

Regulatory Spillovers: The Case of GDPR

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Kevin E. Davis and Florencia Marotta-Wurgler

NYU School of Law

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There is probably no privacy regulation that generated as much anticipation as the European Union’s General Data Protection Regulation (GDPR). Given the global presence of many firms conducting business online, it is not surprising that the GDPR affected the information practices of firms beyond the E.U. Yet, this top-down regulation only protects EU citizens and residents. It also differs from the US’s “Notice and Choice” self-regulation privacy regime, which is more open-ended and lacks the sharp penalties of GDPR. In theory, U.S. firms could continue to take advantage of the more lenient federal regime in some of their information privacy practices towards U.S. consumers, comply with privacy requirements of a handful of states, and subject themselves to the GDPR’s more rigorous requirements for their E.U. counterparts. Yet this is not what we see. Rather, firms revised their U.S.-facing policies extensively in the wake of GDPR. Why did this happen and how extensive is the effect? We analyze the U.S.-facing privacy policies of 177 firms before and immediately after GDPR went into effect to measure the effect of GDPR “spillover” on *local*, i.e., U.S., information practices. Our paper presents findings of the possible effect of GDPR on numerous contractual dimensions as well as a meaningful benchmark against which to evaluate the magnitude of the effect. We discuss these results in the context of existing literature and hypotheses seeking to explain the determinants of compliance that may drive spillovers.