

The Future Digital Economy

Digital Content Creation,
Distribution and Access

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Conference conclusions: *Day 2 Rapporteur*

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Day 2

- Fascinating debates between various constituents in content creation, distribution & access sectors
- Start from yesterday evening with Terry Fisher's attempt at bringing analytical rigour and order
 - Most striking figure for me were the 3000 hours of digital content consumption – 8 hours a day.
 - Brings to the forefront an element which few people talked about but which I experienced directly: *time* or how does one report on two parallel sessions?
- Yet discussions covered only a small part of the Future Digital Economy



Points of agreement

- A very dynamic area in terms of technology:
 - speed of change linked to broadband, access prices
 - impression of being on the verge of major change
 - “creative” content industry characterized by few barriers to entry, continuous renewal of new talent
 - on digital distribution and access end, variety of new players emerging with sometimes radically different aims and missions: bring back relics from obscurity
- Past and future mixed, multi-disciplinary field, but also involving variety of private-public interactions
- Large agenda keeping OECD busy for a long time



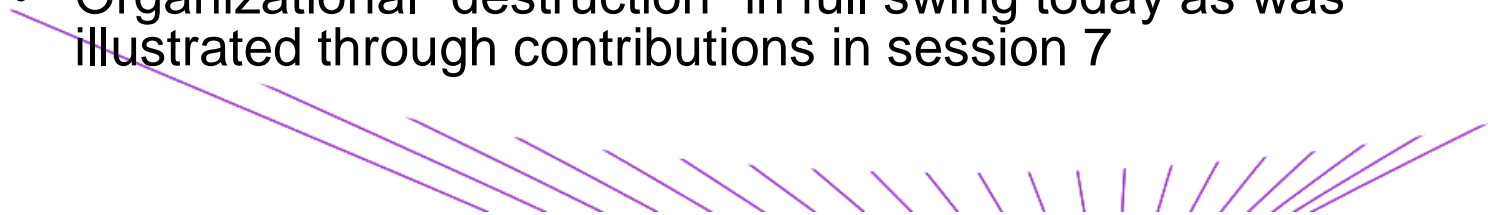
New “creative destruction”?

- Known features of “creative destruction”:
 - Digital infrastructure: speed, broadband-led
 - Broadening of opportunities for exchange of digital content goods and services (“information goods”)
 - De-(re-)intermediation, reducing transaction costs in existing value chains (“goods information”)
- New features of “creative destruction”
 - Less capital but more *organizational* destruction
 - Less of a “creative destruction” than of a “*creative activation*” kind
 - Major international implications: leapfrogging opportunities

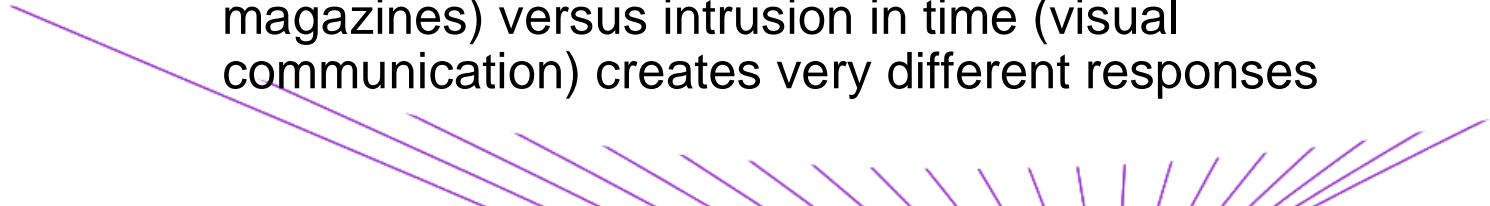


1. Organizational “destruction”

- Changing creative supply: two very different morning and afternoon sessions (sessions 6 and 7 and 8A and 8B)
- A couple of striking differences with Day 1:
 - users v. consumer – different language – discussion about “user generated content” for expression, education and self-fulfillment. Different from consumers – what they want, what they will consume as discussed during the debates in Day 1
 - Also with respect to IPR, alternative CC proposals “What about DRM?” was one of the questions. Issue of rights management not central issue, control not a requirement, yesterday in Day 1 central point of discussion was “protecting” intellectual property.
 - Competition? Presentations from different constituents were at pains to argue that two models are not in competition but, as Eli Noam pointed out yesterday, not everyone wins.
- Organizational “destruction” in full swing today as was illustrated through contributions in session 7



Missing link: time

- The competition between the two content models of Terry Fisher, the “amateurs” vs. professionals, will ultimately be a competition for time...
 - Brings back role of advertising in media
 - Link with yesterday (Taplin): dramatic shift in advertising market (missing constituents in this conference)
 - Not just shift from supply to demand but also across media outlets channels. In past mass advertising shift from written press to broadcasting. Will this continue?
 - User, citizen, consumer response towards mass advertising? Intrusion in written material (newspapers, magazines) versus intrusion in time (visual communication) creates very different responses
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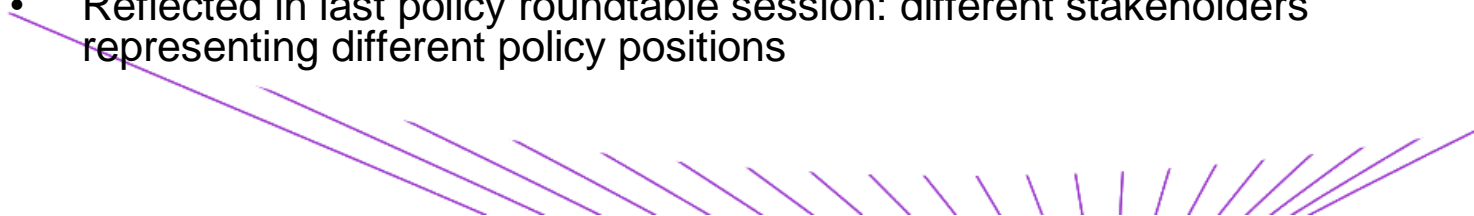
2. Creative “activation”

- From the first session 6 with CC, BBC archives, Yahoo open content access alliance, Google book search to Yossi Vardi’s final passionate plea, it is clear that something has changed fundamentally with respect to consumption
- *Broadcasting* has made “consumption” of creative content a passive, lazy activity: a coach potato activity
- Unlocking access, activating users: discovery of incredible diversity of creativity by activating content consumption
- Goes beyond commercial interests but commercial opportunities are not eliminated
 - “Creative amateurism” contains positive externalities of culture “consumption” associated with non-rivalry
 - Remember Scitovsky and the joyless economy




Points of disagreement

- Role of the market vs the role of governments – a disagreement more in wording than in content... (Session 8A)
 - Government officials emphasizing the role of governments; markets should do it if they can but there are lots of important government roles (regulatory framework for non-broadcasting framework, competition policy, equal and affordable access, privacy)
 - Role of the public sector as facilitating common solutions and as actor (creation of own demand)
 - Possible role of OECD (see BIAC proposals) Strong cumulative process
- Content diffusion: “IP destruction”? Two opposing views:
 - Opportunities for individual rights management vs collective management
 - New technologies (file sharing) that destroy intellectual property versus new technologies that enable “amateur creativity”
 - Competing alternative DRM systems reflect very different business models of creative content: IsDRM vs compulsory licensing, individual rights management vs collecting societies approaches
- Reflected in last policy roundtable session: different stakeholders representing different policy positions



3. International aspects

- Was completely missing from the debates (with notable exception of De Laurentiis): yet basis of leapfrogging in China, India, Brazil
 - Link with low copyright protection e.g. not analyzed...
 - Similar issues on “national” heritages in areas of traditional music, art, but also e.g. bioprospecting
 - Touches on essential features of incorporation of public good aspects of historical and cultural content in international commercial exploitation
 - Highlights different perspectives on respective roles of governments and “industrial” policies in countries at different levels of development (compare e.g. US, EU, Japan, Korea, China, Brazil, India)
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Policy conclusions

- Different policy concerns/views in different countries: reflecting intensity of “creative destruction” phase
 - National policy debates: find common ground, balance between stakeholders
 - Diversity amongst countries in search for such balancing exercise
- Innovation and competition: economic insights:
 - Traditional content providers becoming digitized: need for shift from backing winners to backing challengers?
 - Quid about education, health, cultural heritage and the national institutional frameworks surrounding those
 - National variety in concerns about IPR, privacy, neutrality
- Strong need hence for international exchange of views. Lots of work for the OECD...



Some after-thoughts

- Growing gap between technical features of goods and human needs also evident in content industries? Perfection of content professionalism vis-à-vis human amateurism
- Linked to product innovation competition model with continuous quality improvements, yet value decline and erosion of high tech goods
- Driven by consumption rivalry with sometimes negative externalities: justification even for higher sales taxes on luxury goods (Frank)
 - Digital content goods, by contrast, are non-rivalry. Their consumption, use, access has positive externalities
 - Explains readiness to invest so much “amateur time”

