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Press Release

Contact: Lawrence J. Spiwak FOR IMMEDIATE RELEASE Phone: +1 (202) 274-0235 Monday, September 16, 2013

PHOENIX CENTER FINDS SIGNIFICANT FLAWS IN UNIVERSITY OF MUNICH'S DIGITAL PIRACY STUDY

Claim that "Piracy Helps Box Office Sales" Results Directly from a Poorly Designed Statistical

Model

WASHINGTON, D.C. – Last month, researchers at the University of Munich and the Copenhagen Business School released a study which purports to show that digital piracy actually increases box office sales for some films. While this improbable result drew significant media attention, a new critique of the University of Munich Study released today by Phoenix Center Chief Economist Dr. George Ford entitled *Piracy and Movie Revenues: A Critical Review of "A Tale of the Long Tail"* shows easily and plainly why this study does not survive professional scrutiny.

As Dr. Ford explains, the "piracy helps box office sales" result is an artifact of a poorly-designed statistical model, which is, in part, a consequence of the study's authors ignoring the basic economics of the box office. Consequently, policymakers should afford the flawed Munich University Study little probative weight.

For example, among the many dubious implications of the defective model in the University of Munich Study is the result that a "blockbuster" movie (as the authors define it) will earn no more revenue than a "small movie" and far less revenue than a "mid size" movie. In fact, according to the analysis in the University of Munich Study, what the authors define to be a "blockbuster" movie makes only one-fourth (1/4) of the revenues of mid-sized movies. Obviously, the math just doesn't add up.

"Digital piracy is a serious problem and, as such, deserves serious and competent analysis" said Dr. Ford. "The University of Munich Study clearly fails to meet that standard."

A full copy of Dr. Ford's critique, PHOENIX CENTER POLICY PERSPECTIVE NO. 13-05: *Piracy and Movie Revenues: A Critical Review of "A Tale of the Long Tail"* may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/perspectives/Perspective13-05Final.pdf.

The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of the digital age.