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Submission on Preliminary Report of Digital Platforms Inquiry - Economics of Privacy in the Digital Age

1 message

Richard Meade <richard.meade@cognitus.co.nz>

13 February 2019 at 12:30

To: platforminquiry@accg.gov.au

Dear ACCC, I wish to make a submission on your Preliminary Report of December 2018 to assist this globally important Inquiry. My submission comprises this email, and the materials I refer to below from the attached report.

I am Principal Economist of economic consultancy, Cognitus Economic Insight, and Senior Research Fellow in the Department of Economics at Auckland University of Technology (website links below). I make this submission independently, as a PhD-qualified consulting economist and academic researcher, based in New Zealand. In particular, I note that I have not been engaged by any party, in Australia or elsewhere, to make this submission.

To assist the Inquiry, I wish to share an economic analysis of privacy in the "digital age". This comprised part of an unrelated policy analysis I completed last year of possible data-based disruption in the New Zealand electricity sector. **The relevant materials are set out in section 5.4 of the attached document, at pp 82-87, and it is these materials that I am submitting to the Inquiry.** (References to the Privacy Act are to New Zealand's 1993 legislation, the precise details of which do not change my analysis for the purposes of the Inquiry. The ACCC is welcome to refer to any other part of the attached report for the purposes of the Inquiry, as it sees fit, but my submission focuses on the economics of privacy.)

As covered in these materials - and of relevance to the Inquiry - new technologies, business models and players fundamentally challenge how we conceive of "privacy". I argue that we should usefully think of the *ceding* of our data (what I term "unprivacy" for want of a better term), and not just the *retention* of our data (what we normally call "privacy"). This is because our data variously "pays" for many new data-based products and services, and also contributes to the quality (even existence) of those products and services.

I present analyses of how the advent of data-based products and services changes the socially "optimal" level of privacy (and by implication, "unprivacy"), using standard economic tools. I point out that there are likely instances where society should wish for more "unprivacy" than we might individually choose (e.g. to enable more rapid development of cures for disease).

I also point out that regulation that treats privacy as a fundamental human right (along the lines of the EU's GDPR, for example) in effect sets a floor on how much privacy we can each enjoy. By implication, this sets a cap on how much unprivacy we can each cede in order to access and contribute to data-based products and services.

Any such "unprivacy cap" could have unintended yet predictable consequences - like price caps in general. It could clearly hamper innovation by choking the supply of data to innovators. It could also create equity issues, by limiting access to products and services by parties who lack the financial resources to pay for them (except by ceding their data), such as the young, or those on lower incomes. This means the trade-offs arising with un/privacy in data-based sectors are richer and more complex than traditionally may have been the case.

The issues being addressed by the ACCC's inquiry are both novel and important - not least because "data is the new oil". My analysis of the economics of privacy are founded on established economic approaches, but are likewise novel (and offered as an early and partial attempt to grapple with some of these novel and important issues).

While the Inquiry is addressing more than just issues surrounding privacy, I believe such issues will lie at the heart of many of the ACCC's considerations.

I do not seek to appear before the ACCC to present my submission, but would welcome any questions from the Inquiry, and would be prepared to appear if called.

Yours sincerely

Richard Meade

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