Chapter 5
Consumer Policy: The Relationship Between AI and Data Privacy

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ABSTRACT

Consumer policy is designed to protect welfare and rights of consumers. The recent advancements in artificial intelligence (AI) and its integration with the privacy aspects of consumer information need potential attention due to illegal activities in terms of fraud. The rapid progress of AI represents significant risks to safeguarding consumer privacy and ensuring data security. The integration of AI inside several industries, such as e-commerce platforms, and financial technology, has become prevalent. This leads to emphasizing the significance of developing comprehensive legal and regulatory frameworks to address effectively the challenges related to consent, data minimization, accuracy, discrimination, and bias. The chapter explores the concept of AI and its public and private use in consumer policies. The key components are highlighted in making consumer policy along with the relationship between AI and data privacy aspects. Finally, it presents the challenges faced by consumers in accessing vital information, that lead to imbalances between companies and customers.

INTRODUCTION

Consumers are an important aspect of the market. Without consumers, the existence of the market doesn't persist. The data privacy of consumers faces various challenges. During any purchase, while billing, the consumer has to enter their details. These details can be used for mischievous purposes by intruders. Governments, consumer organizations, and companies employ various measures such as prohibitions, legislation, advisory mechanisms, litigation, and self-regulatory standards to address these issues. The relationship between corporations and customers exhibits imbalance, as consumers are at a

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disadvantage due to their limited access to crucial information. Moreover, the field of behavioral economics uncovers notable biases, wherein habits, social norms, and irrational views influence individuals' daily buying patterns. The governance of consumer policy exhibits variations, which can be attributed to diverse concepts and ideologies, as evidenced by the field of comparative politics. The difficulties of consumer policy encompass complex digital markets, the service economy, and the goal of sustainable consumption (Ezechukwu, 2023, pp. 191–221).

The advancements in Artificial Intelligence (AI) and the application of Big Data in consumer policy have resulted in notable enhancements. Nevertheless, it is imperative to recognize that these advancements also present potential risks to customer privacy and data security. The utilization of AI in the evaluation of consumer credit throughout the underwriting process has been bolstered by the enforcement of credit data-sharing legislation and the presence of credit reporting organizations. The adoption of a hybrid credit data-sharing approach, which integrates a closely monitored nationwide database, possesses the potential to effectively manage risks while maintaining the benefits of underwriting powered by AI. The outbreak of the COVID-19 pandemic has led to a significant increase in the need for Electronic Commerce (E-Commerce). The use of AI holds the potential to offer benefits to both customers and E-Commerce platforms. However, the matter of privacy arises, prompting authorities to emphasize the improvement of surveillance to cultivate consumer confidence and protect privacy. The incorporation of financial technology, which includes AI and data-driven decision-making, has substantial implications for safeguarding consumer financial privacy. The necessity to update consumer financial privacy legislation arises in light of the challenges posed by AI and financial technology. The use of Big Data and Machine Learning (ML) techniques in decision-making processes has raised concerns regarding the protection of consumer rights and the maintenance of data privacy (Ruggeri, 2021). The next section discusses Artificial Intelligence and its private and public use in consumer policies.

ARTIFICIAL INTELLIGENCE (AI)

AI aims to develop computer programs capable of executing tasks often carried out by human beings (Lukitosari, et al., 2020). The tasks can be classified as intelligent, encompassing abilities like; visual and auditory perception, learning and adaptation, reasoning, pattern recognition, and decision-making (which plays an important role in consumer policies to maintain the congenial environment to safeguard users' data). The word 'AI' encompasses a range of interconnected methodologies and technologies, viz; machine learning, predictive analytics, natural language processing, and robotics (Figure 1). AI holds the potential to deliver a multitude of benefits, including enhanced operational efficiency and cost reduction, significant advancements in healthcare and research, improved safety measures in the automotive industry, and overall convenience (Hyde & Cartwright, 2023; Online, 2023). However, similar to the introduction of any novel technology, the utilization of AI presents a multitude of societal and legal difficulties.