Course 3 - A Focus on the Music Industry

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Contents

Rosen [1981] writes:

> Performers of first rank comprise a limited handful out of these small totals and have very large incomes. There are also known to be substantial differences in income between them and those in the second rank, even though most consumers would have diffi- culty detecting more than minor differences in a "blind" hearing.

What Sherwin Rosen says is that there are very few differences in talents at the very top.

> The elusive quality of "box office appeal," the ability to attract an audience and gener- ate a large volume of transactions, is the issue that must be confronted. Recognition that one's personal market scale is important ,1 in the theory of income distribution has a long history, but the idea has not been devel- oped very extensively in the literature.2 I hope t
>
> Rest assured that prospective impresarios will receive no guidance here on what makes for box office appeal, sometimes said to involve a combination of talent and charisma in uncertain proportions. In the formal model all that is taken for granted and represented by a single factor rather than by two, an index q labeled talent or quality.
>
> Albert Rees is a good introduction to the size distribution of income. The selectivity effects of differential talent and comparative advantage on the skew in income distributions are spelled out in my 1978 article, also see the references there. Melvin Reder's survey touches some of the issues raised here. Of course social scientists and statisticians have had a long standing fascination with rank-size relationships, as perusal of the many entries in the Encyclopedia of the Social Sciences will attest.

0.1 Data on the size of concert halls

1 Data on the number of downloads on the Apple Store?

2 Data on the Number of listens on Spotify?

```
data.on.cities <- "https://en.wikipedia.org/wiki/List_of_United_States_cities_by_population" %>%
  read_html %>%
  html_table(header = TRUE, fill = TRUE)

data.on.cities[[5]][,c(1:4)] %>%
  as.tibble
```

```
## # A tibble: 311 x 4
##    `2017rank` City            `State[5]`   `2017estimate`
##         <int> <chr>           <chr>        <chr>
##  1          1 New York[6]     New York     8,622,698
##  2          2 Los Angeles     California   3,999,759
##  3          3 Chicago         Illinois     2,716,450
##  4          4 Houston[7]      Texas        2,312,717
##  5          5 Phoenix         Arizona      1,626,078
##  6          6 Philadelphia[8] Pennsylvania 1,580,863
##  7          7 San Antonio     Texas        1,511,946
##  8          8 San Diego       California   1,419,516
##  9          9 Dallas          Texas        1,341,075
## 10         10 San Jose        California   1,035,317
## # ... with 301 more rows
```

References

Sherwin Rosen. The Economics of Superstars. *The American Economic Review*, 71(5):845–858, 1981. ISSN 0002-8282. URL http://www.jstor.org/stable/1803469.