



LUT

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Liars and Outliers

Chapter 13 and 14

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Chapter 13

Corporations



About corporations

- Corporations consist of multiple individuals – less moral pressure
- Corporations have a single interest: making profit
- Corporations can spread over a big area, reducing institutional pressure
 - Big corporations also lobby for laws
- Competition as a dilemma
 - Corporations' group interest is to price fix, but defecting may be profitable
 - Dilemma ends up being good for the consumer



Moral pressure on corporations

- A corporation is a group of people with different moral pressures
- Competition puts profits always above morals
 - Book example: tax loopholes

Reputational pressure on corporations



- Corporations hire public relations teams to increase reputation
- Corporations are not transparent enough for consumers to make informed decisions
- Testing may be paid by the corporations
- There may be a delay in doing a wrongful act and seeing consequences
- Extra profit from bad behavior may be worth the reputation loss



Institutional pressure on corporations

- Punishing a corporation may not be in society's best interest
- Corporations can afford lawyers that know law loopholes
- Big corporations lobby for laws, changing the pressure



As corporations get larger...

- Size is proportional to power
- A large corporation can cause more damage by defecting
 - Enron caused \$11 billion of damage
- Large corporations can be hard to punish due to the detrimental effects
- Large corporations have more to lose by defecting



Chapter 14

Institutions



About institutions

- Institutions create or enforce rules or laws
 - Government agencies
 - Government itself
 - Corporation board of directors



Interests of government institutions

- It is in government institutions' best interest to keep their “opponents” flourishing
 - TSA needs there to be airplane terrorists to survive
- Regulators of an industry may start advocating for the interests of that industry



Institutions as defectors

- People are forced to interact with institutions, reputation doesn't matter
- Corporations can become institutions
 - You can refuse to use Facebook, but...
- Institutions are only being watched by other institutions



Questions

- Do corporations that do charitable activities *always* have a sinister motive to increase reputation? (the book says so)
- How can we punish big corporations?
- How can we solve government agency corruption?