

## **Business and policy solutions: Emerging issues and implications**

*Content diffusion IPR, DRM, licensing, content  
security, standards*

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# **Promises and Threats from The Digital Economy**

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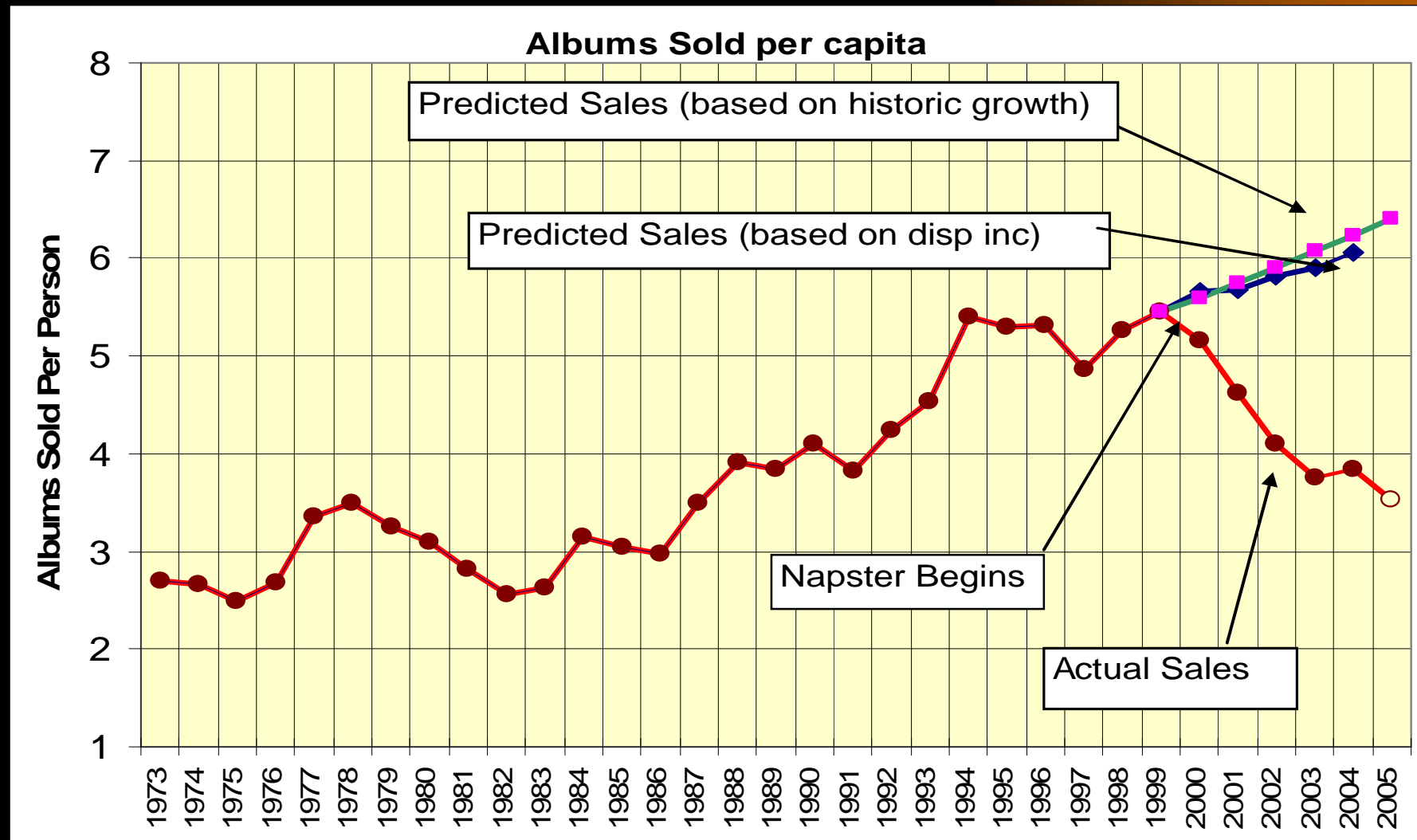
# *Digital Transmission*

- Most efficient way to move information.
- Fastest, and uses the least resources.
- The future retailing of books, movies, television, music, software and other information goods lies in digital transmission.
- Given current download speeds and technology, music is currently the best positioned to take advantage of this technology.

## *So why are online sales of music such a failure`?*

- iTunes 'success' really indicates a failure, compared to how this market should look.
- In 2004 digital sales were less than 2% of overall sales. In 2005 that was up to only 5%.
- Note a *low* estimate of illegal downloaded files indicate that they represent 40% of total sales, whereas a high estimate indicates they represent well over 100% of legitimate sales.
- Why such a slow adoption of online sales?

# *Unauthorized Copying is the Reason*



*Numerous Econometric Studies come to same conclusion*

# *Is this just Creative Destruction at work?*

- It is important to understand that this is not a case of a superior technology (file-sharing) driving out an inferior technology.
- It is a case of a new technology that destroys property rights, thus destroying the industry.
- Analogy: What if the “Star Trek” transporter (beam me down Scotty) existed but was mainly used by households to move products from stores and warehouses to homes, without payment (product sharing). Without restrictions, this would destroy the entire economy.

# *What is to be done?*

- Industry Actions
  - Digital Rights Management.
  - More Lawsuits against ‘theft’.
- Possible Government Actions
  - Help stop file-sharing.
  - Change copyright and make sound recordings and movie production a government funded enterprise— imagine this for the star trek example — the government funds all production based on surveys of consumer usage. Given government’s prior history at running markets, this seems to poor idea.