



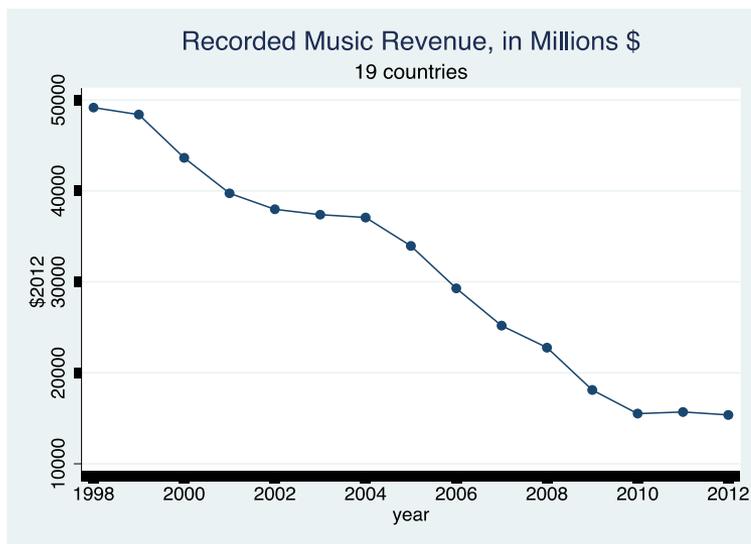
What to do in piracy's aftermath

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Background: Napster..

- ...and the collapse of revenue
 - Calamitous consequences in recorded music



- Real threats in movies, books
 - (but no precipitous decline)

Why care about revenue?

- Recouping investments
 - music is investment-intensive (IFPI)
 - MPAA: \approx \$100 million per movie
- ***Concern: weakened revenue could undermine the flow of new products***

Purpose of copyright

- ...to provide rewards/incentives to allow creators to cover costs so that they can bring new works to market

“To promote the Progress of Science and useful Arts, by securing limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

- Is copyright fulfilling its function better/worse since 1999?

Digitization is a two edged sword

- Napster/piracy are bad news for revenue
- But costs of bringing new products to market may have fallen with digitization
 - E.g. production, distribution, promotion
- ***On balance, are the existing legal and technological protections sufficient to finance continue creation of new products?***

Is copyright still working?

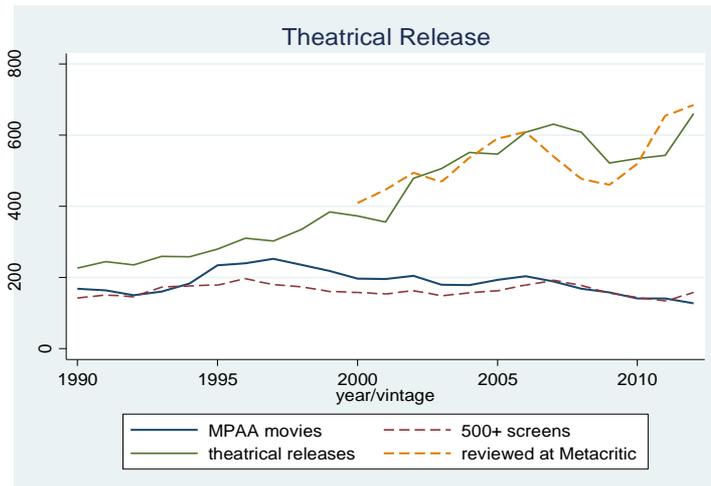
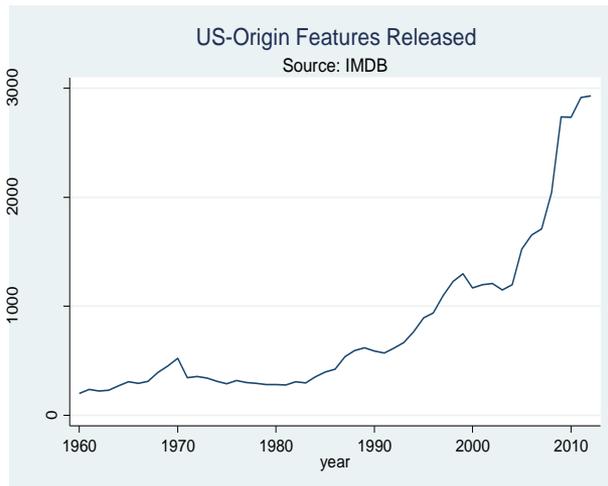
- Hard question, but can ask:
 - Has flow of new products grown or shrunk?
 - Are the new products valuable to consumers and producers?

Number of products

- Music
 - Tripling between 2000 and 2010
- Books
 - Huge growth in releases, mostly self-published ebooks

Movies

- MPAA movies flat or falling, but growth in production, theatrical releases



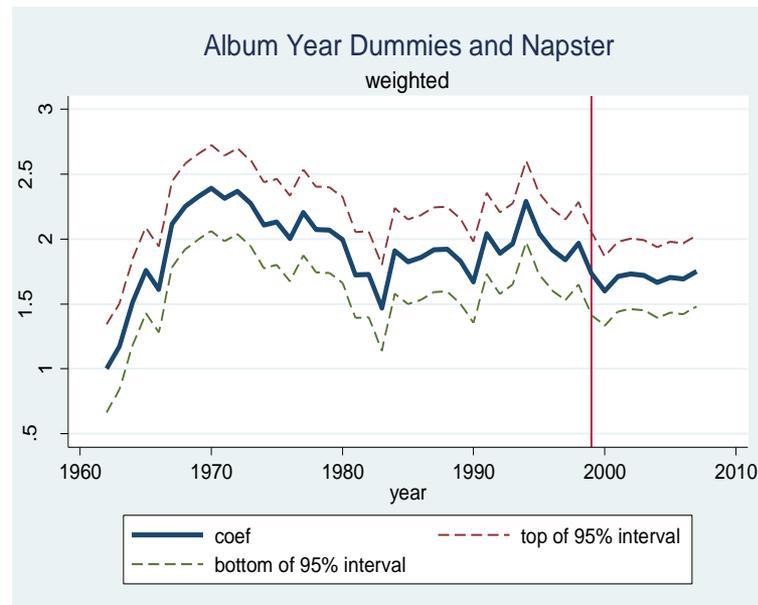
Is the new stuff any good?



Is the new stuff any good?

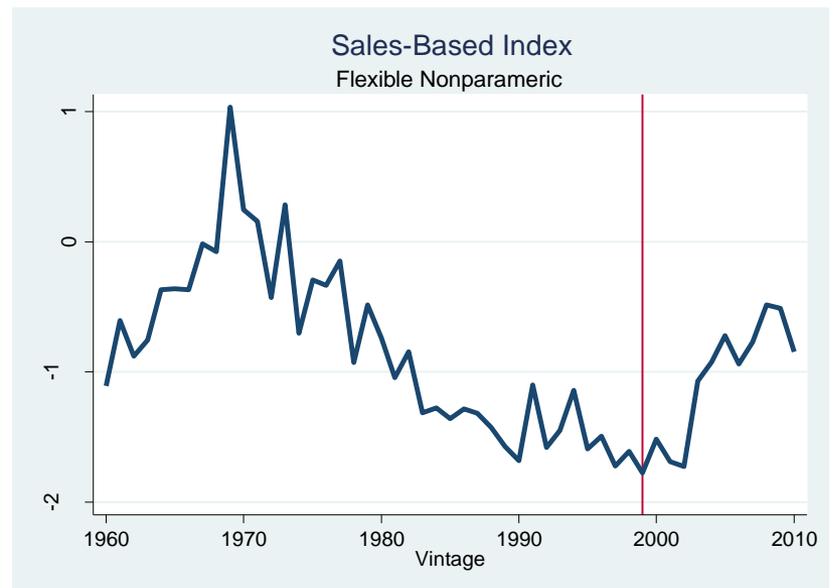
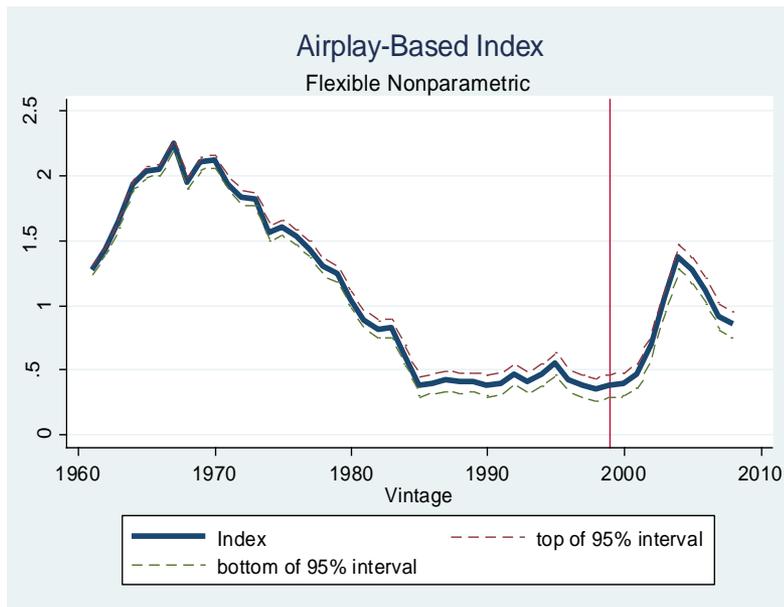
- Music

- Critic approach: number of “best albums” from each year, from many indices:



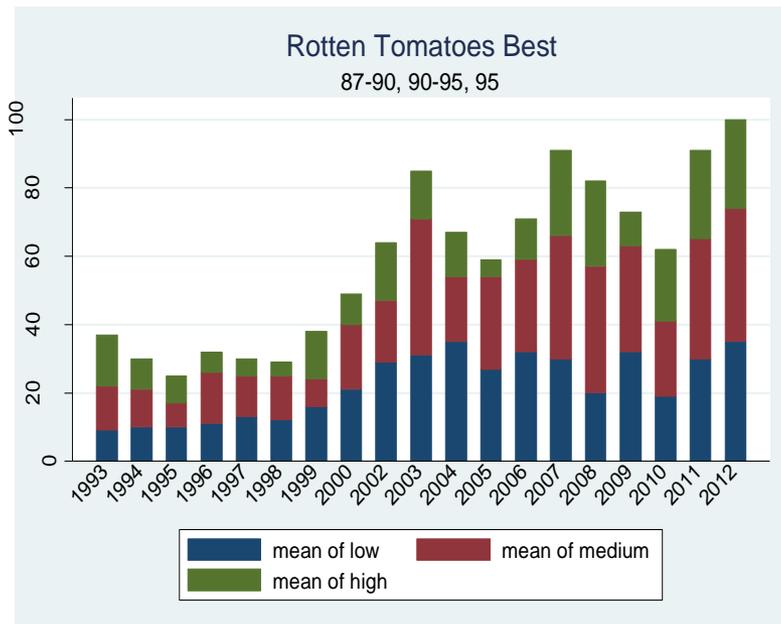
Music: consumption-based approach

- After accounting for depreciation, are some vintages used more than others?



Movies

- Growth in good movies from RT

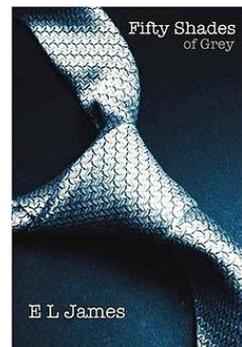


- Growth in “good” movies
- Critics and lay users have related tastes
- Growing share from “independents”

Books: self-published among bestsellers



- From *Storming the Gatekeepers*, Waldfogel and Reimers (2013)



Summing up

- Yes, there has been a revenue crisis in music
 - With threats looming for other products
- But costs have fallen, and new products are exploding
 - a golden age of plentiful and appealing products
- *Digital Renaissance*

What should industry do?



- Understandable concern about revenue
- Competing with substitutes a la Mike
- Take advantage of cost reductions
- Fight piracy

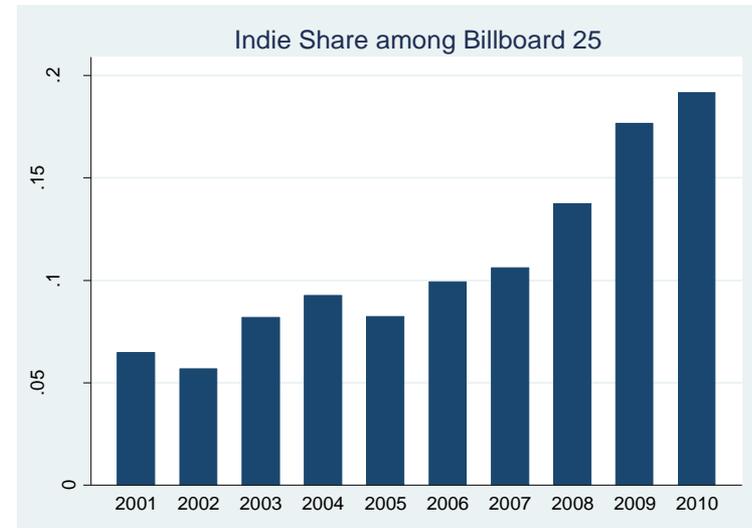
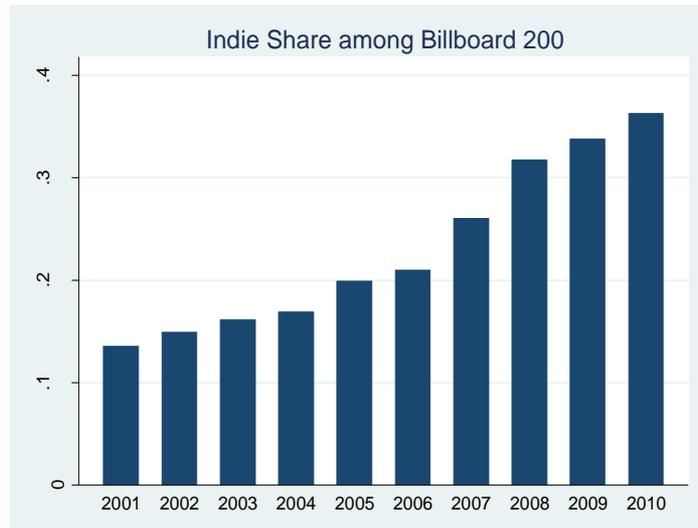
What should policy do?



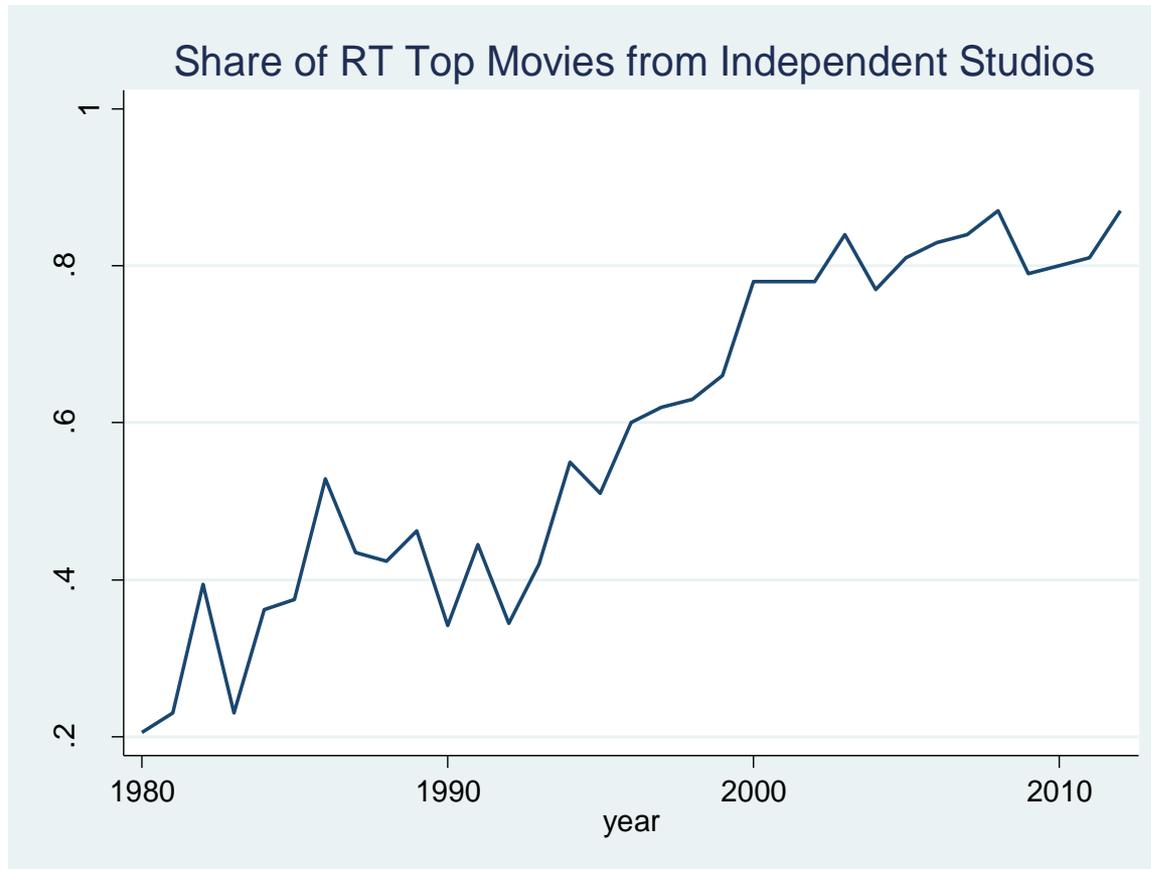
- Copyright industry barometers look strong
- Perhaps surprisingly, revenue crisis has not manifested itself in a production incentive crisis
- (there are, of course, other reasons to police stealing)



Growing indie share among BB200



“Independent” movies account for growing share of RT-top movies



- “Piracy is not just a parochial corporate problem. This is an issue that affects many industries, our economy, our culture,... ...and most importantly, the consumers who enjoy the music we create.”
 - Cary Sherman, RIAA