

Artistic Originals as a Capital Asset

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Abstract

In 2002, I estimate that US artists, studios and publishers produced artistic originals with a value of \$69.4 billion. By category, production was \$9.8 billion in theatrical movies, \$7.6 billion in original songs, \$11.7 billion in original books, \$39.3 billion in television programs and \$1.0 billion in other artistic originals. These artistic originals will earn money for decades to come. Because of their long working life, the international guidelines for national accounts, System of National Accounts 2008, recommends that countries classify production of artistic originals as an investment activity and then depreciate those artistic assets over time. As a first step to changing BEA's treatment of artistic originals, I collected data on investment in various categories of artistic assets from 1929 to 2007, estimated the depreciation rate for each category and then calculated what the National Income and Product Accounts would be if artistic production was classified as an investment activity.

To preview, my empirical results are: 1) Artistic originals lose approximately half of their value in the first year after release. After that, depreciation slows dramatically and classics remain valuable for decades after their original release. To the best of my knowledge, there are no pre-existing papers that estimate the lifespan of artistic originals from revenue data. Accordingly, my paper is useful to any country which might want calculate the capital value of their own artistic originals; 2) US investment in artistic originals has been growing since 1980. On average, US real GDP growth increases by 0.0094% per year when artistic production is classified as an investment activity; 3) Investment in artistic production can be quite volatile. For example, a strike or threatened strike can reduce production of theatrical movies and television programs by 50% in a single quarter.