

19 Key Essays on
**How Internet is
Changing our Lives**

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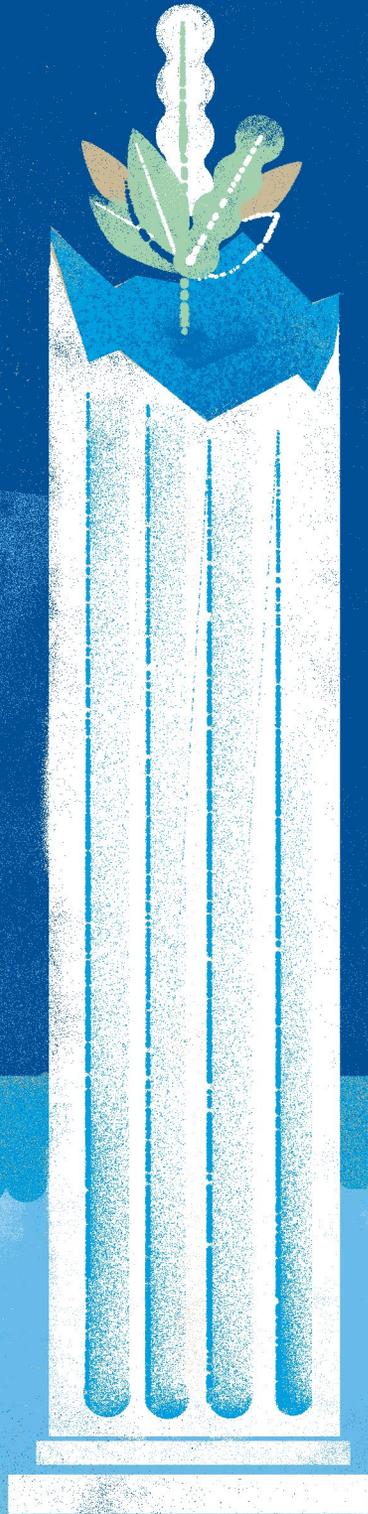
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princeton.edu/~artspol/pd_prof.html

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The Internet's Influence on the Production and Consumption of Culture: Creative Destruction and New Opportunities

In this essay, I consider the impact of the Internet on the arts and media, focusing, though not exclusively, on film, journalism, and, especially, popular music, which serves as an extended case study. For many of these creative fields, the Internet has been “a disruptive technology” (Christensen 1997), reshaping industries and rendering long-established business strategies unsupportable, while introducing new ways to organize production and distribution. I will consider these economic changes, but also discuss the implications for creative workers and for the public at large.

At certain points, I may use language that implies that the Internet has had an effect on the world or on its users. The reader should be aware that talk about the *Internet effect*, although at times a useful shorthand, should never be taken too seriously, for at least three reasons.

First, technologies don't change us. They provide affordances (Gibson 1977) that allow us to be ourselves, to do the things we like or need to do, more easily. The availability of these affordances may change behavior by reducing the cost (in time or money) of certain activities (e.g., watching excerpts from movies or comedy shows) relative to other activities (watching network television). But the Internet will not make the politically apathetic vote, or the atheist go to church.

Second, when we talk about the role of the Internet in the lives of individuals, we must not forget that the technology is still absent from or only marginally part of the lives of many persons, even in the economically advanced societies, where between 10 and 30 percent of the public lack broadband access (Miniwatt 2013), many of those who have access fail to reap its benefits (Van Deursen and Van Dijk 2013) and far fewer actually produce online content (Schradié 2011). For those on the wrong side of the *digital divide*, the main impact of the Internet may be reduced access to public and commercial services that have migrated online. Participation is even lower, of course, in much of the Global South.

Finally, what we call *the Internet* is a moving target, a product not only of technological ingenuity but of economic strategy and political struggle. What we think of as *the Internet* in the advanced industrial democracies reflects a particular regulatory regime through which states allocate rights to intellectual property and, through regulation, influence the cost and potential profitability of investments in different kinds of networking technologies (Benkler 2006; Crawford 2013). Technological change, inflected by economic incentives and regulatory constraint, guarantees that today's Internet will be as remote by 2025 as the Internet of 2000 seems today.

The Internet is a technology that unleashes powerful opportunities. But the realization of these opportunities is dependent, first, on the inclination of humans to exploit them in creative ways; and, second, on the capacity of entrenched stakeholders in both the private sector and the state to use such tools as copyright, regulation, surveillance, and censorship to stand in the way. Where the Internet's effect on culture lies on the continuum between dystopic and euphoric—to what extent it ripens into a sphere of unbridled creativity and communication, to what extent it develops into some combination of conventional entertainment medium and instrument of political domination—will depend on both economic incentives and public policies that structure the way those incentives operate. In this sense, then, the Internet's future cultural impact is both uncertain and ours to make.

The Internet and Cultural Production

By cultural production, I refer to the performing and visual arts, literature, and the media industries. A key distinction is between artistic activities that require the co-presence of artistic workers (or of artworks) and consumers (live theater and dance, musical performance, art museums and galleries) on the one hand; and artistic activities that produce artifacts subject to digital distribution (recorded music, film and video). The Internet, thus far, has had the most marked effects on the latter.

Art with the Personal Touch

The performing arts, museums, and restaurants are perhaps least vulnerable to the Internet's impact for two reasons. First, their appeal is sensual: no digital facsimile satisfies our desire to see a dancer perform, hear music in a live setting, stand before a great work of art, or eat a freshly prepared meal. Second, because it is difficult to make live performances and exhibitions highly profitable, in most of the world these activities have been left to public or nonprofit institutions that are ordinarily less dynamic in their response to environmental change (DiMaggio 2006). Indeed, in the U.S., at least, theaters, orchestras, and museums have been tentative in their embrace of the new technology. Almost all respondents to a recent study of 1,200 organizations that had received grants from the U.S.'s federal arts agency reported that their organizations maintained websites, used the Internet to sell tickets and post videos, and maintained a Facebook site. Yet just one third employ a full-time staff member primarily responsible for their online presence, suggesting a somewhat restrained engagement with social media (Thomas and Purcell 2013).¹ In sum, then, it appears that, in the U.S. at least, conventional noncommercial cultural organizations have adopted the Internet, but only at the margins.

Yet it is the outliers who are more interesting if we think about the *potential* influence of the Internet on the arts. Consider, for example, MUVA (Museo Virtual de Artes), a virtual museum of contemporary art hosted in Uruguay and devoted to work by Uruguayan artists. This architecturally impressive building (which exists only online) offers several exhibits simultaneously. The visitor uses a mouse to move about the exhibit (hold the cursor to the far right or left to move quickly, closer to the center to stroll more slowly, click to zoom onto an image and view documentation), much as one would a physical gallery. (The site also has affordances that physical galleries do not offer, such as the opportunity to change the color of the wall on which the work is *hung*.)² To be sure, this is not yet a true

1. Just one-third of the organizations surveyed responded; if, as seems likely, organizations with a web presence and dedicated

employees were more likely to respond to a survey about this topic than others, the results almost certainly overestimate arts organizations' web activities.

2. Museo Virtual de Artes, <http://muva.elpais.com.uy/>

museum experience—one has little control over one’s distance from the work, latencies are high, and navigation is at times clunky—but it provides both an opportunity to see fascinating art that is otherwise inaccessible, and technological advances will almost certainly make such experiences even more compelling within a few years. Such developments, which could vastly increase the currently tiny proportion of museums’ holdings on public view (as opposed to in storage), will be important to people who visit museums and care about art. But their cultural impact will be modest because people who regularly visit museums and attend performing-arts events constitute a relatively small and, at least in some countries, declining share of the population. Such declines, one should note, began in the pre-Internet era and cannot be attributed to the technology’s growth (DiMaggio and Mukhtar 2004; Schuster 2007; Shekova 2012).

Creative Destruction in the Cultural Industries

The Internet has had a deeper impact on those cultural industries where the product can be digitized—i.e., converted into bits and reassembled at an end user’s computer, tablet, or cell phone. This happened quickly with photographs and text; and then, as bandwidth and transmission speeds expanded, music and film. And as it occurred, dominant business models fell, leaving some industries in disarray. The Austrian economist Joseph Schumpeter (1942) referred to this process as “creative destruction”—destructive because of its harsh impact on existing firms, but creative because of the economic vitality it unleashed.

Analytically, we must distinguish two effects of digitization, one on cultural production and one on distribution. In traditional industries, production and distribution were largely, although not completely, unified, and, outside the fine-arts field, creators eager to reach a market were typically employed by or under contract to content-producing firms that also promoted and distributed their creations.

Digitization both reduced the cost of distribution and made it much simpler: I can post a photo, MP3, or video to Facebook in just a moment, and my *friends* can distribute it to their friends ad infinitum. Were incumbent firms able to capture such efficiencies, this would have expanded their bottom lines; but, of course, they have often been reluctant and slow to do so, at times with dramatic results. To cite the two most notable examples of creative destruction, since 1999, when Internet use began to take off in the U.S., sales of recorded music as a share of GDP have declined by 80 percent, and newspaper revenues have fallen by 60 percent (Waterman and Li 2011).

But the affordances of digitization for production has been just as important, if often overlooked, perhaps because they are connected to user-owned devices (computers, soundboards and mixers, cameras and video editors) rather than to the Internet itself. In many creative fields—photography, digital art, recorded music, radio programming (podcasting), journalism (blogging)—the cost of production has declined markedly, opening the fields to many more players. While the percentage of people who are *culture producers* remains small—remember that technologies provide affordances but do not change what people *want* to do—these numbers have grown and barriers to entry have declined, at least for creative workers who have no illusions about supporting themselves financially. The result, for people who are sufficiently engaged in both technology and the arts to care, is a far less centralized, more democratic, system in which specialized fan networks replace mass-mediated cultural markets.

A second result is the elision, in some fields (like photography) of the distinction between professional and amateur (Lessig 2009). In fields with strong business models, amateurs are practitioners who do not care to make art for profit, or are not accomplished enough to do so. In an increasing number of fields, *amateurs* are accomplished practitioners for whom the returns offer, at best, a partial livelihood. Thus far, the democratizing impact of technological change seems to have drawn people into cultural production more quickly than declining returns have driven them out. In many fields, we are seeing a regime in which small groups of artists interact intensely with one another and with sophisticated and committed publics, reviving (as Henry Jenkins [2006] has noted) the intimacy of *folk cultures*, but in genres in which innovation is prized. This combination may produce a golden age of artistic innovation and achievement (although it is also

possible that, due to this decentralization of production and consumption, relatively few people will be aware of it).

In some industries, creative workers have succeeded in establishing new kinds of firms for which the Internet is central.

Difficult conditions often root out more vulnerable mid-sized firms (or, as in the case of the book and record industries, lead the incumbent firms to concentrate on large projects and neglect niche markets).

When this occurs, a process called “resource partitioning” (Carroll, Dobrev, and Swaminathan 2002) may lead to an increase in the number of small firms, producing specialized products for specialized markets. Such newcomers are often sole proprietorships, which gives them much flexibility. Whereas large media firms must net high profit margins to survive because they compete for investment with firms in every sector, private firms need earn only enough to motivate the proprietor to keep them in business. Thus podcasters, independent record labels, and community media outlets can survive by producing products for which no radio network, music conglomerate, or newspaper chain will compete.

In other words, we must question the widely held belief that the Internet has marched through the creative industries laying waste on all sides on two counts. First, if we look at statistics on the creative industries in the U.S. (which is the largest producer and where statistics are most accessible), we see, first, that not all industries have suffered marked declines; and some that have were doing badly before the Internet’s arrival. Movie theater revenues accounted for about the same proportion of GDP in 2009 as in 1999; and cable television revenues rose dramatically, more than making up for declining broadcast television and home video revenues. Book sales declined between 1999 and 2009, but not much more than they had during the previous decade (Waterman and Ji 2011).

Second, when one speaks of *destruction*, one must distinguish between the Internet’s impact on incumbent firms—the oligopolists who controlled

most of the market for film, recorded music, and books in 2000—and its impact on the entertainment industries defined more broadly to include all of the creative workers and distributions channels that bring their work to consumers (Masnick and Ho 2012). The creative system as a whole might flourish, even as historically dominant firms and business models face grave challenges.

Let us consider three of the industries that have been affected. Film is an outlier in that it has weathered the storm especially well. The newspaper industry has been especially hard hit, with potentially significant consequences for democratic societies that rely on a vigorous press. And the recorded music industry has experienced the greatest disruption, and has adapted in the most interesting and perhaps promising ways.

Film

As we have seen, the film industry has survived the Internet's arrival with relatively little damage, especially compared to the newspaper and recording industries (BLS 2013). And this was the case despite the industry's complaints about illegal downloads and despite the massive volume of BitTorrent traffic, much of which entails the illegal transfer of film and video. The number of establishments showing motion pictures and videos and the number of persons they employ both declined in the U.S. more than 10 percent between 2001 and 2011 (in part due to consolidation, and an increase in the number of screens per theater) (BLS 2013). Similarly, between 2003 and 2012, in the U.S. and Canada, the number of tickets sold, and the value of these tickets in real dollars, both declined about 10 percent. But sharply rising box office in the Asia Pacific region and Latin America more than made up for this decline. Moreover, outside of film exhibition, the film and video industries have held their own since 2000, both in terms of number of establishments and number of employees (BLS 2013). Other sources of revenue have supplemented theater admissions. And technological change has dramatically lowered the cost of film production, bringing more independents into the industry and increasing the number of films. During the first decade of the twentieth century, the number of films released to theaters grew by nearly 50 percent. Significantly, growth occurred outside of the major firms, which focused their energies on blockbusters, releasing many fewer movies at the same time that the

number of films released by independents doubled in number (MPAA 2012). Moreover, the decade witnessed an equally dramatic increase in films produced outside of Europe and North America (Masnick and Ho 2012, 10). Between 2005 and 2009, India, which produces the largest number of feature films globally, increased production (i.e., number of films) by almost 25 percent. Nigeria, which is second, rose by more than 10 percent. China passed Japan to move into fourth place, behind the U.S., increasing from 260 films in 2006 to 448 in 2009 (Acland 2012).

Remarkably enough, prosperity has occurred even as film piracy—the massive transmission of product across BitTorrent P2P (peer-to-peer) networks—has remained substantial and, thus far at least, largely impervious to copyright-enforcement efforts (Safner 2013). Research suggests that film downloading may only minimally influence box office receipts. Using information on release date variations, BitTorrent use, and box office across countries, Danaher and Waldfogel (2013) conclude that downloading depresses box-office receipts for U.S. movies by about 7 percent—but that this cost is not intrinsic but rather reflects delays in international release dates (since they find no such effect in the domestic market). Presumably theater admissions would be even higher were it not for the increased availability of films through other channels, like cable television, subscription sites (e.g., Netflix), rentals (e.g., Amazon), and online sales (e.g., Amazon, iTunes). A quasi-experimental study of downloads concludes that the availability of legal film downloads (through iPods) depresses by about 5 to 10 percent, but does not affect sales of physical DVDs. (Whether this will continue to be the case as consumers who prefer DVDs age out of the population remains to be seen.) (Danaher et al. 2010)

Why has the film industry been relatively immune to the ravages experienced by the recording industry? There are probably five reasons. First, film companies had become proficient at new forms of distribution—licensing their product to cable stations, selling and renting physical media through video stores and other outlets—well before rise of the Internet, and therefore gaining experience that made digital transmission less disruptive than it might otherwise have been.

Second, greater bandwidth requirements for film piracy gave them a few more years to adjust to the new world, enabling them to avoid the

antagonistic posture that the record industry took toward many of its customers. Observing the feckless response of the music industry may well have given the film companies a second-mover advantage.

Third, related to the first two points, the film industry was more effective in reaching agreements with online distributors who licensed their wares for distribution. Before the rise of the Internet the film companies had already changed their business models from one that depended almost exclusively on revenues from rentals to theatrical outlets to a mix of theatrical release, sale and rental of tapes and CDs to individuals through retail establishments, and sale of rights to broadcasters. When it came time to move to sale by download, or rental of streaming media, they had plenty of experience negotiating deals.

Fourth, since the end of the studio system, major film companies have organized movie production on a project basis—with each film, in effect, its own small organization. This mode of organization both reduces risk through cost sharing and, at the same time, reduces the ratio of fixed to variable costs, making it easier to adapt to changing economic conditions.

Fifth, because their core expertise is in marketing and distributing films, film companies can also serve as distributors for independent filmmakers. Even when their share of production declined, they could benefit from the expansion of the independent studios.

Finally, whereas consumers listen to pirated versions of music tracks the same way that they use copies they purchase legally, the movie companies' major distribution channel, theatrical release, offers an experience that is quite different from watching a film at home. Many consumers who could download a film for free or rent it from Amazon or their cable provider for less than the cost of two tickets are still willing to pay for the experience of spending a night out at a movie theater, a complement to the film itself that cannot be downloaded.

Newspapers

Few industries have declined more dramatically since the rise of the Internet than the newspaper industry. Two events in the U.S. in summer

2013 are emblematic of this trend: Amazon founder Jeff Bezos purchased the *Washington Post* for a modest sum, while the company that owned it retained other holdings, including an online education firm; and the *New York Times* sold the *Boston Globe* to local interests for just 6 percent of what it had paid for it two decades earlier. Overall, aggregate U.S. newspaper ad receipts (print and online) had toppled by more than half during the period the *Times* owned the *Globe*, and in 2010 were at about the same levels (in real dollars) as in 1960.³ Moreover, ad revenues increased more or less steadily during the postwar era until 2000 (around the time that the Internet became mainstreamed), and then began a steep and uninterrupted decline. Since 2001, newspaper employment has fallen by almost 50 percent (BLS 2013).

In the U.S., at least, newspapers have depended upon an advertising-driven model, which the Internet has devastated in two ways. First, it almost immediately destroyed the demand for *classified advertising* which had accounted for a large part of most newspapers' revenues. When one wishes to sell a used end table, book, or article of clothing, eBay and Craig's List—searchable sites that reach an international market—are simply more efficient media for anyone operating online. (Here the affordances of the Internet for consumers interacted with those of high-speed computing and wireless communication for firms like FedEx and DHL, rendering the Internet's global reach more valuable by making long-haul shipping more reliable and more affordable.) Similarly, the market for *want ads*, another staple newspaper revenue source, dried up as newspapers were displaced by online companies like Monster.com and more specialized employment listings. Newspapers in the U.S. have also suffered collateral damage from the Internet, as online shopping and auction sites have largely eliminated the generalist department stores that had for decades been major purchasers of newspaper advertising space.

Second, newspapers lost the ability to sell their reader's attention to large-scale advertisers as more and more readers accessed their content through third-party links, most notably those provided by Google News.

3. To calculate these figures I downloaded ad data in spreadsheet form from the

Newspaper Association of America (NAA 2013) and GDP deflator data from the website

of the St. Louis Fed (FRED 2013), using the latter to deflate the former.

Those links went back to the newspapers themselves, so the problem was not lost readership so much as lost ad revenue.

Newspapers were vulnerable because they had long used attractive content—headlines, national politics, local coverage, and sports—to cross-subsidize the less popular content, like financial or science reporting, that appeared in the same document.

Moreover, both kinds of content were nestled amongst print advertisements that the reader skimming through could hardly avoid. The Internet eliminated this fixed proximity, enabling readers to cherry-pick the content in which they were most interested and to avoid advertisements as they did. By decoupling more popular from less attractive content, including ads, the online model made journalism far more difficult to monetize.

Because of this problem, newspapers have found it difficult to respond to the Internet's challenge. Although major newspapers have sporadically attempted to require consumers to pay for website access, these efforts have failed. In response, publishers have laid off reporters, set their employees to reporting for multiple platforms (Boczkowski 2010), and slashed budgets for investigative reporting. Sober observers have suggested that the industry will require philanthropic or government support to survive (Downie and Schudson 2009).

Major online news sites like Google News or *The Huffington Post* still rely mostly on the reporting of others. Thus we face the ironic possibility that just as online distribution has made news more readily available than ever, the supply of news will decline, both in quantity (fewer newspapers generating fewer stories) and quality (as papers pull away from in-depth reporting and rely more on wire services). There is some evidence of resource partitioning in the industry, as laid-off journalists and graduates of journalism schools have created new entities—some businesses, some nonprofit organizations, some websites sponsored by larger nonprofit entities—devoted to community journalism and investigative reporting (Nee 2013). One report identified 172 nonprofit outlets doing original reporting,

71 percent of which had been established since 2008. Most of these focused on local (rather than national or international) news, and about one in five emphasized investigative reporting. And most were staffed sparsely, relying on part-time workers and, in many cases, volunteers, and very lightly capitalized (Mitchell et al. 2013). A directory of citizen and community news sites in the U.S. lists more than one thousand, most of which are noncommercial (Knight Community News Network 2013). Lacking a revenue model other than self-exploitation, the prospects of such entities are highly uncertain. Patch.com emerged in 2007 as an effort to provide news online to underserved suburban communities in the U.S, and was acquired by media firm AOL two years later. Like its noncommercial counterparts it appears to have suffered from undercapitalization and difficulty in monetizing its project. In August 2013, the parent company eliminated 300 of its 900 community sites and laid off many of its paid employees. Until journalist-run news sites find a way to produce serious news that is self-sustaining, the great promise of the Internet as a platform for democratic and commercially unconstrained journalism will be overshadowed by the technology's threat to the sources of news and information on which citizens had previously relied.

The Music Industry: A Case Study

The recording industry has suffered the most at the hands of technological change, especially if we define *recording industry* in terms of unit sales of recorded music by integrated multinational recording and distribution firms, of whom five dominated most music sales (90 percent in the U.S. and approximately 75 percent globally [Hracs 2012]) by the late 1990s. Until 2012, the industry marked a steady decline in sales, employment, and establishments. According to the Bureau of Labor Statistics, which includes not just record labels but agents, music studios, and other intermediaries in its counts, employment in the U.S. sound recording industries has declined steadily since 2001, falling by about 40 percent by 2012. Over that same period, the number of establishments in the industry fell by more than 25 percent (BLS 2013). The majors signed fewer artists and released fewer albums in 2009 than they had even five years earlier (IFPI 2010). Globally, the revenues from recorded music in all its forms fell by more than

40 percent between 1999 (its peak) and its nadir in 2011 (Smirke 2013). Particular subsectors like retail record stores (which suffered both from illegal and, later, legal downloading) and recording studios (which were harmed by the growth of better software and cheaper hardware available to independent musicians) declined even more sharply (Leyshon 2008).

Recording industry trade associations blamed the decline on illegal P2P file sharing—Napster, Grokster, and a range of successor technologies. File sharing did cut into record sales, but this occurred in the context of a broader failure on the part of the industry to adjust to technological change. Economists who study file sharing have, with some exceptions, found moderate negative effects of file sharing on music purchases, though a few have found no effects or very weak negative effects (Waldfogel 2012b; Tschmuck 2010). File sharing almost certainly *has* harmed music sales, but does not account for the entire decline, some portion of which likely reflects a combination of the end of the CD product cycle, the absence of a new hot genre (like rock or rap) to boost sales, negative consumer reaction to high prices and industry lawsuits against student downloaders, and the emergence of new legal, but less lucrative, modes of music access, such as Pandora (a San Francisco-based *freemium* service that provides personalized radio streams based on user-provided information) and Spotify (a Swedish-based freemium streaming site with [as of late summer 2013] a worldwide catalogue of more than 20 million tracks that permits users to create and share playlists).⁴ In so far as the latter depress sales (by producing less revenue than equivalent distribution using the physical-album model), their impact can be credited to the Internet; but most of the drop in sales occurred before these services became popular and, indeed, digital sales and licensing appear to have revived the industry and now account for about 40 percent of the industry's global revenues.

Indeed, developments in the music field remind us that technological destruction is creative, in two senses. First, file sharing produces winners as well as losers. The big losers, of course, are the integrated multinational record companies and the small percentage of artists who are fortunate enough to get recording contracts with them. But such artists, although

4. The number of tracks comes from Spotify, which notes that

not all tracks are licensed for all countries in which it operates. <http://>

press.spotify.com/us/information/ (accessed August 29, 2013).

they account for a large share of economic activity, are a small minority. Other losers may be artists at the margins of commercial success, who might have received contracts in an earlier time; and organizational forms that relied on physical record sales or on business from the integrated producers.

For most musicians, however, file sharing is part of a complex of technological career-building tools that create or expand opportunities to obtain at least some income from one's musical work.

Relatively few musicians have been able to support themselves through income attributable to copyright. More commonly, they knit together earnings from combinations of such activities as live performance, sale of merchandise, teaching, music production, and session work (DiCola 2013). In many cases the Internet has improved opportunities for non-copyright linked earnings. Musicians use their websites, for example, to market sweatshirts, recordings, and other merchandise. Whereas musicians once gave concerts to promote album sales, today many give the music away (e.g., by posting videos on YouTube or offering free downloads from their websites or Facebook pages), viewing the music as a means of increasing performance revenues. Research suggests that although file sharing reduces album sales, it actually increases the demand for live concerts, especially for artists who have not reached (and perhaps will never reach) stardom (Mortimer, Nosko, and Sorensen 2012). Not surprisingly, then, surveys indicate that while the most commercially successful artists decry file sharing, many musicians who record their own music are either indifferent to or supportive of the practice (Madden 2004; DiCola 2013).

The shift away from integrated music companies has created opportunities for small firms so that, although revenues for the industry are down, the music field's artistic vitality is robust. Just as indie film production has more than made up for declining releases by major film studios, indie record companies have more than made up the slack in album production caused by the major recording companies malaise. Between 1998 and 2010, album releases by major labels declined by about 40 percent. During that

time, releases by independent record companies increased dramatically, passing the majors in 2001 and peaking in 2005. Between 2005, their numbers declined, as the number of self-released albums (of which there were just a handful in 1998) has rocketed to fill in the gap (Waldfoegel 2012a). Despite the decline in revenues, the overall number of releases grew steadily from 1998 through 2009, as artists have used the Internet to take control of their fates. During the process, the percentage of all sales accounted for by top-selling albums has declined, and the percentage of best sellers produced by the independents has risen, increasing the diversity of the music available for purchase and streaming (Waldfoegel 2012a).

Furthermore, there is evidence from the U.S., Spain, and Sweden that, as record sales fell, musicians' concert revenues increased steadily. Just as theater distribution, and the non-downloadable social element in movie-going, protected film revenues, so the concert market, which offers an experience that cannot be downloaded, has sustained the earnings of many musicians (Albinsson 2013; Krueger 2005; Montoro-Pons and Cuadrado-García 2011).

To be sure, we ought not to romanticize the shift: many of the musicians signing with independent labels or producing their own albums might prefer to have contracts with the majors; and many who write their own tunes resent the low royalty payments they receive from streaming services. The streaming services themselves have yet to find a profitable business model, and time will tell whether they survive in their current form. Moreover, in one sense, the industry has shifted to an economy of self-exploitation, whereby educated creative workers labor for far less financial return than they might receive in another line of work. Nonetheless we are witnessing a sea change within the music industry that would have been impossible without the affordances the Internet offers.

What are these affordances?

1. *Digital recording technology and the capacity to make and mix masters at a small fraction of the cost required in the analog era.* Although these technologies are technically independent from the Internet, their development has been vastly accelerated by the rise of the MP3 as a means of moving music from one place to another.

The decline in production costs, coupled with the virtually zero marginal cost of online distribution, dramatically lowered barriers to entry, so that every artist can, in effect, create his or her own record company.

2. *The Internet has become a powerful means of marketing new music.* Not all artists do create their own companies, of course, for three reasons. First, most artists still want some number of physical records (CDs or, increasingly, vinyl) and it is convenient to pool the skills required to contract with manufacturers and distribute physical units. Second, contracting with digital intermediaries like LastFM, Spotify, Deezer, or Saavn is also subject to skill efficiencies. Third, and most important, the Internet has done less to reduce the cost of marketing, and arguably has made it more difficult to gain attention in a more densely populated musical marketplace. The major firms still can invest in media ad campaigns, outreach to radio stations, and major promotional tie-ins, albeit for many fewer albums.

Most recording artists, however, rely on the Internet—Facebook, Twitter, and similar sites—to announce new products, sell merchandise (which may be more lucrative than the music), set up tours and other events, and communicate with fans. This approach seems rational as by 2010 more than 50 percent of American consumers used the Internet to learn about new music, while only 32 percent primarily encountered new music on radio (Waldfogel 2012b).

3. *The Internet is itself a platform for the publication of albums, many of which may exist primarily in digital form.* Galuszka (2012) identified more than 569 online record companies (or *netlabels*) that employ Creative Commons licenses in lieu of copyright, ceding users a wide range of rights contingent upon their crediting the authors for the works in question. Promotion is almost entirely through websites, blogs, and social media. Most of these labels were relatively young, three-quarters were managed by one or two people, and just 13 percent of the owners viewed them as potential sources of income. Yet most of them had released 16 or more albums and the top 10 percent had more than 50 releases.

4. *New forms of technology enable new forms of sociability, built around the technologies they employ.*

Whereas the music that most people listened to was for many years produced and distributed by large corporations, increasingly music is created and distributed in diffuse networks connected by a combination of face-to-face relations and social media.

As Manuel Castells (1996) noted at the dawn of the Internet age (1996), the increasing importance of networks as opposed to formal organization is a feature of contemporary societies in many fields. In the most vital music scenes, dense local networks employ social media both to intensify local participation *and* to reach audiences around the nation or the world.

Barry Wellman (Wellman et al. 2003), writing of the Internet's impact on social relations more generally, has called this combination of local and global impact *glocalization*. Contemporary pop acts, except for the most commercially successful, are rooted in place: bands and singer-songwriters establish close relations with one another and with local club owners, playing in one another's bands, sharing information and cooperating to produce shows (Pacey, Borgatti, and Jones 2011; Cummins-Russell and Rantisi 2012). With the emergence of ubiquitous portable wireless devices, messaging becomes a central means of communication *within* these densely connected groups: an artist may text a club to check on sound equipment, text other musicians to put together a show, promote it to his fans on Facebook and Twitter (counting on the most ardent followers to retweet it to their networks), and count on fans to take videos of the performance and post them on YouTube or circulate them as Instagrams.

These dense networks provide basic support, opportunities for artists to try out new songs and develop their crafts, and to build connections they may use throughout their careers (Lena 2012). In that sense, this is nothing new. Dynamic musical movements often experienced gestation in densely connected networks of interacting artists and fans: take, for

example, the rise of the bebop style in jazz in New York in the 1950s (DeVeaux 1999), of political folk music in Greenwich Village in the early 1960s (Van Ronk and Wald 2006), of acid rock in San Francisco a few years later (Gleason 1969), or of punk music in London in the 1970s (Crossley 2008). Each of these movements exemplified *glocalization*, in the sense that it drew on and maintained deep local roots while using technology (the vinyl record or analog tape) to reach a global audience. Artists found ingenious technological ways to build community and fan loyalty before the Internet, as well: as early as 1983 and through the early 2000s, the Brooklyn band They Might Be Giants used a home telephone answering machine to offer a “Dial a Song” service to fans who called a special phone number. At its peak in the 1980s, the band added a new song every few days, publicizing the service through classified ads in youth-oriented papers and the distribution of cards and stickers in New York City’s proto-hipster neighborhoods.⁵

Yet the situation today is different; first, because technology enables the community to scale upward and outward, and, second, because the endgame is no longer a contract with a major record company. In the old model, the artist could build a local following. But such a following could only grow nationally (or, more rarely, globally) if she or he was taken under a major company’s wing and promoted heavily to such intermediaries as record stores and radio stations. Today, the artist may use social media to build out a base, releasing a tune on SoundCloud or a record on Spotify and LastFM. Radio stations are broadcasters, seeking the single stream of programming that will yield the largest audience and constrained by the limits of time to play only a limited number of tunes. Online streaming services, by contrast, compete to offer the greatest number of selections, with playlists tailored to each listener’s tastes.

Getting onto an Internet music provider’s *playlist* is simple; getting played once you are on it is much more difficult.

5. Documented at “This Might be a Wiki: The They Might Be

Giants Knowledge Base,” <http://tmbw.net/wiki/>

Dial-A-Song (accessed August 28, 2013).

Gaining attention from the multitude of music blogs, some local and many national or global in focus, is one strategy for building a reputation. Competition is stiff, but the Internet enables the performer to build on positive press. If, in 1990, I (as a consumer) read about a new band in *Rolling Stone*, I could only have heard that band's music if my local radio station happened to play it or if I chose to buy the album. In 2013, if I read about a new band at *Pitchfork.com*, I can go to its website, listen to (or perhaps download) some of its songs, listen to more tunes on Spotify or a similar service, and watch it play on YouTube. If I like the music enough, I can follow the band (and get links to new downloads) on one of countless specialized pop-music blog sites, put some songs on a Deezer or Spotify playlist, download them from iTunes, or even purchase a CD on Amazon.

Artists themselves build ties across space that scale outward. Some connections are still face to face. Performers in a local community share resources and information, and the more entrepreneurial may create small record labels that record the others' albums or work with venues to organize performances, asking affiliated bands to join the bill. In some cases, the activity may scale up to larger labels or, in the case of groups like the Disco Biscuits or Insane Clown Posse, to annual musical festivals that draw a national or international audience. Artists who tour through the indie club scene may help performers they meet organize tours to other regions or countries.

Still other connections are digitally mediated through artists' community sites, one of the most interesting which is Soundcloud.com, a rapidly growing German-based service with 40 million users as of fall 2013 (Pham 2013). In addition to making new files available to their fans, participating artists post their compositions as waveforms and listeners can post comments linked to particular moments in the piece. Especially in the case of electronic compositions (e.g., DJ mixes), interaction can be both enthusiastic and technical, sometimes ripening into transnational computer-mediated collaborations. Such interactions, or other long-distance social-media encounters, may lead to tours, with artists using their Facebook or Twitter accounts to announce their intentions, arrange gigs, and, once gigs are arranged, securing lodging from local fans. Indeed, in some cases, the tours themselves are organized by fan bases that mobilize through the Internet (Baym 2011).

This case study has described the emergence of a web-enabled, popular-music industry, organized around social networks that, at once, are intensely local yet also global in scope, combining face-to-face and digital relationships in new ways. This part of the industry, network based and organized less by the market than by self-exploitation and mutual assistance (what Baym [2011] refers to as a “gift economy”) produce countless musical tracks, innumerable concerts, and much musical innovation. The Internet did not create this segment of the music industry, which has existed to varying degrees from time immemorial. But it has fortified it, enabled it, and enhanced its role in the overall ecology of contemporary culture.

Concluding Observations

In closing, I address two themes. First, to what extent can we generalize about the Internet’s influence on the cultural industries and how likely are the developments I have described to persist into the future. Second, how do the changes I have described map onto larger trends in contemporary culture.

The Internet and the Cultural Industries

Here I will make three points. First, the Internet’s influence varies from industry to industry, so that facile generalizations must be avoided. Second, there are reasons to believe that current adjustments in some fields at least may be unstable. Third, the way that creative workers and cultural industries use the Internet will depend on public policies.

We have seen that the Internet’s influence depends, first, on the extent to which digital substitutes for analog experience are likely to satisfy consumers; second, on the extent to which producers compete for financial investments (and must thus maintain competitive profits), as opposed to needing only enough funding to persist; and, third, on the ability of incumbent firms to exploit changes inherent in digital production and

distribution. The Internet has had relatively little impact on traditional theaters, ballet companies, and orchestras, because such organizations provide a service that requires physical presence in an actual audience. The same is true, *a fortiori*, for cuisine, the value of which emerges out of the sensual engagement of the consumer and the product. Institutions that exhibit the visual arts have also been affected only marginally, although it is possible that virtual museums may develop a more substantial presence. Workers in these sectors are keenly aware of the Internet, of course, and websites and social media play an important role in marketing, sales, and fundraising in all of them. But the Internet has not challenged the basic business models.

It is in those industries where the core product—a movie, news story, or musical track—can be downloaded and enjoyed in private that the Internet has been an agent of creative destruction.

Yet, as we have seen, each industry is somewhat different. The film industry, with its project-based production regime and a product that (as long as people value the theater experience and theaters must rent their product from studios) retains strong social externalities, has made the transition somewhat gracefully, becoming less centralized but no less profitable. Although film distribution will change, the position of filmmakers—both conglomerates and independents—appears relatively stable.

The rise of illegal downloading and the reluctance of many consumers to purchase music; the shift in the legal market from the sale of packaged albums (in which strong tracks induced consumers to, in effect, purchase weaker ones) to consumer choice and track-based online sales; and, finally, the rise of streaming services and licensing as a source of revenue, have together upended the business models of the major integrated music production companies that dominated the industry in the 1990s. Note, however, that pain has been felt most keenly by the major companies and their shareholders. By contrast, the Internet appears to have increased the availability of live music (returns from which, unlike returns from real-time film exhibition, are in most cases not appropriable by the majors)

and produced a more vigorous set of popular-music institutions organized around a combination of local and technology-assisted networks in which online services and face-to-face relationships interact.

At the same time, it is somewhat unclear where this new regime is headed. Although revenues for the major companies are beginning to turn up after their steep decline, the new business model is far from certain. Streaming services, despite immense growth and consumer acceptance, have trouble converting free-service users to paid subscribers, and, as a result, provide only relatively modest revenues to record companies and vanishingly small royalties to composers. For its part, the networked musical economy that has emerged in the vacuum left by the majors' retrenchment depends heavily on a kind of economic self-exploitation: contributed effort or acceptance of below-market incomes by the musicians, micro-label owners, bloggers, promoters, and fans (some of whom play all these roles) whose efforts make the system work. If, as seems likely, people's tolerance for self-exploitation declines as their family obligations grow, time will tell if the supply of participants will sustain itself sufficiently to maintain the vitality that we now observe.

Finally, the newspapers industry, and the field of journalism, faces a particularly difficult future, given the reluctance of readers to pay for its product (especially when they can obtain much of it legally from newspaper and magazine websites) and given the rise of online advertising media that have made newspaper advertising less attractive to traditional purchases. (And, of course, as paid circulation declines, so do advertising rates for physical media.) Displaced journalists have produced an efflorescence of journalistic blogging, and some have combined forces to produce successful web-based publications and even to undertake serious investigative journalism. But how long such efforts can survive, and how widely they can scale, remains uncertain. The issue is less whether newspapers will survive than whether they will be willing and able to pay for the quality of reporting—especially local and international news and investigative reporting—that healthy democracies require.

These developments will, of course, be affected by public policy. Government subsidies for the press, for example, would change the economics of journalism, both by providing support directly and by freeing

newspapers from capital markets' demands for competitive returns on investment. Similarly, government support for local media centers with high-speed Internet and media production equipment—a program pioneered by Brazilian Minister of Culture Gilberto Gil in his Pontos de Cultura program—could sustain the vitality of independent journalists, musicians, filmmakers, and other creative persons working outside the framework of the major media industries (Rogério 2011).

Intellectual property policy has been an especially highly contested field of struggle. Confronted by downloading, media firms have fought back in country after country, succeeding in tightening restrictions on downloading and increasing penalties in France, Sweden, the United States, and many other nations. Whether such legal changes will be effective, however, is questionable, and, of course, they only address one part of the media companies' troubles. And all too often, media companies have sought copyright expansion that has endangered traditional notions of fair use (including secondary uses by artists and educators), without solving the underlying problem of illegal digital distribution (Lessig 2004).

In the longer run, the structure of the Internet itself may change depending on the outcome of debates over the relative rights and obligations of content providers, online businesses, cable television companies, and other Internet service providers, as well as regulation of the flow of information and the openness of systems in mobile devices. The issues involved are technical, and they will be critically important in determining whether the Internet will continue to be as open and useful to creative workers and their publics as it is today (Benkler 2006; Crawford 2013).

The Internet, the Arts, Information, and Cultural Change

Ultimately, the Internet's influence on the production and use of culture is conditioned by broader trends that shape the way that people choose to use the affordances that technology offers. Here I consider just a few of these broader possibilities.

Can the Internet cultivate an expansion of creativity?

In much of the world, the rise of the Internet appears to have come at a time of increased interest in many forms of cultural expression, including the arts, political debate, and religion.

Although some have argued that this is a consequence of the emergence of the Internet as a public forum, it is far more likely that, as Castells (1996) anticipated, changes in the organization of human societies have produced cultural effects—including greater fluidity and salience of individual identity—that have enhanced many people's appetite for culture. Indeed there is some evidence that the Internet's rise has coincided with a period of artistic democratization. In the field of music, for example, one indicator is retail activity in musical instrument and supply stores: if more people are playing music, these stores should thrive. Indeed, in the U.S., sales of musical instruments and accessories boomed, rising almost 50 percent between 1997 and 2007.⁶ It is possible that the increased availability of diverse forms of music online as well as increased vitality of local music scenes accounts for some of this change.

Will we benefit from increased cultural diversity? The rise of music streaming services with many millions of subscribers, the increased tendency of art museums to display some of their holdings online, the ability to view images and performances of the past on YouTube, or to easily stream films from many cultures and eras, have all increased dramatically the availability of what Chris Anderson (2006) called the “long tail” of market demand. Technology has reduced the cost of storing inventory—which now requires space on a server rather than a warehouse—making it easier for firms to profit from supplying artifacts for which there is relatively little demand. That this has occurred is indisputable. The effect on taste is less certain, for two reasons. First, culture is an experience good: how much one gets out of listening to music or viewing a museum exhibit depends, in part, on how much experience one has with this kind of art beforehand. (This is even more true for artistic styles or genres that are intellectually challenging or based on novel or unfamiliar aesthetic

6. U.S. Census Bureau, <http://factfinder2.census.gov/faces/>

tableservices/jsf/pages/productview.xhtml?src=bkmk

and <http://www.census.gov/econ/industry/hist/h45114.htm>

conventions [Caves 2000].) Second, psychologists recognize that most people respond poorly to choice, especially if it is in a field in which they are not already well versed: after a fairly low threshold their subjective utility declines as the number of options amongst which they must choose rises (Schwartz 2008). For those who are passionate about music, art, or film, the enhanced availability that the Internet provides is a tremendous boon. For those who are indifferent it is a matter of no concern. But for those in between, who enjoy the arts but are disinclined to invest much of their time in learning about them, expanded choice may be more irksome than beneficial.

A world of omnivores? Sociologists have argued that people's relationship to culture has changed, so that educated and sophisticated culture consumers no longer specialize in traditional works of high culture (if they ever did) but instead distinguish themselves through easy familiarity with a wide range of aesthetic genres and styles (Peterson and Kern 1996). This development antedated the Internet, but the technology provides extensive affordances for its growth. To be sure, research in France, Spain, and the U.S. suggests that some high-status people, at least, still embrace the conventional divide between high and popular culture (Bourdieu 1984; Coulangeon and Lemel 2007; Goldberg 2011; Lizardo 2005). And we have little sense of with just *how many* styles it pays to be familiar. But certainly in so far as social changes have increased the tendency of educated people to explore and become familiar with a wide range of cultural forms, the Internet makes that much easier.

Or will the Internet lead to cultural balkanization? At the onset of the Internet, legal scholar Cass Sunstein (2001) predicted that the vast array of views and information on the Internet would lead to cultural and political balkanization, as consumers exposed themselves only to views that were congenial. It turned out that Americans, at least, did not need the Internet to accomplish that: the emergence of politically polarized networks on cable news effectively accomplished the same thing. But the underlying concern remains and, indeed, has grown stronger, especially in the U.S., where privacy is less protected than in the EU. The cause of this concern is the proliferation of technologies like third-party cookies and browser fingerprinters that track one's behavior across multiple websites, the rise of information-aggregation companies that produce extensive profiles of

Internet users by combining information from many sources, and the use of this information by online retailers and content providers to decorate users' web pages with personalized content that reflects the tastes and interests they have already acquired (Turow 2011). In other words, the Internet lays a table before us of unprecedented abundance, and then tries to keep us from that table by constantly showing us reflections of ourselves. Clearly, the effect of these technologies will depend on the proclivities of users: the path of least resistance will be to use the Internet in ways that constantly reinforce one's prior views and tastes. What we do not yet know is to what extent people will choose to overcome these tendencies and explore the wider range of ideas and styles that the Internet can provide.

A new form of cultural inequality? For many years, political scientists have explored what they call the “knowledge gap hypothesis”—the paradoxical notion that if good information becomes cheaper, better-informed members of the public will become even *more* well informed, and less-informed citizens will fall even further behind. The assumption behind this expectation is that well-informed people value information more highly than people with little information, so that they will acquire more of it if the price goes down. Markus Prior's research (2005) indicates that, as far as political information is concerned, this is true of the Internet as it has been of other media. Another study (Tepper and Hargittai 2009) demonstrated similar dynamics in the field of music: students from higher social class backgrounds used a broader range of websites and P2P sources to explore new kinds of music, developing greater expertise and getting more out of their online experience than students from more humble backgrounds.

The implications of this research are sobering. The Internet provides a remarkably rich supply of art, music, and information, enabling citizens to dig deeper into the policy issues before them, to learn more about their worlds, and to enjoy an unprecedented wealth of aesthetic experience. But it is unclear just how many people this potential will benefit. Indeed, it seems that this expanded supply may be welcomed by a relatively small group of highly educated people, those who are already engaged in politics, involved in the arts, and conversant with the Internet's affordances. Other users may be unaware of the possibilities or unwilling to take the time to

explore a range of new ideas and unfamiliar options. And the significant minorities who still lack meaningful Internet access will, of course, have no choice. The possibility that the Internet may usher us into a world of even greater cultural and informational inequality—one in which an educated elite gets its information and entertainment online from a vast range of diverse sources, while the majority settle for the offerings of chastened and diminished giant media firms—poses a challenge to both cultural and political democracy.

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