

The Impact of Data Breaches through Economic and Social Science Theories

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After reading the sample data breach notification letter from Glasswasherparts.com, it has brought my attention that the rapid rise of cyber attacks has trigger analyst to take part to understand this attacks through the lenses of economics and social science theories.

The economic theories observed in the sample letter are, information asymmetry and externalities. In the first theory, tell us that one party has more knowledge of the situation than the other. In this case, the customers were no provided about the breach until later. The platform was well aware of the intrusion, breaking that balance of information between both parties, increasing the risk of harm for the customers that would not take preventive measurements as they remained unaware of the breach. Externalities, tell us that the data breach at Glasswasherparts is an negative externality, because the actions or inactions of the platform provider end it up in potential costs to the customers such as identity theft that can lead to customers loosing financially in the long term. According to this theory the platform provider should have compensate the affected customers.

For the social science theories found in the same letter are, social trust and responsibility, and behavioral response to risk. Social trust is one of the cores of a business because that is the way they obtain more customers or loose customers, in this instance the delay of information is a break point for customers to feel betray and loosing trust. The company must provide good faith that they are gonna do better and take responsibility for their actions by doing better with their cybersecurity. Finally, the behavioral response to risk tell us how the customers respond to risk. In the letter, there was preventive actions recommended to take like monitoring the financial statements. By understanding how customers react, the company can improve their communication methods and more effective ways to help the customers mitigate the situations.

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