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Wall Street's Content Wars: Financing Media Consolidation

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Working Paper

Abstract
If we frame the ongoing streaming transition occurring in the cultural industries as 'content wars,' with metaphoric 'battlefronts' in Hollywood, in Silicon Valley, and on Madison Avenue, then the silent arms dealer in this conflict is Wall Street and the investor class, whose financial engineering goes largely unacknowledged in studies of the media industries. This chapter will explore the impact of private equity in the American film, television, and music industries since 2004. The mercenaries of these content wars, private equity firms have enacted leveraged buyouts in every sector of the cultural industries: major music labels (Warner, EMI), radio networks (Cumulus, Clear Channel/iHeartMedia), film and television production and distribution companies (MGM, Miramax, Univision, Dick Clark Productions), exhibition (AMC, Odeon), the top talent agencies (CCA, WME, IMG), audience measurement (Nielsen), and the trade press (Variety, The Hollywood Reporter, Billboard). The arms race in this conflict is the ability to monetize content catalogues across streaming platforms, which is a lucrative opportunity for financialization. From a critical political economy of media perspective attuned to the significance of financial capital, this chapter demonstrates that the financialization of various components of the media sector is facilitating a dramatic extraction of value from the cultural industries, leaving further consolidation in its wake. Who is profiting from the streaming transition and who is losing out? The answers are the same as in the wider economy of the second gilded age: the wealthy are extracting private, untaxed profit from the public arena while the middle class of creatives is being hollowed out. The 'creative destruction' of this war is being fueled by financial engineering.

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Wall Street's Content Wars: Financing Media Consolidation

If we frame the ongoing streaming transition occurring in the cultural industries as 'content wars,' with metaphoric 'battlefronts' in Hollywood, in Silicon Valley, and on Madison Avenue, then the silent arms dealer in this conflict is Wall Street and the investor class, whose financial engineering goes largely unacknowledged in studies of the media industries. This chapter will explore the impact of private equity in the American film, television, and music industries since 2004.[1] The mercenaries of these content wars, private equity firms have enacted leveraged buyouts in every sector of the cultural industries: major music labels (Warner, EMI), radio networks (Cumulus, Clear Channel/iHeartMedia), film and television production and distribution companies (MGM, Miramax, Univision, Dick Clark Productions), exhibition (AMC, Odeon), the top talent agencies (CCA, WME, IMG), audience measurement (Nielsen), and the trade press (Variety, The Hollywood Reporter, Billboard). The arms race in this conflict is the ability to monetize content catalogues across streaming platforms, which is a lucrative opportunity for financialization. From a critical political economy of media perspective attuned to the significance of financial capital, this chapter demonstrates that the financialization of various components of the media sector is facilitating a dramatic extraction of value from the cultural industries, leaving further consolidation in its wake. Who is profiting from the streaming transition and who is losing out? The answers are the same as in the wider economy of the second gilded age: the wealthy are extracting private, untaxed profit from the public arena while the middle class of creatives is being hollowed out. The 'creative destruction' of this war is being fueled by financial engineering.

Private Equity in the Music Industry

Previously known as leveraged buyout firms or 'corporate raiders' during their rise in the 1980s, private equity (PE) firms, such as Bain Capital, Blackstone Group, Kohlberg Kravis Roberts & Co. (KKR), Texas Pacific Group (TPG), Thomas H. Lee Partners (THL), the Carlyle Group, and Apollo Management, operate a specialized, high-risk type of investment fund, available only to the wealthy or institutional investors such as pensions and endowments. Many PE firms are not traded publicly and are therefore subject to minimal regulatory oversight.[2] Typically operating investment funds with 5-10 year terms, PE firms raise enormous levels of debt against the assets of the target company (referred to as 'leverage'), restructure and financially engineer the company to maximize efficiency, then sell the streamlined properties at high profit margins. Since the turn of the century, in part due to expansionary monetary policy

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[1] The following chapter is an abridged version of two longer, more detailed articles, which delve into the financialization of Hollywood and the music industry, respectively: deWaard, Andrew. "Financialized Hollywood: Institutional Investment, Venture Capital, and Private Equity in the Film and Television Industry," *JCMS: Journal of Cinema and Media Studies*. Forthcoming; deWaard, Andrew. "The Financialization of the Music Industry," Forthcoming.

[2] Post-crash, many of the biggest private equity firms went public as private equity became institutionalized, opportunities for massive buyouts decreased, and founders sought a massive payday: Blackstone filed in 2007, as did Fortress, KKR filed in 2010, Apollo in 2011, and Carlyle in 2012. Bain, THL, and TPG remain private. Regulation remains minimal.

and favorable tax breaks (particularly the 'carried interest' loophole), there has been a huge boom in PE deals, only temporarily slowed by the financial collapse. From 2002-2012, there were nearly 3,000 private equity firms in the U.S., which used $3.4 trillion of capital to make leveraged buyouts of almost 18,000 companies, employing roughly 7.5 million people.[3]

The modus operandi of private equity firms is succinctly summarized by Appelbaum and Batt as "tak[ing] high risks using other people's money."[4] Though they only invest 1 to 2 percent of the equity in the private equity fund, the PE firms (such as Bain, TPG, etc.) receive 20 percent of the profit if the rate of return achieves a certain threshold (usually 8 percent). To fund the rest of the acquisition, PE firms solicit investment from pension funds, endowments, sovereign wealth funds, and investment banks, while also raising debt in junk bond markets. With these massive funds (upwards of $20 billion), private equity firms target companies ripe for exploitation through financial engineering: paying themselves dividends, laying off high-wage labour, shifting to non-unionized workers, exploiting tax loopholes, selling assets for profit, going into and out of bankruptcy, and not honouring contracts. With little to lose if the company's debt drives it into bankruptcy and much to gain if the investment can be exited from successfully, private equity is a textbook case of 'moral hazard,' as someone else bears the cost of their risks. 'Distressed assets,' or companies that are facing financial or operational difficulty, are prime targets for this kind of financial engineering. Since the turn of the century and the digital transition that accompanied it, the cultural industries have been seen as distressed assets and thus, have been in the crosshairs of private equity.

There have been instances of vulture capitalism within the cultural industries in the past, such as Kirk Kerkorian's pillaging of MGM in the 1970s and the corporate raiders that reconfigured Disney in 1980s. However, there has been a pronounced escalation of financialization in the media sector in the past two decades. The first major private equity move in the music industry – and a clear-cut example of private equity's key strategies of profit extraction and labor reduction – occurred in 2004, when Warner Music Group was acquired for $2.6 billion by Bain Capital (co-founded by Senator Mitt Romney), along with two other private equity firms (Thomas H. Lee Partners and Providence Equity Partners), and Edgar Bronfman Jr. (former vice-chairman of Vivendi Universal). Warner Music Group had previously been part of the disastrous AOL Time Warner merger in 2000; the corporation eventually spun off its cable television and publishing divisions in addition to its music holdings. The day after the sale to the private equity firms cleared, the new owners of Warner Music Group cut 20% of the workforce, roughly a thousand employees.[5] By year's end, they had eliminated 2,000 of its 6,500-person workforce, trimmed its global operations, and reduced costs by $250 million.[6] They also moved quickly to restructure the conglomerate, firing many executives, reducing its roster of artists, and combining labels and divisions in order to improve efficiency.

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[3] Eileen Appelbaum and Rosemary Batt, *Private Equity at Work: When Wall Street Manages Main Street* (New York: Russell Sage Foundation, 2014), 2, 37.
[4] Appelbaum and Batt, *Private Equity at Work*, 3.
[5] "Warner Music Plans to Eliminate 1,000 Jobs," *New York Times*, March 3, 2004.
[6] Ronald V. Bettig and Jeanne Lynn Hall, "The Music Industry: The Payer Calls the Tune," in *Big Media, Big Money: Cultural Texts and Political Economics* (Lanham, MD: Rowman & Littlefield, 2012), 128.

Shortly after the sale, the new owners paid themselves a dividend of $350 million of Warner's cash; later that year, they assembled more debt and paid themselves another $680 million.[7] Since the acquisition included $1.25 billion of equity capital, the investors had already recouped most of their investment within a year. When taking the company public in 2005, Bain and co. had sold enough shares to have effectively tripled their original investment. In 2011, the private equity firms earned one final bonus when they exited their investment by selling Warner Music Group for $3.3 billion to Access Industries, which has holdings in natural resources, chemicals, telecommunications, and real estate. Bragging about their profit and success in the *Wall Street Journal*, two Bain executives claimed to have "paid down debt and dramatically increased cash flow and earnings" at WMG, failing to mention what they eliminated in order to achieve that cash flow: the livelihoods of thousands of musicians and workers, as well as the productive capacity of the many historic labels in Warner Music Group.[8] This was the first leveraged buyout in a series of deals that would facilitate the further consolidation of the music industry, as evidenced in Table 1.

Table 1. Private Equity, Mergers, and Consolidation in the Music Industry, 2004-2019

Year	Target	Buyer/Partner/Investor	Cost/$ bn	Type	Medium
2004	Warner Music Group	THL Partners, Bain Capital, Providence Equity Partners, Edgar Bronfman	2.6	Leveraged Buyout	Recording
2006	Cumulus	Providence Equity Partners	1.2	Investment	Radio
2006	BMG Music Publishing	Universal Music Group	2.1	Acquisition	Publishing
2007	EMI	Terra Firma Capital Partners	4.7	Leveraged Buyout	Recording
2008	Bertelsmann Music Group	Sony Music Group	1.5	Acquisition	Recording
2008	Clear Channel (iHeartMedia)	Bain Capital and THL Partners	26.7	Leveraged Buyout	Radio
2010	Cumulus	Crestview Partners	---	Joint Venture	Radio
2010	Ticketmaster	LiveNation	---	Merger	Live
2011	EMI's recording	Universal Music Group	1.9	Acquisition	Recording
2011	EMI's publishing	Sony Music Group, ATV, PJSC, Jynwel Capital, Blackstone	2.2	Acquisition	Publishing
2011	Warner Music	Access Industries	3.3	Acquisition	Recording
2013	Beats	Apple	3	Acquisition	Audio

[7] "A Hit On Their Hands," *The Economist*, March 17, 2005.
[8] "Growing the 'Private' Club," *Wall Street Journal*, May 25, 2007.

					Products
2013	UMG's divested labels	Warner Music	0.76	Acquisition	Recording
2017	CBS Radio	Entercom	---	Merger	Radio
2019	Sony/ATV Music Publishing	Sony Music Group	---	Merger	Publishing & Recording
2019	Pandora	SiriusXM	3.5	Acquisition	Radio

The next major instance of financialization in the music industry came in 2007 when venerable British music company EMI was taken over by private equity firm Terra Firma Capital Partners. Typical of a private equity firm, Terra Firma used debt-financing to acquire EMI in a $4.7-billion-dollar deal with the intent of extracting value by selling off its revenue streams to investors. However, the then-roiling financial crisis limited any potential buyers; instead, Terra Firma opted for dramatic restructuring: it fired the existing management and two thousand employees (45 percent of its workforce), while relentlessly focusing on maximizing profits and minimizing losses.[9] Its strategy was characterized as seeking to "disempower the irresponsible 'creatives', and impose financial discipline."[10] Many of those so-called irresponsible creatives decided to take their business elsewhere, including Paul McCartney, the Rolling Stones, Robbie Williams, and Radiohead. Unable to restore revenues in an industry struggling with the digital transition and unable to make payments on its loans, Terra Firma forfeited control of EMI to its primary lender Citigroup in 2011.

Fresh off their success with Warner Music Group, Bain Capital and Thomas H. Lee Partners set its sights on an even bigger target in the music industry: Clear Channel, the largest operator of radio stations in the United States. According to PricewaterhouseCoopers, the radio sector is projected to continue being more profitable ($48.2 billion) than either the live music ($31.5 billion) or recorded music sector ($33.7 billion).[11] With radio companies required to share only minimal revenue with musicians (who are supposed to be happy with the promotion), yet remaining a profitable sector because of advertising, financial firms saw an opportunity. The Telecommunications Act of 1996 had dramatically deregulated the radio industry, no longer limiting the number of radio stations one company could own; Clear Channel had spent $30 billion dollars to acquire more than 1200 radio stations, resulting in as many as seven stations in a single market, 60% of the rock radio market, and equity stakes in 240 international radio stations.[12] Initiated in 2006 and completed in 2008 with one of the largest leveraged buyouts in history, an enormous $24 billion offer was made by Bain and THL; the layoffs followed shortly thereafter. Cutting roughly 10% of the workforce was just the start, as at least three more

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[9] "EMI Posts Full-Year $2.48 Billion Net Loss," *Billboard*, February 4, 2010.

[10] Andrew Leyshon, *Reformatted: Code, Networks, and the Transformation of the Music Industry* (Oxford: Oxford University Press, 2014), 148.

[11] Paul, Bond. "China Film Market to Eclipse U.S. Next Year: Study." *The Hollywood Reporter*, June 5, 2019.

[12] Bettig and Hall, "The Music Industry: The Payer Calls the Tune," 143.

rounds of layoffs followed in the subsequent years.[13] Smaller market radio stations were sold off and focus was shifted to only the most profitable stations. Local programming was reduced and replaced with syndicated regional and national programming. Instead of an explicit attention to local concerns, to which terrestrial radio has long excelled, top talent would pre-record custom breaks and token localized content. Bain Capital and THL's ruthless streamlining of Clear Channel deserves the bulk of the blame for the bland monoculture that radio has become. Top 40 stations now play the 10 biggest songs almost twice as much as they did a decade ago.[14] Before long, the quantifier "Top 40" may need to be adjusted downward.

In 2014, Clear Channel renamed itself iHeartMedia, a rebranding effort officially meant to signal its broader digital media presence, but most likely an attempt at dissociating from its poor performance. Saddled with $20 billion of debt that its private equity owners brought on as part of its buyout, iHeartMedia hasn't turned a profit since 2007 and interest paid on its debt eats up a quarter of its yearly revenues. In 2018, it filed for bankruptcy in order to restructure its debt. Further job cuts and even more homogenous, dreary programming have resulted from meeting its debt obligations.

The second largest radio operator in the country, Cumulus, has experienced a similar decade of private equity, consolidation, debt, streamlining, and homogenization. Again, Bain Capital and THL play a role, along with Blackstone, the country's largest private equity and investment firm. These three firms extracted capital and exited their involvement in 2011; Cumulus then brought on new private equity firms, Crestview Partners and Macquarie Group, as well as $3.03 billion in debt-financing from banks, that helped Cumulus finance a deal to buy Citadel for $2.5 billion. Following a troubled merger with Disney's ABC Radio, Citadel had recently emerged from bankruptcy, its shares ending up in the hands of debtholders, private equity firm TPG Capital, JPMorgan Chase, and hedge fund R2 Investments.[15] Similar to iHeartMedia, private equity has financed the radio group's massive scale, but has left it with a heavy debt load and declining profitability. Terrestrial radio continues to reach 93% of adult consumers, a pool of 240 million people that remains attractive to advertisers, but the large radio companies have become so highly leveraged by a decade of financialization that profit and growth seems unlikely.[16] The private equity experiences of Warner Music Group, EMI, iHeartMedia, and Cumulus – four of the largest conglomerates in the music industry – demonstrate that the story of private equity is not just the rapid looting of profit in its successes, but also the debt-saddled wreckages it leaves in its failures.

In 2012, the minimally competitive recording and publishing industries concentrated even further when Citigroup, having recently taken control of EMI from Terra Firma, sold EMI for parts. Most of EMI's publishing arm was sold to a consortium headed by Sony and included

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[13] "Clear Channel Cuts 1,850 Jobs," *Billboard*, January 20, 2009; Mike Stern, "Updated: Layoffs at Clear Channel," *Billboard,* October 26, 2011; Mike Stern, "More Layoffs at Clear Channel Radio Stations," *Billboard*, March 30, 2012; Mike Stern, "Layoffs Hit Major-Market Clear Channel Stations," *Billboard,* December 7, 2012.

[14] Derek Thompson, "The Shazam Effect," *The Atlantic*, December 2014.

[15] Bettig and Hall, "The Music Industry: The Payer Calls the Tune," 145.

[16] Steve Knopper, "Is Terrestrial Radio Facing Its Judgment Day With Fierce Digital Competition?," *Billboard,* May 19, 2016.

Blackstone, the Michael Jackson estate, sovereign wealth funds, and others. By 2019, Sony had bought out its partners and had complete control over the catalogue, merging its recording and publishing companies into Sony Music Group. Meanwhile, EMI's recording arm was sold to Universal Music Group, including the lucrative Beatles catalog and historic labels such as Capitol, Decca, Def Jam, Geffen, Interscope, Island, Mercury, Motown, Polydor, Republic, Virgin and Verve. During the Universal-EMI antitrust hearings, an antitrust attorney estimated that the combined entity would control 42% of American recorded music revenue, transforming the market from "moderately concentrated" to "highly concentrated" as defined by the DOJ-FTC horizontal merger guidelines.[17] Using 2011's charts, UMG would have owned more than half of the titles on the Billboard Hot 100. Nevertheless, the merger was approved and the diversity of major companies in the recording industry has dwindled from six in the late 1990s to just three multinational corporations today. One condition of the merger was for UMG to divest of Parlophone, the esteemed label dating back to 1896; however, it was quickly acquired by Warner Music Group, nullifying any diversity the divestment requirement may have created. According to a Nielsen Music report in 2015, UMG occupies 39.2% of the "industry market share," Sony has 27.3%, and WMG has 19.4%, leaving just 13.2% to independent labels, and resulting in 86% of the market controlled by the 'Big Three.'[18]

Streaming technology has given rise to another predatory form of financial extraction for the Big Three recording labels: equity stakes that lead to massive paydays from IPOs and acquisitions. In order for a startup to make use of popular music in their platform or app they must enter into deals with UMG, Warner, and Sony, who leverage their dominant positions to attain prime pieces of early equity. UMG is the exemplar for this strategy, having earned a $404 million payday from its equity in Beats, which was sold to Apple for $3 billion in 2014. Forbes estimates the total equity stakes held by the Big Three labels to be around 10-20% of the established streaming services, including Spotify, Rdio, Vevo, and Soundcloud, as well as significant pieces of other startups such as Interlude and Shazam.[19] The total equity is estimated to be almost $3 billion, roughly 20% of the $15 billion or so the labels are currently valued at. Because the amount of profit shared with the artists is minimal at best, these deals are lucrative and power-asserting strategies for the Big Three labels, but also quite risky, considering the large amount of capitalization involved, premised on unproven business strategies in a fickle digital market. The bankruptcy of Rdio is one such example, with Sony losing millions from its investment, and Warner Music Group among its other creditors holding unsecured debt.[20] Soundcloud, another popular streaming platform, was being evaluated for acquisition by Twitter in 2014, who then hesitated because the platform did not yet have licenses from the big labels. Equity stakes ended up being the cost of those licenses. Vevo, the

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[17] Gabriel Bluestone, "FTC should block the Universal/EMI merger," *The Hill*, August 29, 2012.
[18] Ed Christman, "Q3 SoundScan Report: Taylor Swift and Bruno Mars Dominate, Streaming Surges," *Billboard*, October 8, 2015.
[19] Zack O'Malley Greenburg, "Revenge Of The Record Labels: How The Majors Renewed Their Grip On Music," *Fortune*, April 15, 2015.
[20] Eriq Gardner, "Rdio Was Losing $2 Million Each Month Before Bankruptcy," *Hollywood Reporter*, November 17, 2015.

music-video company part-owned by Google, is another start-up of which the labels have equity. These are not one-off deals, but a distinct pattern of leveraging catalog for equity, utilizing a strategy similar to venture capital.

The most important equity in the music industry is in Spotify and the Big Three each had or have substantial stakes; when the Swedish streaming service went public in 2018, each earned enormous paydays that were only moderately shared with the artists. Warner Music Group earned $504 million, only $126 million (25%) of which was paid to artists, with the biggest artists getting the biggest shares.[21] Worse yet, payments only went to artists whose earnings had 'recouped' the label's expenses, a notorious blackhole of ever-increasing spending. In other words, likely a large proportion of this cash remained at WMG. Sony earned roughly $750 million selling half of its stock and dispersed a portion to musicians based on each artist's percentage of the label's revenue. A familiar story: the rich got richer while middle class and independent musicians continued to struggle.

Sitting atop lucrative, consolidated catalogs that provide reliable revenues and constrain any digital developments outside of their control, the Big Three are a lot less interested in cultivating new artists and far more interested in making strategic investments and maximizing their own assets. A key advancement in the ability to maximize assets is the use of 'big data' in order to quantify the now trackable digital outpouring of airplay, listens, downloads, ticket sales, merchandising revenues, likes, and other user data. The real time data provided by big data firms allow record label executives to know which artists and songs would be served by increased investment in marketing and which artists and songs should be discarded. Awareness and loyalty can be strengthened by data-driven engagement strategies, while tours and album releases can be strategized based on contextual, regional, and local data. Big data turns an artist roster into a stock market, where shares are bought and sold based on data markers and financial indicators of performance.

The market domination of the Big Three music companies has allowed them to quickly acquire all of the leading big data companies in the music sector: LiveNation bought BigChampagne for an estimated $30 million in 2011; Spotify purchased Echonest for $100 million in 2014; Apple acquired Acnu in 2013, as well as Semetric/Musicmetric for an estimated $50 million in 2015 and Topspin in its $3 billion purchase of Beats; Pandora acquired Next Big Sound for an undisclosed amount in 2015; Universal Music Group enacted a "Global Music Data Initiative" with the ad agency Havas in 2015; and each of the Big Three labels has equity stakes in Shazam, and thus access to their data and services. The big data harnessed by these firms are particularly relevant for how the Big Three devise their streaming platform strategy, where singles and abundance have become the norm, replacing albums and scarcity. As a result, playlists have risen in prominence as important sources of discovery. Much of the promotional discourse surrounding playlists is figured around the contrast between human-centered curation by skilled editors and data-based recommendation engines by algorithms, which has become a point of distinction between Spotify (machine) and Apple Music (human). The ownership implications behind these playlists, however, are rarely commented upon. As with

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[21] Steve Knopper, "One Sony Act Gets Nearly $1M in Mail As Labels Share Their Spotify Stock Profits," *Billboard*, September 12, 2018.

data analytics, the major players have been making acquisitions of playlist companies: Warner bought playlists.net, Rdio bought TastemakerX, Google bought Songza, and Apple bought Beats, in part, for its curation development. On Spotify, three of the most popular playlists are Digster (run by Universal), Topsify (Warners), and Filtr (Sony). Naturally, each playlist favors its own artists.

After a decade of bad headlines and declining revenues when the music industry struggled to adapt to mp3s and digital distribution, the music industry has found profitable growth in streaming music and live concert revenues. But after nearly two decades of financial engineering and consolidation, the growth in this market only benefits the investor class and tight oligopolies: the Big Three recording and publishing companies; LiveNation or AEG for live concerts; iHeartMedia, Entercom, or Cumulus for terrestrial radio; and the merged SiriusXM for satellite radio. Goldman Sachs estimates the future profit potential of just the recorded music industry to be upwards of $45bn annually by 2030.[22] This could have been a glorious new era in music history, with digital access to the 'celestial jukebox' and sustainable remuneration for diverse music communities. Instead, the music industry is a hedge fund.

Private Equity in Hollywood

While the financialization of the music industry arguably began with the purchase of Warner Music Group in 2004 by Providence Equity Partners and other private equity firms, that same year, in another deal featuring Providence, historic Hollywood studio MGM was the target of a leveraged buyout as well. As evidenced in Table 2, MGM was the first blockbuster buyout in the era of Financialized Hollywood, followed by many others. Far from its halcyon days of *Gone with the Wind* and *The Wizard of Oz*, MGM struggled during the 1990s, losing $1.6 billion over just six years.[23] Seizing the opportunity to acquire a distressed asset, a consortium of investors purchased MGM for $4.85 billion, each getting a sizable stake: Providence Equity Partners (34%), TPG Capital (23%), Comcast (21%), Sony (14%), and DLJ Merchant Partners (8%). As with most PE deals, the deal was highly leveraged, and MGM was saddled with $3.7 billion of debt.

On paper, MGM's assets looked promising: an 8000+ film library, 43,000+ hours of television, and a number of lucrative franchises. Sony hoped to exploit this catalogue with cross-content synergies, while Comcast intended to populate its cable and on-demand channels. However, the DVD market had just begun to decline; the digital sales, rentals, and subscription market had yet to take off; and MGM was releasing few films of its own. Furthermore, the standard private equity playbook of mass layoffs backfired: "so many people were let go," according to *Variety*, "that MGM was no longer a viable operating company."[24] By 2010, drowning in interest payments on its debt to the tune of $300 million a year, the company filed for bankruptcy in order to clear its debt. With a loan from JPMorgan Chase and two hedge funds, Anchorage Advisors and Highland Capital Management, it would reemerge the following

[22] Tim Ingham, "Goldman Sachs Says 1.15bn People Will Pay For Music Streaming By 2030, As It Ups Industry Forecast," *Music Business Worldwide*, June 5, 2019.
[23] Ronald Grover, "Getting MGM off the Back Lot," *Bloomberg Businessweek*, March 2, 2003.
[24] Jill Goldsmith, "Hollywood edgy about stealth wealth," *Variety*, December 17, 2006.

Table 2. Private Equity, Mergers, and Consolidation in Hollywood, 2004-2019.

Year	Target	Buyer/Partner/Investor	Cost/$ bn	Type	Medium
2004	MGM	Providence Equity Partners, TPG Capital, Sony, Quadrangle Group, DLJ Merchant Banking Partners	4.8	Leveraged Buyout (LBO)	Film/TV
2004	Cinemark	Madison Dearborn Partners	1.0	LBO	Exhibition
2004	AMC	J.P. Morgan Partners, Apollo Global Management	2.0	LBO	Exhibition
2004	Odeon & UCI	Terra Firma	1.2	LBO	Exhibition
2004	Universal	General Electric/NBC	5.8	Merger	Film/TV
2006	Pixar	Disney	7.4	Acquisition	Film/TV
2006	Nielsen Company	THL Partners, Blackstone Group, Carlyle Group, Kohlberg Kravis Roberts, Hellman & Friedman, AlpInvest Partners	9.7	LBO	Data
2007	Univision	TPG Capital, Providence Equity Partners, THL Partners, Madison Dearborn Partners, and Haim Saban	13.7	LBO	Film/TV
2007	Hulu	Providence Equity Partners	0.1	Investment	Film/TV
2008	Dreamworks	Reliance ADA Group	0.3	Investment	Film/TV
2008	The Weather Channel	Blackstone, Bain Capital, NBCU	3.5	LBO	Film/TV
2009	NBCU	Comcast	37.3	Maj. Stake	Film/TV
2009	Marvel	Disney	4.2	Acquisition	Film/TV
2010	Miramax	Colony Capital	0.7	LBO	Film/TV
2010	AMC	J.P. Morgan Partners, Apollo Global Management	---	IPO	Exhibition
2010	CAA	TPG Capital	0.2	Min. Stake	Talent
2011	Nielsen Company	THL Partners, Blackstone Group, Carlyle Group, Kohlberg Kravis Roberts, Hellman & Friedman, AlpInvest Partners	---	IPO	Data
2012	WME	Silver Lake	~0.3	Min. Stake	Talent
2012	AMC	Dalian Wanda Group	2.6	Acquisition	Exhibition
2012	Lucasfilm	Disney	4.1	Acquisition	Film/TV
2013	WME	Silver Lake	0.5	Maj. Stake	Talent
2013	IMG	WME/Silver Lake	2.2	Acquisition	Talent
2014	CAA	TPG Capital	0.2	Maj. Stake	Talent
2016	Legendary	Dalian Wanda Group	3.5	Acquisition	Film/TV
2016	Dreamworks Animation	Comcast	3.8	Acquisition	Film/TV
2016	Starz	Lionsgate	4.4	Acquisition	Film/TV
2016	Odeon & UCI	AMC	1.2	Acquisition	Exhibition
2016	Carmike Cinemas	AMC	1.1	Acquisition	Exhibition
2017	TimeWarner	AT&T	85.4	Acquisition	Film/TV
2018	Wanda/AMC	Silver Lake	0.6	Investment	Exhibition

2018	Regal	Cineworld	3.6	Acquisition	Exhibition
2018	Wanda/AMC	Silver Lake	0.6	Investment	Exhibition
2019	Fox	Disney	52.4	Acquisition	Film/TV
2019	CBS	Viacom	30.0	Merger	Film/TV

week, but the original PE firms would lose out on their investment (as would any pension funds or endowments involved). Layoffs, of course, were severe.[25]

In 2007, during the height of the pre-crash private equity boom, an even larger leveraged buyout occurred with the $13.7 billion takeover of Univision, the Spanish-language broadcasting giant. As the owner of the largest media properties in the fastest-growing demographic segment of the U.S. media industry, Univision was a prime target, attracting two consortiums, the first including PE giants KKR, Carlyle, and Blackstone.[26] The winning consortium, consisting of Providence, TPG, THL, Madison Dearborn Partners, and Saban Capital Group, leveraged the deal with a debt level 12 times its annual cash flow, twice the norm of buyouts during that time.[27] Within two years, it was weighed down by nearly $11 billion in debt, forcing it to sell its music arm to Universal Music Group (strengthening its monopolistic position in the music market) and to conduct multiple rounds of layoffs, including "periodic staff purges and management restructuring."[28] By 2017, Univision had ceded almost half of its audience to rival Telemundo and amidst declining advertising revenues, its PE firms were seeking to exit their investment by seeking an IPO to raise money in order to pay off its now-maturing $9 billion debt.

Another prominent media company acquired during the boom, in 2006, was Nielsen, then called VNU NV, owner of Nielsen Media Research and venerable industry trade press publications *Adweek*, *The Hollywood Reporter*, and *Billboard*. Again, the formula is clear: a consortium of private equity companies (in this case, KKR, THL, Blackstone, Carlyle, Hellman & Friedman, and AlpInvest Partners) acquire the company for an enormous price ($9.7 billion), saddle it with excessive debt (still $8.6 billion five years later), strip its assets for quick profit (the iconic publications), slash its workforce (4,000 person 'restructuring'), and exit the investment with a profit achieved through financial engineering (estimated 10% return in 2011, far higher than typical investments over that time period).[29] The suite of trade publications sold off by Nielsen ended up in the hands of another investment firm, Guggenheim Partners, which acquired the properties in partnership with Pluribus Capital, naming the new company e5 Global Media. Through much turmoil and cost-cutting, it was renamed Prometheus Global Media, then subsumed under the Guggenheim Digital Media division once Pluribus Capital's stake was

[25] Nikki Finke, "Layoffs And Firings At MGM," *Deadline*, April 1, 2009; Dave McNary, "MGM slashes staff ahead of bankruptcy exit," *Variety*, December 17, 2010.
[26] Ronald Grover, "Univision: The Auction that Wasn't," *Bloomberg Businessweek*, June 21, 2006.
[27] Serena Ng and Henny Sender, "Easy Money: Behind Buyout Surge, A Debt Market Booms," *Wall Street Journal*, June 26, 2007.
[28] Anna Marie de la Fuente, "Univision pinkslips 300 staffers," *Variety*, February 27, 2009; Veronica Villafañe, "Amid $30.5M Revenue Losses, Ratings Drop And Elusive IPO, Univision Restructures, Slashes 250 Jobs," *Forbes*, November 16, 2016.
[29] Gregory Zuckerman, "Private Equity Makes Return to IPO Game," *Wall Street Journal*, January 25, 2011; Nikki Finke, "New Wave Of Nielsen Biz Media Layoffs?," *Deadline*, October 1, 2008.

purchased. More publishing assets were acquired, including *Backstage*, *Film Journal International*, and *Mediabistro*, before the entire catalog of publications was spun out into its own company, Eldridge Industries. This kind of hot-potato ownership, in which a media property is bounced between multiple investment firms, each attempting to extract profit at the expense of labor, is not uncommon.

For example, Dick Clark Productions, the historic production company created for its founder's radio show in the 1950s and his subsequent television shows such as *American Bandstand* and *The Dick Clark Show*, continues to produce variety and event/award shows to this day. It attracted the interest of investment firms Mosaic Media in 2002 and Mandalay Entertainment in 2004, before being taken over by the private equity firm Red Zone Capital Management in 2007.[30] It was then sold once again to a partnership led by Guggenheim Partners in 2012 and is now part of Eldridge Industries.[31] To strengthen its trade publication portfolio including *The Hollywood Reporter* (film/television news) and *Billboard* (music industry news), Eldridge acquired SpinMedia in 2016, adding online publications tailored to specific music niches – *Spin* (alternative/rock), *Vibe* (R&B/hip hop), and *Stereogum* (indie) – creating a diverse stable of niche media content coverage. In 2018, its media holdings, including Media Rights Capital and a minority stake in A24, were merged into an entity called Valence Media. Most of the rival trade press and entertainment publications (*Variety*, *Deadline Hollywood*, *Indiewire*, *Rolling Stone*) are owned by Penske Media Corporation, which is funded by Quadrangle Capital Partners, a private equity firm, and Third Point LLC, a hedge fund. As Hollywood and the music industry is ravaged by private-equity extractions, its private-equity based trade press is not exactly incentivized to give critical coverage of the devastation.

Silver Lake Partners & TPG Capital: Hollywood's Private Equity Shadow Studios

Following the financial crisis in 2008, many financial elites sought to take advantage of low interest rates and a landscape of distressed assets. Two private equity firms, Silver Lake Partners and TPG Capital, took a particular interest in Hollywood and over the subsequent years have assembled their own versions of film and television conglomerates. Hollywood's talent agencies were the primary targets, the first of which was TPG's investment in Creative Artists Agency (CAA), one of the industry's two most powerful agencies. In 2010, TPG spent about $165 million for a 35% stake, then invested another $225 million in 2014 to give it a 53% stake.[32] Similarly, Silver Lake Partners acquired a 31% stake in William Morris Endeavor (WME), the industry's other dominant talent agency, for $200 million in 2012, then followed that with a $500 million investment in 2014 to give it the largest ownership stake. With Silver Lake's funding, WME acquired sports and media group IMG Worldwide Inc. for $2.4 billion in 2013;[33] the

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[30] "Investor Group to Acquire Dick Clark Productions Inc." *Wall Street Journal*, February 15, 2002.
[31] John Jannarone and Keach Hagey, "Guggenheim, Partners Buy Dick Clark Productions," *Wall Street Journal*, September 4, 2012.
[32] Josh Rottenberg, "Wall Street investors to Hollywood talent agencies: 'Show us the money,'" *Los Angeles Times*, July 10, 2015.
[33] Ibid.

combined WME-IMG was now larger than its rival CAA in scale, with a market capitalization of roughly $5.6 billion.[34]

As we've seen, the first step in the private equity playbook is 'lowering overhead' and both CAA and WME-IMG have been lowering costs by laying off several top-earning agents, cutting bonuses, and reducing expenses.[35] "Suddenly guys who had been there for fifteen, twenty years, who thought they were just going to be CAA lifers, were getting pushed out without a parachute," claims a rival agent.[36] Salaries and bonuses for top agents are nowhere near their previous heights, but those who have remained at CAA and WME-IMG have been incentivized with bits of equity that could translate to big paydays, if and when the companies go public.

In contrast to this cost-cutting of labour, Silver Lake and TPG have been spending freely in order to expand the scope of WME-IMG and CAA's business. Typically, in order to avoid conflicts of interest, union contracts in the industry forbid talent agencies from participating in film and television production; consequently, talent agencies have moved aggressively into alternative "content." WME-IMG has been the most aggressive on this front, with expansions into sports (acquiring IMG and Professional Bull Riders), digital (partnering with Turner on an eSports league), events (acquiring Donald Trump's Miss Universe Organization), and fine art (partnering with Frieze, a contemporary art fair), in addition to other agencies (acquiring the Wall Group, a stylist agency business, as well as Global eSports Management). By 2016, WME-IMG was ready to facilitate blockbuster deals itself, with the acquisition of the professional mixed martial arts organization Ultimate Fighting Championship. The purchase cost $4 billion, financed by Silver Lake Partners, KKR, and MSD Capital. Reflecting its by-then conglomerate status, WME-IMG was reorganized into a holding company in October of 2017 and renamed Endeavor, a callback to co-CEO Ari Emanuel's original company, Endeavor Talent Agency.

Behind the scenes, the talent agencies also began to skirt around the prohibition against film and television production. Both CAA and Endeavor, through the proxy of their private equity owners, set up inscrutable financing arms. Endeavor owns a stake in the Raine Group, a merchant bank that invests in digital, media, and entertainment companies, such as Vice. Through Raine, Endeavor invests in Media Rights Capital, the opaquely-named firm described as a "hybrid financier, rights-holder and development pod."[37]It has been involved in a number of films that primarily feature so many Endeavor clients that it could hardly be a coincidence, such as *Ted*, *A Million Ways to Die in the West*, *Furious 7*, *22 Jump Street*, and *Elysium*. Other investors in Media Rights Capital include Goldman Sachs, AT&T, advertising giant WPP, and the private equity firms ABRY Partners and Guggenheim Partners.

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[34] James Andrew Miller, *Powerhouse: The Untold Story of Hollywood's Creative Artists Agency* (New York: HarperCollins, 2016), 697.
[35] Matt Donnelly and Umberto Gonzalez, "CAA Cuts Top Agents in Move to Lower Costs, Boost Profits," *The Wrap*, December 11, 2016.
[36] Miller, *Powerhouse*, 653.
[37] Kim Masters and Matthew Belloni, "Media Rights Capital in Talks to Sell Stake to Guggenheim Partners," *The Hollywood Reporter*, December 6, 2013.

In 2015, Silver Lake Partners acquired Cast & Crew Entertainment Services for $700 million. This 40 year-old company provides many backend accounting services to Hollywood productions, such as payroll processing, residuals processing, workers' compensation services, health insurance, labor relations, production incentives, and production tax credit financing.[38] The following year, Silver Lake acquired Cast & Crew's main competitor, CAPS Payroll. Owning the combined data of two of the biggest payroll companies in Hollywood is an obvious strategic advantage, as the same company negotiates wages and residuals for its clients while having the historical and industry-wide data about those rates. Silver Lake has thus fashioned a new type of content business with financialized vertical integration, a 'shadow studio' of sorts: the talent (Endeavor), the data (Cast & Crew/CAPS), the financing and production (Media Rights Capital, Endeavor Content, and IMG Original Content), exhibition (with an investment stake in AMC), and venture capital arms (Raine, WME Ventures).

At TPG and CAA, there has been a similar financialized content production arm in STX Entertainment, a film and television studio created by film producer Robert Simonds and TPG managing partner Bill McGlashan in 2014. Initial investment came from TPG and Hony Capital, a Chinese private equity firm, with subsequent funding coming from a number of wealthy investors and a variety of East Asian firms. The publicized strategy is to develop, produce and self-distribute a slate of 8-12 films, targeting the star-driven, mid-range budget ($20-$80 million) films for adult audiences that the traditional studios have neglected in the era of franchises, superheroes, and children's animation. Another way to look at STX, however, is as a production arm of CAA, as both are owned by TPG.

Just as Silver Lake features its own Endeavor talent in its Media Rights Capital productions, TPG overwhelmingly features its own CAA talent in its STX productions. *The Gift*, *Secret in Their Eyes*, *Free State of Jones*, *Bad Moms*, and *The Circle* all feature above-the-line talent represented by CAA. STX negotiates its own distribution agreements directly with North American theater chains (AMC, Regal, and Cinemark), and its Chinese investors give it an advantage in being approved for release in their heavily-regulated and highly sought-after market. Silver Lake's attempt at fashioning its own content studio has thus far produced mostly underperforming film and television, relative to their budget, but its financialized vertical integration has managed to mostly avoid the big Hollywood conglomerates and represents a new approach to content production and distribution. Platform One Media, Vice Media, and wiip are other content arms with significant investment from TPG. Like Silver Lake, it also has a number of venture capital arms, including Evolution Media Capital, CAA Ventures, and Creative Labs.

In recent years, the talent agencies have become bolder in flaunting the rules against production. Endeavor has both IMG Original Content, which has more than 50 series and specials on its roster, as well as Endeavor Content, which has financed, packaged and/or sold more than 100 films and TV shows since 2016, including best picture nominees *Arrival*, *La La Land*, and *Manchester by the Sea*. Known in industry jargon as double-dipping, the involvement of talent agencies in production was expressly banned by the Screen Actors Guild for nearly 60

[38] Gillian Tan, "Silver Lake to Acquire Entertainment Services Provider Cast & Crew," *Wall Street Journal*, June 29 2015.

years, but its legality has been in limbo since that agreement expired in 2002. This flagrant conflict of interest caught the attention of the Writer's Guild, which began flagging the practice as early as March of 2018, claiming that "agencies have little incentive to defend or improve quotes (writers' previous pay) because their compensation is not tied to the well-being of their client."[39]

After a breakdown in negotiations with the Association of Talent Agencies on April 12, 2019, the WGA took the unprecedented step of instructing its writers to fire their agents, resulting in more than seven thousand writers – 92% of the guild – firing their agent. At issue is the WGA's new Code of Conduct that prohibits agents from taking packaging fees (which they claim is a breach of fiduciary duty) or engaging in affiliate production (which they claim is a conflict of interest). At the time of writing, only a few smaller agencies have signed on to the Code of Conduct. The big agencies have filed lawsuits against the WGA instead, signaling a drawn-out, costly legal battle that the WGA might not be able to wage against firms backed by billion-dollar investment firms like TPG and Silver Lake. Regardless of the outcome, the bold labor action of the WGA demonstrates that creative workers in Hollywood are coming to terms with the scale of their financialized problem. Publishing a scathing report like "Agencies For Sale: Private Equity Investment and Soaring Agency Valuations" is an encouraging step in the right direction for the WGA,[40] though the report only scratches the surface of the deep roots the financial sector has in Hollywood.

Financing Media Consolidation

The result of private equity and financial engineering in the cultural industries is an intensification of the consolidation that has been transforming the media sector since the 1970s. Financialization is facilitating an increase in scale in a global marketplace and permitting big media companies to take on massive debt to enact mergers and acquisitions, as also documented in Table 2. Telecommunications companies have targeted content companies in order to expand beyond their traditional role as "dumb pipes" and explore a growth market, in such blockbuster deals as Comcast's acquisition of NBCUniversal and AT&T's purchase of DirecTV and Time Warner. Content companies, meanwhile, have sought out sources of intellectual property in order to expand content catalogues, as the sector transitions to streaming technology in which access is privileged over ownership. Mergers and acquisitions, and the broader issue of concentration of media ownership, are well-traveled ground in media industry history, but the understanding of the increasingly financialized dimensions of this ownership are lacking, especially its private equity aspects. The impact of PE's financial engineering on the cultural industries is not to be underestimated; as Matthew Crain notes in an

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[39] Dave McNary, "Writers Guild Accuses Talent Agencies of Conflicts of Interest," *Variety*, March 15, 2018.
[40] "Agencies for Sale: Private Equity Investment and Soaring Agency Valuations," *Writers Guild of America West*. March 18, 2019. <https://www.wga.org/news-events/news/press/2019/wga-issues-new-report-agencies-for-sale>.

early look at this phenomenon, "private equity ownership exacerbates the ongoing evisceration of our media institutions."[41]

The result of this consolidation, as it is elsewhere in the gilded economy, is stagnation, fewer jobs, homogeneity, and higher prices. Total movie ticket sales are on a steady decline, though profits have been propped up by increasing ticket prices, particularly 3D surcharges, as well as continued expansion into global markets, especially China. It's not yet the oligopoly of three (Universal, Warner, Sony) that the recorded music industry has become, but if that industry's experience with private equity and financialization is any indication, further concentration and inequality in Hollywood is on the horizon.

Hollywood shares another parallel with the music industry in that a new streaming technology platform with considerable financial backing is transforming its distribution model. Just as Spotify is leading the way for a sea change in the economics and consumption patterns of recorded music, Netflix is pioneering a transition in the film and television industry. Unlike music, however, where the lines between consumption/distribution (Spotify, Apple Music, Pandora, etc.) and production/catalogue (Universal, Warner, Sony) are fairly distinct, resulting in minimal competition or innovation, the film and television industry is much more unsettled and the lines between production/distribution/consumption much more blurred. Netflix has moved aggressively into this precarious situation, transitioning from a DVD delivery service into a global streaming video platform, content producer, and the belle of Wall Street. Crossing the 100 million subscriber mark in 2017, Netflix shares rose 13,000% since its IPO in 2002, making for the second highest returns on the S&P 500 over the last fifteen years.[42] Originally seen by the conglomerates as just another release window, Netflix has become something of a frenemy to the conglomerates of Hollywood: a valuable destination to license its wares, but also a threat to its dominance as Netflix moves into original content production. Hedging their bets, four of the major studios developed an important counter-strategy: their own streaming platform, Hulu.

With early investment from Providence Equity Partners, Hulu launched in 2006 and has grown into a formidable Netflix rival. Though it lacks the global footprint and total number of subscribers, Hulu has quickly surpassed Netflix in an important long-term metric: catalogue size. In addition to next-day availability of television shows from four of the five major networks and many cable channels, Hulu secured exclusive rights deals with Comedy Central, AMC, Bravo, E!, A&E, FX, Syfy, USA, Fox Sports, PBS, Nickelodeon, and Epix. As Netflix moved into original programming, so did Hulu, with high-profile, award-winning series. The result, by 2016, is a Hulu catalogue spanning more than 6,600 movies and nearly 3,600 television series, compared to Netflix's 4,500 and 2,400, respectively.[43] For Netflix, this represents a drop in its catalogue by over 50%, from a high of roughly 11,000 titles.[44] Though the company accounts for

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[41] Matthew Crain, "The Rise of Private Equity Media Ownership in the United States: A Public Interest Perspective," *International Journal of Communication* 3 (2009): 209.
[42] Lucinda Shen, "Netflix Went Public 15 Years Ago. It's Been a Better Stock Than Apple or Amazon," *Fortune*, May 22, 2017.
[43] Todd Spangler, "Amazon Prime Video Has 4 Times Netflix's Movie Lineup, But Size Isn't Everything," *Variety*, April 22, 2016.
[44] Nathan McAlone, "Netflix's catalog has shrunk by a whopping 50% in the past few years," *Business Insider*, October 2, 2016.

this drop by claiming it is focusing on original content production, the reality is a proxy fight between traditional Hollywood, Netflix, and Wall Street.

The economics of distribution and licensing is just one of the battlefronts between Hollywood and Netflix; data is another crucial vector. Essential to Netflix's public image and branding strategy is its data-savvy, particularly its ability to mine its global consumption data to improve the content it develops as well as the personalized, algorithmic suggestions for its users. But until Disney's recent purchase of Fox, leading to their majority ownership of Hulu, it was jointly owned by Disney, Fox, Comcast, and Time Warner. Though unacknowledged in the trade press, I confirmed with a Hulu executive in a personal conversation that each of its parent companies have access to its trove of data (a common feature of corporate venture capital relationships). With such an extensive catalogue that spans many formats and demographics, the granular consumer data generated by Hulu gives an important advantage to these four Hollywood conglomerates. It also bound them together in their cold war with Netflix.

This is not the first time legacy Hollywood companies have been challenged by new technology; in fact, Hollywood's history is one of initially resisting but eventually profiting off of every technological advancement, from sound to television to satellite to cable to VHS/DVD and into the digital age. Disney+, HBO Max, and Comcast/NBCUniversal's streaming platforms will join Hulu and CBS All Access, from the newly remerged ViacomCBS, as traditional Hollywood's aggressive move into direct-to-customer (D2C) streaming distribution. History would suggest that streaming technology will merely be added to the array of entertainment formats that the Hollywood conglomerates dominate. The difference this time, potentially, is that the challengers are well-funded by a financial sector that is chasing dwindling investment opportunities in a hollowed-out economy. Looking for the next Facebook, investors have rewarded Netflix's ability to rapidly grow its global subscriber base, ignoring its growing debt and comparative lack of earnings in the hopes of a future profit windfall. Amazon, similarly, received years of Wall Street investment despite a distinct lack of profits, using that coffer to increase scale and expand into a vast array of industries, including film and television. By 2016, Amazon Prime Video was offering 18,405 movies, nearly three times the size of Hulu's catalogue, and dwarfing Netflix's shrinking catalogue.[45] Along with Apple and Google, each a crucial interface for the digital consumption of film and television, this handful of tech stocks has come to be known as 'FAANG': Facebook, Amazon, Apple, Netflix, and Google. In June of 2017, these five companies together held a market capitalization of $2.4 trillion, about 13 percent of the size of the United States economy, or the entire GDP of France.[46] The FAANG companies only earned $77 billion in 2016, however, most of which came from Apple's lucrative iPhone sales, so their massive market cap is speculation on a severe scale. Wall Street is literally banking on a future in which these five companies dominate and monopolize their respective industries. Will traditional Hollywood conglomerates become mere content suppliers to these bigger tech titans, or will they be able to compete for customers on their own terms? Unfortunately for us as citizens, the terms of this competition are not content, or culture, but mere financial extraction.

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[45] Spangler, "Amazon Prime Video Has 4 Times Netflix's Movie Lineup, But Size Isn't Everything," *Variety*.
[46] Landon Thomas Jr., "Five Big Tech Stocks Build Market Euphoria, and Jitters," *New York Times*, June 7, 2017.

Conclusion

The cultural industries have transformed into a financialized market with only a few powerful players who are seemingly 'too big to fail.' The percentage of artists who have a dominant role in such a marketplace is unsurprising: in music, the top 1% account for 77% of all artist recorded music income. Though the top 1% accounted for 75% of CD revenues, that proportion is rising and has now grown to almost 80% of subscription streaming revenue.[47] One might think the vast expansion of available music online would lead to more diverse consumption but the opposite is true. Even though the amount of digital music sold has increased, the 10 top-selling tracks command 82 percent more of the market than they did a decade ago.[48] This stratification is not just in recording, but in the live sector as well. Ticket prices and sales have surged in the last two decades, with average ticket prices far outpacing the consumer price index. This accounts for some of the reason why artists depend on it more than ever. But live revenues are also becoming more and more concentrated. In 1982, the top 1% of artists accounted for roughly a quarter of concert ticket revenues; by 2003, it was 56%. The top 2-5% of artists also increased their share of the pie; while the remaining 95% used to have almost 40% of the market, by 2003 they were left with less than 15%.[49] This kind of trajectory surely reminds us of other shocking statistics of widening income and wealth inequality that we are all-too-familiar with in this new gilded age. In Hollywood, stratospheric paydays for CEOs and prestige talent are increasingly common, while the struggles of middle-income creatives and below-the-line labor is ever more precarious.

Consumers used to buy media products on a one-off basis and the gatekeepers charged their percentage. There was considerable consolidation, but the key was continued performance and reinvestment, etching out profit based on the ability of their creative and marketing talent to reach an audience. Now, consumers pay a gatekeeper for digital access to consolidated catalogs that have reached such a scale that competition is rendered ever more minimal. Cultivation of talent now takes place in a 'digital farm league,' where creators hustle online on social media in order to generate an audience of their own, proving themselves worthy of being chosen for the big leagues, where even then they will still get only a minor cut, with decreasing leverage. The primary strategy is maximization of assets through catalog building. The conglomerate model of vertical and horizontal integration where a series of total but competing supply chains deliver media commodities may be outmoded; the focus is now leveraging catalogs as an asset of shareholder value. A conglomerate suggests a hierarchy and a stable supply chain, whereas finance suggests flexibility, insurance, quickly reallocating resources, short-term gain, hedging risk, and a precarious workforce. Maybe this is a different form of cultural oligopoly, not based on vertical integration, but on building a digital fence around the one facet of the industry that a company controls, waging a vigorous defense of intellectual property, and charging rent on that territory, at the expense of its creators.

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[47] Mark Mulligan, "The Death of the Long Tail: The Superstar Music Economy," *MIDiA Consulting* (March 2014).
[48] Thompson, "The Shazam Effect."
[49] Alan B. Krueger, "Land of Hope and Dreams: Rock and Roll, Economics and Rebuilding the Middle Class," Rock and Roll Hall of Fame. Cleveland, Ohio. June 12, 2013. Speech.

If this is true, then the media business is no longer about selling commodities, but building a diversified portfolio that responds to risk and volatility: a cultural hedge fund. In the conglomerate model, there were tools all along the value chain with which to cultivate talent and sell content. Now there is merely a monopoly or tight oligopoly with which to extract rent on cultural territory. Because earning profit in the cultural industries is so risky, with fickle audiences constantly changing behaviours and tastes, it is perhaps not surprising that the entertainment market has been held captive to risk-hedging practices developed in the financial sector. But finance is not concerned with building anything, it merely follows, invests, hedges, exploits, and extracts. It calls this efficiency. Financial capital is not interested in the long-term profitability, market share, or brand power of the cultural industries. It is not even interested in culture. It is just interested in the highest possible return in a short period of time. Private equity firms and financialization strategies bring new meaning to Joseph Schumpeter's notion of 'creative destruction'; the finance sector is actively dismantling the creative industries for short-term profit. The implications of financial capital on the production and circulation of culture are the same as they are in the wider economy: a corrupt infrastructure, a plutocratic ruling class, a shrinking middle class, and vast inequality.