

The Future of Capitalism

Data Privacy and CSR

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Personal data is an essential **input** for the modern firm

- Online ads, recommendations alg, matching, gen AI

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Consumers are the suppliers of this input:

- Limited consumer control, unclear ownership
 - Imperfect compensation: barter and expropriation
- FTC '15

Concerns with status quo:

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Status quo generates:

- Call for more/new regulation
- Call for new business models
- Call for corporate responsibility

Will data privacy become a modern CSR issue?

It features the “right mix” of ingredients: [analogy with fossil fuels]

1. Private use of input can generate social externalities...
2. ...which prices may fail to internalize
3. Substantial degree of market power
4. Deficient regulatory framework

data externalities

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1. Data Externalities

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- Direct: e.g., third-party sale, risk of data leaks
- Indirect: e.g., learning about others, “social data”
- Indirect: e.g., pooling and information withholding

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An active research aims at identifying these **data externalities**

Acemoglu et al. (2022, AEJ Micro), Bergemann et al (2022, Rand), Perego et al. (2022, REStud)

prices

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Galperti and Perego (2023)

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Another active area of research

market power

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Not uncontroversial: another active area of research

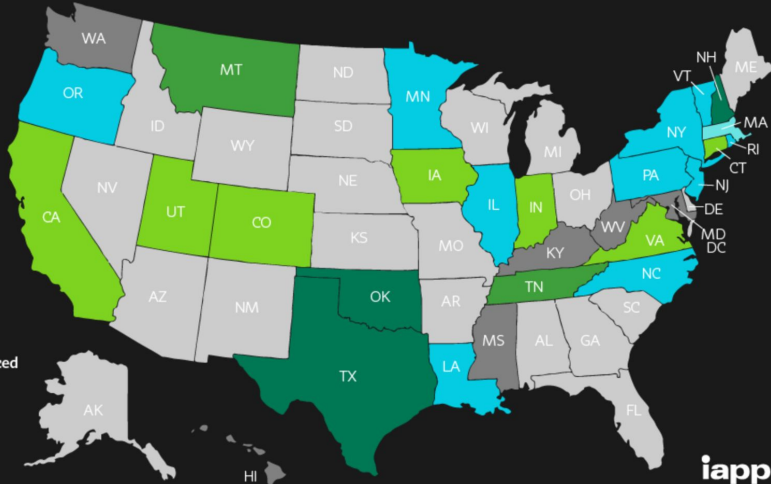
regulation

Good regulation should substitute for need of CSR

US State Privacy Legislation Tracker 2023

STATUTE/BILL IN LEGISLATIVE PROCESS

- Introduced
- In committee
- In cross chamber
- In cross committee
- Passed
- Signed
- Inactive bills
- No comprehensive bills introduced



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iapp

Common principles:

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- Opt-out from third-party sale
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Current Problems:

- A patchwork of state laws to regulate multinational firms
- High compliance costs
- Difficult enforcement

do consumers care?

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From surveys: Sure, they do

Pew (2019)

However, surprisingly little revealed-preference evidence:

- Experimental evidence suggests small/zero value of privacy regardless of stated preference

Athey et al (2017)

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Lots of criticisms: very active research area

private initiatives

Competition pushes firms to cater to consumers' needs, and offer new business models

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- Search engines
- Browsers
- Certification / industry standards
- Privacy Labels
- Consumer Control



summary

Data privacy as a modern CSR issue?

1. Private use can generate social externalities...
 2. ...which prices may fail to internalize
 3. Substantial degree of market power
 4. Regulatory framework still evolving
- Do Consumers Care?
 - Private Initiatives?

Data privacy as a modern CSR issue?

It can be a promising discussion area for this group:

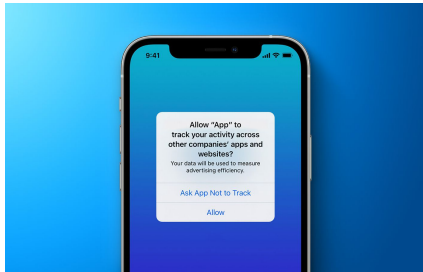
topical, policy-relevant, research-active

- Is CSR the appropriate response, and why?
- Or is the corporation not the appropriate level of action, and why?

thanks

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Ad

Personalized Ads

Personalized ads in Apple apps such as the App Store and Apple News help you discover apps, products, and services that are relevant to you. We protect your privacy by using device-generated identifiers and not linking advertising information to your Apple ID.

Turning on Personalized Ads increases the relevance of ads shown by letting us use data like account information, app and content purchases, and where available, the types of News stories you read.

Apple does not track you or share your personal information with any third parties.

[Learn More](#)

Turn On Personalized Ads

Turn Off Personalized Ads

App Privacy

[See Details](#)

The developer, TikTok Ltd., indicated that the app's privacy practices may include handling of data as described below. For more information, see the [developer's privacy policy](#).



Data Used to Track You

The following data may be used to track you across apps and websites owned by other companies:



Contact Info



Identifiers



Data Linked to You

The following data may be collected and linked to your identity:



Purchases



Location



Contacts



Search History



Identifiers



Diagnostics



Financial Info



Contact Info



User Content



Browsing History



Usage Data



Data Not Linked to You

The following data may be collected but it is not linked to your identity:



Usage Data

Privacy practices may vary, for example, based on the features you use or your age. [Learn More](#)