The Daily Dish

Privacy at all Costs?

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Eakinomics: Privacy at all Costs?

Guns versus butter. Vacation versus college education. Twizzlers versus cabernet franc. Economics is all about deciding among alternatives and evaluating the tradeoff of adding more of one option at the expense of the other. AAF's Jennifer Huddleston has a new piece on privacy regulation reminding us that the same tradeoffs exist when protecting rights. Huddleston makes three main points.

First, the more stringent is the privacy regulation, the more costly is complying with the law. Huddleston reports that "according to a 2017 PwC survey more than 40 percent of responding firms spent over $10 million on GDPR compliance efforts. A 2018 EY and International Association of Privacy Professionals report found companies reported spending an average of $1.3 million per year on GDPR compliance costs. These costs are undertaken not only by European companies but also by U.S.-based companies with an EU presence." As U.S. states such as California, Virginia, and others implement their own privacy regulation, complying with the expanding patchwork becomes increasingly costly.

Second, the costs of compliance hamper other economic objectives. The fixed costs of compliance are a greater burden on startups and young firms, raising the specter of reduced economic vitality. The compliance resources come at the expense of investment and employment. Huddleston notes that a "National Bureau of Economic Research (NBER) working paper found that venture capital investment in small and micro companies decreased by $3.4 million per week following GDPR's enactment. This finding is not surprising since investor confidence about such companies' ability to comply, given the costs associated with compliance, has understandably been shaken." The same paper estimated that GDPR cost 3,000 to 30,000 new jobs.

Third, increased privacy protection can come at the expense of other rights and values. To

begin, the amount of privacy a person prefers is a choice, and the regulatory regime preempts that choice. But there are others that I hadn't appreciated. Huddleston notes that: "For example, an EU-style 'right to be forgotten' can force the removal of online content and could be abused to silence dissenting voices or journalists. Other concerns could arise as well regarding, for example, the ability to notify consumers during a product recall if companies are limited in their ability to collect or retain certain information." These tradeoffs extend well beyond just the standard conversations around online platforms as even numerous cross-border scientific studies have found themselves caught in GDPR compliance quagmires.

Greater privacy is often portrayed as an unambiguous good. Huddleston's piece is a reminder that there are always tradeoffs in making policy decisions.