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## NEW FACTORS OF PRODUCTION AND INNOVATION UNDER CONTESTED PROPERTY RIGHTS

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Turn **Straw** into **Gold**



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- ▶ Many other examples of **straw-into-gold** innovations across history...

Airwaves in broadcasting



# HISTORICAL EXAMPLES

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Overhead public space in  
distributing electricity by wire



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  - (i) are inevitably poorly defined prior to the innovation that creates them
  - (ii) can become contested afterwards
- ▶ In practice, **conflicts** are often resolved via **litigation and regulation**

**Figure 1:** Exhibit from *The NY Times Company v. OpenAI, Inc., et. al.*, 2023

**Output from GPT-4:**

exempted it from regulations, subsidized its operations and promoted its practices, records and interviews showed.

Their actions turned one of the best-known symbols of New York — its yellow cabs — into a financial trap for thousands of immigrant drivers. More than 950 have filed for bankruptcy, according to a Times analysis of court records, and many more struggle to stay afloat.

“Nobody wanted to upset the industry,” said David Klahr, who from 2007 to 2016 held several management posts at the Taxi and Limousine Commission, the city agency that oversees medallions. “Nobody wanted to kill the golden goose.”

New York City in particular failed the taxi industry, The Times found. Two former mayors, Rudolph W. Giuliani and Michael R. Bloomberg, placed political allies inside the Taxi and Limousine Commission and directed it to sell medallions to help them balance budgets and fund key initiatives.

During that period, much like in the mortgage lending crisis, a group of industry leaders enriched themselves by artificially inflating medallion prices. They encouraged medallion buyers to borrow as much as possible and ensnared them in interest-only loans and other one-sided deals that often required borrowers to pay hefty fees, forfeit their legal rights and give up most of their monthly incomes.

When the market collapsed, the government largely abandoned the drivers who bore the brunt of the crisis. Officials did not bail out borrowers or persuade banks to soften loan

**Actual text from NYTimes:**

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Under Mr. Bloomberg and Mr. de Blasio, the city made more than \$855 million by selling taxi medallions and collecting taxes on private sales, according to the city.

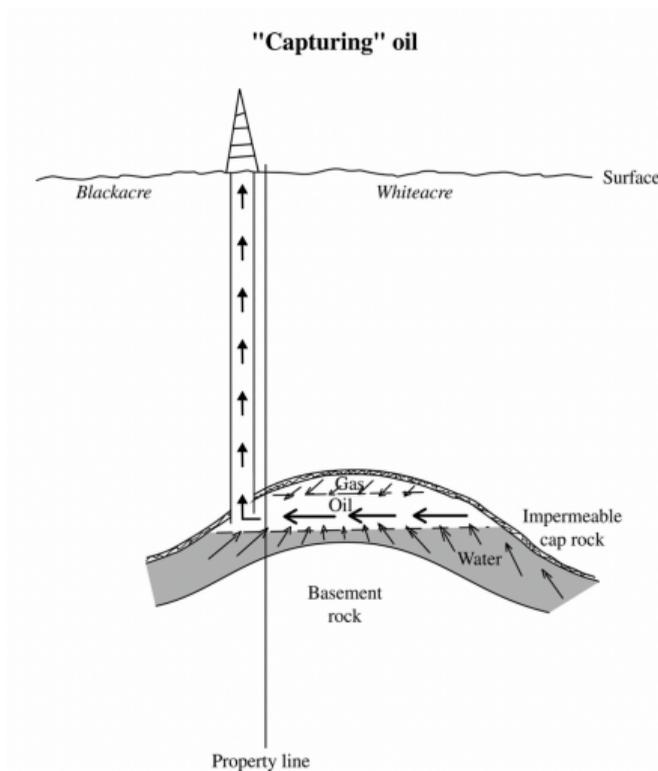
**But** during that period, much like in the mortgage lending crisis, a group of industry leaders enriched themselves by artificially inflating medallion prices. They encouraged medallion buyers to borrow as much as possible and ensnared them in interest-only loans and other one-sided deals that often required **them** to pay hefty fees, forfeit their legal rights and give up most of their monthly incomes.

# GENERATIVE AI: OWNERSHIP AND FAIR USE OF TEXT AND IMAGES

**Figure 2:** Exhibit from Getty Images Inc. v. Stability AI, Inc, 2023



**Figure 3:** The Rule of Capture diagram from Daintith (2010)



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Politics of **straw-into-gold** innovation? Innovators aim to *shape* legislation/regulation