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The Political Economy of Financially Successful Independent Hip-Hop Artists

Abstract

From 2000 to 2010, America's music industry's annual revenue went from \$4 billion to \$2 billion. Much of this is attributed to the internet's ability to provide consumers with easy access to free music, and hip hop has been especially impacted by this trend.

Utilizing document analysis and personal interviews, this study found that the success of independent artists has influenced the business strategies of major record companies. In response to a dramatic decrease in record sales, major labels have made more of an effort to sign their artists to 360 deals, which allow the labels to profit from every aspect of an artist's brand or identity.

While some independent artists are the main beneficiary of the profits generated from their music and personal brand, they also reify the commodity-form capitalist system by attempting to turn their music and brand into a fetishized commodity and by turning their audience into a fetishized commodity.

Keywords

Hip Hop, Political Economy, Fetishism, Music Industry, Culture, Reification, Commodities

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Introduction

The internet has become the world's greatest tool for consumption. Many acts of consumption that previously occurred in a physical, face-to-face, human-to-human setting now take place within the internet's digital hyperreality. In response, the music industry must adjust its business strategies to keep up with an increasingly digital world and consumer behavior. This study explores the ways in which financially successful independent hip hop artists are able to maintain consistent income, and in what ways their business strategies have influenced the actions of major record labels.

Traditionally, most artists would need to receive cash advances from major record labels in order to be able to fund the recording and production of their music. After receiving the cash advance, however, the artist would no longer control the music. The label that issued the cash advance would then sell the artist's sound recordings and be the main financial beneficiary. Known as working "for hire," this was the traditional way in which artists were able to make a living and record companies were able to turn a profit.

Nowadays, instead of simply making money by selling an artist's music, record companies demand to control more than just the sound recordings. Most major labels now control all of the image and branding rights associated with the artist, which includes merchandising, sponsorships, and touring. Known as "expanded-rights deals," this is an emerging way in which recording artists are able to make a living and record companies are able to turn a profit.

Because of the internet, however, musicians who previously needed the capital and resources of major record labels can now create, record, produce, and distribute music completely independently. The internet has created easy access to resources that were not previously available to independent artists. On the other hand, the internet has also increased the ability of consumers to easily access free music. There are now many ways for consumers to listen and possess music without actually purchasing it. On top of the rising rates of illegal music piracy, there are now a growing number of legal internet sites that allow consumers to listen to music for free, such as Pandora, Groove Shark, YouTube, MySpace, and many others.

The aim of this project is to explore the strategies utilized by financially successful independent hip-hop artists in order to maintain consistent income in an age when consumers do not necessarily need to purchase music in order to listen and possess it. Specifically, this project explores how independent hip-hop artists make the majority of their money (whether it be by selling records, performing at live events, selling merchandise, etc.), and whether independent hip-hop artists are the ones taking home the majority of the money made from their art. In other words, while the "expanded-rights deal" model allows for the record company to be the main financial beneficiary of an artist's work, do independent artists break away from this paradigm by receiving the majority of the profits?

In addition, this paper explores whether or not major record labels have been impacted by the success of independent artists. With the decreasing need to turn to major record labels in order to record, produce, and distribute music, how have major record labels changed their business strategies in order to keep up with the cultural and societal changes that have resulted from technological advancements? How much do record labels still rely on record sales as a major source of revenue?

In other words, this paper answers three main research questions:

- 1) How do financially successful independent hip-hop artists generate the majority of their income?
- 2) How have major record labels adjusted their business strategies as a result of the financial success of these independent hip-hop artists?
- 3) Are these independent hip-hop artists the main beneficiaries of the revenues generated from their labor?

The Political Economy of Communication

Political economists of communication have sought to decenter the media of communication by investigating its economic, political, and other material constituents. At the heart of political economy is the notion of “viewing systems of communication as integral to fundamental economic, political, social, and cultural processes in society.”¹ This includes considering those people who set the parameters and goals for media and information production and distribution, and for the introduction and developments of new communications and information technologies. In other words, political economists of communication analyze how power and control is produced and reproduced within the media industry.

Power and control is central to any understanding of modern society and “any adequate analysis of the distribution of power and of the process of legitimation must necessarily include an analysis of the mass media.”² Political economists understand that power is located at different levels. It can be held within specific ownership structures, hierarchies and political alliances with media corporations, and, also, in access and reception.

Understanding the role of commodities is also central to the political economy of communication. Karl Marx noted that the value of a commodity reflects the value of the labor that has gone into producing it; but Dallas Smythe felt that when it came to communications, Marxist theory had a blind spot.³ His question to Marx was: What is the commodity form of mass-produced, advertiser supported communications under monopoly capitalism? And his answer: audiences. In other words, Smythe realized that the mass media had turned the audience into a commodity. In fact, what many people would consider “leisure time” is really just the time when the audience is being sold to advertisers. This means the audience is really doing unpaid work. Therefore, the selling of audiences to advertisers not only serves as an essential marketing function, it also helps to reproduce labor power within society. It is not just “a question of the increasing control of the large media companies over a particular media sector or even several sectors, but also their increasing influence over the whole field of non-work time.”⁴

This relates to the mode of production. The mode of production is “the way in which a society chooses to appropriate and allocate all of the productive resources and surpluses needed for and created by the process of production,” and “capitalists create rules defending unequal distribution determined by competition between capitalists and each individual’s willingness to pay for goods and services.”⁵ In regards to commodification, the capitalist mode of production helps to separate conception from execution within the media industry. For instance, it is not uncommon for a commodity

to begin within working-class culture, and then be transformed into a product and offered back to working class audiences.

Markets play a big part in political economy, as well. Meehan and Torre point out that in the media industry these “markets tend to be oligopolized and stratified, with the proverbial ‘big boys’ exerting the most influence over the market’s shape and workings.”⁶ Therefore, the organizational structure of the economy, not the particular market, is the major force guiding production, distribution, and exchange of goods and services.

In the media industry, five major corporations basically run the show: The Walt Disney Company, News Corporation, Time Warner, CBS Corporation and Viacom. The myth is that they compete against each other. The truth is that the intertwining of these big corporations through joint ventures gives each participant an interest in the success of the specific venture but also an active concern for the health of its partner.

These corporations also integrate their products across different markets to increase profitability. Vertical integration involves the same company owning different aspects of the same product line, like a car manufacturer also owning a tire company or a record label owning a CD manufacturer. Horizontal integration involves moving to markets similar to one’s original product.

For example, Warner Bros. was involved in distributing *Krush Groove*, a film released in 1985 that chronicles the success of Def Jam. For Def Jam, though, *Krush Groove* was more than a film. *Krush Groove* was an opportunity to showcase Def Jam’s rising stars, help these young stars make some money, and advertise the label all at the same time. Def Jam artists, such as LL Cool J, the Beastie Boys, The Fat Boys, Kurtis Blow, and Run-DMC, made appearances in the film and contributed to the soundtrack. The film itself, which grossed \$3 million in its first weekend, highlights the path that Russell Simmons and Rick Rubin took to make Def Jam one of the first successful independent hip-hop labels. *Krush Groove* serves as an important artifact in the history of hip-hop culture, as well as an excellent example of synergy.

The Fetishism of Commodities

Marx’s *Capital: A Critique of Political Economy* begins with an analysis of the basic component of the capitalist economy: the commodity. From this he explains how many of the contradictions within a capitalist society arise. In the case of commodity-form capitalism, the intrinsic quality of something no longer determines its value, only its base of exchange.

The nature of commodities, though, does not arise from the fact that people produce them. People in all societies produce useful goods, but not all these goods are commodities. A good becomes a commodity when the good becomes fetishized. Traditionally, the term “fetish” refers to the religious practice of attributing human characteristics to material objects. In the general sense, though, the concept of “fetishism” refers to people finding more value in a good other than just simply its physical production value.

In the music industry, the concept of “hype” is very similar to the notion of fetishism. Hype should be understood in three distinct ways: 1) as a result of material changes in the music industry over a period of time; 2) as a multifaceted discursive

process that involves the creation, circulation, and debate of journalistic writing; and 3) as a rhetorical strategy employed by music artists to distance themselves from the aforementioned process.⁷ In other words, financially successful musicians must create hype for themselves in the very same way that a commodity must be fetishized.

Sarah Thornton studied how self-conscious subcultures that are brought together by a particular niche media (such as music) can sometimes be recast as “movements” within popular cultures. In her analysis, she coined the notion of “subcultural capital” to refer to the distinctions made by subcultures to remain unique from “mainstream” society. This subcultural capital, however, can sometimes be used by mainstream society to generate financial wealth.⁸

Some scholars have pointed to the usefulness of the term “scenes” for describing this phenomenon, noting that the “sense of purpose articulated within a musical community normally depends on an affective link between two terms: contemporary musical practices, on the one hand, and the musical heritage which is seen to render this contemporary activity appropriate to a given context, on the other.”⁹ In other words, in a musical scene or subculture, there is a relationship between particular musical practices and a particular geographic space at a particular moment in time.

Other scholars highlight the notion of the “brand community” to refer to cultures such as hip hop. They define a brand community as a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand. Like other communities, it is marked by a shared consciousness, rituals and traditions, and a sense of moral responsibility. In short, subcultural branding is an important concept for understanding the evolution of hip hop culture. Because of its international success, however, hip hop can no longer be considered a subculture.

Instead, hip hop should be seen as a major part of contemporary mainstream popular culture. For example, Coca-Cola specifically targets hip-hop culture in their marketing campaigns. Sprite, a soft drink produced by Coca-Cola, since its inception, has always included hip hop in its marketing strategies. Sprite has recently even teamed up with the National Basketball Association (NBA) in a campaign that commoditizes rap music and other aspects of the hip-hop culture.

To Coca-Cola, Sprite’s “Obey Your Thirst” slogan sends a clear message to corporate America about the financial viability of hip hop: “It’s okay to work with this culture, Proctor & Gamble. It’s okay, Ford Motor Company. It’s okay, IBM. Because this great American brand aligned itself with hip-hop. And it’s beating everybody.”¹⁰

Procedures for Conducting this Study

In his preface to *Capital: A Critique of Political Economy*, Marx outlines political economy’s method of analysis. To Marx, the purpose of political economy is to analyze the capitalist economy, not as the sum of individual acts of exchange, but as a complex system, dominated by laws of its own which are as powerful as the laws of nature.

Document analysis is a major methodological component of political economy. In fact, documentary investigation was the main research tool of many classical sociologists. For example, “Marx made extensive use of the reports of the factory inspectors, Weber utilized religious tracts and pamphlets, and Durkheim employed official statistics on suicide.”¹¹

One of the most important and widely read early research on power was *Who Rules America?*, which was originally written by G. William Domhoff in 1967. Domhoff suggests that the best strategy in conducting power structure research is to first create a network analysis. A network analysis traces all the people and organizations that make up the power structure, and then it figures out how they connect to and influence government. This is achieved by analyzing annual financial reports and studying the people who sit on boards of directors or serve as high-ranking executives. Then, Domhoff suggests conducting a content analysis, which is the term for the systematic study of the power structure's ideologies, policies, and plans, which are learned about through the careful study of documents such as the texts for speeches, policy statements by organizations, and drafts of legislation.¹²

Although classical sociologists utilized document analysis as a main research tool, they also recognized other qualitative methods as useful tools for analyzing society. Geertz once said that he agreed "with Max Weber, that man is an animal suspended in webs of significance he himself has spun. I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretive one in search of meaning."¹³

Participant observation is a useful method because it allows a phenomenon to be perceived from a normal everyday setting. This method of analysis is great for researchers who are analyzing live events (such as concerts) and other phenomena that take place in an open and public setting. This method allows the researcher to observe a phenomenon without dramatically affecting it.

Using a mix of methods within a research project allows for a greater level of comparison and accuracy. This study utilizes political economic methods like document analysis, as well as qualitative methods such as personal interviews, e-mailed questionnaires, and participant observation.

To conduct this study, the researcher began by analyzing important financial documents pertaining to the Big 4 record companies. These documents included corporate financial reports, transcripts of legislative hearings, and court records. The researcher also interviewed individuals who have experience working within the music industry. Rappers, DJs, promoters, publicists, managers, and executives were all interviewed. A full list of the individuals interviewed can be found in the appendix.

Potential interview participants were contacted via email. Some interviews were conducted in person, some interviews were conducted on the phone, and some interviewees simply answered a questionnaire and emailed it back to the researcher. The researcher also attended live music events where the interviewees were performing in order to observe the experience of being a successful independent hip-hop artists and to analyze the behaviors of consumers attending the concerts and purchasing merchandise.

Political economists are not content merely to criticize the system. Instead they take up the tools of empirical social science and use them to document the domination of big corporations and the upper class over American political life and to analyze the mechanisms by which that domination is maintained. By analyzing documents and incorporating the notion of praxis into its ideology, political economy analyzes how power is produced and reproduced within specific markets and industries, and reveals where and how active resistance is possible.

The purpose of the following section is to highlight trends within the mainstream music industry and to gain an understanding of how financially successful independent hip hop artists are influencing the business strategies of major record labels. This section also reveals the ways in which major record labels are currently able to profit from the success of independent artists.

The Big 4, the RIAA, and the Rise of Expanded-Rights Deals

As internet use has risen in the 21st century, so has the rates of music piracy. Major record companies, as well as the federal government, have struggled to figure out how to handle this trend. On July 19, 2000, the Congressional Committee on International Relations held a House hearing entitled, “Costs of Internet Piracy for the Music and Software Industries.” This meeting was held by the Subcommittee on International Economic Policy and Trade in order to discuss the rising rates of internet piracy and how specific industries, such as the music and computer software, were being dramatically affected by this new trend. The hearing referenced research from the International Intellectual Property Alliance, which estimated the total losses attributed to these so-called content industries to be over \$8.5 billion in 1999.¹⁴

Ileana Ros-Lehtinen, a Representative from Florida and the head of this Subcommittee, suggested that the music industry itself might be to blame for this trend. She argued:

It has been estimated that a compact disk costs as little as 60 cents to manufacture, and depending on where you live, a new CD will cost you around \$15. When CDs were first introduced in the early 1980s, manufacturing costs represented \$3 to \$5 per CD and retailed for \$15 to \$20. As the manufacturing price per CD has fallen, there has not been a parallel drop in the retail price. When compared to the prices offered for music and software by Internet counterfeiters, there can be little doubt as to why many ordinarily law abiding citizens are swayed into breaking the law. This is not an excuse or a justification for on-line piracy, but merely one example of the need to look at all sides when approaching a problem as insidious as piracy.¹⁵

Ros-Lehtinen’s sympathy towards those who pirate music, though, was not shared by her congressional colleagues. This House hearing represents a major turning point in the way in which the United States government responded to music piracy. From that point on, the government made efforts to make it harder for consumers to have free access to music.

Much of this effort has been inspired by the effective lobbying strategies of the Recording Industry Association of America (RIAA), which according to its own website is:

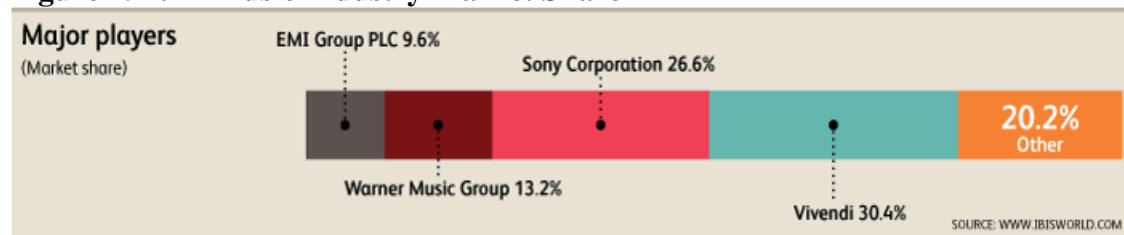
...the trade organization that supports and promotes the creative and financial vitality of the major music companies. Its members are the music labels that comprise the most vibrant record industry in the world. RIAA members create, manufacture and/or distribute approximately 85% of all legitimate recorded music produced and sold in the United States. In support of this mission, the RIAA

works to protect the intellectual property and First Amendment rights of artists and music labels; conduct consumer, industry and technical research; and monitor and review state and federal laws, regulations and policies.¹⁶

In other words, the RIAA is an organization that consists of most of the major record labels in America. Its main focus is to preserve the financial productivity of the music record industry by influencing policies and legislation at a federal level. Based on a study conducted by the Institute for Policy Innovation, the RIAA claims that music piracy results in more than 70,000 lost jobs and \$2 billion in lost wages to American workers every single year.¹⁷

Universal Music Group (Vivendi), Sony Music Entertainment, EMI Group, and Warner Music Group were known as the “Big 4” in the music industry. These companies, along with their many subsidiaries, accounted for almost 80% of the revenue generated within the music industry in 2011.¹⁸ 2011 total market share can be seen below:

Figure 1. 2011 Music Industry Market Share



(IBIS World 2012)

Between 2000 and 2008, the RIAA brought lawsuits to over 35,000 people for music piracy. The RIAA credited the lawsuit campaign with raising awareness of piracy and keeping the number of illegal file-sharers in check while the legal market for digital music took off. However, the RIAA’s decision to stop pursuing legal action against those pirating music coincided with an important shift in the music industry.

2008 was the first year that a record label reported that digital sales made up the majority of its revenue. Atlantic Records, a subsidiary of Warner Music Group, reported that digital sales represented 51% of its fourth quarter revenue that year. This moment represents a shifting trend in the music industry.

Because of contemporary changes in technology, musicians now realize they can record, produce, and distribute their music independently. This also means they can receive the majority of the revenue generated from their music. Therefore, fewer artists need to sign record contracts.

In response, major record labels began to focus more on finding artists who would be interested in signing an “expanded-rights deal,” a strategy pioneered by Warner Music Group. The results of this effort are obvious when analyzing Warner Music Group’s annual reports. In 2008, Warner Music Group had almost one-third of its artists signed to expanded-right deals. That same year, at the Web 2.0 Summit, WMG CEO Edgar Bronfman told the audience that his label now requires all new artists to sign 360-deals. By 2010, over half of Warner Music Group’s artists were signed to expanded-rights deals.

Major record companies, like Warner, have become determined to sign their artists to expanded-rights deals because, despite the fact that digital sales are now greater than physical music sales, digital sales do not generate as much income. Therefore, profits must be made through live events and merchandise. Expanded-rights deals allow record labels to potentially profit without having to focus on album sales as the main source of revenue. Digital album distribution, however, has the potential to generate higher profits than physical sales because the production and distribution costs of physical albums are much higher than digital production and distribution.

For example, in November of 2011, Pittsburgh-based rapper Mac Miller's *Blue Slide Park* debuted at No. 1 on the *Billboard* 200 chart, selling 144,487 copies according to Nielsen SoundScan. This marks the first time that an independently released debut album hit No.1 on the charts since Tha Dogg Pound's *Dogg Food* was released in 1995. In fact, SoundScan shows that 76% of his total 144,487 sales came through online retailers.¹⁹

Mac Miller's success, however, did not come over night. Between 2007 and 2010, he released four EPs for free online. He also toured constantly. So, by the time he released his first LP in 2011, he had generated a tremendous amount of publicity for his music and for his personal brand. When *Blue Side Park* debuted on the album sales charts at number one, it was a watershed moment for his Pittsburg-based record label, Rostrum; his San Francisco-based digital distribution and marketing partner, Ingrooves; and his physical distribution partner, Fontana, which is the independent artists' sales and marketing division of Universal Music Group.

"This is a big moment for the independent music community," said Dave Zierler, EVP & General Manager of Ingrooves. "Rostrum and Mac are proof that a digitally-focused independent effort works in today's dynamic music marketplace, by engaging fans directly and maximizing availability to all consumers via our global online retail network."²⁰

With more than a million Twitter followers, and videos on YouTube approaching a total of nearly 100 million views, Rostrum Records helped Mac build a huge fan base online, which made a digital partnership with Ingrooves even more logical. Mac Miller's use of the internet to promote his music and his personal brand is a major component of his financial success as an independent artist. This is evident when considering that over 76% of his album sales were digitally distributed.²¹

Increasing use of internet technology is substantially affecting the industry's revenue earning capability, as freely available music online (whether legally or not) is devaluing the rights held to music by publishing companies and record labels. As more and more countries establish intellectual property rights protections and crackdown on websites that allow illegal file sharing, record labels' profits from international sales improve. For example, Sweden strengthened the legal rights of music labels in 2009 and, according to the International Federation of the Phonographic Industry (IFPI), music revenues were up 10% overall, driven by a 98.6% increase in digital sales.²²

This has not been the trend in most of the world, however. EMI Group, a UK-based music company, has, like its competitors, experienced difficulties as a result of the changing music and media environment. Although it still is the fourth largest record company in the world, the company's total revenue has fallen at an average rate of 6.1% per year over the five years to 2011.²³

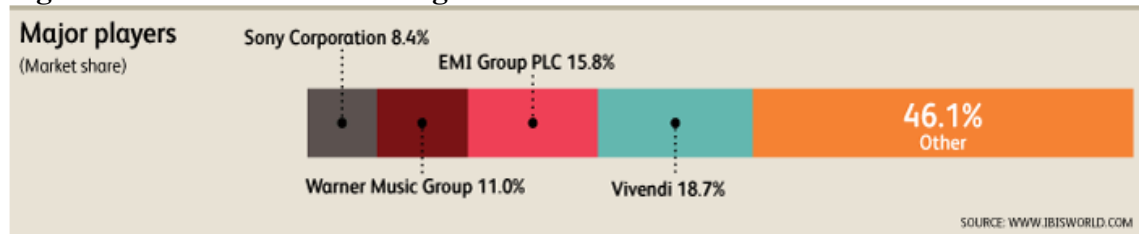
Music publishing revenue has risen at an estimated rate of 2.4% per year, as EMI managed to derive considerable revenue from existing licensing agreements, whereas revenue in music production and sales requires new music to be produced and purchased, and this is where the industry is experiencing difficulties. Over the past three years, licensing and publishing has gone from representing less than 20% of revenue to more than 30%, a clear indication of the state of the industry at large.²⁴

EMI's success in the publishing sector, however, was not enough to save the struggling label from needing to sell off many of its assets to the other three major record companies. In February of 2011, Citigroup took a big step toward exiting from its disastrous involvement in EMI when it assumed control of the major from British private-equity firm Terra Firma, paving the way for EMI's sale. The auction of EMI eventually culminated in November of 2011 with a Sony-led consortium agreeing to buy EMI Music Publishing and Universal Music Group signing a definitive agreement to buy EMI's recorded-music operation.

Music publishers work for musicians, songwriters and composers. They are responsible for licensing the intellectual property of their clients and ensuring that royalties are collected. Royalties are earned each time a song is downloaded on iTunes, sold on a CD, reproduced by another artist, or played on the radio, a television show, a movie or other media. Increasing independence of artists is another growing concern for the industry. As artists and bands grow more aware of the capacity of the internet to distribute their music, the need for artists, even small ones, to directly license intellectual property to record companies diminishes.

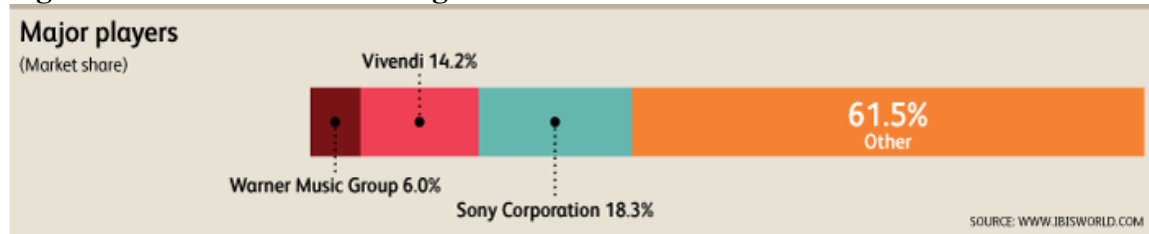
The chart below highlights the percentage of the market share that subsidiaries of the "Big 4" hold within the music publishing industry in 2011. As a result of EMI's sale, these figures look dramatically different in 2012, with Sony being an even bigger part of the publishing industry.

Figure 3. 2011 Music Publishing Share



(IBIS World 2012)

Figure 4. 2012 Music Publishing Share



(IBIS World 2013)

The advent of digital transfer of music online presents positive and negative possibilities for the music publishing industry. On one hand, overall demand for music may actually increase, despite the revenue from CD and online sales combined falling over recent years, as more fans access music by artists they were previously unaware of, creating greater opportunities and possibly increasing the value of assets held by the industry. However, as fewer consumers purchase their music legitimately, more direct lines of revenue, such as releasing songs for compilations and radio, means revenue could fall. Also, it becomes more difficult to identify which music is popular as illegal downloads are not publicized, hence discouraging companies from investing too heavily in music as a promotional tool.

One strategy the music industry has employed in this attempt to mitigate the negative economic effects of free music is to create an organization that attempts to collect royalties on behalf of artists whose music is being played and downloaded digitally. This institution, known as Sound Exchange, is a non-profit performance rights organization that collects statutory royalties from satellite radio (such as SIRIUS XM), internet radio, cable TV music channels and similar platforms for downloading and streaming sound recordings. On top of that, the “Copyright Royalty Board, which is appointed by The U.S. Library of Congress, has entrusted Sound Exchange as the sole entity in the United States to collect and distribute these digital performance royalties on behalf of featured recording artists, master rights owners (like record labels), and independent artists who record and own their masters.”²⁵

In short, analyzing documents, such as financial records, judicial reports, and transcripts of legislative hearings, reveals a trend of 360-deals becoming more popular amongst the Big 4, now the Big 3. They have been forced to utilize this strategy within recent years because contemporary changes in technology allow consumers to easily access music for free via the internet. On top of that, artists can now record and distribute music without the resources of a major label. Therefore, why would an artist sign with a major record label in the 21st Century?

The next section discusses the findings from interviews conducted by the researcher. The purpose of these interviews was to gauge exactly how much independent hip-hop artists value controlling their image, branding, sounds recordings, and publishing copyrights. These interviews also served the purpose of discovering whether independent hip hop artists actually are the main financial beneficiaries of the revenues generated from their creative labor. These interviews were either conducted in person, over the phone, or via email. A full list of the interviewees can be found in the appendix.

“There Is No Industry for Dreams”

Marv Ellis is an Oregon-based rapper who has definitely noticed the shift in the way artists and major record labels interact. He says:

Basically, when I first started rapping like 10 years ago, I was like, “I wanna get signed! I wanna get signed!” And now I’m like, “I don’t wanna get signed! I don’t wanna get signed!” Because basically, when it came to music, you could sell it back in the day. And now, people don’t buy it. So what happens when you don’t need to buy it and when there’s a mass influx of people who can make the music

in house and put it online, and all of a sudden their promotional capabilities are the same as a major artist, it puts pressure on the major record labels. So those labels started tying up musicians in LA and changing their deals to 360 deals so they could be making money off of marketing and promotion. So what happens is that the music really becomes a calling card to YOU. So now you're selling YOU. Your brand is YOU.²⁶

According to Sony Records' Vice President of Sales, Scott Van Horn, there has definitely been a dramatic shift in how music companies sell & market music due increased access to free music:

The US music industry revenue has been halved in the last 10 years – from \$4B to \$2B (2000 – 2010). Much of this has been attributed to the easy accessibility of 'free' downloads through a myriad of illegitimate sites, primarily in eastern European/Asian countries whose lax intellectual property laws allow them to flourish.²⁷

Del the Funky Homosapien is an Oakland, California-based hip-hop artist who has witnessed this shift from the perspective of an independent artist, as well as from the perspective of an artist signed with a major record deal. In the early 1990s, Del released two albums for Elektra Records, a subsidiary of Warner Music Group. His relationship with Elektra, however, soon went sour. In 1997, about a month before the release of his third album, Del received a letter from Elektra stating that his contract had been terminated.

Elektra Records was experiencing the same financial hardships that other labels were experiencing at that time as a result of changing industry. In 2004, Warner decided to merge the label with another subsidiary, Atlantic Records. This merger, however, caused even more cut backs. According to a former Elektra Vice President of Video Production, Diane Van Horn:

Elektra was a stand-alone label (meaning it had its own promotion/sales/marketing/publicity staff) within the Warner Music Group. In 2004, Edgar Bronfman Jr. and other investors purchased WMG. They merged Elektra and Atlantic records together to cut expenses. Elektra lost about 60-70% of its staff. The remaining employees were folded into Atlantic Records and began working with their staff and artists.²⁸

Since leaving Elektra, Del has been a major part of the Hieroglyphics, one of the most successful independent hip hop groups of all time. Del recalls the financial problems that Elektra was having in the late 1990s:

They weren't really making money any more. They wanted to keep me; but I was just being too demanding. They would ask me things like, "Would you work with a Premier? Would you work with a Pete Rock?" And I was like, "I mean yeah I'll work with them 'cause I like their music. But why should I? I mean I'm doing

just what they're doing." And I know in their minds they were thinking, "No you aren't. You ain't making no money."²⁹

The Hieroglyphics, which consists of seven rappers, a DJ, and a producer, is a LLC where all members are equal owners. They also release their music through their own label. The label, known as Hieroglyphics Imperium Recordings, was created by the collective in 1995 in order to publish and market the group's, and individual members', releases, as well as releases from other affiliated artist's that major labels would deem not commercially successful enough for mass distribution.

The Living Legends is another California hip-hop collective with a similar business plan as the Hieroglyphics. Consisting of eight rappers, the Living Legends is also an equal member LLC that also releases their music through their own label, which they call Legendary Music. Eamon Mulligan, the label's manager, believes that even in the case of independent hip-hop music there is "still definitely a case of capital resources, whether financial or human, affecting the amount of success of an artist and/or album-success being defined as units sold and monetary gains."³⁰

To Mulligan, the internet has been a great tool for independent artists who are trying to compete with more popular mainstream entertainers:

The internet has democratized the music industry and allowed people from the mainstream to the underground to play on the same level as each other... Sites such as YouTube are crucial because it is essentially today's MTV, but it is completely customizable at the click of a button and you can go from watching a Beyonce video to a Living Legends video.³¹

Mulligan also understands, however, that the music industry is a business. It doesn't matter whether the artist is mainstream or underground. He points out that a "truly independent artist though, with no label, at the end of the day would still like to be able to sustain themselves purely from their art. In a time where record sales are declining, the revenue streams for artists are becoming more and more sparse. One great way that an artist can earn revenue is from licensing their songs for movies, television, and video games."³²

When it comes to licensing, though, it makes a big difference whether the artist is independent or signed to a record deal. If artists are independent, they receive the majority of the royalties for licensing the song; however, if artists have contracts such as expanded-rights deals, they might not receive any of the licensing profits. That is why Eligh, a member of the Living Legends, notes that although the business tactics are similar for all artists, independent artists maintain more control over their art.

For example, when it comes to promoting and putting on a live concert, he says that, although he's never been in the mainstream, all of the tactics for putting on a show are basically the same:

You've got the promoter, you got the club itself, you got the artists, you got probably the managers of the artists, there's a bunch of people in play. But in the underground, you know, we book our own shows sometimes. Sometimes it's just

us and the promoter and that's it. So in the underground, the power lies with the artist.³³

Rhymesayers Entertainment is another independent hip-hop label that allows artists to maintain control over their own music, brand, and image. It was founded in 1995 by Atmosphere, a hip-hop duo consisting of Slug, the group's MC, and Ant, the group's DJ/producer. In 1999, the label became vertically integrated when it opened its own record store called Fifth Element, which is located with the label in Minneapolis, Minnesota. In March of 2007, Rhymesayers ditched its former distributor, Navarre Corp., and now has its catalog distributed by Alternative Distribution Alliance (ADA), WMG's "indie" distributor. Later that year, Rhymesayers Entertainment first began to distribute their music digitally.³⁴

Some independent artists have even begun to throw their own live music festivals. Murs, a member of the Living Legends, has been instrumental in producing the Paid Dues festival, a live independent hip hop event that brings together some of the most popular and successful artists. On March 11th, 2006, the first Paid Dues festival sold out, with over 5,000 concert-goers packing the Shrine Expo Center in Los Angeles.

Following the success of the next Paid Dues show in 2007, Murs announced that the festival would begin touring with Guerrilla Union's Rock the Bells Festival, a much larger live music event. Formed in 1998 by Chang Weisberg, Guerilla Union began as a concert promotion company, but it has since evolved into much more. According to acclaimed DJ and producer 9th Wonder, these festivals are essential to the contemporary hip-hop culture. He says:

I think it's beautiful man. I think what Murs and Chang are doing with Guerilla Union is something that we need. I mean we need it. I think it's dope. I love it. I love it. It's one of the only ways today that artists can get together and just sit and talk and see people we haven't seen in a long time and things like that. You know, we don't get to do that as much as we should. I think Murs and Chang are doing something that's needed. Without Paid Dues, without Rock the Bells, hip hop would be missing something.³⁵

Despite the financial success of these festivals, though, they have been highly criticized for utilizing corporate sponsorship, such as Coca Cola. Sunspot Jonz, another Living Legend, is offended by this criticism of Murs. He says:

Any one hating on Murs... fuck them. The whole point of this was to not go to work for someone who has no care of what you're about. They only see you as workers, as employees. Create your own moment for your life. That is what Murs did. He created his own moment for his own life. That is so much more important than you will ever realize. And you can say, 'Yo, you sold out for this, or you sold out for that.' I don't know what that even means. You didn't even know who I was before you were telling me I was selling out. My whole thing is this: There is no loyalty; there is no industry for dreams. There is no loyalty; there is no industry for dreams. There is no loyalty; there is no industry for dreams. Create your own moment.³⁶

James Dunn, who does public relations work for such hip hop artists as Murs and the RZA, also agrees that working with major corporations can sometimes be a benefit to artists who are mainly independent.³⁷ For instance, in 2008, Murs released an album on Warner Bros. Records. While the record ultimately did not lead to the financial success that both he and the label expected, it sold over twelve thousand albums in the first week. It entered the sales charts at #43, and made the release Warner Brothers' best hip-hop showing of the year. It also allowed Murs to receive massive amounts of marketing and advertising for his album and his brand that he would have otherwise not received. In other words, working with a major label on a project or two can allow independent artists to reach a wider demographic of music consumers.

Spose is a hip-hop artist who used his successful relationship with a major record label to jump start his own independent music career.

I signed a single deal with Universal Republic Records in 2010, for them to promote my song 'I'm Awesome,'" explains Spose. "The deal basically gave them a guaranteed hit record (as it already had become before they signed me) and gave me \$35,000 with potential for more should Universal decide it would be to their financial benefit."³⁸

Spose learned from his experiences interacting with Universal, and started PDank Entertainment:

At a show for any PDank artist, the artist collects somewhere between 50% and 100% of the profits. I've played enough shiesty, terrible shows to know how to keep this percentage closer to 100% than 50%. Some venues and promoters, however, will take 50% right away before the artist sees a penny.³⁹

The majority of money made by PDank artists comes from live shows. According to Spose, subsequently acts like the Educated Advocates, which contains three members instead of one, like Cam Groves or Spose, make less money at live shows than other artists:

I think as tour-heavy artists like Wiz Khalifa have shown, a musician's money is made on the road. Basically, as label owner, I take 10% of the profits after recoupment. This is inconsistent with the industry because the big record labels, and even midsize ones, take between 75% and 90% of the profits from the artist. My deal with Universal afforded me just 16% of my sales after recoupment.⁴⁰

RA Scion, from the Seattle, Washington-based duo Common Market, agrees with Spose's business tactics:

Independence means you don't rely on others to take care of those tasks, which, in turn, means that your slice of the pie is larger. On the other hand, it means the pie itself is smaller, so there are inherent benefits and drawbacks. When Common Market had an agent and a management company, we got much larger guarantees

and everybody got a little piece. These days, I do all the booking and management myself; the payoff is modest but it's all mine. If the point of the question is to establish whether or not it's more lucrative to be an independent artist then there's no definitive answer. U2 grossed \$130M in 2011. I don't know about you, but I'd be hell a happy with just 10% of that.⁴¹

Erik Abel is the producer for a Portland, Oregon-based independent hip hop group called Animal Farm. In his view:

Hip hop is absolutely a microcosm of the world and the practice of capitalism. The major players in the music industry are the people with money, who have the capital to put hundreds of thousands of dollars into hiring publicists, radio promoters, video promoters, placing advertisements, etc. The underground community, however, needs to be more creative, utilizing guerilla marketing tactics and creating higher quality music for the most part. Even within the underground though, YouTube views, press, free music download counts, and twitter fans are all accumulated with the hopes it will lead to additional album sales or interest from sponsors or people with deeper pockets within the music business.⁴²

In short, many artists remain independent because it is more financially profitable to do so, not because they are adhering to any sort of moral or ethical code. Even artists such as Del, who has had tremendous success as an independent artist, wouldn't rule out the possibility of signing with a record label if the right situation would come along. The main reason most artists remain independent is because they want to control their personal brand. Instead of having some record company commoditize their brand, they would rather commoditize it themselves and be the main beneficiaries of the profits generated from their labor.

The Fetishism of Independent Hip Hop

In order to be a financially successful independent hip-hop artist in the 21st century, artists must create hype for their music and personal identity in order to convince consumers to make the seemingly irrational choice of purchasing music that is, most likely, readily available to them for free. This means that a major component of being a financially successful musician is generating a fetish for one's music and identity. In other words, in order to allow independent hip-hop artists to be financially successful, an artist's music and brand must become a fetishized commodity.

Mac Miller's success can certainly be attributed to his ability to create a fetish for his music and personal brand. After years of incessant touring and releasing his music for free, he had created so much hype for his products that when he finally released a full-length album music consumers bought his albums in droves. He received thousands of album sales despite already having a reputation for allowing his music to be freely distributed throughout the internet.

Independent hip hop itself, however, is also becoming a fetishized commodity. This is evident when looking at the rising trend of conglomeration between major record

labels and independents. For instance, most of the independent artists and record labels analyzed in this study are somehow connected to one of the “Big 3” major record companies: Rhymesayers Entertainment signed a promotion, marketing, and distribution deal with Warner Music Group's Independent Label Group; Rostrum has a physical distribution partnership with Fontana, the independent artists’ sales and marketing division of Universal Music Group; Murs recorded an album for Warner Bros. Records; and Spose got started by taking a deal from Universal Republic Records.

Contemporary hip-hop artists don’t rely on album sales any more as a main outlet for financial success. According to DJ/producer Nima Fadavi, however, just because a song is obtained for free doesn’t necessarily mean that the song no longer has any value. Instead, as Marv Ellis pointed out, the recorded music is really a “business card” that gets music consumers to pay attention to their personal brand and identity. Therefore, if recorded music is no longer a viable option for gaining profits, independent hip-hop artists need consumers to attend live events and purchase merchandise in order to be financially successful.

In terms of live events, the labor of independent artists is commoditized less than the labor of artists who are signed to expanded-rights deals because independent artists receive the majority of the profits made from the show, as opposed to those artists with expanded-rights deals whose label makes the majority of the profits gained from the event. Even in the case of festivals such as Rock the Bells or Paid Dues, where there is corporate sponsorship such as Coca-Cola, the artists, not the sponsors or promoters, take home the majority of the profits. Therefore, although there is corporate sponsorship, festivals such as Paid Dues and Rock the Bells represent a resistance to the dominant means of production because they allow the artists to be the main financial beneficiaries of their labor.

In other words, while independent hip hop artists must work to create a fetish for their records, live events, and merchandise, they attempt to resist the dominant means of production by not having their labor commodified. However, major corporations such as Coca-Cola and the music industry’s “Big 3,” have figured out how to profit from the publishing and distribution of recorded independent hip-hop music, as well as live events and merchandise. On top of that, independent hip-hop artists still rely on exchange-value, not use-value, in order to be financially successful. Therefore, independent hip hop itself has become a fetishized commodity.

The Internet, Free Music, and Subcultural Branding

The internet has undoubtedly played a major role in the way the business structure of the music industry has shifted over the past couple of decades. Major recording labels, as well as independent hip-hop artists, can no longer rely on album sales as a consistent source of revenue. Except for the extreme cases, such as artists like Mac Miller, music consumers are no longer purchasing music at high enough rates in order to rely on record sales as an outlet for financial success.

The increasing independence of artists is another growing concern for the industry. As artists grow more aware of the capacity of the internet to distribute their music, the need for artists to have their intellectual property licensed by record companies

diminishes. In response, major record labels have sought out more expanded-rights deals in order to profit from every aspect of the artist's brand and identity.

As RA Scion pointed out, artists and groups such as U2 only receive about 10 % of the revenue generated from their music and products. Yet, their music and products bring in millions of dollars every year; so, they make significantly more money than most independent hip-hop artists. Therefore, the central question is: Do you want a lot of a little or a little of a lot? Artists such as Immortal Technique, Del, and 9th Wonder, as well critical philosophers and political economists such as Marx and Engels, would argue that it is better to receive the majority of the profits which come from one's labor, as opposed to allowing one's own labor to become a commodity.

In some ways, however, even artists that are completely independent still have their labor commoditized. For example, the venue that hosts the show needs the artists' labor in order to make money. That also goes for the show promoters, artist managers, and companies involved in making the merchandise. Therefore, independent hip hop itself has become a fetishized commodity.

Independent hip-hop artists must rely on performing at live events and selling merchandise in order to be financially successful. That means they need to create a fetish for their own personal brand, as well as for the merchandise they are selling. In other words, an artist's albums, live events, and merchandise all need to become fetishized commodities in order for the artist to be financially successful.

In that sense, independent hip-hop artists offer no resistance to the dominant means of production. They are still participating in the reification of the commodity-form capitalist system. Even artists, such as Immortal Technique, who dialectically critique the dominant means of production, are still guilty of contributing to the creation of what makes this capitalist system exist: fetishized commodities.

There are many examples of subcultures being coopted by corporate brands. The independent hip-hop industry certainly does not escape this distinction. Companies, such as Coca-Cola, have begun to invest in hip hop shows and festivals; Smirnoff sponsors a show on Viacom-owned BET (Black Entertainment Television) that's centered on a DJ competition; and most independent labels need to utilize publishing and distribution outlets associated with the "Big 3."

Therefore, independent hip hop is also guilty of turning its consumers into a commodity. Major corporations that have realized the widespread popularity of hip-hop music and products make investments that allow them to profit from the commodification of the culture. These corporations use subcultures as a way to market their brand to a particular demographic. In other words, by allowing corporations such as Viacom, Smirnoff, Coca-Cola, and others to fund events, to invest in merchandise, and to profit from the labor of the artists, independent hip hop contributes to the creation of the audience commodity.

This promotes the dominant mode of production. As noted earlier, the mode of production is "the way in which a society chooses to appropriate and allocate all of the productive resources and surpluses needed for and created by the process of production;" and it should be noted that "capitalists create rules defending unequal distribution determined by competition between capitalists and each individual's willingness to pay for goods and services."⁴³ In regards to commodification, the capitalist mode of production helps to separate conception from execution within the media industry. For

instance, it is not uncommon for the conception of a commodity to begin within working-class culture, and then be transformed into a product and offered back to working class audiences.

This is certainly the case for hip-hop music created by artists who are signed to major record labels. Those major corporations invest in artists in order to profit from a specific culture. In terms of hip hop, major record labels look for artists who are consistent with the image of hip hop that they deem to be profitable. The artists then release music that is consistent with that image.

Independent hip-hop artists, however, are not guilty of contributing to this trend. Although they still reify the commodity-form capitalist system by creating a fetish for their personal brand and turning their consumers into a commodity, independent artists make music that is still authentic and genuine. Their music isn't influenced by the opinion of a major record executive.

Therefore, while there are plenty of similarities between being signed to a major record label and being an independent artist, there are also some very important distinctions. For example, independent artists take home the majority of the profits generated from their music, while record companies are the main financial beneficiaries of the profits generated from artists signed to their label. On the other hand, major and independent artists both rely on turning their music, merchandise, personal brand, as well as the hip-hop culture itself, into a fetishized commodity.

Independent artists are also guilty of turning their fan base into a commodity. Most independent artists and labels rely on subsidiaries of the "Big 3" for publishing and distribution. With the dramatic decrease in album sales, major corporations are given more opportunities to invest in the marketing, advertising, and promotion of independent hip-hop artists, labels, and events as independent artists are forced to utilize touring and selling merchandise as their main way of generating profit.

In many ways, however, these new trends within the music industry are empowering for independent artists. They are able to personally control the entire process of recording, distributing, and advertising their music. Independent artists have had so much success, in fact, that major record labels are being forced to change their business strategies in order to keep up with a dynamic market that is being greatly influenced by contemporary changes in culture and technology.

Although this study fills a needed void in the existing literature pertaining to independent hip-hop artists, there are still many more opportunities for research. This article is hindered by the researcher's limited access to potential interviewees and the financial records of independent artists. Yet, this study represents a significant contribution to the study of hip hop.

No other studies have focused specifically on how the success of independent artists is a major influence on the business strategies of major record labels. There are also no other studies that compare the ways in which independent artists commoditize their own brand and the ways in which a record company commoditizes an artist's brand. This study does just that.

This study reveals that independent artists make the majority of their money through touring and selling merchandise. Like the rest of the music industry, hip-hop music has experienced a dramatic decrease in album sales, making physical distribution of recorded music and outdated strategy for making money. This has had a major impact

on the major record labels. Noticing the success of independent artists who focus specifically on touring and selling merchandise, major record labels have made a concerted effort to sign more of their artists to 360-deals in order to profit from every aspect of their artists' brands and identities.

While most independent artists attempt to be the main beneficiary of the revenues generated from their labor, not all of them actually are. The Big 3, through their many subsidiaries, dominate the music publishing industry. So much so, that it is difficult to release any recorded music without using a subsidiary of the Big 3. Therefore, many artists now release music for free and focus only on touring and selling merchandise.

Even in the case of exceptions, such as Mac Miller, where independent artists are able to profit from their album sales, free online distribution plays a major role in promoting their music and creating a fetish for their brand and identity. That is why touring and selling merchandise will become the main focus of financially successful independent hip-hop artists and labels in the years to come. Independent hip-hop artists who wish to be financially successful will need to continue to tour incessantly.

This will result in the opportunity for more corporate sponsorship of tours, festivals, and merchandise. In that sense, financially successful independent hip-hop artists will continue to turn their fans into a commodity. Like any person looking to profit in the entertainment industry, independent hip-hop artists contribute to the audience commodity. By allowing major corporations such as Coca-Cola to profit off of live music events and merchandise, and by allowing the "Big 3" to continue to dominate the publishing and distribution sectors of the music industry, the independent hip-hop culture itself is increasingly becoming a fetishized commodity.

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⁴ Ibid.

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- ²⁵ SoundExchange. 2012. soundexchange.com.
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- ²⁸ Diane Van Horn. Email questionnaire answered on February 12, 2012.
- ²⁹ Del. Interview conducted in Portland, Or, on August 7, 2011.
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- ³¹ Ibid.
- ³² Ibid
- ³³ Eligh. Interview conducted in Santa Cruz, Ca, on July 14, 2011.
- ³⁴ Kevin Beacham. Phone interview conducted on January 21, 2012.
- ³⁵ 9th Wonder. Phone Interview Conducted on September 12, 2011.
- ³⁶ Sunspot Jonz. Interview conducted in Eugene, Or, on September 17, 2011.
- ³⁷ James Dunn. Interview conducted in Los Angeles, Ca, on November 13, 2011.
- ³⁸ Spose. Email questionnaire answered on August 31, 2011.
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