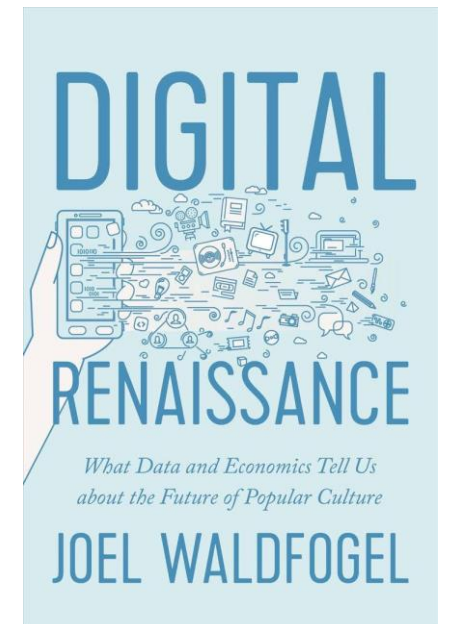




The Digital Renaissance in Books: 50 Shades of Dreck

Joel Waldfogel
Giessen Workshop on Book Market
November 14, 2019



Startseite > Wörterbuch > Dreck

Dreck, der



Wortart [INFO](#)

Substantiv, maskulin

Häufigkeit [INFO](#)



3. minderwertiges oder wertloses Zeug

Gebrauch

salopp abwertend

BEISPIELE

- das ist doch alles Dreck
- das ist ein Dreck dagegen (*das liegt in der Qualität weit darunter*)
- du kaufst auch jeden Dreck

DRECK

dreck

ALTERNATIVE SPELLINGS

drek

DEFINITIONS

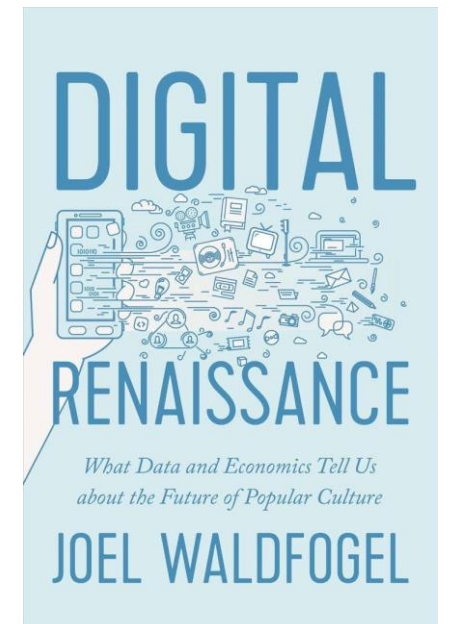
"Trash, junk, garbage; cheap or worthless things." (Rosten), sh*t



Digital Renaissance:

What Data and Economics Tell Us about the Future of Popular Culture

Joel Waldfogel

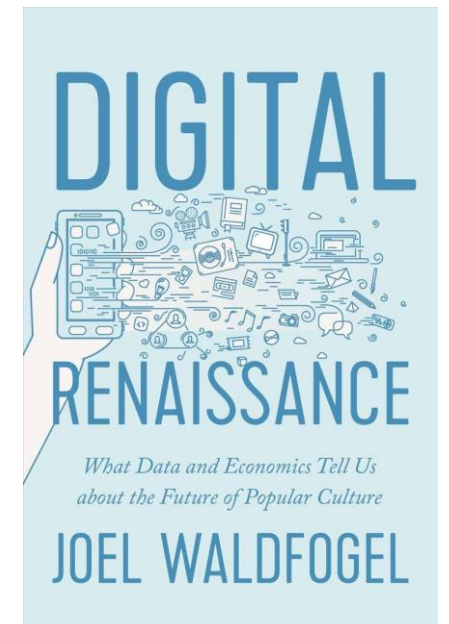




Digital Renaissance:

What Data and Economics Tell Us about the Future of Popular Culture

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“Digitization” and cultural industries

- The bad news: low-cost copying facilitates piracy
 - Napster and the revenue collapse
 - Streaming’s small payments per stream: another slap in the face?
- The better news: falling costs of production, distribution, promotion
 - Easier to bring new products to market without the investment and permission of traditional intermediaries

But amateurs/barbarians are storming the gates

- Threats to intermediaries – studios, labels, publishing houses – are threats to nurture and “adult supervision.”
- Critics deride amateur work
 - Andrew Keen: “All we have is the great seduction of citizen media, democratized content, and authentic online communities.” “No more Hitchcocks, Bonos, or Sebalds.”
 - Cory Doctorow (on self-publishing site Authonomy): an “open slushpile”
 - Jen Doll (on Fifty Shades): “*50 Shades of Grey* is a terrible book....The writing is stilted and relies on tropes that anyone who's ever sat through 15 minutes of a high school writing workshop would know to avoid. The characters are two-dimensional and stereotypical.”
- ***A cultural Stone Age on the horizon?***



Digitization and copyright

- Cultural products are expensive and risky
 - \$100 million per MPAA movie
 - Recording industry is very investment-intensive
- Without protection, hard to finance creativity
- Copyright grants creators monopoly rights to provide incentives for creative activity
- Monopoly is bad, but we accept the bad (higher prices, reduced consumption) to get a continued flow of new products
- ***Digitization reduces effective protection, and many believe we need stronger enforcement***

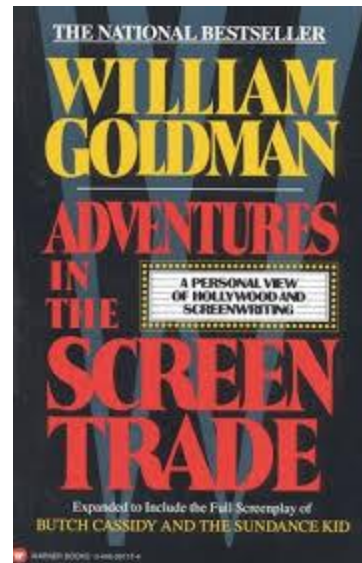
How would we know whether copyright is “working” after digitization?

- Standard question (“what’s happening to revenue of incumbent firms?”) would be sufficient if costs were constant
 - Piracy – by reducing revenue – threatens to curtail creation
- But cost reduction may render lower revenue sufficient
 - We have experienced offsetting shocks: horse race
- ***Better – hard – question: “what has happened to the quantity and quality of cultural products under digitization?”***



Might digitization *improve* quality?

- What does cost reduction do when “nobody knows anything”

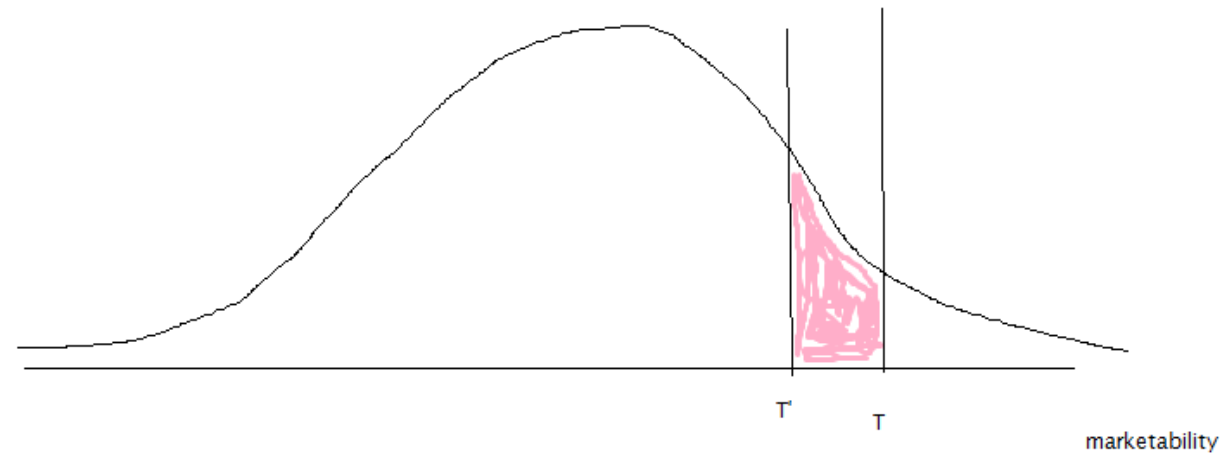


How might digitization improve quality?

- Investors make guesses about work's marketability
- Greenlight if expected revenue exceeds the cost
- If the number of new works rises (spoiler alert: it does), then:
 - ***What happens to the volume of “good” work available to consumers?***

Suppose marketability were predictable

- Then reduction in *cost* brings more products
- But they are of modest quality: *new threshold* < expected revenue (“*quality*”) < *old threshold*



But “nobody knows anything.” With unpredictability:

- Release all products with expected quality above new, lower cost threshold
- Result: more products with quality above the old threshold
- ***Release of products with less ex ante promise leads to a greater number of products with ex post success/value***

Four questions for discerning a digital renaissance from a cultural Stone Age

- More new products?
 - (“more stuff”)
- Can consumers and products find each other?
 - (“product discovery”)
- Do ex ante losers end up among ex post winners?
 - (“do losers get lucky?”)
- Are new vintages good compared with old?
 - (“golden age?”)

Let's go to the video...

- Music – canary in the coal mine
- Movies – a successful U.S. export industry
- Television – how we spend our time
- Books – a more elevated precinct?

- For each: how it worked, effects of digitization, then answers to questions
- ***Evidence-based approach***

Digitization in Music: Rock On?

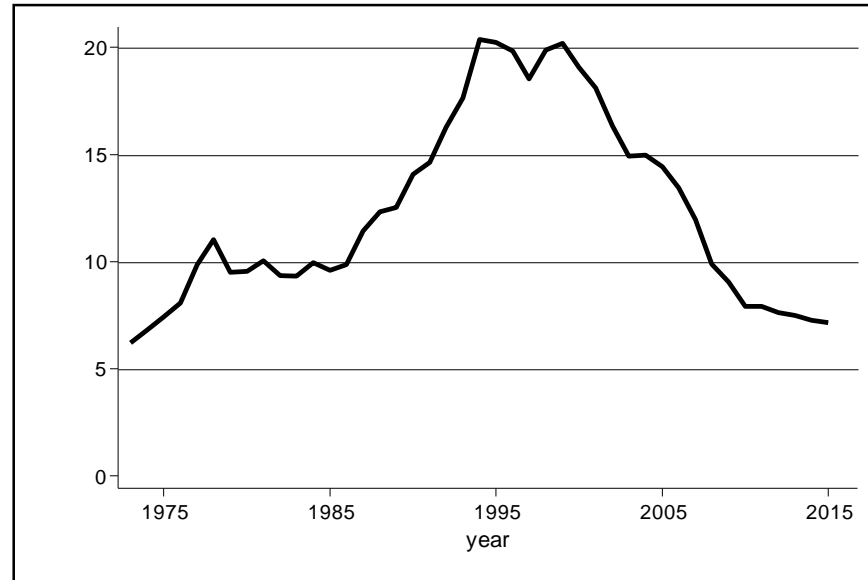
- How the business traditionally worked
- Lots of wannabees
- Tough slog for artists to convince gatekeepers – record labels – to invest
 - Beatles toured Germany, were rejected “nearly every label in Europe” before producer George Martin signed them to EMI’s Parlophone label in May 1962
- Large investments, as well as nurture
 - After two relatively unsuccessful albums, Clive Davis bankrolled 14 months of studio time for Born to Run
- Tough to get on radio (payola), into stores (limited shelf space)

Despite challenges, triumphs of art & commerce

Artist	Millions of albums sold (RIAA)	Rolling Stone Top 100 rank
1. GARTH BROOKS	148	
2. ELVIS PRESLEY	136	3
3. EAGLES	101	75
4. BILLY JOEL	82.5	
5. MICHAEL JACKSON	81	35
6. GEORGE STRAIT	69	
7. BARBRA STREISAND	68.5	
8. AEROSMITH	66.5	59
9. BRUCE SPRINGSTEEN	65.5	23
10. MADONNA	64.5	36
11. MARIAH CAREY	64	
12. METALLICA	63	61
13. WHITNEY HOUSTON	57	
14. VAN HALEN	56.5	
15. NEIL DIAMOND	49.5	
16. JOURNEY	48	
17. KENNY G	48	
18. SHANIA TWAIN	48	
19. KENNY ROGERS	47.5	
20. ALABAMA	46.5	

Artist	Album	Millions sold	Rolling Stone Top 500 rank
1. MICHAEL JACKSON	THRILLER	33	20
2. EAGLES	EAGLES/THEIR GREATEST HITS (1971 – 1975)	29	37, 368
3. BILLY JOEL	GREATEST HITS VOLUME I & VOLUME II	23	70, 354
4. LED ZEPPELIN	LED ZEPPELIN IV	23	69
5. PINK FLOYD	THE WALL	23	87
6. AC/DC	BACK IN BLACK	22	77
7. GARTH BROOKS	DOUBLE LIVE	21	
8. FLEETWOOD MAC	RUMOURS	20	26
9. SHANIA TWAIN	COME ON OVER	20	
10. THE BEATLES	THE BEATLES	19	10
11. GUNS N' ROSES	APPETITE FOR DESTRUCTION	18	62
12. BOSTON	BOSTON	17	
13. ELTON JOHN	GREATEST HITS	17	136
14. GARTH BROOKS	NO FENCES	17	
15. THE BEATLES	THE BEATLES 1967 - 1970	17	1, 10, 14, 392
16. WHITNEY HOUSTON	THE BODYGUARD (SOUNDTRACK)	17	
17. ALANIS MORISSETTE	JAGGED LITTLE PILL	16	
18. EAGLES	HOTEL CALIFORNIA	16	37
19. HOOTIE & THE BLOWFISH	CRACKED REAR VIEW	16	
20. LED ZEPPELIN	PHYSICAL GRAFFITI	16	73

Digitization pays a visit to music



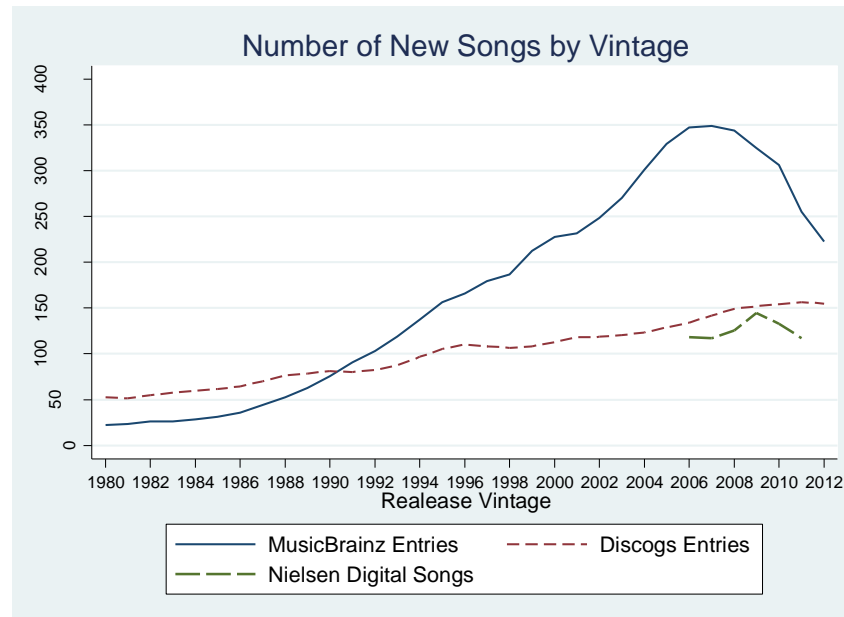
- Figure 2.1: RIAA Total Value of U.S. Music Shipments, 1973-2015

Was piracy the culprit?

- Short answer: yes
- Research response: a kerfuffle about whether file sharing cannibalizes sales
- Surprisingly hard question to answer
 - Oberholzer-Gee and Strumpf (2006), Rob and Waldfogel (2006), Blackburn (2004), Zentner (2006), and more
- Longer answer: yes - most believe that file sharing reduces sales
- On its own, this raises the call for stronger IP protection/enforcement

But costs fell

- Production: feasible with inexpensive equipment
 - Garage Band,...
- Distribution: \$10 to make your song available on iTunes via CD Baby
- And the number of new products has exploded



- Tripling in # of new products
 - Nielsen: 35k in 2000, 100k in 2010

Lucky losers?

- Do artist with less ex ante promise – who would not have made it to market prior to digitization – now achieve sales success?

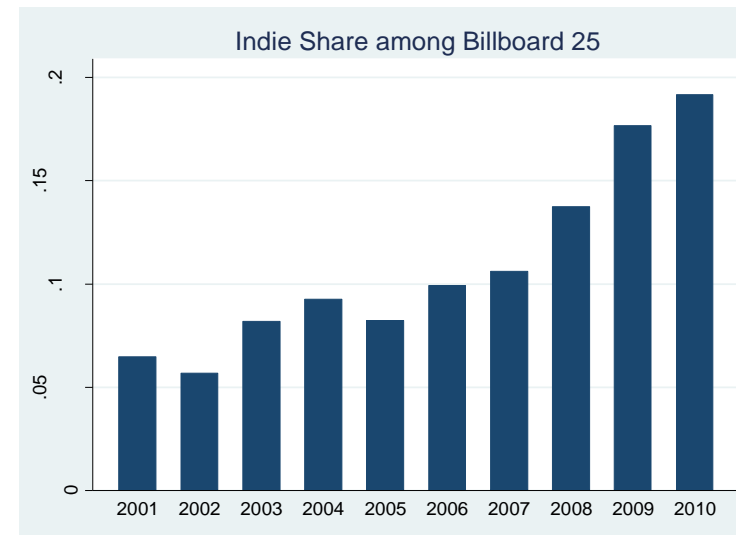
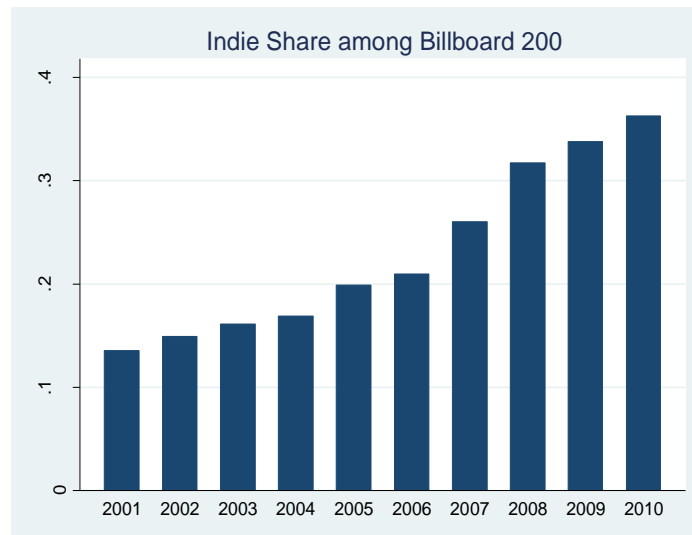
What's an ex ante loser in music?

- Two kinds of labels: majors (Universal, Warner, Sony, EMI) and independents
- Indies release “smaller” artists
- When successful, artists usually migrate to majors

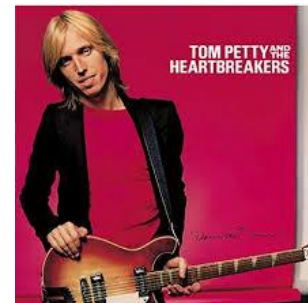
Artist - Major label debut album	Major label (parent company)	Former label
ARCADE FIRE - EVERYTHING NOW	Sonovox/Columbia (Sony)	Merge
BRAND NEW – THE DEVIL AND GOD ARE RAGING INSIDE ME	Interscope (UMG)	Triple Crown
BUILT TO SPILL – PERFECT FROM NOW ON	Warner Bros.	Up
DEATH CAB FOR CUTIE – PLANS	Atlantic (Warner)	Barsuk
DRIVE LIKE JEHU – YANK CRIME	Interscope (UMG)	Headhunter
GREEN DAY – DOOKIE	Reprise (Warner)	Lookout
GRIZZLY BEAR - PAINTED RUINS	RCA (Sony)	Warp
JAWBREAKER – DEAR YOU	DGC (UMG)	The Communion Label
MODEST MOUSE – THE MOON & ANTARCTICA	Epic (Sony/BMG)	Up
NINE INCH NAILS –THE DOWNWARD SPIRAL	Atlantic (Warner)	TVT
NIRVANA – NEVERMIND	DGC (UMG)	Sub Pop
QUEENS OF THE STONE AGE – RATED R	Interscope (UMG)	Loosegroove
R.E.M – GREEN	Warner Bros.	I.R.S.
SONIC YOUTH – GOO	DGC (UMG)	Enigma
TEGAN AND SARA – THE CON	Sire (Warner)	Vapor
THE DECEMBERISTS – THE CRANE WIFE	Capitol (UMG)	Kill Rock Stars
THE REPLACEMENTS – TIM	Sire (Warner)	Twin/Tone
TV ON THE RADIO – RETURN TO COOKIE MOUNTAIN	Interscope (UMG)	Touch and Go
UNCLE TUPELO – ANODYNE	Sire (Warner)	Rockville
YEAH YEAH YEAHS – FEVER TO TELL	Interscore (UMG)	Toy's Factory

Lucky losers?

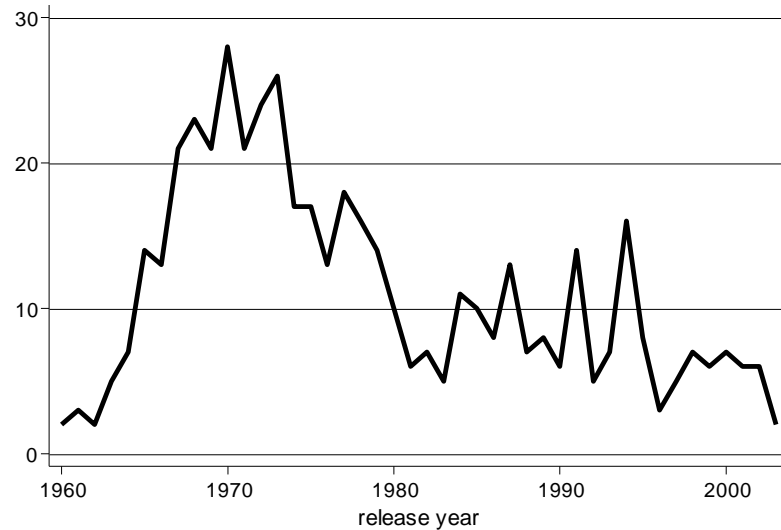
- Do artist with less ex ante promise – who would not have made it to market prior to digitization – now achieve sales success?
- Specifically, do indies account for a growing share of sales?



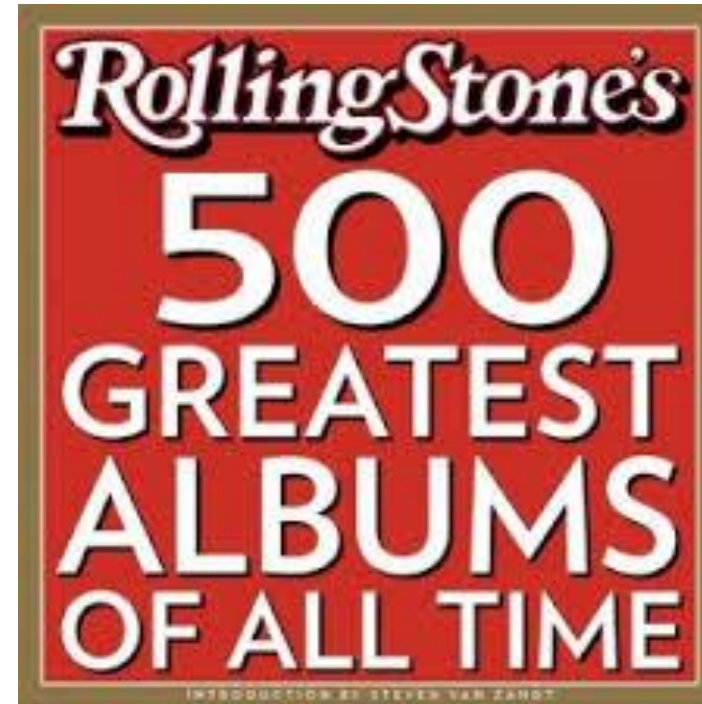
“Even the losers get lucky sometimes”



Is the new music good compared with the old? (critics)



Number of Albums from the Rolling Stone 500 Released Each Year



examples

1970

The Beach Boys (*Sunflower*)
 The Beatles (*Let It Be*)
 Black Sabbath (*Black Sabbath*)
 The Carpenters (*Close to You*)
 Cat Stevens (*Tea for the Tillerman*)
 Creedence Clearwater Revival
 (*Cosmo's Factory* and *Willy and the Poor Boys*)
 Crosby, Stills, Nash & Young (*Déjà Vu*)
 Miles Davis (*Bitches Brew*)
 Derek and the Dominos (*Layla and Other Assorted Love Songs*)
 Nick Drake (*Bryter Layter*)
 Elton John (*Elton John*)
 Grateful Dead (*American Beauty* and *Workingman's Dead*)
 George Harrison (*All Things Must Pass*)
 John Lennon (*Plastic Ono Band*)
 MC5 (*Back in the USA*)
 The Meters (*Look-Ka Py Py*)
 Van Morrison (*Moondance*)
 Randy Newman (*12 Songs*)
 Santana (*Abraxas*)
 Simon & Garfunkel
 (*Bridge Over Troubled Water*)
 Sly and the Family Stone (*Greatest Hits*)
 The Stooges (*Fun House*)
 James Taylor (*Sweet Baby James*)
 Velvet Underground (*Loaded*)
 The Who (*Live at Leeds*)
 Neil Young (*After the Gold Rush*)

1980

AC/DC (*Back in Black*)
 The Clash (*Sandinista*)
 The Cure (*Boys Don't Cry*)
 Joy Division (*Closer*)
 The Pretenders (*The Pretenders*)
 Prince (*Dirty Mind*)
 Talking Heads (*Remain in Light*)
 Bruce Springsteen (*The River*)
 U2 (*Boy*)
 X (*Los Angeles*)

1990

Depeche Mode (*Violator*)
 Jane's Addiction (*Ritual de lo Habitual*)
 Madonna (*The Immaculate Collection*)
 Sinéad O'Connor
 (*I Do Not Want What I Haven't Got*)
 Public Enemy (*Fear of a Black Planet*)
 Various Artists (*Girl Group Compilation*)

2000

Patsy Cline (*The Ultimate Collection*)
 D'Angelo (*Voodoo*)
 Eminem (*The Marshall Mathers LP*)
 Madonna (*Music*)
 Outkast (*Stankonia*)
 Radiohead (*Kid A*)
 U2 (*All That You Can't Leave Behind*)

Strong concordance of opinion across lists

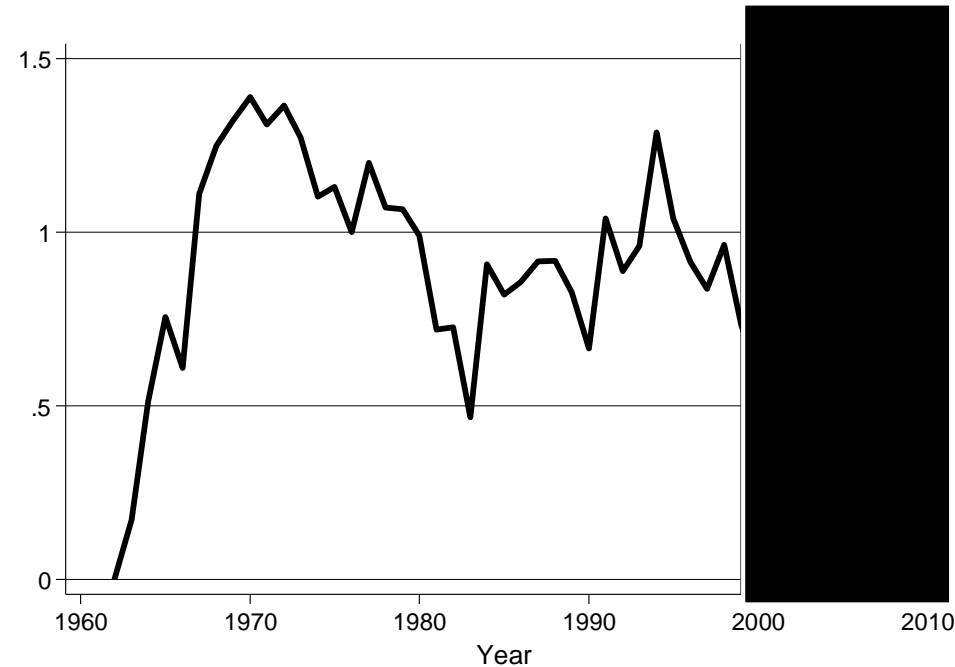
The Ten Most Critically Acclaimed Albums of the 2000s

Rank	Artist	Album	Year	Number of Lists	RIAA Sales (millions)
1	Arcade Fire	<i>Funeral</i>	2004	47	0.5
2	Radiohead	<i>Kid A</i>	2000	47	1
3	The Strokes	<i>Is This It</i>	2001	45	0.5
4	OutKast	<i>Stankonia</i>	2000	37	5
5	Wilco	<i>Yankee Hotel Foxtrot</i>	2002	36	0.5
6	LCD Soundsystem	<i>Sound of Silver</i>	2007	34	
7	Jay-Z	<i>The Blueprint</i>	2001	34	2
8	Radiohead	<i>In Rainbows</i>	2007	30	0.5
9	The Flaming Lips	<i>Yoshimi Battles the Pink Robots</i>	2002	29	0.5
10	The White Stripes	<i>Elephant</i>	2003	29	1

Source: Author's creation, based on 56 "best-of-the-2000s" album lists from North America and the United Kingdom. RIAA sales as of 2017.

What happens to the critic-based quality index?

Voila: quality
does not fall
after Napster



Index is falling prior
to Napster

Post-Napster
constancy is, if
anything, a
relative
increase

Figure 2.4: Music Quality Index Based on Critics
Source: Waldfogel (2012).

Is new music good? (usage-based approach)

- Measure of vintage “quality” based on service flow/consumer decision
 - Sales and airplay
- Idea: *if one vintage’s music is “better” than another’s, its greater appeal should generate higher sales or greater airplay through time, after accounting for depreciation*
- Data: airplay 2004-2008 by vintage; sales 1970-2010, by vintage (RIAA, Nielsen)

Geeky details

- Define $s_{t,v}$ = share of vintage v music in the sales or airplay of music in period t .
 - For a given year t , s varies across vintages because of depreciation and **variation in vintage quality**
- Regress $\ln(s_{t,v})$ on age dummies, vintage dummies.
 - Allow flexible depreciation pattern
- ***Then: vintage dummies are index of vintage “quality”***

Usage-based indices: **airplay** and **sales**

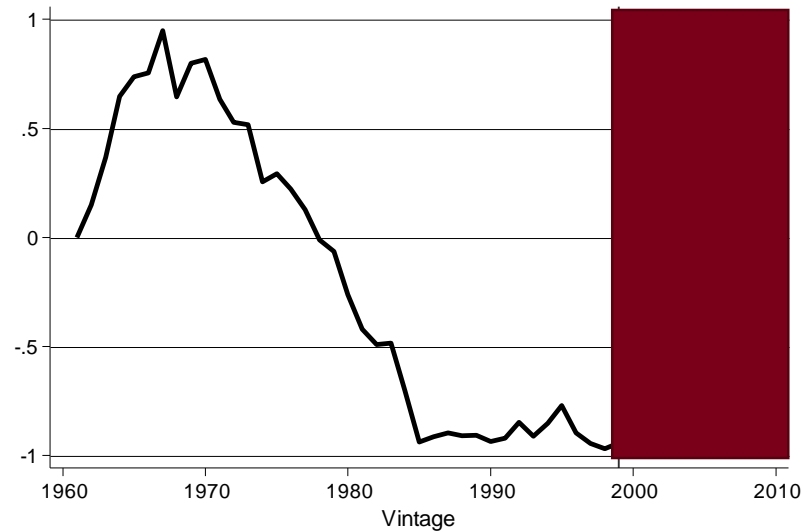


Figure 2.5: Music Quality Index Based on U.S. Airplay

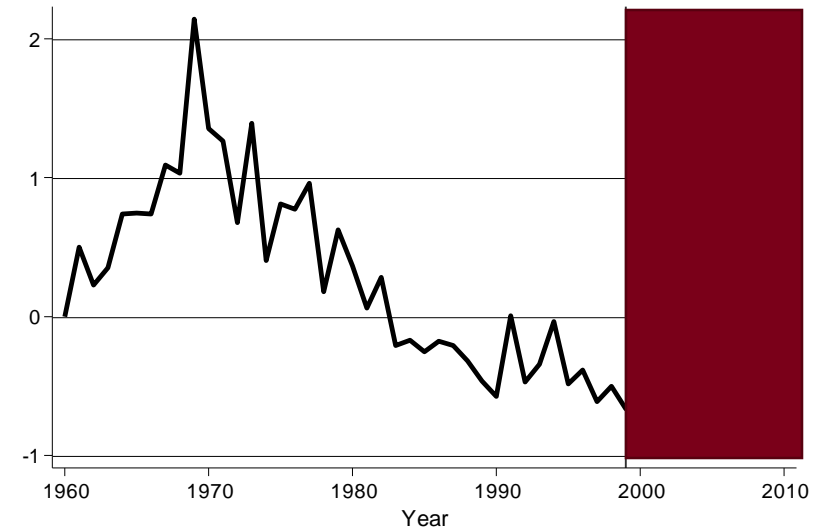


Figure 2.6: Music Quality Index Based on RIAA Sales Data

Bottom line: yes, a Golden Age in music

- No evidence that vintage quality has declined
- More compelling evidence that it has increased
 - Hard to know what it might otherwise have been
 - Golden vs platinum age
- Big contrast to IFPI/RIAA view
- [...on to books](#)

Digitization in Movies: Hollywood Ending?

- Big-deal industry for U.S.
- High investment: \$100 million per MPAA film
- Old model: since *Jaws*, attempted blockbusters, distributed in theaters on 1000+ screens
- Only high-expected revenue movies are sensible investments
- Release a few hundred movies per year. A few hits, popular around the world and on home video, finance the rest

Digitization arrives

- Piracy, yes. But no Napster-like collapse of revenue
- Instead, digitization is mostly cost reduction
 - Production costs fall due to inexpensive digital cameras
 - Distribution revolutionized by streaming
 - Amazon Instant, Netflix,....
 - No longer need a bunch of people near each theater to want a movie
 - Narrower-interest movies are viable
 - “awkward hipsters fumbling toward commitment”



Big growth in the number of movies produced

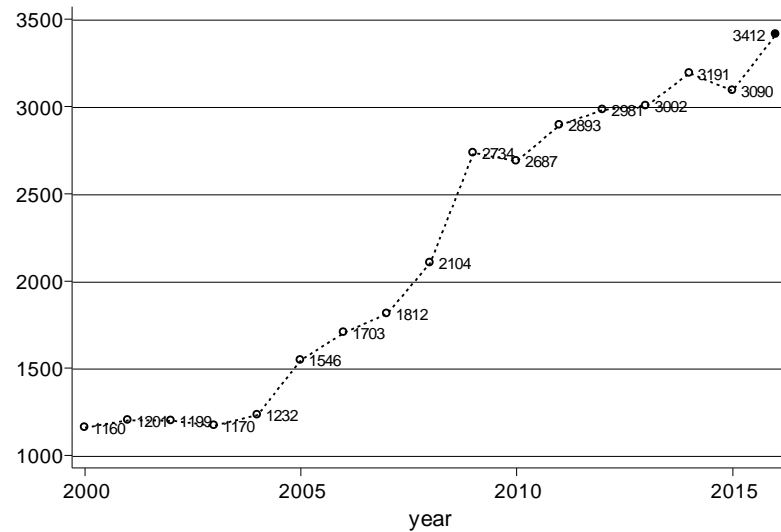


Figure 3.1: Growth of U.S. Origin Features, 2000-2016

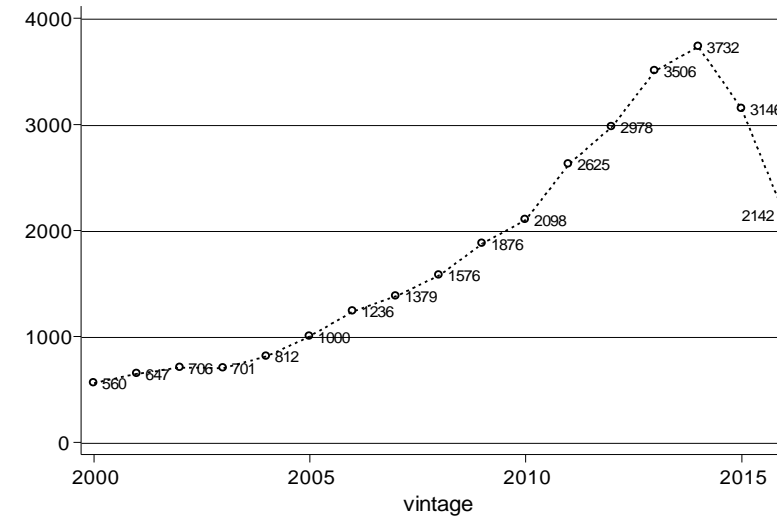


Figure 3.2: Movies Commercially Available by Vintage, 2000-2016

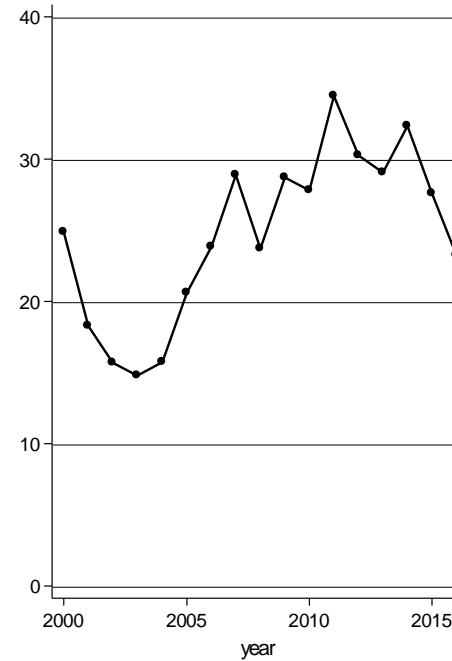
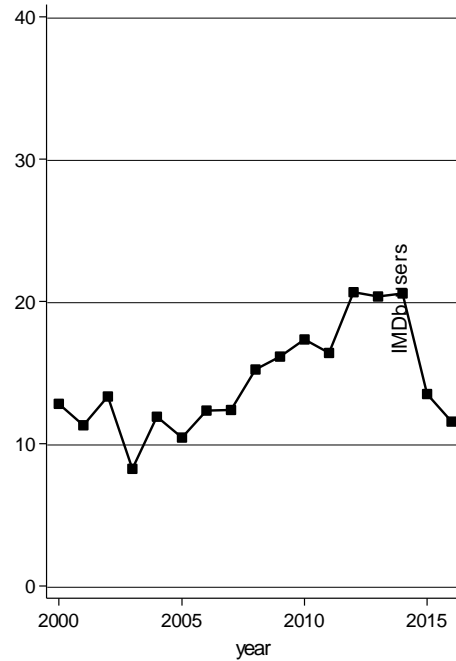
But what's a "movie"?



Lucky losers?

Independent Film
Percent of Box-
Office Revenue

(poor measure,
since indie movies
aren't in theaters)



Percent of Attention
(IMDb voter measure)
Received by
Independent Films, by
Vintage

Yes, indies account for growing shares of box office and attention

Is the new stuff good?

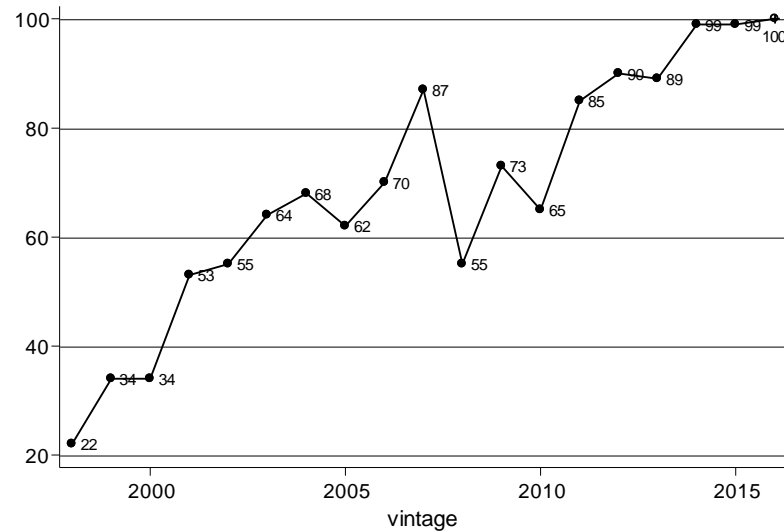
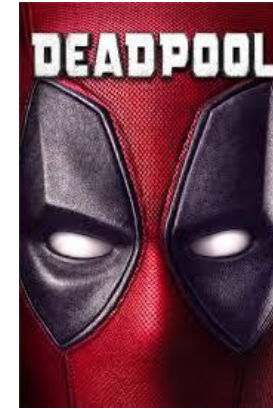


Figure 3.4: Movies in Rotten Tomatoes Scoring 84 or Higher, 1998-2016



- *Deadpool* got 84 on Rotten Tomatoes
- Construct a “*Deadpool* index”

By \approx 2010, 100 movies per year with 80+ on RT

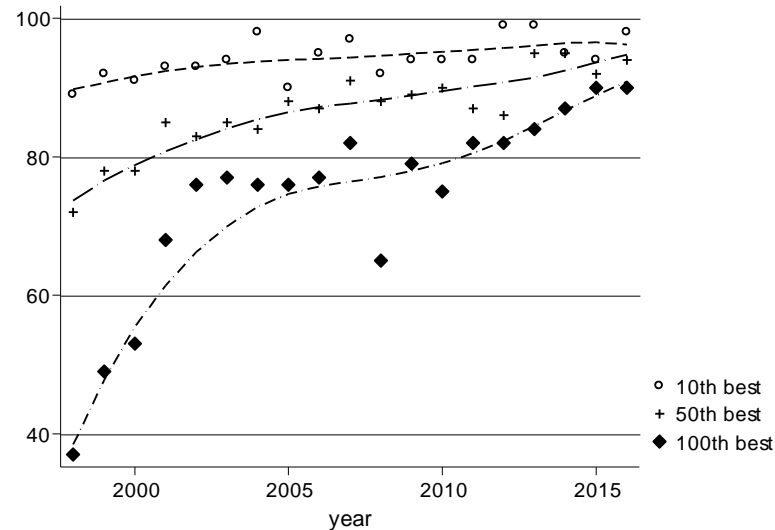


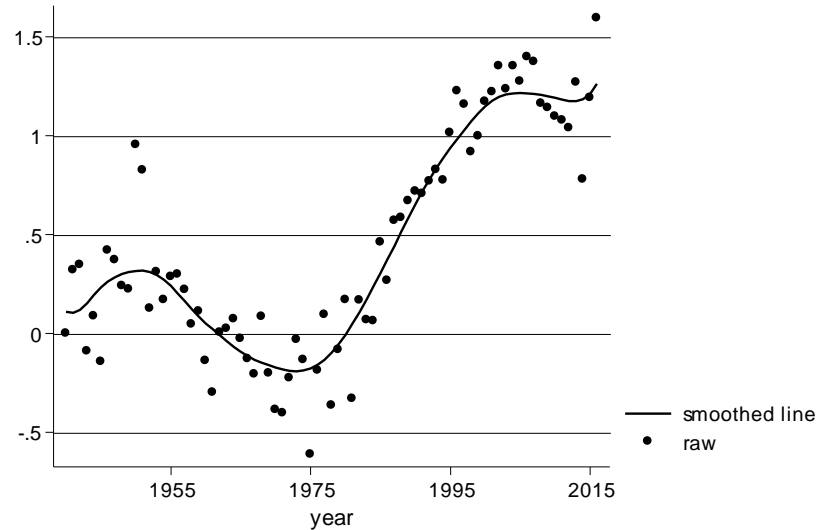
Figure 3.5: Critical Acclaim of the Top Movies in Rotten Tomatoes, 1998-2016

Manohla Dargis (2014): “Stop buying so many movies.”
 While “yes, there were good and great movies,there are, bluntly, too many lackluster, forgettable, and just plain bad movies pouring into theaters... ..distracting the entertainment media”

**The
New York
Times**

gets grumpy

Is new stuff good? Vintage approach using TV listings



Yes: quality is high. But growth in quality predates digitization

Figure 3.6: Movie Vintage Quality Based on TV Listings, 1940-2015

Digitization in Television: Has the Vast Wasteland Blossomed?

- Old world
 - Limited channel capacity (3 networks)
 - A few new shows per year, expensive to produce
 - Most of them fail (“nobody knows”)
- Then digitization arrives
 - Relaxation of distributional bottleneck
 - Cable, digital cable, internet
 - Falling production costs
- And what happens?

Explosion of new program production

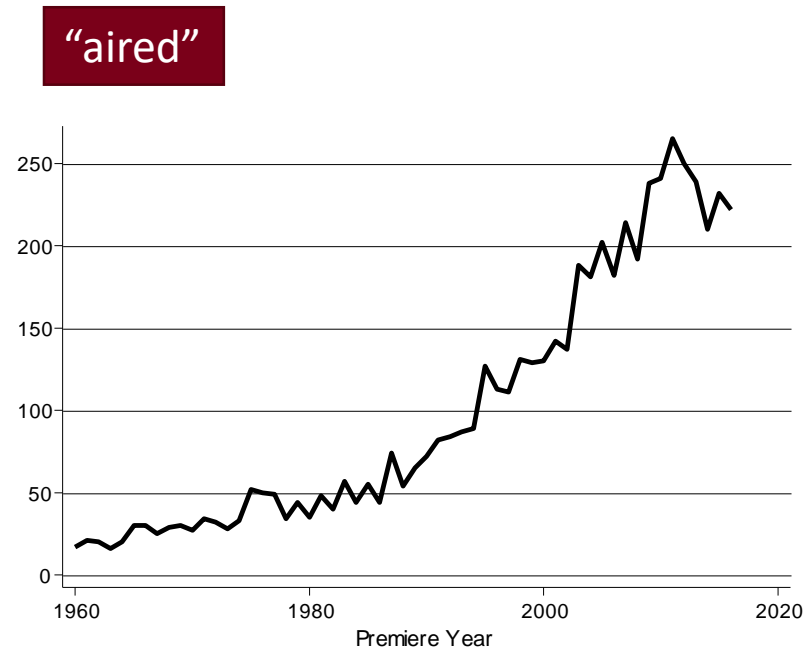


Figure 4.1: New U.S. Television Shows Introduced, 1960-2016

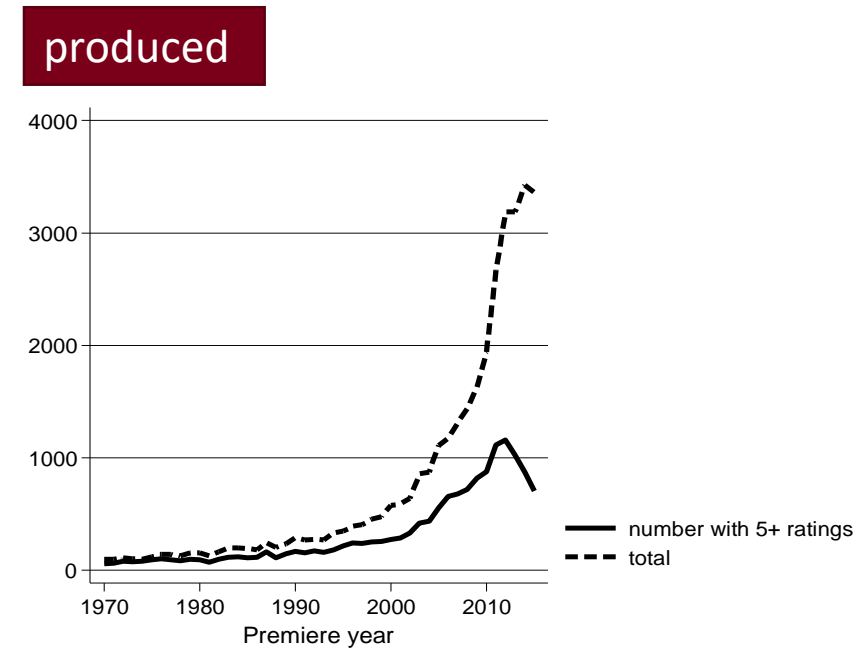


Figure 4.2: U.S.-Origin TV Series Production in IMDb, 1970-2016

Lucky losers?

Which shows become Emmy nominees?

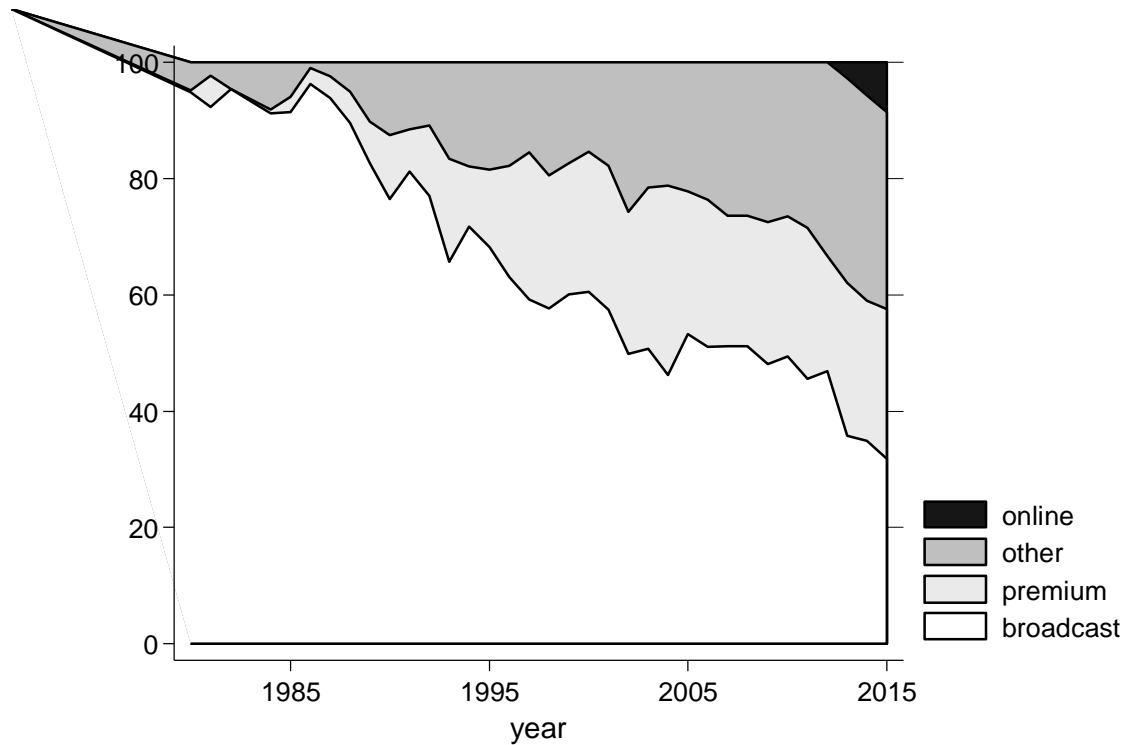


Figure 4.3: Emmy Nominations, by Program Source, 1980-2015

Shows from traditional broadcast networks used to dominate this indicator of quality.

Here, ex ante losers are shows originating outside of traditional networks

Growing shares from premium (HBO etc), other (e.g. AMC, FX), online (Netflix, Amazon)

Is the new stuff good?

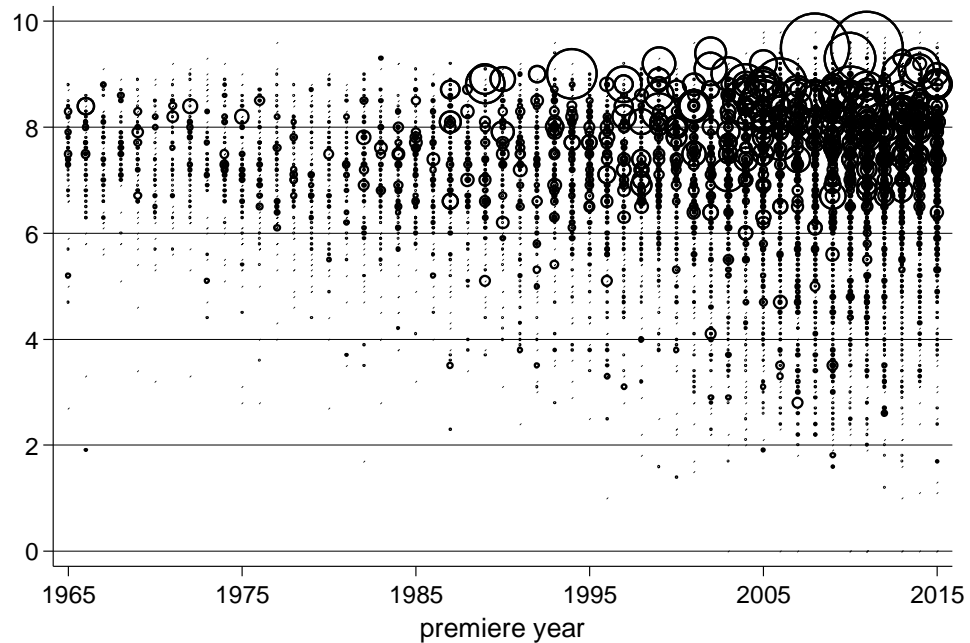


Figure 4.4: IMDb Ratings of New Shows, 1965-2015

A circle is a show. Size is reflective of popularity

What would we expect in a “nobody knows anything” world?

Growing range of qualities.
Popularity-weighted increase in quality

Digitization in Books: Fifty Shades of Dreck?

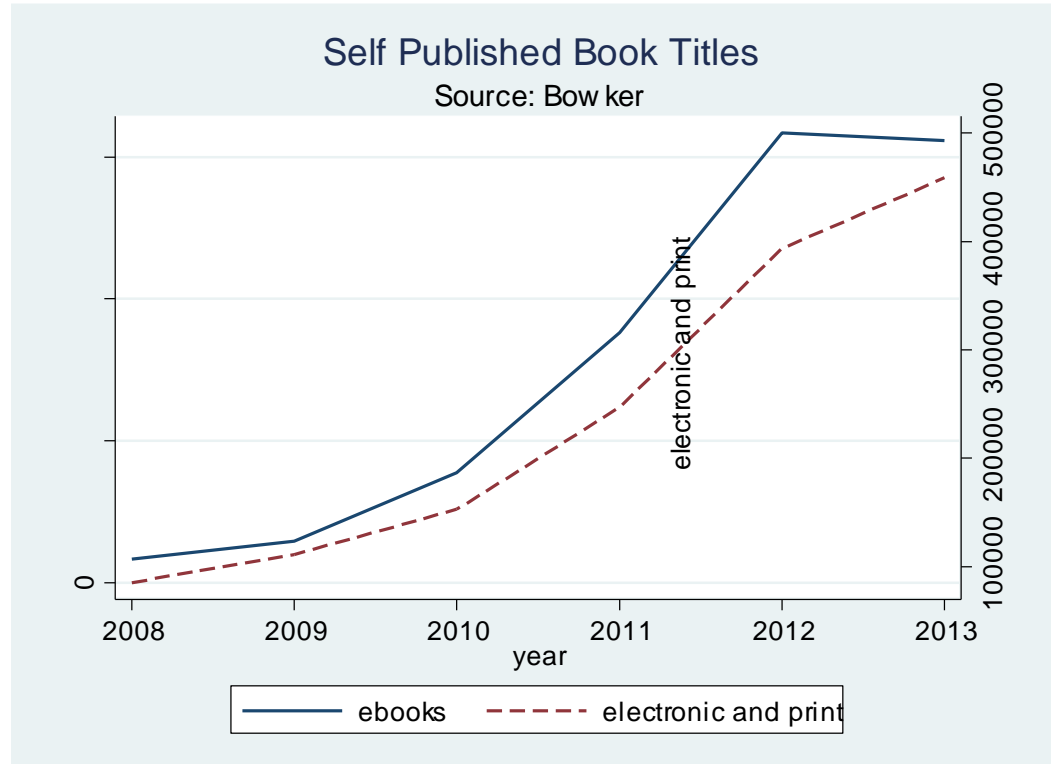
- Books: more serious medium
 - More concern about loss of nurture/curation
- Old model: write a book
- Then **try to** find an agent, get published, get edited & nurtured, get into stores, sell



Digitization in Books: Fifty Shades of Dreck?

- Books: more serious medium
 - More concern about loss of nurture/curation
- Old model: write a book
- Then **try to** find an agent, get published, get edited & nurtured, get into stores, sell
- Digitization
 - Self-publishing allows creators direct access to consumers
 - “storming the gatekeepers”
- Favorable royalty rate, but potential absence of “adult supervision”
 - Threat to culture

Lots of new, self-published books

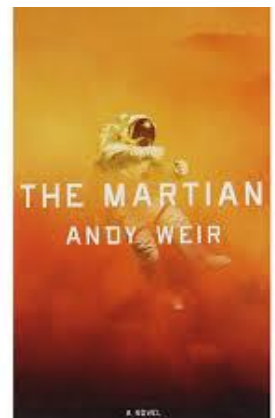
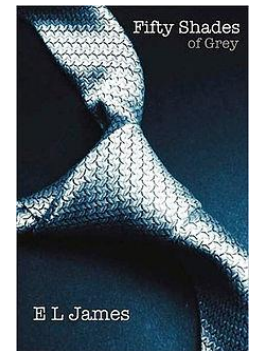


- In a nobody knows anything environment:
 - Lots of the new work is unappealing to consumers
 - But some would be successful



Notable commercial examples of self publishing

- *Fifty Shades* (E. L. James)
 - Self-published fan fiction, then “7-figure contract” with Vintage Books
 - Series sales of 125 million by 2017
 - Film based on first grossed \$570 million worldwide
- *Still Alice* (Lisa Genova)
 - neuroscience PhD author inspired by grandmother’s advancing Alzheimer’s disease
 - self-published through iUniverse
 - “A positive review caught an agent’s eye,” and Simon & Schuster acquired
 - #10 on the *USA Today* list
 - Movie made \$43 million worldwide, Julianne Moore got an Oscar
- *The Martian* (Andy Weir)
 - unable to get an agent or a publisher, he returned to programming.
 - 99 cent e-book attracted downloads. And Random House.
 - *New York Times* #1 bestseller and 20 weeks in the *USA Today* top 10
 - Film grossed \$597 million



There are lots of examples

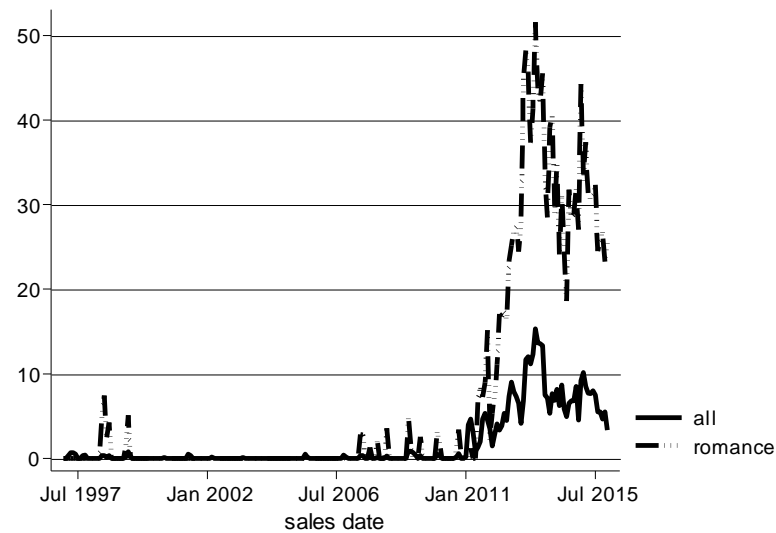
Top-Selling Self-Published Authors on *USA Today* List

Author	Author's top title	Number of weeks the author's top title was on the <i>USA Today</i> list	Number of times the author's titles appeared on the weekly <i>USA Today</i> list
E.L. James	<i>Fifty Shades of Grey</i>	179	604
Barbara Freethy	<i>Don't Say a Word</i>	17	120
Andy Weir	<i>The Martian</i>	85	85
H.M. Ward	<i>Damaged</i>	13	69
Amanda Hocking	<i>Switched</i>	15	60
Abbi Glines	<i>Fallen Too Far</i>	11	57
Jamie McGuire	<i>Beautiful Disaster</i>	33	52
Colleen Hoover	<i>Hopeless</i>	10	50
Michael Prescott	<i>Blind Pursuit</i>	16	48
Deborah Bladon	<i>Ruin</i>	6	43
Bella Andre	<i>Let Me Be the One: The Sullivans</i>	5	39
Lisa Genova	<i>Still Alice: A Novel</i>	32	36
Darcie Chan	<i>The Mill River Recluse</i>	34	35
Lara Adrian	<i>Lord of Vengeance</i>	4	33
Lisa Renee Jones	<i>Tall, Dark, and Deadly</i>	11	32
Jennifer Ashley	<i>Hard Mated</i>	4	29
Marie Force	<i>All You Need Is Love</i>	3	29
Jessica Sorensen	<i>The Secret of Ella and Micha</i>	13	28
J.C. Reed	<i>Surrender Your Love</i>	13	26
J.S. Scott	<i>The Billionaire's Obsession</i>	24	25
M. Leighton	<i>Down to You</i>	11	24
Denise Grover Swank	<i>The Substitute</i>	5	23
Kristen Ashley	<i>Soaring</i>	2	23
Chris Culver	<i>The Abbey</i>	16	21
Melissa Foster	<i>Bad Boys After Dark: Mick</i>	1	21
Melody Anne	<i>Seduced</i>	3	21
Rachel Van Dyken	<i>The Bet</i>	9	21

Source: Author calculations from *USA Today* bestseller list (undated).

Note: "Number of times the author's titles appeared on the weekly *USA Today* list" refers to the number of weekly list entries for all of the author's titles, so if the author had one title on the list for 7 weeks and another title on the list for 5 weeks, the number would be 12. It would also be 12 if two titles were on the list for the same 6 weeks.

Lucky losers in books: do they achieve sales success?



Lots of the books rejected by traditional gatekeepers finds significant ex post success

Astounding circumvention of gatekeepers

Figure 5.1: Percent of *USA Today* Bestsellers Originally Self-Published

It's not just



Anecdotal evidence of literary success

- Obstacles to legitimacy
 - Major awards consider only conventionally published books
- *The Revolution Was Televised* (Alan Sepinwall)
 - *NYT* review in 2012
 - Michiko Kakutani: “spirited and insightful cultural history ... a terrific book.”
 - Not on the *USA Today* bestseller list.
- *The Naked Singularity* (Sergio de la Pava)
 - the story of Casi, a child of Colombian immigrants who works as a public defender
 - self-published at Xlibris in 2008, got some reviews & Univ of Chicago Press republished it
 - won the \$25,000 PEN/Robert W. Bingham Prize for debut fiction
- *The Wake* (Paul Kingsnorth)
 - “a post apocalyptic novel set a thousand years in the past,”
 - crowd funded; eventually published by Unbound
 - *The Guardian*: “a literary triumph” & long-listed for the Man Booker Prize

So there are *examples* of self publishing piercing the literary world

Is self-publishing debasing our consumption?

- Lots of people are reading *Fifty Shades*
- Is it crowding out production or consumption of elevated work?
- Tough question. What's good stuff?



Man in Theatre Line: Oh really, really? I happen to teach a class at Columbia called "TV, Media, and Culture." So I think that my insights into [Mr. McLuhan](#), well, have a great deal of validity!

Alvy: Oh, do ya? Well, that's funny, because I happen to have Mr. McLuhan *right here*, so, so, yeah, just lemme lemme lemme — *[pulls McLuhan from behind a nearby poster stand]* — Come over here for a second. Tell him!

Marshall McLuhan: I heard what you were saying. You know nothing of my work. You mean my whole fallacy is wrong. How you ever got to teach a course in anything is totally amazing.

Alvy: *[To the camera]* Boy, if life were only like this!

- Role of Marshall McLuhan is played by NYT Notables

Good stuff among the commercially successful

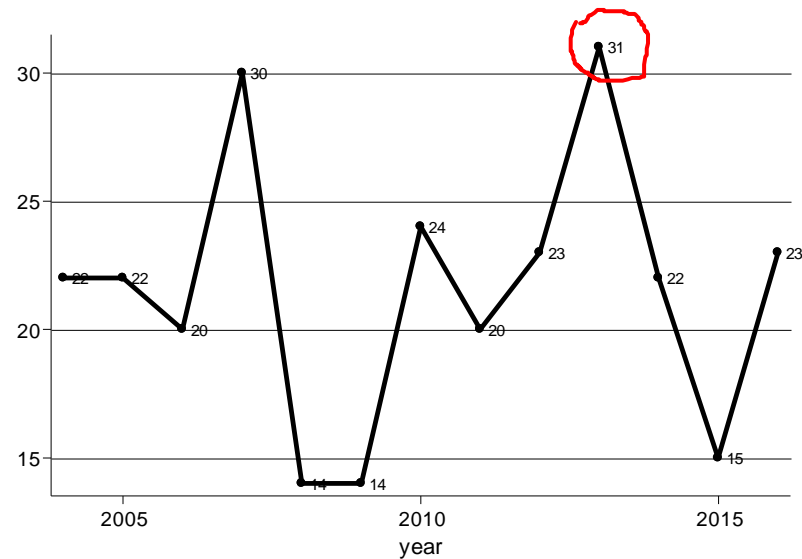


Figure 5.2: *New York Times* Notable Books Also on the *USA Today* Bestseller List

Table 5.4: Bestselling Books among the 2013 NYT Notable Books

Author	Title	Weeks on <i>USA Today</i> bestseller list
Donna Tartt	<i>The Goldfinch</i>	85
Stephen King	<i>Doctor Sleep</i>	27
Kate Atkinson	<i>Life After Life</i>	23
Elizabeth Gilbert	<i>The Signature of All Things</i>	15
Amy Tan	<i>The Valley of Amazement</i>	13
Ayana Mathis	<i>The Twelve Tribes of Hattie</i>	11
Doris Kearns Goodwin	<i>The Bully Pulpit</i>	10
Meg Wolitzer	<i>The Interestings</i>	8
Sonia Sotomayor	<i>My Beloved World</i>	8
Jhumpa Lahiri	<i>The Lowland</i>	8
Herman Koch	<i>The Dinner</i>	7
Eleanor Catton	<i>The Luminaries</i>	7
George Saunders	<i>Tenth of December: Stories</i>	7
Scott Anderson	<i>Lawrence in Arabia</i>	7
Rick Atkinson	<i>The Guns at Last Light</i>	6
Philipp Meyer	<i>The Son</i>	6
Dave Eggers	<i>The Circle</i>	5
Alice McDermott	<i>Someone</i>	4
Sheri Fink	<i>Five Days at Memorial</i>	3
Claire Messud	<i>The Woman Upstairs</i>	3
Jo Baker	<i>Longbourn</i>	2
Ari Shavit	<i>My Promised Land</i>	2
Joyce Carol Oates	<i>The Accursed</i>	1
Robert Kolker	<i>Lost Girls: An Unsolved American Mystery</i>	1
Margaret Atwood	<i>MaddAddam</i>	1
Thomas Pynchon	<i>Bleeding Edge</i>	1
Amanda Lindhout, Sara Corbett	<i>A House in the Sky</i>	1
Jane Ridley	<i>The Heir Apparent</i>	1
David Rakoff	<i>Love, Dishonor, Marry, Die, Cherish, Perish</i>	1
Eric Schlosser	<i>Command and Control</i>	1
Andrew Sean Greer	<i>The Impossible Lives of Greta Wells</i>	1

Shares of USA Today bestsellers that are notable, self-published, or neither

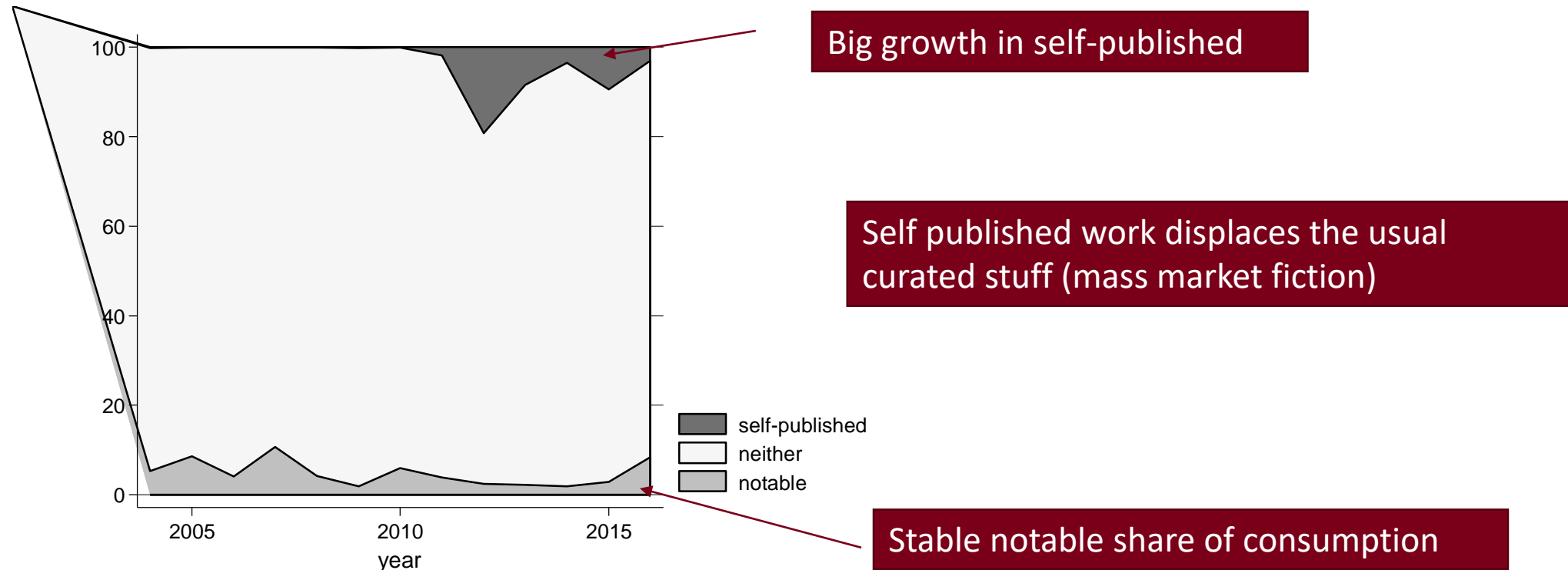
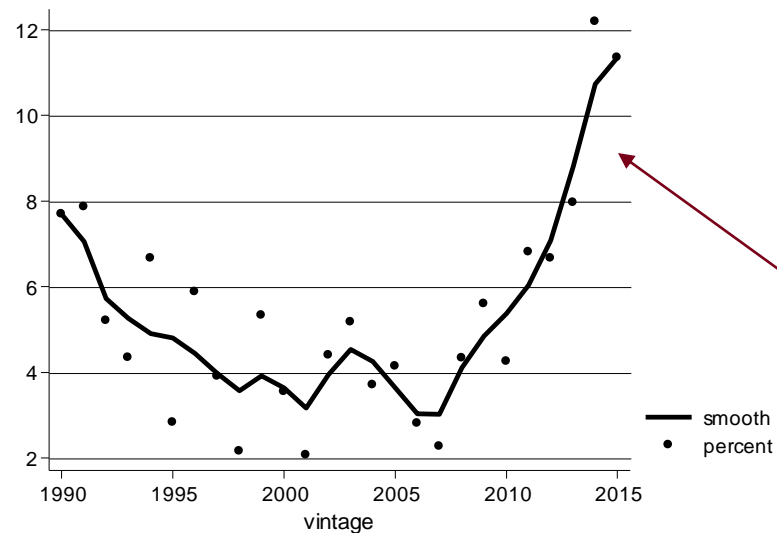


Figure 5.3: Self-Published and Notable Shares of *USA Today* Bestsellers, 2006-2016

Are the recent vintages appealing to consumers?



Of roughly 10,000 books on Goodreads "Best Ever List," what *share* are in the top 5 percent according to reader ratings

This really takes off with digitization: the Kindle era

Figure 5.4: Very Good Book Share of Goodreads Best, 1990-2015

Taking stock

- Where we started
 - Collapsing revenue in music
 - A threat to intermediaries and therefore a threat to nurture, adult supervision
 - The need for more IP protection
- But what happened
 - Cost reductions and lots of new products
 - Because of unpredictability, many of the new products are appealing to consumers
 - And the new vintages are good compared with the old
- Strong evidence in music, movies, television, and books
- ***We are experiencing a digital renaissance***

Additional topics

- How big a deal: conventional vs random long tail
- Digitization and globalization
- Digital good news
 - Bundling and the sale of zero marginal cost products
 - Digitization and the development of minor-league markets for discovering new talent
- Digital threats
 - Piracy – still a big deal, even if not an existential threat to creation
 - Globalization – Netflix, Amazon, & Spotify make more things available across borders
 - Cultural protectionists' nightmare. But good news for David. Or Goliath?

How big a deal is digitization?

- Standard view – digitization gives consumers access to **infinite shelf space**
- 1 million books at Amazon vs 100,000 in a large local book store
- ***What's it worth to get access to the additional 900,000 books?***
- (This the standard “long tail”)

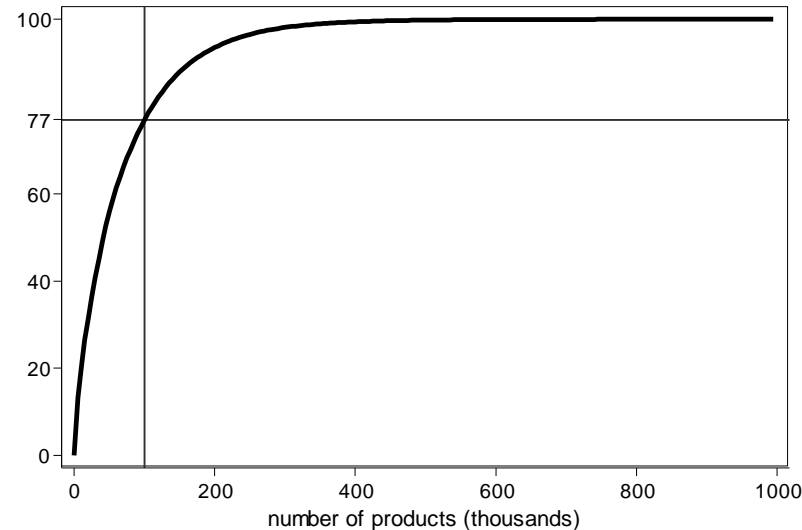
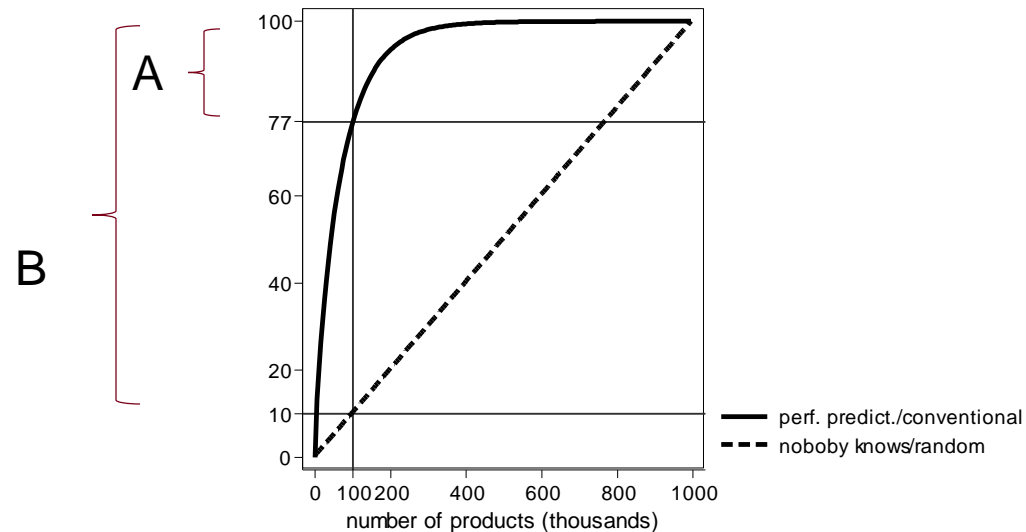


Illustration with made-up numbers.
(Real numbers coming in 2 slides)



New view: digitization allows more new products



With unpredictability, this is like taking draws from an urn

Suppose no predictability. Literally “nobody knows anything.” Then benefit grows linearly in # of products

What’s the benefit of tripling the number of new products?

Standard answer: A
My answer: B

We all know A is big. How big is B/A?

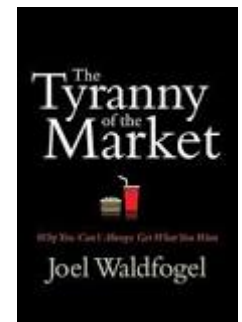
Where are we on the perfect predictability vs nobody knows scale?

- Study of digitization in music
 - Tripling in number of new products, 2000-2010
- Which third would have existed without digitization?
- If nobody knows, then newly existent products are just as good
 - Then $B/A \approx 300$
- Use factors predictive of new product success (past sales, artist age, label)
 - Can explain about a third of variation in realized success
 - Clear rejection of literal nobody knows
 - then $B/A \approx 20$
- Could quibble about numbers. But A is big.
- So B is enormous
- The **random long tail vs infinite shelf space**

[Jump to
digital good
news](#)

Digitization and globalization

- The cultural exception to free trade
- Cultural products have an exception to the general trend toward free trade (*l'exception culturelle*)
 - E.g. François Mitterrand in the 1990s
 - “Let us be on guard. If the spirit of Europe is no longer menaced by the great totalitarian machines that we have known how to resist, it may be more insidiously threatened by new masters – *economisme*, mercantilism, the power of money, and to some extent, **technology**. . . . What is at issue is the cultural identity of nations, the right of each people to its own culture, the freedom to create and choose one's images. . . . **A society that relinquishes to others its means of representation, is an enslaved society.**”
- Hence, European film subsidies, domestic radio quotas
 - (Aside: sympathy for preference minorities)



Along comes digitization



- Explosion of new products + ...
- iTunes Music Store: ubiquitous availability of wide catalog of foreign and domestic songs
 - No inventory costs
 - No stockouts
 - No restrictions on “airplay”
 - \$1 or €1 per song
- Spotify:
 - Similar, but \$0 or €0 per additional song
 - “digitization on steroids”
- *Cultural protectionist’s nightmare*



What has happened...

- ...to trade frictions?
- ...to the market shares of small and large countries (particularly the US) in the world market?

- (Mercantilist exercise)



Trade frictions have declined in the digital era

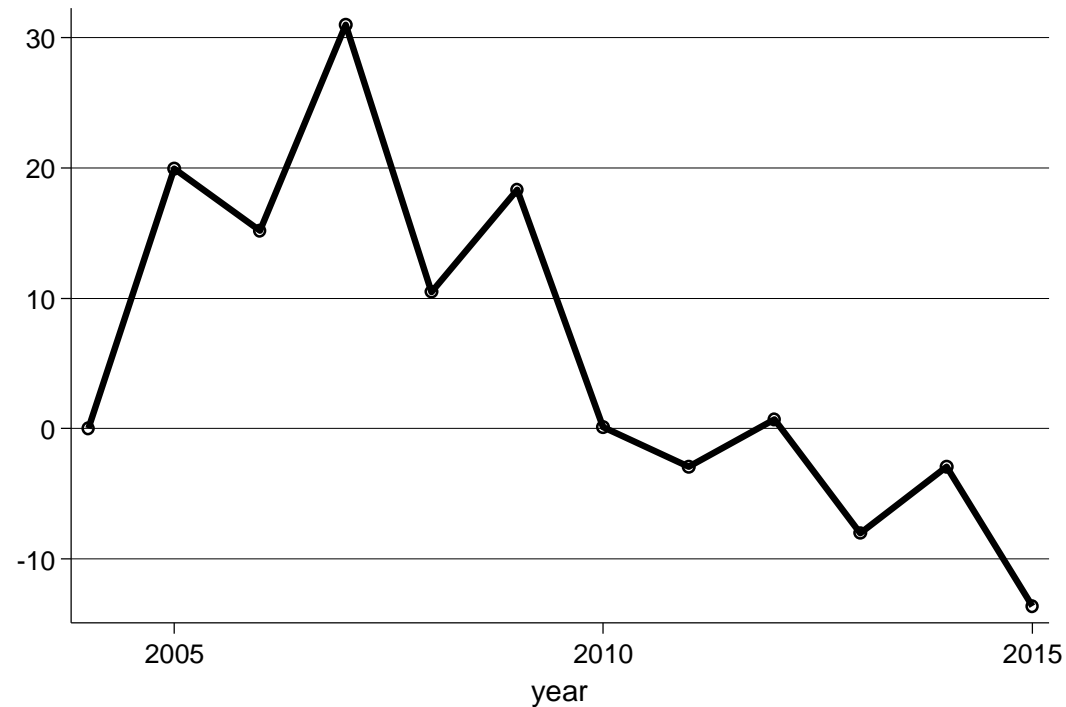
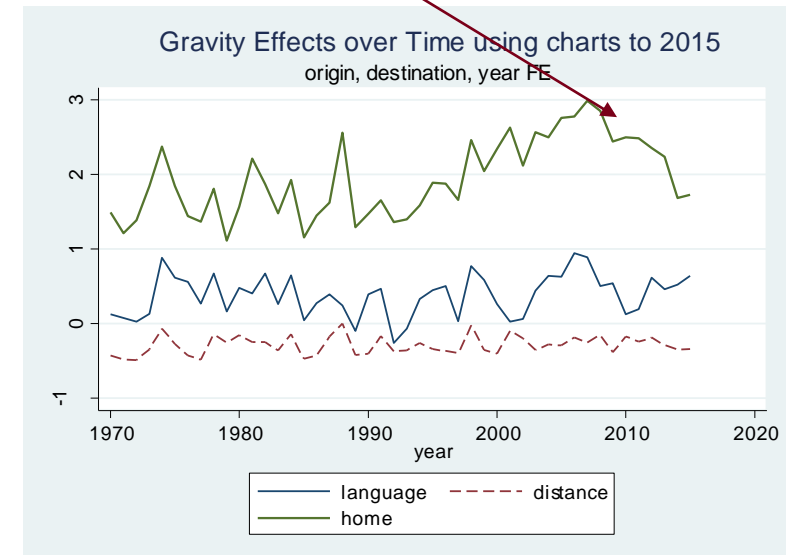


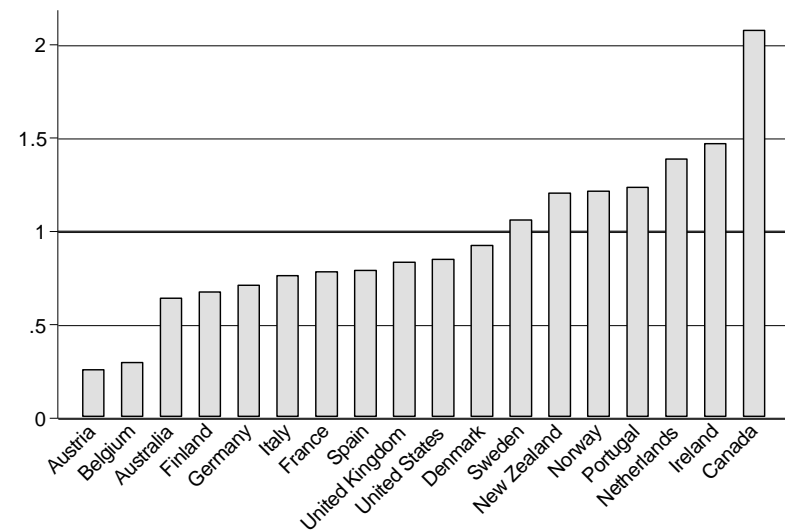
Figure 11.1: Evolution of Pop Chart Home Share, 2004-2015

The share of consumption that is domestic is a simple measure of trade “friction”

The domestic share has fallen, reversing a 25-year trend



Home shares on Spotify/Pop Charts '14-'15

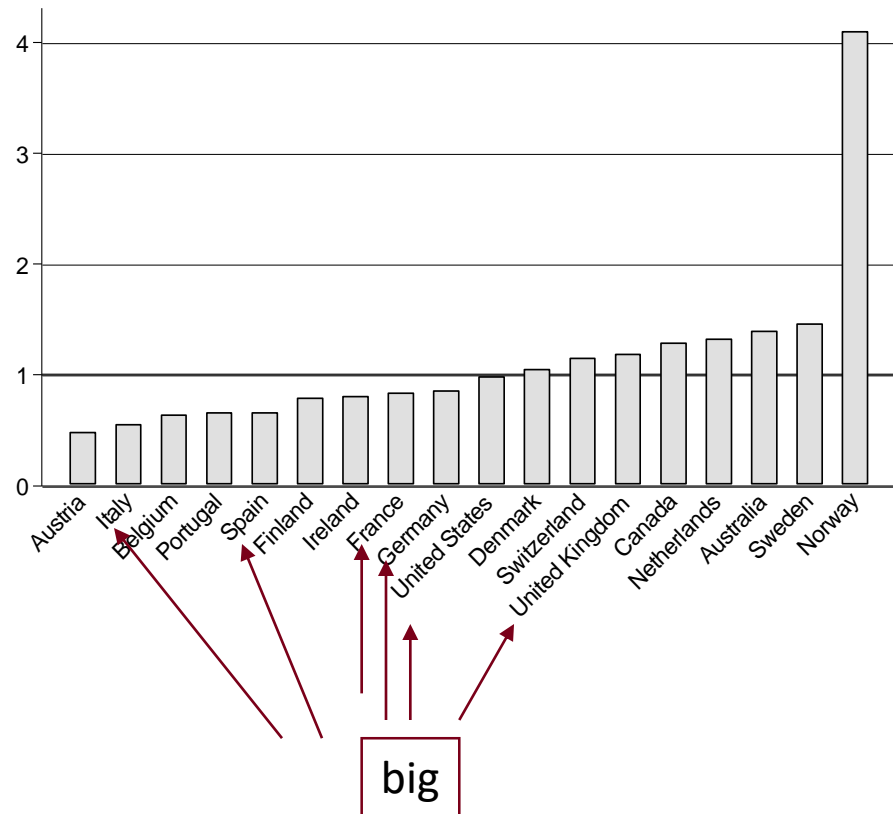


Lower home shares on Spotify suggest smaller friction with streaming

Streaming most “benefits” producers from Canada, Ireland, the Netherlands, Portugal, New Zealand, Norway, Sweden

Note: the figure reports the ratio of the average domestic share in the Spotify data, relative to the average domestic share in the pop chart data, for each country, 2014-2015. Domestic shares in the pop chart data are calculated from rank data that are transformed into quantities on the assumption that quantities are proportional to $1/\text{rank}$.

Origin shares: Spotify/Pop charts, 2014-15



Repertoires that do relatively better via Streaming: Norway, Sweden, Australia, Netherlands, Canada, Switzerland. And UK



Digital good news for Goliath

- Bundled subscription sales of zero marginal cost digital products and higher profits
- Digitization and minor league scouting



Bundling and profits

- Mini-lecture: two consumers and two songs. How much can I make selling the songs separately?

	"Close to You"	"Highway to Hell"	
Lola	\$0.70	\$1.00	
Max	\$1.20	\$0.80	

- "Close to you": charge \$1.20, make \$1.20. **Charge \$0.70, make \$1.40.**
- "Highway to Hell": charge \$1.00, make \$1.00. **Charge \$0.80, make \$1.60.**
- Selling separately, make \$3.00 overall.

Selling the products as a bundle

- Now how much can I make?

	"Close to You"	"Highway to Hell"	The bundle
Lola	\$0.70	\$1.00	\$1.70
Max	\$1.20	\$0.80	\$2.00

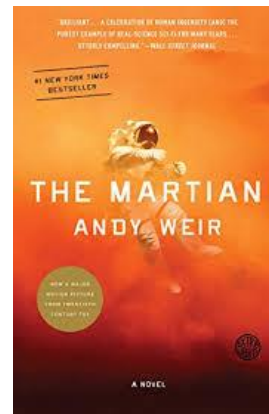
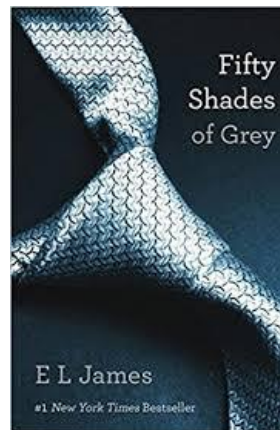
- New product: the bundle
- Charge \$2.00, make \$2.00. **Charge \$1.70, make \$3.40.**
- Selling the products together, I make **\$3.40 overall > \$3.00.**

- It took a while, but it has worked
- ***Still waiting for books***



Benefiting from a digital minor league

- Old model: invest in 20 projects on a hunch, watch 18-19 fail.
- New possibility: monitor consumer reactions to low-cost independent work, then sign the evident winners.
 - Pay more for contracts, but buy a better shot at success



Threats to the continued renaissance: platforms as bridge trolls

- ***What used to seem scary has become quaint***

- Movies

- The old gatekeepers: a handful of studios + exhibitors
- Soon: just Netflix and Amazon left standing?

- Music

- Old: labels, radio stations, retailers
 - Used to worry about Walmart's 20% retail share
- Soon: just Spotify and Apple remaining?



amazon

- Harms thus far are unclear, **but vigilance is warranted**
- ***...although it's tough without data***

Takeaways

- For cultural worrywarts
 - Lots of evidence of good new products
 - Even if also an “open slushpile”
 - No evidence of degradation of consumption
 - So lighten up
- For copyright policy makers
 - Take industry claims that the sky is falling with a grain of salt
 - Ask the right question – what’s happening to the quantity and quality of new products
 - Answer it with evidence – bring evidence-based policy making to copyright
- For consumers
 - Sit back, relax
 - And enjoy the renaissance



DIGITAL



RENAISSANCE

*What Data and Economics Tell Us
about the Future of Popular Culture*

JOEL WALDFOGEL

extra

Table 8.1: Recording Artists Who Jumped from Indies to Majors

Artist - Major label debut album	Major label (parent company)	Former label
ARCADE FIRE - EVERYTHING NOW	Sonovox/Columbia (Sony)	Merge
BRAND NEW – THE DEVIL AND GOD ARE RAGING INSIDE ME	Interscope (UMG)	Triple Crown
BUILT TO SPILL – PERFECT FROM NOW ON	Warner Bros.	Up
DEATH CAB FOR CUTIE – PLANS	Atlantic (Warner)	Barsuk
DRIVE LIKE JEHU – YANK CRIME	Interscope (UMG)	Headhunter
GREEN DAY – DOOKIE	Reprise (Warner)	Lookout
GRIZZLY BEAR - PAINTED RUINS	RCA (Sony)	Warp
JAWBREAKER – DEAR YOU	DGC (UMG)	The Communion Label
MODEST MOUSE – THE MOON & ANTARCTICA	Epic (Sony/BMG)	Up
NINE INCH NAILS –THE DOWNWARD SPIRAL	Atlantic (Warner)	TVT
NIRVANA – NEVERMIND	DGC (UMG)	Sub Pop
QUEENS OF THE STONE AGE – RATED R	Interscope (UMG)	Loosegroove
R.E.M – GREEN	Warner Bros.	I.R.S.
SONIC YOUTH – GOO	DGC (UMG)	Enigma
TEGAN AND SARA – THE CON	Sire (Warner)	Vapor
THE DECEMBERISTS – THE CRANE WIFE	Capitol (UMG)	Kill Rock Stars
THE REPLACEMENTS – TIM	Sire (Warner)	Twin/Tone
TV ON THE RADIO – RETURN TO COOKIE MOUNTAIN	Interscope (UMG)	Touch and Go
UNCLE TUPELO – ANODYNE	Sire (Warner)	Rockville
YEAH YEAH YEAHS – FEVER TO TELL	Interscore (UMG)	Toy's Factory

Table 8.2: Minor-League Breakouts: Movies with Budget Under \$100,000 Earning a Metacritic Score of 50+

Director	Title	Year	Metascore	Budget (\$)
Richard Linklater	<i>Slacker</i>	1991	69	42,956
Robert Rodriguez	<i>El Mariachi</i>	1992	73	12,625
Edward Burns	<i>The Brothers McMullen</i>	1995	73	41,064
Neil LaBute	<i>In the Company of Men</i>	1997	81	37,863
Darren Aronofsky	<i>Pi</i>	1998	72	87,000
Daniel Myrick, Eduardo Sánchez	<i>The Blair Witch Project</i>	1999	81	83,106
David Gordon Green	<i>George Washington</i>	2000	82	55,887
Eric Eason	<i>Manito</i>	2002	71	31,072
Ben Coccio	<i>Zero Day</i>	2003	69	25,186
Shane Carruth	<i>Primer</i>	2004	68	8,494
Jay Duplass	<i>The Puffy Chair</i>	2005	73	17,612
John G. Young	<i>The Reception</i>	2005	64	5,871
Neil Dela Llana, Ian Gamazon	<i>Cavite</i>	2005	64	8,219
Vladan Nikolic	<i>Love</i>	2005	79	58,705
Aaron Katz	<i>Dance Party, USA</i>	2006	54	3,431
Cam Archer	<i>Wild Tigers I Have Known</i>	2006	52	57,180
Joe Swanberg	<i>LOL</i>	2006	63	3,431
Mike Akel	<i>Chalk</i>	2006	70	11,436
So Yong Kim	<i>In Between Days</i>	2006	75	68,616
Alex Holdridge	<i>In Search of a Midnight Kiss</i>	2007	64	28,090
Chris Eska	<i>August Evening</i>	2007	68	39,327
David Bruckner, Dan Bush	<i>The Signal</i>	2007	63	56,181
Nick Gaglia	<i>Over the GW</i>	2007	53	33,709
Oren Peli	<i>Paranormal Activity</i>	2007	68	16,854
Barry Jenkins	<i>Medicine for Melancholy</i>	2008	63	14,650
Daryl Wein	<i>Breaking Upwards</i>	2009	56	17,386
Ava DuVernay	<i>I Will Follow</i>	2010	71	56,523
Lena Dunham	<i>Tiny Furniture</i>	2010	72	73,480
Evan Glodell	<i>Bellflower</i>	2011	72	18,915
Jonas Mekas	<i>Sleepless Nights Stories</i>	2011	54	55,632
Dan Sallitt	<i>The Unspeakable Act</i>	2012	76	54,422
Chad Hartigan	<i>This Is Martin Bonner</i>	2013	71	44,960
Ruben Amar, Lola Bessis	<i>Swim Little Fish Swim</i>	2013	54	74,933
Shane Carruth	<i>Upstream Color</i>	2013	81	53,524
Joe Swanberg	<i>Happy Christmas</i>	2014	70	73,198
Joshua Overbay	<i>As It Is in Heaven</i>	2014	71	16,731

Can consumers learn about new products?

- Traditional radio
 - BB airplay – top 75 songs by week
 - 3,900 listings per year
 - But only about 300 distinct artists
- Traditional vs Internet radio
 - Compare BB list with last.fm top 420 songs of the week in 2006
 - Little overlap – 10 percent

Top 2006 BB Airplay Artists not on Last.fm Weekly Top 420

ARTIST	BB airplay index
MARY J. BLIGE	14.3
BEYONCE	12.0
NE-YO	10.3
CASSIE	9.8
CHRIS BROWN	9.8
YUNG JOC	8.2
SHAKIRA	6.9
LUDACRIS	6.0
CHAMILLIONAIRE	5.7
AKON	5.2

Top Artists on Last.fm in 2006 without BB Airplay

ARTIST	listeners
DEATH CAB FOR CUTIE	5,200,000
COLDPLAY	5,200,000
RADIOHEAD	4,700,000
MUSE	3,900,000
ARCTIC MONKEYS	3,000,000
THE POSTAL SERVICE	2,800,000
THE BEATLES	2,400,000
SYSTEM OF A DOWN	2,300,000
BLOC PARTY	2,100,000
NIRVANA	1,900,000
THE ARCADE FIRE	1,900,000

Takeaway: Internet radio allows promotion for artists with less promotion on traditional radio

Plus social media, Pandora, Spotify,...