Customers at the Apple store in Dalian, Liaoning Province, China.

Music Going for a Song

Protecting creative content could promote development in the digital age

Patrick Kabanda

INTELLECTUAL property rights date to ancient Egypt. In an inscription on a rare Egyptian tablet from 2000 BCE displayed at the Louvre in Paris, Irtysen, a master craftsman, scribe, and sculptor, boasts about his trade secrets. How would he maintain ownership of his techniques and make a decent living in today's digital world?

Technology occupies us in ways that would baffle Irtysen. Rush hour subway riders swipe and text away while digital music blasts through their earphones. Whether they're consuming this music legally or illegally, who knows? What's clear is technology makes it easy to copy and transmit creative work: capture and share are the order of the day.

Cheap singles

When Apple's iTunes debuted in 2001, it ushered in the cheap digital single. In about a decade, music sales plunged to $7.1 billion in 2012 from $11.8 billion in 2003 (Covert, 2013). At the same time, world trade in creative goods and services totaled a record $624 billion in 2011, according to the United Nations Conference on Trade and Development. To protect creative workers' incomes and boost creative economies, protection and fair compensation are essential.

Digital music generated more revenue than physical formats for the first time in 2015—it was up 3.2 percent to $15 billion, the industry's first significant year-over-year growth in nearly 20 years (IFPI, 2016). The International Federation of the Phonographic Industry (IFPI) notes that digital revenue rose 10.2 percent, to $6.7 billion. A 45.2 percent rise in streaming revenue more than offset fewer downloads and physical sales. This is welcome news. But the industry is trapped in a so-called value gap—a mismatch between music that makes money and a lot that doesn't parlay into meaningful revenue for artists and creative businesses.

If developing economies could reap earnings from their cultural wealth it could unleash development, help solve youth unemployment, and promote diversification. But piracy, endemic in both developing and developed economies, poses a threat.

Digital piracy is constantly changing, which makes it hard to eradicate. Unauthorized music is distributed through platforms such as Tumblr and Twitter, unlicensed cyberlockers (online data hosting services), and BitTorrent file sharing. The IFPI estimates that "in 2014 there were four billion music downloads via BitTorrent alone"—most were unlawful (IFPI, 2015). The Chinese "Special Campaign" focused on cracking down on infringement and urged businesses to raise awareness of intellectual rights. Although imperfect, it's one example of how to tackle this problem (Brodbeck, 2015).

Unfair ad rules?

Today's iPhone is like a mini pocket studio, whose users can easily make videos and post them on YouTube. Whether it's a cat tapping out an approximation of "Für Elise" on the piano as it meows off-key or a concert pianist, footage that goes viral can turn into cash. One path to success for an artist is to partner with YouTube and give the company a share of advertising revenue (Johnston, 2013).

But sometimes advertisers, including well-known brands, wind up on sites that infringe on copyright. A 2014 study by MediaLink found that "596 infringing sites generated US$227 million a year in advertising revenue." Those involved benefit, but those who wrote, performed, and produced the music get nothing (IFPI, 2015).

Leveraging intellectual rights to expand the creative sector is a huge development opportunity.

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Piracy losses are hard to pin down. The economy does not necessarily suffer—consumers may just spend their money elsewhere. "If a person illegally downloads a movie or song that he never would've downloaded otherwise, then it's not clear what the losses actually amount to (the benefits, by contrast, are fairly clear)." (Plumer, 2012)

Stringent intellectual property protection can also worsen the knowledge gap between rich and poor countries. The rules in the World Trade Organization's Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS), which "promote stricter intellectual property protection were clearly a response to lobbying by Western companies that owned and developed intellectual property, such as pharmaceutical, entertainment and software companies." (Lester and others, 2008) The agreement aims to help all countries facilitate international trade through protection of intellectual property rights, but even if some developing economies have asked to be excused from some of the obligations, many have yet to see meaningful benefits from the system.

And then there's cost. Property rights may encourage businesses to invest in intellectual products, but costs such as litigation and enforcement can undercut these efforts, as well as governments' incentive to invest in strong intellectual rights regimes—especially in developing economies.

Copyright for development

The benefits to development and the costs deserve a close look. The often-cited knowledge gap (with respect to TRIPS) is the West versus the rest. But there's another side. When creative and traditional knowledge from developing economies is exploited in Western branding or copyright infringement, for example, the implications for development are largely ignored. And although an economy as a whole may not suffer, impoverished artists do.

Constructive policymaking must consider how TRIPS can benefit both developed and developing economies and distinguish between protecting creative work and protecting pharmaceuticals, for example.

And it's more than just carrots and sticks. Many creative workers struggle to survive despite contributing to others' economic and social welfare. Some tech companies and superstars have made a killing in the Internet age, but, according to economist and singer Jason Shogren, it takes more than 4 million hits on Spotify just to earn the minimum wage (Timberg, 2015).

Meanwhile, an artist who sold 150 self-pressed CDs for $9.99 each would take in almost $1,500. That beats aiming for 4 million plays. The average per stream payout to rights holders is somewhere between $0.006 and $0.0084 on Spotify (Plaugic, 2015). Shogren says that after management fees and other costs, few but the most famous artists see any real money. "The most popular artists on Spotify are racking up millions of streams worldwide, which actually does translate into a lot of money. Drake was Spotify's most streamed artist in 2015"—with about 1.8 billion streams, which earned him close to $15 million (Plaugic, 2015).

Leveraging intellectual rights to expand the creative sector is a huge development opportunity and calls for development financing and a new mind-set. Developing economies must jettison the assumption that there's no money or developmental value in creative work.

As Irtysen might remind us, extractive industries—which often get all the attention—are not the only ones that need infrastructure, tax breaks, foreign and domestic direct investment, and the like. Our increasingly knowledge-based economy must harness people's teeming creative wealth to drive development. The tools include allocation of scarce resources to build infrastructure, attractive loans and tax breaks, structures for local and global fee collection, and fair distribution. International development organizations can also chime in with financial and technical leverage to support creative work for development in the digital age. ■

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