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# The Music Industry in Crisis



Music, in the form of records and cassette tapes, is a major part of the entertainment industry. But the music industry, like the rest of the British economy, has suffered from the effects of the current recession. After a long period of uninterrupted growth during the 1960s and 1970s, sales are now in decline. During 1980, the sales of long-playing albums had dropped back to the 1972 level.

The profitability of the big multinational companies which dominate the recording industry has also been hit. In 1970, the largest British owned record company — EMI — had pre-tax profits from its music division of £16.4 million, representing 12.7% of its sales. By 1979, however, profits had fallen to only £1.9 million, a minute 0.4% of sales. The response of the industry to declining sales has been the familiar one of redundancies and mergers. EMI itself has ceased manufacture of blank tape at its Hayes factory, with the loss of over 200 jobs, and the American firm RCA has shut its record pressing plant in the high unemployment area of Washington, County Durham. Meanwhile, the Decca company has been taken over by the Dutch-German multinational Polygram and EMI itself was bought by Thorn Electrical. And, at the time of writing, Lord Grade's Associated Communications Company had put up for sale its record and tape subsidiary, formerly known as Pye Records.

Although the crisis in the music industry takes the form of falling sales of records, there is little evidence of a drop in demand for music in Britain. In fact, interest in music and involvement with it has grown in the last five years, especially among young people. The much-publicised arrival of punk rock in 1976-7 has been followed by a proliferation of

new or revived styles of popular music, each with a considerable following. The problems of the record industry are due in large part to its lack of success in capturing this new audience for music, either because it hasn't offered them the music they want, or because the price of records is too high.

## The attack

The attack on the British record industry's control of its home market has come from three directions: cheap imports, the mass production of recording equipment (cassette recorders), and competition from a growing number of small record companies specialising in the new 'post-punk' music.

The dumping of imported records in Britain is a side-effect of membership of the EEC. The 'free trade' provisions of the Treaty of Rome allow discs manufactured in Common Market countries to be sold in Britain. These records are usually surplus stocks of albums by artists who are not as popular in Europe as in Britain, and they therefore can be bought by British wholesalers at extremely cheap rates, to be sold over the counter at up to 20% less than copies of the same recording pressed in this country. One recent estimate suggested that 30% of the British market had now been taken by cheap imports from the EEC.

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the general availability of recording equipment in two ways: counterfeiting and home taping. As the term suggests, counterfeiting is the illegal copying and manufacture of records and tapes, which are then sold as if they were the real thing. Counterfeiting has become big business, and an estimated 10% of world sales of records and tapes are illegal copies. The main centres of production are in the Far East, although one illicit record pressing plant has been discovered in Britain.

The record industry in Britain regards counterfeiting as less of a threat to its interests than home taping. This is the widespread practice of borrowing records from friends to copy them onto blank tapes, and therefore saving the cost of buying them. It is obviously difficult to calculate the amount of home taping which takes place, but the record companies' own trade association, the British Phonographic Institute (BPI) claims that its lost sales through home taping amount to over £1 million a day. If correct, this would equal the industry's total income per day during 1980.

Home taping is in fact technically illegal under the Copyright Act of 1956, unless the consent of the owner of the copyright in the recording is obtained. The situation is broadly similar to that of the photocopying of printed material, and as difficult to control. Both are instances of the exploitation of new technologies by one branch of capitalist industry undermining both the market and the private property rights of another. Thus, the growth of the manufacturers of cheap tape recorders and blank cassette tapes inevitably means a contraction for the record and pre-recorded tape companies. Ironically, some of the multinationals, like EMI and Polygram, are involved in both sides of the battle.



### New small companies

The challenge to the established record industry from new, small companies is perhaps the most unexpected of the factors contributing to its current crisis, since, in common with other industries, it has steadily developed in a monopolistic direction in recent years. The majority of recordings sold throughout the world emanate from just four massive companies and their local affiliates. Two of these multinationals are American (CBS and WEA) and two are European (EMI and Polygram). Each is part of a larger conglomerate operating in other industries. CBS has interests in broadcasting, publishing and musical instruments, while WEA is part of Warner Communications with film and publishing interests, which in turn is owned by the Kinney Corporation, America's largest car park and funeral parlour chain. EMI is now wholly owned by Thorn, making up a group with radar, television and electronics divisions. Finally, Polygram is owned jointly by the German Siemens engineering combine and the Dutch Philips electrical group.

The dominance of the big four multinationals is due primarily to the 'vertical integration' of their activities in the record industry. That is, they operate in every aspect of the industry, in the making of the original studio recording, in the manufacture of the records and in their distribution to the shops. The vast majority of smaller companies in the industry are dependent on the big four, and, in Britain, RCA and Pye, for either pressing discs or distribution or both.

It is in one aspect only, the making of original recordings, that the multinationals are under serious challenge from new, smaller companies. These firms have in the last few years given an opportunity to virtually all the new artists in popular music to have achieved success. In comparison, the large companies have been unable or unwilling to sign many of the newer musicians and to market their work. However, although they have been outflanked by the new, small companies in the discovery of original music, the multinationals have in some cases bought up the contracts of the 'new wave' musicians once their recordings released by the small companies had begun to sell. Thus, the Leeds-based Gang Of Four,

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whose lyrics are Marxist-inclined, first recorded for the small Fast Product company. Soon afterwards they were offered a recording contract by EMI, which they accepted. To some degree, then, the role of small companies has not undermined the key role of the multinationals in the record industry. In this respect, they have rather acted an unofficial 'research and development' arm of the industry, in a manner which is well-established within popular music. Probably the most successful popular singer ever, Elvis Presley, began his recording career with the small Sun Records of Memphis. Once the Sun recordings had established the novelty of his style and his potential, Presley's contract was bought by the multinational RCA.

### Multinationals still ascendant

Even in those cases where the new musicians retain full artistic control over their work by remaining with the small companies, these companies frequently rely on the multinationals for the manufacture and distribution of their records and tapes. The Coventry-based 2 Tone company is one of the best known and progressive of the new record labels, initiated by The Specials group whose multiracial musical approach has been very popular. But manufacture and distribution of 2 Tone records is handled by a medium-sized establishment company, Chrysalis, which in turn has a contract with the giant Polygram to have its discs pressed and delivered to the shops.

It is important, therefore, not to overestimate the impact of the new companies on the overall control of the record industry exercised by the multinationals. Nevertheless there are now two independently operated national distribution systems for records from small companies, and these companies

have greatly widened the access to recording for large numbers of young musicians. A number of them also are organised on a co-operative basis, enabling the musicians themselves to determine policy and to make key decisions. In Manchester and Burnley, for example, existing musicians co-operatives set up to pool resources and to promote live concerts have branched out into the making of records. The Burnley co-op founded a record label named Snotty Snail and among its first recordings was the amusing 'I'm In Love With Margaret Thatcher' by a group calling itself the Not Sensibles.

But as well as those run on co-operative lines, many of the small record companies have a classic 'entrepreneurial' structure, looking very much like the kind of small business idolised by members of the present Tory government. Stiff Records, the longest established and probably the most profitable of all small record companies, was the brainchild of two energetic individuals who set up an autocratic structure to compete directly for markets with the multinationals. By the last quarter of 1980 they had gained 4.7% of the market for 45 rpm single records, compared with only 10.7% for the giant EMI. But even Stiff has a manufacturing and distribution agreement with CBS, giving that multinational a percentage profit from the success of Stiff recording artists like Ian Dury and Madness.

The character of these new record companies (which number well over 100) stretches from the Stiff entrepreneurial style through the co-operatives to a new form of recorded music adopted by some young musicians which opts out of the market system altogether. These performers distribute their recorded work by transcribing it free of charge or very cheaply onto blank cassette tapes sent in by listeners.

### RESPONSES TO THE CRISIS

Apart from cutbacks and mergers which accept their reduced position in the market, the major record companies have responded to the crisis in the industry in three main ways: an attempt to 'tax' home taping, the resort to various methods of controlling the market which are illicit if not illegal, and

investment in video technology which many hope will produce a consumer boom in the entertainment industries.

Having rejected the option of a full implementation of the law against home-taping (which on their figures might involve taking up to a million people to court), the industry next put its faith in research into an electronic signal which would produce interference on tape copies of commercially sold recordings. But this has proved impractical, not least because in principle any such signal could be 'unscrambled' by another electronic device. Once again, the logic of new technologies contradicts the forms of private property upon which the record companies are based. Finally, the companies have settled on a solution borrowed from West Germany. Instead of stamping out home taping, they are proposing to tax it by the imposition of a levy on each tape recorded or blank tape (or both) sold. The monies so raised would be returned by the government to the copyright holders in the music industry: the composers, performers, music publishers and record companies. At present, the industry is lobbying the government to introduce such a levy.

### Manipulation

The fight to hold onto a share of a declining record market has led to an intensification of various practices designed to manipulate the sales pattern of records and tapes. These primarily revolve around the pivotal role of the best-selling lists of single records published weekly by the BBC and the British Market Research Bureau. Most radio programmers and record shop managers use these lists as a guide to what to broadcast or what to order. Since they are compiled from a small sample of record shops and this list is generally available within the record industry, it has been possible for unscrupulous record company representatives to organise selective purchases of records to get them a place in the Top 50 lists, or even to persuade record shop assistants to falsify the returns upon which the best-selling lists are based.

A series of newspaper and television revelations in the last few years has exposed the remarkable degree of sharp practice within the larger record companies: this is one area in which the small labels do not have the resources to compete. As a result, the trade association, the BPI, has made feeble attempts to police its members, but since one of those accused of involvement in illicit practices has been its own former chairman, this is rather like asking Rupert Murdoch to run the Press Council.

Finally, many individuals within the

record industry are hoping that, as in the past, a technological innovation will stimulate new business and profits. The introduction of stereo recording in the 1950s entailed a vigorous growth not only in record sales but in the 'hardware' of new stereograms and other playing systems. Now, the expectation is that as video players and recorders go into mass production and fall in price, a new mass market will open up to eclipse the faltering disc market. At present, however, video is generally seen as a visual equivalent to the tape recorder, a machine to

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make recordings from television rather than for playing original, pre-recorded videotapes. While this emphasis remains, the growth of video use will produce another and greater problem of home-taping.

### SOCIALIST STRATEGY FOR THE RECORD INDUSTRY

In the past, the Left has tended to ignore the organisation of music in Britain, even when engaged in vigorous debate about its content. Similarly, the music industry has never figured in either policy discussions on the arts or on industry in general. But the current crisis shows that there is need to prepare policies given that the initial principle of any socialist strategy should be to maximise the opportunities and the participation of both musicians and audiences, while working to limit the control of the multinationals over musical communication as a whole.

In this perspective, the traditional solution of public ownership of existing firms through nationalisation may well create more problems than it solves. In common with other media and culture industries, music, as currently organised, suffers from a lack of access to significant audiences for a large number of performers, who consequently suffer from chronically low pay. For recorded music, this raises the issue of the control of both manufacturing and distribution by the big companies. In particular, the provision of publicly owned record pressing facilities available to small record labels and individual musicians would be a valuable innovation. Similarly, some assistance in combating the distribution monopoly of the multinationals, is necessary, either in financial assistance to alternative distributors or in some statutory

obligation along the lines of the French law on distribution of periodicals. Under this scheme, all publishers have the legal right for their magazines or newspapers to be on display in any town or village they request. Newsagents are obliged by law to stock publications on this basis. The result is that left-wing journals are available almost everywhere in France, without any censorship or refusals from the major chains of newsagents or wholesalers.

The Campaign For Press Freedom has already begun to agitate for a similar system to be introduced in this country, and its extension to recorded music would make available a much wider range of music in many smaller towns. In this sense, the music industry is one where socialists should be encouraging greater and more fair competition, so that all types of music can get an opportunity to reach a wide listenership. Some proper public supervision of, and sanctions against, unfair practices in the record industry would be another aspect of this policy.

### The position of musicians

Finally, a socialist strategy for the music industry should strengthen the position of musicians in relation to the other organisations in the industry, notably the record companies and music publishers. It needs to be remembered that in the home taping controversy, many musicians at present find themselves lined up with the record companies, asking for extra remuneration for their work. The dilemma such a strategy would need to resolve is the clash between the working musician's right to a proper wage through royalties from the copies of his work sold, and the need to make music fully accessible throughout the community. One alternative to the industry's levy system might be a variation on the Public Lending Right system of payment to authors for books borrowed from public libraries: a sum of money provided by the government to be distributed annually primarily to composers and performers, in a manner similar to the sharing out of fees received from the BBC and commercial radio stations for the right to broadcast music.

During the boom years of the record industry, any radical alternatives for its organisation inevitably seemed Utopian. But the present structural crisis affecting all the large, established companies offers an unprecedented opportunity for the dominance of the multinationals to be undermined, and for a strengthening of the position of the multiplicity of smaller record labels which will enable the widest possible range of music to receive a hearing.