

CHAP 1: SOCIALLY IRRISPONSIBLE COMMERCE

What is socially irresponsible commerce?

Perhaps the Global Financial Crisis is the latest large scale manifestation of some s.i.c. What caused the GFC? This question does not have a simple answer. But roughly speaking, the GFC began when a large housing price bubble in the USA burst. Asset prices tumbled, and then so did the financial position of some very large banks and other corporations. The global links of these corporations meant that these collapses had knock on effects in many other countries. The response of many remaining banks: severely tighten lending. This led to economic slowdown, increasing unemployment, and hence the term GFC.

Do these events involve socially irresponsible behavior?

My view is that, to some extent, YES. Why? Because not all 'players' have equal access to, or equal understanding of, relevant information. In economics we call this problem 'asymmetric information'. Asymmetric information can promote socially irresponsible behaviour, and hence individual and social harm. The existence of asymmetric information is as old as commerce itself.