Governing Data as a Flow:
The Economics of Data and Privacy Protection

Discussion by Nageeb Ali

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Paper frames a number of fascinating issues about privacy:

1. What is the value of sharing information?
2. How much do people care about privacy?
3. Who demands, supplies, and secures data? Who should own it?
4. History and legislation on privacy principles.

Each chapter is a research agenda on its own.
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"Privacy is not the opposite of restraint — it is not the opposite of responsibility."

— Acquisti, Kulr, and Wagan (2016, JEEL)
what is privacy?

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noun
the state or condition of being free from being observed or disturbed by other people: *she returned to the privacy of her own home.*

- the state of being free from public attention: *a law to restrict newspapers’ freedom to invade people’s privacy.*
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Acquisti, Taylor, and Wagman (2016, JEL):

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—Richard Posner (1977), *The Right of Privacy*
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*If you have something that you don’t want anyone to know, maybe you shouldn’t be doing it in the first place.*

—Eric Schmidt (2009)
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Stronger rules on data protection mean people have more control over their personal data and businesses benefit from a level playing field.
benefits and costs of sharing information

Sharing information matches with the right kind of people and products.

To put it more simply, consumers need to disclose data to obtain what they need.

But at the cost of:
- Potential price discrimination.
- Unsure exactly who can access data and how it will be used.
- Can lead to consequences that are nefarious or icky.

Outside of markets, it can distort behavior and information.
How much do people value privacy? Words versus “revealed preference”.

But what do choices reveal?

- **Equilibrium effects**: the market may already know a lot about me from my past behavior and that of others.
- **Monitoring**: Very difficult to detect how my data is being used.
- **Partial foresight**: I think “locally” or narrowly bracket this choice, and do not take the entire game tree into account.
- **Unawareness**: How data can be used by future technology is particularly hard to foresee.
two missing pieces (broadly)

Existing literature and rhetoric focuses primarily on price discrimination in monopolistic environments to the exclusion of other market structures.

Worth thinking about role of privacy in competitive markets (with differentiation).

- Ali, Lewis, & Vasserman 2019: Disclosing information about one’s preferences amplifies market competition.
- Armstrong & Zhou 2020: Consumers may be better off not learning much about their preferences so as to have strong market competition.

Also worth envisioning a future where the choice isn’t dichotomous—share or conceal—but active choices on what to communicate.