The Welfare Theory of Copyright

William Fisher
Defending Our Lives is an Oscar® winning documentary about the magnitude and severity of domestic violence in this country. This educational video features four women imprisoned for killing their batterers and their terrifying personal testimonies.
What Should CDF Charge for DVDs?
What Should CDF Charge for DVDs?

• We need more information
Cost of Producing Copies of the Movie?
Costs Associated with a DVD

- Duplication ≈ $1.00
- Packaging ≈ $0.90
- Distribution ≈ $0.80
Marginal Cost

$2.70

Quantity
For any given price, how many copies of the movie could CDF sell (per month)?
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$ \quad \text{Demand} \quad \text{Marginal Cost} \quad \text{Quantity}
What Should CDF Charge for DVDs?
What Should CDF Charge for DVDs?

• Assume, for the moment, that copyright law does not exist (or is not effectively enforced)
The diagram illustrates the demand curve and the marginal cost line in a market. The vertical axis represents price ($), while the horizontal axis represents quantity. The demand curve (Demand) slopes downward, indicating that as the price decreases, the quantity demanded increases. The marginal cost (Marginal Cost) line is horizontal, suggesting a constant marginal cost regardless of the quantity produced.
In the absence of copyright, copying and competition will drive the price down close to marginal cost.
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Anticipating this Effect, CDF will not make any films

In the absence of copyright, copying and competition will drive the price down close to marginal cost.

Resultant Consumer Surplus

Demand

Marginal Cost

Q

Quantity
Economic Conditions Created by the Grant of a Copyright

Demand

Marginal Cost

Quantity
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$P(X)$

$X$

$\text{Demand}$

$\text{Marginal Cost}$

$\text{Quantity}$
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Demand

Marginal Cost

X Y

$ P(X) P(Y)
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\[ P(X) \]
\[ P(Y) \]
\[ P(Z) \]

$\quad \text{Quantity}$

Demand

Marginal Cost
Economic Conditions Created by the Grant of a Copyright

- Marginal Cost
- Demand
- “Monopoly Profits”
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$\quad P(X) \quad P(Y) \quad P(Z)$

$\quad X \quad Y \quad Z$
Economic Conditions Created by the Grant of a Copyright

Profit-Maximizing Behavior by a Copyright Owner who can engage in perfect price discrimination

“Monopoly Profits”

Profit-maximizing output
Economic Conditions Created by the Grant of a Copyright

$ \quad \downarrow \quad \downarrow \\
\text{Quantity} \quad \text{Marginal Cost}

\text{Demand}
Economic Conditions Created by the Grant of a Copyright

Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination
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Demand

Profits

Marginal Cost

Quantity

u

$
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Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

\[ \text{Revenue gain} \]

\[ \text{Demand} \]

\[ \text{Marginal Cost} \]

\[ \text{Quantity} \]
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Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

Revenue loss

Revenue gain

Demand

Marginal Cost

Quantity

$
Economic Conditions Created by the Grant of a Copyright

Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

$\downarrow$

Profit

Demand

Marginal Cost

$p$

$q$

$u$

$v$

Quantity
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\[
\text{Demand}
\]

\[
\text{Marginal Cost}
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Revenue loss

Revenue gain

Marginal Cost

Quantity
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Demand

Marginal Cost

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Revenue loss

Revenue gain

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Marginal Cost

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$\text{Demand} \\
\text{Marginal Revenue} \\
\text{Marginal Cost} \\
\text{Quantity}
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\[ \text{Profit-maximizing price} \]

\[ \text{Profit-maximizing output} \]
Economic Conditions Created by the Grant of a Copyright

Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

Profit-maximizing price

P

Demand

Marginal Cost

Q

Profit-maximizing output

Monopoly Profits

$
Economic Conditions Created by the Grant of a Copyright

Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

Profit-maximizing price

Consumer Surplus

Demand

Monopoly Profits

Marginal Cost

Profit-maximizing output
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Profit-Maximizing Behavior by a Copyright Owner who cannot engage in price discrimination

- Consumer Surplus
- Monopoly Profits
- Deadweight Loss (foregone consumer surplus)
- Marginal Cost
- Profit-maximizing price
- Profit-maximizing output
- Quantity
Economic Conditions Created by the Grant of a Copyright

Profit-maximizing price

$\rightarrow$ $\downarrow$

Profit-maximizing output

$\downarrow$ Quantity

Consumer Surplus

Demand

Monopoly Profits

Deadweight Loss (foregone consumer surplus)

Marginal Cost

Liam Neeson (Actor), Ben Kingsley (Actor), Steven Spielberg (Director) | Rated: R | Format: DVD

Rating: ★★★★★ (753 customer reviews) | Like (978)

List Price: $44.98
Price: $9.96 ▶Prime
You Save: $35.02 (79%)

In Stock.
Ships from and sold by Amazon.com. Gift-wrap available.

63 new from $7.56  69 used from $1.99

Other Formats & Versions

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Leave the Wrapping to Us
Sending a gift? Save yourself a little time by taking advantage of gift wrapping for just $2.99. We'll select from our coordinating papers, boxes, and ribbons to make your gift special. Note: Large items might arrive in a reusable cloth gift bag instead of wrapping paper.
Economic Conditions Created by the Grant of a Copyright

- Profit-maximizing price
- Profit-maximizing output
- Consumer Surplus
- Monopoly Profits
- Deadweight Loss (foregone consumer surplus)
- Marginal Cost

$2.70
Order

Thank you for your interest in our films!

To be assured of receiving your film/video on time, please try to place your order two weeks in advance. Massachusetts residents please add 5% sales tax.

Ordering Options

- **Online:** [instant online Form](#) (Visa / Mastercard only)
- **By phone:** (617) 484 3993. We will accept a phone order and assign an invoice number, however, you must follow up with a written order, marking it "confirming order" and refer to the invoice number. Otherwise, you will be responsible for any duplication of orders. We also accept Master Card and VISA orders by phone!
- **By email:** fill up the [order form](#), and send it to orders@cambridgedocumentaryfilms.org.
- **By mail:** fill up and print the [order form](#), and mail it to:
  Cambridge Documentary Films
  3099 Hidden Valley Lane
  Santa Barbara, CA 93108
  If you are mailing us an order please include either an organizational purchase order or prepayment.

Purchase Prices

All prices include public performance rights.

<table>
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$\quad$ $\quad$ Demand

Marginal Cost

Quantity
Economic Conditions Created by the Grant of a Copyright

- Demand
- Marginal Cost
- Quantity
Economic Conditions Created by the Grant of a Copyright

$\$\$

$P$

Demand

Marginal Cost

Quantity
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$\quad\text{Quantity}$

$p$

Demand

Marginal Cost

Quantity
Economic Conditions Created by the Grant of a Copyright

![Diagram showing demand and marginal cost](image-url)
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Diagram:
- Y-axis: $ (Dollars)
- X-axis: Quantity
- Demand curve
- Marginal Cost line
Economic Conditions Created by the Grant of a Copyright

$\$\$

Demand

Marginal Cost

Quantity
Economic Conditions Created by the Grant of a Copyright

$\quad$ Demand

$\quad$ Marginal Cost

$\quad$ Quantity
Economic Conditions Created by the Grant of a Copyright

$\text{Demand}$

Demand

Marginal Cost

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Marginal Cost

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$
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