

In the long run, innovation is essential to sustain competitiveness and growth. Sooner or later, any enterprise has to alter products and production processes to survive. It is contentious, however, whether novelties in the cultural and creative industries (CCI) are truly innovations.

On the one hand, the CCI may appear as extraordinarily innovative. Each year thousands of new books, music recordings, movies or video games are introduced to the market. Suppliers of creative works often compete on novel marketing methods. What is more, a rich supply of creative works promotes the demand for other goods and services, for instance from the information and communication technology (ICT) sector. On the other hand, the concept of 'innovation' may seem inappropriate for products and processes in the CCI. After all, many creative works seem virtually worthless and there no objective quality criteria to gauge the function of creative works.

How does copyright affect innovation? This was the question of a core area study that my colleagues at DIW Econ authored for the Expert Commission on Research and Innovation (EFI). This talk presents how we measured innovation for that purpose and summarizes the main results.

According to the standard economic definition, innovative entails novelty and value. Economic analyses typically start with the notion that observations on user behavior – in particular purchasing decisions – provide the most valid indications of product value. Then many creative works are valuable as they are frequently used and bought. Regarding suppliers, the production and dissemination of creative works is costly and investments in this area indicate that the expected returns for suppliers exceeds these costs. Furthermore, new creative works need to recognizably differ from previous publications and thus have novel aspects, for instance to avoid infringing on copyrights. On this conceptual level, there can be little doubt that creative works are innovations at least if a level of demand for them transpires.

To be sure, innovation processes and outcomes in the CCI are hard to grasp in the more familiar terms of the manufacturing sector. The R&D costs, regulations and intellectual property framework for new medication is rather distinct from the situation in which a new music album comes about. Nevertheless, both these products can be novel and valuable products and thus constitute an innovation.

A number peculiar features complicate the measurement of the innovation performance of the CCI. Creative works are often quasi-public goods so that their market value may only reflect a fraction of their total social benefits. There is extensive evidence that creative work is often intrinsically motivated and in the CCI, end-users participate increasingly in the creation of value. Furthermore, swift and broad technological change shifts the ground and makes it hard to establish causal factors driving innovation.

A central and controversial means to promote CCI innovation is copyright. To this date, there is hardly any empirical evidence that in the course of digitization, stronger copyright protection would have promoted innovation performance and efficiency in the copyright industries. A sound evidence-base could help develop more stable and widely acceptable solutions. Systematic data collection and empirical research should help us to further develop the copyright system and to foster a sustainable CCI.