



INDIANA UNIVERSITY BLOOMINGTON
OSTROM WORKSHOP

COLLOQUIUM SERIES

Eric Jardine

Virginia Tech

Monday, February 7: 12:00 – 1:00 pm ET

Virtual via Zoom: [Click here for link to Zoom meeting](#)



Hezah! Ransomware: Externalities, Cost Internalization, and Security Investment Intentionality

Cybersecurity is under consumed due to externalities, where a significant portion of the cost of a cyber-attack is borne by others. Some attacks, such as data breaches, are largely cost externalizing, meaning individual exposure should create little incentive for subsequent security investment. Other attacks, such as ransomware, are largely cost internalizing and should lead to a greater investment intentionality. Analysis of nationally representative survey data from the United States (n=2,228) using optimal full statistical matching shows that self-reported past exposure to ransomware significantly increases declared security investment intentionality by almost half a unit of standard deviation (ATE = 0.474; 95% CI = 0.292 – 0.655; $p \leq 0.001$). Similar exposure to a data breach does not result in a statistically meaningful change to declared investment intentionality among respondents (ATE = 0.056; 95% CI = -0.035 – 0.147; $p \leq 0.264$). The market for cybersecurity often fails, but perhaps only for some attack types and not others.

Eric Jardine Eric Jardine is an assistant professor of political science at Virginia Tech, a senior fellow at CIGI, and an affiliate of Connicity Risk. His research focuses on the misuse of the Dark Web and quantifying cybersecurity risk.

Ostrom Workshop
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