

My country, your law: foreign laws' impact in the national market

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The digitization of content, facilitated by the increasing prominence of platforms hosting videos and music, has given rise to scenarios where the strategies of content creators operating in the international market may be influenced by the regulations of the countries where these platforms are based. One such example is YouTube, which in 2020 decided to extend the COPPA (Children's Online Privacy Protection Act) regulations, a US law, to all users of its platform. This decision impacted content creators both within and outside the US, as the law restricts the online collection of personal data from children under 13, regardless of their nationality, if the platform is based in the US.

Despite being established in 1998, YouTube extended its policy to non-US content creators in 2020, imposing limitations on the types of goods and advertising they can feature. For example, food and beverages cannot be advertised before or after videos aimed at children. This move had several implications for content creators, which will be explored in this paper. Firstly, it affected the use of branded content, where products are explicitly featured in videos. Such content tends to be less profitable for platforms, as it involves direct partnerships between creators and advertisers, bypassing the platform's advertising mechanisms. Secondly, it incentivized content creators to explore alternative platforms or to diversify their presence across multiple platforms.

From a cultural standpoint, these regulatory changes have the potential to disrupt the distribution of cultural products, such as videos and songs, even if they are created by non-US individuals. Simultaneously, non-US creators may opt to migrate to alternative platforms, altering the accessibility of their content to US audiences. This paper examines the implications of these regulations, considering the potential strategies platforms may adopt to retain both consumers and creators while maintaining content quality. Additionally, it analyzes the competitive dynamics among content creators and platforms in response to these regulatory shifts.

In particular, the paper first describes the law and how, thanks to digital platforms, such national law can have an international impact. Then, making use of an economic theoretical framework, it analyzes how the law impacts on the choices of the content creators concerning the type and the quantity of contents to develop, among standard contents (that brings lower gains per view from advertising when not constrained by the law, and are less penalized by the platform algorithm) and branded contents (that leads to higher gains per view from advertising, but are more penalized by the algorithm).

This paper contributes to existing literature on government regulation of social networks and platforms (e.g., Bertot, Jaeger, & Hansen, 2012; Montgomery, 2015), platform liability (e.g., Lefouili & Madio, 2022; Filatova-Bilous, 2021), and digital cultural markets and technological change (e.g., Peukert, 2019).

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This paper is the first to examine the economic effects of such regulations using economic tools, particularly focusing on goods within the cultural and creative industries. It offers a critical examination of these regulations and their implications, shedding light on how national policies can extend their influence to the global market, facilitated by multinational corporations such as prominent platforms like YouTube and Facebook. The analysis further delves into specific strategies adopted by these platforms and considers alternative policy approaches that could be pursued.