The Empirical Implications of Privacy-Aware Choice

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This paper initiates the study of the testable implications of choice data in settings where agents have privacy preferences. We adapt the standard conceptualization of consumer choice theory to a situation where the consumer is aware of, and has preferences over, the information revealed by her choices. The main message of the paper is that little can be inferred about consumers' preferences once we introduce the possibility that the consumer has concerns about privacy. This holds even when consumers' privacy preferences are assumed to be monotonic and separable. This motivates the consideration of stronger assumptions and, to that end, we introduce an additive model for privacy preferences that does have testable implications.

Categories and Subject Descriptors: J.4 [Social and Behavioral Sciences]: Economics

Additional Key Words and Phrases: Privacy; revealed preference

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