

[The Economics of Music by Peter Tschmuck](#), Agenda Publishing, ISBN 9781911116073 (hardback), ISBN 1911116088 (paperback) ISBN 9781911116097 (e-book)



Book review by Dennis Collopy

For admirers of Peter Tschmuck's ["Creativity and Innovation in the Music Industry"](#), his latest publication, ["The Economics of Music"](#) is an unexpected and welcome addition to his body of work. Its relevance to music business research and study is immediately apparent and this is a work that may well become a key text on any undergraduate and post-graduate course involving music management, music business / music industry management as well the broader study of cultural economics. In the area of cultural economics almost every relevant key text from Richard Caves to Harold Vogel and more recently Ruth Towse encompasses the entire range of the cultural industries in varying degrees, Whilst the music industry is often integral to their analysis as much if not more attention is given to the film industry with which music has long

shared many attributes. This book however focuses entirely on the music industry and that is one of its key strengths.

This book can be essentially divided into 3 parts; firstly, the introduction together with analysis of the economic principles and theories; secondly, the review of the four key market sectors; thirdly, the impact of recent changes on creators followed by the closing analysis of the economics of digital music.

The introduction and analysis of the economic principles and theories rigorously and succinctly explains the economic essentials governing a music industry that encompasses an economic good protected by copyright law. The book's theoretical assessment of the microeconomics of music is followed by a very useful chapter on the economics of music copyright. The introduction clarifies the various terms and concepts employed to describe the music business as an economic sector and suggests a broader definition of the music economy to include music instrument manufacturing and trade, music education, music advocacy and lobbying groups, music export services, and the music media sector. The 1st chapter, "*A Short Economic History of Music*", surveys the history of the music business from music printing in the 16th century to the opera/ concert business and the emerging music publishing business of the 18th and 19th century. There is then a discussion of the set of copyright principles that emerged in England in the early 18th century that led to the modern copyright and collective licensing societies systems over the next 3 centuries. The chapter then covers the history of sound recording since Thomas A. Edison as well as looks at development of the live music business from its origins including music halls, Broadway shows through to the conglomerate dominated modern touring business. The 2nd chapter "*Microeconomics of Music: Music as an Economic Good*" uses microeconomic findings to show music as a public good (Samuelson 1954), then one as partly privatised in the concert business as a club good (Buchanan 1965) and finally one completely privatised through technological means, especially by sound recording. Yet digitisation has turned music full circle as it shows its core characteristics as a public good that has led to the phenomena of freeriding and online "pi-

racy". The theoretical analysis of music as an economic good also uses the concept of meritorious goods (Musgrave 1957), to understand music in the context of public broadcasting and as "high" art, and then assesses music as an information and experience good (Shapiro and Varian 1999) with resultant network externalities to explain the economics of the digital commons. The 3rd chapter "*The Economics of Music Copyright*" starts by explaining the fundamentals of copyright in music and the divergent copyright systems in the US and continental Europe before turning to its role as part of property rights in contract law and contractual relations. Of significance, is the link between the economics of copyright and contracts to market forms and monopolistic competition and typical oligopolies found across in the different sectors of the music industry.

The review of the four key market sectors; music publishing, sound recording, live music and secondary markets, shows how these markets are organised and linked. The 4th chapter, "*The Markets for Music: Music Publishing*", examines the international and certain national music publishing markets together with different business models involved before analysing the economic power of the major and independent publishers. Similarly, chapter 5, "*The Markets for Music: Sound Recording*", analyses the sound recording market, noting the change from a physical product market to a digital market driven by downloads and streaming. This chapter includes a section on how "piracy" impacted sales and changed the business from an album to a singles market. This includes data on new consumption patterns and changing music consumer behaviour and aims to assess the wider effects of digital impacting the value chain of production, distribution, and consumption of music. The 6th chapter, "*The Markets for Music: Live Music*", contrasts the boom over the past 15 years in the live music market as the recorded music market dramatically declined. It examines the radical reorganisation of the live market through the emergence of Live Nation's to becoming the current global business controlled by a tight oligopoly. Chapter 7, "*Secondary Music Markets*", is the final element of the specific sectors and examines the role the licensing of music plays in secondary markets such as radio and

TV, motion pictures, video games, branding, sponsorship, and merchandising.

Fittingly, the final two chapters arguably provide perhaps the most important insights of the entire book by focusing on modern creators and the emerging economics of the digital music businesses. Chapter 8 "*Music Labour Markets*" is of particular value in an era of increased uncertainty and precariousness for many musicians and Tschmuck analyses the different occupations across the music industry using statistics on music industry labour markets and focusing on the variety of revenue streams for musicians. Given the modest level of revenues from music publishing and recorded music he points to musicians' reliance on work within the wider music economy including music education. The closing chapter 9 "*Economics of the Digital Music Business*" identifies the new rules, procedures and structures brought about by the digital revolution. It uses data on the international and several national digital music markets to show the economic relevance of different digital formats and then explains the new business models before assessing the economic relevance of several of the new technology based stakeholders and assessing the key issues within digitised music economy.

The book segments the different sectors and, uniquely to this author, it separates the music publishing and recorded music sectors as well as the live music sectors but shows how they interact. It highlights the music industries' ability to adapt business models to the ever-changing technologies that impact the entire value and supply chain from distribution to artist management. The analysis of recording companies' revenues together with musicians' income streams demonstrates how particular formats and platforms can affect profit margins and how live shows now outperform sales of recorded music as the primary source of income for today's artists. This book also focuses on the emerging new economic paradigm involving; a combination of established legacy firms and the new(er) entrants, including the more recent generation of music providers; the shift in musicians' ability to disseminate their work; the constantly evolving behaviour of consumers. Special attention should be given to Tschmuck's insightful analysis of the viabil-

ity of the streaming services, in which he distinguishes between stand-alone services such as Spotify and other services that are bundled with and integral to the wider eco-system such as Apple and Google. His analysis serves as a warning about current assumptions made about the economic fundamentals of the streaming model for recorded music and especially for the creators like artists and songwriters.