

The Creative Destruction of Copyright

Innovation in the Record Industry and Digital Copying



A central concern with digitisation in the cultural industries is that unauthorised, digital copying – which erodes copyright protection – will disrupt cultural supply. The empirical findings of this dissertation suggest that this concern is not justified. In the German market for sound recordings, the supply of different titles on physical sound-carrier formats has expanded in the presence of digital copying. Small, independent record companies seem to thrive in the current business environment. The resilience of supply and a boom among fringe suppliers in spite of falling industry revenues is consistent with a process of creative destruction in the context of radical technological change. These findings highlight limitations in the conventional economic analysis of digital copying. They also deflate the case for additional public expenditure on copyright enforcement. Such measures should be complemented by a policy aimed at facilitating technological transition.

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