

Courtney Love Speech On Piracy and Music

*On piracy and music Famous Speech by Courtney Love
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Today I want to talk about piracy and music. What is piracy? Piracy is the act of stealing an artist's work without any intention of paying for it. I'm not talking about Napster-type software.

I'm talking about major label recording contracts.

I want to start with a story about rock bands and record companies, and do some recording-contract math:

This story is about a bidding-war band that gets a huge deal with a 20 percent royalty rate and a million-dollar advance. (No bidding-war band ever got a 20 percent royalty, but whatever.) This is my "funny" math based on some reality and I just want to qualify it by saying I'm positive it's better math than what Edgar Bronfman Jr. [the president and CEO of Seagram, which owns Polygram] would provide.

What happens to that million dollars?

They spend half a million to record their album. That leaves the band with \$500,000. They pay \$100,000 to their manager for 20 percent commission. They pay \$25,000 each to their lawyer and business manager.

That leaves \$350,000 for the four band members to split. After \$170,000 in taxes, there's \$180,000 left. That comes out to \$45,000 per person.

That's \$45,000 to live on for a year until the record gets released.

The record is a big hit and sells a million copies. (How a bidding-war band sells a million copies of its debut record is another rant entirely, but it's based on any basic civics-class knowledge that any of us have about cartels. Put simply, the antitrust laws in this country are basically a joke, protecting us just enough to not have to re-name our park service the Phillip Morris National Park Service.)

So, this band releases two singles and makes two videos. The two videos cost a million dollars to make and 50 percent of the video production costs are recouped out of the band's royalties.

The band gets \$200,000 in tour support, which is 100 percent recoupable.

The record company spends \$300,000 on independent radio promotion. You have to pay independent promotion to get your song on the radio; independent promotion is a system where the record companies use middlemen so they can pretend not to know that radio stations -- the unified broadcast system -- are getting paid to play their records.

All of those independent promotion costs are charged to the band.

Since the original million-dollar advance is also recoupable, the band owes \$2 million to the record company.

If all of the million records are sold at full price with no discounts or record clubs, the band earns \$2 million in royalties, since their 20 percent royalty works out to \$2 a record.

Two million dollars in royalties minus \$2 million in recoupable expenses equals ... zero!

How much does the record company make?

They grossed \$11 million.

It costs \$500,000 to manufacture the CDs and they advanced the band \$1 million. Plus there were \$1 million in video costs, \$300,000 in radio promotion and \$200,000 in tour support.

The company also paid \$750,000 in music publishing royalties.

They spent \$2.2 million on marketing. That's mostly retail advertising, but marketing also pays for those huge posters of Marilyn Manson in Times Square and the street scouts who drive around in vans handing out black Korn T-shirts and backwards baseball caps. Not to mention trips to Scores and cash for tips for all and sundry.

Add it up and the record company has spent about \$4.4 million.

So their profit is \$6.6 million; the band may as well be working at a 7-Eleven.

Of course, they had fun. Hearing yourself on the radio, selling records, getting new fans and being on TV is great, but now the band doesn't have enough money to pay the rent and nobody has any credit.

Worst of all, after all this, the band owns none of its work ... they can pay the mortgage forever but they'll never own the house. Like I said: Sharecropping. Our media says, "Boo hoo, poor pop stars, they had a nice ride. F*** them for speaking up"; but I say this dialogue is imperative. And cynical media people, who are more fascinated with celebrity than most celebrities, need to reacquaint themselves with their value systems.

When you look at the legal line on a CD, it says copyright 1976 Atlantic Records or copyright 1996 RCA Records. When you look at a book, though, it'll say something like copyright 1999 Susan Faludi, or David Foster Wallace. Authors own their books and license them to publishers. When the contract runs out, writers gets their books back. But record companies own our copyrights forever.

The system's set up so almost nobody gets paid.

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Destroying traditional access

Somewhere along the way, record companies figured out that it's a lot more profitable to control the distribution system than it is to nurture artists. And since the companies didn't have any real competition, artists had no other place to go. Record companies controlled the promotion and marketing; only they had the ability to get lots of radio play, and get records into all the big chain store. That power put them above both the artists and the audience. They own the plantation.

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Being the gatekeeper was the most profitable place to be, but now we're in a world half without gates. The Internet allows artists to communicate directly with their audiences; we don't have to depend solely on an inefficient system where the record company promotes our records to radio, press or retail and then sits back and hopes fans find out about our music.

Record companies don't understand the intimacy between artists and their fans. They put records on the radio and buy some advertising and hope for the best. Digital distribution gives everyone worldwide, instant access to music.

And filters are replacing gatekeepers. In a world where we can get anything we want, whenever we want it, how does a company create value? By filtering. In a world without friction, the only friction people value is editing. A filter is valuable when it understands the needs of both artists and the public. New companies should be conduits between musicians and their fans.

Right now the only way you can get music is by shelling out \$17. In a world where music costs a nickel, an artist can "sell" 100 million copies instead of just a million.

The present system keeps artists from finding an audience because it has too many artificial scarcities: limited radio promotion, limited bin space in stores and a limited number of spots on the record company roster.

The digital world has no scarcities. There are countless ways to reach an audience. Radio is no longer the only place to hear a new song. And tiny mall record stores aren't the only place to buy a new CD.

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Equity for artists

A new company that gives artists true equity in their work can take over the world, kick ass and make a lot of money. We're inspired by how people get paid in the new economy. Many visual artists and software and hardware designers have real ownership of their work.

I have a 14-year-old niece. She used to want to be a rock star. Before that she wanted to be an actress. As of six months ago, what do you think she wants to be when she grows up? What's the glamorous, emancipating career of choice? Of course, she wants to be a Web designer. It's such a glamorous business!

When you people do business with artists, you have to take a different view of things. We want to be treated with the respect that now goes to Web designers. We're not Dockers-wearing Intel workers from Portland who know how to "manage our stress." We don't understand or want to understand corporate culture.

I feel this obscene gold rush greedgreedgreed vibe that bothers me a lot when I talk to dot-com people about all this. You guys can't hustle artists that well. At least slick A&R guys know the buzzwords. Don't try to compete with them. I just laugh at you when you do! Maybe you could a year ago when anything dot-com sounded smarter than the rest of us, but the scam has been uncovered.

The celebrity-for-sale business is about to crash, I hope, and the idea of a sucker VC gifting some company with four floors just because they can "do" "chats" with "Christina" once or twice is

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ridiculous. I did a chat today, twice. Big damn deal. 200 bucks for the software and some elbow grease and a good back-end coder. Wow. That's not worth 150 million bucks.

... I mean, yeah, sure it is if you'd like to give it to me.

Tippling/music as service

I know my place. I'm a waiter. I'm in the service industry.

I live on tips. Occasionally, I'm going to get stiffed, but that's OK. If I work hard and I'm doing good work, I believe that the people who enjoy it are going to want to come directly to me and get my music because it sounds better, since it's mastered and packaged by me personally. I'm providing an honest, real experience. Period.

When people buy the bootleg T-shirt in the concert parking lot and not the more expensive T-shirt inside the venue, it isn't to save money. The T-shirt in the parking lot is cheap and badly made, but it's easier to buy. The bootleggers have a better distribution system. There's no waiting in line and it only takes two minutes to buy one.

I know that if I can provide my own T-shirt that I designed, that I made, and provide it as quickly or quicker than the bootleggers, people who've enjoyed the experience I've provided will be happy to shell out a little more money to cover my costs. Especially if they understand this context, and aren't being shoveled a load of shit about "uppity" artists.

It's exactly the same with recorded music. The real thing to fear from Napster is its simple and excellent distribution system. No one really prefers a cruddy-sounding Napster MP3 file to the real thing. But it's really easy to get an MP3 file; and in the middle of Kansas you may never see my record because major distribution is really bad if your record's not in the charts this week, and even then it takes a couple of weeks to restock the one copy they usually keep on hand.

I also know how many times I have heard a song on the radio that I loved only to buy the record and have the album be a piece of crap. If you're afraid of your own filler then I bet you're afraid of Napster. I'm afraid of Napster because I think the major label cartel will get to them before I do.

I've made three records. I like them all. I haven't made filler and they're all committed pieces of work. I'm not scared of you previewing my record. If you like it enough to have it be a part of your life, I know you'll come to me to get it, as long as I show you how to get to me, and as long as you know that it's out.

Most people don't go into restaurants and stiff waiters, but record labels represent the restaurant that forces the waiters to live on, and sometimes pool, their tips. And they even fight for a bit of their tips.

Music is a service to its consumers, not a product. I live on tips. Giving music away for free is what artists have been doing naturally all their lives.

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Money

As a user, I love Napster. It carries some risk. I hear idealistic business people talk about how people that are musicians would be musicians no matter what and that we're already doing it for free, so what about copyright?

Please. It's incredibly easy not to be a musician. It's always a struggle and a dangerous career choice. We are motivated by passion and by money.

That's not a dirty little secret. It's a fact. Take away the incentive for major or minor financial reward and you dilute the pool of musicians. I am not saying that only pure artists will survive. Like a few of the more utopian people who discuss this, I don't want just pure artists to survive.

Where would we all be without the trash? We need the trash to cover up our national depression. The utopians also say that because in their minds "pure" artists are all Ani DiFranco and don't demand a lot of money. Why are the utopians all entertainment lawyers and major label workers anyway? I demand a lot of money if I do a big huge worthwhile job and millions of people like it, don't kid yourself. In economic terms, you've got an industry that's loathsome and outmoded, but when it works it creates some incentive and some efficiency even though absolutely no one gets paid.

We suffer as a society and a culture when we don't pay the true value of goods and services delivered. We create a lack of production. Less good music is recorded if we remove the incentive to create it.

Music is intellectual property with full cash and opportunity costs required to create, polish and record a finished product. If I invest money and time into my business, I should be reasonably protected from the theft of my goods and services. When the judgment came against MP3.com, the RIAA sought damages of \$150,000 for each major-label-"owned" musical track in MP3's database. Multiply by 80,000 CDs, and MP3.com could owe the gatekeepers \$120 billion.

But what about the Plimsouls? Why can't MP3.com pay each artist a fixed amount based on the number of their downloads? Why on earth should MP3.com pay \$120 billion to four distribution companies, who in most cases won't have to pay a nickel to the artists whose copyrights they've stolen through their system of organized theft?

It's a ridiculous judgment. I believe if evidence had been entered that ultimately it's just shuffling big cash around two or three corporations, I can only pray that the judge in the MP3.com case would have seen the RIAA's case for the joke that it was.

I'd rather work out a deal with MP3.com myself, and force them to be artist-friendly, instead of being laughed at and having my money hidden by a major label as they sell my records out the back door, behind everyone's back.

How dare they behave in such a horrified manner in regards to copyright law when their entire industry is based on piracy? When Mister Label Head Guy, whom my lawyer yelled at me not to name, got caught last year selling millions of "cleans" out the back door. "Cleans" being the records that aren't for marketing but are to be sold. Who the fuck is this guy? He wants to save a little cash so he fucks the artist and goes home? Do they fire him? Does Chuck Phillips of the LA Times say anything? No way! This guy's a source! He throws awesome dinner parties! Why fuck with the status quo? Let's pick on Lars Ulrich instead because he brought up an interesting point!

Conclusion

I'm looking for people to help connect me to more fans, because I believe fans will leave a tip based on the enjoyment and service I provide. I'm not scared of them getting a preview. It really is going to be a global village where a billion people have access to one artist and a billion people can leave a tip if they want to.

It's a radical democratization. Every artist has access to every fan and every fan has access to every artist, and the people who direct fans to those artists. People that give advice and technical value are the people we need. People crowding the distribution pipe and trying to ignore fans and artists have no value. This is a perfect system.

If you're going to start a company that deals with musicians, please do it because you like music. Offer some control and equity to the artists and try to give us some creative guidance. If music and art and passion are important to you, there are hundreds of artists who are ready to rewrite the rules.

In the last few years, business pulled our culture away from the idea that music is important and emotional and sacred. But new technology has brought a real opportunity for change; we can break down the old system and give musicians real freedom and choice.

A great writer named Neal Stephenson said that America does four things better than any other country in the world: rock music, movies, software and high-speed pizza delivery. All of these are sacred American art forms. Let's return to our purity and our idealism while we have this shot.

Warren Beatty once said: "The greatest gift God gives us is to enjoy the sound of our own voice. And the second greatest gift is to get somebody to listen to it."

And for that, I humbly thank you.