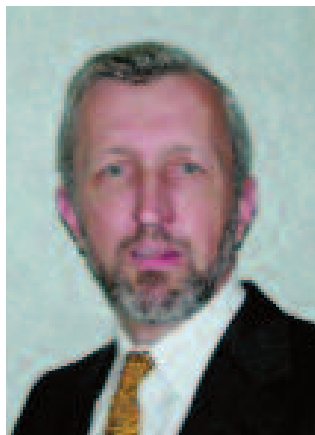


# How The CIA Goofed And The Value Of A Free Press

Each year the Central Intelligence Agency puts out its Global World Fact Book, a dense catalog of statistical information that purports to provide a social and economic snapshot of every nation on the planet. The 1989 edition reported that the U.S.S.R. was the world's second largest economy, behind the U.S., and that East Germany slightly edged out West Germany as the largest economy in Europe. In November of 1989 the Berlin Wall was torn down, communist regimes toppled, and a free flow of information began. Two years later, in one of its more dramatic "boy did we ever get that one wrong" moments, the CIA overhauled its economic data: Russia, the successor to the U.S.S.R., slipped to 18th in the world rankings, just behind Belgium, and East Germany came in at 29th, ahead of Greece, but trailing tiny Israel. In an issue devoted to quantifying the size and scope of the music products industry, we mention these historic CIA goofs to highlight the critical importance of both the free exchange of information and a free press.

Sales data on the 55 product categories in this report is derived from a broad range of sources—industry association data, retailer sales figures, supplier sales figures, import and export figures, and informed estimates from throughout the industry. Literally hundreds of people and sources provide the fragments of information that underpin our performance estimates of the different product segments. A few of them are completely misinformed, while others understate or overstate data for self-serving reasons. However, with such a multitude of independent sources, it's possible to uncover the errors, corroborate the underlying trend lines, and arrive at an accurate numerical portrait. The fact that we can undertake this exercise without fear of any reprisals is also immensely helpful as we're not looking for a "Profiles in Courage" award. Contrast that with the former U.S.S.R. and East Germany where every institution was an arm of the state charged with upholding the party line and dissenting views were punished, and it's no wonder the CIA was so far off the mark in its estimates.

The issue of an unfettered press and broad access to information has more immediate industry relevance when it comes to assessing China. Based on the recent surge in imports, a large contingent of Western legislators and commentators are talking about China as a "threat" to the U.S. economy, and a country destined for world leadership. State-run Chinese media has joined the chorus, regularly reporting astronomical growth rates and progress on all fronts. We're as much in awe of Chinese economic progress as anyone, and our quarterly import data graphically illustrates the importance of China as a source for music and audio products. Over the past five years China has emerged as the largest unit producer of guitars, band



instruments, pianos, and electronic gear, to the detriment of factories in the U.S., Europe, Japan, and Korea.

However, despite all the good news emanating from China, we remain skeptical. Conversations with scores of Chinese instrument and electronics manufacturers present a much grittier reality. There is near-unanimity in the belief that official statistics on the size of the domestic music

market are wildly overstated. There are countless stories of money-losing factories being propped up by subsidies from either the state-run bank of China or a local communist party. Corruption is an issue that also surfaces regularly—the need for under-the-table payments to a long list of officials to secure the requisite permits to operate. Then there's the eloquent assessment of the head of one of China's largest companies: "My biggest challenge is erasing the legacy of five decades of Communist rule and persuading my workers that working hard and doing a quality job is the path to a higher standard of living. Most of them don't believe it."

The above anecdotes are no more a comprehensive picture of the reality of China than the gushing press put out by State officials. However, the fact that the flow of information is tightly controlled—private publications are on a short leash, the internet is censored, and state-run media is charged with cheerleading the state—makes it next to impossible to sort truth from fiction and piece together workable sense of reality.

One hundred seventy years ago, Charles Darwin observed that plants in open fields that could be cross-pollinated by bees fared better than those that were isolated under a bell-jar. Collecting and sharing market information is akin to cross-pollination—it allows us all to learn from the experience of others, make better decisions, forge stronger enterprises, and most importantly, better serve the end-user. Although it's easy to take for granted, it's something to be grateful for.

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