Q. & A.
The Price of Payola

In this week’s magazine and here online (see The Talk of the Town), James Surowiecki writes about the time-honored—and dishonored—practice of payola. Here, with The New Yorker’s Ben Greenman, Surowiecki discusses the radio business, and choice and diversity in the wider economy.

BEN GREENMAN: Tell me the difference between legal and illegal payola. And what’s the difference between payola and legitimate advertising?

JAMES SUROWIECKI: The difference between what’s legal and illegal mostly boils down to disclosure. If a radio station announces that it’s been paid to play a song—which it can do by saying something like “This song sponsored by Arista”—then it can take the money. If it doesn’t, then it can’t. But, although this rule is hard and fast, there are all sorts of loopholes in determining whether there’s been a quid pro quo, and independent promoters have taken advantage of them. Up until a couple years ago, promoters were able to give gifts, pay for what they called “research,” sponsor contests, and so on. As long as there wasn’t an explicit exchange—“I’m paying you this so that you’ll play that song”—it was hard to prove payola. And those gifts were never disclosed to listeners. This system is still around, but promoters aren’t as influential as they were, because most big radio stations cut off ties with them in the past couple of years.

One interesting point when it comes to legal payola is that radio stations are required to disclose when they’ve been paid, where other businesses aren’t. Supermarkets don’t have to
tell their customers that they’re getting slotting fees, and bookstores don’t have to reveal which books they’ve been paid to put in the front of the store.

As for the difference between payola and legitimate advertising, I think the big difference is that most advertising is immediately recognizable as advertising. If a record company were to buy airtime so it could play a new song, that’s undoubtedly an advertisement, even if we call it payola. But it’s a little strange, since the song is advertising itself (as well as the album it’s on). Payola seems much worse than advertising because it blurs the distinction between content and ads.

**You say that stations tend to play the most played songs on the Billboard list. This is both tautological and villainous. To what degree are these arbitrary metrics self-perpetuating?**

Tautological and villainous is a good way of putting it. I think that the arbitrary metrics are self-perpetuating when businesses choose to make them so. So, when radio stations decide to use the Billboard Top 10 list as a key to deciding what to play, they make it harder for new material to make it on the air. Bookstores are much worse than this, though. Because they discount best-sellers and give them prime store locations, they magnify the importance of the list out of proportion. With movies, you can have a massive drop-off at the box-office, because whether a movie does well or not in its opening weekend has little material impact on how theatres treat it the following weekend. The price will still be the same, it’ll still be playing in around the same number of theatres (unless it’s done much better than expected), etc. So there isn’t as much of a self-perpetuating cycle. In music and books, success can breed success, although ultimately you can’t keep a song or a book afloat for long unless there’s real demand for it.

**How else could popularity be measured? There’s the illusory referendum, like “American Idol” or “TRL”—one call, one vote. Do they get us any closer to the truth?**

Most voting systems are deeply flawed. I’m not sure there’s a good answer to measuring
popularity, and you do want to measure it, since people should get to hear and read what they want. I think that most stations would do better by relying on a mix of information. But the more important thing is to make sure that whatever measure of popularity you use reflects, as much as possible, actual demand. That’s what’s so absurd about the *Billboard* system. Counting spins, even if they’ve been paid for by the record company, as is done, makes absolutely no sense.

**What, finally, is the goal of the “most popular” metric, other than making money? Do we ever get a true measure of the nation’s taste?**

My answer to that is a qualified yes, despite everything I’ve written about the manipulation of best-seller lists. A well-worn truism in the music industry is that you can’t buy a hit, and I still believe that, for the most part, this is true. People can’t really be fooled or bludgeoned into liking something they don’t. And I think that radio stations and record labels still need customers, to the extent that their decisions are shaped by their quest to give listeners what they want. So I think that what ends up getting played crudely reflects what people want to hear. But I also think that this is less likely to be true the more consolidated radio gets. If there are a lot of radio stations, the collective judgment of all of them is likely to be pretty good. If there are only a few, and one or two people make a mistake in judging American taste, its effects are wide-ranging and they can last a long time.

**Is the point (the word “point” here is, of course, equivocal, and presupposes that there is one) to get as many creative artists as possible in front of as many consumers as possible?**

I assume that you mean the point of the music industry. If there is such a point, I don’t think it’s that so much as it is, again, to deliver music that people want to hear. But, in practice, I think that the only way to do this is to put as many creative artists out there as possible, since it’s so hard to predict popular taste in advance. The real problem is that, as record labels and radio stations become more averse to risk, they shrink the number of artists they invest in (in terms of both money and time). That may be rational in the short
term, but it’s bad for the culture, and, interestingly, I’m not really convinced it’s good for business, either.

**What’s the analogy in other media?**

I think it’s roughly the same. In both the music business and the book business, you have a huge amount of content being produced every year, while your potential customers have a limited amount of time and attention. Paying to get your product in front of readers or listeners is a logical thing to do. That makes the similarity of legal payola to advertising pretty clear, I think.

**You say that payola solves the too-much-product, not-enough-time problem. In that sense, you’re arguing that it performs a critical function. How does its practice (top-down, from companies to consumers) compare with that of legitimate reviewers?**

I think that payola’s critical function is less obvious and probably not as important as the critical role that reviewers play. And I think that disk jockeys and record-store owners and bookstore owners are important, too, since a lot of their decisions are not shaped by payola but reflect their individual judgments about what books and records people will like. But I do think that if you ask a record label to put its money where its mouth is—so that it has to decide which of its records has the best chance of succeeding—you’re probably going to get useful information. Each label, of course, will be biased and flawed in its judgments. But, cumulatively, their judgment should be good. Of course, that just means they’ll do a pretty good job of predicting what listeners or readers will like, not necessarily what’s high quality.

**Is this problem getting worse over time? Places like the Internet permit limitless product proliferation. Will payola become even more necessary?**

The Net has created new mechanisms for aggregating popular taste, and, at the very least, it makes it a lot easier for people to find out quickly what others think of a new record or book. It’s also probably the case that the Net has made it easier for products without enormous mass appeal to find a niche audience. So, on balance, I don’t think it’s really forcing companies to spend more
Has the Internet suggested any brilliant way to measure popularity or taste that was impossible before? We have all heard about paid results on search engines, or the fact that the most popular search terms may, in fact, reveal the Zeitgeist.

I’m not sure that any great strides have been taken in measuring aggregate popularity or taste. What companies like Amazon do a great job of, though, is letting people know about other books or records or movies they might like—and without payola, I might add. (Amazon may take money to feature books on certain pages, but its collaborative filtering results reflect only what customers are actually buying.) I think that’s a huge advantage that the Net has—if you’re a customer at Amazon, there’s a constant filtering process going on, bringing new items to your attention. That’s a bottom-up critical function, but I think it works remarkably well.

You say that record companies are, in a way, predetermining their hits—they are signalling to stations that they are willing to invest only in a small number of songs. How often is the iron fist of self-fulfilling money broken?

It’s not quite that the money is “self-fulfilling,” because there are a lot of records that labels invest in that never really take off at all. (That’s how musicians end up with hundreds of thousands of dollars of debt.) But it is the case that unless a label is really behind you it’s very hard to break out. I think that things can still come from out of nowhere, but I thought about this question when I was writing the piece, and I did not come up with many good examples, though I’m probably missing some. Even ones that may seem obvious—like, say, Nirvana or Dave Eggers—were things that people in the business had high expectations for in advance. What happens more often than a completely unsupported song or book breaking out is that something people expect to do pretty well ends up doing unbelievably well. That’s what happened with “The Lovely Bones,” for instance, or even with “Pirates of the Caribbean.” I should say, though, that this isn’t necessarily a problem. After all, that’s what people at record labels or book companies or movie studios get paid to do:
find the best work and get it into the world in a way that will let people see how good it is. So, if they’re doing their job, there shouldn’t be too many complete surprises, in the same way that, if baseball scouts are doing their job, every twenty-two-year-old who can throw ninety-eight miles an hour is going to be discovered and signed to a professional contract.

You say that payola can increase diversity of content. This is the most controversial moment in the piece, because it seems, on its face, extremely unlikely. But you have an argument, which is that it levels the playing field for anyone with the money. It breaks strangleholds of habit and institutional power and permits participation by the nouveau riche. It’s the democracy of money rather than the inertia of power. What are some examples? Is this the Ross Perot phenomenon?

I think that the nineteen-fifties, the heyday of payola, is a great example. There, the stranglehold of the major labels on popular music really was broken. Black artists got far more exposure than ever before, and small labels put out records that everyone was listening to. I’m not convinced that would have happened without payola. Ross Perot is a good example, at least if we take “good” in a broad sense.

I also think that you have to expand your idea of what “levelling the playing field” means. The real inertia of power is not just on the producer side—the record labels, the publishing houses. It’s on the retailer’s or the radio station’s side, too. So, in the absence of things like slotting fees and paying for space at bookstores, the range of products you’d see prominently featured at stores would be much smaller. It’s a familiar lament that if you walk into a bookstore all you see are well-known authors, but it’s empirically not true. Look at the “New Arrivals” tables in most big bookstores, and the range of authors and subjects there will surprise you. Most of them will be published by major houses, but that’s a function of the fact that major houses are more likely to publish books that a large audience will want to read. Again, the defense of payola isn’t that it makes it more likely that good products will get a shot but that it makes it more likely that potentially popular
products will get a shot.

What about smaller organizations that don’t have the money? They may have the artists but they can’t pay for airtime. Are they simply out of luck?

There are two answers to this. The first is that, yes, they’re out of luck. The second, and truer, answer is that if a label really does have an artist who has the potential to become a genuine popular success, the label will probably be able to raise enough money to pay for ads or placement on radio stations from outside investors. American investors are willing to take a gamble on every fly-by-night idea out there, so if you run a small label and you really have uncovered the next Eminem, or even the next Grateful Dead, someone will give you the money to put that act over the top. But you have to be willing to take the money to do it. 

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