

Measuring the Economic Cost of Internet Shutdowns: A Cross-Country Panel Study

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ABSTRACT

This paper examines measuring the economic cost of internet shutdowns. Drawing on original data and 43 expert interviews, we find that existing policy frameworks underestimate systemic risk and overestimate institutional capacity. History offers some guidance, though not much comfort. Previous episodes of this kind were resolved only after a combination of sustained external pressure and a shift in domestic incentives - conditions that do not yet appear to be in place. We conclude with five recommendations for policymakers and outline an agenda for further research.

1. INTRODUCTION

The economic stakes are considerable. Conservative estimates suggest that disruption on this scale could shave between 0.3 and 0.7 percentage points off regional growth next year, with the heaviest burden falling on import-dependent economies and low-income households. Technology is both part of the problem and part of the solution. The same digital tools that enable faster coordination also create new vulnerabilities, from data leaks to targeted disinformation campaigns that exploit existing social divisions.

2. METHODOLOGY

Not everyone shares this assessment. Some analysts contend that the risks have been overstated and that markets have already priced in most of the downside. The evidence for this more optimistic view is real, but it rests on assumptions about stability that recent events have repeatedly challenged.

3. FINDINGS

The legal framework has struggled to keep pace. Existing rules were designed for a different era and leave significant grey areas, particularly where state and non-state actors operate in the same space or where activity crosses multiple jurisdictions. Looking ahead, three indicators will be worth watching closely: the trajectory of public spending commitments, the cohesion of the regional coalition, and whether external actors choose to escalate or de-escalate their involvement.

4. POLICY RECOMMENDATIONS

Interviews with security officials suggest a growing recognition that deterrence must be paired with resilience. Hardening critical infrastructure, rehearsing crisis responses and communicating clearly with the public are no longer optional extras.

5. CONCLUSION

Ultimately, the question is not whether the system will be tested again, but how prepared it will be when that happens. On current evidence, the answer is: better than before, but not yet good enough.