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## **Cultural production and creative destruction**

Paper presented after invitation at the conference:

*Quelles formes de valorisation pour la musique aujourd'hui?*

Organized by the Universities: Paris 8, Bordeaux 3, Stendhal-Grenoble 3 and Université de Poitier.

Supported by the *Maison des Sciences de l'Homme Paris Nord*.

Paris, January 18, 2010.

### **The music industry does not exist**

This paper starts with some thoughts about words and terms. The rather provocative title of this section of the paper will be explained shortly, but first, it would be useful to remind that most usually, most people – even specialists – associate the term “music industry” with making, manufacturing, distributing and selling recordings. In other words, the term is usually associated with the recording industry. This may not seem paradoxical or problematic, unless perhaps we take into account the rhetoric of the recording industry about itself and the ways it has been reacting to technological, legal and other types of change that occurred during the twentieth century. For example, let us consider a short self-description by the Greek branch of the IFPI, published on the front page of their website:

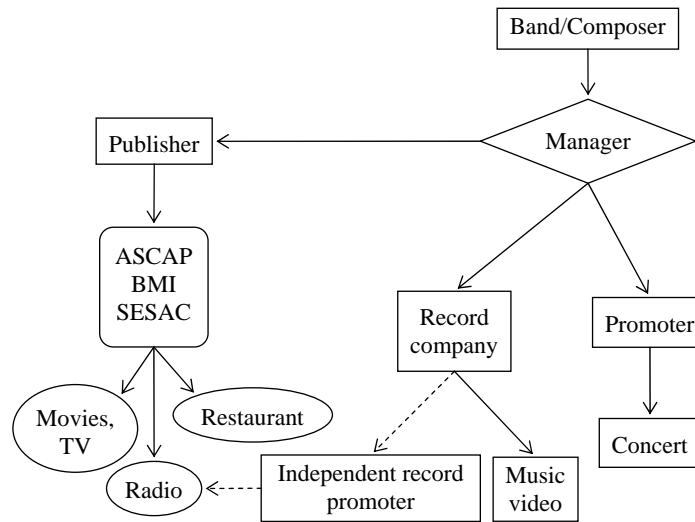
Today, the music industry is classified among the largest global industries. It offers joy to people regardless of age, culture or religion. It is included in the core “creative” industries that support the development of modern economies and are innovators in developing and implementing new technologies and e-commerce...

...The livelihood of many working people in various sectors depends on the music industry: composers, songwriters, singers, musicians, sound engineers, studios, manufacturing plants, record companies, retailers, journalists, radio producers, Djs, advertising companies etc. As a total, the music industry in Greece offers more than 10,000 jobs. Any initiative by IFPI to protect the musical products benefits not only its member record companies, but any associated industry as well... (<http://www.ifpi.gr/> – 15/1/2009).

This quotation is very enlightening about some of the achievements of the recording industry during the last century: it establishes itself as the most legitimate and trustworthy rep-

representative of a very complex and in many terms contradictory system. On the other hand, there is a contradiction in itself in this text, as it reveals many interesting things. It somehow repeats what K. Malm and R. Wallis said by the beginning of the '90s about the “music industry” in their seminal work on *Media Policy and Music Activity* (Malm & Wallis, 1993: 4): it is “a complex animal”. The following diagram, presented by Connolly and Krueger (2006: 672), shows only partially the complexity of this “animal” (Fig. 1).

**Figure 1.** Organization of the popular music industry (Connolly & Krueger, 2006: 672).



Several sectors are missing from this figure. Following Malm and Wallis (1993), it may be modified as shown in Figure 2, where the complexity of this field of cultural production is represented in a rather better way.

**Figure 2.** The music industries (adapted from Connolly & Krueger, 2006).

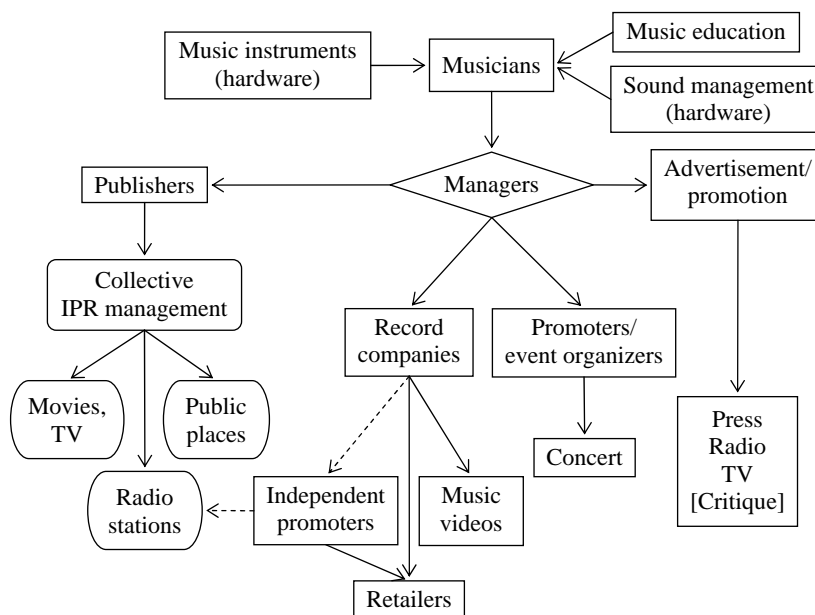


Figure 2 includes the “hardware” producers, the education systems, the advertisement and promotion mechanisms, i.e. the media that distribute knowledge, information and evaluations about the music or use it as their content, and the retailers. However, this diagram still remains a simple one: it does not include all relations and interactions between and among the various sectors, players, actors, and participants (or *agents*). Furthermore, it does not include several other artists apart from the musicians (e.g. the designers). It nevertheless makes clear that the creation, production and distribution of music, include a wide range of various sectors, industries and professions. From a sociological point of view, this means that this field of the production of culture actually includes a very rich variety of roles, social positions and relations, functions, institutions, interests, values, and lifestyles. In short, this is a field of forces as defined by Pierre Bourdieu (1998: 32). In this sense, as simple as it may look, Figure 2 at least makes clear that the notion about the *creative collective*, analyzed by Antoine Hennion (1983) for the production of the success in popular songs is valid for music at large. It is also consistent with the widely accepted approach of Howard Becker (1974, 1982), about *art as collective action* and about the *art worlds* as well as with the concept about the *motley crew*, introduced by Richard Caves (2000).

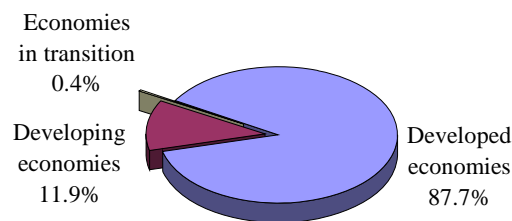
Hence, as Williamson and Cloonan (2007) suggested a couple of years ago, “the notion of a single music industry is an inappropriate model for understanding and analysing the economics and politics surrounding music”. It may also be added that it is inappropriate to understand the societal and external cultural “forces” surrounding music, as well as internal factors like the culture of the music producers (in the broader sense of the term) and of the intermediaries, i.e. their values, professional habits, cultural and social capital etc. that shape music as a final product and as a field of cultural production.

The term “music industries” then seems closer to reality. In this sense, the music industry – a term suggesting a homogenous industry with common interests – does not exist. As Williamson and Cloonan (2007) have shown in their persuasive analysis, this seemingly slight difference is very important in the public sphere, in various discourses including media and official reports and especially policies and the work of academics as well. It is important because the first step to understand the implications of the changes that affect the recording industry is to recognize that it represents only one sector of a complicated and contradictory system – a social field. This means to place the recording industry within a much larger “picture” and to recognize that there are several good reasons to believe that what it experiences as destruction might be – for the *music industries* – a creative destruction in the sense of the term used by Tyler Cowen (2002) in the context of globalization and its consequences.

### Asymmetries on a global level and internal contradictions

Considering music as a field in the sense described above, a fact that needs to be also considered is that – like in the case of any other symbolic good – the ways in which music is produced, distributed and consumed constitute structures of power and hegemony. To illustrate this, at a global level, we might take into account the distribution of the regions that not only produce and export the major part of the recorded music, but also the hardware and the technology necessary to produce, record, distribute and reproduce it or broadcast it. As it is known from its history (Garofalo, 1999), the recording industry, based in North America and Europe, expanded throughout the globe in just 15 years (1895-1910). A century ago, the USA and some European countries were the major players that dominated the newly created world markets. Today, the major producers and exporters are still based in the same regions, while Japan has been added as a third major player in the global market for recorded music. The situation, then, has not changed dramatically since the beginning of the twentieth century. This can be seen very clearly in the data published in the United Nations *Creative Economy World Report* for 2008 and shown in Figure 3 (UNCTAD, 2008).

**Figure 3.** Exports of the recorded music (calculation based on data from UNCTAD, 2008).

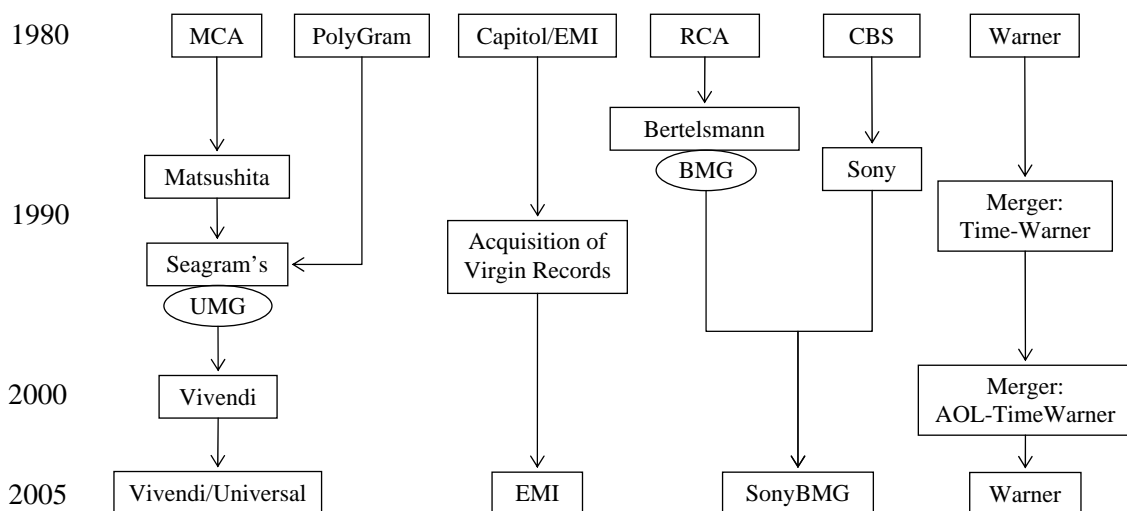


It is noteworthy, that out of this 87.7% of the world market for recorded music, 98.5% is dominated by some European countries, North America (USA and Canada) and Japan. Although, the balance of the international trade of recorded music shows very clearly some aspects of the global cultural asymmetries, the flows of the music resources (tunes, rhythms, talent) usually outline a very different picture. As shown, for example, by Wallis and Malm (1984: 297-298) in their study on 12 countries, nations and cultures in the periphery of the global centers of music hardware and “software”, are major “exporters” of resources. For over a century now, Africa and the Caribbean have been catering for the insatiable appetite of the recording industry for cultural resources. It seems that the main “exporters” of music resources are the least developed economies. From this point of view, Reebee Garofalo is right when he states that:

“To understand the trajectory of popular music in the twentieth century from its beginnings as a nation-based, mass cultural phenomenon to its current state as part of a global system of interactive, transnational cultural flows, one must trace the uneven relationship between cultural development, technological advancement, professional organization, political struggle, and economic power.” (Garofalo, 1999)

Finally, another aspect of the global asymmetries in this field of cultural production, is the process of consolidation of the recording industry, or the building of the *international empires of sound*, as Jack Bishop (2005) calls it, as the number of the major players on the global level decreases slowly but constantly. In a period of 25 years the “six sisters” finally became four through a series of mergers and acquisitions (see Fig. 4) and there is a good chance that in the near future only three will remain in this family.

**Figure 4.** “Building international empires of sound” (adapted from Bishop, 2005).



Historically, however, the social and cultural functions of this sector of the music industries system, have been ambivalent, as the Austrian sociologist of music Kurt Blaukopf (1982) has pointed out some thirty years ago. In his perspective, the recording industry facilitated the dissemination and internationalization of local musical cultures. In this sense it contributed for the exchanges among different and distant musical cultures to develop. It also made culturally richer the everyday life of ordinary people and provided access to music for unprecedented large parts of the population in almost all parts of the world. Finally, it provided visibility and a way of expression to musical genres that might not have been disseminated otherwise.

In the creative destruction perspective (cf. Cowen, 2002), these developments obviously constitute the creative part. However, on the other hand, the recording industry undermined the creativity of amateurs and even destroyed traditional structures of musical life, as it cre-

ated audiences that demand high quality professional performances and introduced the industrial type of organization in the production and distribution of music. To these remarks made by Blaukopf, it may also be added that the music industries at large, manage and control creativity, innovation and diversity. Some of these industries (like the recording and the new media industries) still claim the right to exercise exclusive control on the distribution of music, often in ways that challenge several important gains of modernity, like the freedom of expression and the freedom of communication (Baltzis, 2006). It is noteworthy that the recording industry is the first (and perhaps the only one) among the creative or cultural industries that initiated litigation on a mass scale against its own customers.

### **The Greek case: between the global and the local**

The ambivalences of the recording industry, the process of consolidation, the concentration, and lately the tendency to be absorbed by major media organizations, can also be seen to some extent in the periphery of the global cultural industries. Understanding the peculiarities of local industries, like the Greek one, might clarify some aspects of the societal and external cultural factors influencing the recent developments of creative destruction in this field of cultural production at large. Besides, the academic discourse about the systems of the production of culture is dominated by asymmetries similar to those described about the global recording industry. For example, in the relevant international literature, the most prevalent field of study is the recording industry of the UK and the USA.

Like most cases in the periphery of the global cultural industries, the Greek one has some peculiarities that will be presented briefly in this section. The presentation is mostly based on Richard Peterson's model of the six faces of the production of culture (Peterson & Anand, 2004)<sup>1</sup>. Currently, in Greece there are 145 companies for approximately 11,000,000 people (one firm per 74,398 inhabitants). Considering the respective ratios for the UK, France, and Germany, shown in Table 1, the Greek recording industry seems to stand on a par with those of considerably larger countries and much more developed economies. Perhaps this might be explained not by the size of the economy, but by its structure and some other, non-economic factors as well. Small businesses and firms are a main feature of the Greek economy. For a period of almost 30 years, the standard of living has been steadily increasing and credit for both consuming and investing has been also growing while the costs of a constantly improved technology have been decreasing. In addition, there is a negative attitude among many artists

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<sup>1</sup> Technology, law and regulation, industry structure, organization structure, occupational careers, and market.

(and of a significant part of the audience too) toward the pursuit of profit as the main priority of the music business and there is a discontent on the “majors”. Many artists (especially established ones) who feel confined by the strategy of the recording companies (particularly of the “majors”) seek to establish their own labels. These are some of the factors than may explain the development of so many recording companies in such a small market and the tendency a lot of small recording firms to be established and managed by musicians themselves (singers, composers, and songwriters).

**Table 1.** Number of inhabitants per recording company<sup>2</sup>.

<b>Country</b>	
UK	154,280
France	93,428
Greece	74,398
Germany	50,494

Unlike other countries, a “laissez faire” policy in the field of the recording industry may be identified as another distinctive feature of the Greek case. This policy is based on the assumption that a market mechanism with minimum regulation is efficient enough for allocating resources and satisfying cultural needs in the field of popular music. It is also based on the stereotype about the distinction between “high” and “low” arts according to which only the “high” arts need (or perhaps worth) the implementation of specific policies. This may explain also the scarcity of statistical data on the Greek recording industry, although this is not a Greek, but rather an industry peculiarity. At least this can be seen in the report on the world creative economy, published in 2008, by the UN Conference on Trade and Development:

The absence of figures for copyright revenues and the obscurity of intra-firm financial transactions of the large transnational conglomerates, usually vertically and horizontally integrated, which dominate the production, distribution and copyrights of music products, are missing links for any sound analysis of the world music industry (UNCTAD, 2008: 119)<sup>3</sup>.

In these conditions – and considering also several structural deficiencies of the Greek state – the loose enforcement of regulations on intellectual property rights, especially on the Inter-

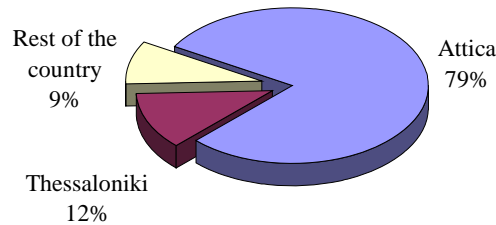
<sup>2</sup> Data on the Greek record companies in this table and in the rest of the paper is based on information from the *Athens Music Forum* – an annual conference organized by the industry (<http://www.athensmusicforum.gr/>). For France, see IRMA (2010). For the UK, see the website of BPI (<http://www.bpi.co.uk/>). For Germany, see the site of the BVMI (<http://www.musikindustrie.de/>). The sites were accessed during December 2009 – January 2010.

<sup>3</sup> It is noteworthy – among others – that the notion about a single (i.e. homogenous) industry is dominant in this report.

net, seems to be a logical consequence. It is noteworthy that the first lawsuit for copyright infringement against the owners of a web site was filed on Wednesday 16, December 2009 (*To Vima*, December 25, 2009; *Dimokratiki Rodou*, December 27, 2009). However, from time to time there have been raids by the police against illegal CD sellers. It is clear, that a well developed and organized black market is another feature of the Greek case. However, this phenomenon is also related with some structural peculiarities of the Greek economy at large.

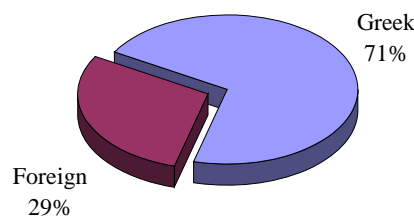
Most of the companies are based in the capital region (Attica) and to a lesser degree in the second largest urban center (Thessaloniki), as shown in Figure 5.

**Figure 5.** Geographical distribution of the recording companies in Greece.



This type of distribution does not seem strange in a country where the capital functions as an aggregator of the most important economic, political, administrative and – of course – cultural activities. Besides, it is the major urban center inhabited by 35.5% of the total population. It is also noteworthy that local music is very popular and broadcast by a large number of radio stations and by television. Some indicative data on the popularity of the local repertoire can be seen in the charts published weekly by the Greek branch of the International Federation of Phonographic Industries (IFPI). Based on the total of physical units for each title ordered by the retailers, these charts include the fifty most ordered titles.

**Figure 6.** Shares of the repertoire in the IFPI weekly charts calculated for 2005-2008 (IFPI, n.d.).

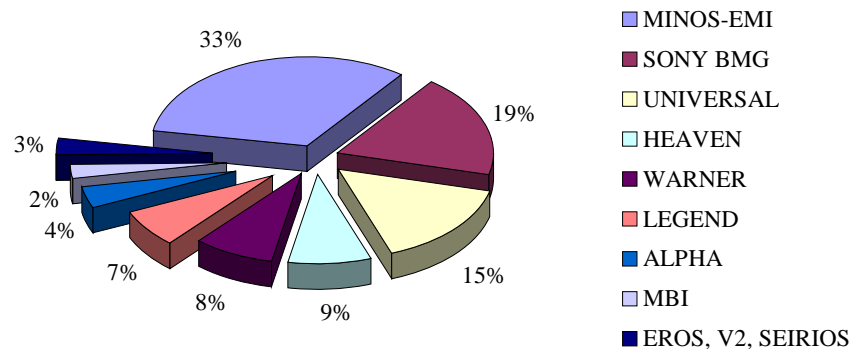


Although a reliable system for recording the number of physical units sold as well as a reliable system for measuring the airplay, are still missing in Greece, the data in these charts



provide a rough estimation that can be seen in Figure 6. The major players in these charts can be seen in Figure 7. Evidently, the transnational major companies dominate, as they share 67% of the titles that appear in the charts. However, although Greece is a small market, there are also local “majors”, i.e. record companies that belong to local media conglomerates (like Legend and Heaven).

**Figure 7.** Shares of record companies in the IFPI charts for 2005-2008 (IFPI, n.d.).



As mentioned above, these charts are not calculated on the basis of units sold but on the basis of the units ordered by retailers and this is also an interesting peculiarity of the Greek case. Besides, although a reliable system for measuring airplay is missing, it nevertheless is measured only for some radio stations in the two major urban centres (Athens and Thessaloniki) while the total number of radio stations in the country is more than 1,000 (and this is another peculiarity of the Greek case). Therefore, data about airplay is also incomplete.

Evidently, the global developments affecting the recording industry worldwide have also an impact on the Greek case as well as the current crisis that started last year. There are several indications about this. As of May 2009 the publication of the IFPI charts has been suspended. Foreign majors have been withdrawn and several CD manufacturing facilities have been closed. Greece, of course, does not represent an exception to the global tendency to decrease sales of physical units. It is noteworthy that in 1996 the units sold in the Greek market were 33,390,384 and in 2006 this figure dropped to 7,628,019 (*To Allo Vima*, January 24, 2008). This is a decrease of about 77%. However, during 2009 vinyl sales increased by 96%, while sales decreased by 9% and the total revenues decreased by 29% due to lower wholesale prices (*Kiriakatiki Elephterotypia*, insert *Economy*, December 25, 2009, p. 11). In Greece, like elsewhere, as several record companies are being absorbed by media organizations and the market for physical units is declining, the exploitation of back catalogues and rights, becomes more and more important (so does the support of the intellectual property rights as

seen by the industry). During the last decades newspaper and magazine inserts became a major distribution channel for this type of products of the recording industry. However, it is estimated that this development resulted in the devaluation of the physical product (i.e. of the compact disks) and increased the oversupply – creating actually a vicious circle that seems to lead to a dead end minimizing diversity and leading to a further decline of the CD market. To cope with all these developments, many “traditional” record companies enter the electronic market and especially the ringtone market. However, they find it very hard to adapt to the new environment and from the creative destruction perspective they experience the current changes as a plain destruction rather than as a creative destruction.

Finally, a common feature between the local and the global recording industry is the crisis of the traditional business models, based on manufacture, distribution and sale of physical products with symbolic content. Another common feature is the inflexible attitude toward major social, technological, economic and other types of changes and developments. Seen from a historical point of view, this is not new for the recording industry (cf. Baltzis, 2006).

## **Conclusion**

As Rebee Garofalo (1999) points out, each phase in the history of the music industries is dominated by a different kind of organization. The record companies displaced the music publishing houses at the beginning of the twentieth century. By the end of the century, multimedia conglomerates displaced the record companies on a global level while on the local level media organizations function in the same direction. However, the music industries system encompass all these different organizations and from this point of view the crisis in this field of the cultural production is not a crisis of THE music industry (which actually does not exist), neither of the music industries at large, but rather of a section within a sector of the music industries. It becomes more and more obvious that the music industries are in a process of creative destruction while the new structure of this field is not very clear yet. In any case, it is a fact that the recording industry – no matter how much effort invests to convince the public, the governments and the international organizations – does not really represent everything it believes (or claims) it does. Songwriters, composers and musicians existed and made their living before the inception of the recording industry and they will keep making it in different ways after the recording industry, as we know it today, becomes obsolete – an outcome of the current process of creative destruction that does not seem impossible.

The ways that musical culture develops are far more complicated and intricate than the

flows of the recorded music as commodity in the local and the world markets. The music is constantly in flux, transformed and changed as it “travels” among musicians and different audiences around the globe and through time, regardless of any particular sound carrier and organizational forms and it seems more productive to understand that any crisis consists of threats and opportunities. Actually, this is the very definition of crisis. From this point of view, investing in research and development of new models instead of litigation and wars against technology – as the recording industry has done throughout the last century – might be more fruitful and even create a way out from the labyrinth of the current creative destruction.

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