



IDEAS IN ACTION

PACIFIC RESEARCH INSTITUTE FACT SHEET

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Consumer Privacy

A Free Choice Approach

By
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Internet privacy is a hot issue and the pressure is on for legislators to take action. But hasty reactions could end up harming consumers and businesses alike. Before enacting legislation, it is critical that lawmakers are aware of the many misconceptions about Internet privacy, and the vast array of products that are already meeting consumers' privacy demands.

Top Three Privacy Myths

Myth 1: Profits are at odds with consumer privacy preferences.

Fact: If a business ignores its customers' needs, it will quickly go bankrupt. Profits and privacy preferences, therefore, are not at odds but go hand-in-hand.

Myth 2: Information sharing harms consumers.

Fact: Research shows that consumers, and the companies they patronize, are better off when businesses learn more about their customers. Prices are lower and goods better fit consumer needs. As a result, many consumers voluntarily elect to share personal information.

Myth 3: Everyone wants an extremely high level of privacy, despite individual and cultural differences, and free-speech concerns.

Fact: Privacy is a lot like religion, a personal matter heavily influenced by individual preferences, culture, and other circumstances.

Consumer Empowerment: Technologies to Protect Internet Privacy

Surfing the Internet is more like strolling on a public street than driving around in an armored car with tinted windows. In response, the market has produced a wide array of technologies to protect consumers.

These methods of shielding information work better than government regulations because they stop sites from getting the information in the first place. Government rules, on the other hand, are reactive and difficult to enforce. With the help of encryption and the other technologies listed below, users can not only hop inside an armored car, they can also put on wigs, masks, and moustaches, becoming much more pseudonymous than is possible in the offline world.

Surf Incognito, Send Email under a Pen Name: The following products act as middlemen, allowing you to visit web sites without a trace:

- The Anonymizer: www.anonymizer.com
- SafeWeb: www.safeweb.com
- Zero-Knowledge Systems' Freedom software: www.zks.net

Cookie Control: Cookies are small files placed on a user's hard drive by web sites they visit and can be used to track where users go on a site and where they

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jump to next. Users can block this ability with the following products:

- IDcide Privacy Companion: www.idcide.com
- Privacy Software Corporation's NSClean: www.nsclean.com
- The Limit Software's Cookie Crusher: www.thelimitsoft.com

Email Control: To protect the privacy of electronic documents, people can scramble their messages using encryption, and even ensure that messages expire after a period of time. Current products include:

- Pretty Good Privacy (PGP): www.pgp.org
- Zixmail: www.zixmail.com
- HushMail: www.hushmail.com
- Disappearing: www.disappearing.com

Private Online Shopping: The American Express pre-paid Internet shopping card is the best way to buy things anonymously online. The card can be purchased at 7-Eleven, just like a pre-paid phone card: <http://home3.americanexpress.com/corp/latestnews/7-11.asp>.

IPrivacy's Privatizing System is software provided to customers and businesses that allows people to surf privately, buy privately and pay securely, and receive delivery of packages privately without revealing any personal information to third parties on the Internet: www.iprivacy.com.

Let a Computer Program Read Privacy Policies For You: In the future, Internet users will be able to control their personal information by letting

computer programs communicate their privacy preferences to web sites using a standard called P3P—the platform for privacy preferences, developed by the World Wide Web Consortium (W3C). Consumers will simply tell their browser what level of privacy they want, and the browser will only exchange information with sites that comply with the specified level.

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Consumers Should Have Privacy Choice

Since consumers have varying definitions of privacy, the best policy is one that allows for individual choices. The problem with one-size-fits-all rules is that to some people an unsolicited newsletter might be a valuable source of information, but to others an Orwellian invasion of privacy. The best way to allow for individual choice is to leave the Internet free of broad privacy regulations and let consumers determine what level of privacy they require.

Strict Privacy Regulations Would Harm the Economy

Markets need information to operate properly. If government ties up businesses in red tape and does not allow them to freely exchange information, consumers will suffer the costs in terms of higher prices and reduced choice. Already, Americans face regulatory compliance costs estimated at \$400 billion to \$700 billion a year and proposed new privacy regulations would add an additional \$9 billion to \$36 billion to that total.



This **Ideas In Action** fact sheet is a digest of a publication entitled *Consumer Privacy*. This study is available through the Publications Department for \$12.95 or on PRI's website at www.pacificresearch.org.

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