not belong to you worth less than 50 dollars.” They are also asked if they have “stolen something from a store, person, or house, or something that did not belong to you worth 50 dollars or more including stealing a car.”

Two binary variables were created that tracked which respondents ever reported stealing less than \$50 and which reported ever stealing \$50 or more using 15 rounds of interviews. The top section of Table 3 reveals almost 47% of all respondents admitted to ever stealing low value items or money, whereas about 18% stole items or money valued \$50 or more. Males report stealing both low and high value amounts more often than females. Separate variables for stealing by ages 20, 25, and 30 years were not created because few people report their first episode of stealing after age 20 years. Using just data from 1998 to 2000, which tracks when the typical respondent was 17 years and the oldest was 21 years, instead of the full range from 1998 to

TABLE 3. Ethical Indicators for National Longitudinal Survey of Youth 1997 Respondents

Questions Asked to All or Almost All Respondents	Overall Mean	Standard Error	Male Mean	Female Mean	Number of Respondents
Steals <\$50	46.6%	0.005	52.0%	41.0%	8,984
Steals ≥\$50	17.8%	0.004	22.8%	12.4%	8,984
Ever arrested	33.3%	0.005	43.8%	22.3%	8,984
Times arrested	1.03	0.031	1.49	0.53	8,984
Donated money	48.7%	0.005	42.0%	55.6%	8,984
Volunteered time	75.4%	0.004	77.1%	73.6%	8,984
Time interviewer thought respondent is honest	78.7%	0.002	76.5%	81.0%	8,983
Time respondent obeys rules	36.3%	0.003	30.7%	42.2%	7,881
Time respondent believes in obeying religious laws	31.5%	0.004	32.0%	30.9%	8,462

Questions Asked to Some Respondents	Overall Mean	Standard Error	Male Mean	Female Mean	Number of Respondents
Respondent states he or she lies/cheats	48.4%	0.002	42.9%	54.0%	5,420
Parent believes respondent lies/cheats	37.9%	0.006	39.4%	36.4%	3,301
Returned extra change to cashier	26.9%	0.010	25.4%	28.5%	1,823
Gave food or money to homeless	44.3%	0.012	47.0%	41.6%	1,842
Believe people should help the less fortunate	95.2%	0.004	94.2%	96.2%	1,840
Helping people in trouble is important	79.2%	0.009	78.3%	80.2%	1,836

2013 captures 92% of individuals who ever stole less than \$50 and 82% of those who ever stole \$50 or more.

Other indicators of criminal activity found in the NLSY97 database track if the respondent was ever arrested and the number of times arrested. Arrests suggest a larger ethical breach than stealing, because it means the individual was caught or suspected of behavior egregious enough to involve a judge. The NLSY97 questionnaire specifically targets more serious crime because it asks respondents to “not include arrests for minor traffic violations.” Table 3 shows about one third of respondents report ever being arrested, with the average person being arrested once. These weighted numbers can be interpreted as national figures and suggests the Generation Y cohort has a relatively high arrest rate. About twice as many men (43.8%) report being arrested as women (22.3%), and the average man experienced far more arrests (1.49) than the average women (0.53).

Donating and Volunteering

The NLSY97 also includes questions in four surveys (2005, 2007, 2011, and 2013) on positive ethical and moral actions: donating and volunteering. The donation question

asked, “In the last 12 months, have you donated money to a political, environmental, or community cause?” Religious donations were not included in the list. Combining the data shows about half (48.7%) of NLSY97 respondents ever gave money to a nonreligious charity. The volunteering question asked, “In the last 12 months, how often did you do any unpaid volunteer work, including activities aimed at changing social conditions, such as work with educational groups, environmental groups, landlord/tenant groups, or other consumer groups, women’s groups or minority groups?” This question, like the donation question, told respondents to explicitly exclude volunteering in a religious setting. Approximately three quarters (75.4%) of respondents ever volunteered time.

Honesty

Moral and immoral actions are important, but self-reported data are suspect. Individuals often have a biased self-view or might lie to burnish or protect their reputation. At the completion of each questionnaire, the interviewers report, “In general, how candid/honest was the youth respondent?” Interviewers are given four choices ranging from “Very candid/honest” to “Not at all candid/honest.” Although lying

on a survey is not a perfect measure of being an unethical or dishonest person, there is likely a relationship. An honesty variable was created by classifying respondents as *honest* if the interviewer marked them as “Very candid/honest” or *not honest* if the interviewer marked them in any other category. The percentage of time a person is honest was created by dividing the number of times respondents were marked honest by the total times they were evaluated. Over three quarters (78.7%) of the time, interviewers thought respondents were very honest.

Following Rules

Actions are not the only important indicator of ethics. Beliefs are important, too, because beliefs influence future actions. The previous action-oriented indicators would classify people who believe it is okay to lie, cheat, or steal but not had the opportunity as ethical. Nevertheless, it is important to keep in mind a number of activist leaders have stated it is morally and ethically right to protest against unjust rules and laws. In 2008 and 2010, respondents were asked to complete a personality scale that provides insight into how they view rules. Individuals were read four statements about rules and asked to rate each on a scale from 1, which meant *disagree strongly*, to 7, which meant *agree strongly*.

The four statements were “I do not intend to follow every little rule that others make up,” “When I was in school, I used to break rules quite regularly,” “I support long-established rules and traditions,” and “Even if I knew how to get around the rules without breaking them, I would not do it.” Responses were recoded into a binary variable that was true if the respondent stated they followed rules and false if they did not follow rules. The typical respondent self-reported they obeyed rules approximately one third (36.3%) of the time. The survey contains one other set of questions about following rules and laws. In five surveys (2002, 2005, 2006, 2008, and 2011), respondents were asked if “the Bible/Koran/Torah/religious teachings should be obeyed exactly as written,” was a true or false statement. About one third (31.5%) of respondents follow religious rules.

Lying and Cheating

Other ethical measures are lying and cheating. These were self-reported by the respondent in the 1997 interview. All respondents who were at least 14 years old were given the computer and asked a variety of sensitive questions that the interviewer could not see. One question asked the respondent

to state if “You lie or cheat” was *Not True*, *Somewhat True*, or *Often True*. Classifying people who answered “somewhat” or “often” as liars resulted in about half (48.4%) of the respondents being considered unethical. A similar question was asked to slightly more than 3,000 parents. This question asked them to classify their child using the same three categories. More than one third (37.9%) of parents believed their child lied or cheated at least some of the time. Parent and child perceptions were not closely aligned because the two liar variables have a correlation of .232 ($p < .001$).

Four Other Ethical Variables

The final four ethical variables created are taken from the 2007 interview. A set of attitude-related questions were asked in a “Tell Us What You Think” series. Tell us questions do not fit into neat categories and were fielded to a smaller randomly selected group of roughly 1,800 respondents. They are included separately in the analysis to ensure the drop in sample size does not influence the findings. Respondents were first asked, “During the past 12 months, have you even once returned money to a cashier after getting too much change?” About 27% of respondents stated yes. Unfortunately, researchers cannot be sure every respondent was faced with this small ethical dilemma. The question assumes people use cash and they also look at the change they are given. Individuals who simply put money in their pocket after a transaction may never know if they were over- or undercharged, suggesting the 27% overall figure underestimates the number of people who are ethical in that situation.

Second, respondents were asked if they had “given food or money to a homeless person” at least once in the past 12 months. About 44% stated yes. This question is problematic because it assumes people have contact with a homeless person. Homeless people are primarily found in urban areas with heavy foot traffic. Individuals living in suburban or rural areas with few homeless might not have the opportunity even if they were willing to give food or money. Third, a question asked if “people should be willing to help others who are less fortunate.” Approximately, 95% of respondents agreed with this statement. Finally, a question asked if “personally assisting people in trouble is very important to me.” Overall, 79% of respondents stated it was important. Unfortunately, responding affirmatively to either question did not indicate if the respondent did or planned to help the less fortunate or those in trouble suggesting these variables track only ethical intent.

Results

Correlation Results

Is there any relationship between a person's finances and their ethical behavior? Table 4 shows the correlations between 6 financial and 15 ethical indicators. Correlation ranges from -1 , indicating two data series are mirror or inverse images, to $+1$, which indicates two series are perfect twins. A correlation of zero suggests two series have no relationship. The table shows the majority of the 90 cells are close to zero. Just a dozen cells have a correlation larger than 0.1 or smaller than -0.1 . Of this dozen, 11 ethical indicator cells are related to income and 1 ethical indicator is related to net worth. Overall, the correlation table suggests a slight relationship between the 15 ethical indicators and personal finances.

Regression Results

Although the correlation results are suggestive, they do not take into account any of the social and demographic factors found in Table 1. To adjust for these factors, a series of regressions were run to see if taking into account these factors revealed a stronger or weaker relationship between financial and ethical indicators. The first set of regressions, shown in Table 5, uses ordinary least squares (OLS) to estimate the association between each ethical characteristic in the top part of Table 3 after adjusting for socioeconomic factors. Although OLS regressions imply causation, the goal of this exercise is not to prove being ethical results in someone being financially more or less successful. Instead, it is simply to see if a relationship exists.

TABLE 4. Correlation Results Between Financial and Ethical Indicators

	Net Worth at Age 20 Years	Net Worth at Age 25 Years	Net Worth at Age 30 Years	Income at Age 20 Years	Income at Age 25 Years	Income at Age 30 Years
Steals <\$50	-.001	-.021 [†]	-.041**	0	.003	-.004
Steals ≥\$50	-.028*	-.042***	-.07***	-.045***	-.042***	-.07***
Ever arrested	-.038***	-.045***	-.104***	-.101***	-.076***	-.157***
Times arrested	-.036**	-.044***	-.065***	-.071***	-.082***	-.14***
Donated money	.033**	.052***	0.095***	.054***	.066***	.15***
Volunteered time	-.024*	-.039***	-.072***	-.033**	-.04***	-.081***
Interviewer thought respondent is honest	.045***	.057***	.082***	.112***	.119***	.161***
Percentage respondent obeys rules	.032**	.031*	.027 [†]	-.015	.017	-.012
Percentage respondent obeys religious laws	-.012	-.022 [†]	-.067***	-.128***	-.116***	-.19***
Respondent states he or she lies/cheats	0	-.023	-.019	-.012	-.018	.011
Parent believes respondent lies or cheats	.007	0	-.08**	-.055**	-.031	-.146***
Return extra change to cashier	.022	.032	.017	.036	.04	-.017
Gave food or money to homeless	-.001	.029	.052 [†]	.011	.064*	.046
Belief people should help the less fortunate	.009	-.012	.023	.037	.005	-.005
Helping people in trouble is important	.021	-.013	.018	-.02	.05*	-.054

[†] $p < .10$. * $p < .05$. ** $p < .01$. *** $p < .001$.

TABLE 5. Regression Results Showing Relationship Ethical Behavior and Wealth

Variable	Net Worth at Age 20 Years (1)	t-statistic	Net Worth at Age 25 Years (2)	t-statistic	Net Worth at Age 30 Years (3)	t-statistic
Steals <\$50	-\$99	0.06	\$962	0.37	\$4,242	1.11
Steals ≥\$50	-\$2,018	0.91	-\$6,656*	1.95	-\$8,263†	1.67
Ever arrested	-\$1,232	0.63	-\$1,678	0.56	-\$12,810***	2.95
Times arrested	-\$242	0.82	-\$103	0.25	\$509	0.87
Donated money	\$1,549	0.99	\$6,975***	2.88	\$9,584**	2.70
Volunteered time	-\$2,009	0.94	-\$2,578	0.75	-\$9,036†	1.85
Interviewer thought respondent is honest	\$3,219	0.71	\$7,760	1.10	-\$7,569	0.74
Percentage respondent obeys rules	\$4,944†	1.68	\$1,561	0.34	\$16,006*	2.43
Percentage respondent obeys religious laws	\$571	0.26	-\$94	0.03	\$1,091	0.22
Female	-\$3,276*	2.05	-\$3,508	1.42	-\$7,527*	2.07
Age in 1997	\$5,958***	11.44	\$3,129***	3.94	-\$1,245	1.00
Black	-\$4,237*	2.01	-\$5,869†	1.81	-\$12,258**	2.62
Hispanic	\$2,055	0.98	-\$1,165	0.37	-\$10,212*	2.24
Years of schooling	\$276	0.90	-\$985*	2.04	-\$514	0.72
Income	\$0.08***	7.64	\$0.19***	9.96	\$0.51***	15.59
Urban resident	\$853	0.44	-\$7,793**	2.50	-\$16,847***	3.74
Lives in center city	-\$42	0.02	-\$1,356	0.52	\$3,622	0.97
Weeks worked	\$4.98	0.12	\$193***	3.02	\$36	0.40
Married	\$6,231*	2.09	\$27,001***	9.71	\$38,380***	10.06
Household size	-\$921*	2.01	-\$2,791***	3.67	-\$4,445***	3.89
Constant	-\$72,961***	7.53	-\$16,166	1.09	\$61,857**	2.59
R-squared	0.042		0.058		0.174	
Num. Obs.	5,798		5,459		3,233	

Note. Num. Obs. = number of observations.

† $p < .10$. * $p < .05$. ** $p < .01$. *** $p < .001$.

Table 5 contains three regressions: Regression (a) focuses on net worth at age 20 years, regression (b) at age 25 years, and regression (c) at age 30 years. The R-squared values at the table's bottom show ethical and socioeconomic factors do a poor job of explaining wealth at age 20 years but improve as the cohort ages. Multicollinearity tests showed this is not an issue in the table's regressions.

Table 5 shows two points. First, small ethical breaches such as stealing less than \$50 or not obeying religious laws appear to have no relationship with wealth accumulation.

However, other ethical indicators do have relatively large coefficients, indicating that there are relationships between ethics and finances. The largest positive coefficients are on the indicator for respondents who obey and follow rules and regulations. At age 30 years, a person who reports always obeying rules and regulations is \$16,006 wealthier than someone who never obeys rules and regulations. Large negative coefficients are found on being arrested, with a reduction of wealth of almost thirteen thousand dollars (−\$12,810) on net worth at age 30 years and stealing more than \$50 of money or goods (−\$8,263 at age 30 years).

The coefficients on these three indicators are large relative to the mean (\$53,141) and median (\$17,500) net worth at age 30 years found in Table 2. The coefficients in Table 5 suggest that a 30-year-old who in the past stole more than \$50 worth of goods and was arrested at least once is associated with a wealth reduction of more than \$20,000 ($-\$12,006 + -\$8,263$), which is larger than the median wealth held by typical 30-year-old.

The positive coefficients on donating money and negative coefficients on volunteering suggest at first glance that people who give money become financially wealthier, whereas people who give of their time become financially less wealthy. However, the OLS regressions should not be interpreted as causal. It might be just as likely that financially successful people can afford to give cash donations, whereas those who are not financially successful are only able to give of their time.

The second point is that among people in their early 20s, there is little or no relationship between ethical behavior and wealth. This is seen because just one ethical coefficient (percentage respondent obeys rules) in regression (1) is statistically significant, and it is significant at a relatively weak 10% significance level. However, as people age, a positive relationship between ethical behavior and wealth emerges. Regression (3) has five ethical coefficients that are statistically significant and many of the ethical coefficients are larger in the age 30 years column than in the age 20 or 25 years. Overall, the regressions suggest adjusting for social and demographic factors is necessary to reveal relationships not seen in the simpler correlations.

Results Broken Down for Assets and Debts

Net worth is a combination of a person's assets and liabilities. Assets boost net worth, whereas liabilities decrease it. This section repeats the regressions found in Table 5; however, instead of using net worth as the dependent variable, it breaks net worth down into separate asset and debt categories at ages 20, 25, and 30 years.

The results in Table 6 show that at age 20 years, the combined assets and debt columns have just one statistically significant ethical coefficient. However, by age 30 years, 11 of the coefficients are statistically significant. This again suggests the relationship between ethics and either asset or debt accumulation develops over time. The table also shows that

the ethical coefficients in both the asset and debt columns at age 30 years have the same positive or negative signs. A negative (positive) sign in both columns means both assets and debts are negatively (positively) related to the indicator. For example, the coefficient on being ever arrested is $-\$18,299$ in the assets columns and $-\$8,275$ in the debt column. Being arrested is associated with both less assets and less debt. One potential reason why both are lower is that people who spend time in jail have less ability to build wealth, and lenders are less likely to give them loans.

Lying, Cheating, and "Tell Us What You Think" Indicators

The parents of one third of all NLSY97 respondents were asked if they thought their child lied or cheated as a teenager. In addition, more than half of the NLSY97 respondents were asked directly if they lied or cheated. Including these variables in the regressions found in Table 5, both separately and together resulted in coefficients that were not statistically significant and whose sign flipped from negative to positive as respondents aged. This suggests neither the respondent's nor their parent's belief in whether they lie or cheat is associated with future net worth. Being labeled a liar or cheater as a teenager appears to have no relationship with wealth in a person in his or her 20s or 30s.

The 2007 interview asked a random subgroup of roughly 1,800 respondents four additional questions which tracked ethical behavior: what they did when given extra change by a cashier, did they give charity to the homeless, their attitudes to helping the less fortunate, and if helping people in trouble was important to the respondent. Including these four variables in the regressions also resulted in coefficients that were not statistically significant and whose sign flips from negative to positive as respondents aged.

Mathematically, coefficients on these four ethical measures are likely zero. This suggests, but cannot prove, small ethical acts such as being honest with money, giving spare change to the homeless, or believing helping others neither reduces nor increases wealth. Potentially, although small acts of kindness are not financially rewarding, they result in no financial penalty.

Analysis for Just Single People

Because the NLSY97 wealth questions ask respondents to provide information for both themselves and their spouse or partner, it is possible the results in the previous sections

TABLE 6. Regressions Showing Relationship of Ethical Behavior, Assets, and Debts

Variable	Assets at Age 20 Years	Assets at Age 25 Years	Assets at Age 30 Years	Debts at Age 20 Years	Debts at Age 25 Years	Debts at Age 30 Years
Steals <\$50	-\$1,817	\$2,250	\$7,918 [†]	-\$1,011 [†]	\$864	\$5,201 [†]
Steals ≥\$50	-\$309	-\$2,662	-\$4,652	\$619	\$2,588	-\$1,009
Ever arrested	-\$2,049	-\$8,487**	-\$18,299***	-\$130	-\$4,778*	-\$8,275**
Times arrested	-\$357	-\$182	\$378	-\$128	-\$27	\$182
Donated money	\$802	\$8,170**	\$12,349**	-\$54	\$2,462	\$3,680
Volunteered time	-\$968	-\$1,354	-\$14,185*	\$253	\$3,023	-\$6,236 [†]
Interviewer thought respondent is honest	\$5,035	\$8,654	\$75	\$437	\$4,370	\$6,769
Percentage respondent obeys rules	\$1,019	\$10,883*	\$24,857**	\$41	\$4,403	\$9,016 [†]
Percentage respondent obeys religious laws	-\$263	-\$8,817*	-\$11,222 [†]	-\$345	-\$6,580**	-\$12,081***
Female	-\$3,444*	-\$1,378	-\$9,626*	\$179	\$1,758	\$151
Age in 1997	\$4,778***	\$3,707***	-\$328	-\$202	\$628	\$615
Black	-\$4,820**	-\$11,393**	-\$22,682***	-\$1,578*	-\$5,088**	-\$11,033***
Hispanic	-\$935	-\$1,467	-\$16,916**	-\$596	-\$583	-\$8,706**
Years of schooling	\$361	\$1,346**	\$4,889***	\$77	\$3,081***	\$5,796***
Income	\$0.06***	\$0.27***	\$0.78***	\$0	\$0.08***	\$0.27***
Urban resident	\$718	-\$12,607***	-\$17,346**	-\$983	-\$6,708***	-\$786
Lives in center city	-\$1,561	-\$7,536**	-\$9,645*	-\$856	-\$4,070**	-\$10,368***
Weeks worked	\$106**	\$356***	\$192 [†]	\$106	\$205***	\$128 [†]
Married	\$21,515***	\$68,598***	\$84,018***	\$14,314***	\$39,414***	\$47,133***
Household size	-\$1,458***	-\$6,170***	-\$5,949***	-\$574***	-\$3,252***	-\$2,217**
Constant	-\$51,488***	-\$30,755 [†]	\$2,063.7	\$7,026.73*	-\$30,450**	-\$57,778***
R-squared	0.049	0.150	0.325	0.062	0.155	0.283
Num. Obs.	6,188	6,444	3,623	6,188	6,438	3,621

Note. Num. Obs. = number of observations. All asset, debt, and income values are inflation adjusted using the U.S. Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) into 2012 dollars.

[†] $p < .10$. * $p < .05$. ** $p < .01$. *** $p < .001$.

are biased. For example, if a large number of unethical but relatively poor respondents marry rich but ethical partners, it is possible to find a spurious relationship that shows unethical people are financially more successful than ethical people. To investigate these issues, the baseline regressions (1) to (3), shown in Table 5, were rerun using only single people to ensure wealth is not contaminated by a spouse's or partner's values.

Overall, the results for single people in Table 7 look very similar to the results for all respondents in Table 5. This is

not surprising for the regressions analyzing people at age 20 years, because only one-fifth were married or cohabitating (4,708 single; 1,090 married). However, it is surprising for regressions tracking net worth at age 30 years, because more than half the respondents were removed (1,467 single; 1,766 married). Table 7 shows the magnitudes and statistical significance of the ethical coefficients increase as the cohort ages. It also shows small ethical breaches appear to have no relationship with wealth accumulation. Overall, this analysis suggests spouse and partner wealth are not unduly influencing the results.

TABLE 7. Wealth Regression Results for Single Respondents

Variable	Net Worth at Age 20 Years	<i>t</i> -statistic	Net Worth at Age 25 Years	<i>t</i> -statistic	Net Worth at Age 30 Years	<i>t</i> -statistic
Steals <\$50	-\$50	0.03	-\$3,256	1.03	\$2,507	0.58
Steals ≥\$50	-\$2,893	1.13	-\$7,332 [†]	1.79	-\$5,263	0.97
Ever arrested	-\$1,130	0.51	\$104	0.03	-\$9,875**	2.06
Times arrested	-\$257	0.78	-\$139	0.27	\$12	0.02
Donated money	\$640	0.36	\$7,054*	2.41	\$8,799*	2.22
Volunteered time	-\$2,027	0.84	-\$8,291*	2.04	-\$2,410	0.42
Interviewer thought respondent is honest	\$3,217	0.62	\$3,847	0.45	-\$8,111	0.74
Percentage respondent obeys rules	\$8,627**	2.56	-\$262	0.05	\$6,690	0.90
Percentage respondent obeys religious laws	-\$1,962	0.78	\$5,998	1.46	\$3,853	0.69
Female	-\$3,085 [†]	1.70	-\$8,173**	2.75	-\$8,175*	2.00
Age in 1997	\$6,640***	11.19	\$1,779 [†]	1.88	-\$1,090	0.78
Black	-\$3,014	1.27	-\$10,176**	2.71	-\$8,640 [†]	1.75
Hispanic	\$4,409 [†]	1.78	-\$866	0.22	\$4,921	0.91
Years of schooling	\$34	0.10	-\$1,040 [†]	1.88	-\$1,307 [†]	1.72
Income	\$0.09***	7.86	\$0.14***	6.53	\$0.24***	6.41
Urban resident	\$542	0.24	-\$6,866 [†]	1.76	-\$10,571 [†]	1.92
Lives in center city	\$1,298	0.64	\$2,206	0.70	\$4,629	1.11
Weeks worked	-\$4	0.09	\$201**	2.64	\$280**	2.82
Household size	-\$872 [†]	1.68	-\$2,684**	3.08	-\$3,548**	2.89
Constant	-\$79,731***	7.25	\$13,657	0.77	\$57,545*	2.18
R-squared	0.047		0.038		0.074	
Num. Obs.	4,708		3,112		1,467	

Note. Num. Obs. = number of observations. Single respondents are neither married nor cohabitating. All individuals who were marked as being cohabiting, married spouse present or married spouse absent were deleted from the regressions.

[†]*p* < .10. **p* < .05. ***p* < .01. *** *p* < .001.

Conclusion and Implications

Is there a relationship between ethical behaviors and financial success? The debate over this question has been taking place for centuries and reaches into the core of religious and legal practices. This research used a large, nationally representative sample (NLSY97) to examine the relationship between 15 ethical measures, net worth, assets, and debt. The overall conclusion is mixed. A few, but not all, ethical or unethical acts are associated with financial changes.

Table 5 showed small ethical breaches such as stealing less than \$50 or having interviewers think you were honest

appear to have no relationship to wealth accumulation. This suggests, but cannot prove, small ethical breaches have no financial impact. There also appears to be no relationship between financial wealth and being honest with a cashier or helping the homeless. Again this suggests, but cannot prove, there is no penalty for small acts of kindness. If this finding is replicated in other research, it removes an excuse for not helping others.

However, a relationship is clearly seen for other indicators. Breaking rules, stealing, and being arrested are associated with less wealth. This association becomes clearer the older

the respondent gets. Unfortunately, the direction of causation cannot be proven. Interestingly, following religious rules and laws does not appear associated with net worth at any age. Although this does not suggest that religious precepts should be ignored, the NLSY97 data indicate following them in the expectation of worldly wealth is unlikely to succeed.

The research findings have several limitations. They only apply to one generation in the United States. The results do not show the direction of causation, which potentially might only be determined in a controlled experiment or laboratory setting. Last, the ethical behaviors analyzed are based on data availability and miss behaviors financial planners care about such as cheating on taxes, engaging in off-books financial transactions, or lying about finances. More data will be available as Generation Y ages. This will reveal if the findings continue to strengthen as the cohort becomes 40 and then 50 years old. Nevertheless, this early look at the data suggests at least for Generation Y there appears to be a positive relationship between ethical behavior and financial success.

These results have important implications for financial counselors and planners. First, the results give financial counselors and planners something to say when clients try to involve them in unethical acts such as insider trading, hiding assets in divorce cases, or engaging in dubious tax strategies. Telling clients that research suggests acting ethically in the long run is associated with an improved financial situation might dissuade some customers from these behaviors. In addition, it is sometimes tempting for financial counselors and planners to act unethically toward their clients because financial professionals have the ability to enrich themselves at the expense of relatively naive customers. Although the results do not prove anything, they suggest that acting ethically toward business clients is not only the right thing to do but potentially linked to personal financial success.

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