



The Daily Dish

Europe's Digital Services Act

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Eakinomics: Europe's Digital Services Act

There is seemingly a tremendous appetite for regulating U.S. tech companies, raising the fear of mistargeted, overreaching measures that would do more damage than good. This is more than an abstract fear. Due to the current light-touch regulatory approach to tech policy, the [United States had eight of the 10 highest-valued tech companies](#) in 2019. In contrast, there are no European companies in these rankings, suggesting that the European Union (EU) is on the wrong regulatory track.

That's bad news because the new EU Digital Services Act (DSA) is an undisguised regulatory assault on America's successful tech companies. As explained by Juan Londoño in his new [piece](#): "The DSA would introduce regulations on various topics regarding the digital economy. The regulations cover a variety of areas, from defining the different service providers on the internet, to content moderation, digital advertising, internal complaint systems, and external audits, among others."

But the rubber really hits the road with the invention of the "very large platforms" designation for online entities. A very large platform is defined as having more than 45 million users or 10 percent of the EU's population. Not by coincidence, not only are traditional social media giants designated, but also newer successes such as [TikTok](#), [Twitter](#), and [Snapchat](#). Being a very large platform entitles you to cost after regulatory cost. Specifically, "Companies subject to this distinction would face additional regulations regarding content moderation and targeted advertisements. The additional regulations include a requirement of yearly external audits at their own expense, stricter monitoring and supervision by European authorities, and higher reporting standards of their advertisement and content-moderation practices. The DSA also mandates these platforms establish a risk assessment strategy, which would be part of this auditing process."

What supposedly justifies the regulatory handcuffs? Advocates claim that “due to their size, these platforms can pose larger ‘societal risks’ including a higher risk of an increased spread of illegal content, the violation of fundamental rights, manipulation of their automated system, and dominance of the digital advertisement market. If realized, these risks could lead to negative impacts on public health, civic discourse, electoral processes, and national security.” (For the record, anyone who thinks risks to society is correlated with sheer numbers has never had small children. Just saying.)

This sounds a lot like using unquantified - but presumably large - low-probability “tail risks” to justify day-to-day onerous regulation. It likely also explains the anemic EU tech performance. Clearly the United States should not copy this approach. Even better, it should oppose the EU’s regulatory overreach into the U.S. tech sector.