

# **The Use of Internet File Sharing as a Form of Regulation on the Music Industry**

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In the midst of all the turmoil created by record companies now a days against file sharing and peer-to-peer services, the future of the music industry is a toss up. The true effects of downloading music for free are quite ambiguous. This is because true un-biased statistics are hard to come by. The RIAA, the leading resource for music industry statistics has the music production moguls' best interest in mind and may not be providing the most reliable data. There are two sides to the coin. The music industry feels that the recent decline in music sales is a direct cause of programs such as Napster, Kazaa and Limewire. They make themselves out to be the victims of pirating and illegal lost profits. On the flipside, file sharing has opened up worlds of new music and possibilities. Many people feel that it is a natural right to be able to get what they want to hear. It has made the costs of producing and distributing music much cheaper. Indie bands and unknown garage bands can become national hits overnight with the ability to put their work out into the world and have people access it. It has also opened up new technologies allowing gadgets such as the iPod by Apple to flourish. The term mp3 is synonymous with music. It seems that the stubborn ways of the music monopolies refuse to change with the times. I feel that their loss is directly related to their inability to adapt to this new world of fast traveling technology, instant satisfaction and free information. I even argue that file sharing is positive for musicians and especially the consumer. In this paper I will present insight into from where, and why the music industry has gone in this direction as well as where it is heading in the fore seeable future.

In this era of googles, youtubes and ipods, there is no wonder CD sales have gone down. This is a new age in which people want what they can get for the cheapest, easiest, and simplest way possible. We want what's convenient. We don't want to have stacks of CDs to switch around just to hear the song we want. Or we want to burn a compilation of the songs we want to hear onto one CD. People want to feel empowered by the things they use. There is no wonder that presented the option to search an almost unlimited database of free music for free to find sounds suitable to your tastes and ears that people will turn to that. Historically, music is presented to us by these big record companies, which get a cut of the money we pay for albums, to go out and seek out new, young and fresh talents, use the money that they have to develop them and produce quality music. This worked out well as we have seen in the 90's where we were presented with pop sensations such as Britney Spears, Nsync and the Backstreet Boys. However, in this new age, this will just not cut it anymore. Record companies have accumulated monopoly like power, artists and consumers alike were just used to working through record companies to get their music. Then the record companies in some sense started "shirking". They were no longer actively seeking out new talents and new forms of music and art. They chose instead to create mainstream, pop, generic sounding music to flood the radio. Banking on formulas of what have worked before to present the same thing in a different form and force-feed it to us. Creating one or two decent singles to build hype, then with no other way to access the other songs on an album, sell us 10 more trash filler songs on an album. However, with the turn of the twentieth century, new technologies came along, and people were no longer satisfied with mediocrity, they wanted to hear what they were

buying first, and at no cost if possible. The bottom line is, record companies abused their power, and it got old.

The pay to play system is being disbanded; I predict the radio will fall off as well unless they step their game up. The radio used to be a means for which the record companies would promote their artists. They have the money to pay radio stations to play their artists songs. But now with file sharing and youtube as well as many other ways to access new music, the radio is losing its usefulness. Unless they act independently of record labels and actively seek out new artists to promote, there will be no more money for them to make from advertisement because people will just stop listening. In fact the radio amongst younger generations has a negative connotation and is just another term for mainstream now.

I believe that it is in the best interest of the people for these monopolies to fall. Not only were they not actively seeking out new voices, they were stifling the content of what artists can say. They defined what you had to say to make it in the industry and this in some form is an infringement on the freedom of speech and the ability to express oneself. How many times have you heard about the negative effects of mainstream rap music on young children? Most of these rappers who make these negative songs are under the influence of their record companies. You can't make it in this industry rapping about conscientious things. Most of these rappers, who hail from poorer neighborhoods, are trapped into rapping about immaterial things as a way out of poverty. The main consumers of their rubbish are suburban middle classed kids. In a way, it is a trap to keep the poor where they are and in no way is it helping the development of middle class children either. With the coming of open sharing of networks and music, artists will no

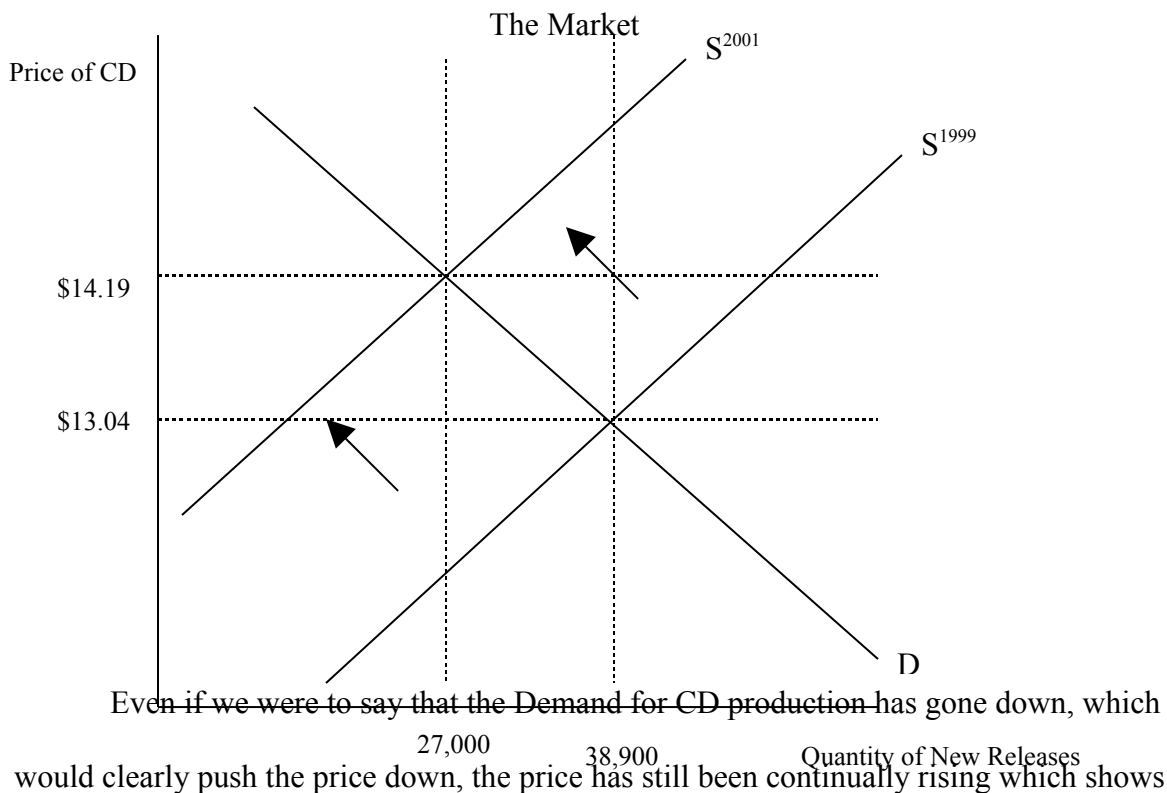
longer have to succumb to the dictatorship of record labels to make it in the industry. Although it is still hard to make it now, slowly this will be the step in the positive direction towards better music, better education and less ignorance.

Economically speaking, the Record Companies are making smaller and smaller profits. In some ways it's only natural that all firms will produce zero super normal profit in the long run. The record industries have had their run, yet they still cling on. Filing law suits against straggling file sharers. Suing up to 3,000 dollars per copy written song shared if caught. They have been influencing policy makers to put taxes on blank CD's and iPods to fight trends not in their favor. Although it is virtually impossible to stop someone from sharing files, there are means to finding a couple of people who do. Fining them money while millions continue file sharing defeats the purpose.

Recently I actually had an encounter with the RIAA. Agents such as the Clean Access by Cisco, which every student has to download in order to access the Internet here at Wesleyan, are used to catch file sharers. Being able to track people's activities. The message I received was, "This is a serious allegation. Infringement is actionable under federal copyright law and can result in the payment of damages of up to \$30,000 per infringing use. Damages could be increased to \$150,000 if the infringement is found to be willful. Criminal penalties are also possible." This happened because the RIAA tracked me downloading one song off utorrent. However in order to protect the students of Wesleyan, the University instead takes action and quarantines your Internet, then forces you to remove all file sharing software. After that they return your Internet, but if you get caught again, you lose your Internet on Wesleyan permanently and you are charged the fine. I think this scare tactic works, I definitely deleted all file sharing

software on my computer, but it does not put me in favor of record companies or buying their music either. In fact it angers me and makes me feel that my rights are being taken away. It doesn't work.

Yet when looking at the market as a whole it may just be the record companies damaging themselves. Statistics show that from 1999 to 2001 the record companies were annually putting out less new music. In 1999 there were 38900 new releases put out where as in 2001 there were only 27,000. Estimates for 2004 have them putting out only about 12,000 new releases. So from supply and demand economics we can see that they are supplying less music and thus this can account for the price increase that we see from 1999 to 2001 of \$13.04 to \$14.19. From cnn.com we see that the prices of CD's are now at an average of \$16.98.



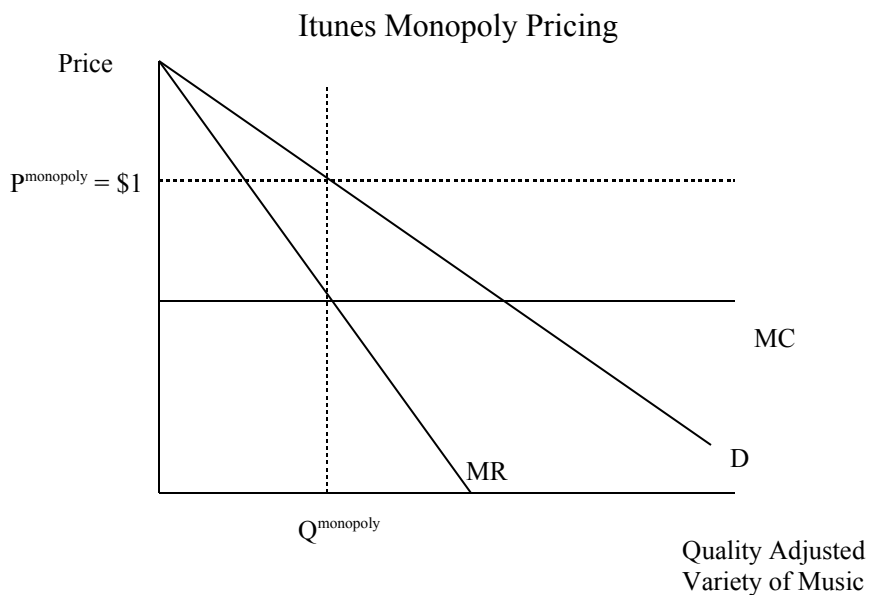
to actually do their job and seek out new talents instead of sticking to a script perhaps they would never be in this situation.

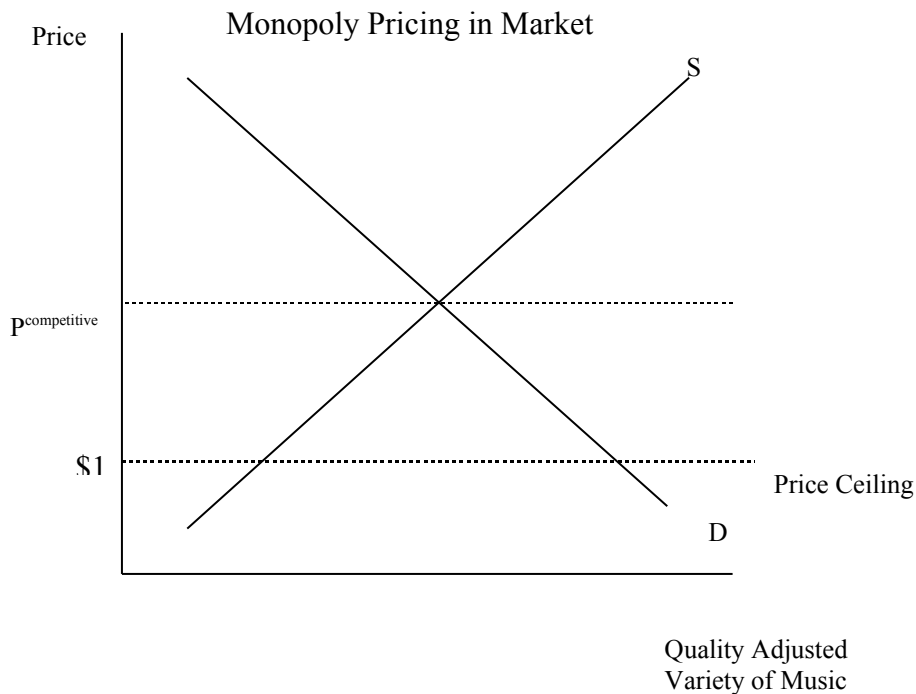
If we look at the music industry as a whole, in terms of seeing music as an art form and a profession, I think it is thriving. The demand for music itself, disregarding the demand for actual CD albums has increased enormously. We have induced much entry into this industry. There are over 50,000 independent bands on sites such as garageband.com alone. People are no longer stuck on pop sensations, but instead are focused on the quality of their music. Not many people have one favorite artist anymore they instead have a collection of favorite songs by many artists. That is because the lifespan of artists in the industry have become quite ephemeral. Artists stick around as long as they create music that is demanded and liked. This is the way that it should be in order to maintain competition. In fact its almost as if the artists are at perfect competition now instead of having artists acting as monopolies because record companies chose them to be generated into “superstars”. This is why we see many acts disappear in a year. Artists that show longevity are true stars and should be admired. Why else have we seen all the glamour of the 1990’s fall apart in ruins? Britney Spears is a laughing stock, Nsync has fallen apart but its lead member, Justin Timberlake, who possesses talent, has had the ability to stay relevant. So has file sharing destroyed music or improved the quality of music?

So where does the music industry head now? I believe the future of music belongs to whoever can harness the ability to access this infinite database of music and seek out new artists of personal choice and have it almost immediately, with the ability for

consumers to reward artists that do suit their tastes and likings. Apple has taken the first step in doing so by creating iTunes, which is highly profitable. I feel in order for this to truly happen the record companies need to stop fighting a downhill battle and embrace the future. If they can do so, there is always money to be made.

Right now, iTunes is slowly creating a monopoly. They own pretty much the biggest and most extensive online music-purchasing program with iTunes and they have made it only compatible with the iPod. This excludability should really be regulated because they have way too much power and are stopping others from being able to compete with them. Because of such monopoly power they are also capable of setting the price for a single song to be a dollar. Although this creates a lot of consumer surplus because the music is cheaper, it is actually creating dead weight loss. If there were competition for iTunes then the price would go up but also the variety of music available. Artists would get paid more properly and there would be a broader range of music to choose from.





Itunes is a movement in the right direction. In general it is a positive thing because it is creating an outlet for artists to get paid for their work as well as for the consumer to have instant access to a database of music. I think the next step would be for itunes or a competitor to have a more extensive or open network for music because as of right now itunes is working in sync with record companies. There needs to be a means in which itunes or some program does business directly with artists.

My idea is to have a program in which any artist can sign up with, their music is free to stream and listen to until they reach a certain amount of views. Once the artist is “certified” with enough views they can start selling songs. The idea is to sell as many

singles as possible. Singles are the best songs anyways so this improves the quality of music. Artists won't waste time making filler songs to fill up an album with. Then there should be bonuses for going "platinum" or reaching a certain amount of songs sold. This creates incentive for competition and putting out the best music.

Why do you think American Idol has been so successful and such a popular television show? People want new music and new talent! The basic premise of the show is to scour the nation looking for people with the talent to compete in the music industry and then let them be heard and seen on national televisions. People like Kelly Clarkson and Jordin Sparks became overnight sensations. Who knew there was so much talent out there that's never been exposed? Even losers on the show are able start careers after minimal exposure. There is much talent out there to be uncovered.

The future for musicians is changing as well. Artists are becoming savvier. They are becoming businessmen and women. Because of the lower costs of production many artists are capable of starting their own labels and recording their own music. They can break free of the bonds and censorship of record labels and start creating their own music and reach the masses through file sharing. By being able to obtain fame with more relative ease, they can use that power to make money.

So how do musicians make their money in the business? They clearly can't bring in big time paychecks from record label royalties or album sales like they used to. Rapper Beanie Siegel is quoted saying that he only makes 14 cents on every album he sells. So even if he sells 100,000 CD's, he will only make 14,000 off of it, which is really not a lot of money. Yet artists have been getting away with just putting out one album a year before because it was so profitable, back when the record companies had all the power,

and then vacationing the rest of the year. This is not fair either. So this file sharing has upped the competition. Artists put out more and more albums a year, some even putting out three in a year. It is a whole new ball game. Most artists will not touch a dime off their music anymore, but it's the power that their fan base, and celebrity status that will make them money. Look at rappers such as Jay-Z who started his own clothing line, Rocawear, or rapper, P. Diddy, who has his own clothing line, Sean John, his own cologne, "Unforgivable" and his own TV series "Making the Band". There are tons of artists who have followed in the same path. People who know how to use their "high demand" properly will not be at the short end of the stick.

One rapper who I feel characterizes the future of the music industry the most is, Southern New Orleans rapper, Lil' Wayne. Self proclaimed the "best rapper alive", and accepted by many as such, Lil' Wayne has taken a strange approach to his music and taken the industry by storm. In the year of 2007 Lil' Wayne put out 100 new songs. He flooded the market with his music and the thing is, he did it for free of charge. He put these songs on mix tapes and put them on the Internet for free. Knowing that his music would probably be downloaded anyways through the world of file sharing, he presented his work for the public to access without paying legally. Within hours, of him putting out a mixtape, there would be thousands of listens, and usually up to 50,000 listens by the end of the day on just one mixtape site, datpiff.com. Some of his best mixtapes have over 1,000,000 views on one site. He is a different kind of artist, the new type of artist that we will see more and more often. According to Lil Wayne himself, he creates two to three songs a day, working in the studio 8 to 10 hours a day like a real job. There are songs that

he has that have never been heard yet. And the catch is he has not put out an official album for two years. So how does he make money?

With his quirky ability to rap and amicable yet believable persona, Lil Wayne has brought us quality and quantity with accessibility. This has really increased his fan base as well as his demand from other artists. He makes thousands of dollars for just delivering a verse on someone else's song. Other artists know that he is in demand and highly popular so by collaborating with him, their music and name will gain a lot of exposure. Lil Wayne also craftily samples many successful artists from the past or uses the hot beats of other artists. "Lil Wayne's commercial releases are distributed by another major label, Universal, but, by posting his songs for free on the Internet and, in the process, acquiring new fans, he is proving that the established methods of distribution, like the established rappers, no longer rule. His recent releases have taken the form of mix tapes—compilations of original songs interspersed with tracks in which the artist records new lyrics over another artist's well-known beat—and they contain his best work to date" says the New Yorker. In doing this for free he also saves millions of dollars on not having to pay for the rights to samples because he is not doing it for profit.

Popular artists such as Lil Wayne are also used for advertising. The concept is simple, he is like a website that can generate a lot of traffic; people will pay for you to advertise their product on your page. Brand names will pay artists money to wear or shout out their product and make it cool and appealing. In numerous songs Lil Wayne is heard talking about his "Evisu Jeans", or his designer "Marc Jacob sunglasses" etc... These are the little loopholes that artists can use to accumulate large amounts of money.

Then there are still many traditional ways of making money for these artists such as appearances and touring. If you are popular enough, front row tickets to a concert can go for as much as 60 dollars. With a stadium full of people for one tour, millions can be made. Lil Wayne is also set to release his own brand name champagne soon.

Finally Lil Wayne has decided to put out an album, the critically acclaimed Carter III. Not only has the entire year of 2007 and his dominance help promote this album, which he alludes to in many songs, he has recently taken another step in revolutionizing album promotion through the internet. Through the streaming music player imeem, which is very popular, he has set up a competition to see who can make the best Lil Wayne playlist. Whoever creates the best playlist with 12 out of the 30 given songs will receive a free iPod touch fully updated with the Carter III. The competition goes up until the album release date in May. This is brilliant. There are 30 songs and it really has nothing to do with the combination you create, more than how many people you can get to listen to your playlist. There will be tons of fans and Internet users who will try to win this thus promoting his music and album. Everyone and their moms will have heard of Lil Wayne by the end of this. He encourages people to use any means to get more views and comments on their playlist. That means people will have blogs, upload torrents and promote their playlists on popular websites. People will make youtube videos that link to their playlists. This is good for him because he gets promotion for pretty much an iPod and one album. He probably doesn't even have to pay imeem to do this because it is a mutual relationship; he brings tons of traffic to imeem for them to make money off advertisement as well.

All this is evidence of artists using their demand and power to branch out into new things. They are exercising their hard earned fame and they are bravely adapting to the new world of information technology. I think for an artist to become a true super star in the future, they will need to be truly talented and dedicated to their art. There will be a huge spike in the amount of music available as artists will follow this trend and create a lot of music. Lil Wayne is the front-runner right now and is cashing in on his willingness to embrace this new age. Its not like Lil Wayne has a secret formula or something; he doesn't possess a "ricardian rent". He is just far more dedicated to his art and he is using the tools around him better. This leaves me to believe that other artists will follow in this path and cash in until the long run curve runs to zero again. The industry will definitely move in this direction and for the better.

In the wake of this movement will be the sluggish record label beasts that refuse to adapt. And like the dinosaurs they will slowly but surely parish because there will be no need or use for them. This process will not be quick but it's eminent. In fact a while ago Sony and Bertelsmann, both one of the two biggest record companies, merged. The merger was passed based on efficiencies from restructuring. In my opinion it is a desperate move to preserve more monopoly power, but in the end it will be useless. The Internet and this open web 2.0 world are coming and there is no turning back.

In short, what we see is a change in tastes and an improvement in efficiency. Music is moving back to an art form, back to a passion instead of a gimmick, a means to reap in large profits. The only way the music will stay in this most pure of forms is with competition amongst artists to put out the best product. This was not possible when the record companies held reign over the type of music put out. They limited the diversity

and the quantity and quality of music most heard. Selling only generic pop sounds that were once popular but now played out. There were not many alternatives for seeking out music. However with file sharing and the Internet, all that changed. The record companies got what they really deserved for not acting as perfect competitors and cutting corners by settling for generic instead of creative. Their attempts at maintaining the status quo are disgusting, pathetic and futile. And consumers were more than happy to move away from giving them money. So now, we're waiting for a new "middleman" between the listeners and the musicians. I believe it will be whoever can harness the intricacies and the infiniteness of possibilities with the Internet. In the meanwhile, consumers will keep downloading music for free until presented with an option to really reward the artists they like. Itunes is the first step in that direction. Artists will find new ways to make money through the Internet, new ways to gain popularity and listeners. They might even find themselves doing their own promotion through the Internet, now with the Internet, one person can reach the masses and it is definitely a possibility. These changes will continuously occur until the consumer, the middleman and the artists have a tool or means of working in sync once again.

**Here are some great alternatives and solutions I have found thus far:**

[Net Movie Downloads](#) – This is a database that is 100% legal. Membership allows you to unlimited downloads of mp3s, movies, music videos and even game consoles.

This is an alternative like itunes but you dont pay a fee for every single song you

download. With a database of 10 million songs among other things, this is a great solution for the avid music fan. Unlimited DVD burns, works with iPods, DVD players, etc...

[Mp3 Rocket](#) – Amazing music database, great alternative to itunes, it is better for the persons who download a lot of music.

[Video Piggy](#) – This is just an added bonus. This program allows you to download youtube videos and convert them to any file and then put them on your medium of choice. Youtube pretty much has an unlimited source of music, movies, etc... So being able to convert it and putting it onto your ipod, mp3 players etc is amazing. Take a look.

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