

Chapter 8

Lies and Deceit vs. Social Capital

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ABSTRACT

Misleading statements and outright lies by governmental figures might reduce economic growth rates and would result in a substantially lower level of economic well-being. The lie is the induction of false belief with the aim of misleading the audience in any way possible. Although a liar knows lying has its costs, he lies in the hope of gaining short-term benefits. Lies accumulated reduce trust, increase transaction costs in the business environment, create dysfunctional balances, all of which are factors in the decline of well-being. The aim of this study is to analyze the economics literature on lies in terms of lying's effects on harming social capital, destroying the expected functions of institutions, increasing transaction costs, and creating asymmetric information.

INTRODUCTION

Economic analysis of lie is possible because this action is influenced by conflicting motives as a result of the decision of economic agents. The extent to which a person lies depends on the cost curves and the ultimate benefits of lying. But above all, there is a need to provide a definition of a lie. Aquinas (1964) states that expressing a belief to others while that belief is wrong is enough to lie and there is no need to intend to deceive. Lying is wrong, and Aquinas states that one should never lie. There is a difference between not lying and being honest. Lying hurts the liar for the first time and destroys trust in society. Hence, there is never a harmless lie.

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According to world definitions, there is no uniform agreement on the act of lying. In a general agreement, lying is practical along with the act of cheating to succeed or to ruin the belief and trust of others (Borchert, 2005). Smith (2004) has several definitions of lying. He believes that lying in any form is a mission to provide false information to others or to deprive them of real information (not telling the truth). He believes that keeping information secret is a lie.

Ekman (1985) has a definition of lying that is slightly narrower than Smith's. He does not differentiate between lying and cheating, but he believes that both are based on intention. Ekman states that hiding information with the intention of misleading others (that is, hiding information from others with the intention that others believe something is wrong) is a lie, and that any behavior outside of words and statements with the intention of misleading others is also a lie.

Vrij (2000) agrees with Ekman that lying does not always require the use of words. For example, an athlete's pretension to a sore leg or part of the body is a lie that does not require words. It also states that concealing information with intent is a lie. Vrij states that people lie when they do not inform others of their intention to lie.

Lies have different forms among researchers, the most obvious and famous of which is the big lie. The big lie is a term and technique first used by Adolf Hitler and represents the propaganda technique in the world of politics. In my battle (Mein Kampf), he said that people accepted Germany's defeat in World War I because influential Jews in the press used the technique. In his view, this method requires that the lie be so great that no one believes it as a lie. In other words, a person should be so rude as to shamelessly distort the truth. The first use of the big lie is documented in his famous sentence that in the big lie there is always the power of believability.

This is stated on page 51 of a report released by the US Office of Strategic Services on Hitler's mental history (Wikipedia):

'His first rule is never to let people down, never to admit mistakes, never to admit that the enemy may have a good character. Never leave room for an alternative, focus on one enemy at a time and blame him for every bad thing. People believe the big lie sooner than the small lie, and if you repeat the lie over and over, they will believe it sooner or later.'

Therefore, any form of inducing a false belief or preventing the publication of the truth that is done intentionally is the accepted definition of a lie in this chapter. Lies can be told at different levels of society: at the family level, at the work and business level, at the government level, between policymakers and the nation. Since the economic impact of each is different, and this study addresses the problem of lying from an economics perspective, lying refers to most of the issues that exist at the business level and between the government and the nation.

This study tries to review the literature of economics and suggest some cases that can explain some of the false consequences. Nowhere in economics has the problem

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