The turn of the century has been punctuated by a vast technological revolution that has fundamentally redefined global socioeconomic standards. Advances in audio/video packaging coupled with the monumental rise of the Internet have fostered entire new markets for media distribution. While information and data can be transmitted across the globe like never before, the breakthroughs of the digital age are not without their caveats, specifically in the world’s prevailing media industries: music, software, and—notably—film.

17 of the top 20 highest grossing movies of all time hit theaters within the past ten years, with 15 of 20 debuting within the past 5.[[1]](#footnote-1) Yet movie studios struggle to earn profits. In fact, PricewaterhouseCoopers director Matthew Lieberman projects a dismal 0.6% growth in the coming years.[[2]](#footnote-2) In spite of rising industry revenue totals over the past two decades, domestic and global film industries alike have struggled to overcome surging costs and remain profitable. In addition to the heavy losses sustained by ballooning marketing costs[[3]](#footnote-3), Hollywood appears to have fallen victim to a more “implicit” cost: piracy. The Motion Picture Association of America (MPAA) has campaigned vehemently against piracy in the film industry, citing losses of billions of dollars annually and over one hundred thousand jobs in 2005 alone.[[4]](#footnote-4) But piracy has become a widespread and often habitual practice in society, and while piracy is in fact illegal, prevailing social conventions suggest that the crime itself is an acceptable transgression.[[5]](#footnote-5)

Alongside this, the effects of piracy—economic or otherwise—are hotly contested. Many question the validity of damage estimates made by the MPAA and Hollywood film studios, if not blatantly rejecting the highly lucrative monetary losses projected by seemingly arbitrary models. The Institute for Policy Innovation (IPI) attributed $20.5 billion in annual losses to piracy, per its estimates. Such estimates included a contested “multiplier effect” that functionally does not exist, or so says University of Kansas economist Koleman Strumpf.[[6]](#footnote-6) And central to the debate regarding the severity of piracy’s effect on revenue is the percentage of pirated copies that would otherwise have been purchased legally. Movie studios contend obdurately that 100% of illegally viewed content would have been legally paid for in the absence of piracy.[[7]](#footnote-7) Unfortunately, that contradicts basic laws of economics: namely, the laws of supply and demand. Each consumer has his own willingness to pay, and some (if not many) consumers have willingness to pay’s below the legal price of a film—via movie ticket or dvd—and those consumers may still view a free pirated copy of the film. And piracy further enables access for viewers who are incapable of legally obtaining content, such as those in other countries without distribution or marketing. In that regard, piracy may even allow for discovery of material that could not be otherwise accessed. All that said, piracy unambiguously bears negatively on the revenue streams of Hollywood and the global film industry, irrespective of the challenges posed by calculating an objective dollar value loss. While not every pirated copy in existence represents a sale lost by the industry, by no means can one conclude that no pirated copy in existence represents a lost sale.

Alas, the true impact of piracy must lie somewhere in between the extreme interpretations of anti-piracy activists and dismissive pro-piracy groups of the Internet and of society. The anti-piracy conglomerate has abandoned accurate reporting of data and statistics on several occasions in their fierce campaign to eliminate piracy. Statistics such as $250 billion in annual losses have been circulated for years by the MPAA and government alike, but the Government Accountability Office concluded that "it is difficult, if not impossible, to quantify the economy-wide impacts,” with the help of “numerous experts inside and outside of government.”[[8]](#footnote-8) And the MPAA was found to have “grossly inflated” the percentage-losses due to college-aged pirates; the MPAA reported 44% losses to Congress while petitioning for legislation, even though, at most, only 15% of “losses” could be attributed to piracy among college users.8 Nevertheless, pro-piracy circles too have cited unsubstantiated and questionable explanations of piracy’s role in film, including the dicey claim that piracy has a net-positive effect on industry profits because it increases publicity. If that were true, piracy would represent a sort of “free advertising” for studios, thereby reducing costs and increasing profits amidst constant revenue streams. However, the proposition poses several problems; piracy’s alleged reduction of marketing costs could be cancelled out by an equal or greater reduction in revenue, which would cause profits to fall. There is no metric for determining which effects are present and to what degree each impacts the industry, just as there are no means of validating such hypothetical claims, whether retroactively or predictively. In all likelihood, piracy is neither exterminating the film industry nor void of loss or consequence; rather the effect lies somewhere in between the dogmatic and polarized standpoints of pro- and anti-piracy activists, a sentiment echoed by Julian Sanchez, a research fellow at the libertarian Cato Institute, who concedes that: “There is a real effect but perhaps not the catastrophic effect the industry likes to claim when asking the government to pick up the tab for being the piracy police.”6

The monetary effects of piracy have always taken center stage, but the shockwaves caused by monetary losses in the industry produce aftereffects that, while not as widely highlighted, contribute significantly to the long-term problems of piracy in film. The ever-growing population of pro-piracy consumers cite the following axiom when asked to defend their position: piracy is a victimless crime. Victimless, they say, in the sense that actors and executives earn millions of dollars per movie, and the nominal losses in royalty earnings pale in comparison to their outlandish starting salaries. This logic has fatal flaws in its underlying assumption: that those who don’t lose royalty money are not victims of piracy and that if actors and executives don’t suffer from piracy, nobody does. Piracy doesn’t just affect performers or directors or screenwriters. It affects the production crew, stunt doubles, costume designers, make-up artists, and most everyone employed by the film industry. The “How?” may not jump out at consumers immediately, but the presence of the negative effect can be demonstrated empirically. In a 2006 report, the IPI reported an approximate 47,000 (rounded) jobs lost in 2005 to piracy (Siwek, 2006). That same report was criticized for overstating economic losses via shaky multipliers, but even if the multipliers were removed, thousands of jobs are being lost each year by function of piracy rates, which have drastically increased over time. The wage cuts and job loss has a lot to do with the economically suffering industry itself. Hollywood studios have become hesitant to invest original, artistic, and/or uncharted ideas, opting instead to double or triple down on previous successes. Sequels and reboots have become “safe investments” for movie studios, with successful franchises and summer blockbusters earning even more desirable “low risk, high reward” models. With industry profits low, and studios struggling to remain competitive, their leniency for creative and niche products has diminished starkly. Thus, entire crews and even genres are receiving less and less funding, if any, for their work. This represents a tremendous opportunity cost forgone, not only at the box office, but in media retailers and on-demand releases. But piracy coerces film studios to chase the next multi-billion-dollar franchise and lock down a few years of stability and security rather than risk potential losses/stagnation on projects void of consumer preapproval. And industry studios are struggling financially. 2013 saw a number of big-budget films “tank” in theaters.[[9]](#footnote-9) And if the blockbusters can’t produce, the studios themselves, reliant on such success, will not be able to produce. Legendary director/producer Steven Spielberg theorizes “essentially that a studio will eventually go under after it releases five or six bombs in a row. The reason: budgets have become so gigantic.”[[10]](#footnote-10) From a business standpoint, pursuing risk-averse investments that offer low exposure to failure are undoubtedly preferable to unproven, albeit promising or visionary conquests. But from the standpoint of the employees and crewmembers responsible for aiding in the production of such films, all they see are budget and salary cuts, layoffs, downsizing; all as studios pour what they can afford into a few pop culture hits and generic blockbuster templates.

Piracy represents a detriment to industry revenue—and by extension profits and growth—as well as to employee wages and job security. Granted the impact of illegally pirating movies is not nearly as severe as has been asserted by the MPAA, the IPI, and the film industry, yet to discard the notion that piracy is eroding at the film industry based on a supposed “lack of victim” would—objectively speaking—be a mistake. Piracy is a transgression bred from passion and enthusiasm; few pirate movies just to “steal” without intent to watch them. The dilemma that these consumers now face is whether they should continue to pirate and view movies they are interested in without paying despite the realization that long term implications of their actions include a shrinking variety in movies and a gradual decline of film industry power to innovate, create, produce, and distribute new and exciting content that will pique and maintain the interest of devoted moviegoers.

1. All Time Worldwide Box Office Grosses, 2016 [↑](#footnote-ref-1)
2. Davidson, 2012 [↑](#footnote-ref-2)
3. Lieberman, 2015 [↑](#footnote-ref-3)
4. Ponte, 2008 [↑](#footnote-ref-4)
5. Malin & Fowers, 2009 [↑](#footnote-ref-5)
6. Bialik, 2013 [↑](#footnote-ref-6)
7. Rob & Waldfogel, 2007 [↑](#footnote-ref-7)
8. Anderson, 2010 [↑](#footnote-ref-8)
9. Chotiner, 2013 [↑](#footnote-ref-9)
10. Chotiner, 2013 [↑](#footnote-ref-10)