Impact of Data-Based Disruption on Regulation, and Rethinking Privacy

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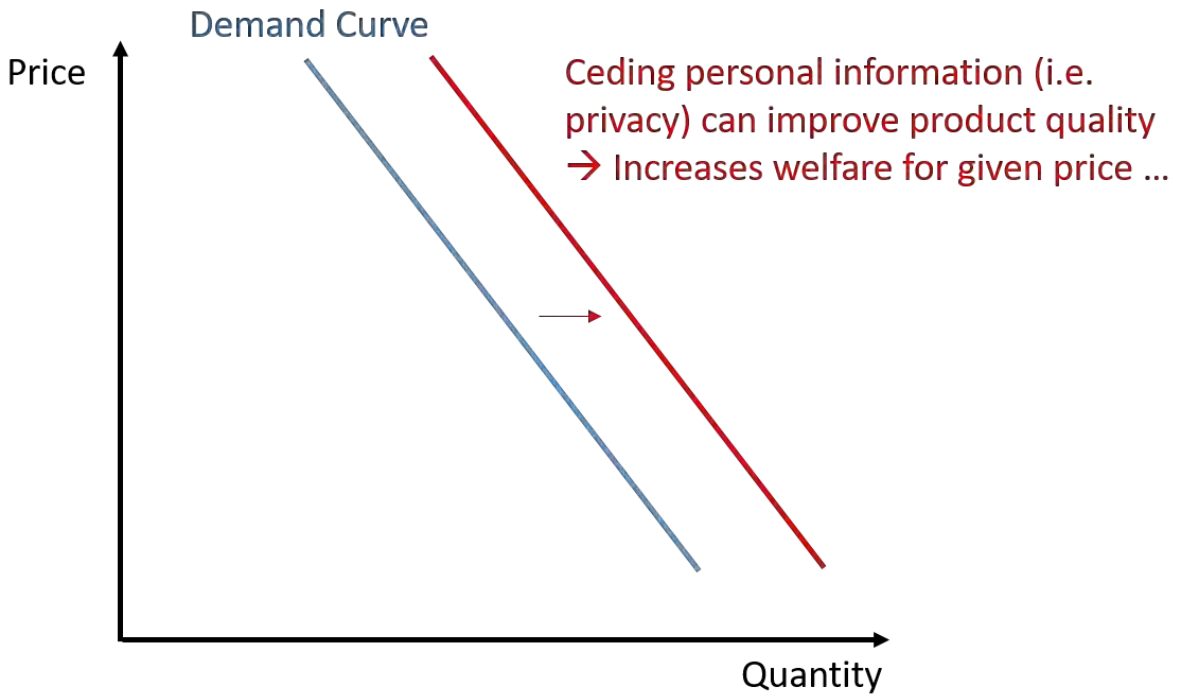
Privacy – A Case Study

- Topical, with recent passage of EU's GDPR.
- Any human rights-based approach to privacy gives reason to pause on economic grounds:
  - For starters, OSFA solutions are generally inefficient (save as a second-best compromise).
- More fundamentally – is trading away privacy (i.e. creating "unprivacy", by sharing our data with DBDs):
  - A *payment in kind* for data-based goods and services (e.g. "free" email) – affecting true "price" and hence competition assessments; or
  - A *co-investment in kind*, with consumers and DBDs as joint producers?

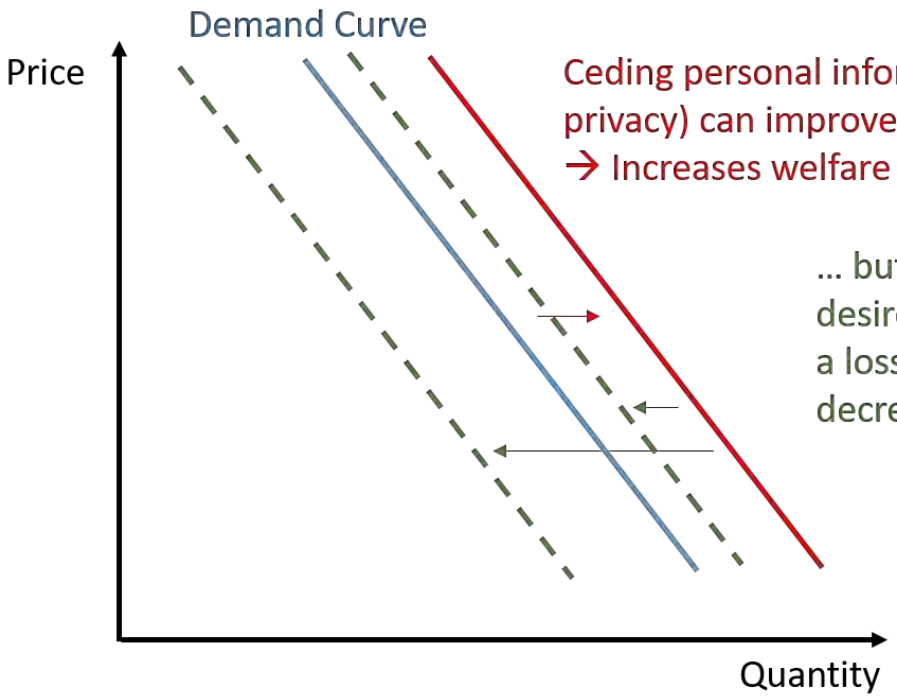
Privacy (cont'd)

- This potentially dual character*:*
  - Means competition and privacy regulators each need to pay greater attention to data's dual/simultaneous roles;
  - Comes up in other sectors facing rise of "prosumerism" (e.g. solar panels in electricity) – customers no longer (always) just consumers; and
  - Complicates assessment of competition impacts – different types of customers with changing roles in different circumstances.

Measuring Privacy Impacts on Welfare



Measuring Privacy Impacts on Welfare (cont'd)



Ceding personal information (i.e. privacy) can improve product quality → Increases welfare for given price …

… but if privacy is something consumers inherently desire (can test this), can think of ceding privacy as a loss of quality, providing offsetting effect → decreases welfare for given price