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Book Review of *Rockonomics: A Backstage Tour of What the Music Industry Can Teach Us About Economics and Life*

Recensão do Livro *Rockonomics: O Que a Indústria da Música Nos Pode Ensinar Sobre Economia e Sobre a Vida*

Daniel Morgado Sampaio
Centro de Estudos de Comunicação e Sociedade, Instituto de Ciências Sociais, Universidade do Minho, Braga, Portugal

Krueger, A. (2020). *Rockonomics: O que a indústria da música nos pode ensinar sobre economia e sobre a vida* (L. O. Santos, Trans.). Temas e Debates. (Originally published in 2019)

Rockonomics (Krueger, 2019/2020) is — so far — the only posthumous work left by Alan B. Krueger, and it is a work in which the author explores multiple facets of the music industry. Krueger, professor at the University of Princeton with a vast academic production, columnist for *The New York Times*, chief economist of the United States Department of Labor during Bill Clinton's presidency and, amongst other titles, chair of the White House Council of Economic Advisers during Barack Obama's, became a familiar name for the general public with his first book, co-authored with economist David Card. In *Myth and Measurement: The New Economics of the Minimum Wage* (Card & Krueger, 2016), published in 1995, the authors aimed to rebut the popular idea that increasing the minimum wage is damaging to a country's economy or leads to a rise in unemployment rates. They analysed the academic works that supported those conclusions and the empirical consequences of raising the minimum wage in states such as California or New Jersey. His fifth book was published just months after his passing in 2019 and presented us with theories that are hard to ascribe to a sole economic field but noticeably influenced by the developments in behavioural economics and distanced from the *homo economicus* ghost, which so often hovers above economic analyses of microcosmoses. Krueger does not expect consistently rational decisions by the individuals he studies, nor does he minimise the importance of factors such as emotions, luck, or simple whims when it comes to decision-making and economic success.

Krueger acknowledges he was not the first to use the term "rockonomics", but he makes his own use of it, albeit quite broad: in the author's definition, rockonomics refers to the economic principles that drive the popular music industry, from the negotiation of recording contracts to the sale of second-hand tickets. In the first chapter, he summarises the seven key concepts of rockonomics:

- "Supply, demand, and all that jazz" (p. 15): as in other markets, supply and demand determine prices, but other factors come into consideration in music, such as the risk that, by increasing prices, an artist could be perceived as too greedy by his or her fans. In this essential principle, Krueger already takes into consideration both external agents (ticket scalpers, driven only by profit) and emotional factors (the need for the price to seem fair to the public, even if this public is not familiar with the costs of event production or music recording).
- Scale and non-substitutability: the combination of these elements is considered essential to forming superstars. It is necessary to reach a large audience, but a slightly inferior alternative is always insufficient and cannot replace the product, service, or musician that the audience wants.
- The power of luck: not only is luck a part of every market but its power is magnified in a superstar market. The release of an album at the right time, even if by mere coincidence, can determine the success of an artist's career.
- Bowie theory: making use of the observations made by David Bowie in a 1999 interview, in which the singer states that music would soon be everywhere and that concerts would be the main source of income for musicians, Krueger stresses the importance of complementarities in music — everything beyond recorded music, from concerts to video clips and merchandise.
- Price discrimination: getting customers who can or want to pay more to do so is an effective strategy for airlines and, for Krueger, that can be highly profitable in the music industry as well, from segmenting seats in live music to launching collector's edition albums.
- "Costs can kill" (p. 18): *Baumol's cost disease* is a term that refers to the increase in costs in sectors with stagnant productivity, and William Baumol, who identified the phenomenon, used a Schubert string quartet as an example. Be it today or 200 years ago, its duration and number of performers remain constant; with that in mind, it becomes necessary to control the possible increase in costs of a product or artist that dramatically increases its sales.
- Money isn't everything: Krueger ascribes the music industry's perseverance to several factors, from its emotional power to creating social occasions and special moments that later turn into powerful memories.

Each of these seven concepts inspires one or more of the 11 chapters that make up this volume, despite the inevitable overlap in some instances and the greater or lesser emphasis placed on sub-contexts. It is not surprising that the chapter devoted to the economy of live music is the longest one, but Krueger does not underestimate the possibility of changes in the streaming universe or the importance of copyright in a lucrative music industry. He points out, as a counterexample, the Chinese market, which he considers incredibly promising, but hampered by censorship issues and the lack of control in terms of song usage, both regarding plagiarism and the payment of royalties.

Presenting a complex industry to a wide audience while having to explain inescapable legal or economic concepts in layman's terms is no easy task. However, Krueger writes with clarity and can effectively compartmentalise his topics to expand on each one, using numerous examples to reinforce the concepts mentioned above. There is no real innovative theoretical contribution, but rather an attempt to systematise and corroborate the arguments of Bowie, Baumol, and Sherwin Rosen (who has demonstrated the necessary factors for the creation of superstars). The author's writing is persuasive, and his analysis and explanation of economic principles in the music industry stand out as his comfort zone. Nevertheless, despite his efforts, the contradictions and selectivity in the choice of sources reveal, frequently, that Krueger tends to look for premises that lead to the conclusions he had decided to present.

Some of these contradictions may owe to a lack of terminological rigour. Krueger says there are more and more solo artists (i.e., without a band) at the top of the sales charts and that the most likely reason is the ease that technology has brought to the music creation process, allowing that process to be completed through a smaller number of individuals than in the past (p. 79). Soon afterwards, reflecting on the fact that there are more and more collaborations and that successful songs have more and more composers, the author states that there are several possible explanations for the phenomenon, including the greater complexity of modern music and the need for specialists in different musical aspects (p. 80). With the author's emphasis, in so many instances, on the processes behind musical success, it is surprising that the distinction between performers (public figures to whom a given song is attributed) and artist-composers (who may write songs for former without getting involved in recording or performing) is implicit.

In another instance, Krueger shows that the live music market (which has been the main source of income for musicians for several decades) is not only profoundly unequal but that this inequality has grown, despite the democratising effect of technology. In 1982, the top 1% of artists collected 26% of this market's revenues, whereas, in 2017, the same 1% took home 60% of revenues (p. 102). Although the analysis that follows is pertinent, as it runs against the idea that the music market has become more equitable in the digital age, it should be stressed that revenues in this percentile increased by more than 15% between 1982 and 1984, and no explanation is provided for this increase (we note that one of the main reasons was the popularisation of the CD) nor for the choice of 1982 as Krueger's chart's starting point. When analysing the profits of the recording industry and presenting a chart also ending in 2017 (p. 43), Krueger's starting point shifts to the year 1974, again without justification.

Even though the author often presents sources for his claims, these can be quite selective as well: when resorting to a journalistic source to attribute current CD purchases to car owners (p. 209), Krueger omits the other motivations listed in the article, such as nostalgia or an ingrained habit of buying them. The reason can be understood from the context: Krueger intends to argue that streaming will be replacing the purchase of CD; as cars with CD players cease to be sold, the primary motivation for buying music in this format would thus be eliminated.

The weight that Krueger attributes to luck in success is, perhaps, one of the greatest strengths of this book, as this is done in a way that does not devalue the work of musicians and music labels. Krueger deconstructs meritocratic visions by combining various examples, such as the reluctance of some labels to sign contracts with the then-unknown Elvis Presley or The Beatles, and an outlaying of some practices that became widespread in this industry precisely because of the difficulties that come with predicting success: two of these practices are the acquisition, by major labels, of small labels that dedicate themselves to specific musical genres, and the simultaneous investment on numerous artists in the hope that the massive success of one of them will be profitable enough to cover the losses in all the other investments. Similarly, he considers it a matter of luck to release the right technology at the right place or time, as superior technology can flop because of an untimely release.

The in-depth description of the reasons for the success of different artists in different genres, such as country (Garth Brooks), pop (Taylor Swift), hip-hop (Drake), rock (Paul McCartney) and heavy metal (Korn), is enriching and the interviews with lawyers, managers and other agents linked to these figures allow Krueger to obtain privileged information — an effective way to overcome his seeming lack of familiarity with musicological studies focused on popular music. Figures with an enormous impact in different fields of the social sciences, from Dick Hebdige, with his remarkable study of musical subcultures in the 1970s, to Sarah Thornton, who, inspired by Bourdieu, proposes the concept of subcultural capital in the 1990s to highlight the social value of different musical experiences, are not mentioned by Krueger, and their influence does not seem to be present. As for the more strictly economic field, Krueger tries not to assume deep knowledge on the part of the target audience of this work, going back to Adam Smith to explain basic concepts, but the absence of references to economists who have studied the social aspects of music, such as Jacques Attali, does not go unnoticed either. In the 1970s, Attali had already suggested that changes in musical practices have foreshadowed socioeconomic changes in the decades prior to the expansion of mercantilism, of capitalism, and, possibly, of an eventual post-capitalist era, in which music would no longer be seen as a commodity and its social role would be (re)valued before the same happens with other economic activities. Although the trains of thought differ, and there is a contrast between the macro and microeconomic levels, it would be fitting to engage with one of the most remarkable music-related works written by an economist. However, this and other omissions are mitigated by Krueger's ability to show the role of behavioural economics in studying a universe that is strongly shaped by emotions. The author's interest in the question of subjective well-being is evident, as one would expect from someone who, in recent years, has co-authored several papers with Daniel Kahneman, an illustrious name in this field (see, for example, Krueger et al., 2009).

Although Krueger focuses on the American music industry, the hegemony of American popular music favours his reflections, since not only are the artists he refers to widely known, but the way the music industry works is, with rare exceptions, similar across Western countries. Comparing data on the global market in 2019 published by the International Federation of the Phonographic Industry (2020) with Portuguese data released jointly by the Associação para a Gestão e Distribuição de Direitos and the Associação Fonográfica Portuguesa (2020), we can observe that, on the whole, the same trends emerge: growth in the music industry's total revenue over the last few years; downturn in physical format sales, albeit with a rise in vinyl sales; general growth in revenue from performing rights (the drop from 2018 to 2019 globally was due to very circumstantial adjustments); and a digital market that, despite the decline in digital downloads, already represents more than half of sales revenue and has been steadily expanding thanks to streaming platforms. The global influence of the English language becomes visible in different ways depending on the indicators used: among the best-selling physical albums and the most popular artists on streaming platforms, punk rockers Xutos & Pontapés and rapper Plutónio resort to the Portuguese language in their anglophone musical styles; and among the 10 most listened to songs on the radio in Portugal, all of them are sung in English, nine of them by anglophone artists.

The disruption caused by the COVID-19 pandemic, which began a few months after the book was originally published, may even reinforce the author's arguments, considering how the pandemic finally broke the upward trend in performative rights revenues throughout the 21st century (largely due to countless concerts and festivals being suspended), how it unpredictably impacted the success of bands or artists, or even how the interruption of cultural life has had huge social and psychological consequences.

Strictly speaking, *Rockonomics* is not a science communication book, but it allows a wide audience to understand the complex economic processes that drive the music industry. It will be of limited interest to scholars of popular music who study it in its more musicological aspect. However, the overall quality of Krueger's writing, coupled with his reputation, may motivate greater interest in the music industry by the public (this is an explicit goal, as Krueger says that talking about economics through music industry stories could be an effective way to share economics lessons), by economists, and by sociologists. Many economists' lack of interest is due, at least in part, to the relatively small size of the music industry compared to the world's largest industries. The various externalities and spillovers of this industry (from the development of small villages that host festivals to increased work productivity or emotional well-being) suggest that the study of music from a financial perspective will always be incomplete. More comprehensive approaches will be needed to qualitatively assess the weight of the music industry in modern society.

Translation: Daniel Morgado Sampaio

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Biographical Note

Daniel Morgado Sampaio is a doctorate candidate in communication sciences. His main interests are organisational communication, public relations, and the sociology of music. He's currently working on his dissertation thesis, titled "A Produção e Execução de Música em Portugal: Direitos e Deveres dos Artistas e o Papel das Organizações" (The Production and Performance of Music in Portugal: Artists' Rights and Obligations and the Role of Organisations).

ORCID: https://orcid.org/0000-0001-8178-6970

Email: id6457@alunos.uminho.pt

Address: Centro de Estudos de Comunicação e Sociedade, Instituto de Ciências Sociais, Universidade do Minho, Campus de Gualtar, 4710-057 Braga

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