

Copyright as a Driver of Economic Development: Measuring the Size of the Creative Economy

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DEFINING COPYRIGHT

What is copyright?

“[C]opyright is a property right in an original work of authorship that is fixed in tangible form, such as a writing, image, or recording.”

What is a Copyright, 4th Edition, ABA

1. **Original works:** Copyright applies to original creative works fixed in a tangible medium, such as books, music, software, paintings, films, and more. It does not protect ideas or concepts, only the specific expression of those ideas.
2. **Exclusive Rights:** Copyright holders have exclusive rights to their work, which typically include the right to reproduce, distribute, publicly perform, and publicly display the work. Others cannot use the work in these ways without the creator's permission.



HOW TO IDENTIFY COPYRIGHT INDUSTRIES?

Classification systems for the creative industries derived from different models

- United Nations (2008), Creative Economy Report 2008: The Challenge of Assessing the Creative Economy: towards informed Policy-making:
 - UK DCMS model
 - Symbiotic texts model
 - Concentric circles model
 - WIPO copyright model
- The best place to go when getting started studying the contribution of copyright-based industries is the 2015 WIPO Guide on Surveying the Economic Contribution of the Copyright-based Industries.



WHY MEASURE THE CONTRIBUTION OF COPYRIGHT?

Why measure contribution of copyright industries?

- In 2019 at the 74th session of the UN General Assembly, 2021 was declared the **International Year of Creative Economy for Sustainable Development**.
- The United States has already done 19 studies of the **Copyright Industries in the U.S. Economy** commissioned by IIPA, since 1990.
- There are several reasons to study and measure the contribution of copyright industries:
 1. Economic Impact
 2. Innovation and Creativity
 3. Job Creation
 4. Cultural Identity
 5. Intellectual Property Protection
 6. Trade and Exports
 7. Education and Research
 8. Policy Development
 9. Cultural and Social Impact
 10. Technological Advancements
 11. Global Perspective



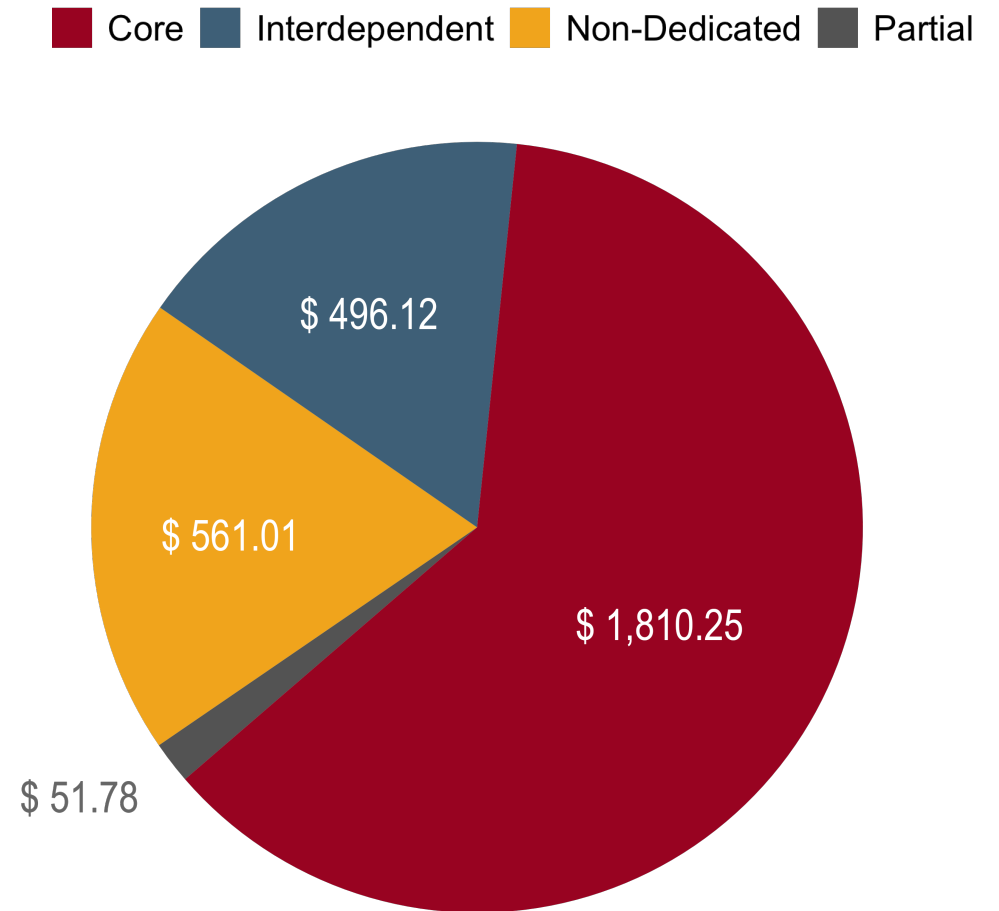
MEASURES OF CONTRIBUTION TO THE ECONOMY

Measures of contribution to the economy

- **Value added** reflects the economic contribution of labor and capital of a particular industry to the larger economy net of intermediate inputs;
 - The sum of the value added of all industries in an economy is equal to gross domestic product (“GDP”).
- **Employment** is a measure of the number of jobs tied to a particular industry or set of industries’ economic activity.
- **Labor Income** includes a particular industry or set of industries’ supported employee compensation (salary, wages and benefits).
- **Foreign Trade** includes export and import flows. It is particularly important because many copyright-protected products serve global markets.

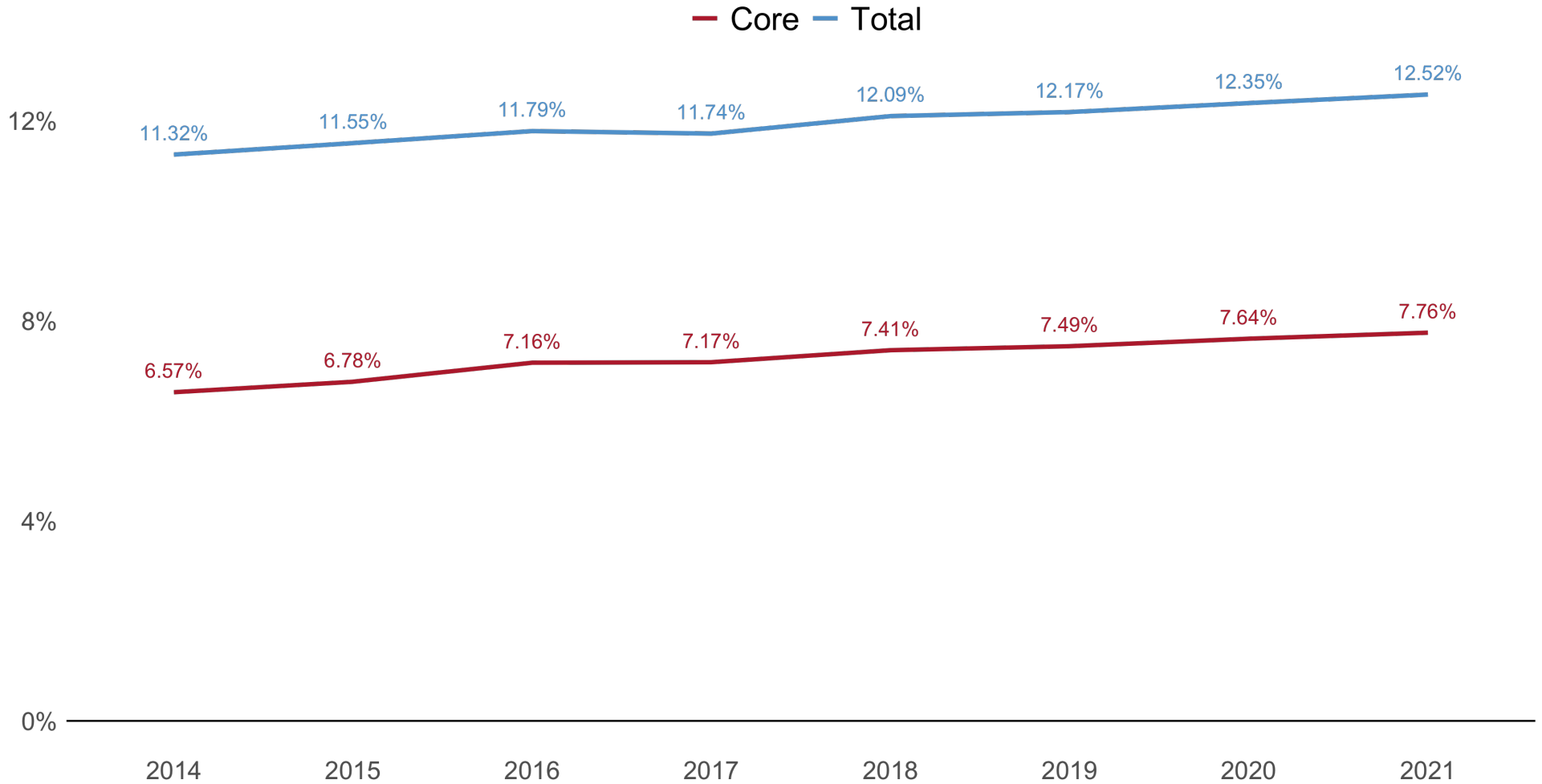
Copyright Industries in the U.S. Economy, 2021, US\$ Billions

- Value added by the core copyright industries reached \$1.810 trillion in 2021, which corresponded to **7.76%** share of U.S. GDP.
- Value added by the total copyright industries in 2021 was \$2.919 trillion, or **12.52%** of U.S. GDP.



Source: Copyright Industries in the U.S. Economy: The 2022 Report, by Robert Stoner and Jéssica Dutra of Secretariat Economists, prepared for the IIPA, December 2022, available at www.iipa.org.

Copyright Industries' Share of U.S. GDP



Source: Copyright Industries in the U.S. Economy: The 2022 Report, by Robert Stoner and J  ssica Dutra of Secretariat Economists, prepared for the IIPA, December 2022, available at www.iipa.org.

Copyright Industries in the U.S. Economy: The 2020 Report, by Robert Stoner and J  ssica Dutra of Secretariat Economists, prepared for the IIPA, (December 2020), www.iipa.org.

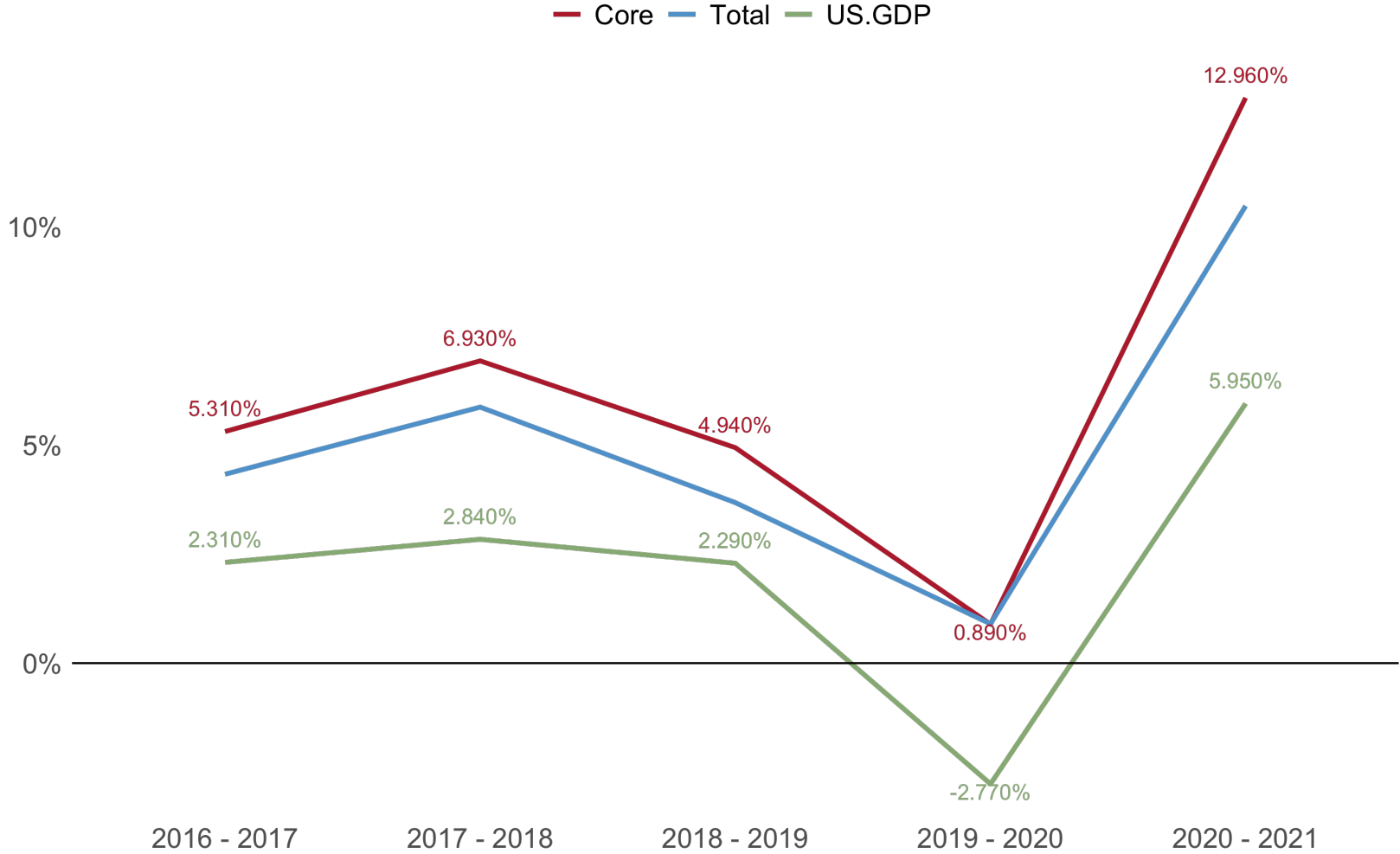
Copyright Industries in the U.S. Economy: The 2018 Report, by Stephen E. Siwek of Economists Incorporated, prepared for the IIPA, (December 2018), www.iipa.org.

Copyright Industries Contribute Significantly to U.S. GDP

- **Value added** contributed by copyright industries is significant even when compared to other major industries and sectors of the economy.

| | 2021 | |
|--------------------------------|------------------------------|----------------|
| | Value Added US\$ Billions | Share U.S. GDP |
| Copyright | | |
| Core Copyright | 1,810.25 | 7.76% |
| Total Copyright | 2,919.15 | 12.52% |
| Government | | |
| Federal Government | 887.50 | 3.81% |
| State & Local Government | 1,925.40 | 8.26% |
| Other Industries | | |
| Construction | 945.30 | 4.05% |
| Healthcare & Social Assistance | 1,735.80 | 7.44% |
| Finance & Insurance | 1,959.00 | 8.40% |

Copyright Industries Contribute Significantly to U.S. GDP (cont.)



Source: Copyright Industries in the U.S. Economy: The 2022 Report, by Robert Stoner and J  ssica Dutra of Secretariat Economists, prepared for the IIPA, December 2022, available at www.iipa.org.

Copyright Industries in the U.S. Economy: The 2020 Report, by Robert Stoner and J  ssica Dutra of Secretariat Economists, prepared for the (IIPA), (December 2020), www.iipa.org.



EMPLOYMENT AND COMPENSATION

Employment

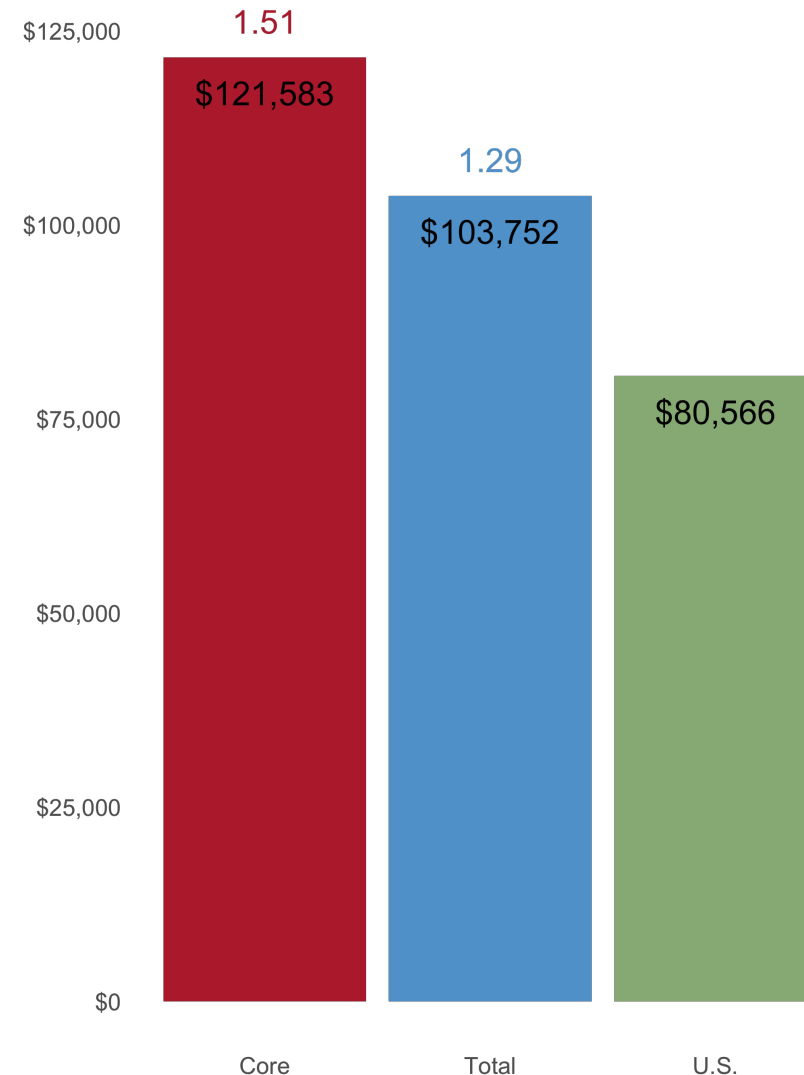
“Employment is a very important measure of economic impact, as employment is both a significant input of production and a source of income by which households can engage in spending in the larger economy.”

BioPharma Economic Impact on the US Economy, by Robert Stoner and Jéssica Dutra of Secretariat Economists, prepared for Pfizer, April 2023, available at www.secretariat-intl.com

- In 2021, the number of core copyright employees in the United States was upwards of 9.6 million and remained close to **4.9%** of the total U.S. workforce.
- In 2021, employment in the total copyright industries was more than 16 million workers and represented more than **8.1%** share of total U.S. employment.

Copyright industries and average total compensation per employee, 2021

- Copyright industries compensate its employees at a very significant premium when compared to the average U.S. worker:
 - About 29% in the total copyright industries in 2021, earning an average of \$103,752.
 - About 51% in the core copyright industries, earning an average \$121,583.





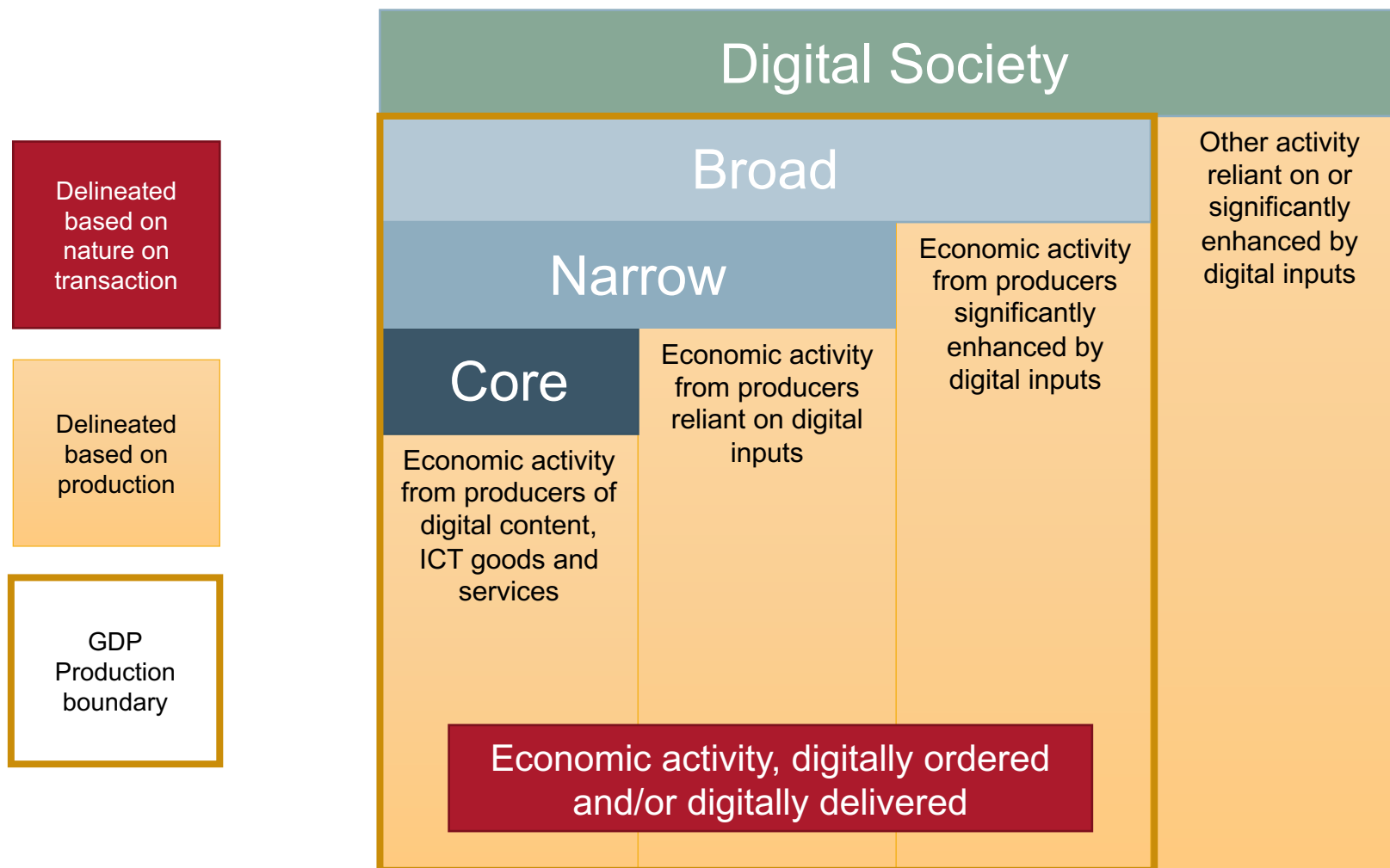
DIGITAL CREATIVE ECONOMY

What is the Digital Economy?

“The Digital Economy incorporates all economic activity reliant on, or significantly enhanced by the use of digital inputs, including digital technologies, digital infrastructure, digital services and data. It refers to all producers and consumers, including government, that are utilising these digital inputs in their economic activities.”

OECD, *A Roadmap Toward a Common Framework for Measuring the Digital Economy*, Saudi Arabia, 2020

Tiered definition of the Digital Economy



Digital Economy in the United States

- The core copyright industries have represented 48.1% of the U.S. digital economy employment in 2021, whereas total copyright industries represented 58.9% for the same year.
- The core copyright industries have represented 52.26% of the U.S. digital economy GDP in 2021, whereas total copyright industries represented 64.87% for the same year.

| | 2021 | |
|-------------------------|------------------------------|----------------------------|
| | Value Added US\$ Billions | Share U.S. Digital Economy |
| Digital Economy | 2,368.07 | |
| Digital Core Copyright | 1,237.51 | 52.26% |
| Digital Total Copyright | 1,536.07 | 64.87% |

Digital economy copyright gap

- The U.S. Bureau of Economic Activity (BEA) and agencies around the world are constantly improving their methodology, definitions, and estimates of the digital economy.
- Most digital economy definitions do not currently encompass the full scope of the copyright industries' digital activities.
- Accordingly, the figures discussed previously are based on an incomplete picture of the digital economy and are likely to understate the contribution of the copyright industries to the digital economy to the extent that the omitted digital areas are copyright intensive, such as digital production of music, post production of movies, theatrical distributions of movies in digital formats, and e-book publishing.



CURRENT AND FUTURE CHALLENGES

Current and future challenges

- 1. Measurement:** The inter-sectoral and diffuse nature of the creative economy makes it difficult to develop more correct measurements of the contribution of these industries to the general economy and society, to establish appropriate indicators.
- 2. Conglomerate Mergers and Diversification:** With companies venturing into more diversified markets, developing new products in in several industries, it is becoming harder and harder to neatly separate copyright industries based on industry classification systems such as NAICS, NACE, ISIC, etc.
- 3. Data collection:** Data collection specific for copyright industries' studies is a huge undertaking, can be very costly. It is best when done in partnership with government agencies, in collaboration with the industries, and consistently with WIPO guidelines.

Current and future challenges (cont.)

4. **International Enforcement:** Copyright enforcement across borders is challenging. Digital works can be distributed worldwide, and legal systems differ from one country to another, making it difficult to enforce copyright internationally. This has particularly made it difficult to estimate the *Foreign Trade* aspect of copyright industries' economic contribution, since so much of the international trade of copyright works nowadays happen digitally, and those are much less easy to track than their physical trade counterparts.
5. **Digital Piracy:** The ease of copying and distributing digital content has led to widespread online piracy. People can easily share copyrighted material without authorization, which can result in significant financial losses for creators and copyright holders. This not only leads to losses to creators and copyright holders, but to the ability to create and measure value creation to the economy as a whole.

Current and future challenges (cont.)

- 6. Emerging Technologies:** Emerging technologies, such as artificial intelligence and deepfakes, challenge traditional copyright concepts. Questions arise about who owns the copyright for content created by machines, how to protect against malicious uses of AI-generated content. The copyright issues may start even prior to the content being created by machines, as the data used to train AI models may be subject to copyright protection. Depending on the copyright status of the data, creating derivative works may require permission from the data owner.

Striking a balance between protecting intellectual property and facilitating the free flow of information and creativity is an ongoing challenge in the digital age.

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