

Case Analysis 3: The Equifax Breach Through the Lens of Consequentialism

In September 2017, Equifax, a major consumer credit reporting agency, revealed a massive data breach that exposed the personal information of over 147 million Americans. As Ron Lieber explains in "Why the Equifax Breach Stings so Bad," the breach was especially objectionable because most victims never knowingly interacted with Equifax, were given no opportunity to opt out of its data collection, and were nonetheless victimized by the company's negligent cybersecurity practices. The exposed data included Social Security numbers, addresses, and birthdates, all of which are fundamental information that, once stolen, inaugurates lifelong vulnerabilities to identity theft and financial exploitation. What infuriated the public was Equifax's failure to act in a timely manner to seal known vulnerabilities and to inform affected parties in a timely and transparent fashion. These decisions were motivated by cost-saving and profit-protecting interests that ended up causing widespread, unnecessary harm. *In this case analysis, I will argue that the consequentialist ethical tool shows us that the Equifax breach harmed millions of people by placing them at substantial long-term risk for negligible corporate gain, and that this was morally wrong because the negative consequences vastly outweighed any resulting benefits.*

Friedman, Consequentialism, and the Equifax Breach

Milton Friedman, in his essay "The Social Responsibility of Business Is to Increase Its Profits," argues that the primary ethical responsibility of business is to maximize returns to shareholders, provided the business operates within legal and ethical parameters. Corporate executives, Friedman argues, are representatives of the company's owners, instead of public servants. Therefore, any attempt to redirect company funds for social good, other than in the pursuit of profits, constitutes a misappropriation of shareholder funds. He believes that businesses should obey the law and not engage in fraud or deception, but he does not believe that businesses are required to consider broader social harms unless those harms threaten profit directly.

From Friedman's perspective, Equifax's inability to avert the 2017 breach could be viewed less as an ethical failure and more as an expensive business miscalculation. The company neglected to patch a well-known software vulnerability, even after a public exploit had been revealed. From a profit-maximization standpoint, this indicates inadequate risk management, as Equifax miscalculated the costs of not responding in a timely manner. But from Friedman's viewpoint, unless this failure involved outright deception or violated the law, it wouldn't be unethical as long as the company remained within the parameters of market competition rules. However, Friedman's framework is inadequate through the lens of Consequentialism, a moral philosophy that defines right and wrong in terms of the outcomes of actions. A consequentialist would judge Equifax's action not on its intent or compliance with law, but on the impact it actually had on people. In this case, the harm was vast and far-reaching, as over 147 million people (many of

whom did not even know Equifax had their data) were placed at long-term risk of identity theft, financial fraud, and personal exposure. Consequentialism demands that corporations consider the foreseeable impact of their actions on all stakeholders, not just shareholders.

Equifax failed this test. The breach was not an unavoidable mistake, it was the product of disregarding warnings about a known vulnerability. Equifax neglected to patch the vulnerability in a timely fashion, neglected to perform internal audits that would have detected the exposure, and delayed for weeks to alert the public after discovering the breach. From the consequentialist viewpoint, these failures were morally wrong because they caused enormous, avoidable harm for millions of individuals who had no say in the situation. Worse, the company's post-breach behavior compounded the negative consequences. Rather than promptly offering free tools to protect the affected people, Equifax offered credit monitoring services that were tied to a related for-profit product, drawing criticism for trying to profit from their own failure. Executives sold stock in the days following the internal breach discovery, but prior to the public announcement of the breach, further destroying public trust and suggesting corporate self-interest over regard for public well-being. These actions reflect the company's priority of putting short-term economic interests ahead of long-term public safety.

Consequentialism also points to the ripple effects of the breach beyond individual victims. Public faith in financial institutions and data stewards suffered a significant blow. Millions of Americans were forced to take precautionary measures such as credit freezes, fraud alerts, and constant monitoring that involved emotional burden, time, and in some cases, out-of-pocket costs. These costs disproportionately fell on individuals, while Equifax suffered relatively modest long-term consequences: its stock price recovered within a year, and it ended up paying settlements that were trivial compared to its revenues. In contrast, the harm to the public was severe and long-lasting. Given this analysis, Equifax's ethical failure was to knowingly decide to deprioritize investing in cybersecurity, even though it was well aware of the high level of risk. A consequentialist analysis makes it clear that the right thing to do would have been to take active steps to secure its systems, patch the known vulnerabilities, and be honest and forthcoming with the public when the breach was discovered. These actions would have prevented, or at least reduced, the harm that did occur.

In short, Friedman's model offers little moral responsibility since it places profit above everything else. Yet a consequentialist theory enables us to recognize that Equifax's decisions were not merely ill-advised, but immoral since they imposed serious, predictable damage on other people. The company's negligence to behave responsibly resulted in actual pain and danger, which cannot be morally justified on the basis of cost savings or shareholder interest.

Anshen, Consequentialism, and the Equifax Breach

Melvin Anshen makes the case that business shouldn't be just about generating a profit, but also about fulfilling the evolving expectations of society. Corporations are in a "social contract," which Anshen describes as an unwritten understanding between corporations and society. The agreement presumes that corporations will exercise their power and influence in a way that serves the public interest, as well as private interest. For Anshen, when companies neglect to hold up their side of the contract, they weaken the moral foundation that gives them their privileges. The Equifax breach is a flagrant breach of this social contract. By neglecting to keep consumer data secure, disregarding cybersecurity vulnerabilities, and neglecting to publicly disclose the breach in a timely fashion, Equifax neglected its responsibility to the society that makes its business possible. The company benefited from access to a huge volume of consumer data without having to request their permission, and it monetized that data through its credit reporting and scoring services. In return for this societal trust, Equifax was morally bound to put the security of the data it gathered first. Rather, it prioritized internal efficiency and cost savings over public interest, actively sabotaging the mutualism that exists within the business-society relationship that Anshen describes.

Anshen's emphasis on the dynamic character of the social contract is also applicable here. In an era where data is more valuable than oil, the burden on businesses that manage personal data has grown geometrically. Society is increasingly requiring that businesses engage in open, ethical data practices; and not because it's good public relations, but because people recognize just how much power these companies have over their financial lives and identities. Equifax did not evolve in this respect. With the means and technical capability to implement strong security controls, Equifax did not do so, which transgressed against both current public expectations and long-term obligations. Moreover, Equifax's behavior following the breach further compounded the harm, which reflected a complete lack of concern for the well-being of the affected individuals. Promoting paid credit monitoring services seemed less about making amends and more about profiting from the breach. These actions contradicted the spirit of public service and accountability that Anshen feels is demanded of socially responsible corporations.

From a consequentialist standpoint, the ethical alternative was obvious: Equifax should have actively practiced good cybersecurity operations, such as patching known vulnerabilities in a timely manner. It should have designed its business model on the premise that safeguarding consumer data is an essential responsibility, not a discretionary cost. After the breach, it should have promptly notified the public, provided easy and actually useful remediation tools free of charge, and taken responsibility for the damage. These measures would have minimized the extent of the harm and demonstrated respect for the individuals whose data it commercialized. Together, Anshen's concept of social contract and consequentialist ethics bring us to the same conclusion: Equifax breached its moral obligation by permitting avoidable injury and putting profits ahead of people. It violated a moral contract with society, and the fallout from that violation, on personal lives and on public trust, was both foreseeable and profound. Business

morality, as Anshen and Consequentialism both illustrate, entails more than technical compliance or legal protection; it entails proactive responsibility for the impact of decisions on the public. Equifax's inability to meet that standard was not only bad business, but a grave ethical failure.

Conclusion

The 2017 Equifax breach was more than a technical failure; it was an ethical failure that harmed millions of individuals. Applying the consequentialist ethical framework, this case analysis has demonstrated that Equifax's actions inflicted widespread, avoidable, and long-lasting harm on individuals who were given no chance to consent to the company's data harvesting. The breach imposed tremendous emotional and financial costs on the public with no commensurate benefit, either to society or to the company's own long-term interests. In Milton Friedman and Melvin Anshen's views, we see the juxtaposition of a limited, profit-maximizing conception of corporate responsibility with a more holistic, developing understanding of the social responsibilities businesses owe to the communities that sustain them.

Some would argue that Equifax simply made a mistake or was the victim of bad luck in a time of increasingly sophisticated cyber threats. This objection overlooks the crucial point, however: the company had the resources, the warning, and the time to prevent the breach. It chose not to do so. Consequentialist analysis makes it clear that when corporations prioritize cost-cutting over safeguarding human well-being, they are negligent ethically, regardless of whether or not they break the law.

Overall, the Equifax breach highlights that businesses must consider decisions not only in terms of profit, but in terms of the actual effects of their actions in the real-world. In a data-driven economy, moral accountability must extend to all those impacted by a business's decisions, even and particularly when those individuals never opted into the relationship to begin with.

References

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