

Economics Honors Project
“Piracy and the Demand for Digital Music”
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In this project, I explored the implications of pirating digital music platforms such as Napster, Kazaa and Morpheus on the demand for legitimate digital music. Through the construction of a model which simulated preferences of consumers for particular songs, I determined a pricing schedule upon which digital music companies might set up prices given differing transaction costs, substitutability and qualities. From the model, I determined that music companies looking to be profitable in digital music had legal and economic choices—they might enhance the value of their music in comparison to pirated digital music, offer goods which cannot be transferred easily such as chats with the bands, seek stricter enforcement of copyright laws or infect illegitimate music platforms with viruses. Given the structure of Napster and such programs, I arrived at the conclusion that the best solution to profitability when facing an illegitimate digital intellectual property platform would be to enhance the value of legitimate digital music. Although the project focused most prominently on the music industry, such conclusions might be transferred to other industries dealing with intellectual property which might some day become transferred easily in digital format.