

## JOURNAL ENTRY 12

In reading the “Sample Data Breach Notification Letter”, the two economic theories that relate are Rational Choice and Laissez-faire. Rational Choice- where choice is made in one’s best interest (pleasure and pain), which also include a cost-benefit analysis derived from the investigation conducted. According to the letter the breach happened in February and ended in December, the affected parties were not notified until a month after the investigation was concluded. The company, after estimating the cost of notifying their customers and their potential reputational damage, made a rational choice to focus attention and resources on the ongoing investigation to better understand the impact of the breach. Additionally, in the letter, the responsibility was shifted from the company to the third-party company that handled their site operation, claiming the breach stemmed from the hacker gaining access from the provider’s server. Laissez-faire- where companies are free to act with minimal or no government intervention. As stated in the letter “law enforcement” asked to delay notifying customers, under this theory the company’s decision to notify customers and address the breach should be solely based on them rather than government directives. However, it wasn’t so in this case because the company had to comply with the law enforcement’s request. The social science theories that relate are Cognitive theory and Social Learning theory. Cognitive Theory: This theory refers to the way individuals think and perceive information. The sample letter is well-structured, starting with a clear explanation of how the breach happened, when the company was informed, the nature of the breach, and further information on preventive measures. This structure allows the customer to interpret the severity of the breach, the types of data leaked, and the potential risk to their sensitive data, such as identity theft. The tone of the letter and the credit card recommendation impact the customers' reactions and decision-making regarding the breach. Social Learning Theory- suggests that behavior is

learned and influenced by family, peers, media or environment. In the letter, the recommendation on the credit card replacement or the other protective measures will be considered by the customer if a close friend or family member has experienced a similar incident and those recommendations produced positive outcomes.

## References

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