

## New Media and the Gift Economy

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**Abstract.** This paper focuses attention towards how digital technology and the Internet are influencing the world of new media and more specifically the music industry. The New Media Economy is theorized as a Gift Economy.

**Keywords:** new media, music, gift economy, digital.

### 1. Introduction

In this paper I would like to focus attention towards how digital technology and the Internet are influencing the world of new media and more specifically the music industry. The music industry is going through a period of immense change brought on in part by the Internet. Of all the copyright industries affected by the digital environment, the music industry has, for numerous reasons, been at the forefront of this change. Change is constant in a digital world with technical, legal, social, and industrial developments occurring frequently. The problems facing the music industry are a harbinger of things to come in other copyright industries. Jacques Attali (1) put it very nicely: "Music is prophecy. Its styles and economic organisation are ahead of the rest of society because it explores, much faster than material reality can, the entire range of possibilities in a given code. It makes audible the new world that will gradually become visible, that will impose itself and regulate the order of things; it is not only the image of things, but the transcending of the everyday, the herald of the future."

### 2. Disruptive Technology

Like other technological innovations, the Internet, with its relatively rapid and widespread diffusion may be taken as having the potential to seriously disrupt the existing industrial and economic structures especially between different players within the media industries. This includes the potential to disrupt the power or role of existing media firms and their established industrial practices and interests (2; 3).

Indeed, with regard to the music industry, the Internet has been widely perceived as possessing a particularly disruptive potential, especially in terms of the established music corporations' relationships with (or modes of service delivery to) their final consumers. This is because the Internet's application and use in the music industry has been widely defined as having most direct impact on the sphere of distribution, the key control stage or moment in the overall value chain in the music industry

Many prior authors have addressed the potential of the Internet to enable artists to produce, market and distribute their own work independently (4; 5). While acknowledging that the digitalisation of music held the potential to serve the interests of the major music corporations, Burnett (6) also makes the point that "the digitalisation of music...could open a Pandora's box that could ultimately destroy their own control of

popular music”. A decade ago, much commentary and analysis pointed to the advent of digital distribution technologies inducing a process of ‘disintermediation’ - removing the middle layers of distribution channels (7). It was widely predicted that such a process would ultimately lead to the collapse of the traditional music industry. Producers of music would be able to directly access their public without the machinery of a multinational corporation mediating this relationship. Costs associated with distribution and retailing would be eliminated. Rather, the rapid diffusion of Internet technologies would mean anyone could potentially enter the market. Burnett (8) suggested that the Internet could, in theory, ensure that “a small group of users spread out geographically, could generate sufficient demand to sustain the product of small independent producers”.

Effectively, the Internet was thought to hold the potential to enable direct interface between artist and consumer. The promise of the technology was that the ‘traditional’ role of the established record companies would be diminished and artists would be free to exercise their creativity free from the constraints imposed by the major recording companies and consumers would experience greater choice and exercise more control over the music they listened to.

Change hit the music industry first for a number of reasons. Music has been mobile for a number of decades. The transistor radio, the boom box, the Walkman, the iPod and now the iPhone, just to name a few devices, all changed the way we used music in our daily lives. New technologies brought about a change in our perceptions about what music is and should be. Digital compression technologies ensured that music files could be made small enough that both storage and downloading were reasonable tasks. Access to digitized music is abundant, and demand for it is growing rapidly. A large percentage of the music industry's current and back catalogue content is available in an unprotected digital form. These files are easily shared among friends or posted around the Web. Peer-to-Peer (P2P) technology is here to stay. Important is the fact that music and file sharing is popular with a particular demographic group (students in particular, young people generally), many of whom have easy access to the required technology, the skills to use it, and an ambivalent attitude towards copyright law (9).

### **3. New Media History**

What are the probable consequences for the music industry? It is facing an age-old question that lurks in the background of most innovations that affect intellectual property: Something is happening, but will it be a disaster or an opportunity? New technology and new business models for delivering content are almost always greeted with the belief that they will destroy the existing market. New media histories provide an abundance of examples to learn from. The emergence of public libraries was seen as the death knell of book stores; photocopying was seen as the end of the publishing business, and video cassette the end of the movie business (10). Yet in each case, the new development produced a new market far larger than the impact it had on the existing market. Libraries gave inexpensive access to books that were too expensive to purchase, thereby helping to make literacy widespread and vastly increasing the sale of books. Similarly, the ability to photocopy makes the printed material in a library more valuable to consumers, while video cassettes and DVD's significantly increased viewing of movies (11). But the original market in each case was also transformed, in some cases bringing a new cast of players and a new power structure.

Will the digital world do the same for music? Some suggested early that the ability to download music would increase sales by providing easy purchase and delivery, opening up new marketing opportunities and new niches. For example, the low overhead of electronic distribution could allow artists themselves to distribute free promotional recordings of individual live performances, while record companies continue to focus on more polished works for mass release (12).

The outcome for digital music is still uncertain; there is of course no guarantee that the digital music story will play out in the same way as it has in these other industries. But past experience is worth considering, reminding us as it does that at times innovation has contributed to a resurgence in the market rather than a reduction.

### **4. Gift Economy**

The Internet was from the outset organised around the sharing of information between its users, and this gift economy remains at the heart of the Internet (13; 14). People are active in their use of the Internet and contribute to social networking sites, send emails, search for information and take part in chatrooms. Early Usenet users were among the first to look for and share music files contributing to the growth of the gift economy. Advances in software eventually reached a point where more ordinary music enthusiasts started sharing music files with each other and at this stage the music industry started to take notice. But the sharing of music has a long history. One of the most interesting examples is the Grateful Dead – the psychedelic rock band from San Francisco – who actively encouraged their fans to tape the Dead concerts and share and trade the resulting bootleg tapes with other Dead fans (15). Today's massive file-sharing can be understood as the contemporary equivalent of trading bootleg tapes. The Grateful Dead had for many years the most devoted fans in the music business specifically because they shared their music with their fans in more ways than just the selling of records.

In some ways the gift economy is a precursor to the phenomenon where fans of popular culture no longer passively consume culture but instead contribute to the production of culture (16) or what has more recently been called participatory culture (17). In music there is a long history of remix culture where fans mix new versions of their favorite songs. These songs are then shared with other fans and friends. Many bands today actively encourage this remix culture and some go as far as rewarding the fans with the best remixes. The rewards can be anything from free concert tickets, DVDs, backstage passes, or even hanging out with the band for a day.

The gift economy is at the heart of what we now call Web 2.0 which is all about people being connected and sharing with each other through the use of social media. The business world has also caught on and contemporary designers are enabling computers, mobile phones, and games consoles to interact with each other. The design dream being a digital world where everything is linked with everything (18).

A large amount of the current research work is concerned with achieving this fully integrated system. For example, in the area of network computing, people are pursuing the vision of being able to call up functionality and processing power from anywhere via the Internet, so called "cloud computing". In the field of mobile and ubiquitous computing, the aim is to integrate specialised "smart devices" as transparently as possible into the Internet. While wanting to avoid the specter of technological determinism, it does seem clear that these technological developments and the affordances they make possible, only favor the on-going expansion of the gift economy approach to music sharing online, however much the music industry may wish to continue fighting it.

## 5. Future Research

Here we enter the territory of opposites, contradictions, conflicts and speculation about the digital future. Clearly one can see that 'digital is different' and that one can see the Internet as either a threat or a possibility. Due to technology driven developments enhancing the Internet we have a new set of relationships between producers, distributors, and consumers. In fact the traditional media value production chain has become in a sense a circle, with users increasingly creating content. An important topic for research is to track the changing role of the social media user and fan into that of producer, creator or distributor of content. A better understanding of this process is of utmost importance.

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