

Executive Summary

This 2002 study by Economists Incorporated for the International Intellectual Property Alliance (IIPA) demonstrates, for the eleventh straight year, that the U.S. copyright industries continue to be one of the fastest growing segments of the U.S. economy. This study details the importance of the copyright industries to the U.S. economy based on three economic indicators: (1) value added to gross domestic product (GDP); (2) share of national employment; and (3) revenues generated from foreign sales and exports.

This study updates eight prior studies and extends the earlier analyses to include 2000 and 2001 data for employment measures, copyright industry value added, and foreign sales for the core copyright industries.

Contribution to the U.S. Economy

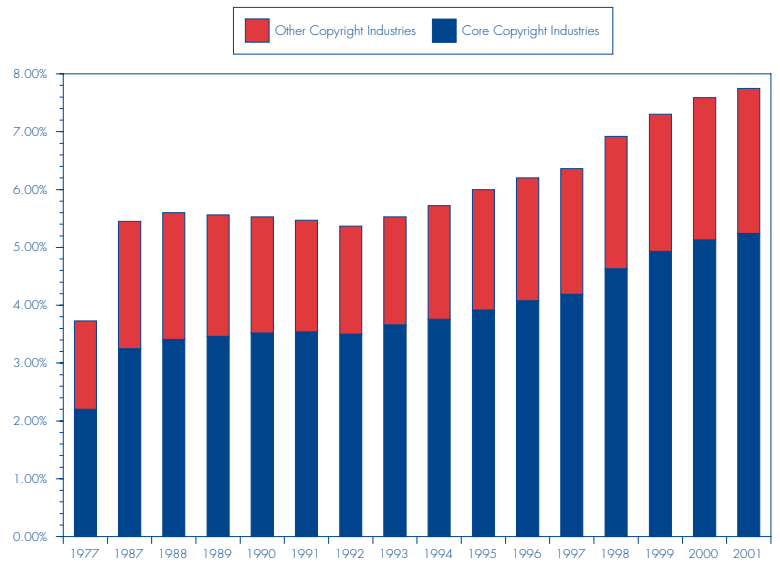
The U.S. copyright industries contribute a significant share to the U.S. economy, measured by value added, and reflected in their share of GDP (Gross Domestic Product). These industries also continue to grow at a rate higher than the U.S. economy as a whole.

In 2001, the core copyright industries¹ contributed an estimated \$535.1 billion to the

U.S. economy, accounting for approximately 5.24% of GDP (Chart 1). This contribution represents an average annual increase of 5.82% for the period 1999-2001. Between 1977 and 2001, the value added to GDP by the core copyright industries increased by an average annual rate of 7.01%.

In 2001, the total copyright industries² contributed an estimated \$791.2 billion to the U.S. economy, account-

CHART 1: Copyright Industries: Value Added Contribution to GDP as Share of GDP

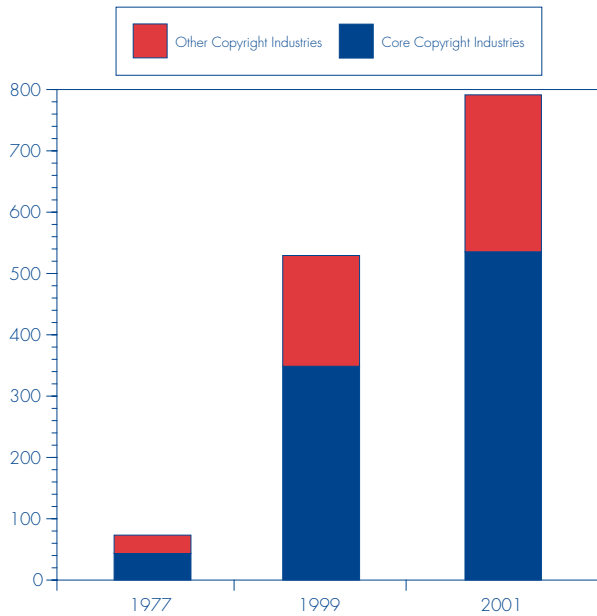


¹ The “core” copyright industries encompass those industries that create copyrighted materials as their primary product. These industries include the motion picture industry (television, theatrical, and home video), the recording industry (records, tapes and CDs), the music publishing industry, the book, journal and newspaper publishing industry, the computer software industry (including data processing, business applications and interactive entertainment software on all platforms), legitimate theater, advertising, and the radio, television and cable broadcasting industries.

² The “total” copyright industries encompass the “core” industries and portions of many other industries which either create, distribute, or depend upon copyrighted materials. Examples include retail trade (a portion of which is sales of video, audio, software, and books, for example), the doll and toy industry, and computer manufacturing.

CHART 2: Copyright Industries: Value Added Contribution to GDP Real Values

(in billions of 2001 dollars)



ing for approximately 7.75% of GDP. This 2001 value represented an annual increase of 5.75% from 1999 when these industries accounted for \$707.5 billion in value added (in real 2001 dollars), or approximately 7.30% of GDP (Chart 2). The value added to GDP by the total copyright industries between 1977 and 2001 increased by 6.9% per year.

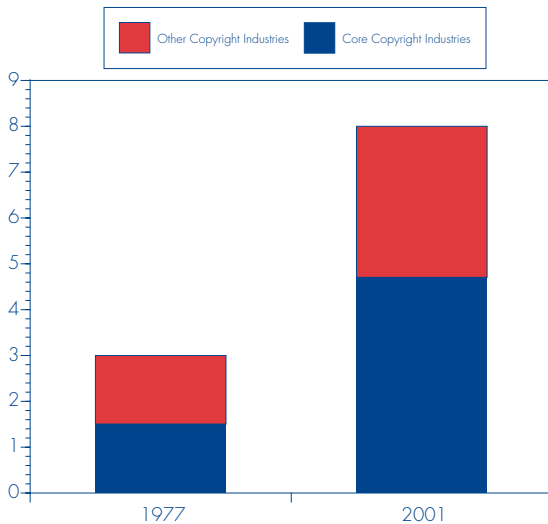
The real annual growth rate of the core copyright industries (adjusted for inflation) has been more than double the growth rate of the economy as a whole. Over the last 24 years (1977-2001), the core copyright industries grew at an estimated compound annual growth rate of 7.0% while the rest of the U.S. economy grew at an annual rate of 3.0%.

Employment

The copyright industries have created jobs at a much faster rate than many leading sectors of the economy. Moreover, more U.S. workers are employed in the copyright industries than in many leading industries such as aircraft manufacturing, motor vehicle manufacturing, steel mills, pharmaceuticals, or textiles and apparel.

CHART 3: Copyright Industries: Employment

(in thousands)



Employment in the core copyright industries grew from 1.6% (1.5 million workers) of the U.S. workforce in 1977 to 3.5% (4.7 million workers) in 2001 (Chart 3). Total copyright employment grew from 3.3% (3 million workers) of the U.S. workforce in 1977 to 5.9% (8 million workers) in 2001 (See charts 3 and 4).

Foreign Sales and Exports

Foreign sales and exports of the core copyright industries, for the most part, continue to grow rapidly. Preliminary estimates conservatively measure exports and foreign sales of the core copyright industries to be at least \$88.97 billion in 2001 (Chart 5). This represents a 9.4% annual gain over the revised 1999 foreign sales and exports figure of \$79.41 billion.

For example, exports and foreign sales in the computer software and motion picture sectors have continued to rise in recent years. However, certain copyright industries, most notably pre-recorded records and tapes, have experienced slower growth in legitimate foreign sales (below historical norms), and even declines, due, in part, to the proliferation

Estimated Average Annual Real Growth Rate

	1977-01	1987-01	1997-01
Core Copyright Industries	7.0	7.0	9.4
Remainder of the U.S. Economy	3.0	3.2	3.0

of new technologies that facilitate the distribution of pirated music.

The copyright industries' foreign sales and exports are larger than the U.S.

Commerce Department's International Trade Administration estimates of the exports of almost all other leading industry sectors. For 2001, they exceeded the chemicals and allied products, motor vehicles,

equipment, and parts, aircraft and aircraft parts, agricultural sector, electronic components and accessories, and computer and peripherals sectors (Chart 6).

Annual Growth Rate of Foreign Sales and Exports

Year	1991	1995	1996	1997	1998	1999	2000	2001
Growth Rate	6.4%	9.9%	13.3%	11.1%	3.5%	14.7%	7.6%	4.1%

CHART 4: Copyright Industries: Share of National Employment

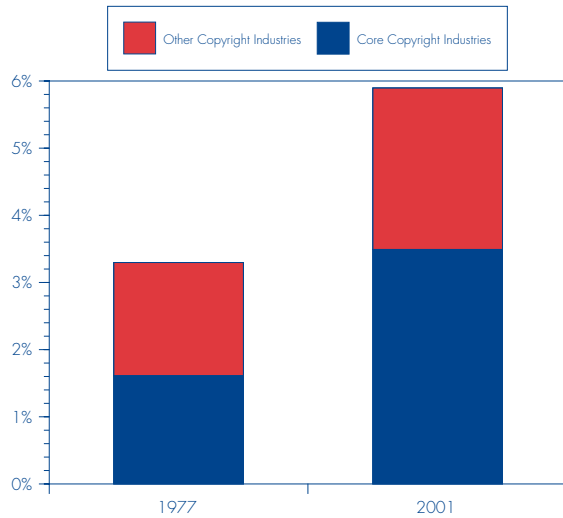


CHART 6: Foreign Sales/Exports for Selected Industries 2000 and 2001

(in billions of dollars)

INDUSTRY	FOREIGN SALES/EXPORTS	
	2000	2001
Core Copyright Industries	85.46	88.97
Chemicals and Allied Products	74.43	74.68
Motor Vehicles, Equipment, and Parts	59.81	56.52
Aircraft and Aircraft Parts	51.52	55.31
Agricultural Sector	50.90	53.00
Electronic Components & Accessories	63.34	48.26
Computer & Peripherals	44.19	36.99

CHART 5: Foreign Sales and Exports

(in billions of dollars)

