

# Contents

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
<b>2</b>	<b>Theory of Information and Privacy.....</b>	<b>7</b>
2.1	Competition in Information Markets .....	8
2.1.1	Information Goods and Property Rights.....	8
2.1.2	Network Economics.....	13
2.1.3	Supply-side Characteristics of Information Markets.....	18
2.1.4	Demand-side Characteristics of Information Markets.....	22
2.2	Markets for Personal Information .....	26
2.2.1	Intellectual Property Rights in Personal Data.....	27
2.2.2	Negative Externalities in Information Markets.....	30
2.2.3	Imperfect Appropriation of Personal Data.....	34
2.2.4	Concentration of Information Power .....	37
2.2.5	Versioning and Purpose Creep .....	38
2.3	Microeconomics of Information .....	42
2.3.1	Information Economics.....	43
2.3.2	Microeconomics of Privacy .....	53
<b>3</b>	<b>Overview of Credit Reporting Systems .....</b>	<b>61</b>
3.1	History of Credit Reporting Agencies.....	62
3.1.1	Credit Reporting in the United States .....	63
3.1.2	Competition in U.S. Credit Reporting .....	69
3.1.3	Credit Reporting in Europe.....	78
3.1.4	Germany: A Dominated Market .....	89
3.1.5	Great Britain: Intense Competition.....	95
3.1.6	France: Public Credit Reporting System.....	101
3.1.7	Cross-border Reporting in Europe .....	107
3.2	Design of Credit Reporting Systems.....	110
3.2.1	Laws, Supervision and Funding.....	112
3.2.2	Reporting Thresholds and Services .....	114
3.2.3	Information Collected, Delivery Modes and Fees .....	117

<b>4</b>	<b>Regulation of Credit Reporting .....</b>	<b>119</b>
4.1	International Data Protection Overview.....	119
4.2	The Regulatory Regime in the U.S. ....	122
4.2.1	Fair Credit Reporting Act of 1970.....	122
4.2.2	Consumer Credit Reporting Reform Act of 1996.....	126
4.2.3	Consumer Reporting Employment Clarification Act of 1998 .....	128
4.2.4	Financial Services Modernization Act of 1999 .....	129
4.2.5	Fair and Accurate Credit Transactions Act of 2003 .....	132
4.3	Regulatory Regimes in Europe .....	135
4.3.1	Germany: Informational Self-determination.....	144
4.3.2	Great Britain: Stricter Data Protection Introduced ....	149
4.3.3	France: Delayed Implementation.....	152
4.3.4	U.S. and European Approaches to Privacy .....	154
4.3.5	International Initiatives for Privacy .....	157
4.3.6	Lessons for Credit Reporting Regulation .....	166
<b>5</b>	<b>Economic Effects of Credit Reporting.....</b>	<b>173</b>
5.1	Credit Scoring .....	173
5.2	Empirical Evidence on Data Protection .....	180
5.2.1	Data Protection and Credit Scoring .....	180
5.2.2	International Differences in Credit Scoring.....	195
5.2.3	Macroeconomic Evidence on Credit Reporting.....	197
5.3	Estimating the Effects of Data Protection .....	204
5.3.1	Sample, Variables and Index .....	204
5.3.2	Evidence on Credit Reporting Regulation .....	216
5.4	Evidence on Information Inaccuracies.....	228
5.4.1	Errors in Credit Reports .....	230
5.4.2	Origin and Impact of Credit Report Errors .....	242
<b>6</b>	<b>Conclusions .....</b>	<b>249</b>
	<b>References .....</b>	<b>253</b>
	<b>Glossary of Credit Terms .....</b>	<b>273</b>
	<b>Appendix .....</b>	<b>277</b>