



Issue in Focus

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The Inconsistencies of Privacy

This brief discussion of an "Issue in Focus" contains candid observations and opinions from staff members of the Office of Inspector General.

In recent weeks, [Paul Krugman](#) and other prominent thought leaders have focused on the challenges inherent in private technology companies providing *de facto* infrastructure services to the American public, but without the public's best interest in mind. Members of the public, in the meantime, are seemingly unaware that the privacy they say they cherish is being compromised, although, with varying degrees of awareness, they willingly sign it away. Can the Postal Service help resolve this situation?

The Meta-Problem Is Simple

The meta-problem can be simply stated: those who are entrusted with our privacy often do not have the economic incentive to respect it. For today's profit-maximizing digital firm, the consumers are the "product" needed to serve their true customers, the advertisers. Therefore, it is to these companies' advantage to collect as much private information about each consumer as possible and then to package and resell it to advertisers and others.

Public utilities provide another model. They are mandated to provide a public service at breakeven or under retained earning limitations and can be entrusted to uphold privacy. Sound familiar?

The Era of the Control Paradox and Rational Ignorance

Even when consumers are given choice, however, they may not always use it to protect their privacy. A recent [study](#) shows that consumers, especially younger consumers, are willing to relinquish control over their private information even when they have the opportunity to restrict how it is used. The study, conducted by Alessandro Acquisti and a team of researchers from Carnegie Mellon University, examined what he coined as the "Control Paradox." The study found that those who were offered the least control over who would see their answers seemed most reluctant to reveal themselves, while those who were asked for consent were nearly twice as likely to answer all questions. *This*

“control paradox” seems to suggest that when it comes to privacy, what matters most to consumers is the perception of choice and not the reality of full control. Another interesting finding from Professor Acquisti’s research deals with value and willingness to receive compensation in exchange for personal information. His behavioral experiments show that if consumers do not have privacy, they are unwilling to pay to acquire it. But if they have it, they will value it. His conclusion results from a study in which consumers were offered a \$10 discount card and an extra \$2 if they disclosed their shopping data while a set of other shoppers were offered a \$12 discount card and option of trading it in for \$10 if they wished to keep their shopping record private. Half of the first group refused to give up their data for the extra \$2 while an overwhelming 90 percent of the second group did not want to give up the extra \$2 to keep their shopping information private.

The Carnegie-Mellon work reflects the paradoxical attitudes that younger generations have towards privacy on the Internet; Professor Acquisti calls this “rational ignorance.” Frequently, today’s most popular Internet and social media sites inundate customers with lengthy privacy policies. Most people do not have the time to read, let alone absorb or agree to the information presented in privacy policies, sometimes in legal jargon.

Some of this rational ignorance is due to fatigue and disinterest on the part of the average consumer. As [Leo Gomes of Forbes Magazine](#) points out, ironically, privacy laws are desensitizing Americans to privacy policies and notifications. Electronic and physical mailboxes are filling up with a barrage of notifications, privacy notices, and security alerts from corporate America as they grapple with today’s privacy disclosure policies.

Companies that we have become dependent upon for everything from e-mail to job recruitment to e-commerce have taken advantage of this inconsistency to serve their true customers — advertisers. Executives with today’s darlings of the digital economy (not to mention investors) are less concerned with the privacy desires and rights of their users — and simultaneously, the Carnegie Mellon study illustrates that customers are equally inconsistent about their need for privacy.

The Need for Privacy and Permanence

Inconsistency on both sides of this two-sided market is creating an opportunity for a third party public provider such as the Postal Service to address these shortcomings. As past U.S. Postal Service Office of Inspector General research has argued, the Postal Service brings two important strengths to the table: privacy and permanence. Americans continue to find value in the Postal Service’s efforts to maintain and protect the privacy of its customers. Further, the Postal Service is required to adhere to terms of service set by statute and the stringent conditions of the federal government’s Privacy Act, and other communications players are free to continue mining their user data while taking advantage of the rational ignorance and the desensitization of many Americans to privacy policies.

In addition, other entities are susceptible to the transience of the business cycle. Companies come and go, and while some, such as the archiving service Dropbox, suggest that their service will make sure your “files will always be with you,” there are no guarantees. Users of Google Reader recently found this out when Google announced it would be ending this service on July 1, 2013, because of low usage. The [Los Angeles Times](#) reported that a key reason for its closure was that the company would not commit staff to ensuring that the service complied with privacy laws.

By offering privacy as part of the free basic service on a postal digital platform, people will value the platform and its offerings such as an eMailbox or Digital ID even more — secure in the knowledge that their privacy is permanently protected by law. Postal cost coverage would come from complementary and premium services such as a Freemium model that charges for add-on services such as a lockbox or electronic postmark service.

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