

Commentary

The Global Economy Already Has IDs

Debates over government-sponsored national IDs rage on while the frictionless global economy relentlessly pushes forward commercially sponsored de facto international IDs — also known as credit cards.

The debate over national IDs is just under way, but it's already largely irrelevant.

As of this writing, the world contains about 6.2 billion people. Hundreds of millions of those people in developing and industrialized nations, including the entire adult populations of Brazil and Mexico, carry some form of government-issued national identification. A larger percentage of the world's population carries identification issued by lesser governmental authorities (such as a driver's license issued by a state in the United States).

A *very* large percentage of the population in industrialized nations carries something that effectively identifies its holder, or at least a payor for whom the holder is a proxy, to sellers worldwide. This token identifies buyers in tens of millions of locations globally, in many developing as well as industrial nations, wherever telephone lines are available. It is usable for transactions conducted remotely via telephone, the Internet, ATMs and e-mail, as well as face-to-face transactions. Its strength as a means of authentication and identification, not to mention protection against unauthorized use for all parties to a transaction, is reasonably strong and is increasing constantly. In short, this article — a credit (or debit) card — is a de facto international ID already, at least for commercial purposes. Its effectiveness and legitimacy in that role — a critical one in the global economy, with implications that go beyond commerce — will only increase.

Commerce vs. Citizenship

To say that a credit card is a "de facto international ID" begs the question: ID for *what*? It is not proof of citizenship anywhere, nor of personal history or identity (as birth certificates and passports are), and it's not usable for purposes requiring such proof (and probably never will be). Its only use is to prove that the person entering into a transaction has the wherewithal to do so, and the vendor is guaranteed timely payment.

In a global economy, that single purpose is significant for at least two reasons:

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- It enables global commerce in ways that governmental ID does not, because a government-issued ID only authenticates the person, not the person's ability to *pay*.
- People are what they do, and much of what people do can be inferred from the things they choose to buy. A credit card does not authenticate an identity per se, only a role (buyer/payor), but the information generated by using the card describes the user in important ways that a government ID does not. A driver's license doesn't describe what a driver does, but a credit card describes the activities of the cardholder in great detail.

A Few Relevant Numbers

In the United States, some form of enhanced driver's license is widely considered the likeliest candidate for a national ID. Comparisons between drivers' licenses and credit cards are useful in a number of dimensions, starting with ubiquity.

Established infrastructure for administration and near-ubiquitous distribution are the most important supporting arguments for the driver's license as national ID. But the infrastructure established for drivers' licenses is minor compared to that established for credit and debit cards. (Given that the largest issuer of debit cards in the United States is Visa, and that the debit card functions in a manner similar to a credit card in terms of enabling and recording transactions, for purposes of this discussion, we will consider credit and debit cards to be the same thing.) In particular, the infrastructure supporting issuance, maintenance and use of driver's licenses ranges from local to national, and the infrastructure supporting credit cards is global.

In terms of penetration, driver's licenses are one of the most widely issued forms of identification in industrialized nations. The United States is similar to other industrialized nations in this respect — the percentage of adults holding driver's licenses in the United States, Australia and the United Kingdom is nearly the same. As of July 2001, the U.S. Census Bureau estimated a total U.S. population of about 285 million. About 26 percent of the U.S. population is under age 18, and much of this group is legally prohibited from driving. According to the U.S. Department of Transportation, there are approximately 190 million licensed drivers in the United States; this is about 89 percent of the population over the age of 18.

Visa has more than 250 million credit cards and more than 100 million debit cards in circulation in the United States, for a total of approximately 352 million cards overall. Another 150 million cards or so that have been issued by other vendors are in circulation in the United States. That's almost 1.8 credit and debit cards per citizen, and it includes citizens too young to drive. (Minors exercise the right to buy with a credit card every day in U.S. malls.)

Worldwide, 1.7 billion commercial credit cards have already been issued, or one for every four people on the planet. Because many individuals, especially in relatively affluent industrialized nations, carry more than one card, distribution is uneven. However, we can assume that a large proportion of individuals worldwide who engage in any sort of remote commercial transaction, not to mention transactions conducted in-person at some distance from home (wherever home is), have at least one credit card.

Pull vs. Push

Many people are opposed to carrying a national IDs; far fewer are opposed to carrying a credit cards. The card reduces friction, and it has cachet. A government-issued ID is a duty; a credit card is a status symbol. (A platinum card is a *major* status symbol.) To have no card at all is to be excluded from almost any commercial activity that requires trust between strangers.

The credit card's function is simple. It buys things. People want to buy things. Credit cards help them buy more things faster. No one has to order anyone to acquire a credit card. No government can currently make an ID that's acceptable everywhere (certainly not as a means to purchase), but Visa and MasterCard can.

A national ID identifies and perhaps authenticates the holder, but to what end? The questions are highly political, and therefore subject to heavy opposition in many countries. Answers are vague and vaguely frightening. A national ID inevitably concentrates information, hence power, in the hands of government, which few people in this heavily deregulated era want. (In political terms, the 20th century was largely about reducing the power of centralized governmental institutions, and increasing the power of increasingly consolidated private institutions.)

It's an open question as to whether consumers will ultimately feel the same way about concentration of information (and power) in the hands of commercial entities. So far, Gartner G2 studies of online consumer behavior show that consumers consistently opt for convenience over privacy when the two conflict. Consumers assume (correctly or not) that the only reason commercial entities want information about them is to make money, and in general, they accept that purpose as legitimate. Given the near-complete absence of regulation worldwide on the uses to which commercial entities can put information about their customers, it remains to be seen whether that consumer trust is justified. If not, it remains to be seen whether consumers will react by abandoning the convenience of the international consumer ID.

Authentication Is Not for Governments Alone

The commercial entities that issue credit cards are as interested as any government in assuring that a real person or business (a payor) is behind the card, and that the card is used only for authorized purposes by authorized people. Card issuers are at least as likely as governments to develop accurate means of assuring the identities of cardholders, and assuring that card users are legitimate. In the near term, technologies such as biometric identification via fingerprint, iris scan or facial scan are at least as likely to be adopted successfully by card issuers as by governments. Indeed, card issuers can offer tangible, immediate benefits to cardholders as incentives to adoption of biometrics or other stringent identification mechanisms.

As digital cameras find their way into cell phones and PDAs, and on-demand bandwidth increases, the likelihood of biometric scans as the means of authentication rises. By 2006, biometric authentication of card users will be offered at least as an optional service by all major credit card issuers (0.7 probability). Such authentication will increase the value and power of the credit card as commercial identifier, to the user, the card issuer and any third parties who have an interest in the user's transactions.

We're Not From the Government, but We Know Who You Are

In a global economy, transactions by definition may originate and terminate anywhere. By the same token, information about the people who initiate the transactions can be acquired and used anywhere, for reasons good or ill. Credit card numbers and transaction histories are already favorite targets of criminal "crackers." The attractiveness of the targets will only increase.

Whether used for crime or not, the commercial transaction records enabled by credit cards are a powerful source of information that is of great interest to governments and commercial entities. Whether such information will be more easily acquired from credit card issuers than from governments is questionable. Governments have poor records when it comes to protecting private information, especially in the Internet era, and it's unclear if bodies politic will pay the price necessary to adequately secure governmental

information sources. Already, in countries with troubled bodies politic, information is easily acquired. The U.S. Immigration and Naturalization Service notes at its Web site that in Colombia, for example, any and all information owned by the government is effectively for sale.

There is no doubt that technology will exist to correlate information from commercial transactions widely. The technologies of database management, data mining and data storage are already mature, and are increasing in power, according to Moore's Law. The technologies are international, as is the traffic in data, legitimate and otherwise, that this implies. Again, because international regulation of data traffic is essentially nonexistent, commercial entities in most parts of the world can effectively trade such information as they choose.

Bottom Line: Given increasingly widespread use of credit cards, by 2010, growth in computing power, wireless connectivity and storage density will make national ID cards superfluous for commercial (and some governmental) profiling and identification purposes (0.8 probability). The correlation of information across sources that national IDs might enable is already enabled by the credit card for most consumers internationally. Individuals and institutions concerned with protecting privacy should look beyond national ID debates to the threats posed by instantaneous internal movement of information. What's required is agreement on how people and institutions are supposed to behave in an environment in which privacy effectively does not exist, even though people have come to expect it.