

Some Economies of Information and Consumers Information Economies

- Information isn't free – search, education, attention, etc.
- Advantages of brand names in mass markets.
- Experience goods: possible market failure.
- Mandatory disclosure rules.
- Attention and the economics of information:
 - Public television, public service announcements, fine print, etc.

Why we (might) want info-intermediaries

- Information asymmetry (and market failure).
- Do we want 'perfect information'?
 - Buying a car.
 - Buying a university education.
 - Buying a blender.
 - Buying an airline ticket.
- *Consumer Reports* Magazine
- *McLeans* university rankings

The 'optimum amount' of information.

- Doctor's visits: what do we want to know?
- Reading labels.
- Power Tools.
- Transaction costs problem.

The function of middlemen – secondary markets

- home inspectors (for one-time expensive purchases).
- professional associations, consumer guides, standards ass'ns (Better Business Bureau)
- Internet review sites. (new kind of intermediaries)
- Amazon.com: collaborative filtering.
- Standardization of info: results from insufficiently demanded personalized info.

Veimer and Vining's conclusion

- Secondary markets solve most info-related market failures.
- Incentives to reveal or guarantee product quality:
 - Insurers, grocery stores give free health info.
 - Brand name producers protect their reputation
- But:
 - What about food producers, car companies?

- Their political/social influence.
- Public goods problem (disincentive for right info).
- Also Corporate (ir)responsibility.

The new info economy

- Has technology
 - empowered consumers?
 - challenged intermediaries?
 - removed market imperfections?

Shapiro's "control revolution"

- Reduced transaction costs for high-quality in-demand info.
- Better personalization and relevance of info. Google. Amazon.com, peer-to-peer technologies, Wikipedia. Ebay.
- Disintermediation:
 - Freedom from middlemen and gate-keepers.
 - 'WebMD'

Issues and Questions

- Freer info:
 - Less need for gov't, regulated providers (licensed broadcasters)?
- Disaggregation:
 - Single-issue blogs vs. newspapers.
 - Fragmentation of communications?
 - Google searches vs. librarian's advice?

Shapiro's concerns:

- Value of trusted intermediaries.
 - Does Wikipedia prove him wrong?
- Secondary intermediaries:
 - Canada Food Guide vs. web searches.
- Myth of disintermediated instant access. (on-demand)
- Push-button politics
- Shapiro: We still need intermediaries.

Privacy issues

- First exchange: money for goods.
- Second Exchange: personal info for better service.
- Problems of info asymmetry and rights:
- Fair Info Practices:

- Notice – informed consent
- Choice – opt-in / opt out
- Access – verifiability, transparency
- Security – organizational reliability

Examples

- personal records, profiling, data-matching, consumer scoring
- air miles, pc points, credit card companies, Doubleclick corporation
- misuse, unregulated use of personal information
- non-transparency, unequal bargaining power

Internet and Privacy

- Increased transactional efficiency.
- More consumer personalization requires more transparency – cookies, etc.
- Before Internet:
 - Corps were optimum bearers for p.i. control.
- Now, due to new tech (its risks and control options):
 - Individuals most optimal bearer of p.i. control.

Issues

- Choice vs. convenience
- Utilitarian justifications for use of personal info by companies/organizations
- Utilitarianism vs. rights.
- Utilitarianism vs. justice
 - Discrimination, hiring, insurance.
 - Who benefits from info trading?

Trade-offs and rights

- Surveillance: privacy vs. crime prevention.
- Medical databases: efficient use of patient info. Genetic info.
- More efficient insurance systems.
- Black boxes in cars: Pigouvian taxes?
- Personalized service vs. lose control of p.i.
- Digital Rights Management in computers.

Some solutions

- Gov't protection of privacy rights of 'data subjects'.
- Self-regulation by industries
 - Trust, reputation, media scrutiny.

- Third party certification: Trust E
- Technologies:
 - Cookie and pop-up control on web browsers
- Markets: Give data subject rights over p.i.
 - Coaseian bargaining will find MHVU of p.i.

Privacy Markets: why?

- Corresponds with control revolution.
- Gov't is blunt instrument
 - how much do we value privacy? Trade-offs.
- Old tech: privacy transactions were costly.
- Now: easily programmed transactions.

Privacy Market Failures

- Information asymmetry
 - the complexity of data manipulation/exchange
- Adds transaction costs.
- More transparent?
- Unequal bargaining power: individuals vs. large organizations
- Inequality: Poor people's info is worth-less.
- Commodification: sell privacy, poor might sell themselves into info-slavery