

**INFORMATION POLICY INSTITUTE
PRIVACY SURVEY REPORT CARD**

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Executive Summary

Privacy surveys are often used by state and federal lawmakers to justify sweeping new privacy measures. Our aim here is to evaluate the methodological integrity of four recent prominent privacy surveys conducted in the last two years. By doing so, we minimize bias in future survey instruments. Ultimately, the goal of this exercise is to ensure that policy makers have access to the best possible data when formulating policy initiatives

In general, we were heartened by the vast improvement in the quality of the surveys assessed over comparable surveys fielded several years ago. In part, this reflects the growth in knowledge of the subject matter, and the ability of the researchers to translate these knowledge gains into intelligently formulated questions. Overall, we assigned the following grades:

Survey	Result
E-Loans	B
Harris/Westin	A-
Turow/Annenberg	A-
CFA	B

In terms of methodology, five criteria for evaluating each of the surveys are employed. They are: (1) Comparability across individuals; (2) Discreteness; (3) Richness; (4) Framing; and (5) Sequencing.

Each of the surveys considered here was evaluated according to the criteria listed above. We then assigned an overall grade to each of the surveys discussed. It should be noted that the overall grades are *not* a weighted average of the grades provided in the listed categories. We decided instead to subjectively evaluate the overall merits of the study, because of the importance of unquantifiable factors such as author intent, and moreover, based on an appreciation of the real-world constraints placed on researchers.

In the analysis that follows, we also provide discussion of the reasoning behind the evaluations given. We also provide grades for each of the surveys in each methodological category. We now briefly offer explanation of these five categories.

Interpersonal Comparability

Attitudinal queries are often difficult to interpret because of the great deal of subjectivity involved. In other words, “deeply concerned” may mean one thing to one respondent, and something else to another. One way to facilitate interpersonal comparability between such responses is to ask questions about behavior. The extent to which the questionnaire includes behavior over types of data provision and protection measures or voting behavior, actions (e.g., 'reveal hobbies') against which self-description (e.g., 'moderately concerned') can be indexed serves as a basis for interpersonal comparisons of self-description.

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Discreteness

Discreteness refers to the extent to which the elements of a choice set are separated from one another, and, the degree to which the actual choices are kept distinct from the reasoning for that choice. Such overlap can often distort responses.

Richness

The richness of a choice set refers to the extent to which the elements of the choice set permit a nuanced segmentation of the sample that can represent the distribution of sizable opinion/behavioral clusters within the bounds of tractability. The poorer the choice set the more likely the distribution of sentiments and/or behavior will be skewed towards the poles as a result of bifurcation.

Framing

Another metric is the neutrality of *framing*, or the presentation of a question or choice problem in ways in which the connotation of the proposition skews the response.

Sequencing

Sequencing biases, unlike framing, do not stem from wording problems in the questions or choice, but rather are products of the ordering of questions. The indication of sequencing bias is simply a significant difference in outcomes as a result of changes in the order of questions. To the extent that answers may further be distorted by their order, the set of questions can be assessed by the extent to which questions that can be rotated are rotated. In these cases, while wording itself may be relatively neutral, the sequence of questions can engender bias.

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Detailed Results

Survey	Interpersonal Comparability	Framing	Sequencing	Discreteness	Richness
E-Loans	N/A	C+	A	B	A
Harris/Westin	N/A	B	A	A	C
Turow/Annenberg	B+	C	A	C+	B+
CFA	N/A	C+	A	A	C

E-Loans Survey

This survey is oriented towards assessing the depth of support by California voters for strengthened financial privacy legislation, with a clear emphasis on distilling attitudes towards an “opt-in” versus an “opt-out” approach to financial privacy. The 600-respondent survey assesses both attitudes towards financial privacy issues generally, and also on a range of general political attitudes.

The survey instrument itself is essentially sound. Sequencing issues are satisfactorily resolved by randomizing the order of questions within topic groups. And on most attitudinal queries, the richness of the choice set is ideal, ranging from 1 to 7; that is to say, the range of answers is large enough to preclude clustering effects, and small enough to prevent the false effects of statistical significance observed when choice sets are arbitrarily large.

However, there are several points on which the survey deserves further scrutiny. First, there is very little attempt to link stated preferences with revealed preferences. In other words, all the questions pertain to consumer attitudes towards privacy, however none address actual behaviors undertaken by the respondents to protect their privacy. In our view the survey would have been strengthened by the inclusion of questions of this sort. For example, respondents could have been polled on whether or not they read the privacy notices that were sent by their financial institution; whether they had subsequently “opted-out” of third-party data sharing; or whether or not they possessed the sort of co-branded credit card that requires a joint-marketing arrangement.

Finally, we have some concerns over the phrasing of questions bearing on the survey’s core concern: voter attitudes towards an “opt-in” final privacy regime. The survey creates two hypothetical bills, Act A and Act B, one of which represents an opt-in regime, and the other the opt-out regime favored by industry. The initial questions on this topic characterize the differences between the two regimes accurately, subsequent questions presumably directed at teasing out a more nuanced understanding of respondent attitudes suggest bias on the part of the survey’s authors. In particular, the Act B questions talk about sharing data “without the customer’s permission,” neglecting to mention the provision of notice and choice. This seems to intentionally skew results towards the opt-in bill.

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Harris/Westin Survey

This survey is designed as a general barometer of consumer privacy attitudes. Westin classifies consumers under three headings: “privacy fundamentalists,” who currently represent about a quarter of adults; the “privacy unconcerned”, approximately one in ten adults; and “privacy pragmatists,” who represent almost two-thirds of the sample.

In the first category, “privacy fundamentalists,” are those deeply concerned about personal privacy; they believe that any further erosion of their privacy is a significant concern. The second category, “privacy unconcerned,” represents those who have little demonstrable anxiety about privacy. Finally, so-called “privacy pragmatists” are those who while they are deeply concerned about privacy, are often willing to grant access to their personal information when they believe there to be tangible benefits.

Westin segments consumers into this taxonomy on the basis of their answers to three privacy-oriented questions. (For more discussion of how Westin groups consumers into these three categories, see the *Privacy and American Business Newsletter*, September 2003.)

The principal virtue of this survey is that it is conducted on a roughly annual basis, permitting Westin to acquire time-series data for comparison. The study has been conducted in some form since 1995 and is widely cited by industry experts and policymakers alike. The broad use and integration of Westin’s concepts into the privacy policy discourse is testament to the perceived value of this ongoing survey. Despite this, there are a number of methodological quibbles that are cause for a mild degree of concern.

First, it is difficult to match stated preferences to revealed preferences (interpersonal comparability.) For example, consider the following question: “How strongly do you agree or disagree...[that] most businesses handle the personal information they collect in a proper and confidential way?” Responses would be more useful if the question was coupled with a sequence of intelligently designed questions aimed at determining the respondents actual behavior with respect to data collection; i.e., have you ever exercised your right to “opt-out” of data transfer to third parties by your bank? Westin goes to great lengths in other privacy surveys to link stated preferences to revealed preferences, and for this reason we suspect that this omission has more to do with intended scope of the survey and other constraints than any analytical oversight.

Second, in some cases the choice sets lack “richness”. Respondents are given a maximum of four choices to each question. In the former case, they are granted the following choices: “strongly agree”; “somewhat agree”; “somewhat disagree”; and “strongly disagree.” Also troubling is the aggregation of “strongly agree” and “somewhat agree” into a “total agree” category; and the comparable grouping of “somewhat disagree” and “strongly disagree” into a “total disagree” category. It is not clear why these groupings are analytically defensible. If the intent all along was to group them, then why not simply reduce the choice set to agree, disagree, and neutral?

We did find the questions well structured from the vantage point of “discreteness” and “framing.” Likewise, we found no discernable sequencing biases.

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Annenberg/Turow Survey

In some ways this is the most ambitious of the surveys considered here. The Annenberg survey is designed to assess consumer understanding of privacy policies and data-flows arising from the collection of consumer data online. The survey is distinguished by the use of elaborate hypothetical questions to unpack consumer attitudes towards online privacy legislation.

Our principal concern here is with the construction of the survey instrument, which, on balance, we found to be methodologically sound. However, it must be noted that some of Turow's subsequent analysis contains both errors of fact and a fair amount of conceptual confusion.

Turow does a good job of including questions about actual past behavior, that permit him to index stated preferences with revealed preferences (interpersonal comparability). Sequencing biases are dealt with adequately by the use of randomization. Choice sets are broad: on attitudinal questions, generally, between five and seven possible responses are offered. Moreover, a great deal of detailed demographic data is collected, permitting the researchers to segment the responses by demographic category where appropriate.

We are less persuaded that Turow's use of elaborate hypothetical questions is methodologically sound. Throughout the survey, Turow offers a range of plausible scenarios to assess the nuances in the positions of respondents. These responses may provide deeper information about respondents preferences, but they may distort the findings, or in some cases, make the findings altogether unusable given their purely speculative nature. Finally, the structure of the responses provided seem to reflect the author's ideological biases: i.e, the sharing of data is often characterized as the "sale" of information. The phrasing of the responses suggest that the author seems unwilling to consider that data-flows could be benign—i.e. data-flows used for customer relationship management or "list-hygiene", as opposed to the outright sale of consumer data (which on the whole is far less common).

Consumer Federation of America: Credit Reporting and Consumer Knowledge

This survey was commissioned explicitly to address the debate over FCRA reauthorization currently underway in Congress. The survey is ostensibly designed to assess consumer understanding of credit reports and credit scores. The survey was conducted with the assistance of the well-known Caravan polling firm.

Our principal concern with the survey is the utter lack of effort to address the interpersonal comparability conundrum. The questions are largely oriented around assessing consumer knowledge of various provisions of the FCRA, and whether or not they would support reforms consistent with CFA's FCRA platform. They at no point try to match attitudinal queries with questions about actual consumer behavior, questions that are undoubtedly necessary to tease out a more accurate sense of consumer attitudes about issues that are admittedly obscure to a large portion of consumers.

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We have several other serious concerns: first, some of the questions are so broad as to be meaningless (e.g., consumer understanding of credit card); second, for the reasons explained before, answer sets are too narrow (richness); and finally, the framing of the questions on policy reforms is clearly intended (in particular, the question concerning risk-based pricing practices) to bias responses.

Even on the opinion front, some sets of responses confuse more than they enlighten. By the CFA's own findings, 81% of respondents understand that they have the right to free report in the event of an adverse actions. And yet 50% believe that their understanding of credit reports is fair or poor. These two findings raise the question as to what is adequate consumer knowledge. Certainly, few even in the financial industry understand the intricacies of the models and processes used to evaluate consumer creditworthiness. And it is far from clear that, were consumers given access to the often very complex algorithms that generate their credit scores, they would want or benefit from such knowledge.

The survey does suggest that further work is needed, if only to better elaborate how the public understands the credit reporting system. And more importantly, it suggests that policy makers, industry, and consumer-advocates need to debate and set benchmarks for what should be an adequate degree of financial literacy for consumers.

Shortcomings aside, this is the first serious survey on financial literacy that we have encountered. As such, it represents a strong start to a worthwhile course of research.

About the Information Policy Institute

The **Information Policy Institute** is the nation's premier center for research, education, and outreach on all issues pertaining to the regulation of information in both the United States and globally. Incorporated as a non-profit organization, The Institute is expressly non-partisan in outlook, and seeks to advance public policy through the application of academically rigorous analysis. The Institute is funded by both for-profit and not-for-profit organizations that support the Institute's general mission and agenda. The Institute is headquartered in New York City. For more information on the Institute visit <http://www.infopolicy.org>.