

# Privacy in electronic commerce and the economics of immediate gratification

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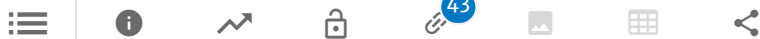
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## ABSTRACT

Dichotomies between privacy attitudes and behavior have been noted in the literature but not yet fully explained. We apply lessons from the research on behavioral economics to understand the individual decision making process with respect to privacy in electronic commerce. We show that it is unrealistic to expect individual rationality in this context. Models of self-control problems and immediate gratification offer more realistic descriptions of the decision process and are more consistent with currently available data. In particular, we show why individuals who may genuinely want to protect their privacy might not do so because of psychological distortions well documented in the behavioral literature; we show that these distortions may affect not only 'naive' individuals but also 'sophisticated' ones; and we prove that this may occur also when individuals perceive the risks from not protecting their privacy as significant.

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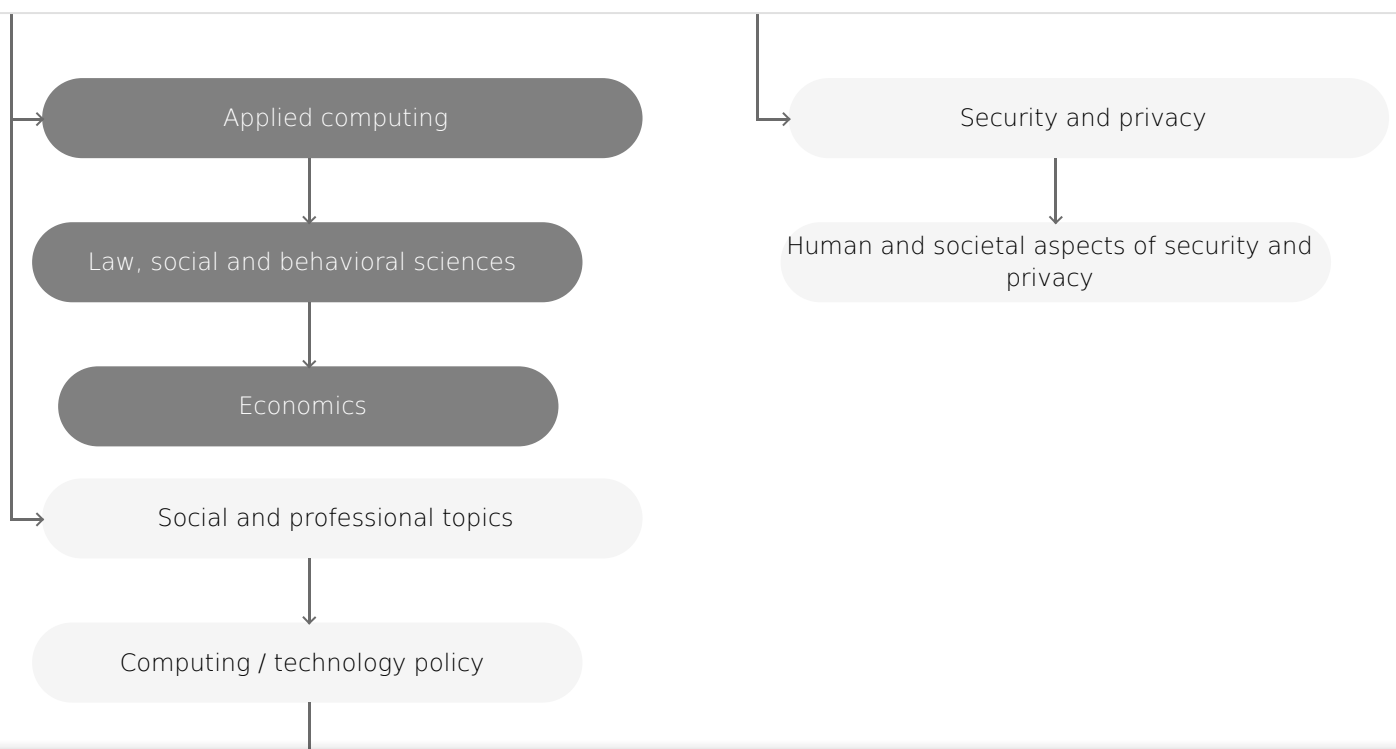
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