

An Interplay Between the Shadow Economy and Religious Oriented Entrepreneurship in Poland. A Qualitative Inquiry¹

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An Interplay Between the Shadow Economy and Religious Oriented Entrepreneurship in Poland. A Qualitative Inquiry. This paper explores whether Catholic organisations, understood as moral communities, may act as intermediary institutions of control between markets and the post-socialist Polish state in constraining shadow economy activities of religionists who professionally run small and medium-sized companies. The interview data show that religious control efficiency is determined by the integrative potential of the specific religious organisation with which the analysed entrepreneurs were associated. This study also shows that the intertwining of an otherworldly orientation and dense social capital implies numerous ambiguities, which may produce destabilising effects for companies' organizational efficiency.
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Religion and the shadow economy: moral community approach

Firstly this paper aims to explore the problem whether Catholic organisations may constrain shadow economy activities among selected Polish entrepreneurs running small and medium-sized companies. While examining this problem the paper follows the moral community approach (Stark 1996; Stark et al 1982), which defines religiosity as a group property which in contrast to individual beliefs or practices decisively controls social behaviour. Although in social control studies religiosity has been typically perceived as a powerful instance of conformity (Burkett – Warren 1987; Cochran et al 1994; Grasmick et al 1991), nevertheless as Welch et al (1991: 159) claim “there have been disagreements about the complexity of these inhibiting effects”. Attempting to find a solution to this problem as Welch et al (1991: 159) continue “research has begun on multi level-effects” and has made a way to a general shift in sociology of deviance from individual-level analysis to “contextual analyses” and “integrated explanations”. In other words, the moral community approach emerged in social control studies out of growing dissatisfaction with examining an impact of religions on individual religionsits. Instead, according to the

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proponents of this shift: "what counts is not only whether a particular person is religious, but whether this religiousness is, or is not, ratified by the social environment" (Stark 1996: 164). Rose (2000: 355) for instance noted that religious groups are inclined to accumulate social capital, which constitutes a resource on which religionists "draw to organize and protect their communities". Regnerus (2003: 543) emphasized that social relations characterized by shared faith affairs "can be expected to model tighter, more enduring social bonds", which may potentially represent efficient means of inhibiting a deviant behaviour. Consequently, this neo-Durkheimian current of literature has tested a moral community hypothesis while searching for evidence whether the integrative potential of various religious associations has efficiently reduced the deviant behaviour of religionists. Findings focusing mainly on non-violent offenses including burglary, abusive drinking, and cannabis use offer a modest support for moral community thesis (e.g., Regnerus 2003; Wallace et al 2007; Finke – Adamczyk 2008)³. Perhaps the most compelling evidence for the moral community thesis has been found in the studies demonstrating the decisive role of the integrated religious organisations in reducing suicide behaviour. (e.g., Pescosolido 1990) Interestingly, some recent work emphasized as Stack and Kposowa (2006: 328) noted that the greater religious homogeneity may additionally increase the deviance deterrence, that is to say, religion constrains deviant behaviour (e.g., suicide) to "the extent to which residents of community adhere to a single religion". Religious homogeneity has been studied on various levels of analysis, including large aggregate units as nations, where research identified a majority religion, but also there has been a growing number of studies that suggest that moral community should be studied at smaller units of analysis as parishes and neighborhoods (Stack – Kposowa 2006; Grasmick – Bursik 1990), or at sub-denominational units (e.g., Evangelical Protestants) (Regnerus 2003). Empirical research showed that e.g., in schools with high numbers of Evangelical students there were less incidents of self-reported minor delinquency than in schools where Evangelical students were fewer. (Regnerus 2003)

In a narrow perspective of the business realm there is little systematic knowledge developed within a moral community perspective on the role of religion in constraining the shadow economy/tax fraud (but see Stack – Kposowa 2006 for aggregate findings on religious individual tax payers in cross-national perspective), and there are no findings on this problem in the Central and Eastern European region. Because there are some indications that people involved in religious practices and those with religious education tend

³ However there are also studies that did not find a support for moral community thesis (e.g., Cochran – Akers 1989)

to have high tax morale (see Torgler 2011; Torgler 2006)⁴, it has been assumed that the Polish case may provide some valuable insights, especially in comparison with Western European societies, where religion is less decisive in shaping social actions. Given the relatively high rate of religious practice among its followers, Polish Catholicism remains a potential source of influence on collective behaviours. (Zdaniewicz – Zembrzuski 2000) Further, following the religious homogeneity argument, assuming that the effect of moral community might be strengthened by cohesive community based organisations (e.g., Conservative Protestants' niches had lowest rates of suicide as compared with areas dominated by liberal currents of Protestantism, see Pescosolido – Georgianna 1989; Ellison et al 1997), this study is a result of research using the sample comprising the representatives of the subdominational variety of contemporary Polish Catholic organisations. While noting this intra-Catholic differentiation, the study was not concerned with the well-known discussion of how intrinsic religiosity as opposed to extrinsic religiosity (Allport – Ross 1967) may facilitate ethical business conduct (see Smoczynski 2012), but examined the moral community question whether the higher probability of the shadow economy/tax fraud avoidance is determined by the role of dense social capital,⁵ which enhances mutual trust and acquaintance among religionists and significantly facilitates the exercise of norms among them. The sample was divided into two organisational categories: 1. Respondents (entrepreneurs) associated with Catholic revival groups (e.g., Charismatic movements), whose religiosity was measured by criteria such as church attendance, activity in religious organisations, and self-perceived religiosity, allowing them to be defined as Catholics informed by otherworldly principles (Weber [1905] 2009). These organisations' (e.g., Neocatechumenate, Focolare, Communion and Liberation, the Families of Nazareth, Light-Life Movement, Charismatic Renewal in the Holy Spirit) integrative potential is relatively strong (28 respondents). Although these organisations have thrived worldwide for several decades, there is a gap in the scholarship on this phenomenon. (But see Csordas 1997) These movements represent different ecclesiastical profiles and are usually characterised by a shared belief in a personal relationship between God and man, a relatively demanding moralism, the powerful experience of conversion that separates the sinful past and the present Christian life, and an intimate face-to-face relationship among co-religionists. Using Casanova's (2001: 424) dichotomy of the Catholic Church as a historical merger of the

⁴ For instance, Petee et al (1994) found that individuals that are members of relatively well integrated parishes are more likely to be deterred from tax evasion as compared with those who belong to parishes less integrated.

⁵ I use the conceptual terrain of social capital defined by Bourdieu (1985) and Coleman (1988), which is concerned with the role of the social ties of small groups in transforming social capital into other forms of capital or enforcing social control over their members. I do not relate this discussion to the conceptual perspective of more aggregated public units as developed by Putnam (2000).

community cult and salvation religion, it would be perhaps correct to assume that the Catholic revival leans towards a salvation type of religion⁶. 2. Respondents (entrepreneurs) associated with Catholic civic society groups, which gather self-declared Christian entrepreneurs (e.g., associations of Christian entrepreneurs and participants of pastoral meetings specialising in providing "biblical expert knowledge" for entrepreneurs). These organisations engage in activities supporting social issues in the sphere of business, politics, and public life. Their integrative potential is less vital (more details on this below) as compared with the revivalist organisations (23 respondents). In both organizational categories the multi-affiliated respondents (revivalist and civic society movements participants) were present (10 respondents). In the sample several non-affiliated organizationally regular parish goers were also included (5 respondents/entrepreneurs).

Importantly, it needs to be emphasized that this study does not define shadow economy activities the way e.g. burglary, abusing drugs or suicide are typically presented in the moral community literature as unambiguous deviance. It is assumed that the shadow economy needs to be analysed rather empirically, since it produces ambiguous outcomes for broader social and economic systems, which poses a challenge for normative considerations. There is no agreement in the literature as to the very function of informal activities in modern capitalist economy system⁷. Also, whereas the prevalence of the shadow economy in Poland and in the broader CEE region is, to a considerable degree, determined by the macro-economic situation and institutional constraints, its presence can also be explained by socio-cultural factors, such as the strategy of "outsmarting the system" employed by certain

⁶ In Poland, there are more than 70 revival organisations registered in the Council for Catholic Movements, affiliated with the Conference of the Polish Episcopate. The most numerous group is the Catholic Charismatic Movement (30,000 members). Along with 150 other Catholic community-based organisations, they constitute a group comprising approximately 1 million participants (Siekierski 2012). In 2004, just 7 percent of Polish Catholics declared that they belonged to various ecclesial movements (Wciorka 2005), while 71 percent declared a lack of interest in exerting any influence on activities in their local parish (ibid). These findings confirm other observations that civil society in Poland is not vital. (e.g., Wciorka 2006) The degree of participation in the Catholic revival is thus relatively insignificant, and the potential impact of these groups on the wider Polish economy – as may be assumed – is rather limited.

⁷ Against the concept of "formalization" expressed by a number of authors (e.g., Lewis 1959), viewing the shadow economy as a pre-modern relic that inevitably will vanish with the processes of evolution of modern capitalism, there has been a growing evidence that the shadow economy cannot be properly understood in terms of backwardness of informal organization common in undeveloped countries. According to Portes (1994), and Sassen (1997) informal economy is rather conditioned structurally by the advanced liberal capitalism and not necessarily by the organizational dynamics of migrants ethnic niches imported from their sending countries governed by the logic of underdeveloped phase of industrialization. As this strand of argument goes, the informal sector is induced by the contemporary capitalism by employing sub-contracting strategies based on informal labour and exploitative conditions that are meant to reduce costs. On the other hand, a neo-liberal type of reinterpretation has gained a particular eminence, associated usually with the work of De Soto (1989), who viewed informal sector not as a survival strategy but as a deliberate choice of neo-liberal entrepreneurs who in the realm of shadow economy are able to deploy their inventiveness and capitalist spirit that was constrained by the ineffective state and its barriers of over-regulation and over-taxing. Contrary to this position, a significant body of empirical studies has been produced, associated especially with World Bank economists, that view the unofficial sector, particularly unregistered firms, as unproductive (e.g., they cannot benefit from the official institutions like courts or banks and are unable to own critical assets and advertise their products). (La Porta, Shleifer 2008; see also Wu 2002).

entrepreneurs (Los 1990; Ivan 1994). This strategy is apparent in the discrepancy between loyalty to a legal system and inclinations towards privatised morality in Poland and in larger post-socialist regions (e.g., Ledeneva 1998). This mentality may create a situation in which informal activities do not involve moral dilemmas among entrepreneurs, especially those running small and medium companies⁸ who perceive shadow economy activities as a necessary reaction to the tax burden and the state's "institutional sclerosis". (Schneider – Enste 2000)⁹

Religion and the shadow economy: ambiguities of value rationality action

Secondly, this paper's qualitative approach aims to explore the possible ambiguities that might be produced as a result of the interplay between religiously informed value rationality action and the shadow economy. Clearly, moral dilemmas in business activities either in post-socialist area or in a broader context are not merely limited to the shadow economy/corruption. Doing business within a legal framework may pose numerous moral ambiguities for entrepreneurs as well. For instance, Graafland et al (2006) found how antagonistic relations between religious faith standards and business practice brought about difficulties with adaptation to the existing business standards, namely entrepreneurs prioritising religious standards over economic rationality hindered their companies' economic efficiency. Indeed, the literature starting from classical figures as Adam Smith ([1776] 1976) asserted that morally oriented behaviour hindering instrumental rationality may bring ambiguous results in terms of economic efficiency for individual firms and for markets. Recently Beckert (2006) demonstrated how blocked exchange of certain objects or services based on moral codes may constrain economic growth and an efficient allocation of resources. On the other hand, as the classical Weber's ([1905] 2009) study on Puritan ethics and genesis of modern Capitalism demonstrated that otherworldly perspective aiming at ethical goal in itself may produce numerous unanticipated side-effects. Intrinsic uncertainty of the value rational action that rarely is perceived especially by the revivalist type of religionists with the economic efficiency in mind, only in retroactive perspective might be understood as an efficient market solution or a wrong decision that brought about a market failure. (See also Smoczynski forthcoming) The literature brings findings showing how the entrepreneurs'

⁸ Small and medium-sized companies are more likely to operate in the informal economy sphere because of their specific organizational culture (e.g., low managerial skills of the owners) and structural uncertainty affecting the activities undertaken by ventures of this scale (e.g. problems with maintaining capital assets). A high-risk business environment may be, occasionally or systematically, reduced by shadow economy activities, (see e.g., Stawasz 2008: 66-67).

⁹ There is considerable social acceptance of shadow economy activities in Poland, as demonstrated recently by Schneider, Marcinkowski, and Cichocki (2007). Also Stack and Kposowa (2006) in a study on acceptance of tax-fraud noted a poor legitimacy of post-communist states which weakens honest attitudes of the citizens towards tax compliance.

otherworldly perspective may lead to unintended consequences in their business performances. (See Beckert 2006)

The issue of the ambiguous interplay between religiosity and the shadow economy might be inscribed in the field of sociological inquiries analyzing how market relations are occasionally modified by moral principles of a given community. In this sense, contrary to neo-classical economic bias stating that unlike material interests, culture and religion are irrelevant to an analysis of economy, this study follows the Weberian path of reflection asserting that material interests are supplemented as Swedberg (2003: 219) recently argued by “ideal interests” which, “may have an underpinning force that easily equals or surpasses that of material interests” (ibid). Swedberg explains that Weber understood the agency of culture as relevant for economy in its power of conferring meaning: “The quality of an event as a ‘social-economic’ is not something which it possesses ‘objectively’. It is rather conditioned by the orientation of our cognitive interest, as it arises from the specific cultural significance which we attribute to the particular event in the given case”. (Weber, [1904] 1949: 64 cited in Swedberg 2003: 226). The initial Weberian assumption links this paper’s approach with the perspective of new economic sociology that shows how market action is embedded in socio-normative structures (e.g., Granovetter 1985), including religious beliefs functioning as cultural “regulative components” in economy by providing cognitive scripts to entrepreneurs. (Swidler 1986) There has been a growing number of conceptual and empirical studies supporting the thesis that market relations are governed not only by price competition but also by the impact of social institutions or normative systems as for instance Jens Beckert (2010) recently analysed the niche of whale watching as an example of normative impact on the market. This niche appears only when certain ethical dispute was played out that has changed “the symbolic meaning of whales in western culture”, which were hunted for centuries and now are “deemed particularly worthy of protection”, and only due to this social change whale watching might be marketed. In similar vein Zelizer (1979) analyzed the impact of non-economic factors in the development of an insurance system in the US, where the financial interests intersected with religious beliefs¹⁰.

Shadow economy definition

This paper follows Packard et al.’s (2012: 4) definition of the shadow economy/informal economy: “Market-based production of goods and services

¹⁰ The author explored the phenomenon how insurance businesses successfully managed to establish a monetary equivalence for such “intangible things” as the risk of unexpected death. This line of argument is not inclined, however, into cultural idealism and does not identify the market only with the cultural construct, which would otherwise weaken the material and institutional dimension of economic life. (See Zelizer 1988; Granovetter 1981)

that are in essence legal under prevailing laws, which is concealed to avoid payment of income taxes and social insurance contributions and to escape product and factor market regulation.” The data on the informal economy in Poland are inconclusive. This reminds us of the notorious problem of measuring the sphere, which, by definition, attempts to escape any forms of control. Data of the Polish Statistical Office show that in 2006 – 2008, the share of the informal economy in the Polish GDP declined from 13.7 percent in 2006 to 11.8 percent in 2008, whereas in 2009 it increased to 13.1 percent. (GUS 2011) The World Bank’s data indicate a greater share of shadow economy, from 27.4 percent to 29.11 percent of the Polish GDP (the period of analysis is from 1999 to 2007) (Schneider et al 2010). Koettle and Weber’s (2012) study, based on Eurostat 2008 data that combined informal dependent employment without social security contributions and informal self-employment, ranked Poland in first place among six analysed new EU member states (Poland had the highest share at 39.5 percent, and Estonia had the lowest share at 7.7 percent).

Following the early transition period (the early 1990s), Poland reformed its economic and political institutions and consolidated its economy. (King – Sznajder 2006; World Bank 2008) Nevertheless, Poland’s quality of governance and administration, legal system, and economic freedom have been consistently ranked poorly in major international indexes¹¹. These institutional deficiencies introduce a certain amount of uncertainty in economic organisations what may prompt entrepreneurs to seek informal ways to reduce risk, marked by e.g., tax evasion. (Jasiecki 2013; Mroz 1999) The driving forces of the shadow economy (including incentives for both informal labour and informal production) in Poland and in broader CEE states, as Leibfritz’s study suggests (2011), are the following: inflexible labour regulations, low salaries, high social security contribution burden, and high minimum wage. These factors potentially create a moral hazard for a number of firms approaching the tipping point “between compliance and survival and may collude to evade taxes to cope with market competition”. (Packard et al 2012: 75)

Naturally, companies confronted with the informal economy need to be analysed from a perspective of a broader institutional framework given that the informal economy is context contingent, for example, selected informal economy activities in Far East countries, for example in Taiwan and Hong Kong are considered to be productive, rather than subsistence oriented as in former Soviet bloc or Latin America, namely, many Asian successful small

¹¹ According to the World Bank’s “Doing Business” ranking in 2011, Poland ranked 55th, behind such countries as Rwanda (52) and Peru (43). In the 2011 “Paying Taxes” ranking, Poland was ranked at 127. In the Heritage Foundation’s “Economic Freedom” index, which maps out constraints imposed by the state on economic activities, Poland was ranked 64th.

companies are enmeshed in networks of kinship, which are quite often entirely or in part informal. (Pil – Choi 2005) In case of Poland and broader CEE region in contrast to Africa and Asia firms engaged in the informal economy cannot achieve their highest value-use, they lack large scale investments and instead “short-term turnover dominates”. (Kaufmann – Kaliberda 1996; see also Friedman et al 2000)

Data and analysis

This research was initiated in 2011. Fifty-six interviews were conducted in 16 relatively large urban areas in Poland (e.g., Warsaw, Cracow, Poznań, Gdansk, Gdynia, Bydgoszcz, Bielsko-Biała) with the owners of companies who declared that they upheld moral values of Catholicism in their professional activities. A snowball methodology was used to a limited extent while collecting the data; instead, efforts were made to select respondents from different regions of Poland and various Catholic organisations to represent a broad variety of Catholic entrepreneurial environment. Interviews were recorded (in some cases, notes were taken because sensitive content in the conversation on the shadow economy might be distorted by the usage of the recorder), transcribed, coded, and analysed according to Berg’s (2004) qualitative schema. The sample mainly represents small and medium-sized companies with diverse sector activities. The largest group of companies belongs to the service sector (33 respondents), followed by the trade activities sector (23 respondents). The smallest number of respondents is engaged in mass production (7 respondents)¹². Micro entrepreneurs prevail in the sample, which includes employment ranging from one self-employed owner to 5 employees (25 respondents)¹³, followed by small firms employing from 5 to 49 employees (22 respondents) and medium enterprises employing between 50 and 499 employees (9 respondents) and large companies employing from 499 to 1999 employees (2 respondents)¹⁴. Given the sensitive nature of the study, the multi-organisational affiliation of some respondents, possible bias towards socially approved answers, and reluctance to talk about shadow economy

¹² The figures do not make up 100 percent given that limited number of respondents represented different type of sector activities.

¹³ The size of the informal economy varies depending on whether it is calculated according to the proxy of production or employment. One of the employment proxies that is used in measuring the informal economy is based on the size of the company: companies that employ five or fewer employees are consider informal (other employment proxies include whether the employee has a formal job contract and whether a given company is responsible for the social insurance burden of its employees). The size criterion, as Packard et al. (2012: 24) admits, is the simplest way to track down informal companies, but it is the “least satisfactory measure, as it can exaggerate the extent of informal work”. In particular, it seems to be a doubtful criterion in post-socialist countries such as Poland, which are dominated by small companies that might be “fully registered, certified, regulated”. This study did not use the size criterion. Two other proxies are used in this study as indicators of informal labour.

¹⁴ The figures do not make up 100 percent given that limited number of respondents represented multi-categories of companies’ sizes (e.g. they run two companies large and micro).

activities among some respondents, the exactness of the findings discussed below should be treated with caution¹⁵. Given these limitations, this study found a consistent tendency in the sample in which the Catholic civic society organisation-based respondents, decisively more frequently than Catholic revival respondents justified involvement in shadow economy activities, particularly if these activities could support the survival of the company, or they declared systematic/occasional involvement in informal economy activities, especially if they were operating in economic sectors in which the shadow economy was rampant (a significant part of this group also provided ambiguous answers about their involvement in the shadow economy) as evidenced by one respondent (construction/renovation): "Prayer and doing business are separate phenomena, the company must operate under certain economic conditions. [...] I'd be happy to pursue a fully formal activity, but it is not always possible" [18]. Another Catholic civic society respondent demonstrated a non-consistent moral attitude towards paying taxes among participants of his group (trade): "In our group, there was a fairly widespread assumption that not all taxes can be paid. It did not cause significant moral dilemmas among us"[24].

These results contrasted with the answers of the Catholic revival organisation-based respondents: a minor fraction of this group justified or declared involvement in shadow economy activities. A decisive number of the respondents associated with this organisational category declared tax compliance (however some individuals provided ambiguous answers about their involvement in the shadow economy). They also often indicated the role of revival organisations in triggering their resistance towards shadow economy activities (trade): "I have no possibility to cheat in my firm because I am under constant observation of my community. It would be uncovered during the meetings of the community where my behaviour is under assessment" [42].

The role of religious organization's integrative potential in constraining the shadow economy

The significance of the religious organizational context gains specific prominence when we consider the fact that the findings show a loose relation between the ideological dimension of Catholic social teaching and actual business ethics attitudes of the analysed respondents (representing both

¹⁵ The problem with collecting data on actual involvement in shadow economy activities is acknowledged in the shadow economy/tax fraud literature, and it was also reported in other papers, as for instance in Stack and Kposowa (2006) where the actual fact of tax fraud was replaced by the indicator of the acceptability of the tax fraud. In this study, during the qualitative interviews questions were directed at both levels of declarations of the actual involvement of given entrepreneur and the declaration of the acceptability of shadow economy activities.

organizational categories)¹⁶. Their awareness of the official Church's social teaching is rather poor and inconsistent and their willingness to comply with business ethics standards/avoiding shadow economy activities has not been formed by any official business ethics training¹⁷. Rather it might be assumed that the resistance towards shadow economy activities is driven by practical ethics (Weber [1915] 1946: 267-268), which is shaped by the very fact of structural embeddedness of the individual into the community's everyday life, which is visible for example in the following revival respondent's statement: There is no need for any additional courses of Catholic social teaching, the spiritual influence of the community enhances the strength of consciousness of our members thus they are able to find a right way in the situation of business dilemmas.[20]

Another respondent indicated that it's not an abstract cognition of church teaching but the result of the religious organization's systematic pressure that set the ethical standards in the respondents' businesses:

The individual alone has not enough power to stick to the demanding Christian teaching whatever aspect of life it relates to. The inner spiritual life needs a practice which is much more likely to happen when you have other people who help you with this. Everyday you attend the mass, confession once a month, everyday adoration of holy sacrament, evangelization in the world than you start to live up to the Gospel not up to the world. If the community has an

¹⁶ Catholic Social Doctrine (Compendium of the Social Doctrine of the Church 2004) although explicitly does not take a position on the shadow economy it might be assumed that this teaching as formulated in recent papal encyclicals (e.g., *Centesimus Annus*, John Paul II 1991) does not support e.g., informal labour, which is marked – among other aspects – by the practice of work without a valid contract. This shadow economy practice represents an example of the exploitation of workers that is unambiguously condemned by Catholic social teaching (e.g., *Centesimus Annus*, John Paul II 1991: 41). Tax fraud itself is also explicitly condemned by a broad Christian teaching dating back to Gospel itself. Although in recent years there has been a growing number of pastoral activities designed for Polish Catholic businessmen which provide them with the “biblical expert knowledge” (e.g., the concept of stewardship, sanctification of work, biblical knowledge of finance), the impact of Catholic Social Doctrine as this study found was nonetheless severely limited upon the action of the analysed respondents. This deficiency might be related -among other reasons - to a rather minor interest in business ethics of the Polish hierarchical church, which after the 1989 communism demise has not paid a systematic attention to this problem what was pointed out by the respondents: “Priests are confused when it comes to questions of how to conduct oneself in business realm. I was given a full variety of different advices ranging from those which support informal economy activities to condemning them. It is rather disappointing” (service/revival) [16]. Or another revival respondent (service): „Polish clergy was mainly socialized during the communism times, thus for many of them informality does not pose any ethical challenge.” [18]. The poor awareness of religiously informed business ethics among business people was also indicated in a broader international context by Conroy and Emerson (2004), and Parboteeah et al (2008) who found that formal training in business ethics does not increase the probability of the ethical attitude in the workplace.

¹⁷ Naturally, the hierarchic Polish Catholic Church considers the Polish state and its regulations as legitimate what includes also a requirement for the respect towards a tax regime. The incoherency between official church's stand and tax non-compliance that may be detected among some segments of Polish Catholics usually has been explained by the lingering effect of the post-communist non-loyal attitude towards the state. However, the poor impact of Catholic social teaching on the analysed respondents may also indicate to a broader phenomenon of inconsistency between individual self-reported Catholicism of considerable number of Poles and the normative teaching of Polish Catholic church. There is a good deal of evidence showing this inconsistency as recent C&R survey demonstrated that among Polish Catholic only 55,9 percent declare that they obey Catholic teaching, 38,7 percent claim that they are religious in their own way. (In Hall 2012, see also Mandes 2002; Derczyński 2002)

impact upon my spiritual life, it has an impact upon my professional activities.[49]

Although the revival organizations do not represent “primordial social organizations” (Coleman 1993), since they are not grounded in kinship, nevertheless they produce a specific intimate social relations through developing an extended control over co-religionists. Through gradual socialization, community based religionists establish a structure of repeated practices around which their everyday life gravitates, which is substantially different from typical activities undertaken by mainstream Catholic church goers¹⁸. Participation involves meticulous fulfilment of daily norm of piety, and religionists follow certain tangible recommendations/restrictions that affect bodily behaviour (e.g., mortification, code of dress, avoiding consumption of certain substances), which mark their separation from the non-community members and create a sense of community. (Siekierski 2012) The amount of social capital and the degree of moral closure accumulated in the revival organization, makes it capable of exercising normative sanctions and governing the course of its members’ lives to a point that exceeds the ability of a civic society group and typical Catholic parish members. It is instructive to cite a respondent in this regard (production):

The religious formation of my community is all-embracing, it reaches all aspects of my private life and business life...God is present in every possible aspect of my life. I have to respond to God’s calling everyday and everywhere. It is possible because [name of the community] has taught me this. [19]

This partly explains why the revivalist moral community contributes to a religiously totalising perspective of reality in which it is difficult to sustain the separation between the private religious sphere and the secular sphere, including business activities. This perspective may also elucidate why the involvement in the shadow economy can be reduced, which, as it was mentioned earlier, is not unambiguously perceived as immoral act by a common church-goer. It was evidenced in the statement of one respondent (construction/service):

It seems that everybody in Poland is Catholic, but these people do not have dilemmas about not paying taxes. I also hear from some priests that if you do not hurt anybody, you should not be bothered with taxes. [...] This fishy attitude stops when you have a personal relationship with the living God. [16]

The role of intensive social bound which may contribute to shadow economy activities hindrance is particularly visible while confronted with the poor social bound of the analysed civic society groups. According to the interviewed entrepreneurs associated with the Catholic civic society

¹⁸ What also raised, in some cases, controversies: community based movements were criticized for their fanaticism, “brainwashing”, dividing families and anti-intellectualism. (Hanna 2005)

organisations, the strength of their networking is rather poor, as one of them claimed (trade/service):

Officially, there are 100 members in our local branch; in reality, maybe 20 members come to our meetings sometimes.[46]

Formally, they meet once a month for a club discussion, but in reality, an average member shows up a few times a year, and sometimes even less. Clearly, these meetings are not aimed at normative pressure exerted over their members. One of the association member claims (IT service):

I do not want to spend much time in the organizational meetings. Such social gatherings are a waste of time. When you are on the board of the organization, it takes 5 hours monthly, it is far too much.[21]

In fact the major organisation that gathers Polish Christian entrepreneurs is far from vital, as one of its leading figures argue (trade/service):

Our association basically is daying out, and it does not function properly in X. Initially we had as members bank presidents, CEOs, directors. Now we are supposed to meet once a month, sometimes two individuals turn up.[46]

A number of Catholic civic society group members joined the organisations primarily for instrumental benefits (trade):

A man came from the US who wanted to set up a bank that in his intention was about to support Catholic business people. There was excitement about this idea in the beginning, many people joined our organisation, they expected to get funding and so on. When it did not come off, our organisation fell apart, basically. More than 80 percent of our members simply vanished.[43]

The meetings of these groups do not revolve around religious issues, they do not provide spiritual formation of their members either. Another respondent put it bluntly (service):

“I joined because I was looking for new customers.”[21]

Otherworldly mind and ambiguities for the firms’ efficiency

This study supports the insights offered by the moral community scholars demonstrating that “community based” religionists are less likely to be involved in some categories of deviant behaviour¹⁹, which may also relate to shadow economy activities. Although such an observation links this paper with the current of the literature showing beneficial functionality²⁰ of the

¹⁹ It also confirms a general assumption that taxpayers who are linked to social networks (e.g., married vs. divorced) are less likely to evade taxes. (Tittle 1980) However, there are also findings that contradict the suggestion that married individuals are less prone to tax compliance. (For a discussion, see Torgler 2006)

²⁰ For instance, in the context of the trade and commerce, where the coercive nature of the societal morality has limited impact there have been done a number of studies demonstrating how religionists based on prescriptive norms can perform intermediary functions that facilitate market exchange. Coleman (1988: 107) claims that religious commitment of economic actors increases the “the trustworthiness of social structures that allows the proliferation of obligations and expectations” as in an example taken from the wholesale diamond market dominated by the Hassidim from NY City.

organisations based on dense social capital, it is not a complete conclusion of this research. The qualitative interviews demonstrated that religiously informed social capital can also contribute to the emergence of more adverse outcomes²¹ for the organizational efficiency of the firms run by the analysed otherworldly oriented entrepreneurs. In line with classic contributions (Weber [1905] 2009; Eriksson 1966) indicating that the “otherworldly mind” may cause various unintended consequences for economic and social systems, and also following recent Beckford’s (2003) remarks on contemporary religion, which has become a reservoir of different resources that can be used selectively in asserting collective identities, this study, within a narrow perspective of the interplay between religiosity and the shadow economy, found that the respondents governed by the enduring awareness of God’s gaze penetrating their business activities undertake actions that may bring ambiguous results for the organizational efficiency of their firms. On the one hand, the interview data show that the constant perception of providence operating in one’s life enhances the sense of mastery of individuals (Ellison et al 2001) as it is evidenced by the respondent (production):

God helps me because I invited God to run this business together, we are partners. Every day in the firm is played out in relation to the presence of God, thus the company cannot be only about profit-making, as it is primarily about approaching God mediated by contacts with the people in the firm and outside the firm.[19]

Such thinking that has been cherished in the community environment may considerably limit a number of informal economy manipulations strategies as much as those are considered sinful (which – as it was noted earlier – are not necessarily perceived in certain segments of Polish economy as unequivocal misdeeds). This has been pointed by the respondent (trade/services):

I have to act as an aware Christian also in my firm. My community does not accept the shadow economy. This behaviour can be justified in the family, but not in the community. The teaching of my community is a radical one.[50]

However, the censoring introspection of God’s gaze may limit the very possibility of pursuing certain business activities, particularly these located in heavily informalised sectors of economy. For instance a respondent confronted with the deadlock of informality indicated a state of “self exclusion” from professional activities (construction):

When you get converted it means that you cannot be involved in a certain number of business activities and your productivity may drop. I used to go for

²¹ There are some studies which indicated this problem as in Portes’ (2010) example of “bad social capital”, which produces an exceeding amount of social control that may constrain e.g. innovation, other studies demonstrate coreligionists may be coercive when individuals do not comply with the organisational rules, which may produce depression (Lincoln et al. 2003; Strawbridge et al. 1998), religious organisations may also produce political violence or “anti-new modern world” attitudes, as evidenced by fundamentalist movements.

informality, I did not pay taxes and I was scared all the time. When I converted I do not work only for money, I want to be honest, [and] it means that I cannot get involved in a number of business activities, where being an honest entrepreneur is severely limited.[29]

Consequently, the otherworldly mind may not only trigger inefficient economic outcomes as related to moral dilemmas challenged by the shadow economy, but it also triggers tensions between specific religious moral standards (e.g. prohibition on trading certain products/services) and practical standards (e.g. resourcefulness, productivity, self-interest), which as this study showed in certain instances distorted the logic of instrumental rationality among some respondents. (See Brink 1996) A most telling example of hindering economic rationality by the religious convictions was revealed when some of the analysed respondents blocked maximizing profit decisions. Perhaps this situation can be described a “blocked exchange”, a term coined by Walzer (1983) and later applied by Beckert (2006) to economic sociology covering behaviours which prohibit market exchange of objects and services due to certain moral convictions. For instance, the owner of a retailing company related to his own experience:

A few years ago, together with two partners I decided to open a wholesale beer distribution business, but we were not certain if it was the right moral decision. After a brief discussion we decided to see what fruits this business would bring. After two years, it turned out that this was a profitable trade, but we noticed that we sold beer to retailers who could re-sell it also to underage persons. We could not control it, so we felt morally uncomfortable, and we decided to abandon this business.[6]

In a similar vein, another respondent from the IT trade turned down offers which he found inappropriate from the religious point of view; the owner of recording studio did not rent his premises to musicians producing “immoral music”, the owner of an IT business rejected offers of designing “improper websites”. Exchange blockages were also identified while analyzing selected decisions made during the 2008-2009 economic crisis, when the principle of solidarity with the employees took precedence over economic rationality, and some of the analysed respondents declared a significant reluctance to dismiss employees, even though it threatened the firms’ economic standing. Moreover, religiously motivated protectionist employment policy, which aimed at establishing trustworthiness among employees who share similar religious assumptions also contributed, in certain instances, to the free-riding problem, which plagued some analysed firms as evidenced by the respondent (service):

I had a carpenter start-up company in which I employed only people from my community. It was disaster, they did not work properly, all the time they were

involved in the spiritual conversations and stuff like that....Eventually this firm failed.[35]

Another respondent has been affected by similar difficulties (service):
I had several people from my community in my business, they were totally indolent; this business was seriously damaged by their terrible management.
[39]

An otherworldly respondent who also used to employ religionists sharing the same labour code argued that it brought inefficient labour outcomes, thus he decided to implement a specific anti-free riding policy (service):

Yes, this may be a serious problem when you have colleagues from your community in the work. They may read religious sites online instead of working. In order to avoid these situations we made strict policy on this. If you want, for instance, to give testimony you take a leave and go whenever you want.[51]

There were also indications about the religious fanaticism underpinning the business policy of some otherworldly oriented entrepreneurs, leading to market failure as this respondent indicated (trade):

I know entrepreneurs who went bankrupt because of their irrational religious behaviour...One baker wanted to bake only the bread of God so he wanted to create a network of religious contrahents. He wanted to use for baking only components coming from pious Catholic farmers. Sometimes he had difficulties obtaining such products, eventually he was pushed out of market.
[43]

Religiously informed self-limiting strategy of the firm's market expansion

Besides the religiously informed "moral blockages", the interview data also provided examples of inefficient economically outcomes in which we see how some firms' profit-making was deliberately slowed down by "otherworldly incentives" which resonates with Swedberg's (2003: 59) assertion on the role of different forms of symbolic capital in the organisational context, which "may either facilitate the process of profit making, slow it down or block it". Naturally, not all of the analysed companies deployed the same logic towards the "desire for profit", which, according to Swedberg (2003: 59), constitutes a fundamental feature of capitalism "driven not only by the need of consumption but also by the desire for profit, which has to be continuously reinvested". Most of the analysed firms (mainly run by Catholic civic society respondents), might be perfectly located within this strand of capitalist dynamics, however some of the otherworldly oriented respondents revealed a purposive "desire for profit" self-limitation, representing a static modus of organizational re-production. Some entrepreneurs (representing both organisational categories) identified the crucial factor of religious motivation that affected them in undertaking a self-

limiting strategy understood as means of maintaining an ethical stand threatened by the desire for profit maximization that also included profits earned out of informal activities. This self-constraint imposed on the incentives of market expansion is visible in the statement of this owner of the constructing company:

In a smaller company we have smaller contracts, but instead we have better relations with customers, with direct investors. I have a bad experience dealing with large companies that behave irresponsibly, as they often misestimate the investments, they operate using a short-term speculative capital. Large companies also intersect with the world of politics, and there is an increasing risk of corruption....At our level, we do not cross with the world of politics so, our company is less exposed to hazardous moral behaviour.[2]

The respondent also indicated the risk of losing his religious life style when the company structure expanded, as in this quotation of the owner of a construction company:

In a large company it is easier to lose the Catholic moral orientation, you are faced with the increasing greed and then it is difficult to be a Catholic. We are happy with our small size, we do not long for a huge profit, it is not necessary for your salvation.[2]

The peculiar “self-constraining” tendency, on the one hand, mirrors the Weberian example of a “spirit of traditional capitalism”, mediated by a religious culture that avoids severe competition, seeks moderate profits and shows a significant reluctance to innovation (Swedberg 2003: 230); on the other, in certain instances the interview data reveal a specific anti “prosperity” attitude underpinned by the sectarian antagonistic logic towards “the spirit of this world” as evidenced in this quotation of an auto repairs company owner:

In Catholicism, material prosperity is not associated with the development of man, it does not pave his way to salvation. Material success is not a necessary factor in our company. We do not look for it when it jeopardizes our friendship with God.[5]

The owner of an advertising agency continued in a similar vein:

The capitalist economy is originally linked with the non-Catholic spirit, thus this type of economy leads Catholic businessmen to many moral conflicts. Maybe that's why Catholic companies are not particularly successful, because, by definition, they remain on the fringes of this unfriendly system, which is not beneficial for them....Catholic will come across many difficult situations while engaged in business, and this may hinder his potential.[3]

Although some of the respondents justified their self-hindrance in religious terms, we should bear in mind that this causal relationship between religion and company strategy might be spurious. It is quite likely that religious rhetoric which has been used in certain cases instrumentally in order to legitimize the

self-reproductory mode of existence cannot be properly analyzed only in the perspective of the impact of religion on economic activity. Insofar as the self-limitation logic was economically rational for some companies located in a niche market, which were obtaining satisfying profit margins and were not confronted with the intense competitive pressure. In turn, the respondents' firms which were based on low profit margins and located in a highly competitive market environment, were forced to be more expansive regardless of the otherworldly orientation of their owners. Also, the effect of a given company size cannot be ignored as a potent determinant of the possibilities of organizational development, and small-sized companies by the very nature of their internal deficiencies quite often are constrained in their efforts aimed at successful competition on the market. (Gomolka 1978; Freeman et al 1983)

Conclusion

Religious attitude which impacts the economic behaviour can be empirically studied on various levels, embracing different units of analysis. Economic sociology literature usually brings examples of normative agency shaping economic action framed within the perspective of the political-cultural approach, which emphasizes the struggle between many proliferating conceptions of control. This level of analysis covers the macro-institutional dimension where general rules (i.e., conceptions of control) that underlie markets (e.g. property rights, governance structures, rules of exchange) are constructed or modified. (Fligstein 2001) This paper's approach has been modest, as it has not analysed whether Catholic actors have been able to impact conceptions of control in the markets of post-socialist Poland. The analysis has not focused on the role of Catholic convictions in constituting broader interest groups, neither did it inquire into whether Catholic oriented business people are able to create and distribute ethical standards on the market. Instead, this study explored the micro-level of individual entrepreneurs and their companies, inquiring whether the impact of entrepreneurs' religious convictions has shaped organizational strategies of their firms, while confronted by the shadow economy. In doing so, this paper followed the moral community thesis among the selected entrepreneurs associated with the revivalist and civic society Catholic groups. It was found that the possibility of constraining the shadow economy is more likely to occur among the more integrated revivalists whose resistance towards informality, as argued, was based on their organizations' "dense and relatively closed social structure" (Coleman 1993: 9), which in line with the Weberian understanding of the functioning of sectarian movements caused among their members a relatively high level of compliance with the recommended forms of normative behaviour. (See Robbins 2004) This finding contrasted with the attitudes of the less integrated Catholic civic society

groups' members, who more frequently declared acceptance of shadow economy activities. Clearly, given methodological limitations of qualitative inquiry these findings cannot be generalized since the sample was not representative. This difference calls for further more systematic inquiry, which may test quantitatively various coping strategies with the shadow economy pursued by the entrepreneurs linked with the Catholic groups underpinned by different degree of organizational integration.

This paper also found that the intertwining of the otherworldly orientation and the dense social capital carried the potential of unpredictable consequences that have not always been beneficial for the economic efficiency of the analysed firms. Among some respondents, despite their compliance with tax regulations, their religious bias in certain situations blocked their companies' market expansion, restricted the exchange of certain products and services, or produced the free-riding problems due to employing co-religionists.

The empirical findings on the interplay between the shadow economy and religiously informed value rationality action in the Central and Eastern European region open up a number of lines for further inquiry. One of the possible avenues relates to the role of value-rationality oriented behaviour in overcoming a particularistic type of trust established within the informal economy networks and launching a universalistic type of market exchange. Zucker (1986) among others in a Weberian line (Weber 1947) asserted that market contracting in modern society, at least understood as an ideal type model, should be protected by a universalistic bureaucratic apparatus, capable of enforcing predictable rules governing the market game. Given that market relations inherently imply the uncertainty of the future outcomes of contracting parties, economic actors reduce the possibility of potential loss by relying on predictable law, enforced routinely by the state without resorting to the trusted identifiable particularistic actors. However, in the situation of institutional instability of post-socialist economy (e.g., in the Polish case inconsistent tax laws), overlapping with the structural weakness of the small and middle sized companies, some entrepreneurs tend to reduce risks of running a business by substituting deficiencies of universalistic bureaucratic forms of society by relying on particularistic trust networks. These networks, are located quite often in the shadow sphere, which cuts across a range of different phenomena such as bribery or informal economy networks. Although the particularistic type of trust as expressed by some categories of shadow economy activities/bribery may reduce uncertainty of dysfunctional economic sectors, on the other hand, this informal relationship may hinder differentiation of broader markets and block rational allocation of resources. Also given that informal trust building relations in an unstable institutional environment tend to reproduce themselves according to the logic of organizational isomorphism

(DiMaggio – Powell 1983; Deephouse 1996), the movement from informality to formality in certain post-socialist countries' shadow economy niches may be troublesome. The shift to formality requires efficient government's enforcement (Alm – Martinez-Vazquez 2003) and supplementary citizenship grassroots incentives that will break a routine pursuit of informality. (Schaltegger – Torgler 2007; Hanousek – Palda 2004) The role of efficient governance in improving the legitimacy of the state and, consequently, tax compliance, attracts the most attention in the literature, but there is still little evidence on the relationship between civic participation and rising tax morale. (Torgler 2011) It might be valuable to explore whether under certain conditions religiously motivated action may perform a grassroots function (Pui-Yan 2006), which will disrupt particularistic relationships of the shadow economy niches in selected settings in CEE.

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