HOW AN UNEQUAL INDUSTRY WAS BORN

New research shows the seismic effect of television on the wages of actors, musicians and dancers

More than half a million people flocked to the Iowa state fair in Des Moines when it reopened in 1946, looking for fun, company, and competition after the Second World War. And among the most popular attractions at the huge event marking the state’s centennial year was … television.

“During the eight days [of the fair] the television studio was visited by 238,000 people, almost half of the fair’s total attendance of 550,000,” Billboard’s Cavalcade of Fairs magazine revealed. “So great was the interest that 80 per cent of the inquiries made at the fair information center had to do with the location of the television show.

It is believed this was the first time that a state fair had been broadcast on television, and while the Iowa State Fair has continued to thrive, new research reveals how the advent of television led to fewer people going to fairs - and a collapse in wages for many entertainers who appeared at them.

The research TV superstars: how a new technology disrupted the entertainment industry by Felix Koenig, postdoctoral fellow in economics at Princeton University, shows the dramatic change in the fortune of entertainers in the USA between 1940 and 1970.

“While a few hundred individuals watched live performances before the launch of TV, the same performance could be watched by millions a few years later,” Dr Koenig explains.

“From TV’s earliest days people flocked away from traditional amusement in theatres, bar, bowling alleys, vaudeville palaces or sport events and became glued to their TV sets, which in turn led to a sharp rise in inequality in the entertainment industry.”

Nowadays entertainers – a group including actors, athletes, dancers and musicians – include some of the very highest-paid Americans. The research, published by the Centre for Economic Performance (CEP) at the London School of Economics, shows how the new technology of television, and then video, helped this come about.

Looking at the total amount of money made by entertainers, the amount going to the top 1% of earners nearly doubled when a TV station was launched in their area.

And on an individual level, a star entertainer who in 1949 was at the border of that top 1% - earning more than 99% of his or her peers – would have a salary of around $6,100 or six times the median male pay at the time ($956) before television arrived. The launch of a local station would then boost their earnings by about 15% ($915), equivalent to a full year’s salary of an ordinary worker.

But the effect quickly fades, entertiners outside the top 5% did not gain, and for those below the top 10% the effects were negative.

“Comparing demand for local entertainment across areas with and without a TV station throughout the rollout of television reveals the devastating impact of TV,” Dr Koenig says. “Spending at local
county fairs declines by 5% and employment in the local entertainment industry dropped by about 13%.”

“These effects arise because of an intense competition for talent. This study reveals the seismic impact such technological changes can have on income inequality – TV generated sharp income gains for a handful of stars, while it hurt the majority of workers.”

“TV has been a double-edged sword, it has generated benefits for consumers – who have embraced TV enthusiastically – but it has been at the cost of rising inequality.”

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Notes for editors:


2. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Spring 2020 issue is Volume 25, Issue 1. Cover price £5; subscription rates on application to +44 (0)20 7955 6963. To subscribe: http://cep.lse.ac.uk/centrepiece/CentrePiece_subscription.pdf

3. The Centre for Economic Performance is an independent research centre based at the London School of Economics and Political Science. Its members are from the LSE and a wide range of universities within the UK and around the world.

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