The Economic Rationale of Copyright

By Robert Hurt and Robert Schuchman (1966)

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Overview

- Copyright in Context of Books & Periodicals
- Why have copyright?
  - Rights of the Creator
  - Promotion of Economic Welfare
Rights of the Creator

- Natural Property Right
  - Pre-existing/Inherent Property right
- Moral Right
  - Extension of personality
- Right to reward for their contribution to society

Economic Welfare

- Traditional Copyright Rationale
  - Encourages creation and innovation
  - Induces large number of publications of valuable material
  - Returns reflect value to society

- Does a copyright monopoly enhance economic welfare?
Challenging Copyright: Inducing Creation.

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<th>Author</th>
<th>Publisher</th>
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<td>Incentives and Motives</td>
<td>Many reasons for writing</td>
<td>Business for profit</td>
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<td>Benefits of Copyright</td>
<td>Method of financial reward</td>
<td>Alleviates risk and threat of competition; method of financial reward</td>
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<td>Alternatives to Copyright</td>
<td>Support during production; Upon completion: tax liability spread back</td>
<td>First to market; manage supply and demand; fear of retribution; exclusive rights with author.</td>
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- © does induce creation but need is greater for Publisher than Author

Challenging Copyright: Is Welfare Enhanced?

+ In the absence of copyright the market is an inadequate mechanism for equalising private return and public benefit
+ Intrinsic merit of literary creation

- Scarcity pricing of books that can cover cost without copyright
- Submarginal literary production
- Costs and frictions are insignificant
Conclusion

- The desirability of copyright system is based on why we believe it should exist
  - The rights of the creator
  - Promote Economic Welfare

- Economic Welfare
  - Copyright enhances general welfare
  - The extent to which welfare is enhanced can be challenged