3

The Financialization of Music

The first song of the evening is about to begin. The drums pound. The guitars kick in. "There's a trouble in the air, a rumble in the streets," Billie Joe Armstrong sings. "A going out of business sale," he screams, "and a race to bankruptcy," as his punk rock band, Green Day, performs a concert in April 2013. "There's a rat in the company," Armstrong continues, "a bailout on Easy Street," before reaching the chorus of "99 Revolutions," the band's ode to the themes of Occupy Wall Street. "We live in troubled times," the crowd chants back, "and I'm 99 percent sure that something's wrong." This is the scene at Barclays Center in Brooklyn, an arena plastered with the name of its sponsor, the British multinational bank and financial services company. Since then, Green Day has also played in arenas named for Wells Fargo, Citi, Comerica, SoFi, BB&T, Qudos, 1stBank, DCU, BOK, First Direct, and other banking and financial firms, a fitting symbol of the role finance plays in the contemporary music industries.

But the capture of music by financial engineering is not merely symbolic; it is increasingly material and all-encompassing. When their music is played on terrestrial radio in the United States, Green Day receives no royalties apart from a small songwriter's payment; most radio profit flows to either the iHeartMedia or Cumulus station groups, both consolidated by private equity firms (Bain Capital/THL Partners and Crestview Partners, respectively). When their music is played on satellite radio (SiriusXM), internet radio (Pandora), or live at a Ticketmaster/Live Nation–facilitated concert, much of the profit flows to investors in John Malone's Liberty Media conglomerate. When a Green Day song is played on Spotify—the streaming platform whose key investors include Goldman Sachs and private equity company TPG Capital—they receive a fraction of a penny. They receive an even tinier fraction if their song is played on Google's YouTube. What little royalties the members of Green Day do earn are subject to recoupment and a heavy percentage for their record label, Reprise Records, a division of Warner Music Group (WMG).

A trio of private equity companies—Bain, THL, and Providence Equity Partners—pillaged WMG before selling it to Access Industries in 2011, a conglomerate owned by Russian oligarch Len Blavatnik. This financial ecology affects musicians major and minor, across all genres—Madonna (pop), Coldplay (rock), Gucci Mane (rap), Fleetwood Mac (classic rock), Björk (alternative), Iron & Wine (indie), Metallica (metal), Seal (R&B), Panic! at the Disco (emo), Skrillex (electronic dance music). Even the once-independent countercultural icons Grateful Dead are on Warner Music. Universal Music Group (UMG) and Sony Music Group (SMG), of course, also have their own diversified portfolios of labels, musicians, and investments. Rather than the populism of "99 Revolutions," a line from Green Day's closing song that night, "Minority," is a more accurate depiction of the current state of the financialized, neoliberal music industry: "A free for all, fuck 'em all, you're on your own side."

Following our broad look at financial capital and derivative media in chapter 2, we now take a closer look at the process of financialization in the contemporary music industries in the past twenty years, primarily in the United States. The story of how the recording industry experienced a dramatic decrease in revenues at the turn of the millennium due to so-called piracy—followed by the rise of digital music marketplaces and new streaming technologies—is a well-worn narrative. Less remarked-upon elements of that narrative are the extenuating factors that contributed to that transformative period, such as economic recession, exploitative record labels, legal changes to copyright, the maturation of the compact disc market, and changing consumption patterns. Rarely mentioned is the further concentration of ownership that resulted from this tumultuous period. The Big 3 record labels (Universal, Sony, and Warner), the Big 3 radio networks (iHeartMedia, Audacy, and Cumulus), and Liberty Media (which controls SiriusXM, the biggest satellite radio service; Pandora, the biggest digital radio service; and Live Nation/Ticketmaster, the biggest live-music, venue, ticket-sales, and artist-management firm) have reasserted and consolidated their dominance over the industry. The new tech titans (Apple, Amazon, and Google), along with Spotify, have eliminated most new opportunities for diversity and equality that digital music may have offered, replacing it with surveillance capitalism and platform capitalism.

Nearly completely absent from this narrative is the role of the financial sector in this transformation. Financialization has had a dramatic but often unacknowledged impact on global music industries in the past two decades. This chapter documents detailed examples of the financialization of music, including shadow banking (asset management, private equity, and corporate venture capital), as well as industry-specific tactics, such as streaming service equity stakes, copyright cartels, and song management firms. All these factors contribute to further consolidation in the music industries, resulting in reduced opportunities for musicians in a system that increasingly only benefits well-capitalized superstars who can produce, as the title of Green Day's greatest hits collection would have it, "International Superhits!"

WHAT IS THE MUSIC INDUSTRY?

There are multiple ways of analyzing how the music industries have changed in recent years. We can start with five broad structural shifts that have been detailed by music scholars. *Digitalization* is often looked at in terms of technology modifying the relationship between music and its listener: moving from consumer electronics to information technology led to "networked mobile personalisation,"[1] based on a "digital music commodity,"[2] mediated through overlapping networks and "technological assemblages," focused on content and data, rather than creative production and artistic expression,[3] and users rather than audiences.[4] *Promotionalism* is another overarching theme,[5] such as the "branded musical experiences" offered by streaming services,[6] the changing contours of the "selling out" discourse,[7] or the intimate "relational labor" of musicians on social media.[8] A third process is *globalization*, bringing the world's music into the West's consumer economy,[9] driven by "international empires of sound,"[10] producing conflicts and collusions between states and transnational corporations.[11] All three processes contribute to a musician's complex negotiation of cultural autonomy.[12] Timothy Taylor's *Music and Capitalism: A History of the Present* considers these three processes as well as neoliberalism, another broad process subject to much study (including in the previous chapter).[13]

The rise of streaming has made *platformization* another key locus of research, including such topics as the establishment of new rights and payments regimes for musicians that retain the inequalities of previous systems;[14] the platform pressures that prompt music to be optimized in certain ways;[15] the importance of playlists, including their "algorithmic individuation"[16] and "curatorial power";[17] the hidden power of recommendation systems;[18] and the reinforcement of class divisions in music taste on platforms.[19] Often missing from these structural assessments is the role of *financialization*. In other words, Madison Avenue and Silicon Valley are well represented, but Wall Street remains comparatively underexplored.

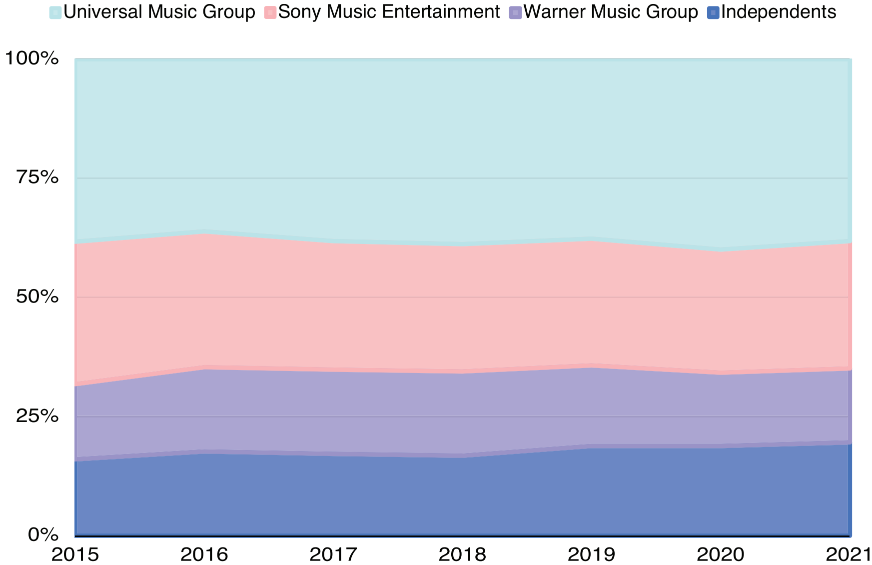
Turning our attention, then, to finance and consolidation, what exactly is being financialized and consolidated? As scholars have noted often over the years, there is no music industry *singular*, and invoking it as such carries many drawbacks.[20] By implying a homogeneous industry and conflating it with the recording industry, the term *music industry* does a disservice to the complexity and diversity of what John Williamson and Martin Cloonan suggest should be called the music industries, plural.[21] The recording industry and its associated lobbying organizations—namely, the Recording Industry Association of America (RIAA) and the International Federation of Phonographic Industries (IFPI)—have much to gain from this conflation: their vested interests are better served by portraying an entire industry in crisis. "It is not a single 'music industry' which is in 'crisis,'" explain Williamson and Cloonan, "rather it is one of the music industries which is struggling to come to terms with the new business environment which has been created by technological and communications advances."[22]

A richer, more complex perspective of the interrelated music industries would consider multiple overlapping sectors, as is often done in government studies. In addition to recording would be publishing—a growing sector, as licensing to film, television, video games, advertising, social media, and other platforms increasingly provides significant revenue streams. Live performance has always been crucial to an artist's income, but the sector as a whole has dramatically increased in the past two decades as ticket prices have surged and the festival circuit has expanded. As in any media industry, distribution is key and is closely tied to retail, particularly its online iteration. Beyond these foundational pillars, sectors become more difficult to demarcate. Promotion and management are essential but are often handled by record labels, or individually for smaller, DIY efforts. Musical instrument manufacturing is a hazy sector to reconcile, as electronic devices not solely musical in nature have become more integral to many forms of musical production. Education is another tricky sector, as is the core category of artist itself, which would need to include a variety of labor types that are remunerated in different ways, including session musicians, composers, orchestras, and producers. One organizational structure for the music industries identifies upwards of fourteen separate sectors: "business services; community music; core industry; education; industry organizations; live; manufacturing and distribution; media; press and promotion; public services; publishing companies; record labels; recording services and retail."[23]

Even this wide-ranging conception of multiple sectors could be considered reductive; Jonathan Sterne claims that "the 'music industry' locution crystallizes a particular historical formation of music production, circulation, and consumption as ideal-typical."[24] This conception privileges copyright, originality, and commercialization of a commodity, while not taking into account the host of other activities and industries that could be included: computer hardware and software, smartphones and telecommunications, room architecture and automobile design, mining and materials extraction—the list goes on. "There is no 'music industry,'" Sterne proclaims. "There are many industries with many relationships to music."[25] This attention to complexity is a reasonable and necessary plea, particularly as lobbying groups, the popular press, educational programs, and even many scholars reduce and conflate the music industries.

Similarly, Williamson and Cloonan rightfully point to history, geography, inequality, conflict, education, and policy as some of the issues that can be overshadowed by considerations of the music industry as a single entity. In pushing for the adoption of "music industries" as the preferred designation, their aim

FIGURE 3.1. U.S. market share of recorded-music revenue, 2015–2021. Data: Luminate.

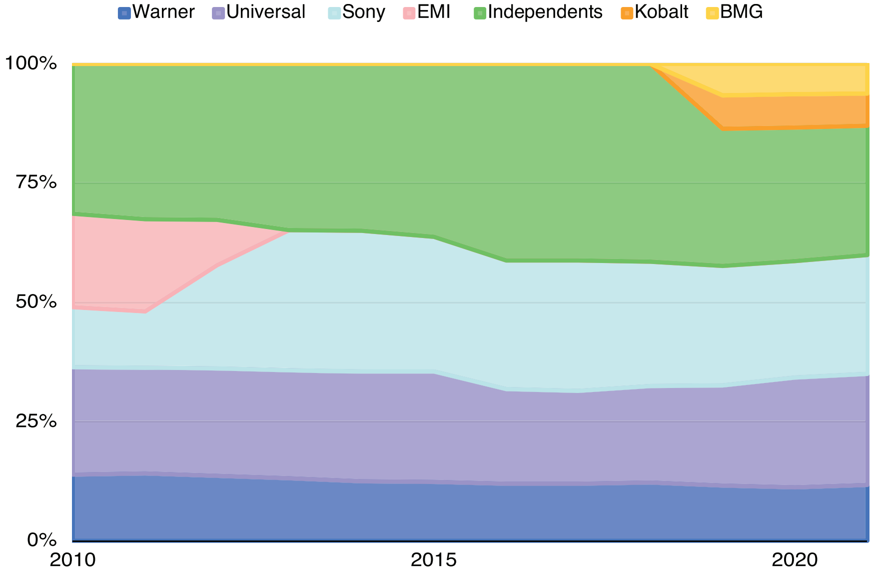


is to "recognize the significant contemporary organizational changes within the music industries and to redress the balance away from a concentration on the recording industry."[26]

However, this approach risks minimizing the significant contemporary organizational changes within the music industries that go well beyond the concentration of the recording industry. The disproportionate size of just a few transnational companies has such an outsized impact on the music industries that it may very well justify the consideration of a single, consolidated music industry. While there is a thriving underground of professional musicians who toil mostly outside the major label and streaming platform system, as well as many amateur musicians who have no relationship to the music industry at all, when it comes to the popular music that shapes our common culture, the vast majority of U.S. musicians must play by the rules of the companies that dominate each sector. They live in the shadow of three labels, three radio-station groups, one live concert and ticketing company, and four tech giants. In figures 3.1 and 3.2, we can see the domination of recording and publishing revenues by the Big 3. These large multinational companies, in turn, live in the much darker shadow of predatory finance.

Patrick Vonderau provides a rare analysis of the importance of finance to music, arguing that "Spotify is not merely a music streaming service, but a media company operating at the intersection of advertising, technology, music, and—most importantly—finance."[27] Debt financing, automated aggregation, and brokerage are key to Spotify's operation. In the book *Spotify Teardown: Inside the Black Box*

FIGURE 3.2. Global market share of music publishing revenue, 2010–2021. Data: Statista.



of Streaming Music, Vonderau and his coauthors continue this analysis, "following the hype" of Spotify's successful attempts at raising venture capital through speculative storytelling, as well as its use of arbitrage (exploiting price discrepancies) and programmatic advertising.[28] The aim of this chapter is to build on this analysis, moving beyond a single company and applying a consideration of financialization to the sector as a whole, mapping the many ways financial engineering enters into the music industries.

BAIN CAPITAL RECORDS: PRIVATE EQUITY IN THE MUSIC INDUSTRIES

As discussed in chapter 2, private equity (PE) firms raise investment funds to purchase companies, using large, leveraged levels of debt, borrowed against the assets of the target company. After the company is acquired, it is restructured and financially engineered, then sold, hopefully at a profit. Private equity often seeks out "distressed assets"—companies that are facing financial or operational difficulty and are thus more susceptible to a leveraged buyout. Due to file sharing, a recession, changing consumer behavior, and other factors, many music companies fell on hard times in the early 2000s and were subsequently targeted by private equity.

Four major examples (WMG, EMI, iHeartMedia, and Cumulus) of PE will be documented in this section, though there are also earlier examples (Blackstone's investment in Sony in 1988, Blackstone and Apollo's investment in Sirius in the late

1990s) and many other contemporary examples: BlackRock's investment in Primary Wave in 2016; Blackstone's acquisition of SESAC in 2017 and eOne Music in 2021; KKR's acquisition of a rights portfolio from Kobalt in 2021; Apollo's investments in Concord and HarbourView Equity, New Mountain Capital's acquisition of BMI, and STG's acquisition of Avid, all in 2023; and Francisco Partners' investment in Native Instruments, Muse Group, Eventbrite, and Kobalt Music. However, the first major PE acquisition in the music sector—and a clear-cut example of private equity's key strategies of profit extraction and labor reduction—occurred in 2004, when WMG was acquired for $2.6 billion by Bain Capital (cofounded by former presidential candidate Mitt Romney), along with two other PE firms (Thomas H. Lee Partners and Providence Equity Partners) and Edgar Bronfman Jr. (former CEO of Seagram and vice chairman of Vivendi Universal). WMG had previously been part of the disastrous AOL Time Warner merger in 2000; the corporation eventually spun off its cable television and publishing divisions in addition to its music holdings. The day after the sale to the PE firms cleared, the new owners cut 20 percent of WMG's workforce, roughly a thousand employees.[29] By year's end, they had fired two thousand of its sixty-five hundred employees, trimmed its global operations, and reduced costs by $250 million.[30] They also moved quickly to restructure the conglomerate, firing many executives, reducing the roster of artists, and combining labels and divisions in order to improve efficiency. Bronfman was not shy in describing his financial approach to the music business, treating artists "almost like a venture-capital business," acknowledging that "when it comes time to renew, if the price is too high and the economic burden too great, we will simply pass."[31]

Shortly after the sale, the new owners paid themselves a dividend of $350 million of Warner's cash; later that year, they assembled more debt and paid themselves another $680 million.[32] Since the acquisition included $1.25 billion of equity capital, the investors had already recouped most of their investment within a year. When taking the company public in 2005, Bain and the others had sold enough shares to have effectively tripled their original investment. In 2011, the PE firms earned one final bonus when they exited their investment by selling WMG for $3.3 billion to Access Industries, which has holdings in natural resources, chemicals, telecommunications, and real estate, as well as equity stakes in the streaming platforms Spotify and Deezer (more on this below). Bragging about their profit and success in the *Wall Street Journal*, two Bain executives claimed to have "paid down debt and dramatically increased cash flow and earnings" at WMG, failing to mention what they eliminated in order to achieve that cash flow: the livelihoods of thousands of musicians and staff members, as well as the productive capacity of the many historic labels owned by WMG.[33] As evidenced in table 3.1, this was but the first leveraged buyout in a series of private equity deals that would extract capital from the music industries, leading to further consolidation.

Another major record label became subject to financial engineering in 2007, when venerable British music company EMI was taken over by PE firm Terra

TABLE 3.1 Private Equity Investments and Acquisitions in the Music Industries

Year	Private equity firm(s)	Music company target
2004	THL, Bain Capital, Providence	Warner Music Group
	Tailwind Capital Partners	Concord Music Group
2005	Bain Capital, Blackstone, THL	Cumulus
	Apax Partners, HSBC	Stage Three Music
2006	Providence Equity Partners	Cumulus
2007	Terra Firma Capital Partners	EMI
	Bain Capital	Guitar Center
2008	Bain Capital, THL Partners	Clear Channel (iHeartMedia)
2009	KKR	BMG
2010	Crestview Partners	Cumulus
2013	Wood Creek Capital	Concord Music Group
	Carlyle Group	Beats
	Rizvi Traverse	Society of European Stage Authors and Composers (SESAC)
	Nettwerk Music Group	Nettwerk Music Group
2014	Ares Management	Guitar Center
2016	BlackRock	Primary Wave Music
2017	Blackstone	Society of European Stage Authors and Composers (SESAC)
2018	Virgo Investment Group	One77 Music
2019	Providence Equity Partners	Tempo Music Investments
	Carlyle Group, Scooter Braun	Big Machine (including Taylor Swift's recording rights)
2020	Shamrock Holdings	Taylor Swift's recording rights
	Francisco Partners	Eventbrite
	KKR	Artlist
2021	KKR	BMG
	Apollo Global Management	HarbourView Equity Partners
	Apollo Global Management	Concord Music Group
	Blackstone	Hipgnosis Song Management
	Blackstone	Hipgnosis Songs Capital
	Blackstone	Entertainment One Music
	Oaktree Capital	Primary Wave Music
	Francisco Partners	Native Instruments
	Northleaf Capital Partners	Spirit Music Group
	KKR	Kobalt's KMR Music Royalties II portfolio
2022	BlackRock	Warner Music Group, Influence Media
	Francisco Partners	Kobalt Music Group
2023	Francisco Partners	Muse Group
	New Mountain Capital	Broadcast Music, Inc. (BMI)
	STG	Avid

Firma Capital Partners. Typical of a PE firm, Terra Firma used debt financing to acquire EMI in a $4.7 billion deal, with the intent of extracting value by selling off its revenue streams to investors. However, the then roiling financial crisis limited any potential buyers. Terra Firma then opted for dramatic restructuring: it fired the existing management and two thousand employees (45 percent of the workforce), while relentlessly focusing on maximizing profits and minimizing losses.[34] Its strategy was characterized as seeking to "disempower the irresponsible 'creatives', and impose financial discipline."[35] Many of those so-called irresponsible creatives decided to take their business elsewhere, including Paul McCartney, the Rolling Stones, Robbie Williams, and Radiohead.[36] Unable to restore revenues in an industry struggling with the digital transition and unable to make payments on its loans, Terra Firma forfeited control of EMI to its primary lender, Citigroup, in 2011. Its losses on the investment totaled $2.7 billion, considered the largest known PE investment write-off in history.[37]

Moving from recording to radio, another prominent PE buyout occurred when Bain Capital and Thomas H. Lee Partners, fresh off their "success" with WMG, set their sights on an even bigger target: Clear Channel, the largest operator of radio stations in the United States. Though terrestrial radio no longer has the most influence in shaping music culture, it remains highly profitable. According to PricewaterhouseCoopers in 2019, the radio sector is projected to continue being more profitable ($48.2 billion) than either the live-music ($31.5 billion) or recorded-music sector ($33.7 billion).[38] Unlike in other countries, radio companies in the U.S. are required to share only minimal revenue with musicians (who are supposed to be happy with the promotion) and they remain a highly lucrative business for advertising. The Telecommunications Act of 1996 dramatically deregulated the radio industry, no longer limiting the number of radio stations one company could own. Clear Channel, for instance, spent $30 billion to acquire more than twelve hundred radio stations, resulting in ownership of as many as seven stations in a single market, 60 percent of the rock radio market, and equity stakes in 240 international radio stations.[39]

Bain and THL saw an undervalued asset and, in 2006, initiated one of the largest leveraged buyouts in history with a $24 billion offer for Clear Channel. The buyout was completed in 2008, and the layoffs followed shortly thereafter. Cutting roughly 10 percent of the workforce was just the start: three more rounds of layoffs followed in subsequent years.[40] Smaller-market radio stations were sold off, and focus was shifted to the most profitable stations. Local programming was reduced and replaced with syndicated regional and national programming. Instead of explicit attention to local concerns, in which terrestrial radio has long excelled, top talent would prerecord custom breaks and token localized content. Bain Capital and THL's ruthless streamlining of Clear Channel deserves the bulk of the blame for the bland monoculture that U.S. radio has become: limited song selection, prerecorded and syndicated programming, inane chatter, and constant advertising breaks. In 2014, Top 40 stations were playing the ten biggest songs almost twice as much as they had in the previous decade.[41] Before long, the quantifier "Top 40" may need to be adjusted downward.

In 2014, Clear Channel renamed itself iHeartMedia, a rebranding effort officially meant to signal its broader digital media goals, but most likely an attempt to disassociate from its poor performance. Despite being the country's largest terrestrial radio network, with a growing digital presence, iHeartMedia hasn't turned a profit since 2007 because interest paid on its debt eats up a quarter of its yearly revenues, having been saddled with $20 billion of debt by its PE owners as part of the buyout. In 2018, iHeartMedia filed for bankruptcy to restructure its debt. Further job cuts and even more dreary, homogeneous programming have resulted from meeting its debt obligations. A distressed asset, iHeartMedia is ripe for financial predation; for a brief period, media mogul John Malone sought control of it through his investment firm Liberty Media. Though he eventually declined to proceed with the takeover, the Department of Justice approved his bid to increase his stake up to 50 percent,[42] demonstrating the DOJ's reluctance to tame market power, even though Liberty already controls SiriusXM, the largest satellite radio service; Pandora, which has a 78 percent share of the U.S. internet radio market; and a 35 percent stake in Live Nation, which owns Ticketmaster. Live Nation has a dominant market share in ticket sales (75 percent) and is the largest artist manager, as well as the largest concert promoter and the second largest venue owner. It operates 64 percent of the top-grossing U.S. amphitheaters and 78 percent of the top arenas, while Ticketmaster provides tickets to 82 percent of top amphitheaters and 78 percent of top arenas.[43] Just imagine the nefarious possibilities of this kind of consolidation; Liberty can use its market power in the biggest terrestrial, satellite, and internet radio networks to prioritize promotion of its Live Nation artists, tours, festivals, and venues, all facilitated by tickets from Ticketmaster. We don't have to imagine; in 2019, the Justice Department found that Live Nation was in fact repeatedly abusing its monopoly by steering its artists and tours away from venues not using Ticketmaster.[44] The Justice Department was again lenient on Live Nation; undeterred, Malone has since openly stated that "the goal would be to get to full consolidation."[45]

The second largest radio operator in the country, Cumulus, has experienced a similar decade of private equity, consolidation, debt, streamlining, and homogenization. Again, Bain Capital and THL play a role, along with Blackstone, the country's largest PE firm. Entering a partnership with Cumulus in 2005 to acquire Susquehanna Radio, these three firms extracted capital and exited their involvement in 2011; Cumulus then brought on new PE firms, Crestview Partners and Macquarie Group, as well as $3 billion in debt financing from banks that helped Cumulus finance a deal to buy Citadel for $2.5 billion. Following a troubled merger with Disney's ABC Radio, Citadel had recently emerged from bankruptcy, its shares ending up in the hands of debtholders, PE firm TPG Capital, JPMorgan Chase, and hedge fund R2 investments.[46] Similar to iHeartMedia, private equity financed the radio group's massive scale but left it with a heavy debt load and declining profitability. Terrestrial radio continues to reach 93 percent of adult consumers, a pool of 240 million people that remains attractive to advertisers, but the large radio companies have become so highly leveraged by a decade of financialization that profit and growth seem unlikely.[47] All in all, the private equity experiences of WMG, EMI, iHeartMedia, and Cumulus—four of the largest conglomerates in the music industries—demonstrate that the story of private equity is not just the rapid looting of profit in its successes, but also the debt-saddled wreckage it leaves in its failures. Wealthy investors escape; struggling musicians suffer.

NEVER LET A GOOD CRISIS GO TO WASTE: THE PIRACY PANIC IN RETROSPECT

In 2012, the minimally competitive recording and publishing industries were concentrated even further when Citigroup, having recently taken control of EMI from Terra Firma after it failed to make payments on its debt, sold EMI for parts. Most of EMI's publishing arm was sold to a consortium headed by Sony, which also included the Michael Jackson estate, Abu Dhabi sovereign wealth fund Mubadala Development Company, Jynwel Capital, Blackstone, and media mogul David Geffen. By 2019, Sony had bought out its partners and had complete control over the catalog, merging its recording and publishing companies into SMG. Meanwhile, EMI's recording arm was sold to UMG, including the lucrative Beatles catalog and historic labels such as Capitol Records, Decca, Def Jam, Geffen, Interscope, Island, Mercury, Motown, Polydor, Republic, Virgin, and Verve. During the Universal-EMI antitrust hearings, an attorney estimated that the combined entity would control 42 percent of American recorded-music revenue, transforming the market from "moderately concentrated" to "highly concentrated" as defined by the Horizontal Merger Guidelines issued jointly by the DOJ and the Federal Trade Commission .[48] Using 2011's charts, UMG would have owned more than half of the titles on the *Billboard* Hot 100. Nevertheless, the merger was approved—and the diversity of major companies in the recording industry has dwindled from six in the late 1990s to just three multinational corporations today. One condition of the merger was for UMG to divest itself of Parlophone, the esteemed label dating back to 1896, though it was quickly acquired by WMG, nullifying any diversity the divestment requirement might have created. As seen in figure 3.1, the Big 3 labels control over 80 percent of the market share of the U.S. recording industry, while reports suggest they controlled at least 70 percent of the global market share in 2019.[49] By the end of 2023, UMG was valued at $52 billion and WMG at $18 billion (SMG is a subsidiary of Sony, so we don't know its value in and of itself).

This market domination is a far cry from the hysterical claims that were routine during the panic over peer-to-peer (P2P) file sharing. At the height of the Napster/P2P frenzy around the turn of the millennium, the RIAA and the IFPI

TABLE 3.2 Recent Mergers and Acquisitions in the Music Industries

Year	Company	Acquisition
2006	Google	YouTube
	Vivendi/Universal Music Group	BMG Music Publishing
2008	Sony	Bertelsmann Music Group
	Sirius	XM
2009	Liberty Media	SiriusXM (initial 40% stake, later 81%)
2010	LiveNation	Ticketmaster
2011	Sony Music Group	EMI's publishing
	Vivendi/Universal Music Group	EMI's recording
	Access Industries	Warner Music Group
2013	Apple	Beats
	Warner Music Group	UMG's divested labels
2017	Entercom	CBS Radio
2019	SiriusXM	Pandora
	Sony Music Group	Sony/ATV Music Publishing
2021	Sony Music Group	AWAL

claimed that the viability of the music industry itself was under attack from file sharers, who threatened to upend the extreme profitability ushered in by the compact disc format. Today, with widespread, convenient access to digital music in a variety of forms and price points (including free, ad-supported models), the dust has somewhat settled on the piracy threat and a more accurate version of the transition to digital can be assessed. In hindsight, the threat of piracy was not only exaggerated by the big music companies and its lobbying organizations, but exploited in order to tighten the cartel's control.[50] Table 3.2 shows the timeline of financialization, mergers, and acquisitions that left the music industry with so little competition.

It is difficult to determine the true economic impact of what has erroneously come to be called piracy (the word *piracy* implies unauthorized reproduction for commercial gain, whereas most file sharing is just that—the transfer of digital files with no money changing hands). A number of studies have shown that piracy has little to no effect on purchases,[51] while some have found a positive correlation,[52] presumably because file sharers are also some of the most passionate music fans, and thus the expanded exposure brought about by piracy can increase sales among the devoted. Regardless, the recording labels and their lobbying organizations (RIAA and IFPI) seized upon this development to advance what David Arditi calls the "piracy panic narrative,"[53] a conflation of file sharing with piracy, and thus stealing, which victimizes artists. The news media, much of which was owned by the same conglomerates that owned or had relationships with the recording labels, faithfully relayed this justification for why the recording industry was struggling financially, even though internal industry documents showed that the industry itself acknowledged the host of other reasons that accurately accounted for the drop in sales around the turn of the century: the maturation of the CD-replacement cycle, economic uncertainty, competition from video games and DVDs, the lack of a legitimate MP3 market, and the narrow focus on superstar artists at big-box stores.

The exaggeration of piracy's effect allowed the industry not only to paper over these actualities, but to wield their influence under the guise of "defending artists." "Far from being passive victims of technological shifts in the recorded commodity form," Arditi explains, "the RIAA has been an active player in creating novel ways to profit from new modes of commodification, and it has used the change in commodity form to consolidate major record label power to get the public and the state to invest in 'saving' music."[54] Waging an aggressive public relations campaign well before the effects of Napster, the vested industry players were able to deliver concrete policy results in their favor: the Audio Home Recording Act (AHRA) in 1992, which established royalties, anti-circumvention provisions (breaking the technological barriers set up to protect copyright), and anti-copying provisions on digital recording devices; the Digital Performance Right in Sound Recordings Act (DPRA) in 1995, which established digital public performance rights; and the Digital Millennium Copyright Act (DMCA) in 1998, which vastly expanded anti-circumvention and copyright infringement penalties. "The music cartels," according to Aram Sinnreich, "artificially limited the functionality of digital music to emulate the inherent limitations of twentieth-century distribution platforms, thereby preserving the integrity of economic and institutional models premised on those limitations."[55] Between the policy gains and the continual consolidation, a renewed corporate oligopoly arose out of the "piracy" moment with an increased ability to dictate its terms.

As physical sales of compact discs began to slow in the 1990s, the role of the record label shifted and the major players were able to capitalize on their renewed clout and claim their right to increasingly valuable revenue streams that were previously unavailable. Shares of publishing, touring rights, merchandising, and licensing revenues were now part of exploitative record contracts, in what were called "360-degree" deals.[56] These four sectors have proved more lucrative in the digital era, which explains the diversification strategy of the major labels, but we shouldn't downplay the importance of the recording sector. Just as the theatrical release of a Hollywood film is merely the first stage in a long advertising campaign and functions as a predictor for its success in lengthier, more lucrative release windows and its eventual value in the catalog, the recorded music business holds symbolic significance for how a musician will fare in the larger ecosystem of live performance, licensing opportunities, and radio play. This symbolic

FIGURE 3.3. U.S. recorded-music revenues by format, 1975–2022. Data: RIAA.

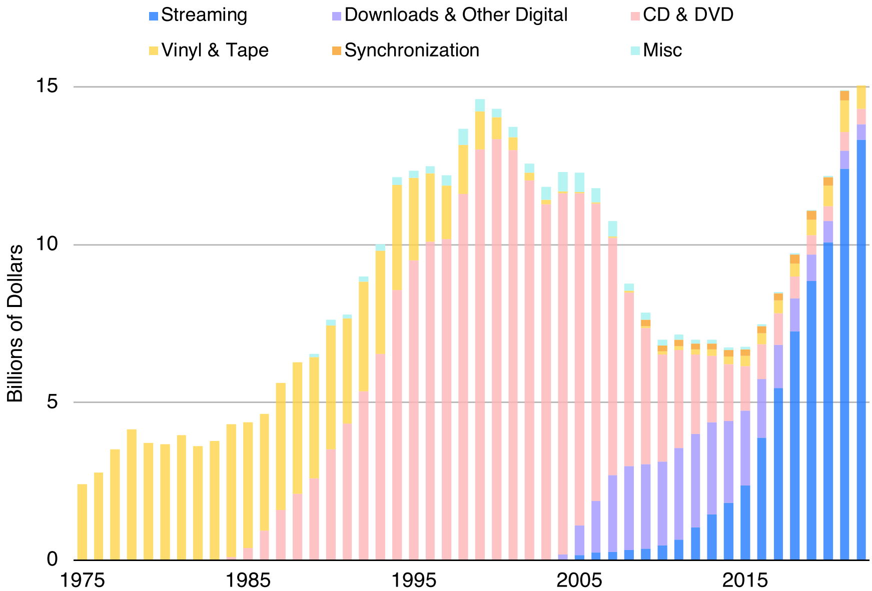
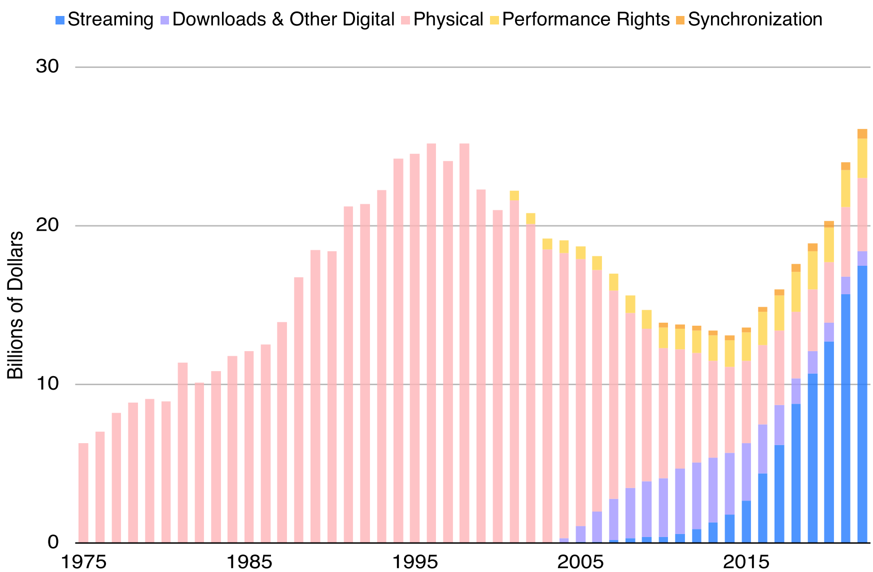


FIGURE 3.4. Global recorded-music revenues by format, 1975–2022. Data: IFPI; Credit Suisse.



character is currently in flux: the recording industry is in the midst of a dramatic shift away from physical purchases and digital downloads and toward streaming platforms. Streaming music revenues from the likes of Spotify and Pandora surpassed CD revenues in the U.S. in 2014 and surpassed digital downloads from iTunes and others in 2015. As seen in figure 3.3, streaming (both ad-supported and paid subscription) totaled $11 billion by 2022, representing almost 70 percent of recorded-music revenues. Globally, as seen in figure 3.4, a similar pattern is visible, with streaming accounting for $17.5 billion of recorded revenue, or 67 percent of the total. It's been a remarkably quick transformation, with rapid year-over-year growth in the streaming sector. A decade of financialization, PE streamlining, consolidation of ownership, and political lobbying have positioned the Big 3 labels to exploit this transition, unconfined by competition or regulation.

AND YOU MAY TELL YOURSELF, THIS IS NOT MY BEAUTIFUL CELESTIAL JUKEBOX: STREAMING, THE BLACK BOX, AND ROYALTY RATES

A central strategy the Big 3 recording cartel utilizes is leveraging their catalogs of recording copyrights in licensing negotiations with on-demand subscription platforms such as Spotify, Apple Music, Soundcloud, Vevo, Tidal, Deezer, and other companies that require access to major-label catalogs to function. Unlike the screen industries—which have trained consumers to purchase film and television products at descending price points through different windows of release, never expecting a full, on-demand catalog, which maintains a more diverse and competitive market—the music industry has relinquished such a distribution chain. Consumers of music have now come to expect near total access to popular music, dating back many decades. A generation of young consumers that came of age sharing MP3s and amassing large collections on iPods and other devices certainly contributed to this consumer behavior, but if one considers the political-economic implications of near total catalogs, and the opportunities for market domination that arise when catalogs have been consolidated, then the Big 3 labels have much to gain from such a minimally competitive market.

We know little about these licensing negotiations, but we do know that subscription streaming platforms are thought to pay out roughly 70 percent of their revenues to copyright holders, which means the label is the recipient, not the artist. Spotify claims "nearly 70%" in the detail-lacking attempt at transparency on its website,[57] Apple Music claims 71.5 percent,[58] and artist-championing Tidal proudly proclaims 75 percent.[59] However, because the Big 3 labels require strict non-disclosure agreements (NDAs) in these licensing deals, there is no way to verify this arrangement, even for the artists whose recordings are subject to these contracts. While the streaming companies, especially Spotify, often bear the brunt of public scorn for the minuscule royalties that artists often receive per stream, the record labels are the ones hiding behind NDAs and failing to pass on a healthy share of the streaming revenue. The complete disregard for providing even minimal details on how these arrangements operate has caused a disparate group of music advocacy organizations to unite around a shared appeal for transparency. These organizations—the Future of Music Coalition, a Washington, D.C., think tank; the Rethink Music research initiative at the Berklee College of Music in Boston; the trade association International Music Managers

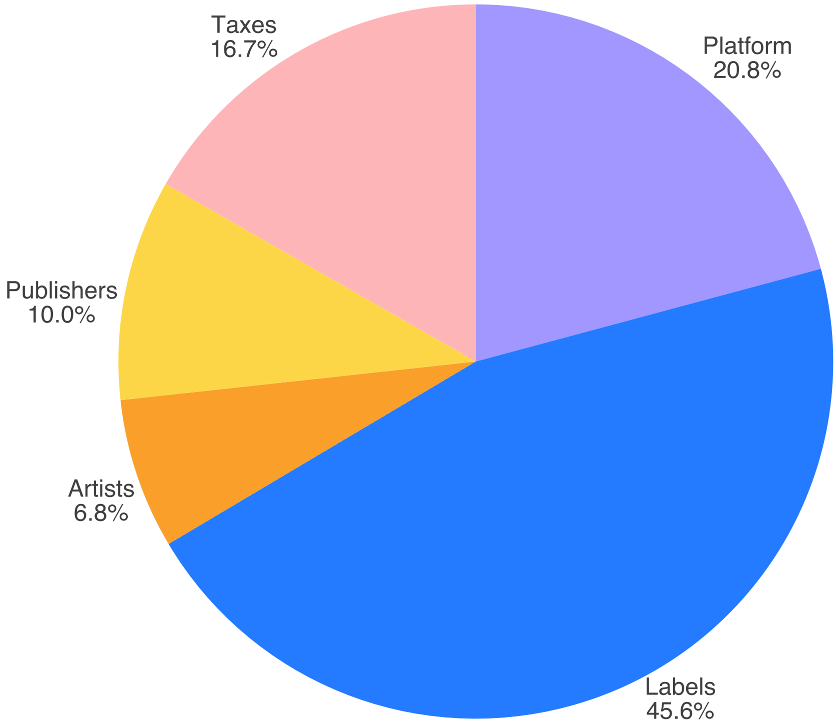
Forum; the Worldwide Independent Network, which has released a Fair Digital Deals Declaration; SoundExchange, the nonprofit collective rights management organization that distributes digital performance royalties; the Content Creators Coalition; and the American Association of Independent Music, to name just a few—are pinpointing the music industry's lack of transparency as a key factor in contemporary artists' financial woes. As David Byrne (of the band Talking Heads) insists in a *New York Times* op-ed, it is time to "Open the Music Industry's Black Box."[60]

The evocation of a "black box," a metaphor for the internal workings or procedures of a system that are unknown, is fitting in this regard. Beyond the fact that the Big 3 labels are not paying forward a fair share of the royalties generated by streaming services, the method they use to calculate royalties—not determined in a simple pay-per-play agreement—is suspect. Most users are under the impression that their subscription fee is channeled back to the specific artists they listen to, but that is not the case; royalties are distributed on the basis of overall popularity, or pro rata (meaning "in proportion"), including back catalog.[61] This model favors big labels with many clients and extensive catalogs, while it disadvantages independent musicians and labels without the comparative scale. Thus, new and independent musicians are no longer just competing with better-funded, better-promoted corporate musicians, but with the entire history of better-funded, better-promoted corporate musicians.

Furthermore, each record label negotiates its own licensing deal with streaming services, and the Big 3 labels that control much of the back catalog of popular music have a much bigger seat at the negotiating table and earn far more favorable terms. The Big 3 have such enhanced leverage in these negotiations that a handful of senior executives make key licensing decisions that determine the structure of much of the online music experience. In effect, they have become the gatekeepers for all new music startups that require these licenses to operate. Diversity and innovation in the entire online music industry depends on the behaviors, pay packages, strategic interests, and whims of a few executives. Without access to any comprehensive data about these financial relationships, commentators and critics are left to surmise patterns and policies from rare glimpses into this black box.

One such limited peek into these hidden negotiations occurred when a 2011 contract between Sony and Spotify was leaked to the media, revealing some of the key perks extracted by the big labels.[62] The first is substantial advance payments (in this case, $42.5 million over three years) for access to their catalogs. Whether or not these payments are shared with artists is debatable; only after the report leaked did labels claim that they are, though they offered no evidence, and industry sources claimed otherwise. Without transparency and audits, no one can be sure, though the recording industry's countless legal battles over unpaid royalties and payola over the years do not foster much trust. Free and discounted ad space,

FIGURE 3.5. Distribution of revenue from a streaming music platform, 2015. Data: SNEP/Ernst & Young.



with the right to resell at higher rates, was another bonus awarded to Sony, as well as ad space for free artist-promotion. Lastly, a key feature of the leaked contract was a "most-favored-nation clause," meaning that Sony was entitled to increased payment if any other labels negotiated better deals and the right to conduct an audit as proof. There is perhaps no clearer signal of the imbalance in the recording industry than the fact that the major labels have the right to perform audits to extract more money, while artists are unable to perform audits in order to find out why they make so little.

Another glimpse into the black box occurred in a 2015 report conducted by the consulting firm Ernst & Young and the French record-label trade group SNEP, which traced where the money earned from a streaming subscription fee in France ultimately ended up.[63] As illustrated in figure 3.5, they found that the streaming platform keeps roughly 20 percent and pays about 17 percent in taxes. The label keeps about 45 percent, leaving just 10 percent for the songwriters/publishers and a meager 6.8 percent for the artists. As a percentage of the revenue the platform delivers after taxes, labels keep a whopping 75 percent. In the predigital days, a label could argue that their substantial portion was justified by their paying for studio time, the physical manufacture and storage of records, tapes, and CDs, and their distribution by truck to stores across many regions. This complex and unstable supply chain had many opportunities for overages and losses, and thus the labels were taking on quite a bit of risk, justifying their large fee. Digital recording and distribution have greatly minimized that task and cost, but the labels continue to charge this steep percentage through a combination of predigital recording contracts, shady accounting, and, most of all, market power.

Furthermore, this 75 percent cut is not even the end of the big labels' extraction process—they take a cut of the other categories as well. They have a big stake in the 10 percent that goes to publishing rights. Artist payouts, as small as they are, are often subject to recoupment, in which an advance is given and the label later bills substantial recording, touring, and marketing expenses to the musician, a notorious black hole for unaccounted expenses. Recoupment has been around for decades, but the Big 3 have recently developed a particularly devious new method of exploitation that does not require them to share anything with their artists. The original 20 percent that the platform keeps as its own revenue is partially flowing to the labels as well, due to the most incriminating demand of the Big 3's negotiation with streaming services: equity stakes in each new platform. The labels have such excessive leverage because of their consolidated catalogs that they can demand to own a percentage of each new company. Though the value of that catalog only exists because of the musicians, the artists are not entitled to any portion of this ownership stake or any future profits that might result from it. The resultant position of the label is to sell music to a platform that it partially owns. As both the seller and the partial buyer, it has reason and ability to lower the overhead on each side of the equation to maximize profit. The overhead in this case is paying artists their fair share.

LITTLE VENTURED, MUCH GAINED: EQUITY STAKES, VENTURE CAPITAL, AND BIG DATA

The era of streaming technology has given rise to a lucrative new revenue stream for the Big 3 labels: in order for a startup to make use of popular music in their platform or app, it must enter into deals with UMG, WMG, and SMG, which leverage their positions to attain prime pieces of early equity in companies with rapidly increasing valuation, leading to hefty paydays from IPOs and acquisitions. UMG is the exemplar for this strategy, having earned a massive $404 million payday from their equity in Beats, which was sold to Apple for $3 billion in 2014. Another prominent example is WMG acquiring a 5 percent ownership stake of Soundcloud, a startup then valued at $1.2 billion.[64] During this pivotal time in which the new streaming-music paradigm was established, Forbes estimated the total equity stakes held by the Big 3 labels to be around 10–20 percent of the established streaming services, including Spotify, Rdio, Vevo, and Soundcloud, as well as significant pieces of other startups such as Interlude and Shazam, with total equity estimated to be nearly $3 billion.[65] Because they do not have to do much work but allow their catalog to be used and do not have to share this profit with the artists, these deals are lucrative and power-asserting strategies for the Big 3 labels.

The Big 3 labels extracted 18 percent stock equity in Spotify, which profited them a tidy sum when Spotify went public in 2018 and its market capitalization reached $29.5 billion. This was to be another massive payday for the labels, which they were not obligated to share with their artists. After public outcry about this theft, Sony and Warner, and later Universal, announced that they would share some of the proceeds. However, with no legal language in their contracts with artists to necessitate this sharing, nor any third-party audit, what resulted was likely little more than token gestures to only their biggest artists with enough clout to demand it. There are many more examples of the major labels extracting equity stakes. Soundcloud was being evaluated in 2014 for acquisition by Twitter, and the latter hesitated because the platform did not have licenses from the big labels—equity stakes, of course, ended up being the cost of those licenses. Vevo, the music-video company partly owned by Google, is another startup in which the labels have equity. These are not one-off deals, but a distinct pattern of leveraging catalog for equity, utilizing a strategy similar to venture capital.

The Big 3 labels tend to operate in lockstep in regard to streaming platforms, which seems to suggest collusion, of which they already have a long history, for example in CD price fixing and payola (illegally paying for radio promotion). How else would one explain Universal, Warner, and Sony all purchasing the same amount of equity stakes at the same time in Shazam, a media-identification and data-focused tech company?[66] These oligopolistic actions are also visible in the many joint ventures that unite the Big 3, such as Sony and Warner's investment in Access China Media Solutions, Universal and Warner's Royalty Services venture, and iHeartMedia and Warner's promotional partnership.

In addition to collusion, self-dealing is another case of potential legal misconduct. A lawsuit brought by 19 Recordings (an American Idol–affiliated record label representing artists such as Kelly Clarkson and Carrie Underwood) alleged that Sony acquired its equity stake and advertising income from Spotify in lieu of negotiating fair-market royalty rates. The allegations have broader implications, the lawsuit suggests, because "those other record labels have engaged in the same self-dealing as Sony with respect to the diversion of payments to them, and the below market streaming royalty rates to artists. Together, and individually, Sony and the other major record labels therefore have significant power to exert control over Spotify in order to not only dictate how revenue will be paid, but wrongfully and in bad faith divert money from royalties that must be shared to other forms of revenue that they can keep for themselves."[67] In essence, the Big 3 have a compelling financial incentive for accepting low royalty rates for their artists: it benefits the streaming services, which the labels have equity stakes in. Rather than sharing

TABLE 3.3 Corporate Venture Capital in the Music Industries, 1999–2022

Music company	Number of investments	Selected investments
Universal Music Group	32	Def Jam Recordings, Mass Appeal, Doppler Labs, Houseparty, Pluto TV, Rockbot, Bellabeat, Shazam Entertainment, WillCall, MOG, Amp'd Mobile, 360HIPHOP.com, Listen, Artistdirect
Warner Music Group	35	Supersocial, Roblox, CryptoKitties, Dapper Labs, LANDR, Emotive Communications, Frontmedia, Artistdirect
Spotify	5	Sounder.fm, Artory, DistroKid, Tencent Music Entertainment, Soundtrack Your Brand
Entercom/Audacy	3	TargetSpot, iBiquity Digital Corporation
iHeartMedia	14	Gimme Radio, Songclip, OZY Media, Artsy, Fanpage
Liberty	142	SiriusXM, Quibi, iflix, STX Entertainment, Aviatrix, Platform One Media, CloudSense, JioSaavn, Frequency Networks, Mediamorph, MindMeld, Tastemade, OneMediaPlace, Jingle Networks, HomeGrocer.com, Oasys Mobile
Sony	211	Epic Games, Dronestream, SecureMedia, CDNOW, Moneytree, Rapchat, Lirica, Shazam Entertainment, 360HIPHOP.com, ZoomCar, LANDR, MainStreaming, Rapyuta, obotics, Verity, Agility Robotics, Discord, Quibi

DATA: Crunchbase.

profit with their artists directly through royalty rates, they wait for a large payout through IPO or acquisition, which will not need to be shared with the artists. As is often the case in these matters, the lawsuit was settled out of court, preventing a broader legal ruling or precedent that might have helped others.

Running parallel to these leveraged investment strategies, in which access to their catalog is sold on condition of equity stakes, media companies are also pursuing their own venture capital opportunities through a corporate venture capital fund, or through subsidiaries such as Sony Financial Ventures and Liberty Global Ventures. Table 3.3 compiles a record of this rise in corporate venture capital since 1999, including some key investments. For one example of such a portfolio, UMG invests in a variety of media-related startups, such as Pluto TV, an online video platform that eventually sold to Viacom for $340 million; VIDA, a socially conscious ecommerce platform; Rockbot, a "virtual jukebox solution for businesses"; Merchbar, an online retailer of music merchandise; Pogoseat, a marketplace for VIP concert experiences; Meerkat, a livestreaming video app; Doppler, a wireless-earbud audio system; and, strangest of all, Bellabeat, a "quantified-self" pregnancy app that allows the user to listen to his or her baby's heartbeat and share it on social media. As UMG chairman and CEO Lucian Grainge proclaimed in a year-end memo, emphasizing the role of investing in technology, UMG's mission is "to be a formative player in shaping and developing the music platforms of tomorrow."[68] The scope of the recording industry has certainly changed, as a role in technology formation is now necessary to ensure control over the future direction of music consumption. Similar to the leveraging of equity stakes, any profits generated from these venture capital investments do not need to be shared with the artists.

Sitting atop lucrative, consolidated catalogs that provide reliable revenues and constrain any digital developments outside of their control, the Big 3 are less interested in cultivating new artists or developing a diverse roster and more interested in making strategic investments and maximizing their own assets. A key advancement in the ability to maximize assets is the use of "big data" to quantify the now trackable digital outpouring of airplay, listens, downloads, ticket sales, merchandising revenues, likes, mentions, retweets, and other listening and social data. The real-time data provided by big data firms allow record label executives to know which artists and songs would benefit from increased investment in terms of marketing and which artists and songs should be discarded. Awareness and loyalty can be strengthened by data-driven engagement strategies, while tours and album releases can be strategized on the basis of contextual, regional, and local data. Big data turns an artist roster into a stock market, where shares are bought and sold on the basis of data markers and financial indicators of performance. The preliminary results of these data-mining systems are customized recommendations, branded interfaces, information discovery, social integration, and targeted advertising, but the opportunities have yet to be fully exploited. One thing that has been exploited is the market domination of the major companies, which quickly acquired all the leading big data companies in the music sector.

A core paradigm shift emphasized by big data is the turn away from thinking about audiences, which aligned with a physical-product-based music industry, to considering users, as befits a rising software- and service-based music industry in a world of ubiquitous networks. Without the mass-produced physical good for the industry to orient and organize around, an instability permeates through the industry amid a plethora of new revenue streams. Big data eases that instability by harnessing, structuring, and exploiting the user's engagement. Rather than a passive audience to unidirectionally sell product to, the user is an active participant in a database-driven system and an integral part of the design and architecture of new media ecosystems. As Tim Anderson notes, "the surveyed and exchanged end user has become the basic unit of analysis, of the many sites and services that are part of the new music business ecosystem."[69] Just by accessing and interacting with media, users provide their unpaid data-labor that continually generates information to improve the design of the system.

Though presented to the user as neutral and objective renderings of algorithmic insight, the data are processed by these systems according to specific commercial motives. "Far from neutral purveyors of predictions," Jeremy Wade Morris suggests, "recommendation systems measure and manufacture audiences to provide targeted suggestions for popular cultural goods and exert a logistical power that shapes the ways audiences discover, use and experience cultural content."[70] These "infomediaries," the organizational entities that monitor, mine, and mediate cultural usage data, create an informational infrastructure that shapes the discovery and experience of cultural goods. The implications are wide-ranging, as "the increased ability to segment musical tastes and to use the data gleaned from musical practices makes each listening instance an economic opportunity for a host of unseen actors. The new digital traces . . . [are] rolled back into a much larger data profile for further targeting and refining."[71]

The utopian promise of the "celestial jukebox,"[72] with unlimited access to a diverse catalog, is betrayed by the combination of oligopoly and algorithmic control. "Due to the lack of transparency in how recommendations and 'discoveries' are presented," Jeremy Wade Morris and Devon Powers argue, "it is often not clear that these are promotional messages; rather they seem like grassroots discoveries based on a user's previous listening habits and patterns. The line between Spotify as a distribution outlet and Spotify as a promotional intermediary blurs."[73] The Big 3 labels are happy to exploit this blur and embrace this intermediary practice that unfairly emphasizes their artist roster, covertly harvests actionable data, and slowly increases the size of their payday when their investment in the platform comes to fruition.

Amid this user-based reconfiguration, each major player in the music industry acquired a data analytics company: Live Nation bought BigChampagne for an estimated $30 million in 2011; Spotify purchased The Echo Nest for $100 million in 2014; Apple acquired Acnu in 2013, as well as Semetric/Musicmetric (for an estimated $50 million) in 2015 and Topspin in its $3 billion purchase of Beats; Pandora acquired Next Big Sound for an undisclosed amount in 2015; UMG enacted a "Global Music Data Initiative" with the ad agency Havas in 2015; and each of the Big 3 labels has equity stakes in Shazam, and thus access to its data and services. The big data harnessed by these firms are particularly relevant for how the Big 3 devise their streaming platform strategy, where singles and abundance have become the norm, replacing albums and scarcity. As a result, playlists have risen in prominence as important sources of discovery. Much of the promotional discourse surrounding playlists is figured around the contrast between human-centered curation by skilled editors and data-based recommendation engines by algorithms, which has become a point of distinction between Spotify (machine) and Apple Music (human). The ownership implications behind these playlists, however, are rarely commented upon. As with data analytics, the major players have been making acquisitions of playlist companies: Warner bought Playlists.net, Rdio bought TastemakerX, Google bought Songza, and Apple bought Beats, in part, for its curation development. On Spotify, when playlists first gained influence, three of the most popular playlists were Digster (run by UMG), Topsify (WMG), and Filtr (SMG). Naturally, each playlist favors its own artists. In this new era of big data–determined, branded listening experiences, the importance of personal ownership of music is waning, while the grip of corporate ownership on revenues and access is ever tightening, producing more and more opportunities for speculation and financialization.

MUSIC AS AN "UNCORRELATED ASSET CLASS WITH ATTRACTIVE RISK ADJUSTMENT RETURNS"

A recent form of financial speculation in the music industries is that of so-called "song management" investment firms, such as Hipgnosis, Round Hill, Concord, Primary Wave, Reservoir, and others (see table 3.4). These firms amass capital to purchase copyrights, ranging from hit songs to entire catalogs. With massive war chests of capital, they pay musicians a large lump sum for their copyright, which they can then license or resell. Songwriters are the typical target, since publishing rights are not as contractually complicated as recording rights, which are dominated by the Big 3 labels. For musicians, these buyouts can be enticing: the new streaming regime pays little to any but the most popular musicians, a disordered global system of digital services makes tracking down payments difficult, and new tax proposals are advising higher tax rates on capital gains. Then the COVID-19 pandemic happened, robbing musicians of the ability to tour, often their most lucrative revenue stream, despite Live Nation's monopolistic practices. Many musicians took the payday, including aging stars such as Stevie Nicks, Paul Simon, and Madonna, as well as younger, still-charting musicians such as Bruno Mars, Imagine Dragons, Mark Ronson, and The Chainsmokers. Individual deals and amounts are less important than the overall financial strategy, which aims to build a massive portfolio of songs in order to turn them into a new asset class.

Transforming music royalties into an investment strategy is not a new idea; David Bowie even sold "Bowie Bonds" to investors in 1997, based on income generated from his back catalog. "For the music industry the age of manufacture is now over," Simon Frith claimed back in 1988, as music companies were "no longer organised around making *things* but depend on the creation of *rights*."[74] What is new is that those rights are now much more lucrative and have attracted much bigger financiers. As opposed to physical media, which was typically purchased only once per format, listening to music on a streaming service produces a financial transaction every time a song is played, dramatically increasing the value of older music. On streaming platforms, "catalog music" (older than eighteen months) is gaining a greater share each year, from 65 percent of total listening in 2020 to 73 percent in 2023.[75] Expanded licensing opportunities for livestreaming, esports/electronic sports, podcasting, and fitness, in addition to continuing opportunities such as film, television, social media, gaming, and commercials, also add to the potential value of music in an environment that is now primarily subscriber-,

TABLE 3.4 Song Management Firms in the Music Industries

Company	Founded	Publicized funds raised (millions)	Company acquisitions	Musician copyright acquisitions
Hipgnosis	2018	$2,398	Kobalt Fund ($323m), Big Deal Music	Neil Young ($150m), Red Hot Chili Peppers ($150m), Leonard Cohen, Justin Timberlake, Justin Bieber, Benny Blanco, The Chainsmokers, Timbaland, Blondie, Shakira, Journey, Pusha T
KKR/BMG	2009	$1,000	Evergreen ($80m), Stage Three Music, Crosstown Songs America, Cherry Lane Music Publishing, Chrysalis, Bug, R2M, Sanctuary, Mute, Skint/Loaded, Strictly Rhythm, Infectious, Vagrant, S-Curve, Rise, BBR Music Group	Ryan Tedder ($200m), ZZ Top ($90m), Mötley Crüe ($90m), John Legend, Mick Fleetwood, Tina Turner, The Rolling Stones
Concord Music Group	2004	$680	Downtown Music Holdings ($300m), Pulse Music Group ($100m), Fantasy Inc. ($80m), Fania Records ($30m), Fearless Records/Fearmore Music Publishing ($10m), Bicycle Music, Imagem Music Group	Imagine Dragon ($100m), Adele, Aretha Franklin, Beyoncé, Bruno Mars, Carrie Underwood, David Bowie, Grateful Dead, Jay-Z, Lady Gaga
Primary Wave Music	2006	$300	Sun Records ($30m)	Stevie Nicks ($100m), Prince, John Lennon, Disturbed, Steve Earle, Steven Tyler, Paul Anka, Devo, Air Supply, Whitney Houston
Round Hill	2006	$202	Carlin Music ($245m), GIL and GPS Music, Telegram Studio, Triple Crown Records, Innovative Leisure	The Offspring ($35m), Elvis Presley, Eddie Holland, The O'Jays, Goo Goo Dolls, Skid Row
Reservoir Media	2007	$142	Tommy Boy Records, TVT Records, Blue Raincoat Music/Chrysalis Records	Joni Mitchell, Fred Rister, Buddy Cannon, Travis Tritt
Harbour View Equity Partners	2021	$1,000	–	Luis Fonsi

DATA: *New York Times; Billboard; Music Business Worldwide*; David Turner from *Penny Fractions*.

catalog-, and license-based, rather than consumer-, sales-, and transaction-based. Songs that retain a certain level of popularity (considered "evergreen") continue to generate steady royalties, which can be converted into a long-term, predictable revenue stream that is largely recession-proof and thus "uncorrelated" with other, more volatile asset classes. Risk is further managed by the fixed nature of royalty rates (governed by contract or statute) and the precise analytics made possible by streaming services that generate robust data about song consumption and user behavior.[76]

The most successful "song management" firm is Hipgnosis, founded and run by Merck Mercuriadis, formerly employed as a manager by Beyoncé, Elton John, and Guns N' Roses. Hipgnosis owns or partially owns more than sixty-four thousand songs, a thousand of which are No. 1 songs, and many of which were acquired when it purchased Kobalt Music Group. As of 2023, Hipgnosis is valued at over $2 billion. In 2021, it received backing from Blackstone, the largest private equity company, to invest another billion dollars in acquiring catalogs and copyrights. When appearing in public or in the press, Mercuriadis is often seen with his partner, Nile Rodgers (legendary songwriter/guitarist/producer/singer of Chic fame), emphasizing the positive impact Hipgnosis will have for the songwriting community. When addressing investors, his tone changes: "I founded Hipgnosis to give the investment community access to extraordinarily successful hit songs by culturally important artists and to establish songs as an uncorrelated asset class with attractive risk adjustment returns." This is finance-speak for transforming music into a relatively low-risk grouping of investments ("asset class") that can help diversify an investment portfolio. "Uncorrelated" with macroeconomic trends such as recessions because people will continue to listen to music, this is a way to abstract economic value away from music production and into the realm of financial circulation and speculation.

Financial engineering requires that profit be extracted from an asset class as much as possible within a limited time horizon. Pooling, packaging, and securitizing assets creates dangerous possibilities, most notably the mortgage-backed securities that caused havoc during the financial crisis in 2007, but even the best outcome, in which Hipgnosis and its ilk manage to negotiate better rates for songwriters, is yet another case of power accruing to those with scale, and yet another intermediary being forcefully established between musicians and remuneration. "Song management" firms are unlikely to endure beyond this transitionary period in which streaming is creating opportunities for speculation and accumulation. The most likely long-term scenario is that these catalogs are eventually sold to the Big 3 labels, which have already started locking down their superstars: Sony reportedly paid $550 million for Bruce Springsteen's recording and publishing rights, while Universal reportedly paid upwards of $400 million for just Bob Dylan's publishing, and over a billion dollars in catalog investments in 2020.[77] Five billion was then spent on music rights acquisitions in 2021.[78] Adding yet another layer of financialization through "song management firms" is a problem for most musicians, not a solution.

THERE IS NO MUSIC INDUSTRY

In a candid conversation I had with a venture capitalist at one of the Big 3 record labels (under condition of anonymity), he gave a deceptively direct and distilled description of how the contemporary music industry works: "A music company doesn't need to go out and make money. People make music; they aren't going to stop making music. People listen to music; they aren't going to stop listening to music. All a rights holder like Sony, Warner, or Universal has to do is say, 'Fuck you, pay me.'"

The directive that ends this eloquent summary of music business practices is a reference to the classic mafia film *Goodfellas* (Scorsese, 1990). Henry Hill, the protagonist, is describing how the mafia extorts small businesses in exchange for protection, extracting profit without regard for the health of the business: "But now the guy's gotta come up with Paulie's money every week, no matter what. Business is bad? 'Fuck you, pay me.' Oh, you had a fire? 'Fuck you, pay me.' The place got hit by lightning? 'Fuck you, pay me.'" The comparison is apt; with only three labels and four tech companies, the extortion of rent on extensive catalogs of music, particularly from streaming platforms, is akin to a cultural cartel enacting mass theft of creativity.

The result of this financialization and consolidation in the music industries has been lucrative for corporations and superstar musicians, but devastating for average musicians. Inequality and exploitation are rampant. A Citigroup report found that the U.S. music industry generated $43 billion in 2017, but artists received only 12 percent, and that includes the superstar musicians taking the lion's share.[79] Within that meager 12 percent, the top 1 percent of artists accounted for 77 percent of all recorded-music income in 2014;[80] by 2020, the top 1 percent were accounting for 90 percent of streams and the top 10 percent of artists accounted for 99.4 percent.[81] Similarly, a UK government report found the top 0.1 percent of tracks between 2016 and 2020 accounting for more than 40 percent of all streams, the top 1 percent accounting for 75–80 percent, and the top 10 percent accounting for 95–97 percent.[82] This stratification is not just in recording, but in the live sector as well. Ticket prices and sales have surged in the past two decades, with average ticket prices far outpacing the consumer price index, as seen in figure 3.7. This partially accounts for why artists depend on live performance more than ever, but live revenues are also becoming more and more concentrated. As seen in figure 3.8, the top 1 percent of live performers earned 26 percent of worldwide concert revenue in 1980, but that market share had climbed to 60 percent by 2017, taking in more revenue than the bottom 99 percent combined.[83] The top 5 percent of artists also increased their share of the pie, from 62 percent to 85 percent, which means that the market share for the remaining 95 percent—the vast, vast

FIGURE 3.6. Extortion in *Goodfellas* (Martin Scorsese, 1990).

majority of working musicians—has decreased from 38 percent of the market in 1982 to just 15 percent in 2017.[84] Meanwhile, the average American musician made only $21,300 from their craft in 2018, and 61 percent report that music income is not sufficient to meet their living expenses.[85] The experience of the top executives and financial vultures in the music industry is somewhat different: when UMG went public through an IPO in 2021, executive Vincent Bolloré's stake was worth nearly $10 billion and Bill Ackman's Pershing Square hedge fund held a $5.4 billion stake.[86] Daniel Ek, cofounder of Spotify, has amassed over $4 billion dollars by paying musicians around $0.004 per stream.[87] In 2022, Live Nation CEO Michael Rapino had the biggest paycheck and the widest CEO-to-worker pay gap

FIGURE 3.7. Concert ticket prices vs. consumer price index, 1985–2017. Data: Pollstar Boxoffice Database; Bureau of Labor Statistics; Krueger, 2019.

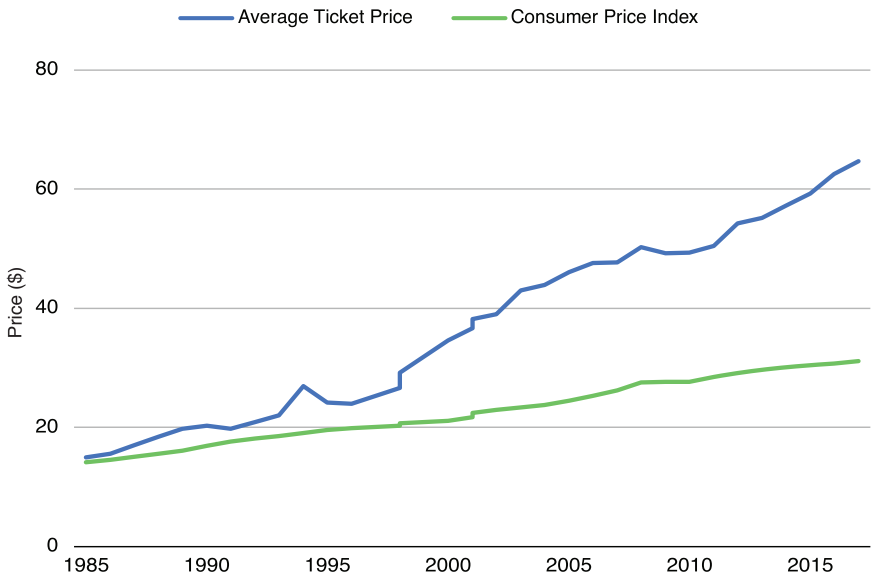
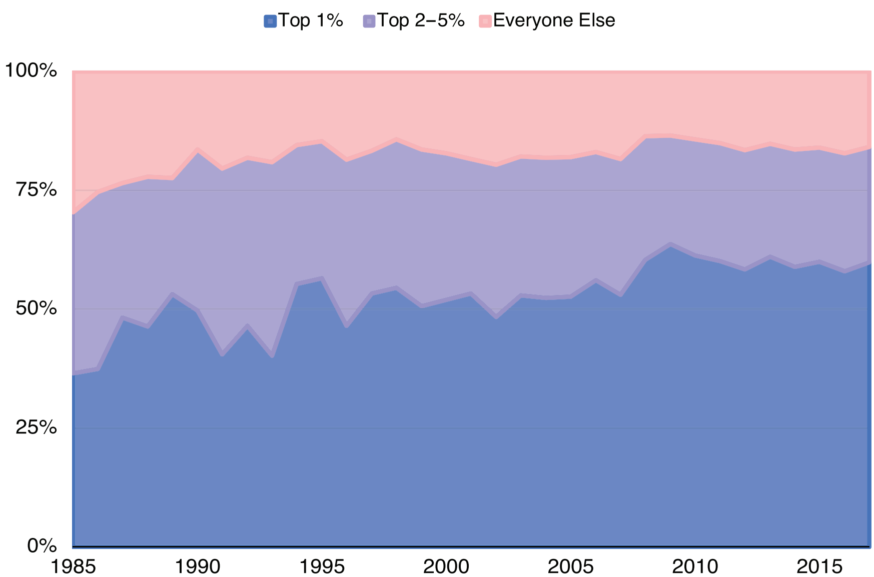


FIGURE 3.8. Share of concert ticket revenues accruing to top musicians, 1985–2017. Data: Pollstar Boxoffice Database; Krueger, 2019.



of any Fortune 500 executive, with $139 million, 5,414 times as much as his firm's median pay.[88]

Amid this inequality in a gilded age of music, listener data are showing a reduction in the diversity of music across many vectors of gender, class, and ethnicity. A report on Spotify's most-streamed artists in 2018 indicates that all of the top artists are men.[89] A deeper analysis of six hundred *Billboard* Hot 100 songs from 2012 to 2017 found an average of 16.8 percent female performers, 12.3 percent female songwriters, and only 2.1 percent female producers.[90] A UK study found that only 12 percent of musicians in 2019 were from a working-class background, down from 20 percent in previous years; women and people of color were further disadvantaged.[91] In Canada, female artists make 82 cents for every dollar made by male artists, while Indigenous artists make only 68 cents on the dollar.[92] Power in the music industries is increasingly held by financiers with no incentives other than a return on investment, and the diversity and heterogeneity of our musical culture is under threat. "What had once been a public good and a native form of 'ritual communication' for our species," laments Aram Sinnreich, has "been successfully commodified, and then monopolized by a multibillion dollar cartel."[93]

Beyond commodification and monopolization, we are now faced with financialization and assetization. In another interview I conducted with an executive at one of the Big 3 record labels (again under condition of anonymity), he claimed that his company "does not hold any market power." His explanation was that Spotify controls streaming, iTunes controls downloads, iHeartMedia controls terrestrial radio, Pandora controls digital radio, and Live Nation controls concerts. Despite describing obvious examples of market power, there is some truth to his comment if one broadly conceives of one single music market, rather than many separate music industries, such as recording, publishing, licensing, live, retail, promotion, management, instrument manufacturing and sales, education, and so on. This consideration of a single market would go against much scholarship in popular music studies, as discussed earlier, but a single market is how the most powerful executives and financiers conceive of their business. Jonathan Sterne may be right to proclaim "there is no 'music industry,'" but not because there are "only many industries with many relationships to music."[94] Maybe there is no music industry because there's just a hedge fund.