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ECONOMIC VIEW

# Winners Take All, but Can’t We Still Dream?

By ROBERT H. FRANK

It’s clear that the lives of many creative artists are being transformed by digital technology. But competing schools of thought cite the very same technology in support of strikingly different conclusions.

One group, for example, says the ability to widely distribute the best performers’ products at low cost portends a world where even small differences in talent command huge differences in reward. That view is known as the “winner take all” theory.

In contrast, the “long tail” theory holds that the information revolution is letting sellers prosper even when their offerings appeal to only a small fraction of the market. This view foresees a golden age in which small-scale creative talent flourishes as never before.

These dueling theories strike close to home. My personal intellectual bets have given me a strong rooting interest in the winner-take-all view. But even the most flint-eyed economist has a romantic side. That part of me wants the long-tail outlook to prevail, and not just because of its hopeful message for underdogs.

My youngest sons comprise two-thirds of The Nepotist, a band in the hypercompetitive indie music scene of New York City. I'd love to see them make it. But I fear that the evidence supports the winner-take-all theory's prediction that they face almost prohibitive odds.

That theory has a venerable history. The British economist Alfred Marshall was among the first to describe how 19th-century advances in transportation enabled the best producers to extend their reach. Piano manufacturing was once widely dispersed, for example, simply because pianos were so costly to transport. But with each extension of canal, rail and road systems, shipping costs fell sharply, and at each step production became more concentrated. Worldwide, only a handful of piano makers remain, as producers with even a slight edge have ultimately captured most of the industry's income.

Inspired by Marshall, the Duke economist Philip Cook and I argued in our 1995 book, "The Winner-Take-All Society," that superstars have been dominating markets as never before. Analogous forces help explain the surge in income inequality that began in the late 1960s. In domain after domain, we reasoned, technology has enabled innovative business models to serve broader markets. Local accountants have been displaced by tax software, brick-and-mortar shops by Amazon.com and other online retailers. And now, there is even worry that live, in-theater HD broadcasts of Metropolitan Opera performances could displace local opera companies across the land.

But similar advances in production and distribution methods also exert countervailing effects. As the former Wired magazine editor Chris Anderson explained in his 2006 book, "The Long Tail" (the title refers to a property of statistical distributions), digital technology has made music, books, movies and many other goods economically viable on a much smaller scale than before.

For example, films once generated revenue only by mustering largeenough audiences to justify screenings in theaters. Many niche offerings, like Hindi-language movies in medium-size American cities, were simply not viable. Services like Netflix, however, changed all that. Because digital movies cost next to nothing to ship, people can now watch them without having to assemble a posse of ticket buyers.

Long-tail proponents often portray best-selling entertainment as lowest-common-denominator compromises whose only real advantage is lower cost made possible by large-scale distribution and sales. If technology makes scale less important, they argue, people will turn to the more idiosyncratic offerings that they really prefer. In principle, at least, this creates exciting new possibilities for small-scale sellers.

In practice, however, winner-take-all effects still appear to dominate. Long-tail proponents predict that the least-popular offerings should be capturing market share from the most popular. But as Anita Elberse, a professor at the Harvard Business School, recounts in her 2013 book "Blockbusters," the entertainment industry's experience has been the reverse. Digital song titles selling more than one million copies, for example, accounted for 15 percent of sales in 2011, up from 7 percent in 2007. The publishing and film industries experienced similar trends.

What's happening? One possibility is that today's tighter schedules have made people more reluctant to sift through the growing avalanche of options confronting them. Many consumers sidestep this unpleasantness by focusing on only the most popular entries.

The growing supply of social information may also be enhancing our opportunities for discussing films and books with friends. Consuming best sellers has always made it easier to have such conversations, and the expansion of social media has reinforced that tendency.

But most important, winner-take-all forces may be strengthening because better-informed consumers are rejecting the long-tail premise that popularity means low quality. It's easy to offer examples of blockbusters that were utterly mediocre — think "Transformers," perhaps, or Milli Vanilli — yet they're surely exceptions to the general tendency for popularity and quality to go hand in hand. Films like "The Godfather" and bands like the Beatles were not lowest-common-denominator compromises.

Still, the growing market share of top sellers doesn't invalidate the promise of small-scale creative energy. Using big data, producers can now take aim at highly idiosyncratic buyers, and online searches help many such buyers find just the quirky offerings they're seeking.

Creative people have never had better opportunities to display their talent. Websites and YouTube links now place their songs and stories within easy reach of almost everyone. These channels are the new minor leagues for producing tomorrow's superstars. And because the cost of access is so low, markets for creative endeavor are becoming more meritocratic. If something really good comes along now, it's far more likely that people will discover it.

No doubt, I'm biased, but I think that my sons are good enough to break out in today's music market. Yet a stark reality persists: Because there are thousands of talented bands today, their odds of stardom are vanishingly small.

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