Maybe you saw the story about a paper from Microsoft Research analysing peer-to-peer file sharing networks with the conclusion that they can't be stopped - not by the law, not by the movie studios and record companies, not even by mighty Microsoft and its Palladium initiative for trusted computing. Swapping songs, and maybe movies, is about to reach a critical mass beyond which it simply can't be stopped, or so the kids in Redmond think. The story is interesting and that it came from Microsoft is even more interesting, although the authors carefully disassociated themselves from their employer in the paper.

But this all pales in comparison to the implications of their conclusions. These are smart folks who are taking a stand that is surely not popular with their company, so I think there is a pretty strong reason to believe they are correct. If so, then what does it mean? Are record companies and movie studios doomed? As a guy whose work is regularly ripped-off, am I doomed too? And will the print publishers go away, leaving us with only weblogs to keep us warm? I don't think so, but the world is likely to change some as a result.

Maybe it would help to take a look at what publishers, broadcasters and Movie Moguls do that makes them significant contributors to our culture: they take financial risks by backing talented people in the hope of making money. Publishers, broadcasters, filmmakers and record executives have taken the time and spent the money to build both a commercial infrastructure and a brand identity. The most extreme version of such financial risk-taking is spending tens of millions - sometimes hundreds of millions - to make a movie. Forgetting for the moment that some of these media people are greedy pond dwellers, let's ask the
important question – how are peer-to-peer file sharing systems going to replace 100-million-dollar movies? Peer-to-peer systems can share such movies, but since there is no real peer-to-peer business model that can generate enough zeroes, such systems are unlikely to finance any epic films. Well, right there is a problem: people LIKE epic films, but even with the best editing and animation software, there is no way some kid with a hopped-up Mac or PC is going to make Terminator 4. One can only guess that people will continue to go to movies and eat popcorn and watch on the big screen, despite however many copies of Divx there are in the world.

Peer-to-peer movie piracy is practical only in the manner that any organised crime is practical: it works only as long as the host remains strong enough to support the parasite. Tony Soprano can’t run New Jersey because then everyone would be a crook and there would be nobody to steal from except other crooks. There would be no more innocent victims. The same goes with movie piracy, which needs a strong movie industry from which to steal. If the industry is weakened too much by piracy, the pirates begin to hurt themselves by drying up their source of material. It is very doubtful that this will happen, because in all likelihood the pirates want to go to movies too.

But the same is not true for records. This is because technology has reached the point where amateurs can make as good a recording as the professionals. The next Christina Aguilera CD could be recorded at her house, or mine, just as easily as in some big recording complex on Abbey Road.

And text: well, text is even worse because it is the easiest of all to steal. My columns are published in newspapers and web sites and handed in as college essays all over the world and there is almost nothing I can do about it because tracking down the perps costs me more than their crime. From the perspective of the established publishers, there is also the horrible possibility that people might actually come to prefer material they find for free on the Internet – not just pirated material but even original material. This column, after all, is free, and my Mother claims to find some value in it from time to time.

So movies, while they may be hurt by peer-to-peer, won’t be killed by it. But print publishing and music recording could be seriously hurt. Maybe this is good, maybe it is bad, but most probably it is inevitable.

Of course, the recording and publishing executives, who often work for the same parent company, aren’t going to go without a fight. We are approaching the end of the first stage of that fight, the stage where they try to have their enemy made illegal. But the folks at Microsoft Research now say quite definitively that legal action probably won’t be enough. That’s when we enter stage two, which begins with guerrilla tactics in which copyright owners use the very hacking techniques they rail against to hurt the peer-to-peer systems. This too shall pass when bad PR gets to the guerrillas. The trick to guerrilla or terrorist campaigns is to not care what people think, but in the end, Sony (just one example) cares what people think. This is when the record companies and publishers will appear to actually embrace peer-to-peer and try to make it their own. This will be a ruse, of course, the next step in the death of a corrupt and abusive cultural monopoly. They’ll say they will do it for us. They’ll say they are building the best peer-to-peer system of all, only this one will cost money and it won’t even work that well. There is plenty of precedent for this behaviour in other industries.
My favourite historical example of this phenomenon comes from the oil business. In the 1920s, the Anglo-Persian Oil Company had a monopoly on oil production in the Middle East, which they generally protected through the use of diplomatic – and occasionally military – force against the local monarchies. Then the Gulf Oil Company of Pittsburgh, Pennsylvania, literally sneaked into Kuwait and obtained from the Al-Sabah family (who still run the place) a licence to search for oil. The Anglo-Persian Oil Company did not like Gulf’s actions, but they were even more dismayed to learn that Gulf couldn’t be told to just go to hell. Andrew Mellon, of the Pittsburgh Mellons, was the US Secretary of the Treasury, and he wasn’t about to let his oil company be pushed around by the British Foreign Office. So Anglo-Persian and the Foreign Office did their best to delay Gulf, which worked for several years. They lied a little, lost a few maps, failed to read a telegram or two, and when Gulf still didn’t go away, they turned to acting stupid. As the absolute regional experts on oil exploration, they offered to do Gulf’s job, to save the Americans the bother of searching for oil in Kuwait by searching for them.

The Anglo-Persian Oil Company searched for oil in Kuwait for 22 years without finding a single drop. Remember that Kuwait is smaller than Rhode Island, and not only is it sitting on top of more than 60 billion barrels of oil, it has places where oil has been known for more than 3,000 years to seep all the way to the surface. Yet Anglo-Persian was able to fulfill its contract with Gulf and keep two oil rigs continually drilling in Kuwait for 22 years without finding oil. To drill this many dry wells required intense concentration on the part of the British drillers. They had to not only be NOT looking for oil, they had to very actively be NOT LOOKING for oil.

Back to music and text publishing. I think we should expect industries to offer peer-to-peer systems that won’t work very well and will cost us something instead of nothing. In the long run, however, these systems will probably die too, at which point the music and the print folks will have to find another way to make their livings. This will not be because of piracy, but because of the origination of material within the peer-to-peer culture itself. We’re not that far from a time when artists and writers can distribute their own work and make a living doing so, which makes the current literary and music establishments a lot less necessary.

But these establishments won’t die altogether because of the record companies’ back- lists of music, because peer-to-peer doesn’t do a very good job of self-organising and indicating what is important, and because people won’t take tablet computers with them to the bathroom. So we will have little movies and little records and little magazines on the Internet since the Internet is made up of so many different interest groups. For the larger population, there will still be Brittany Spears and Stephen King singing and writing for big labels. And that will only start to change when the first really big artists jumps from old media to the new, trading 15 percent of $ 30 times 100,000 copies for 100 percent of $ 0.50 times 1 million copies. The Grateful Dead showed that it is possible to make a great living even in competition with some of their audience. This is a lesson all old media must learn in time. Either that, or die.