

## **PLANT AND BREYER ARGUMENTS AGAINST COPYRIGHT**

Plant and Breyer argue from an economic perspective that copyright is unnecessary as an incentive device for producing intellectual goods, and that it has severe economic disadvantages

### **1. Book production will occur even without copyright**

- a) Disinterested authors
- b) Academic rewards for authors
- c) Patronage, work for hire
- d) Being 1<sup>st</sup> in the market: Fighting editions as a threat to pirate editions

### **2. Presumed but false advantages of copyright**

- 1.- Books are luxuries, demand is highly elastic; monopoly is not very dangerous.
- 2.- Economic incentive for creation and edition
- 3.- Risk spreading device for editors

4.- Improves the bargaining position of authors

5.- High uncertainty of demand  $\Rightarrow$  essential for pooling risks, so that monopoly profits from **successful** books allow recovery of the losses of those who fail.

## 2. Economic disadvantages of copyright

① Monopoly evils  $\Rightarrow$  reduced output and higher prices

② Too many books: too many risky undertakings by publisher  $\Rightarrow$  speculative publications (too much diversity and inefficient diversity)

③ Conflict between author – publisher  $\Rightarrow$  interested in net profits



interested in royalties, gross sales

④ Libraries oppose low-price policy

⑤ Price discrimination

Practical solution  $\rightarrow$  legal clearinghouse and compulsory license system.

## 4. Some counterarguments

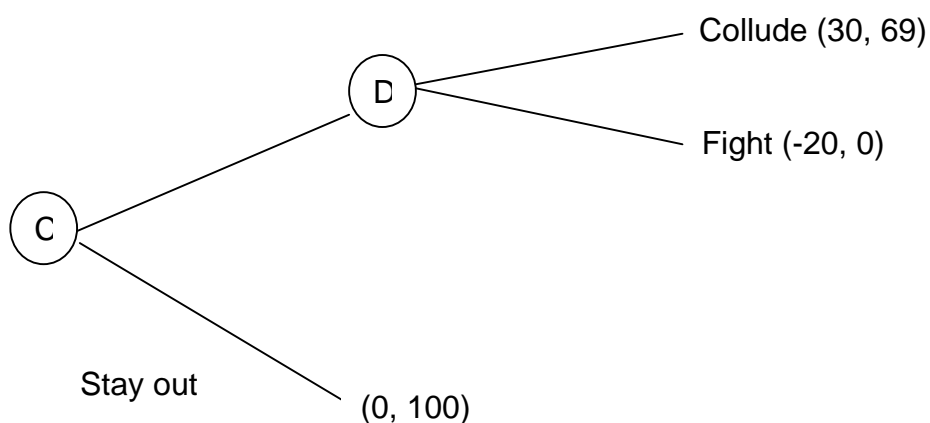
1.- Being first in the market is not always a guarantee of profits when faced with competition

Argument of Plant-Breyer: low cost editions by original authors and publishers to fight pirate editions (even selling below cost).

The argument has to be considered in the light of the more general discussion of price wars from an incumbent monopolist against entrants.

		1 <sup>ST</sup> PUBLISHER	
		<u>Collude</u>	<u>Fight</u>
COPIER	<u>Enter</u>	30, 69	-20, 0
	<u>Stay Out</u>	0, 100	0, 100

Payoffs (Copier, Publisher)



(Fight, Stay Out) as equilibrium if 1<sup>st</sup> publisher can pre-commit to fight (publisher moves first)



How? → irreversible investment: Printing additional copies (the mere threat to reduce price or to print additional copies is not credible).

⇒ exhaustion of real resources by the excess production. There are other ways to guarantee enough incentives.

2.- Being 1<sup>st</sup> in the market is not always a good substitute for copyright

If consumers can anticipate the copies, the advantage of being first might disappear.

But there are consumers that value early access (hardcover editions)

2.- Patronage → hold-up and moral-hazard problems.  
orders in advance → free-rider problems.