EVERYTHING IN ITS RIGHT PLACE[1]: SOCIAL COOPERATION AND THE PRODUCTION AND DISTRIBUTION OF CREATIVE WORKS

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Overview

Making a stable living as a musician has never been more complex. Production and distribution costs are falling, enabling more artists than ever to produce and promote their work without reliance on the mainstream industry's traditional filtering role. At the same time, music fans are increasingly accustomed to consuming digital media without paying for it; either through streaming content, downloading files through file-sharing networks, or engaging in other forms of un-authorized copying. In response to these daunting opportunities and obstacles, media companies and artists themselves are cultivating and tinkering with new models for distributing digital media.

Cooperative models—approaches to the sale and distribution of media that rely on voluntary contributions and other pro-social fan behavior—are beginning to appear in many different forms among a diverse range of artists.[2] Both world famous bands like Radiohead and relatively unknown independent upstarts have experimented with voluntary compensation models. Generally, cooperative approaches explicitly authorize fans to download their music without paying for it (or after paying an unusually low price), but appeal to fans' sense of obligation in asking for discretionary contributions. Beyond seeking monetary compensation for digital downloads, some artists have appealed directly to fans accomplish a variety of goals, including: raising funds necessary for recording and distributing new material, planning and promoting of live concerts, developing videos and other promotional tools, and remixing previously released material. Entrepreneurs have also begun to develop new business models designed to harness the power of cooperative fan behavior, providing artists with new platforms for engaging their fans' goodwill. Indeed, the basic logic of the tip jar is emerging in myriad iterations, with models evincing a wide range of sophistication and ambition.

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* Belsky and Kahr contributed equally to this paper.

[1] 'Everything in its Right Place' is the title of a Radiohead song. It can be found on the group's 2000 release, Kid A.

[2] Music distribution models relying on pro-social fan behavior are not entirely new. *See* Mark F. Schultz, *Fear and Norms and Rock & Roll: What Jambands Can Teach Us about Persuading People to Obey Copyright Law*, 21 BERK. TECH. L.J. 651 (2006) (identifying pro-social norms founded on notions of reciprocity functioning in fan communities associated with jambands (i.e., the Grateful Dead and its progeny), where the artist grants fans with greater privileges than copyright law ordinarily permits and fans respond with widespread adherence to rules promulgated by the band (e.g., don't distribute recordings of live shows commercially)).

This paper argues that platforms for artist-fan cooperation represent complex and dynamic systems sensitive to a variety of design factors that can either increase participation and pro-social behavior *or* dampen participation and enable anti-social behavior. That is to say, it is not simply the altruistic nature of music consumers or their relative virtue that determines whether cooperative solutions succeed—the design features of the model matter a great deal. Traditional self-interested actor oriented economic theory is not helpful in explaining users who pay for what they have already gotten for free. If the basic *homo economicus* rational actor model adequately describes human behavior, individuals will always make unauthorized copies of creative works as long as the benefits exceeded the costs, which in the digital copyright context, amount to the (very low) risk of becoming the target of an entertainment industry lawsuit.

Human beings, however, are much more complex in their motivations and routinely respond to a variety of imperatives beyond individual wealth maximization. The past fifteen years have seen the emergence of a substantial literature, across many fields of research, that have studied cooperation theoretically, experimentally, and observationally.[3] Out of this work, we can begin to synthesize an approach to understanding human behavior, and to designing interventions, that is as flexible and general as mechanism design was for selfish rationality, but based on a more behaviorally realistic understanding of human cooperation. We introduce a series of design levers that, based on underlying research on cooperation, should improve the degree to which individuals cooperate: in our case, contribute time and money to artists whose work they enjoy.

The Research Question

How might new cooperative media distribution models take advantage of these design levers and become a viable means for compensating artists? This paper analyzes four websites- Magnatune.com, Songslide.com, Jonathancoulton.com, and Sheeba.ca – that seek to enable artist-fan cooperation. These approaches range from allowing flexible pricing schemes and voluntary payments to fan-driven promotion and distribution.

We begin by comparing the sales data from each of the four sites and ask to what extent can these alternative models be deemed successful when compared to baseline industry revenues (with particular reference to individual artist revenues under the traditional model). We then examine the user interface and design of each site and

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[3] To get a general sense of the literature we refer to here, see Elinor Ostrom, GOVERNING THE COMMONS (1990) (studying management of common pool resources); Colin F. Camerer & Ernst Fehr, *Measuring Social Norms and Preferences Using Experimental Games: A Guide for Social Scientists*, *in* FOUNDATIONS OF HUMAN SOCIALITY: ECONOMIC EXPERIMENTS AND ETHNOGRAPHIC EVIDENCE FROM FIFTEEN SMALL-SCALE SOCIETIES, Joseph Henrich *et. al.,* eds, 2004) 55-95; Ernst Fehr and Herbert Gintis, *Human Motivation and Social Cooperation: Experimental and Analytical Foundations*, 33 ANNU. REV. SOCIOL. 43, 50 (2007); THE FIRM AS A COLLABORATIVE COMMUNITY, Charles Heckscher and Paul Adler, eds. (2006) (analyzing collaboration in business contexts).

identify the degree to which each platform incorporates design features common in successful cooperative systems. In the third section we present hypotheses about which additional features might improve revenues earned on each of the platforms and present the result of experiments where the sites under study changed their designs as a result of our inquiry.

In the last section of the paper we analyze the licenses used on each of the websites and ask – to what extent can the existing array of creative commons licenses be used to facilitate voluntary compensation models? We then propose a new license 'frame,' which, when integrated independently or with the new CC+ license might better facilitate voluntary payment.

Methods

The data presented in this paper comes from the sales databases of each of the platforms under study as well as from interviews with individual artists participating in each of the sites. Songslide.com is a privately owned start-up that uses a widget which allows consumers to choose how much they want to pay for a particular song. As consumers pay more, an increased portion of the payment goes to the artists. Magnatune.com is an online record label that provides free streaming media and downloads under creative commons licenses. Pricing of downloaded music is flexible and users must pay a minimum of $5 per album. Sheeba.ca and Jonathancoulton.com are each owned by individual artists. All payments on Sheeba.ca are completely voluntary, and Coulton employs a range of voluntary and required payment schemes.

Why Japan

We are particularly excited about the prospect of presenting this paper in Japan because it provides an opportunity to identify and discuss new cooperative distribution models being used in Asia. We also look forward to discussing how the cooperation design levers translate into specific user interface features and discussing whether these features might have different impacts on user behavior in different countries and cultures.

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