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Music Streaming's Impact on its Sales

William Barcelona

I remember when I first heard of the music streaming service Spotify. It had just launched in the UK, and was still not available in the US. As a music fan, I was definitely intrigued; listen to virtually any song I could think of for free? It seemed to good to be true.

Fast forward 5 years, and Spotify and streaming in general has exploded in popularity. The success has been matched at every point with controversy, whether from music publishers or the artists themselves. The common argument is that streaming has robbed artists of profit, as anyone can listen to their songs for free, as many times as they want. Streaming companies have countered by saying that they are actually helping artists because they are combatting piracy while paying huge amounts to music publishers, which eventually trickles down to artists, with average per stream artist compensation equaling around $0.007. Between premium memberships and advertising, streaming users on average spend more money on music than before streaming existed. Thus, Spotify and other streaming services' claims to be net benefactors of artists and the music industry appear to hold. But the economist must always ask, "what's the alternative to streaming?"

Taylor Swift would probably contend that the alternative is to purchase her album. Her highly visible removal of her catalogue from Spotify was a protest to low royalties and the prevented album sales due to streaming. Hungry Swift fans went in droves to YouTube, and doubled the number of views after the removal. Undoubtedly, many listeners also turned to piracy. So ultimately, Swift may have just lowered her total. It does not invalidate her argument, but it does suggest that it is more realistic for artists to affiliate themselves with streaming services. There is no utopia where piracy does not exist and all music is being paid for by listeners.

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Recognizing Hunger on Campus

Irena Chen

As a freshman, walking into a UW dining hall for the first time was an almost overwhelming experience. Suddenly, thanks to the magic of a prepaid dining plan, I had access to what seemed like an endless supply of food and only minutes away from my dorm. The tricky part, I would learn later, was how to avoid gaining the dreaded "Freshman 15" (as my roommate and I joked) and still figure out how to spend all of the money on my meal plan.

Many of us probably recall similar experiences of college dining halls. But for others, this is not the case. A study in 2015 that surveyed students over 10 different community colleges across the US found evidence that more than half of them had or still do struggle with food insecurity. The survey reported that one in five college students surveyed "had gone hungry because of a lack of money." 13% of those surveyed had faced or experienced homelessness within the past year. Now more than ever, some form of college education is considered an essential qualification for many entry-level jobs in today's economy. But for many low income students, the prospect of hunger on campus may be an additional barrier to enrolling or completing college at all.

To some extent, this shouldn't be a surprise necessarily. Last year, a Washington Post article reported that about 51% of pre-K to 12th grade students qualify for reduced or free lunch programs. This isn't an exact measure of poverty per say, but it does highlight the widening income gap in the country. The situation doesn't change once these kids enter college. Community college, for example, is often touted as a less expensive option

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Economics Advising Office's blog : http://uwecon.wordpress.com

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Many factors go into listening behavior. Spotify and other services are relatively low cost (in terms of money and effort) ways of listening to music. Once the app is installed, you are seconds away from listening to the music of your choice. In contrast, putting your card info into iTunes, paying money for something you have not heard yet, or driving to the record store, all seem very costly when compared to pirating the album if the streaming option is removed. Artists and labels have attempted to make purchasing more attractive by offering download codes for physical purchases, extra merchandise and bonus content with pre-orders, or even full album streams hosted on a website before the release date. It is a tug of war between the somewhat insurmountable attractiveness of piracy and artists needing to make money off of their music.

From my perspective. I think streaming provides a huge benefit for artists, particularly smaller artists, in terms of promotion. I often turn to Spotify whenever I hear of a new artist to try out some tracks. If I like what I'm hearing, I purchase the songs on the artists' site or at a record store. In this scenario, streaming acts as a catalyst for a more direct transfer of money to artists for their work. Personally, I do not think piracy is going away anytime soon, so I think it is up to labels and independent artists to incentivize the purchase of music as much as possible. Some effective 'gimmicks' that come to mind are special colored vinyl, deluxe editions, and advance downloads.

These are just my thoughts though, and the demand for music is the aggregate sum of many consumers with different habits. Streaming is simply the latest innovation in one of the trendiest industries today. I'd love to see the revitalization of the local record store model, where we become more intentional consumers of music while supporting local business. With the resurgence of vinyl, 'small' labels, record stores, and the rise of streaming, I feel safe saying we are actually helping artists make money off of their music.

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to earning a degree, but often times, funding for scholarships and grants is harder to come by than at a traditional four-year college. Most full time college students do not generally meet qualifications for food stamps under Supplemental Nutrition Assistance Program (SNAP) regulations either, unless "they are the sole supporters of a child younger than 12." SNAP is currently facing its own hardships in terms of federal funding. Up until this year, federal work requirement waivers had been in effect. But with the recovering economy, these waivers are either set to expire, or already have done so in many states. (In Washington state, this took effect in early April.) Since student status (full or part time) is not considered employed, low income students often find themselves working additional side jobs while in school.

Outside of government support, there are local resources that strive to provide food resources for students. The number of university/college food banks across the country has increased significantly over the past few years. The College and University Food Bank Alliance, an organization that seeks to "[alleviate] food insecurity, hunger, and poverty among college and university students in the United States" currently has 307 active members. Single Stop is another nonprofit that partners with community colleges to provide financial training and resources to struggling students. Organizations such as these are commendable, but relying on these programs won't be enough to solve the problem of hunger on college campuses. Policy reform (such as redefining the SNAP employment qualifications to include student status or extending reduced lunch programs to college campuses) will be necessary to fully address the problem of college hunger. A college degree can open many doors for individuals to become participating members of the economy, but students shouldn't have to go hungry in the process of obtaining one.

Remember the Date!

Economics Department Graduation Celebration:
Wednesday, June 8th at 3:00 p.m. in the HUB Ballroom

University of Washington Commencement:
Saturday, June 11th at 12:30 p.m. at Husky Stadium

An Examination of Oil's Recent Price Fluctuations

Bryan Cikatz

If you are one of the students lucky or industrious enough to have a car on campus, then you have probably counted the drop in oil prices as a blessing. Though nowhere near the prices seen before the OPEC embargo, the price of oil has not been this low for over a decade. Exempting a drop during the 2008 financial crisis, oil has been over $100 per barrel since 2007. However, starting in June of 2014, the price of oil plummeted from $115 per barrel to a low of $30 per barrel this February. Even though oil has begun to distance itself from this low point, the current price is still only $45 per barrel. So what are the main reasons for the massive decline in the price of oil and how will the low price will affect the world's major oil producers?

The fall in the price of oil is a product of both weakening demand and an increased supply. The weakened demand is a direct consequence of weak global growth. While developed nations were struggling with the aftermath of the crisis in 2008, many developing countries were relatively unaffected and continued to ride the commodity boom. Recently however, China has seen a significant slowdown in its economic development which is critical because China is the single largest contributor to global GDP growth (and has been since about 2005).

Before digging into the reasons behind the surplus of oil, it is necessary to provide some context of the global oil market in the form of three key facts. First, the world produces roughly 80 million barrels of crude oil each day. Second, the top three producers of crude oil are the United States, Saudi Arabia, and Russia in that order. Third, these nations produce about 35 million barrels each day while the next three largest cannot even produce half of that amount.

The fracking industry in the United States is a major contributor to the excess supply of oil. Fracking is a form of oil extraction that was initially not feasible until oil reached a high enough price. In response to the steadily rising price of oil, US production has more than doubled since 2007. Second, OPEC did not respond to the falling oil prices with coordinated action. In fact, Saudi Arabia actually increased its own production as the state was unwilling to sacrifice its market share in order to drive up the price of oil. This was of particular concern to the Saudis because most of this lost market share would go to Iran, their regional rival. The Saudi state was hoping that the low oil price would force some of its competitors out of business, namely the fracking industry in America. It only costs Saudi Arabia $5-6 to produce a barrel of crude oil. Saudi Arabia can afford the low price, many American producers cannot. Finally, markets were expecting political instability in Iraq and Libya to seriously limit their production. However, these countries are still producing a combined 4 million barrels per day. These factors have all contributed to the world's excess supply of oil.

The low price of oil has a very different effect on the world's top three producers. In the United States, the frackers are being hit particularly hard meaning that big oil states like Texas and North Dakota will struggle. In order for the average fracking company to operate at a profit, the price of oil would need to rise to $75 per barrel. However, the US has a very broad and regionally diverse economic base, so states that are unexposed to the oil industry will benefit from the lower oil price. As a whole, the US should be able to weather the low prices without any major incidents. Saudi Arabia is in a very interesting position as roughly 90% of the nation's exports are petroleum products. Since most of its government revenue comes from oil, the state is running a rather large deficit. However, Saudi Arabia has built up massive reserves totaling almost one trillion dollars, thus allowing the state to easily ride out the low price of oil without having to implement any major adjustments to government expenditure. While the Saudis are relatively unaffected at the moment, the state's current spending is not feasible if oil continues to remain around $45 per barrel. The third major producer, Russia, is facing the most dismal situation. Like Saudi Arabia, Russia is still heavily dependent upon oil for its exports and government revenues. However, the Russian economy has recently suffered a recession due to Western sanctions imposed over Russian action in Crimea. The fall in the oil price hit the Russians at a time when they needed to increase fiscal spending in order to stimulate the economy. While the state has begun to recover this year, growth remains low and unstable.

The low price of oil that we have seen this past year was merely temporary. While we are unlikely to see the price exceed $120 per barrel anytime soon, the price is steadily recovering from its lowest point last year. During the decline, many firms had cut their investment in exploration and new wells, so supply should begin to match up more closely with demand. However, this will take some time so for those of you planning any trips this summer, continue to enjoy the low cost of gas!

A Brief Introduction to Microfinance

Moni Pal

Dr. Muhammad Yunus and his foundation, Grameen Bank, were jointly awarded the Nobel Prize in Economics in 2006. Dr. Yunus is regarded as the pioneer of research on microfinance, which is the practice of giving out small loans to impoverished individuals or groups in developing countries with reasonable interest rates. He established Grameen Bank in 1983, which provides micro-loans to poor Bangladeshis who do not qualify for typical loans from commercial banks.

Dr. Yunus believes that credit is a human right, and that everyone should have access to it, much like food, water, and shelter. Credit allows an individual to create a business and provides opportunity for self-employment. This results in more income, which can give these people a way to attain other "rights," such as education, healthcare, and more.

Grameen Bank started in Bangladesh with its primary purpose being to serve Bangladeshis. Since then, operations have scaled up significantly. Dr. Yunus has gone on to establish several companies and social ventures under the Grameen Foundation for education, agriculture, fisheries, livestock, business promotion, as well as a cellphone company, an energy company, a social venture capital company, a textile company, and healthcare services. The foundation has projects in the Americas, Asia, the Middle East, North Africa, and Africa.

Today, there are 200 million clients of micro-loans across the world. Grameen Bank has 8.4 million clients, of which 96 percent are female borrowers. A large amount of external and internal research has been done on measuring the impact on this bank. The bank not only gives out loans for small businesses, but also housing and education loans. Dr. Yunus himself looks at the state of his clients after they have borrowed the loan. Grameen Bank's internal surveys say that more than 18,000 students are attaining higher education in Bangladesh because of these micro-loans and that 64 percent of the borrowers who have been with the bank for 5 or more years have come out of poverty. The World Bank reports that 5 percent of Grameen Bank's clients come out of poverty every year.

Today, there are more than 1700 institutions that offer microfinance all over the world and it is a $70 billion industry. This includes government banks, commercial banks, non-profits, and for-profits. Although theoretically, the purpose of microfinance is to empower the poor, there has been much controversy over this practice. Hugh Sinclair, author of *Confessions of a Microfinance Heretic: How Microlending Lost Its Way and Betrayed the Poor,* argues that the proliferation of microfinance institutions has caused the industry to become corrupt and incentivized by profit. There are numerous reports of borrowers having been preyed upon. However, Sinclair does say that Dr. Yunus is "one of the good guys" and that his organization was established with good intentions. Sinclair says, "The way I portray him in the book is the good shepherd who lost control of his flock. I think that actually he's probably extremely disappointed with a lot of the microfinance that he sees going on around him, but is powerless really to do much about it." Dr. Yunus himself has publicly denigrated the commercialization of microfinance institutions. 90 percent of Grameen Bank is owned by its clients—the impoverished farmers, laborers, and the like—and 10 percent is owned by the government. But because the Grameen Foundation is now so large and diversified, there are also reports of its work being carried out for commercial reasons. If I could give Dr. Yunus one piece of advice, it would be to ensure better controls for the Grameen Foundation's work, so that the poor borrowers can actually benefit from the loan. They should be ensured financial security and the freedom to operate their own enterprise.

Dr. Yunus's goals are to encourage social ventures and see a poverty-free world. He has said, "A person who can handle credit—one thing right away happens to her. She becomes more confident in herself than she was before. It's confidence level: 'Yes, I can handle it. I'm capable of doing something on my own. I'm in [the] driver's seat of my own life.' This is very important for a human being in that it starts them on their path to success. Even though it may or may not lead to getting out of poverty, it is critical for a person to understand that, 'I can take care of myself.'

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