Eliminating Internet Safe Harbors Would Hurt The Economy

A new economic analysis by NERA Economic Consulting finds weakening intermediary liability safe harbor protections would significantly reduce economic activity in the internet sector, causing the U.S. economy to lose 4.25 million jobs and $440 billion in GDP every 10 years. ***Without intermediary liability:***

THE U.S. ECONOMY WOULD LOSE AN ESTIMATED 4.25 MILLION JOBS & $440 BILLION IN GDP EVERY 10 YEARS.

That's equivalent to giving away the annual GDP of Iceland, Jamaica, and Nicaragua combined and firing all McDonald's workers in the U.S.

INTERNET STARTUPS WOULD FACE HIGHER ENTRY COSTS, LIMITING INNOVATION.

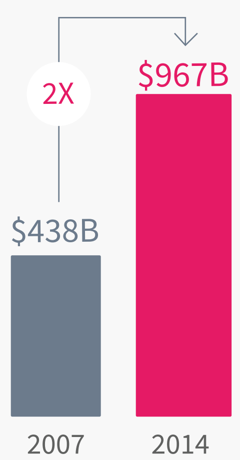
Without intermediary liability safe harbors, startups — and the VC's that fund them — won't be able to test new ideas without facing unreasonable liability and high expenses.

CONSUMERS WOULD FACE HIGHER COSTS AND WORSENED ONLINE USER EXPERIENCE.

It is economically and technologically unfeasible for platforms to screen third-party content at scale. Loss of the intermediary liability safe harbors would mean fewer and worse services online.

Internet platforms – and the laws that created them – are critical to economic growth.

The thriving internet sector is driven by internet platforms that operate as intermediaries — companies that connect third parties on the internet — that provide consumers with platforms to exchange information, book travel, engage in social media, and hundreds of other services.



The internet economy added nearly $1 trillion in of value to the U.S. economy in 2014

Intermediary liability safe harbors — Section 230 of the Communications Decency Act and Section 512 of the Copyright Act established by the DMCA — protect online platforms from being held responsible for third party content. These liability protections promote the continued development of the thriving Internet economy by:

- Creating space for innovation and application of new internet services
- Spurring investment to expand the speed and capacity of the internet

Rolling back liability protections hurts the U.S. economy.

NERA's analysis uses consumer surveys and economic analysis to estimate the impact of reduced liability protections on search engine and consumer cloud storage services, and then applies this data to forecast the overall effect on the entire U.S. economy.

Case Study

REDUCING SAFE HARBORS WILL HURT SEARCH ENGINES & CLOUD SERVICES. INCREASED LIABILITY WOULD:

Reduce demand for search through increased advertisement

Reductions of:
- $8 billion annual output
- 51,000 jobs
- $4.7 billion GDP

Increase the cost of consumer cloud storage

Reductions of:
- $500 million annual output
- 2,300 jobs
- $290 million GDP

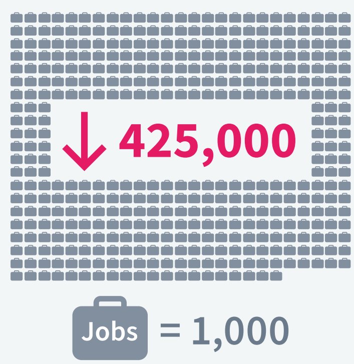
Large-scale Effects

REDUCING SAFE HARBORS WILL HAVE NEGATIVE IMPACT ON U.S. ECONOMY:

Cloud storage and internet search make up only 18 percent of internet services revenue.

Internet Services Revenue

Extrapolating out the revenue reduction in these two industries to the entire economy, the study apredicted the following economic losses **every year**:



$44 Billion

Secondary effects of reducing liability protections include:

A DECLINE IN INTERNET INVESTMENT

Investments made by venture capitalists are an important factor in the early stage development. Eliminating the intermediary safe harbors would chill VC investment:

→ A 2016 survey of U.S. investors found that **94%** of investors said uncertain legal environment had negative consequences for investment.

FEWER INTERNET INTERMEDIARY STARTUPS

With lower internet investment and higher entry costs to enter due to liability requirements, startups would be less able to succeed. Technological businesses are drivers of future economic growth, so fewer startups creates negative consequences for the U.S. economy.

REFERENCES AND OTHER INFORMATION

The information presented here is from "Economic Value of Internet Intermediaries and the Role of Liability Protections" published by the Internet Association (www.internetassociation.org). Research and references can be found in that source document and online.