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The Internet and the decentralisation of the popular music industry: critical reflections on technology, concentration and diversification

Gustavo S. Azenha,
Barnard College, Columbia University

Introduction: digital distribution and empowerment?

Computer and Internet technologies are enhancing the ability of independent artists and labels to promote, market and distribute music more cheaply and widely. Many have suggested that the benefits of online digital distribution will reduce the barriers to entry in the music industry for independent labels and artists, allowing them to reach consumers more directly by bypassing the gate-keeping powers of major labels, major label distributors and traditional media channels.[1] 1

Accordingly, some have argued that with the Internet the music industry will be decentralised or ‘democratised’ as independent labels and new actors in the music industry (e.g., music downloading services, digital distributors and online independent labels) displace major record labels and decrease their control over music markets. Marcus Breen’s[2] optimistic appraisal of new technologies is one of the most explicit examples of this perspective but similar perspectives have been expressed in the academic literature and have been ubiquitous in the popular press. Although Internet technologies do have some potential to decentralise the popular music industry, I believe these claims have been grossly overstated. 2

There is a conflation in academic and popular discussions of the Internet between possibilities and actualities.[3] As Eamonn Forde has cogently argued, utopian interpretations of the impacts of Internet technologies simplify the complexity of current developments in the popular music industry.[4] More broadly, these interpretations fail to recognise the complex social nature of technologies and the ways in which cultural, economic and political contexts inform the uses and impacts of technologies. 3

A more nuanced understanding of the history and organisation of the music industry and its current trajectory indicates that major labels are currently repositioning themselves in ways that maintain or enhance their gate-keeping powers. The continued importance of traditional formats and media as well as the 4 major labels' privileged ability to control, utilise and access emerging networks through preferential access to financial, technological and human resources, helps them maintain or enhance their power in the music industry and mitigate the decentralising potential of the Internet.

5 In this article, I argue that the development and popularisation of new technologies ultimately tends to reinforce existing social hierarchies and relations. Although increasingly accessible technologies typically destabilise established social relations, vast inequalities in access to technologies, capital and social networks inhibit a more far-reaching and lasting destabilisation. Furthermore, this persistence of concentration within the music industry and the specific ways in which it is organised tend to limit the possibilities of diversification of music genres and the ethnic and national diversification of participation in the industry.

6 In articulating these critiques, the overarching goals that guide this study are twofold: 1) To argue for the need for more sophisticated approaches to understanding the relationship of technologies to culture in popular music studies and ethnomusicology and to explore the political economy which shapes the nature of this relationship; 2) To support the validity of some elements of the 'cultural imperialism' thesis in understanding the history and current trajectory of the music industry. Despite its simplistic formulation and application among some music scholars, the basic tenets of the 'cultural imperialism' thesis provide a powerful tool for understanding and critiquing the contemporary music industry. Foregrounding political economic analysis of the music industry in discussions of technology and culture is essential to transcending some of the limitations of existing scholarly discussions of new technologies.[5]

7 It is important to note that my analysis in this article focuses on the popular music industry in the restricted sense that it is commonly understood within the 'West'. That is, my analysis focuses on the most formally organised aspects of the international music industry and does not focus on the multitude of popular musics that circulate in more 'informal' markets. I focus my gaze on the popular music industry in this rather restricted sense, because it is typically the implicit or explicit referent in the discussions of 'decentralisation' that are the focus of my critique. I also focus on this aspect of the music industry because it is the most profitable, the most globalised, and there exists a greater wealth of quantitative and qualitative information that allows for analysis of patterns of concentration and diversification.

8 By focusing my analysis on this aspect of the music industry I do not mean to imply that only those musics that are the most profitable and salient to those in the "West" are important or meaningful. Indeed those musics that are conventionally considered to comprise the 'popular music industry' are not necessarily the most popular or culturally significant from a global perspective.

Outline

This article is divided into four main parts: 1) a discussion of the historical relationship between technology and decentralisation in the popular music industry; 2) a discussion of the impacts of digital distribution on patterns of control and concentration in the popular music industry; 3) a discussion of the implications of market concentration for musical diversity; 4) a concluding discussion about the relationship between technology, decentralisation and 'democratisation'. 9

This article begins with a brief discussion of the relationship of new technologies and decentralisation in the history of the music recording industry, where I argue that technology has played an important role in facilitating decentralisation in certain periods, but that such decentralisation can only be understood through viewing technology as part of broader socio-economic networks and not an outcome of technology in and of itself. 10

Drawing on this historical perspective, I then engage in a detailed analysis of the implications of digital distribution for major labels, independent artists, independent labels and emergent actors in the music industry (i.e., music downloading services and digital distributors). My analysis focuses especially on patterns of concentration and on the ways in which the power relations between established and emergent actors in the music industry have been and are being affected by new technologies. In this section I argue that digital distribution does indeed offer the potential for a relative decentralisation, but that such decentralisation is less marked than some have argued and that it is likely to be of a transient nature. My argumentation draws upon an analysis of the trend in the music industry during the 1990s towards 'flexible' organisation (i.e., a shift away from production to distribution, licensing, promotion and marketing), in which certain aspects of the music industry have become decentralised while others have become increasingly concentrated. I examine the continuities of this historical trend with current changes, rather than assuming some radical technologically-induced rupture in the structure of the music industry. 11

In the third part of this article, I address the relationship between diversification of musical genres and styles and industry concentration. I emphasise that there is no clear inverse relationship between market concentration and diversification, as has been commonly argued, but that diversification is still limited by the current organisational structure of the music industry and the ways in which resources are allocated. Although limited diversity is not an inevitable outcome of high concentration, concentration tends to narrow the possibility of diversification by enhancing the gate-keeping power of particular locales, ethnicities and classes and their ability to manage musical diversity. I close my discussion with some speculation about the implications of digital distribution for marginalised musical cultures and explore some of the myths and realities of 'world music', the globalisation of the music industry and the role and implications of technologies in these phenomena. 12

In the concluding section of this article I articulate a broader critique of the 13 relationship of technologies to ‘democratisation’ and decentralisation. I argue that discourses that equate technological innovation with ‘democratisation’ help disguise and justify the expansion of inequalities and the reproduction of existing social hierarchies.

Part 1: Historical interrelations between technology and decentralisation

Introduction

In this part of this article, I will discuss the two major periods of decentralisation in the history of the popular music industry and then examine the role of technologies in these processes, exploring how factors such as market growth, socioeconomic inequalities and the organisation of the industry limit the extent and permanence of decentralisation made possible by technological innovations. 14

Peter J. Alexander has argued that new technologies that lower the cost and scale of production have ‘induced periods of deconcentration in the music recording industry by facilitating the entry of smaller new, product innovating firms’.[6] According to Alexander there have been two significant periods of de-concentration in the history of the music recording industry, the later half of the 1910s and 1950s, both periods in which their were significant innovations in production, playback and manufacturing technologies.[7] Alexander argues that in both these periods new, smaller companies competed effectively with established companies through offering innovative products with the aid of new technologies that lowered costs and scale.[8] 15

Technological innovations in record manufacturing from 1900-1910 cheapened manufacturing and recording by permitting the mass reproduction of records. Previously performances had to be recorded repeatedly in order to produce substantial numbers of albums, thus greatly limiting the potential of distributing recorded musics on a larger scale. These changes combined with the expiration of important patents in 1914 to foster decreased market concentration.[9] 16

The second major period of decentralisation accompanied the development of tape recording. With the adoption of magnetic tape recording in 1948, there was a remarkable growth in recording companies from about 1949 to 1954.[10] Magnetic tape made recording cheaper and more portable, facilitating access to and use of recording technologies. Tape technology also reduced costs indirectly by reducing the necessary studio time to create recordings. Prior to the development of tape recording, almost all recording studios were owned by record companies, but tape recording made it cheaper to record music and promoted a dramatic growth in the number of independent studios during the 1950s and 1960s.[11] Accompanying the expansion of studios was a decentralisation of control over music markets, with independent labels supplanting the power of established labels from about the late 1940s until the early 1960s.[12] 17

Contextualising technological innovation

Although I agree that technological innovations have played a key role in these periods of deconcentration, I think Alexander overemphasises the role of technologies in these processes. Although, Alexander's discussion of decentralisation demonstrates an awareness of the ways in which multiple contextual factors influence decentralisation, he tends to overemphasise the central role of technologies in abstraction from social contexts. This is especially evident in his concluding speculations about the potential impacts of digital distribution. 18

Technologies did indeed facilitate decentralisation in these periods, but only because various social, economic and political conditions permitted it. My point is not to diminish the important role of technology, but to note that it is only one element in a broader process of socio-technical change. As various music scholars[13] and scholars in the field of science & technology studies[14] have emphasised, technologies never exist outside of social relations and networks. It is beyond the scope of this study to engage in a detailed discussion of the causes and consequences of decentralisation in the periods discussed by Alexander, but I would like to make a few brief observations that are important in my subsequent assessments of the decentralising potential of Internet technologies in today's music industry. 19

Market growth

One crucial contextual factor to consider when assessing the decentralising potential of particular technologies is market growth. Market growth was significant during the periods discussed by Alexander and I believe this growth was fundamental in the realisation of the decentralising potential of new technologies.[15] Under conditions of growth there are more opportunities for new actors and those on the margins of the industry to exploit. Without growth it is more difficult for new actors to displace established players, regardless of the availability of potentially decentralising technologies. For example, during the 1950s and 1960s the rapid expansion of a market for sound recordings combined with the reduction of financial barriers to engaging in recording to decentralise music recording/production.[16] Decentralisation during this period would have been much more unlikely if the development of tape was not accompanied by a monumental expansion of the market.[17] 20

Although market growth may make deconcentration more likely, it is important to underscore that even under growth concentration can be increased. Growth can open up spaces for independents and emergent actors, but growth combined with technological innovation can also facilitate accumulation of power and capital among those larger, established operations that benefit from economies of scale and/or maintain important gate-keeping functions. 21

Broader organisation of the music industry

In addition to market growth, the decentralising potential of technologies is also mediated by the ways in which the music industry is organised and the ways in which the different aspects of the music industry (i.e., production, manufacturing, distribution, promotion and marketing) are controlled and interrelated. A more loose integration or lack of concentration in multiple aspects of the music industry facilitates decentralisation more broadly. 22

For example, decentralisation in the 1950s and 1960s was not wholly attributable to the development of tape and market growth. Decentralisation would have been unlikely if the development of tape was not accompanied by a timely decentralisation of promotional channels and the existence of decentralised distribution channels. In the 1950s, radio networks diversified from a single national market directed at a mass audience, towards more specialised niche markets directed at more targeted audiences (i.e., specific ethnic groups, ages, classes and regions) and shifted towards programming with more local content and advertising.[18] These changes were crucial in allowing the growing number of independent record companies to effectively promote their music.[19] Decentralisation during this period was also favoured by a lack of concentration in distribution. Although major labels had their own distribution networks in the 1950s, independent distribution systems were still significant in the music industry.[20] 23

The flip side of this is argument is that technologically-facilitated decentralisation in one aspect of the music industry may not lead to industry-wide decentralisation if other aspects of the music industry remain tightly controlled and exclusive. This was evident with the popularisation of multi-track recording technologies around the late 1960s. These innovations fostered a marked decentralisation in music production and studio ownership, but music industry concentration was on the rise during the same period, as major labels began consolidating distribution channels and reorganising the ways in which music was produced. In fact, it seems that the initial introduction of tape recording had a more limited decentralising effect on music recording/production than the subsequent development of multi-track recording technologies,[21] further supporting my argument that the development of tape was not the only or primary reason for decentralisation in the music industry during the 1950s. 24

A similar phenomenon occurred with the development of cheaper and more powerful digital music technologies during the 1980s and 1990s (e.g., MIDI sequencing; digital multi-track recorders; and personal computer-based recording/production software). Although these innovations facilitated an unprecedented decentralisation in recording/production, a broader decentralisation of the music industry was thwarted by increased major label control of distribution, licensing and marketing. 25

Increased accessibility versus universalisation

Another important observation to make in thinking about the relationship between 26 technologies and decentralisation is that we must be careful to distinguish between increased access to technologies and the universalisation or ‘democratisation’ of access. Even in the periods of decentralisation discussed by Alexander, empowerment of new actors was still conditioned by socio-economic disparities in access to technologies.

The period of decentralisation starting in the late 1910s was accompanied by a 27 greater quantity and variety of available recordings. Around the early 1920s the primacy of ragtime music recording was displaced by a more varied repertoire of music. Catalogues of available music diversified with the proliferation of new recording companies, including the appearance of the first ‘race’ records.[22]

Similarly, during the 1950s and 1960s, with the various changes in technologies, 28 market size, radio programming and industry concentration, the music industry became more diverse, with African-American and other minority musics becoming more heavily recorded, promoted and distributed.[23] Lowered production costs and the increasing purchasing power of minorities led to the growth of minority-oriented independent labels. Labels like Sun, Phillips, Chess and Atlantic focused on African-American musics like R&B, while labels like Tico and Alegre catered to urban Latino musics in the east coast.[24]

Despite the enhanced opportunities for minority artists and labels in these periods 29 of deconcentration, the diversification of music benefited the music of white artists, labels and studios more than it benefited socially, economically and geographically marginalised groups.[25] Quite significantly, the diversification and musical innovations promoted by the former were partially based on the appropriation of the music of the latter groups (e.g., jazz-influenced dance band music and R&B-influenced rock music). The privileged social position and access to technologies and resources allowed white artists and labels to more successfully record, promote and distribute their appropriative musical innovations compared to black and other minority artists. Black and other minority artists were more likely to be recorded than in the past, but ownership of recording technologies was much more limited and minority artists typically had highly exploitative relationships with those who recorded the music (e.g., artists often did not hold copyrights to the music recordings or compositions).

As James P. Kraft has argued in his analysis of changes in technologies, labour 30 and industry organisation in the first half of the 1900s, ‘the benefits of technological advances in the entertainment business were spread unevenly, according to power relations among the groups most affected by such advances’.[26] Although technologies can facilitate the reorganisation of the industry and open up new opportunities for those outside of it, those already in the industry, those from other industries with significant financial, technological and social resources and those from privileged socio-economic positions and geographical locations are best poised to exploit new opportunities.

Decentralisation and reconsolidation

Another essential observation to make is that even when decentralisation has occurred it has been temporary. Persistent inequalities in access to capital, technology and social networks have eventually led to the reestablishment of concentration and tend to counteract any decentralisation during the initial disruption of social relations facilitated by the introduction of new technologies. 31

For example, the decentralisation of the late 1910s was short lived. During the early 1920s the number of small independent companies began to decrease—although some of the established independents grew in size and importance—and by the end of the decade, various factors led to renewed concentration. Horizontal mergers as well as the previously discussed 'imitation' and appropriation of the musical innovations of independent labels by major companies helped reconsolidate major label control.[27] The introduction of commercial radio broadcasting (1920) had also caused a significant drop in record sales (until about 1933) by diminishing the value of recorded music through providing music of better sound quality that was essentially free of charge.[28] This combined with broader economic trends (i.e. the depression) to undermine record sales, enforce the popularity of radio and foster consolidation. Lastly, concentration of promotional channels—which had close financial ties with recording companies—also seems to have contributed to increasing music industry concentration.[29] 32

The post-World War Two deconcentration of the music industry was more lasting than that of the late 1910s, but it too gave way to reconsolidation. Starting in the mid 1960s, concentration was re-established, primarily through horizontal integration. At this time, major record companies began buying successful independent distributors and increasingly contracted out music recording/production through joint ventures and distribution contracts (rather than recording musics in their own studios). This trend accelerated in subsequent years, taking off especially in the early 1980s.[30] 33

In summary, there is no simple formula to assess the impacts of technologies on industry concentration, but attention to socioeconomic inequalities and patterns in market growth, as well as to socio-technical trends in all aspects of the music industry chain (i.e., production, manufacturing, marketing, distribution and consumption) and the relative importance of each of these in a given historical and geographical context, is essential for more accurately assessing the decentralising potential of specific technologies. Music technologies, their impacts and implications can only be understood through a detailed understanding of the contexts in which they are used, appropriated and signified. 34

Part 2: Digital distribution and decentralisation

Introduction

So what are the implications of these observations for understanding the impacts of 35
digital distribution? Based on the current organisation of the music industry and the historical lessons illuminated above, my main thesis is that decentralisation in response to the Internet is likely to be more limited and transient than some scholars, journalists, music makers and consumers have argued.

For one, unlike the late 1910s and 1950s, we are not currently under a period of 36
significant market growth in the music industry, which makes a more significant decentralisation unlikely. Attention to the broader aspects of the music industry rather than simply on digital distribution in abstraction from its wider context also indicates a diminished decentralising potential. The fact that traditional forms of distribution, promotion and marketing continue to be the primary source of revenue for the music industry and that major labels tightly control traditional forms of licensing, distribution and marketing, further diminish the decentralising potential of the Internet. In addition, it seems likely that the privileged access of established actors in the music industry to capital, social networks, technology and knowledge allows them to most adeptly acclimatise to new forms of distribution, licensing, promotion and marketing.

Lastly, although we may see decentralisation in the short term with digital 37
technologies, these trends will likely be reversed as these technologies ultimately enhance economies of scale and foster concentration.[31] Unlike the 1950s, the various aspects of the music industry are more tightly controlled today suggesting that whatever period of decentralisation may occur it will be more short-lived. There may be a time lag in this process of re-consolidation, but over the medium to long term major labels are best poised to exploit the digital music market.

All this indicates that the decentralising potential of the internet is not as strong or 38
as immediate as some have argued. I am not arguing against the possibility that some decentralisation is occurring or will occur. The Internet and digital music technologies are indeed having a significant and unprecedented effect on the social organisation of music circulation; however, whatever decentralisation is occurring is conditioned by class, ethnic and national disparities in access to technologies. Because access to technologies and the knowledge to use them most effectively are conditioned by existing socio-economic disparities, they tend to facilitate the reproduction of the multiple and overlapping centre-periphery relations (i.e. between classes, races, ethnicities, genders, nations, regions, neighbourhoods, etc.) that colour the music industry and its broader societal context. Those within the established (social, economic and geographical) centres of the music industry are best poised to capitalise on new opportunities facilitated by new technologies.

With these general observations as a guide, I will now engage in a more detailed 39
analysis of the impacts and implications of digital distribution for various established and emergent actors in the music industry. In this part of the article I will first

discuss distribution, licensing, marketing and promotion in the music industry, examining the implications of Internet distribution for changing established practices and patterns of control. Through this discussion, I argue that digital distribution is unlikely to transform existing patterns of concentration to any great extent. I then draw upon recording industry data about recent changes in market concentration to corroborate these assertions. I close this part of the article with a discussion of current changes in the organisation of the music industry as an extension of the trends towards 'flexible accumulation' that have been evident in the industry during the last 20-30 years.

It is essential to note that my arguments in this article focus specifically on 40
authorised digital distribution and not *unauthorised* peer-to-peer (P2P) file-sharing and piracy. A more adequate and thorough treatment of the topic of the impacts of Internet technologies on the music industry would integrate the topics of piracy and P2P networks. I have opted to focus almost exclusively on authorised downloading primarily because I am concerned with the patterns of concentration and market share in the music industry.[32] While the P2P phenomenon has had implications for the music industry and its financial workings, its impacts on record sales are more modest than has been claimed—perhaps even negligible or positive.[33] More important for the discussion at hand, file-sharing seems unlikely to strongly affect patterns of concentration in the music industry. Although no studies have specifically examined the relationship between file sharing and market shares, unauthorised file sharing impacts both majors and independents—in both positive (e.g., promoting consumer knowledge of artists) and negative ways (e.g., displacing purchases of recordings)—and seems unlikely to have any generalised impact on the patterns of concentration in the industry.[34]

Importance of traditional distribution formats

> To imply that music consumers will exist exclusively online is to imply that 41
> the offline media will, too, somehow, become moribund and implode. This is patently not happening.[35]

One of the most important considerations in examining the potential impacts of Internet technologies in the music industry is that traditional forms of distribution remain firmly in place. Although the Internet has the potential to diminish the importance of physical distribution, it will likely maintain its primacy for some time to come. As Forde points out: 'Online is simply a new distribution channel--it will not make music in a physical format redundant'.[36] Despite the rapid growth of the digital download market since about 2003, physical sales are still the dominant format[37] and the oligopolic control of physical distribution that majors have continues to be important.

With the introduction of new formats in the past, similar claims have been made 42
about obsolescence, but formats like vinyl and tape persist alongside CDs and have been adopted in quite different ways in different locales.[38] The extent to and

speed with which digital distribution may displace physical sales is difficult to assess given the infancy of digital distribution. Arguably, the replacement of CDs with audio files will be slower and less expansive than the replacement of vinyl and tapes with CDs, because it represents a more radical shift in musical consumption and experience (i.e., from a 'physical' to a 'virtual' format) and requires the acquisition of much more expensive hardware than has been the case for previous format introductions.

There are a variety of reasons for which consumer preferences for physical products are likely to persist. For some, there is a reluctance to adopt digital downloads due to the limitations on use and copying that most providers currently place. Others have eschewed digital downloading due to the poorer quality of compressed audio formats compared to existing formats.[39] There are also many consumers who are unable or unwilling to purchase a computer and acquire broadband services. Access to broadband is still limited and far from universal, even in the most 'developed' nations.[40] There are also those who will continue to prefer having physical copies of recordings with accompanying album art and/or continue to prefer the experience of shopping in brick-and-mortar retailers.[41] 43

As long as physical distribution continues to be important, major labels' ownership and control of large scale distribution channels will help them maintain their privileged gate-keeping role in the music industry. Major label control of distribution channels is especially important in reaching international markets.[42] An increasing shift towards digital distribution may allow independent labels and digital distributors to displace major labels' oligopoly on distribution, but there are various reasons to believe that this potential is limited. One important reason is that the larger catalogues and financial resources of major labels allow them to establish more favourable relationships with digital download services.[43] I will address some of these limitations later on in this article when discussing digital distributors and other emergent actors in the music industry. 44

Licensing

Along with distribution, major labels have privileged knowledge and channels for licensing music for various uses. Major label support is especially important in navigating the complexities of international licensing.[44] With the persistence of physical distribution, major labels will continue to have a privileged ability to navigate the complexities of licensing nationally and abroad. With the advent of digital distribution, licensing has become even more complex. Sorting out royalty payments is the most difficult aspect of online music distribution[45] and the complexities of ownership rights in different countries have made it difficult for record companies to more effectively and rapidly exploit digital distribution.[46] Although this increased difficulty is encountered by all actors in the music industry, it is likely to be most prohibitive for independent labels and artists that lack established international social networks and do not have the same financial and legal resources that major labels have at their disposal. The accumulated 45 experience and expertise of major labels in navigating the complexities of licensing will by no means be negated by the emergence of digital distribution.

Marketing and promotion

One of the primary activities and functions of contemporary record labels is promotion and marketing. Marketing and promotion costs can be very high and are sometimes the highest costs of making a CD. To transform an album into a hit, there are considerable investments that record companies make. Marketing and promotion investments that record companies pay include a wide variety of expenses including: 'Advertising costs, retail store positioning fees, listening posts in music stores, radio promotions, press and public relations for the artists, television appearances and travel, publicity, and Internet marketing, promotions and contests'.[47] 46

Although the Internet has the potential to undermine the role of radio, television and other marketing and promotional channels, traditional media formats continue to play a primary role in the popularisation of music. For example, television and, especially, radio continue to be the primary way in which consumers are informed about artists and music in the USA.[48] The persistent influence of radio and other traditional channels of promoting and marketing music is likely to be even more pronounced in countries and socio-economic groups with more limited access to computers and Internet connections. 47

Although the Internet can potentially allow one to promote and market music rather cheaply, it has not made heavy investments in marketing and promotion a thing of the past. Some have argued that record companies can cut marketing costs through online digital distribution,[49] but I believe this to be an inaccurate assessment. If anything, it has escalated the costs necessary to successfully promote and market music. Marketing budgets must now be sufficient to cover traditional promotion and marketing strategies as well as novel web-based strategies (e.g., ads, webradio placements, samples on various websites and 'viral' marketing campaigns). Furthermore, the increasing ease with which music can be recorded, produced and distributed—due to the Internet and the increased power and accessibility of music recording/production technologies—may further fuel rising marketing costs due to a heightened competitiveness for consumer attention. 48

Just making music available on the Internet does not mean it will be heard and consumed. Chances of success are much greater if one places music on particular sites and can leverage the Internet in ways that successfully direct traffic to one's website. Greater financial and technological resources allow major labels to more effectively promote and market online. For example, major labels can more easily leverage popular music downloading services to have their music and advertisements featured on their websites. Similar to the case for traditional retail, they are able to give their products greater visibility in 'virtual' retail spaces. Major labels also have a privileged ability to place their music on popular web-radios and 49 other streaming content sites. They also have privileged access to marketing and data analysis that allows them to assess and devise more effective on- and off-line marketing and promotion strategies. The privileged socio-technical positionality of major labels even helps them to more successfully utilise purportedly democratic ‘user-generated’ content sites (e.g., myspace) as promotional and marketing tools.

Because of the continued need for high investments, as well as the technology, knowledge and social networks to effectively use funds for marketing and promotion, major labels will continue to be able to market and promote more heavily on both traditional channels and new media and will likely maintain their privileged position within the music industry.[50] For independent artists, the barriers to effectively promote and market music persist and are perhaps even greater than in the past,[51] despite examples of success stories that have been simplistically hyped as outcomes of Internet empowerment (e.g., Arctic Monkeys). These barriers to artistic success are especially evident for those from the poorer classes and nations who have more limited access to technological and financial resources (and may also be limited by language barriers). 50

Although some artists may benefit from the empowering potential of the Internet, these are most likely to be established artists who do not necessarily need the marketing and promotional services of record labels as much as unknown artists.[52] Similarly, although some independent labels may successfully exploit the possibilities of digital distribution, those independent labels that are best poised to exploit new opportunities are established independent labels, as well as new independent labels established and run by those already tapped in to the social networks of the music industry. As in the past, the most successful independent labels are also likely to be bought out by major labels. While the particular ways in which Internet technologies may transform established practices may vary according to the unique nature of promoting and marketing particular markets and genres (e.g., hip hop), differential access to financial resources, promotional networks and marketing information will continue to privilege those within the established centres of the music industry even in more specialised market niches. 51

Music downloading services, digital distributors and decentralisation

In addition to independent labels and artists, some have argued that new actors in the music industry such as music downloading services and digital distributors have the power to replace the function and power of recording companies. As in the case of independent labels and artists, their powers to do so are limited for a variety of reasons. 52

Music downloading services are companies that sell audio files to end consumers on a pay-per-download basis or subscription based service (e.g., iTunes, Rhapsody, Music Match and Napster). Digital distributors (or aggregators), such as the Orchard and IODA (Independent Online Distribution Alliance), are companies that provide music for music downloading services and other content users (e.g., 53 mobile phone companies, film, TV, advertising, video games and webradios). They often also engage in other parallel activities such as negotiating licenses, managing royalty collection, administering publishing, etc.

Contrary to some claims, most music downloading services pose little threat to established labels. Music downloading services compete most directly with retailers commercialising CDs and other physical recording formats and not record labels. As is the case with 'brick-and mortar' retailers, the relationship of most music downloading services to labels is more mutualistic than competitive (even if their specific financial agendas often conflict). The financial relationship between record labels and downloading services is not radically different from that between record labels and 'brick-and-mortar' retailers: Compared to CD sales, record labels still maintain a similar or improved level of profitability with digital distribution deals they have with music downloading services.[53] Music downloading services can also help enhance the power of major labels through giving them privileged access to more detailed and up-to-date market information. Major labels have also been able to negotiate better rates with digital distributors and music downloading services,[54] helping them maintain a competitive advantage over independent labels. 54

There are some downloading services, however, that potentially encroach on the traditional territory of major record labels. Those music downloading services that may compete more directly with major labels are those that distribute the music of independent artists and labels without the intermediation of major labels. These function more as hybrids between downloading services and digital distributors, rather than strictly as downloading services. Although these companies may successfully tap into some niche markets, the relatively poor visibility of their services and the lack of resources to more effectively promote and market artists limit their power. In addition, these hybrid types of companies appear to be becoming less common**.** Although some downloading services negotiate directly with independent labels and artists, there is a growing trend towards acquiring catalogues indirectly through digital distributors. It is more efficient and less costly for downloading services to work through digital distributors that specialise in acquiring and licensing music catalogues. For artists and independent labels, working with digital distributors rather than directly with downloading services also appears to be advantageous, because the distributors tend to be able to negotiate more favourable terms with downloading services and to place music in a variety of downloading services. 55

Of all the new actors in the music industry, digital distributors have the greatest potential to displace major labels, but their powers are also limited for a variety of reasons. As mentioned above, the continued role of traditional formats and media as well as the enhanced access of major labels to promotion and marketing channels and funding place most of these emerging companies at a disadvantage. Rather than directly compete with established players they have tapped into novel revenue potentials that have emerged with the development of digital distribution and the proliferation of personal computer based recording. These distributors and 56 aggregators make their money through charging upfront fees and/or taking royalty cuts from independent artists to place their music on popular digital download services.

We must also keep in mind that major record companies are poised to buy out more successful enterprises that may compete with them. Similar to what has transpired since about the 1970s with independent labels and distributors, major labels (or their parent companies) are likely to absorb their most successful and profitable competitors. Successful distributors and downloading services ultimately represent business opportunities that allow major labels to enhance profits through 'capturing' new 'revenue streams' rather than a threat to market control. 57

Although major label involvement in music downloading services and digital distribution companies has thus far had an erratic history,[55] I think this is largely due to the current infancy and volatility of authorised digital distribution markets and the financial difficulties of the music industry. As the digital download market grows and the organisation of digital distribution and downloading stabilises it is probable that there will be further integration between major labels and successful music downloading services, digital distributors and independent labels, allowing major labels to reassert their gate-keeping power in the digital era. Digital distributors will be a more likely priority than downloading services[56] because of the existing competencies of the music labels (in distribution and licensing), the problem of catalogue limitations of major label involvement in direct retail[57] and the apparently low profitability of current music downloading service models.[58] 58

As in my discussion of independent labels and artists, I am not arguing against the possibility that new actors are displacing major labels to some extent. Again, I am simply contending that the degree and permanence of this displacement is smaller than many have prophesised or hoped. As argued previously in regards to independent labels, although some emergent actors (i.e., digital distributors and download services) may rise to prominent positions in the music industry, these are most likely to come from within the music industry itself. These 'new' actors may not be as new as they seem at first glance: Within the music industry there is a constant reshuffling of staff and the emergent enterprises in the music industry are often established by and comprised of people formerly with major labels or more established 'independent' labels. Those that are poised to benefit from the socio-technical restructuring of the music industry are those that already have privileged access to knowledge, capital, technology and social networks. Many new web-based music companies have a significant portion of their directors and staff drawn from major labels and other established actors in the music business. This is not a surprising phenomenon, especially considering the reduction of staff at major labels as a cost-cutting measure in response to the industry's recent financial crisis and/or corporate mergers. 59

Some successful new actors may also come from outside the music industry. These are most likely to come from or receive the backing of computer and 60 communications technology industries (e.g., Apple computers). Successful new actors are also overwhelmingly from privileged social backgrounds and locales. Their privileged access to knowledge, technology and capital poises them to best exploit whatever new opportunities that have emerged through technologically facilitated decentralisation.[59]

Current trends in concentration and decentralisation

Although Internet technologies are definitely contributing to a significant process of reorganisation in the music industry, it seems that general historical patterns of concentration may not be undergoing a radical transformation. Recent research on concentration in the music industry appears to corroborate my more tempered assessment of the impacts of the Internet on music industry concentration. 61

Research based on International Federation of the Phonographic Industry (IFPI) data suggests that independent labels have recently diminished the market power of major record labels. Independent labels' share of worldwide sales increased from 22.5% to 25% from 1999 to 2002.[60] IFPI data for 2004 indicate a further increase up to 28.4%.[61] These figures indicate that indeed there has been a deconcentration within recent years.[62] 62

Research by Blanchette on the US market share of the top five firms from 1989-2002 using Nielsen Soundscan data indicates a slightly different and somewhat contradictory picture. Blanchette's analysis indicates a rise in concentration from 1999 to 2000, followed by a drop in 2001 and a subsequent rise until 2003, with a more marked rise from 2002 to 2003. The levels of concentration in 2003 were actually higher than that of 2000. Independent label market share dropped from 15.9% in 1999 to 14.9% in 2003.[63] Nielsen Soundscan data for 2004 and 2005 indicate that major label control of markets decreased again and independent label market share reached its highest percentage in recent history. These data indicate that the market share of independent labels was 17.3% in 2004 and 18.1% in 2005.[64] However, figures for 2006 indicate a marked decline in independent label marked share to 11.4%, making it bellow that for 1999.[65] Quite significantly, market share figures for digital downloads are similar to those for overall market share, but Independent market share figures for digital downloads are actually lower than their overall market share, suggesting that independents are not better able to exploit the digital market.[66] 63

Authorised digital distribution has only become a significant phenomenon since 2003, making it difficult to detect any clear patterns between digital distribution and market concentration. Although some of the IFPI figures on global market share imply that some degree of decentralisation may be occurring, they indicate that it is fairly modest and is nowhere near the major periods of decentralisation in the music industry discussed by Alexander.[67] Data for the USA indicate that recent changes in patterns of concentration are rather small and erratic making it difficult to derive any solid conclusions about general industry trends as a result of the Internet or 64 digital distribution.

We must also keep in mind that whatever changes in concentration that did transpire during this period are not wholly, or even mostly, attributable to the direct impacts of file sharing and online distribution. Other factors such as general economic trends, changes in consumer behaviour and changes in industry organisation influence these trends. For example, changes resulting from label responses to financial crisis may affect market share trends, such as reductions in the number of releases and artist signings, or in promotional and marketing budgets for artists. 65

We must also be cautious about the representativeness of the data. For example, changes in the sources of IFPI data, the methods of compilation and the number of countries for which data are available in different years may affect figures on market share, possibly making the extent of independent market share globally more or less apparent. It is also possible that levels of concentration are less than these figures indicate, due to the under-representation of independent record sales in US and international data.[68] Especially considering the growing ease with which independent artists and labels can produce and circulate music outside of major retailers, the historical problem of under-representation in the marketing data of industry analysts, record labels and record label associations may be heightened in recent times. 66

Whatever the limitations and inconsistencies of current data and the difficulties of meaningfully interpreting them in a definitive manner, it is clear that major record labels still maintain an oligopoly on music marketing, promotion and distribution and that the Internet has not promoted a radical decentralisation of the music industry as many have envisioned. The most current data indicate that major labels control 88.6% of the US market[69] and 71.7% of the global music market.[70] It is important to add that because of the ways Nielsen Soundscan data are calculated, figures for the USA actually underestimate major label market control by reporting some major label distributed recordings as ‘independent’.[71] I am not sure to what extent this type of distortion clouds IFPI data, but there are likely to be similar misrepresentations. 67

Certainly the music industry is undergoing a period of reorganisation where established business models and forms of organisation are transforming. Perhaps, digital distribution and online retailing will allow independent labels and artists to increase their market share – at least temporarily – but we are unlikely to see the demise of the industry oligopoly. Major labels will continue to be the primary gatekeepers to broader distribution, promotion and marketing. If my assessments of future trends in digital distribution, marketing and licensing are correct, it seems that ‘independent’ musicians and labels will be equally or increasingly dependent on major labels for large scale distribution and effective promotion. 68

I am not arguing that independent artists do not have easier means to promote and 69 distribute their music with the advent of the Internet. Indeed, with the establishment and growth of digital distribution and online retailing – in combination with the increased accessibility of music recording/production technologies – we are likely to see more independent labels and artists circulating their music. This will facilitate the existence of autonomous musical cultures with a local or niche orientation, but this will not necessarily lead to a decentralisation of power over the most profitable and global music markets.

The continued importance of traditional distribution, licensing, promotion and marketing, as well as the privileged position of major labels to acclimatise to emergent forms of distribution, licensing, promotion and marketing[72] (i.e., to ‘capture’ new ‘revenue streams’), suggest that independent artists and labels will continue to be dependent on major labels, their distributors and publishers in order to reach these broader markets and audiences. 70

‘Flexible’ organisation and concentration

> The revolutionary moment never arrived for the music industry; the accumulated advantages of an industry with more than a century of gate keeping predictably held sway over the potentially destabilizing effects of Internet distribution.[73]

The changes in the music industry that are emerging through the development of Internet technologies are, thus, not as revolutionary as some have claimed or hoped. Rather, I would argue, that they represent an evolution and extension of historical trends in the organisation of the music industry that have been in play since about the 1960s. Since this time, major labels have been less directly involved in recording/producing music and increasing their control of the profitable enterprises of distribution, rights exploitation and marketing through a type of ‘open’ or ‘flexible’ organisation.[74] In this flexible organisation, music recording, production and talent ‘discovery’ has increasingly been the domain of independent or semi-independent labels and imprints that establish various sorts of contractual relationships with major labels and/or their distributors and publishers. 71

Some have argued that this major label shift from production to distribution/rights exploitation/marketing has been beneficial to both major and independent labels.[75] The relationship between majors and independents is often one of collaboration and mutually beneficial interdependence. Through the current system of ‘open’ or flexible organisation, major labels allow independent labels and artists to reach wider audiences and consumers than possible on their own. It is also true that this more flexible organisation has allowed for more creative freedom in the recording and production of albums than the historical pattern of major label dominance of recording and production. 72

Although, I agree with those who have critiqued the tendency to simplistically view the relationship between majors and independents as always antagonistic and 73 exploitative,[76] there are some fundamentally problematic and exploitative aspects of the current relationship between independents and majors. The benefits of the industry's current flexible organisation discussed above are less ambiguous than they seem. Although I agree that there has been a tendency to romanticise independent labels and to view their relationship with majors in simplistically negative terms, there are some fundamental asymmetries and contradictions in this flexible organisation of the music industry.

Given major label control of large-scale distribution channels, independent labels have little choice but to enter into agreements with the majors if they want to reach wider audiences. Major labels use their access to resources and economies of scale to leverage independents into asymmetrical relations, which provide some benefits to some independent labels but extract a significant portion of their revenues. Such relationships and whatever benefits some independents may derive from them also tend to be ephemeral: With economic troubles or changes in market trends major labels tend to sever ties with independent labels or to downsize affiliated imprints. 74

We must also be cautious not to confuse the anecdotal benefits of major label distribution deals to a handful of independent labels with the benefits to independent music more broadly. If we look at the broader picture, consolidation of distribution has been more prohibitive than empowering for independents. 75

We must also keep in mind, as I have noted previously, that a disproportionate number of the most successful independent labels have directors and staff that have formerly been involved in the major labels or other established music industry firms and this apparent diversification is to some extent a transformation and reconfiguration of relationships between established actors rather than an empowerment of those previously outside the industry. 76

Lastly, the degree to which independent and semi-independent labels have creative freedom from their parent labels varies significantly. Major labels still control the recording and production of music in various ways. I shall return to a more detailed discussion of the ways in which major labels control this process in my subsequent discussions of the relationships between concentration and diversification. 77

In the last analysis, the flexible organisation that major labels have increasingly adopted appears to be far more beneficial to the major labels than to the world of independent labels and artists. This organisation allows them to maintain control over the 'star system' and to extract further revenue through more or less loose affiliations with independent labels or imprints that cater to niche markets. This organisation of the music industry has allowed major labels to reduce production costs, to better control the most profitable 'revenue streams' and to minimise risks by allowing them to flexibly acclimatise to changing market conditions.[77] 78

My analysis of the impacts of digital distribution indicates that this simultaneous 79 trend of diversification in production and further concentration in distribution, licensing and marketing is likely to continue in the digital era. Although this may bring benefits to at least some independent labels and artists, the asymmetrical and ephemeral nature of the relationship between independents and majors tends to benefit major labels more than it benefits the world of independent artists, producers and labels.

If my predictions for the concentration of digital distribution are correct, major labels may actually be able to further extend their reach over independent production. Digital distribution will allow them to extract revenue from a greater volume of independent production with much smaller investments. Digital distribution allows the possibility of distributing independent musics with little or no investment in recording/production, manufacturing, storage and distribution.[78] Digital distribution may, thus, actually provide major record labels with enhanced risk-management, flexibility and profitability by facilitating more exploitative and transient relationships with greater numbers of independent artists and labels that cater to niche markets. Similar to what had been transpiring throughout the 1980s and 1990s it seems likely that there will be a trend towards greater interdependence between successful independents and majors. This interdependence offers benefits to at least some independent labels and artists, but ultimately these relations are asymmetrical and exploitative ones and reinforce the concentration of social and economic capital in the established centres of the music industry. 80

Part 3: Concentration and diversification

Introduction

In this section of the article, I examine the relationship of market concentration to musical diversity. First, I discuss the relationship between concentration and diversity through examining changes during the 1990s in the consumption of foreign and minority repertoire in the USA and changes in domestic consumption outside the USA. I then discuss how the organisation of the music industry affects observed patterns of musical diversification. I conclude by discussing the implications of current socio-technical changes in the music industry for the diversification of music genres and styles. 81

My critical analysis of ownership and control of music markets above does not necessarily imply that increased concentration will limit diversity in terms of musical genre and style and the ethnic and national origin of artists in the music industry. The effects of and relationships between market concentration on diversification of music are somewhat ambiguous and contradictory. As discussed in the historical survey at the beginning of this article, it seems that decentralisation can help foster diversification. During both periods of deconcentration of the music industry discussed by Alexander, music recording diversified as recording became more accessible to African-American artists, those outside the established centres of the music industry and other marginalised groups.[79] 82

Although it appears that decentralisation is generally favourable to diversification of music, the inverse does not necessarily hold true: Centralisation does not necessarily prevent diversification. Contrary to the assertions of some, oligopoly in the music industry does not inherently and simplistically promote homogeneity or 'repel diversity'.[80] As Garofalo has noted, market concentration 'is not synonymous with controlling the form, content, and style of popular music'.[81] In the last few decades, the relationship between concentration and diversification appears to be less transparent than has historically been the case. 83

Although agreeing with those who have argued against a simplistic relationship between concentration and diversification, in this part of the paper I argue that there is a relationship between concentration and diversity, but that it works in more subtle ways than some 'cultural imperialism' proponents and other cultural critics of the music industry have tended to acknowledge. 84

Diversification and 'ethnic' musics in the 1990s

One way to look at diversification is to examine changes in domestic consumption in different markets. The IFPI has heavily promoted the notion that domestic consumption of music increased during the 1990s in its press releases and publications. It seems that despite increasing concentration in the music industry during the 1990s, labels have taken increasing interest in producing, promoting and/or distributing local repertoire rather than solely focusing on the global promotion of artists from the USA and UK. According to global record sales data, there was a trend towards increasing relative consumption of domestic repertoire during the 1990s (an increase of about 10%).[82] As Throsby has pointed out: 85

> local artists have increased their share of music sales, while the average proportion of sales accounted for by the international repertoire has declined; locally produced music has increased from a worldwide share of 58 per cent in 1991 to 68 per cent in 2000.[83]

These trends in domestic consumption are somewhat misleading, though, and we must be cautious about the conclusions we draw from them. The proportion of domestic consumption varies widely in different countries. Asian markets had the highest rise in proportion of domestic consumption during the 1990s and North American markets had the second most significant increase.[84] The global figures for the percentage and overall growth in domestic consumption are, thus, heavily biased by the increasing percentage of domestic album consumption in the world's two largest national markets, the USA and Japan, which, not incidentally, have the highest proportions of domestic consumption[85] and are among the three most important centres of the major record labels.

Increases in domestic consumption in regions and countries historically marginalised by the music industry have been much less significant or entirely 86 absent. In some markets, there has indeed been a growth in domestic consumption during the 1990s, but there has not been a uniform and unequivocal trend towards empowering local labels and artists. Despite these criticisms of prevailing interpretations of these data on trends in domestic consumption, they do support the notion that concentration does not uniformly incapacitate diversification.

Another way in which to examine diversification and its relationship to concentration is to examine the place of foreign and domestic 'ethnic' musics in the US market during the 1990s. As mentioned above, US markets became significantly more insular in the 1990s, with 93% of consumption being accounted for by domestic artists by the end of the decade.[86] Analysis of Billboard Top 50 chart performance – which is based on Nielsen Soundscan data on sales – similarly indicates a significant drop of foreign artists making it to the top 50 throughout the 1990s. Those foreign artists who did make it to the charts during this period were predominately from North America (especially Canada) and Western Europe (especially the UK).[87] Even within the so-called Billboard World Music charts during the 1990s there was a predominance of European and North American artists (e.g., Celtic music and Gypsy Kings).[88] 87

These trends in market share and chart performance for foreign artists and albums in the USA indicate that the musics of those outside the centres of the music industry have become increasingly marginalised within the largest music markets. These trends are rather remarkable given that this occurred during the same time that 'world music' cemented its presence in Euro-American markets. Despite the growth of the 'world music' market, it seems that in terms of market share in the USA, foreign artists had become increasingly marginalised. It seems that the celebratory proclamations of diversification by the music industry, the media and academics that have accompanied the emergence of 'world music' have been based on a fragmentary assessment of changes rather than any cautious examination of industry trends. Certainly there has been a diversification in the availability of recorded musics during the 1990s—in part facilitated by the development of more accessible recording technologies—but in the higher volume segments of the music market, that permit greater revenue and more sustainable careers for artists, the diversification of the market is less evident. 88

Flexible organisation and the management of diversity

The trends in foreign music consumption in US markets and relative proportions of domestic consumption worldwide during the 1990s indicate there is no transparent link between market concentration and diversification, but such a link is not wholly absent. Those who uncritically reiterate industry discourses about diversification are wrong, but those who simplistically equate concentration with homogenisation are also off the mark. Concentration and diversification are not unrelated, but the ways in which concentration influences diversity is more subtle and requires attention to the specific ways in which the music industry is organised and the way it mediates access to different markets. 89

90 The current organisation of the music industry, with its high levels of concentration and flexible organisation, may allow for diversification in some ways in certain contexts but limits and circumscribes diversity in subtle ways. Through this flexible organisation, production of music has diversified in some respects, but it is a diversity that is managed by highly concentrated structures of distribution, licensing and marketing. Whether there is movement towards diversification or homogenisation is a complex affair, dependent not so much on concentration per se, but upon the dispositions of major record label staff in whom such power is concentrated. Ultimately, genre diversification and the expansion of opportunities to historically marginalised ethnicities and nationalities is the outcome of major label decisions regarding investment priorities and which genres, artists and markets to foment or discard. The concentration of decision-making power and socio-economic barriers to entry into the decision-making centres of the industry tend to dissuade diversification, but do not prevent it. As Keith Negus has argued:

> it is through the way in which genres are strategically managed and due to the way this intersects with broader historical, social and cultural formations, that the music industry shapes the possibilities for creative practice.[89]

Negus's discussions of the 'portfolio management' style of recording companies and the ways in which they function in the management of diversity provide an insightful way in which to understand the subtleties of the relationship between concentration and diversification.[90] In this 'portfolio management' style, staff, artists, genres and resources are typically distributed into discrete identity-based divisions (e.g., black music, rap, Latin music and national divisions).[91]

91 This distribution into divisions allows for more flexible management of the label, its staff and artists.[92] Investment in diverse genres through this type of organisation is partially a strategy to diversify investments and reduce risk[93] and can be seen as a manifestation of the broader trend towards open or flexible management discussed previously. The 'portfolio management' style typical of major labels is characterised by tight financial control combined with somewhat 'loose regulation of day-to-day working style, dress and little intervention into the values, ethics, etc.'[94]

92 David Hesmondhalgh has made an insightful distinction between 'operational control' and 'allocative control' in the management of the music industry that I think is extremely useful in helping to understand the subtleties of power and control in the contemporary music industry and their implications for the management of diversity. 'Operational control' refers to the day-to-day decisions and management of labels and imprints, while 'allocative control' consists of: 'formulating overall policy and strategy, decisions on whether to expand, and at what rate; financing issues; and control over the distribution of profits.'[95]

93 This distinction echoes Negus's distinction between the tight financial control and 'loose regulations of day-to-day' management. Under the flexible organisation of

the music industry, major labels and their distributors maintain 'allocative control' while independent labels, semi-independent labels and major label divisions maintain 'operational control'. This distinction helps us understand the ways in which the current organisation of the music industry allows for a relative degree of diversification and creative autonomy in music production, while maintaining important gate-keeping functions over the extent and forms of diversification in the hands of major labels.

Although divisions, imprints and labels have a considerable degree of autonomy under this type of organisation, the ways business affairs staff at the major label headquarters assess the economic potential of artists, genres and markets exerts a considerable power over musical creativity and its patterns of circulation. Business staff 'are engaged in mediating many of the values through which aesthetic work is realised'.[96] Those at the decision-making centres of the major record labels have the power to define central and marginal aesthetic values and negotiate the boundaries between these. Through their investment and management strategies major labels limit the numbers of artists from different genres that can effectively compete in the popular music market. Even when national directors of majors are committed to production and promotion of domestic musics, they are limited by priorities of international directors that delineate the ways in which resources are allocated.[97] 94

'Allocative' control, cultural values and the subordination of 'ethnic' musics

> it is not simply that there are particular organisational structures, it is that these are operated according to a type of knowledge through which the world is imagined in a particular way. Uncritically received cultural assumptions and common sense ideas about a world of discrete markets and separate social worlds is inscribed into business practices.[98] 95

The practices, organisation and investment strategies within the music industry are influenced by broader social divisions and are not simply based on economic rationale: cultural assumptions, beliefs and value judgments are materialised in the structure and organisation of music industry divisions and the relations between them.[99] Financial decisions are inseparable from culturally contingent musical tastes and preferences of staff.

As Negus points out in his discussion of key decisions makers in the British music industry, the music industry is primarily under the control of relatively elite, educated, middle-class, white males, whose values, assumptions and dispositions play a primary role in influencing the aesthetics, orientation, organisation and financial decisions of the music industry.[100] 96

The decisions about producing, marketing and distributing music are not a simple reflection of markets and consumer demand. Decisions about perceived markets and opportunities mingle cultural assumptions and stereotypes with partial and 97 biased market assessments. Music industry decisions about repertoire do not respond in a neutral manner to consumers and the pool of available artists. Record labels culturally construct knowledge about markets and deploy this fragmented and biased knowledge as a transparent reflection of ‘reality’ in its strategies and practices.[101]

As discussed previously, the representativeness of the market data (e.g., 98
Soundscan and IFPI) that guide investment strategies and priorities is questionable, especially for niche markets. These data have cultural, economic and geographical biases and distortions that tend to underrepresent ‘ethnic’ and other niche markets. Furthermore, although data on growth and market size play an important role in guiding the allocation of resources in the music industry, financial decisions often go against or ignore market data. Culturally and historically influenced notions of authenticity, aesthetic values and the sustainability of particular musics and markets colour the assessment of the available market data and resulting industry practices. The underrepresentation of ‘ethnic’ musics and other niche markets has, thus, been both a product and consequence of culturally-based aesthetic values and notions of authenticity.

The relationships between markets assessments, resource allocation and the 99
organisation of the industry are not simply a matter of the music industry reflecting broader cultural, political and economic relations and hierarchies, but *actively reproducing* them in its organisation. As Negus argues: ‘the industry is constituted by and within a broader set of cultural practices, while also actively intervening in the reproduction of social divisions.’[102]

This reproduction of broader social hierarchies in the music industry occurs in the 100
overall organisation of the music industry, but also in the disparate ways divisions and affiliates are viewed and treated. Culturally- and historically-influenced notions about what types of artists and musics have long-term and mass appeal guide investment, acquisition, marketing and distribution strategies and become ‘hierarchically inscribed into the drawing up of contracts and the allocation of investment to departments, genres and artists’ (e.g., the privileging of white male guitar bands over R&B artists).[103] Broader social hierarchies inform the organization and strategies of record labels with the result that:

> resources are allocated to some types of music and not others; certain types of deals are done with some acts and not others. Greater investment is accorded to certain types of familiarity and newness and not others.[104]

This organisation of the music industry not only fosters differential treatment but also places certain types of music in a more precarious position. As Negus has pointed out in his discussion of black music divisions, the organisation of the major labels facilitates cutting back staff and places less privileged divisions and genres in a more precarious and unstable situation. Cutting back of staff has occurred because of changes within the particular niche market, or because of record label decisions to invest more heavily in its rock and pop cast, irrespective of the particular niche market's size or growth.[105] For example, even when there is growth in a particular niche market, it is often interpreted as a passing fad and major record labels are mostly reluctant to invest in these genres in more sustainable manners. Major labels either establish distribution deals with labels and/or maintain affiliated labels that can be easily downsized or expanded with perceived market trends.

The flexible organisation of the music industry with specialty divisions and loose affiliations with independent and semi-independent labels also tends to limit penetration of executives from genre/identity divisions into the centres of the corporate hierarchy.[106] This exclusivity of recruitment into the role of key cultural intermediaries typically helps to reproduce 'enduring boundaries, social divisions and hierarchies'.[107] 101

There thus exists circularity to the investment strategies and organisation of the music industry that tends to reinforce the marginalisation of niche genres and markets. Past assessments of marketability and popularity guide current investment strategies, which tend to circumscribe the agency of minority artists and labels, which in turn limits their popularity and marketability. In discussing the investment strategies of the music industry in local artists outside the centres of the music industry, Paul Rutten observes that major record labels have been reluctant to invest in local artists, especially in smaller markets with little track record of internationally successful artists and in which there has been a historically small proportion of consumption of domestic artists.[108] Such reluctance tends to reinforce the marginality of markets and artists that have been historically ignored by the music industry. Past marginalisation provides the justification for subsequent marginalisation in the organisation and financial strategies of record labels. 102

'Cultural imperialism' revisited

Despite the simplicity of some applications of the 'cultural imperialism' thesis to understand the music industry, the concentration of power and profit in the music industry, the way in which it is currently organised and the ways socio-technical resources are allocated support the basic notion that the music industry reinforces marginality, inequality and asymmetrical flows along national and cultural boundaries. 103

Popular music scholars have criticised the notion of 'cultural imperialism' for a variety of reasons.[109] Among these criticisms have been two interrelated arguments: 1) that 'cultural imperialism' ignores musical diversification and 2) that its use of core-periphery models is inadequate for understanding musical flows in the increasingly transnational music industry. While many of the criticisms of the notion of 'cultural imperialism' and the ways in which it has been applied are valid, the diversification of repertoire produced and/or distributed by major labels should not be interpreted as indicative of the absence of centre-periphery relationships or their recent dissolution under globalisation. 104

In recent decades, there has been a diversification of music and increased opportunities for some artists from marginalised groups and nations, but this has been limited and misleading. There is often confusion in industry, academic and popular discourses between increased volumes of minority musics produced and circulated with their proportion and place in the market. A more diverse array of artists are recorded and circulated, but 'ethnic' artists have for the most part had their relative share in the popular music market diminished. Within the organisation of the industry they are relegated to more restricted distribution networks and deals. Long-standing social and aesthetic hierarchies are reproduced and reinforced in the marketing and distributional hierarchies of the contemporary music industry. This is evident, for example, in the ways that record companies define what constitutes 'international repertoire'.[110] The way that record companies – especially their international marketing departments that have come to play an important role since the late 1980s – construct 'global markets', judge 'international potential' of musics and artists, categorise music as 'domestic repertoire', 'international repertoire' or 'world music' and accordingly define investment priorities and strategies is profoundly influenced by the existing cultural hierarchies of the music industry and its broader social context.[111] 105

The recent diversification of major label repertoire, owes more to the more flexible forms of manufacturing and production, the adoption of niche marketing strategies, the overall growth of the popular music market during the 1980s and 1990s and the increased accessibility of recording technologies than to a marked shift in relationships between centres and peripheries. Viewed in this light, the diversification that has occurred has little to do with the benevolence or commitment to multiculturalism of major record labels. Quite the contrary, the 'flexible' organisation of the industry and the values and assumptions that animate its management have played a primary role in impeding a more profound diversification of the music industry. As Negus has astutely observed: 106

> It is ironic that the music business seeks to capitalise on such mixtures, yet, in producing an organisation to take advantage of this, the industry has a tendency to build walls within which 'creativity' can be contained. As a consequence, the construction and crossing of bridges to other genre worlds is a process which has occurred and continues to happen despite, rather than because of, the ways in which the major record companies have sought to organise the production of contemporary popular music.[112]

Despite an apparent diversification of music, as Martin Stokes asserts, 'It is not so easy … to dismiss the charge of cultural imperialism. Fundamental asymmetries and dependencies in musical exchange have deepened all too evidently. … The globalization of music cements the hegemony of significant racial and gendered hierarchies in many parts of the world.'[113] Euro-American artists dominate the media channels and record sales in many Latin American, African and Asian markets, while 'world music' artists have not obtained similar prominence in North

American and European markets. The most widely promoted and popular artists are predominately white North American males.[114]

‘Cultural imperialism’ in the music industry of today may be subtler than in the past, but it is not a fabrication of cultural critics holding on to outdated or simplistic modes of cultural analysis. A more nuanced reading of the organisation of the music industry, market changes and technological transformations confirms the enduring and expanding asymmetries of the music industry in the postcolonial world. As Hesmondhalgh has argued:

> While it is true that MNCs [multi-national corporations] cannot be directly associated with a particular national culture, it is nevertheless valid to argue that they might be part of a process by which certain cultural forms, strongly associated with particular regions and nations, become predominant in terms of both sales and prestige. There is no need to attribute conscious planning or conspiracy to such companies in order to argue this. Thus MNCs operate subject to certain economic imperatives and aesthetic histories […] *with the result that* Anglo-American music is still the main type of music distributed and promoted internationally. Even if we cannot talk in functionalist terms of a conscious imposition of one culture on another, the *logic* of the global market as it is means that access to distribution and committed publicity and promotion still seem to be extremely unequal, and this inequality is geographical, and nationally differentiated.[115]

Garofalo similarly underscores the importance of maintaining a critical outlook on apparent musical diversification in recent times:

> While there may be cause for cautious optimism in this celebration of difference, it is important not to get swept away in the notion that multiculturalism per se suggests significantly more than the most bourgeois democratization of power. It must be understood that, in the reconfigurations of the global political and cultural economy, international capital itself is now multicultural. As capital becomes more accustomed to accommodating a broader range of cultural forms, as it surely must, the new diversity of global culture must not be allowed to paper over hierarchizations of race and ethnicity, let alone the age-old inequities associated with gender and class.[116]

We must be cautious not to misinterpret the recent production of difference and diversity in the music industry as an indication of the dissolution of existing power relations and asymmetries. The rhetoric of diversification surrounding ‘world music’ promotion and consumption is underpinned by neoliberal globalisation discourses that mask important asymmetries.[117] These observations are essential to keep in mind in contemplating the potential implications of Internet technologies for music makers from historically marginalised ethnicities and nationalities.

Cultural imperialism and musical diversity in the era of digital distribution

Does the advent of the Internet hold the possibility of reversing the trends in diversification of the past decade? To me, it seems highly unlikely: With the maintenance of a highly concentrated industry and its current organisational strategies, I believe that the marginalising circularity of the music industry will be largely reinforced in the digital era. New technologies will not in and of themselves radically transform the cultural and aesthetic values of the popular music industry. Trends thus far support this assertion. Despite all the popular, industry and academic rhetoric about the ease with which music can be distributed online, in reality the hierarchical priorities of major record labels have continued to limit the diversity of authorised music available online. 108

Contrary to the widely held notion that digital distribution is extremely cheap, it can be rather costly for labels to digitise and clear their catalogues for downloading. In clearing their catalogues for authorised digital distribution, major record labels have unsurprisingly continued their age-old practices of prioritising Euro-American artists.[118] 109

Recently, there have been increased efforts to make at least some types of 'ethnic' music more readily available. For example, with a disproportionate growth in physical sales of Latin music in the last couple of years compared to other genres, there has been a heightened interest in online distribution of Latin musics. Major record labels have put more concerted efforts to digitise their Latin music catalogues and digital music providers have been actively seeking to expand and promote their Latin catalogues. Independent digital distributors, like The Orchard and IODA (Independent Online Distribution Network) have also been more actively pursuing Latin labels.[119] 110

Although this trend may appear to support a more optimistic view of the implications of digital technologies for 'ethnic' musics, we must be cautious about the ways we interpret these trends. These trends have little to do with the empowering power of new technologies *per se*. Latin artists and music are better poised to realise the empowering potential of digital distribution than artists from other marginalised ethnic groups and nationalities for various reasons. General trends in US consumer culture to cater to the growing Latino population and the size of the Spanish-speaking population globally appear to be more important in potentially enhancing opportunities in the popular music industry for Latin artists than technologies themselves. 111

Even if new and better opportunities open up for some marginalised artists, we must not forget that inequalities of privilege and access will persist. I suspect that, as was the case in the 1990s, we may see a more diverse array of musics being distributed in the future but it seems likely that the ability to have a sustainable and successful career in the music industry, or to be deemed worthy of being promoted 112 and distributed as 'international repertoire', will continue to be limited to a few artists with privileged access to technologies, capital and social network. Given the organisation of major labels, the exclusive nature of entry into key positions and the cultural value and assumptions of upper level management, it seems likely that major labels will continue to privilege US and European artists in the broader segments of national markets and in their selection of 'international repertoire'.

Genres of minority groups within major markets will continue to be marginalised by 113
the music industry. It seems likely that whatever increases may come in sales volumes and/or market shares for 'ethnic' artists will continue to privilege a handful of US artists (e.g., African Americans and US Latinos). Investments in and support for artists from other countries will likely be less of a priority. Genres and artists from outside the USA, Western Europe and Japan will continue to receive less serious support and attention from major labels. This continued marginalization will be especially salient for artists from non-English speaking countries with relatively small national markets. Disparities will also persist within countries, with the musical genres of the poorest classes continuing to be the most marginalised both by the local and international music industries.

As in the 1990s, major labels are likely to facilitate a diversification of music through 114
further extending their reach into niche markets, distributing a more diverse repertoire of music and enhancing their ability to extract revenue from the world of 'independent' production. But this diversification will be more modest than would be possible without highly concentrated distribution, promotion and licensing networks and will be manipulated by the aesthetic values and the limited gaze of those at the centres of the music industry.

As I have argued, market growth has been an essential element in deconcentration 115
and diversification in the music industry. The degree to which widely distributed musics diversify will be contingent on the growth of music markets. Without significant growth, major labels and distributors will be less likely to diversify the catalogues of music they produce, market, license and/or distribute. Even if growth occurs and allows for more diversification, we must be cautious about the distinction between increased volumes of sales and relative market shares. The current organisation of the music industry is more prohibitive of increasing the market share of 'ethnic' musics than increasing volumes of 'ethnic' music sales.

Although we may celebrate the potential of Internet distribution for artists from 116
marginalised groups, the persistence of a centralised, yet flexible, organisation primarily under the control and aesthetic direction of US and European executives and staff will tend to maintain boundaries for greater participation of 'ethnic' artists and executives to dictate broader priorities and to 'capture' greater shares of the profits from the flow of music. Even if the changes the music industry is undergoing help marginalised artists achieve greater success and increase the diversity of music available to consumers, we must not confuse diversification of musics and genres with the demise of the music industry's oligopoly or the 'democratisation' of

the music industry.

Part 4: Conclusions

Technology, ‘decentralisation’ and ‘democratisation’

Although technological trends may appear to be facilitating and promoting a ‘decentralisation’ of music production from certain vantage points, the impacts of computing technologies in the music industry are much more complex and contradictory. The social, political and economic contexts in which technologies are used and appropriated and the ways in which socioeconomic disparities influence the access to and use of technologies must be considered in order to better understand their actual impacts and implications. Technological innovation invariably permits and fosters a reconfiguration of social statuses, relations and hierarchies; however, technologies do not inherently promote ‘democratisation’ or diversification: It is the particular ways in which they are socialised that determine the ways in which they transform social relations and hierarchies. As Taylor has noted, those who proclaim computer technologies as ‘democratising’ forces largely fail to state or recognise inequalities in access to computers and Internet technologies.[120] Because of these inequalities in access, combined with and reinforced by other forms of social, economic and political inequality, computer technologies have tended to reproduce existing social hierarchies and inequalities. 117

My argument does not seek to be dismissive of the significance of new technologies for transforming musical practices, nor to deny that they allow for ‘the possibility that new voices and new musics will find new avenues for expression’.[121] I am not arguing that technologies inherently and uniformly promote inequality. Rather, I have sought to argue that within the current context of the popular music industry, new technologies decentralise less thoroughly and less permanently than has been argued. Under certain other contemporary and historical contexts, technologies can serve as facilitators and catalysts for decentralisation. Indeed in some contemporary local contexts, digital music technologies may be facilitating important trends of decentralisation and empowerment. 118

There are profound changes occurring in the ways music is produced, circulated and consumed. The increased ease with which some can produce and circulate music is a tremendously significant socio-cultural phenomenon. New distribution and production technologies are greatly facilitating and empowering autonomous local musical cultures and their engagement with other geographically and culturally distinct musical cultures, such as the ‘South-South’ circulation of music or the circulation of music within and between ethnic minority communities in the ‘North’. 119

Recognising that the advent of digital distribution technologies has brought new opportunities for more autonomous forms of meaningful cultural production and circulation is not incompatible with the broader slant and critical focus of this article. These seemingly opposing views are not mutually exclusive: they are focusing on 120 different phenomena and levels of analysis. As I have noted, the primary focus of my analysis has been on the popular music industry as it is commonly understood in the 'West'. In other contemporary contexts, the decentralising potential of digital technologies may be more strongly realised than in the broader context of the popular music industry. These sorts of phenomenon may be especially salient in markets where major label presence and control are more limited and where 'informal' markets prevail.[122] Much of the transcultural flow of music occurs outside of the popular music industry's structure and its organisational logic,[123] a process which is likely to be facilitated in some respects by Internet technologies. The existence of such alternative networks, however, does not negate or undermine the global asymmetries of music production and circulation.

Although music production, marketing, licensing and distribution practices in the 121
popular music industry are undergoing a process of significant socio-technical reorganisation, this reorganisation is not simply benefiting previously marginalised groups. Although novel digital music technologies can and do empower previously marginalised groups in certain contexts, their broader tendency in the popular music industry is to further marginalise them and reproduce existing social hierarchies. The advent of home computer-based studios and web-based marketing and distribution has made participation in the music industry more accessible to a much wider segment of society, but for the majority of those in the poorer classes and nations the popular music industry remains highly inaccessible.

Broader trends in economic inequality within and between nations in the digital era 122
suggest that computer technologies are enhancing socio-economic disparities, not ameliorating them. I believe that these trends are reflected in, and reinforced by, music industry trends. Unless there is a more radical reformulation of the organisation of the industry and the ways in which they attribute value and distribute the benefits, costs and decision making powers in the creation and circulation of music, it is highly unlikely that the music industry will become a more decentralised and democratic affair, regardless of what technological changes occur.

Technological discourses and neo-liberal myth making

As Théberge has astutely argued, the uncritical equation of computer technologies 123
with 'democratisation' is a manifestation of a 'much deeper ideology' that draws on the historical interlinking of modern industrial capitalism and democratic institutions and the persistent view that both are a unified process of 'progress'.[124] The current incarnations of democratising discourses surrounding music distribution technologies draw upon contemporary versions of this ideology of progress in consumer culture and the music industry. These incarnations of democratising discourses have drawn upon and amplified neoliberal discourses on the benevolent face of globalisation, as well as the discourses about diversification of music in the 1980s and 1990s that hyped 'world music' as a testament 'to radically new political moment and more equitable cultural relations between the West and the rest'.[125]

As in the case of the claims about globalisation, the rise of ‘world music’ and the decentralisation of music production during the 1980s and 1990s, we must be cautious about the ways in which we interpret potential or apparent diversification under digital distribution, its causes and consequences. Uncritical discourses about the empowering effects of technologies not only misrepresent current socio-technical trends, they are also integral elements in masking and reproducing increasing inequalities as well as stultifying more critical reflections on the popular music industry and its enduring forms of ‘cultural imperialism’. 124

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Notes

[1] See, for example, Peter J. Alexander, ‘New Technology and Market Structure: Evidence from the Music Recording Industry’, *Journal of Cultural Economics* Vol. 18, No. 2 (1994), 113-123; Kasie Blanchette, ‘Effects of MP3 Technology on the Music Industry: An Examination of Market Structure and Apple iTunes’, paper presented at The Holy Cross Academic Conference, April 23, 2004; Jesse Bockstedt, Robert J. Kauffman, & Frederick J. Riggins, ‘The Move to Artist-Led Online Music Distribution: Explaining Structural Changes in the Digital Music Market’, *Proceedings of the 38th Hawaii International Conference on System Sciences* (2005), 1-10; Marcus Breen, ‘Busting the fans – the Internet’s direct access relationship’, in ‘The Music Industry, Technology, and Utopia – an Exchange between Marcus Breen and Eamonn Forde’, *Popular Music* Vol. 23, No. 1 (2004), 79-89; Steve Jones, ‘Music that Moves: Popular Music, Distribution and Network Technologies’, *Cultural Studies* Vol. 16, No. 2 (2002), 213-232.

[2] Breen, ‘Busting the fans’.

[3] Eamonn Forde, ‘So, what would the music industry say? Presenting a case for the defense’, in ‘The Music Industry, Technology, and Utopia--an Exchange between Marcus Breen and Eamonn Forde’, *Popular Music* Vol. 23, No. 1 (2004), 85.

[4] *Ibid.* 83.

[5] In recent times ethnomusicologists and popular music scholars have increasingly turned their attention to the role of technologies in musical practices. Some notable works include: Paul Théberge, *Any Sound You Can Imagine: Making Music/Consuming Technology* (Hanover, NH: Wesleyan University Press, 1997); Timothy D. Taylor, *Strange Sounds: Music, Technology, and Culture* (New York: Routledge, 2001); Louise Meintjes, *Sound of Africa! Making Music Zulu in a South African Studio* (Durham, NC: Duke University Press, 2003); Rene T. A. Lysloff and Leslie C. Gay, Jr. (eds.), *Music and Technoculture* (Middletown, CT: Wesleyan University Press, 2003); Joseph G. Schloss, *Making Beats: The Art of Sample Based Hip-Hop* (Middletown, CT: Wesleyan University Press, 2004); Mark Katz, *Capturing Sound: How Technology Has Changed Music* (Berkeley: University of California Press, 2004); Paul D. Greene and Thomas Porcello (eds.), *Wired for Sound: Engineering and Technologies in Sonic Cultures* (Middletown, CT: Wesleyan University Press, 2005). While influenced by and indebted to the insights of these works, this article focuses on different kinds

of technologies (i.e., distribution technologies rather than performance, sampling and/or recording technologies), grapples with different sorts of questions and employs a distinct approach to theorising technology that emphasises political economic considerations.

[6] Alexander, 113.

[7] *Ibid.* 115. We could also add other periods of decentralisation in the music industry if we extend the analysis further back in history, but my emphasis in this article is on the period since the establishment of the music recording industry. The initial development of music recording and distribution technologies led to the displacement of the power of publishing houses by recording companies in the popular music industry. See Reebee Garofalo, 'From Music Publishing to Mp3: Music and Industry in the Twentieth Century', *American Music* Vol. 17, No. 3 (1999), 319. The development and popularisation of the player piano also facilitated the decentralisation of music performance and consumption practices.

[8] Alexander, 115.

[9] *Ibid.* 115-117.

[10] *Ibid.* 119.

[11] *Ibid.* 119; Garofalo, 'From Music Publishing to MP3', 333.

[12] According to Alexander, in 1948 independent labels accounted for 25% of record sales. In 1956 their market share was 52% and by 1962 it was up to 75%. See Alexander, 116, 120.

[13] See, for example, Taylor, *Strange Sounds*; Paul D. Greene, 'Introduction: Wired Sound and Sonic Cultures', in Greene and Porcello, 1-22.

[14] See, for example, Trevor Pinch and Karin Bijsterveld, **'**Sound Studies: New Technologies and Music'. *Social Studies of Science* Vol. 34, No. 5 (2004), 635-648.

[15] In some cases technological changes themselves contribute to this market growth by cheapening recording and manufacturing, lowering the price of recordings for consumers and expanding the accessibility of music consumption. For example, the technological innovations in recording and manufacturing in the 1910s helped to stimulate demand by making available a greater quantity and variety of recordings (Alexander, 117). In the post-World War two era new formats and manufacturing techniques (e.g., LPs) cheapened record production, made albums more accessible to a wider range of consumers and facilitated decentralisation in the recording industry (Garofalo, 'From Music Publishing to Mp3', 334). However, market growth is never wholly attributable to technological innovation; broader economic changes are essential to understanding changing consumption patterns.

[16] Edward Kealy, *The Real Rock Revolution: Sound Mixers, Social Inequality, and the Aesthetics of Popular Music Production* (Ph.D. Thesis, Northwestern University, 1974), 44.

[17] Similarly, in Peter Manuel's study of the decentralising impacts of cassette technologies in the Indian music industry during the 1980s, he notes that decentralisation was facilitated by economic and trade policies, changes in purchasing power, the expansion of consumer markets and changes in industry. Peter Manuel, *Cassette Culture: Popular Music and Technology in North India* (Chicago: University of Chicago Press, 1993), 61.

[18] This change in radio programming was due to several factors. The popularisation of television in the late 1940s drew audiences and advertisers away from radio. See Kealy, 37, 45; Garofalo, 'From Music Publishing to Mp3', 335. Another important factor was the development of transistors (introduced in 1948), which were more were more portable, more durable, and required less power compared to vacuum tubes, thus, encouraging decentralisation in broadcasting and a proliferation of radio stations (Garofalo, 'From Music Publishing to Mp3', 333-335).

[19] Garofalo, 'From Music Publishing to Mp3', 335; Kealy, 37, 45. Paul D. Lopes, 'Innovation and Diversity in the Popular Music Industry, 1969 to 1990', *American Sociological Review* Vol. 57, No. 1. (February 1992), 56.

[20] Alexander, 120.

[21] Decentralisation of music recording/production was more evident in the late 1960s than during the 1950s. There was an especially marked proliferation of studios from about 1968 to 1973, the period during which multi-track recording was popularised. See Théberge, *Any Sound*, 767-768; Kealy, 50. During this same period, overall music industry concentration was on the rise again (Alexander, 116).

[22] *Ibid.* 117-118.

[23] Garofalo, 'From Music Publishing to Mp3', 336-337.

[24] Manuel, 24.

[25] Manuel's study of decentralisation in the Indian music industry with the advent of cassette technologies suggests a similar pattern. With the popularisation of cassette tapes there was a diversification of music by region, dialect, genre, artists, and class. Despite Manuel's use of the term 'democratisation' to denote the process of diversification during the Indian 'cassette boom', he similarly notes that the class background of cassette producers diversified, but that this diversification extended only to the lower-middle class. Although music production was no longer the purview of the urban elite, the lower classes were still largely excluded. *Ibid.* 158.

[26] James P. Kraft, 'Musicians and the Sound Revolution: Business, Labor, and Technology in America, 1890-1950', In Braun, Hans-Joachim (ed.), *Music and Technology in the 20th Century* (Baltimore, MD: Johns Hopkins University Press, 2002), 172.

[27] Alexander, 119.

[28] Garofalo, 'From Music Publishing to Mp3', 328.

[29] By the end of the 1920s, national and regional radio networks became highly concentrated (primarily in the hands of CBS and NBC--a subsidiary of RCA). *Ibid.* 331.

[30] *Ibid.* 337. Alexander, 120.

[31] This assertion resonates with conventional economic wisdom about the effects of new technologies which has tended to view technological change as scale-increasing and, therefore, fostering concentration. *Ibid.* 113.

[32] In addition, my emphasis is also due to space limitations and the fact that there is already a considerable existing literature on the questions of piracy and unauthorised file-sharing and its impacts on the music industry.

[33] Studies conducted by recording industry analysts have had varying conclusions, with file sharing having a positive, negligible or negative effect on sales in different studies. Felix Oberholzer-Gee and Koleman Strumpf, 'The Effect of File Sharing on Record Sales: An Empirical Analysis', *Journal of Political Economy* Vol. 115, No. 1 (2007), 5. A recent study which employs survey data has argued that file sharing does displace record sales but to a limited extent. Rafael Rob and Joel Waldfogel, 'Piracy on the High C's: Music Downloading, Sales Displacement, and Social Welfare in a Sample of College Students' *Journal of Law and Economics* Vol. 49 (2006), 60. The most recently published academic study, based on observations of actual file-sharing behaviour argues that file sharing has no statistically significant effect on record album sales. Oberholzer-Gee and Strumpf, 5-6, 38.

[34] While recordings of major artists are more commonly circulated on P2P networks, some research actually suggests that file sharing may be less detrimental to major artists. *Ibid.* 5.

[35] Forde, 85.

[36] *Ibid.* 84.

[37] Soundscan figures for 2006 indicate that digital album sales accounted for only 5.5% of total album sales in the USA. Ed Christman, 'Downturns and Downloads: Album Sales Plummet in 2006, But Digital Narrows the Gap' *Billboard* (January 13, 2007), 5.

[38] Forde, 84-85.

[39] This factor may eventually become irrelevant. Some downloading services are already offering CD-quality WAV files, and it is likely that more services will shift towards these higher quality formats in the near future with advances in communication speeds and storage capacities.

[40] For example, in 2004, only 40% of consumers in the USA had broadband internet access. Martin Peitz and Patrick Waelbroeck, 'An Economist's Guide to Digital Music', *CESifo Economic Studies* Vol. 51, No. 2-3 (2005), 367.

[41] David Throsby, 'The Music Industry in the New Millennium: Global and Local Perspectives', paper prepared for The Global Alliance for Cultural Diversity Division of Arts and Cultural Enterprise UNESCO, Paris, October 2002, 11.

[42] David Hesmondhalgh, 'Indie: the Institutional Politics and Aesthetics of a Popular Music Genre', *Cultural Studies* Vol. 13, No. 1 (1999), 53.

[43] The recent creation of the American Association of Independent Music (AAIM) in order to provide fairer conditions for independent labels-digital distributor contracts is a testament to the persistent advantages that major labels have over independent labels in the digital era. For a discussion of AAIM see Don Rose, 'Commentary: Indie Labels Are Seeking Their Fair Share', *Billboard* Vol. 13 (August 2005), http://www.billboard.biz/bbbiz/search/article_display.jsp?vnu_content_id=001010237.

[44] Hesmondhalgh, 'Indie', 53.
[45] Blanchette, 10.
[46] Andrew Leyshon, Peter Webb, Shaun French, Nigel Thrift, & Louise Crewe, 'On the reproduction of the musical economy after the Internet', *Media, Culture, & Society* Vol. 27, No. 2 (2005), 190.
[47] Peitz and Waelbroeck, 360-362. It is important to note that marketing and promotion practices vary with different genres and markets. For example, hip hop marketing and promotion depends on the use of mixtapes and other forms of 'street' promotion. Although these practices are unique, they are not entirely different from those of other popular musics. For a discussion of hip hop promotions and its relationship to broader industry practices, see Keith Negus, *Music Genres and Corporate Cultures* (New York: Routledge 1999), 97-99, and Keith Negus, 'The Music Business and Rap: Between the Street and the Executive Suite', *Culural Sudies* Vol. 13, No. 3 (1999), 488-508.
[48] Research in the USA from 2003 indicates that radio continues to be by far the most influential in consumers' decisions to buy particular CDs. Peitz and Waelbroeck, 361-362.
[49] *Ibid.* 396.
[50] It is important to note that major labels control marketing and promotion in a more indirect manner than distribution. Financial resources, social networks, catalogue size and bargaining power have given major record labels privileged access to media channels and more favourable contractual conditions with them. In recent decades control of, and easier access to, media channels for marketing and promotion has become more direct as media company mergers have brought major labels, radio networks, television networks and internet service providers under single parent companies; however, this has not been the case for all major labels – EMI and Warner Music are currently unaffiliated – and their dominance of radio airwaves, retail spaces, print media coverage and other marketing and promotion channels is controlled more indirectly through their financially-backed powers of negotiation. For a discussion of recent changes in ownership patterns of major labels see Patrick Burkart, 'Loose Integration in the Popular Music Industry', *Popular Music and Society* Vol. 28, No. 4 (2005), 492-494.
[51] Jones, 223.
[52] Bockstedt et al., 4.
[53] According to Bockstedt et al., on a single song download (usually US$0.99) about US$ 0.75 goes to the recording copyright holder (usually the record label). *Ibid.* 1. Peitz and Waelbroeck provide a similar figure of 60 to 70% (which includes 10-12% for publishing rights). This is similar to or higher than the percentage of the CD retail value that labels traditionally receive, which is about 65%. Peitz and Waelbroeck, 360-361, 397.
[54] Recent developments have helped to somewhat counter this problem. Independent labels have organised into an association [American Association of Independent Music (AAIM)] that has but pressure on iTunes and other services to institute more favourable minimum rates on digital downloads. See Rose, 'Commentary'.
[55] Initial attempts by major labels to establish their own music downloading services have not been successful because of limited catalogues and the infancy of the authorised download services. Several music-downloading services were also established through cooperative agreements between the five major record labels (MusicNet, eMusic, and Pressplay/Napster). But by 2004 Sony Music and UMG backed out of Pressplay/Napster and Universal from eMusic. MusicNet continued to be associated with major labels (it was owned by Real Networks, Warner Music, BMG and EMI) for a longer period of time, but Baker Capital, a private investment firm in New York, bought it in 2005. See Burkart, 494, 496.
[56] The fact that MusicNet, which shifted from a consumer downloading service to a business-to-business company involved in digital distribution and providing online distribution technologies, was the online music company that received the most sustained major label interest supports my assertion that involvement in distribution is seen as more attractive to major labels than downloading services. *Ibid.* 496.
[57] In recent history major labels have, for the most part, avoided involvement in retail. Production, distribution, and rights exploitation have been preferred for their profitability, but also because of the limitations of offering a limited catalogue for sale.
[58] Music downloading services make relatively small amount of money on each download. One primary reason for this is that financial transaction costs are increased with digital distribution

compared to physical sales. After discounting the licensing fees and financial transaction costs, service providers have a net gain (or loss) of a few cents on a single song sale. And this does not account for any additional costs of providing the music: see Bockstedt et al., 1. These costs include such things as marketing costs, staff, bandwidth/hosting and start-up costs. Some speculate that some music downloading services use downloads primarily as a 'loss leader', that is, as a means to drive sales of hardware (Sony, Apple and mobile phone companies) or software (Microsoft): see Peitz and Waelbroeck, 397, 424. For services like Apple iTunes, the sales of digital audio files may primarily serve a means to promote and ensure sales of playback hardware (i.e., iPods), which are necessary to play back files obtained through the iTunes service, rather than to generate considerable profits directly (Bockstedt et al., 1-2). Even if some companies use this primarily as a way to drive alternative sources of revenue and even if the profit margins seem small, it is clear that online distribution has been profitable for some companies. It is important to note that online digital music distributors have alternative sources of revenue, such as advertising and selling market data on consumers to record labels (Blanchette, 9). Depending on the sorts of financial transaction arrangements and the amount of other sources of revenue, it may be that online distribution is more profitable than traditional retail.

[59] It is also important to note, that there is likely to be concentration and consolidation within the music downloading services and digital distributors. As in traditional forms of distribution and retail, economies of scale can considerably enhance revenue and profitability in digital distribution and, thus, foster trends towards concentration. Concentration allows for more efficient use of technological, human, and financial resources through reducing overhead, eliminating redundancies and other cost-cutting initiatives. Larger downloading services can more successfully leverage credit card companies for more favourable transaction cost deals [which are one of the highest costs of digital distribution (Bockstedt et al., 1-2; Peitz and Waelbroeck, 396-367). Larger operations also have the potential to generate more advertising revenue. Additionally, they have more power to negotiate lower rates with record companies and distributors. All of these enhance profitability, but also allow them to offer better prices, larger catalogues and more services, helping to shut out smaller competitors that do not benefit from the economies of scale and the leveraging power. Most labels do not provide exclusive rights to digital download services, making it difficult for smaller, specialised niche services to succeed. As in the case of independent physical retailers, the success of niche services depends on their ability to provide more personalised service, exclusive content and consumer loyalty. Larger digital distributors similarly benefit from economies of scale. They can negotiate more favourable deals with downloading services and provide more services to artists and labels, such as placing music on a larger number of downloading services and promoting music placement in a variety of other media (e.g., TV, advertising). As is the case with physical distributors, larger digital distributors are also more adept at dealing with international licensing and providing opportunities abroad.

[60] Burkart, 492. I analyse changes starting in 1999 because this was the year that unauthorised file-sharing took off with the popularisation of Napster.

[61] 'IFPI releases definitive statistics on global market for recorded music', http://www.ifpi.org/content/section_news/20050802.html (August 2, 2005).

[62] At least in terms of major label control of markets. In terms of market share of individual majors, concentration has increased in some cases (EMI and Universal). There has also been a recent consolidation of Sony and BMG, resulting in a music industry dominated by four major labels record companies (i.e., AOL-Time Warner, Sony/BMG, Universal, and EMI) rather than five (Leyshon et al., 177).

[63] Blanchette, 13, 33.

[64] Chris Morris, 'Uni Music tops '05 market share with 39%', *The Hollywood Reporter*, http://www.hollywoodreporter.com/hr/search/article_display.jsp?vnu_content_id=1001804547 (January 5, 2006).

[65] This drop, in part, reflects the recent acquisition of Ryko Distribution by WMG. Christman, 'Downturns', 5.

[66] Ed Christman, 'Tracks trump albums: digital song sales increase as CD sales drop. *Billboard* (July 22, 2006), 14

[67] Alexander, 115.

[68] Presumably, the representativeness has continuously improved but biases against niche markets are never wholly removed. With SoundScan and Broadcast Data systems, there is still a subjective selection of radio stations and stores. The selection process has been altered several times to make it more representative of consumption and listening but some argue that there is still a bias towards chain stores and discount/department stores, and an underrepresentation of smaller chains, independent stores, and stores that do not exclusively sell music. Jim Sernoe, '"Now We're on the Top, Top of the Pops": The Performance of ''Non-Mainstream'' Music on Billboard's Albums Charts, 1981–2001', *Popular Music and Society* Vol. 28, No. 5 (2005), 642. There are also independent releases that do not have the barcodes and identification numbers necessary for Soundscan monitoring. The prevalence of this practice is difficult if not impossible to access.
[69] Christman, 'Downturns', 5.
[70] 'IFPI releases definitive statistics on global market for recorded music'.
[71] Nielson Soundscan data on market share currently includes independent label recordings that are distributed through major-label owned 'indie' distributors under the independent market share figures (see Rose, 'Commentary'). Although some of those in the independent label world justifiably argue that these figures underrepresent the importance of independent labels and that market share should be based on recording and production rather than distribution, for the purposes of my argument here, figures that included major-label owned 'indie' distribution under major label market share would be more insightful in understanding the extent of major label gate-keeping powers in the music industry. The way that Nielsen Soundscan currently calculates market share figures underestimates the concentration of gate-keeping powers in the music industry by including major-label distributed albums under independent market share.
[72] Major labels and national and international recording industry associations are also in a privileged position to dictate changes in legislation and trade policies in ways that benefit them. See Jack Bishop, 'Building International Empires of Sound: Concentrations of Power and Property in the "Global" Music Market', *Popular Music and Society* Vol. 28, No. 4 (October 2005), 443-471. Although the types of policies that they promote can often benefit independent labels as well (e.g., some types of anti-piracy legislation) they often disproportionately benefit major labels.
[73] Burkart, 489.
[74] Since the 1960s, record companies have increasingly adopted a more 'open' system of production that depends on autonomous or semi-autonomous labels. This process continued and was heightened throughout the 1970s, and especially 1980s and 1990s, which was facilitated through increasing major label control of publishing and distribution. During the 1980s, major labels also increasingly focused on selling musical rights and collecting royalties as sources of revenue, thorough the acquisition of independent publishing companies Starting around the 1980s, the role of independent distribution systems began to diminish as major label distribution systems expanded and increasingly distributed independent musics. See Throsby, 10; Simon Frith, 'Art versus technology: the strange case of popular music', *Media Culture Society* Vol. 8 (1986), 276-277; Lopes, 57; Robert Burnett. 'The Implications of Ownership Changes on Concentration and Diversity in the Phonogram Industry', *Communication Research* Vol. 19, No. 6 (December 1992), 751.
[75] See, for example, Burnett, 761.
[76] See, for example, Manuel, 22, Throsby, 10.
[77] Eduardo Vicente, 'A Indùstria do Disco no Brasil: um Breve Relato', paper presented at Intercom – Sociedade Brasileira de Estudos Interdisciplinares da Comunicação, Congresso Brasileiro de Ciências da Comunicação, Manaus, 2002, 6; David Hesmondhalgh, 'Flexibility, Post-Fordism, and the Music Industries', *Media Culture & Society*, Vol. 18, No. 3 (1996), 472.
[78] Under digital distribution, major labels have also diminished artist royalty cuts.
[79] Alexander, 118; Manuel, 24; Garofalo, 'From Music Publishing to Mp3', 336-337.
[80] Bishop, 468. Although I agree with the general critical slant of Bishop's article, he glosses over the complex relationship between industry consolidation and diversity.
[81] Garofalo, 'From Music Publishing to Mp3', 342. Other authors who have looked at changes in the music industry similarly noted that concentration does not inherently lead to a lack of musical diversity. See, for example, Vicente, 3, Lopes, 56.
[82] Throsby, 9.
[83] *Ibid.* 4.

[84] *Ibid.* 9.

[85] The USA (92%), Japan (78%) and Brazil (75%) had the largest proportions of domestic consumption in 2000. *Ibid*. 4-5.

[86] In North American markets consumption of domestic repertoire increased from 83.6% in 1991 to 89.2% in 2000. This increase in proportion of domestic consumption was most marked in the USA. *Ibid*. 9. Ana María Ochoa Gauthier and George Yúdice, 'The Latin American Music Industry in an Era of Crisis', paper prepared for The Global Alliance for Cultural Diversity Division of Arts and Cultural Enterprise UNESCO, Paris, 2002, 4-5.

[87] Alan Wells's analysis of albums on the Billboard's top 50 charts during the mid 1980s and 1990s indicates a decreasing presence of foreign artists. Foreign artists accounted for about one third of albums on the top 50 charts in 1985 (most of which were British artists). In the late 1980s, the percentage of top 50 albums that were by foreign artists ranged from about 20 to 40 percent. From 1991 to 1999, less than 20% of the top 50 albums were from foreign artists. In 1999, foreign presence was below 10%. Alan Wells, 'Nationality, Race, and Gender on the American Pop Charts: What Happened in the '90s?', *Popular Music and Society* Vol. 25, No. 1–2 (2001), 226-227.

[88] Timothy D. Taylor, *Global Pop: World Music, World Markets* (London: Routledge, 1997), 6-9. Music industry awards demonstrated similar biases; during the 1990s the World Music Grammy winners were Euro-American artists who collaborated with (e.g., Ry Cooder and Mickey Hart), or appropriated from (e.g., Deep Forest), non-Euro-American artists, despite a more diverse pool of nominees than historically for ethnic/traditional categories of the Grammys. The only non-Euro-American to receive a World Music Grammy was Brazilian artist Sergio Mendes, who had been living in the US since 1964. *Ibid.* 10-12.

[89] Keith Negus, 'Cultural Production and the Corporation: Musical Genres and the Strategic Management of Creativity in the US Recording Industry', *Media, Culture, & Society* Vol. 20 (1998), 363.

[90] *Ibid*.; Negus, *Music Genres and Corporate Cultures*; Negus, 'The Music Business and Rap'; Keith Negus, 'The Work of Cultural Intermediaries and the Enduring Distance Between Production and Consumption', *Cultural Studies* Vol. 16, No. 4 (2002), 510–15.

[91] Negus, 'Cultural Production and the Corporation', 360.

[92] *Ibid.* 369.

[93] *Ibid.* 364-365; Negus, 'The Music Business and Rap', 493.

[94] Negus, 'Cultural Production and the Corporation', 366.

[95] Hesmondhalgh, 'Indie', 54.

[96] Negus, 'The Work of Cultural Intermediaries', 506.

[97] Paul Rutten, 'Local Music and the International Marketplace', *Populaire Muziekstudies Online* (1995), 9; Negus, *Music Genres and Corporate Cultures*, 163-164.

[98] Negus, 'Cultural Production and the Corporation', 375).

[99] *Ibid.* 366; 375; Negus, 'The Music Business and Rap', 491, 494.

[100] Negus, 'The Work of Cultural Intermediaries', 512.

[101] *Ibid.* 512-513; Negus, 'The Music Business and Rap', 491.

[102] Negus, 'Cultural Production and the Corporation', 376. It is important to add that the reproduction of broader social hierarchies within the music industry is not solely the result of the ways in which major labels wield their 'allocative control' over divisions and affiliates. Such a process is evident at other levels of organisation in the music industry: There is also a culturally influenced selective mediation within specialty divisions and independent labels. Although these criteria may often differ from (and even resist) those at the centres of the major labels, there is also the reproduction of inequalities based on class, ethnicity, nationality, gender, etc.

[103] Negus, 'The Work of Cultural Intermediaries', 512.

[104] Negus, 'Cultural Production and the Corporation', 363.

[105] Negus, 'The Music Business and Rap', 494-495. For example, during the period of decline in the late 1990s and early 2000s Latin music labels downsized staff and cut down rosters. Labels were signing fewer artists, signing smaller contracts, and investing less in promotion. This occurred despite the increased presence of Latin artists on the Billboard charts. Leila Cobo, 'Market Breaks Its Sales-Decline Streak', *Billboard* (April, 9, 2005), http://www.billboard.biz/bbbiz/search/article_display.jsp?vnu_content_id=1000864492; John Lannert,

'Latin execs ponder plans to repair market', *Billboard*, Vol. 116, No. 1 (May 8, 2004), http://www.billboard.biz/bbbiz/search/article_display.jsp?vnu_content_id=1000500661.
[106] Negus, 'The Music Business and Rap', 495.
[107] Negus, 'The Work of Cultural Intermediaries', 513.
[108] Rutten, 8.
[109] See, for example, David Laing, 'The music industry and the "cultural imperialism thesis"', *Media, Culture and Society* Vol. 8 (1986) 163-184; Andrew Goodwin and Joe Gore, 'World beat and the cultural imperialism debate', *Socialist Review* Vol. 20 No. 3 (1990), 63–80; Reebee Garofalo, 'Whose world, what beat: The transnational music industry, identity and cultural imperialism. *The World of Music* Vol. 35, No. 2 (1993), 16–32.
[110] 'International repertoire' accounted for approximately 40-45% of recorded music sold outside the USA in the mid to late 1990s, with US repertoire accounting for 75% of this total. See Negus, *Music Genres and Corporate Cultures*, 156-157.
[111] *Ibid.* 152-156.
[112] Negus, 'Cultural Production and the Corporation', 377.
[113] Martin, Stokes, 'Music and the global order', *Annual Review of Anthropology* Vol. 33 (2004), 55.
[114] *Ibid*.
[115] David Hesmondhalgh, 'Globalisation and Cultural Imperialism: A Case Study of the Music Industry', in Kiely, Ray, and Phil Marfleet (eds.), *Globalisation and the Third World* (London: Routledge, 1988), 174-175.
[116] Garofalo, 'Whose world, what beat', 30.
[117] For similar perspectives, see, for example, Stokes, 'Music and the global order'; Paul Théberge, '"Ethnic Sounds": The Economy and Discourse of World Music Sampling', in Lysloff, Rene T. A. and Leslie C. Gay, Jr. (eds.), *Music and Technoculture* (Middletown, CT: Weslyan University Press, 2003); Taylor, *Global Pop*; Steven Feld, 'From Schizophonia to Schismogenesis: On the Discourses and Commodification Practices of "World Music" and "World Beat"', in Charles Keil and Steven Feld, *Music Grooves: Essays and Dialogues* (Chicago: University of Chicago Press, 1994), 257-289.
[118] Leila Cobo, 'Latin Biz Awaits Download Boom', *Billboard* (January 15, 2005).
[119] *Ibid*.; IODA (the Independent Online Distribution Alliance), 'IODA Inks Key Latin Market Deals; Premium Latin, MP, Cutting Records, Tratore and Others Sign on for Digital Distribution', Press Release (April 26, 2006), http://www.iodalliance.com/press.php?press_release_id=6.
[120] Taylor, *Strange Sounds*, 6.
[121] Garofalo, 'From Music Publishing to Mp3', 341.
[122] Although in these markets access to music distribution and production technologies tends to be more limited and more strongly conditioned by local socio-economic asymmetries, thus counterbalancing and mitigating their decentralising and empowering potential to some extent.
[123] See, for example, Negus, *Music Genres and Corporate Cultures*, 171-172.
[124] Théberge, *Any Sound*, 72.
[125] Stokes, 'Music and the global order', 47

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