Case: File Sharing

SI 646, Information Economics
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Read Felix Oberholzer and Koleman Strumpf. The effect of file sharing on record sales – an empirical analysis. In *Second Workshop on the Economics of Peer-to-Peer Systems*, 2004. Revised June 2005; available at `http://www.unc.edu/~cigar/papers/FileSharing_June2005_final.pdf`.

Be prepared to engage in class debate concerning the following questions. You should be prepared to argue *both for and against* the assertions.

1. Asserted: "Sharing files is largely non-rivalrous because the original owner retains his copy of a downloaded file" (p. 2). Because the goods are non-rivalrous, social welfare is maximized by allowing unrestricted file-sharing.
2. Asserted: File sharing increases recording sales because users are able to sample more material and find out what they want to buy.
3. Asserted: File sharing is no different than providing a public library service, and should be treated the same.
4. "[Estimating equation (1)] is generally inappropriate because the number of downloads is likely to be correlated with unobservable album-level heterogeneity" (p. 14). What does this mean?
5. "This is evidence consistent with a ubiquitous scarcity of supply" (p. 18). But on p. 2 (see above), the authors said that file sharing is "non-rivalrous". How can there be scarcity of non-rivalrous goods?