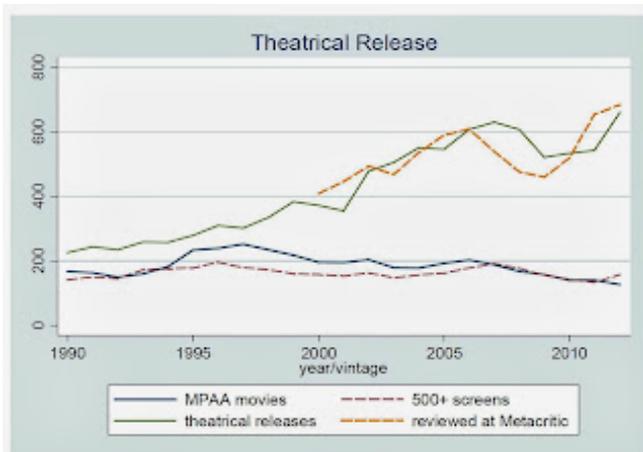


Hollywood Innovation Overtakes Piracy

Movie industry innovation is more than keeping pace with revenue drains caused by piracy.



Release data plotted over time (MPAA represents majors)

File sharing and piracy reduces studio revenues and prevents firms from recouping the ever larger investments needed for the production of new releases. As such, piracy is claimed to 'kill' innovation and creative production, which will ultimately hurt consumers. The industry has been heavily lobbying for stronger protection from piracy. In a new paper, Joel Waldfogel of the Carlson School of Management argues that technological development has massively declined the cost of producing new movies. Moreover, the same developments that allow massive file sharing also made the discovery of new movies much more effective, thereby substantially reducing the total cost of a new release. This effect counteracts the detrimental impact of piracy and may actually result in an increase of releases and innovation in general (similarly to what happened in other creative businesses, namely music and books). Using IMDb data, the paper shows that this indeed seems to be the case. Since 1990 the annual number of US features and documentaries produced has increased by more than five and ten times, respectively. Moreover, while the number of new releases from the major Hollywood studios hasn't really changed, independent movies make up a large and growing share of what succeeds in the market. The new vintages of movies are far from being of low quality and there is evidence that they are appealing to audiences and critics alike. The movie industry seems to be in better health than ever!

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