Money, Money, Money – Musiconomics!!!
Assignment Overview

Common Core Standards Addressed:

Key Ideas and Details

CCSS.ELA-Literacy.RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

CCSS.ELA-Literacy.RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

CCSS.ELA-Literacy.RH.11-12.3 Evaluate various explanations for actions or events and determine which explanation best accords with textual evidence, acknowledging where the text leaves matters uncertain.

CCSS.ELA-Literacy.RH.11-12.4 Determine the meaning of words and phrases as they are used in a text, including analyzing how an author uses and refines the meaning of a key term over the course of a text (e.g., how Madison defines *faction* in *Federalist* No. 10).

CCSS.ELA-Literacy.RH.11-12.6 Evaluate authors' differing points of view on the same historical event or issue by assessing the authors' claims, reasoning, and evidence.

Integration of Knowledge and Ideas

CCSS.ELA-Literacy.RH.11-12.7 Integrate and evaluate multiple sources of information presented in diverse formats and media (e.g., visually, quantitatively, as well as in words) in order to address a question or solve a problem.

CCSS.ELA-Literacy.RH.11-12.8 Evaluate an author's premises, claims, and evidence by corroborating or challenging them with other information.

CCSS.ELA-Literacy.RH.11-12.9 Integrate information from diverse sources, both primary and secondary, into a coherent understanding of an idea or event, noting discrepancies among sources.

Timeline: This is an approximately three- or four-class-period activity (not including preparation activities), though it could be extended or truncated as the instructor desired.

Preparation Activities: Prior to starting the group component, have students:

1. Close-read (either as homework or under the instructor's guidance in the classroom) the "Functions and Characteristics of Money" article (which is also a podcast that the instructor could have students listen to in accompaniment to the print materials)
2. Bring in the (CLEAN!) lyrics of a song you like that is about money. On the back of the lyrics, write two POWER SENTENCES indicating 1. why you like the song and 2. What message you feel it is sending about money

Lesson Activities:

1. Have students form either self- or instructor-selected groups of three.
2. Distribute the "Musiconomics" handout (one per student) and packets of articles (1 per group)
3. Have students undertake the tasks in the Musiconomics handout in the order indicated
4. Have students perform their original songs (task #10) and peer-grade each others' identifications (task #9)
5. Assign a written capstone reflection task such as "How has the marketplace relationship between musician and music producer/distributor changed over time? Use specific examples from the articles you have been provided to support your assertions." or "How are attitudes about money reflected in American music? Use specific lyrics, dates, and facts as examples to support your assertions."

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1. Formulate yourself into "bands" of three members!
2. Jigsaw the four articles you've been provided (divide them up evenly among your bandmates. Each of you read the one(s) you've been given and then explain it to your band and lead a discussion about its main ideas.)
3. Based on your discussions, complete the below table:

Article Headline	Summary of Main Ideas	One Thing You Discussed About the Main Ideas	One Connection to a Concept in Another Article (identify the other article)

4. Have each band member present the money-related song that he/she selected – follow along with the lyrics while playing the song and then briefly discuss the message about money that the song conveys. Using the "Functions and Characteristics of Money" article/notes, find a lyric or two from each song that reflects either one of the characteristics or one of the functions of money and explain how it offers that reflection.
5. Based on your discussions during step 4, complete the below table:

Song	Artist	Message About Money	Characteristic or Function of Money and Lyrics that reflects it!

6. Using AUTHENTICATED and RELIABLE online sources, do a little fact-finding about the artist(s) who performed the song you chose (keep track of the sites where you found the information). How might their personal economic condition(s)m either at the time the song was released or while growing up, have impacted the message of the song? Conduct this analysis of your own song (write your responses below) and then compare results with your bandmates!
SOURCE OF INFORMATION: ________________________________
BACKGROUND AND ITS IMPACT:

7. How commercially successful was your song at its peak (use a RELIABLE source to find this information)? How much of a motivation do you think commercial success was to the artist(s) in question (choose a position on the below line of agreement)? Why do you think so? Conduct this analysis of your own song and then compare results with your bandmates!

Summary of Song Success: ____

Source: ___________________________________

Commercial Success as a Motivation:

Primary Motivation | Not a Motivation at All

Explanation of Ranking:

8. Working with your bandmates, draw a connection between your fact-finding and discussions about each song/artist and the articles you read. Indicate the connections below:

Song/Artist	Connected Article	Connected Concept (with explanation!)

9. Based on all of your fact-finding and discussions, choose one of the following terms (as an individual, not in cooperation with your band) and write an identification THAT SPECIFICALLY CONNECTS TO THE CONCEPTS OF MUSICONOMICS on a separate sheet of paper (remember, an identification indicates "What the term is and why it matters" —defines the term, explain its significance, provide an example, and offer a concluding thought).
ID OPTIONS: technology as a factor of supply, marginal revenue, social compact, income inequality or **incentive.**

10. Working with your bandmates, compose an original song about money that reflects any of the ideas or economic concepts involved in this analytical exercise. You may either: create an entirely original composition, sample another artist's tune and set your own words to it, or create a mash-up of the songs your band selected. This song will be performed in a live class concert and should contain SCHOOL-APPROPRIATE LYRICS (which will be turned in) ONLY!

Functions & Characteristics of Money

http://www.stlouisfed.org/education_resources/economic-lowdown-podcast-series/functions-of-money/

Money is something that people use every day. We earn it and spend it but don't often think much about it. Economists define money as any good that is widely accepted as final payment for goods and services. Money has taken different forms through the ages; examples include cowry shells in Africa, large stone wheels on the Pacific island of Yap, and strings of beads called wampum used by Native Americans and early American settlers. What do these forms of money have in common?

They share the THREE FUNCTIONS OF MONEY:

- First: Money is a STORE OF VALUE. If I work today and earn 25 dollars, I can hold on to the money before I spend it because **it will hold its value** until tomorrow, next week, or even next year. In fact, holding money is a more effective way of storing value than holding other items of value such as corn, which might rot. Although it is an efficient store of value, money is not a perfect store of value. Inflation slowly erodes the purchasing power of money over time.
- Second: Money is a UNIT OF ACCOUNT. You can think of money as a yardstick-the **device we use to measure value in economic transactions.** If you are shopping for a new computer, the price could be quoted in terms of t-shirts, bicycles, or corn. So, for instance, your new computer might cost you 100 to 150 bushels of corn at today's prices, but you would find it most helpful if the price were set in terms of money because it is a common measure of value across the economy.
- Third: Money is a MEDIUM OF EXCHANGE. This means that money is **widely accepted as a method of payment.** When I go to the grocery store, I am confident that the cashier will accept my payment of money. In fact, U.S. paper money carries this statement: "This note is legal tender for all debts, public and private." This means that the U.S. government protects my right to pay with U.S. dollars.

In order to appreciate the conveniences that money brings to an economy, think about life without it. Imagine I am a musician-a bassoonist in an orchestra-who has a car that needs to be repaired. In a world without money, I would need to barter for car repair. In fact, I would need to find a coincidence of wants-the unlikely case that two people each have something that the other wants at the right time and place to make an exchange. In other words, I would need to find a mechanic who would be willing to exchange car repairs for a private bassoon concert by 9 AM tomorrow so I can drive to my next orchestra rehearsal. In an economy where people have very specialized skills, this kind of exchange would take an incredible amount of time and effort; in fact, it might be nearly impossible.

Money reduces the cost of this transaction because, while it might be very difficult to find a mechanic who would exchange car repairs for bassoon concerts, it is not hard to find one who would exchange car repairs for money. In fact, without money, every transaction would require me to find producers who would exchange their goods and services for bassoon performances.

In a money-based economy, I can sell my services as a bassoon player in an orchestra to those who are willing to pay for orchestra concerts with money. Then, I can take the money I earn and pay for a variety of goods and services.

Economists say that the invention of money belongs in the same category as the great inventions of ancient times, such as the wheel and the inclined plane, but how did money develop?

- Early forms of money were often COMMODITY MONEY-money that **had value because it was made of a substance that had value.** Examples of commodity money are gold and silver coins. Gold coins were valuable because they could be used in exchange for other goods or services, but also because the gold itself was valued and had other uses. Commodity money gave way to the next stage-representative money.
- **Representative money** is a **certificate or token that can be exchanged for the underlying commodity.** For example, instead of carrying the gold commodity money with you, the gold might have been kept in a bank vault and you might carry a paper certificate that represents-or was "backed"-by the gold in

the vault. It was understood that the certificate could be redeemed for gold at any time. Also, the certificate was easier and safer to carry than the actual gold. Over time people grew to trust the paper certificates as much as the gold. Representative money led to the use of fiat money-the type used in modern economies today.

- **Fiat money** is money that **does not have intrinsic value and does not represent an asset** in a vault somewhere. Its **value comes from being declared "legal tender"**-an acceptable form of payment-by the government of the issuing country. In this case, we accept the value of the money because the government says it has value and other people value it enough to accept it as payment. For example, I accept U.S. dollars as income because I'm confident I will be able to exchange the dollars for goods and services at local stores. Because I know others will accept it, I am comfortable accepting it. U.S. currency is fiat money. It is not a commodity with its own great value and it does not represent gold-or any other valuable commodity-held in a vault somewhere. It is valued because it is legal tender and people have faith in its use as money.

There have been many forms of money in history, but some forms have worked better than others because they have characteristics that make them more useful. The **characteristics of money are durability, portability, divisibility, uniformity, limited supply, and acceptability**. Let's compare two examples of possible forms of money:

(A) A cow. Cattle have been used as money at different points in history.

(B) A stack of U.S. 20-dollar bills equal to the value of one cow.

Let's run down our list of characteristics to see how they stack up.

1. **Durability.** A cow is fairly durable, but a long trip to market runs the risk of sickness or death for the cow and can severely reduce its value. Twenty-dollar bills are fairly durable and can be easily replaced if they become worn. Even better, a long trip to market does not threaten the health or value of the bill.
2. **Portability.** While the cow is difficult to transport to the store, the currency can be easily put in my pocket.
3. **Divisibility.** A 20-dollar bill can be exchanged for other denominations, say a 10, a 5, four 1s, and 4 quarters. A cow, on the other hand, is not very divisible.
4. **Uniformity.** Cows come in many sizes and shapes and each has a different value; cows are not a very uniform form of money. Twenty-dollar bills are all the same size and shape and value; they are very uniform.
5. **Limited supply.** In order to maintain its value, money must have a limited supply. While the supply of cows is fairly limited, if they were used as money, you can bet ranchers would do their best to increase the supply of cows, which would decrease their value. The supply, and therefore the value, of 20-dollar bills— and money in general— are regulated by the Federal Reserve so that the money retains its value over time.
6. **Acceptability.** Even though cows have intrinsic value, some people may not accept cattle as money. In contrast, people are more than willing to accept 20-dollar bills. In fact, the U.S. government protects your right to use U.S. currency to pay your bills.

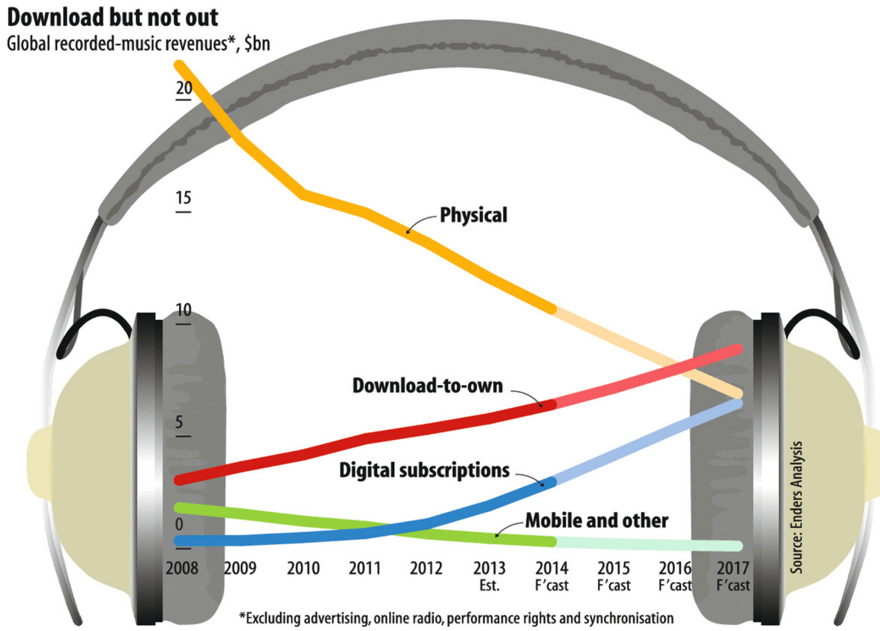
Well, it seems "udderly" clear at this point that— based on the characteristics of money— U.S. 20-dollar bills are a much better form of money than cattle.

To summarize, money has taken many forms through the ages, but money consistently has three functions: store of value, unit of account, and medium of exchange. Modern economies use fiat money-money that is neither a commodity nor represented or "backed" by a commodity. Even forms of money that share these function may be more or less useful based on the characteristics of money.

Here comes the sun

Better times for the music industry

Nov 18th 2013 | From The World In 2014 print edition
Alexandra Suich: media editor, *The Economist*
http://www.economist.com/news/21589103-better-times-music-industry-here-comes-sun



If someone were to compose a song to capture the music industry's experience over the past decade, it would be a long, mournful ballad. In 2014 the tune is going to change. In the coming year the music industry will grow—modestly, but cheeringly. A turnaround is under way at last.

The internet has always been the enemy of music executives, facilitating piracy, denting CD sales and encouraging people to download single songs instead of buying them by the dozen. But it will give executives something to sing about in 2014. Subscription services such as Spotify and Deezer, which allow users to stream music for a monthly fee or in exchange for listening to advertisements, will add listeners. So will online-radio services like Pandora and iTunes Radio. And more digital-music firms will be launched. They will strike deals with new artists, or buy exclusive rights to star singers' songs, to differentiate their music libraries from those of competitors.

The spread of smartphones and unlimited-data plans will make these portable music services more attractive to listeners. Streaming is still a small part of the music business globally, but will bolster it in the years ahead. Like a popular rocker who burns out, only to try to stage a comeback a decade later, the sickly music industry will probably never regain its previous vigour. But even modest growth is welcome news for the industry.

The internet will give executives something to sing about

Music executives, known for pouring more of their attention into parties than balance-sheets, have had to become more professional about running leaner businesses. In 2014 record labels and bands will use new tools to sell and share their tunes. It will become more common for bands and managers to use data about where fans are listening to them in order to decide where to tour. More start-ups will get going in 2014 and disrupt the normal way of doing things. SongKick, a London firm, lets fans enter credit-card details and pledge to buy a concert ticket for their favourite band if they will perform in their town. These guaranteed ticket sales mean smaller artists can do shows that would otherwise be too risky.

Concerts and festivals will still be a booming business, particularly for star singers. However, some record executives privately confess their concern about the industry's reliance on a few big, older names to sell tickets. Many of the biggest draws today, such as the Rolling Stones, are ageing. With luck a more upbeat 2014 will bring the discovery of some new musical acts, whose popularity lasts longer than a few album—or digital—tracks.

How Rock 'N' Roll Can Explain The U.S. Economy

by **SCOTT HORSLEY**
June 15, 2013 5:24 AM
http://www.npr.org/blogs/itsallpolitics/2013/06/15/191605654/how-rock-n-roll-can-explain-the-u-s-economy

Bruce Springsteen performs during halftime of the Super Bowl in Tampa, Fla., in 2009. In music, and increasingly in other industries, a relative handful of top performers take more and more of the spoils, says White House chief economist Alan Krueger. Mark J. Terrill/AP

White House economic adviser Alan Krueger took some ribbing from his boss this week. President Obama noted that Krueger will soon be leaving Washington to go back to his old job, teaching economics at Princeton.

"And now that Alan has some free time, he can return to another burning passion of his: 'Rockanomics,' the economics of rock and roll," the president said. "This is something that Alan actually cares about."

In fact, Krueger gave a speech this week at the Rock and Roll Hall of Fame in Cleveland, where he said the music business offers valuable lessons about the broader U.S. economy.

Krueger titled his speech "Land of Hope and Dreams," in honor of his fellow New Jersey native Bruce Springsteen. Springsteen boasted the second-highest-grossing concert tour last year — right behind Madonna — with 72 shows that together raked in more than $199 million. That makes The Boss a fitting emblem of our modern "superstar economy."

In music, as in so many industries, Krueger says, the lion's share of the money now goes to a relative handful of top performers.

"The lucky and the talented — and it is often hard to tell the difference — have been doing better and better, while the vast majority has struggled to keep up," Krueger says.

Economists point to a variety of explanations for that growing concentration of wealth, like technology and globalization. Krueger highlights the role of luck, noting that for every superstar, there are other, equally talented performers who don't catch the same breaks.

He notes that Columbia Records almost passed on the hit single that*Rolling Stone* later called the greatest rock 'n' roll song ever. Lucky for us, Bob Dylan's "Like A Rolling Stone" was released. And thanks to modern recording technology, Dylan was able to reach a worldwide audience.

More recently, of course, technology has upended the music business, depressing album sales so artists depend more on concerts to make money. Krueger says that's a big reason concert tickets have gotten more expensive. But as every good scalper knows, many artists still don't charge as much as they could, for fear of breaking an implicit bargain with their fans.

"Along these lines, Tom Petty once said, 'I don't see how carving out the best seats and charging a lot more for them has anything to do with rock and roll,' " Krueger says.

He says for much of the last century, the whole U.S. economy was governed by a similar "social compact" — the idea that economic gains should be widely shared. He argues the philosophy was reinforced in the decades after World War II by a progressive tax system, labor unions and a rising minimum wage.

"I'll argue that that social compact was good for business, and it was good for the economy," Krueger says. "But the social compact began to fray in the 1980s."

Since then, top earners have seen their incomes skyrocket, while the middle class has been treading water, and those at the bottom of the income ladder have actually fallen a few rungs.

Not surprisingly, as an adviser in a Democratic White House, Krueger advocates policies designed to mitigate that trend. He says a stronger middle class would not only fuel more economic growth but also promote more equal opportunity. Otherwise, he says, the next Bob Dylan, Tom Petty or Bruce Springsteen might never get his hands on a guitar.

Songs of 2012 mirror economic struggle

http://www.marketplace.org/topics/economy/marketplace-music/songs-2012-mirror-economic-struggle

by David Gura
Marketplace for Friday, December 28, 2012


Rick Diamond/Getty Images for BET
Kendrick Lamar performs onstage at the 2012 BET Hip Hop Awards.

Certain themes come up over and again in pop music: love, heartbreak, and... the economy? Okay, even if there aren't songs about the debt limit or the fiscal cliff, there were a number of pop songs this year about economic hardship and about how we deal with economic issues.

One theme stood out this year to Mikael Wood. He's a music writer for the Los Angeles Times.

"I think you saw sort of a lot of songs that spoke to, or at least tried to speak to, some notion of struggle," Wood said.

Wood pointed to a new anthem by Bruce Springsteen called "We Take Care of Our Own."

I've been knockin' on the door that holds the throne. I've been lookin' for the map that leads me home. I've been stumblin' on good hearts turned to stone. The road of good intentions has gone dry as bone. We take care of our own. We take care of our own.

"In the song, he sort of positions himself with these people that are trying to, you know, identify themselves opposite the power structure," Wood said.

It's a role Springsteen reprised a couple of months ago, after Superstorm Sandy hit his home state. The Rolling Stones sang about struggle on their new album.

And Mikael Wood said we heard a new take on economic hardship in hip-hop this year. The struggle, he said, intensified. Rick Ross released an album called "God Forgives, I Don't."

*I see how these n***** playin'. But I can adapt. These haters can't hold me back. These haters can't hold me back.*

"It's him, laying out the struggle that it took him to arrive at his sort of rarified position now," Wood said.

*I look in my fridge, my s*** lookin' scarce. I got a few kids, we need some s***on the shelf. I get a knock at the door, they say my rent overdue. And while my n***** sell dope and don't know what else to do.*

Mikael Wood says there's something novel about these lyrics: "You never would have heard a rapper acknowledging it that it took work to get to where he is. I think that is a new mindset."

Everything whipped well, I'm eatin' steak, no more soup. Then I parked the Capri, I went and got me a Coupe.

That kind of struggle is something Mark Anthony Neal also heard in hip-hop this year. He teaches in the African-American studies department at Duke. Neal singles out another rapper, Kendrick Lamar, who just released an album called "good kid, m.A.A.d city."

I woke up this morning, and figured I'd call you, in case I'm not here tomorrow. I'm hoping that I can borrow a peace of mind. I'm behind on what's really important. My mind is really distorted. I find nothing but trouble in my life. I'm fortunate you believe in a dream. This orphanage we call a ghetto is quite a routine.

"And throughout the album there are these interesting skits where his mother is leaving voicemail messages," Neal said.

Record your message after the tone... Kendrick, where you at? I gotta go to the county building, man. These kids ready to eat. I'm ready to eat. I gotta get them food stamps. C'mon now. You on your way, or what?

In 2012, performers didn't sugarcoat the struggle. It's something they laid bare.

"You get an artist like Kendrick Lamar, who, in most world views, is a hip-hop star," Neal said. "But even as someone who is a star, who now has this incredible album that everyone is listening to, he still lives tenuously close to this working class experience."

That experience was also central to a lot of Latin music this year. It's something La Exelencia, a New York-based salsa group, focused on.

"They call it 'salsa con consciencia' -- salsa with a conscience," said Catalina Maria Johnson, who hosts a Chicago-based radio show called Latino Beat. "And often their lyrics are directed specifically at social and political topics. So, while you're dancing, you're thinking too, at the same time."

Vivo de cheque en cheque para sobre vivir. Pago mitad de las deudas para poder me divertir.

"He says, my kids are yelling. There's no more cereal. I have to, like, struggle to pay taxes and the bankers pay nothing. The rich get richer. The poor get poorer."

Johnson said in 2012, many artists seemed fed up. Los Angeles Times music writer Mikael Wood said we heard a sense of frustration in another genre, in a different way: "We had this preponderance of songs where young pop stars are talking about partying like it's all going down. We need to live it up because we might not have tomorrow."

Stars like Ke$ha, Justin Bieber and the band fun.

Tonight we are young. So, let's set the world on fire. We can go higher.

Wood said those songs are defiant and escapist -- and they're not about long-term happiness.

"I mean, obviously, pop stars have been about having fun for, since time immemorial," Wood said. "But putting a date stamp on it almost seems like a new development."

The recession may have officially ended more than three years ago. But music from 2012 echoes what we already know. Times are still tough, and a lot people are still taking it one day at a time.

We asked you on Twitter for the songs that summed up the economy in 2012 for you. Erin Perry chose Andy Grammer's "Keep Your Head Up," Paul Bobnack chose Jack White's "I'm Shakin'," and there were a few who chose Passion Pit's "Take a Walk" for the line: 'But then my partner called to say the pension funds were gone.' We even got a vote for "Call Me Maybe," for the fiscal cliff.

The New Economics of the Music Industry

How artists really make money in the cloud – or don't

http://www.rollingstone.com/music/news/the-new-economics-of-the-music-industry-20111025

by STEVE KNOPPER
OCTOBER 25, 2011

In the old days, it was much easier for pop stars to keep up with how much they were getting paid. Somebody would buy a CD at a Tower Records for $15 and a few dollars would appear months later on the star's royalty sheet. Then iTunes took over the record business, and it was even easier (if not more profitable) – every time somebody bought a 99-cent track, a few pennies went into the artist's bank account.

Those were such simple times. Today, music fans play free music videos on YouTube, stream songs for free on Spotify, MOG or Rdio, customize Internet radio stations on Pandora or Slacker and consume music a zillion different ways. The fractions of pennies artists make for each of these services are nearly impossible to track – at least for now. "People like to simplify this and say, 'There's no money in it,'" says Jeff Price, founder of TuneCore, which charges artists to place songs directly into iTunes, Spotify and others. "But it's complex, it's complicated and it's still being worked out."

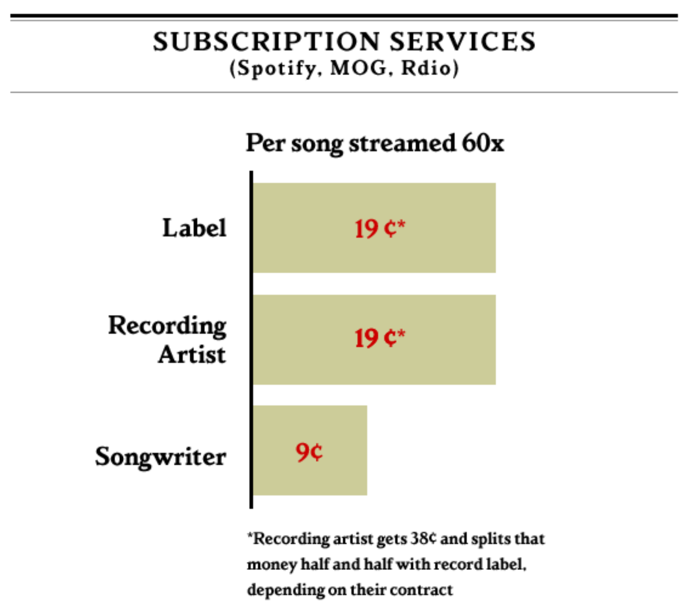
So you're Adele, the year's biggest pop star. Your songs stream on Spotify – or MOG, Rdio, Pandora or YouTube. You still sell downloads through iTunes and Amazon, and you still sell old-fashioned CDs in old-fashioned record stores. How much do you get paid?

Rolling Stone talked to several sources in the music business and got several different answers.

Spotify, MOG, Rdio and other subscription services are either free (with ads) or charge users monthly fees for unlimited streaming music. The quick calculation, according to one band manager: If a song gets streamed 60 times, the songwriter receives 9.1 cents in mechanical royalty payments. And the performing artist gets 38 cents (or splits that money, half and half, with a record label, per contract).

(**UPDATE:** A music-business source contacted us after this article appeared to clarify that these numbers were estimates based on one manager's royalty statements. They are not an actual formula Spotify and music publishers use to calculate their songwriting royalty payments. This manager's royalties could change as Spotify's subscriber numbers change, and they vary depending on the streaming popularity for each artist. This source explained to us, again, the actual formula used for determining artist royalties from streaming services – as Price says, it is too ridiculously complicated to reproduce here.)

SUBSCRIPTION SERVICES



Maybe you don't want to know the non-quick formula. "It is beyond complicated. It took me literally three months to understand this thing," says Jeff Price, founder of TuneCore, which charges artists $10 (for a single) and $50 (album) to place music in online stores such as iTunes and Amazon, as well as subscription services like Spotify and MOG.

Generally speaking, songwriters make about 10.5 percent of Spotify or MOG revenue. "However, each service has to run literally five formulas each month -- on calculation number one, they have Subsection Number One and Subsection Number Two," Price says. "They throw out the higher of those and then compare that one against the other three. After that, they have to run this formula five different times."

Because the formulae are so byzantine, and the royalty payments that show up on audit sheets are still so tiny, very few artist lawyers and managers truly understand how much they could make – one day – from Spotify, MOG, Rdio or the other relatively new streaming services.

But Price makes the point that Spotify and the others encourage music fans to explore, listening to songs they might not have purchased. Even if it's not a rock-star payday, it's something. "Is it big money? I think it could be! I really do," says Jim Guerinot, manager of Nine Inch Nails and No Doubt.

NEXT: iTunes

ITUNES

Adele, who is signed to Sony Music, sells "Rolling in the Deep" for $1.29. Apple, as the retailer, keeps 30 percent, or roughly 40 cents. The rest, 90 cents, goes to Sony. From that, the major record label must deduct 9.1 cents as a "mechanical royalty," paid to Adele and her co-writer, Paul Epworth (although they might split it with their respective publishing companies). That leaves about 81 cents.

Typical record contracts give artists 12 to 20 percent of sales, depending on the hugeness of the star, so let's split the difference and say Adele's percent is 16. That comes out of the original $1.29 price – so the artist's cut for sale of the master recording is about 20 cents. (This is assuming Adele has made enough to "recoup" the expenses for her album – otherwise, it just contributes to paying off her debt to her record company.) And the remainder, a grand total of 60 cents, goes to Sony to pay for marketing, publicity, videos, executive salaries and obviously, profit.

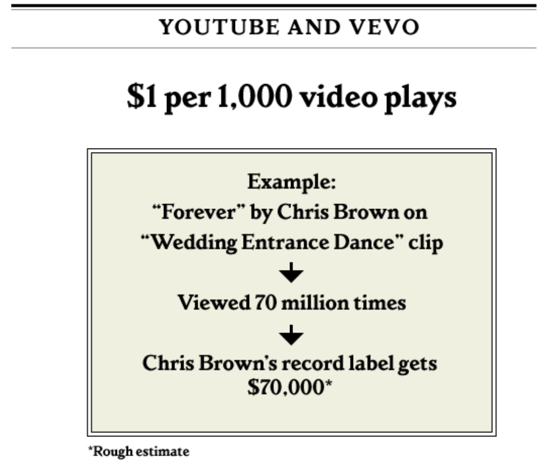
Of course, many artists don't want to share nearly half of their revenues with a major label like Sony, which is essentially a middleman. Before the Internet, and stuff like ProTools, an artist had to sign with a label even to be heard. That's obviously no longer true. Today, an artist can pay a service like TuneCore to be included in the iTunes Store. At that point, after Apple takes its cut, the entire 90 cents goes to the artist.

"When we released the first Puscifer record, we went to a major distributor," says Maynard James Keenan, frontman for Tool, A Perfect Circle and indie band Puscifer, which put out *Conditions of My Parole* on its own earlier this week. "There was still this groaning dinosaur, grasping at straws, trying to get out of the tar pits. They were still doing things the old-school way, throwing my money at things that really didn't matter. And there are always these little extra fees when you try to go through channels – distribution fees, hidden costs. All these things really add up. It doesn't seem like you can really make a living off that. I pulled out of that this time. It just makes more sense."

NEXT: YouTube and Vevo

Over the past couple of years, YouTube has grown into a lucrative machine for record labels. Popular videos – those that generate hits in the millions – can be festooned with ads, and YouTube shares that revenue with the copyright holders. And it can be just as lucrative for goofy, homemade videos that use popular songs as it is for stars' original videos. For the homemade stuff, the system works like this: **JK Wedding Entrance Dance**, in which Chris Brown's "Forever" is the soundtrack, has racked up more than 70 million views since its debut in July 2009.

YOUTUBE AND VEVO



After the video was becoming a huge hit, YouTube's content identification people and employees of Brown's record label, Sony, had a conversation. The label had two options: Because YouTube isn't a piracy service, like Kazaa or LimeWire, it could take down the video immediately – or it could sell ads against it. According to music-business sources, a top artist might make $1 per 1,000 video plays -- so Sony has received, by our rough estimates, $70,000 for the JK Wedding Entrance Dance. (Vevo can draw five or 10 times that amount.) And artists get a fraction of that based on the percentages in their contracts. Which did Sony choose? Well, check out the multitude of ads, inside and outside the video box, throughout JK Wedding Dance.

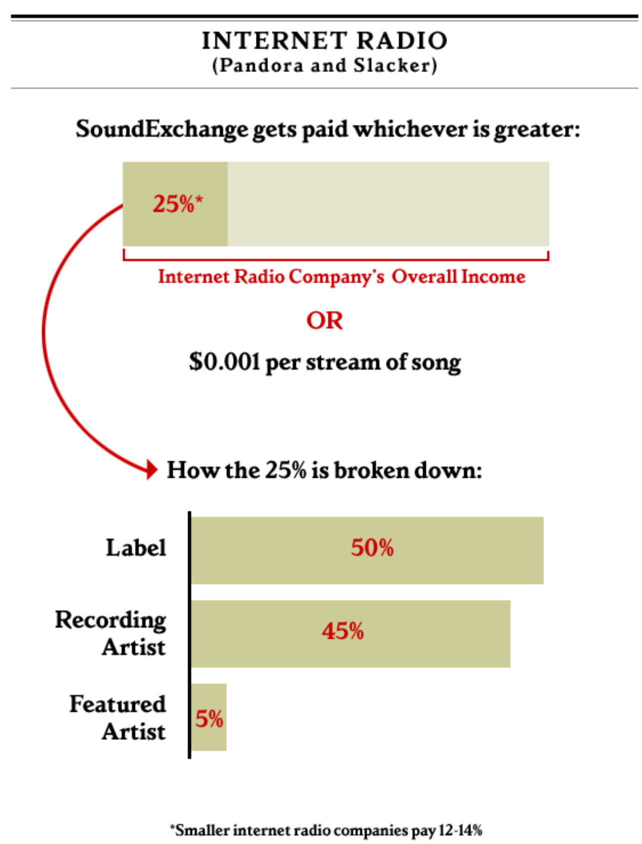
Of course, truly independent artists – like video kings OK Go, who recently split with their longtime label EMI – are in a much better position in this scenario. "I know individual artists who make tens of thousands of dollars a month on YouTube," says Eric Garland, CEO of BigChampagne.com, which measures online metrics such as illegal file-sharing numbers and sells the data back to labels. "And I know of individual artists who make more money on an individual basis from YouTube than they do from iTunes."

NEXT: Internet Radio

After years of fighting over pennies, Internet radio services reached an agreement with artists, music publishers and record labels a few years ago on royalty payments. The rates go up every year, but the broad formula is that big "pure play" companies, such as Pandora and Slacker, pay either 25 percent of their total revenue per year, or a little more than $.001 per song -- whichever is greater. These payments go to a music-business collection agency known as SoundExchange, which then pays 50 percent of it to the copyright owner (usually a record label like Warner or Sony), 45 percent to the artist and 5 percent to non-featured performers. Smaller Internet radio companies pay slightly lower rates.

Anu Kirk, product lead for MOG, said at the recent Digital Music Forum in Los Angeles that Pandora winds up paying out much less than that – about a tenth of a penny per play. "It sucks that right now that artists are getting paid so little money by subscription services, but it sucks

INTERNET RADIO

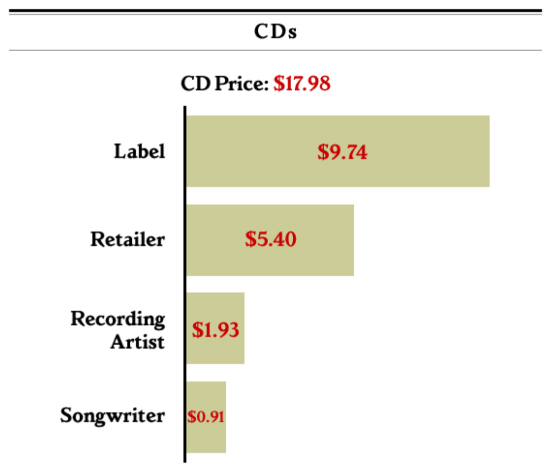


that artists are getting paid so little money by everyone," **Kirk said**.

David Hyman, CEO of MOG, won't divulge his subscriber numbers, but he offers broad royalty estimates that apply to both Pandora-style radio and MOG-style subscriptions. "Let's say MOG has 1 million subscribers and everyone's paying $10 per month. And let's say the labels got 60 percent of that. Now, each label gets their piece of 60 percent based on frequency of plays. So if Warner [Music, a major label] was 30 percent of all plays in a given month, then Warner gets 30 percent of that 60 percent," he says. "Then they get a wad of money. Once they get that wad of money, how do they distribute it internally? I have no idea."

NEXT: CDs

CDs



Speaking of wads of money, CDs were intensely profitable for artists and (especially) record labels for more than two decades, until the Internet, MP3s, piracy, Napster, iTunes, YouTube and Spotify kicked in over the past 10 years. The formula for artist payment is roughly the same as the iTunes model – only labels have traditionally removed hefty percentages for mysterious deductions.

Josh Grier, veteran music-business attorney for Wilco, Ryan Adams and others, walks us through the math. The retailer takes out about 30 percent of the suggested $17.98 price, or $5.40. From what's left, the songwriter and publishing company remove another 9.1 cents per song – or say, 91 cents for 10 songs. That leaves $11.67. (Often, producers take a cut as well.) From that, the artist receives 12 to 20 percent – let's use 16 to split the difference.

But Grier points out that labels have been cutting into artist royalties for years with deductions marked "free goods" (usually 10 percent of the artist's royalty) and "packaging" (usually 25 percent) -- dropping the royalty rate from roughly 16 to 11. (These old-school deductions for physical CDs and LPs don't apply to digital sales.)

In the end, in very broad terms, that leaves about $1.93 per sale in profit for the artist and $9.74 for the label. (We're assuming, once again, that the artist in question has recouped expenses, meaning he or she no longer has to pay back a record label for videos, tour support and so forth.) Of course, both need to remove their own expenses from that.

A decade ago, this disparity in payments was a huge **point of contention** between artists and the labels they worked for. That's still true today, but artists are far more likely to throw up their hands and say, "Who gives a crap? Let's just make a pile from touring." Says Grier: "The questions you're having are not all that relevant to the band. 'How many records are we going to sell? *Pfpfpfpft*. We just want to play the songs.'"