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Article

"Digital copying: No decrease in supply": Six questions to Anselm Mattes

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Dr. Anselm Mattes, Senior Consultant at
DIW Econ

SIX QUESTIONS TO ANSELM MATTES

»Digital Copying: No Decrease in Supply«

1. Dr. Mattes, copyright protects the products of the creative industries. To what extent does it hinder and to what extent does it promote competition? The copyright holder of a creative work has the monopoly for a certain period of time and the exclusive legal rights to this work. In the short term, this hampers competition but, in the long term, it stimulates investment in new creative works. Without copyright, all users would be in a stronger position in the short term but there would be less of an incentive for artists to create new works as they would not generate any more income.
2. Digital copying technology enables users to easily circumvent copyright which is something the music industry in particular suffers from. How high are the losses? Increasing digitization has resulted in a sharp drop in music industry sales. In many countries, turnover in this sector has seen a 50 percent decline since the turn of the century.
3. What is the situation in the other creative industries? Not all creative works are that easy to copy. This applies to theater performances and film screenings, for example. We can assume that digitization has had a similar effect in other industries, although Germany's film industry, for instance, has certainly not followed such a negative trend as the music industry. Thanks to modern technology, there are now more options for watching movies. As a result, demand may also have increased, making it difficult to differentiate between the impact of technological change and the effects of copyright protection.
4. What impact has the decline in turnover had on the generation of new works? According to economic theory, weaker copyright protection results in a decline in

turnover and, at the same time, a drop in supply because creative individuals no longer have an incentive to invest in new works. In the past, digitization led to a sharp decrease in the music industry's turnover but apparently not to a decline in supply. For the past ten years, we have seen constant growth in the generation of new creative works both in the music and in the film industries. In other words, there is no obvious correlation between turnover and supply.

5. The Internet enables users to publish their own creative works for non-commercial purposes. However, these works are partially based on protected content (background music, for instance). How can copyright law respond to these new circumstances? This user-generated content gives the industry a new dimension that simply did not exist previously. From our sample of 500 YouTube videos, we observed that user-generated content is often based on professional works. Copyright should protect professional works so that generators still have an incentive to produce the works. However, it should not be too restrictive since both amateurs and professional producers base their creative works on other professional works. If copyright protection is too stringent, this could cause a drop in the supply of creative works. We have to find a balance here in order to reconcile these two aspects.
6. Is copyright protection outdated? Our analyses have shown that there is a discrepancy between the effects of copyright according to economic theory and the impact that is actually observed. My co-author, Christian Handke from Erasmus University Rotterdam is one of the few people to have researched extensively in this field but we need substantially more empirical research to understand why the actual effects are not as theory predicted. Until such empirical research has been conducted, there can be no clear answer to this question.

Interview by Erich Wittenberg



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