

# MISQ Archivist

## The Invisible Hand of Piracy: An Economic Analysis of the Information Goods Supply Chain

*Antino Kim, Atanu Lahiri, and Debabrata Dey*

---

### Abstract

In this paper, the economic impact of piracy on the supply chain of information goods is studied. When information goods are sold to consumers via a retailer, in certain situations, a moderate level of piracy seems to have a surprising positive impact on the profits of the manufacturer and the retailer while, at the same time, enhancing consumer welfare. Such a “win–win–win” situation is not only good for the supply chain, but is also beneficial for the overall economy. The economic rationale for this surprising result is rooted in how piracy interacts with double marginalization. We explain this rationale and develop useful insights for management and policy.

**Keywords:** Piracy, supply chain, retailer, double marginalization, digital goods, profit, welfare