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# Risk and Capitalist Power: Conceptual Tools for Studying the Political Economy of Hollywood

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## Abstract

In this article, the structure of Hollywood film distribution will be analyzed through the lens of risk. In both its technical and conceptual senses, risk is relevant to the study of Hollywood's dominant firms. In the interest of lowering risk, the business interests of Hollywood look to predetermine how new films will function in an already instituted order of cinema, which includes the creativity of filmmakers and the habits of moviegoers. This presentation of risk will explain why, for the political economy of Hollywood, the social world of cinema is an *instrumental order*. While risk is specifically about the size and pattern of future earnings, it is also an indirect prediction about the stability of the social conditions that would help translate potential earnings into an actual stream. The social world of cinema has a bearing on the Hollywood film business's degree of confidence, which refers to the ability of capitalists to make predictions about future earnings.

Political-economic analyses of Hollywood often focus on the high concentration of ownership or oligopolistic practices in major film distribution (Litman, 1998; Wasko, 2003; Miller et al., 2005; Kunz, 2007; Epstein, 2010). These analyses also, by virtue of the type of business sector being analyzed, deal with questions related to the aesthetic dimension of Hollywood cinema (Langford, 2010). The business and art of Hollywood are entangled because contemporary filmmaking is organized in such a way that six major firms essentially constitute mainstream film distribution. This enables them and the other business interests involved, like banks that offer financing or firms that are looking for licensing and merchandising opportunities, to effectively stand between film production and the market (Wasko, 1982). As a consequence of this dominance, some film projects, on account of their subject matter or style, can be effectively withheld from the market because no major firm will purchase the distribution rights. Other film projects can find financing, but under contracts that stipulate conditions about form, content, budget, cast, crew, etc. Some films are actually produced, but management will often have an active role in the direction and pace of creation. And if business interests are still sceptical about their investment in potentially chaotic

artistic creativity, the right of film ownership typically includes the right of “final cut,” i.e., the right to modify a film before it is released but *after* the director presents his or her final version (Bach, 1985).

In her influential anthropological study *Hollywood the Dream Factory*, Hortense Powdermaker (1950) raised important questions about the so-called ‘necessity’ of putting a harness on creative talent in the American film industry. Decades later and in spite of changes to the institutional relationship between film production, distribution and exhibition, Powdermaker’s questions still ring in our ears: Must the dominant firms of Hollywood purposefully stand between the professional filmmaker and the moviegoer? To what degree should the interests of profit dictate the terms of social creativity in filmmaking? Is the repetition of Hollywood’s cinematic style purposeful? Are long strings of mediocre films a structural problem, or would Hollywood readily abolish this type of output if it could employ better artistic talent?

This article, like Powdermaker’s research, is curious about the relationship between the art of Hollywood cinema and the interests of Hollywood’s dominant firms. I propose a methodology that emphasizes the role of risk in the performance and behaviour of Hollywood’s dominant firms. Risk will be conceptualized as *the degree of confidence* capitalists have about the future earnings of Hollywood cinema. In the interest of lowering risk and increasing its degree of confidence, the business interests of Hollywood look to predetermine how new films will function in an already instituted order of cinema, which includes the creativity of filmmakers and the habits of moviegoers. Thus, if a major studio is trying to determine, with some degree of certainty, the potential theatrical attendance for a new romantic comedy, there is a benefit if the larger social relations of cinema - involving the creation and consumption of films—are determinable because they are ordered. And if the social relations of cinema are determinable because they are ordered, Hollywood’s biggest distributors can select film projects and shape the potentials of future filmmaking with a greater degree of confidence.

The first part of this article backgrounds the political-economic theory that helps us to understand Hollywood’s analysis of risk. Such an approach allows us to frame risk in the Hollywood film business as a *manifestation of capitalist power* [1]. The concept of strategic sabotage, which was first developed by Thorstein Veblen, and that of capitalization show how control over the artistic dimension of filmmaking (what films are being made?) and the social habits of consumption (what films are being watched?) guide the risk perceptions of *major filmed entertainment*. The latter term refers to the six largest business interests in Hollywood (Columbia, Disney, Paramount, Twentieth Century Fox, Universal, and Warner Bros.).

The second part argues that the creation of an alternative, critical perspective on risk in the Hollywood film business is warranted. A short literature review of some of the existing theories on risk in Hollywood will demonstrate that risk to business enterprise is commonly thought to be beyond the reaches of institutional power, including the power of giant corporations. I agree with Janet Wasko (Wasko, 2003; Wasko, 2004) that it is prudent be skeptical of such theories because they problematically assume that the major studios of Hollywood are constantly affected by high or extremely high risk. In fact, common explanations of why Hollywood is supposedly a high risk business enterprise - e.g. ‘nobody’ knows which film projects will be financially successful, or major studios are powerless to predefine the relationship between artist and consumer, presume that risk is eternally beholden to the ‘external’ forces of consumer sovereignty.

The third part of this article examines risk as it is defined in the capital-as-power approach. According to Nitzan and Bichler, the degree of confidence that capitalists have in their own

predictions about expected earnings is an inter-subjective component of the logic of capitalization. Additionally, the presence of risk perceptions will explain why the social world of cinema becomes an *instrumental order* to major filmed entertainment and its absentee owners. While risk is specifically about the size and pattern of future earnings, it is also an indirect prediction about the stability of the social conditions that would help translate potential earnings into an actual stream. Thus, major filmed entertainment must ascertain its own strategic impact upon the social creativity of cinema. In the context of yet-to-be-released film productions and the wider social world of cinema, major filmed entertainment must link its risk perceptions with attempts to control the pace and direction of the film industry. Hollywood certainly cannot suffocate the social creativity it needs to make a profit, but neither can it allow the aesthetic dimension of cinema to operate without institutional harnesses.

This third part of the article offers more substantial evidence of how risk perceptions can determine the strategy of film distribution. The first example relates to a recent dispute over the theatrical revenues of *Iron Man 3*, where Disney fought to increase the share of gross revenues given to the major film distributor. The timing of Disney's strategy to push for a greater share is consistent with the historical development of risk in Hollywood film distribution. The second example concerns the theatrical release window in the United States, which has changed from 1997 to 2013. This development challenges assumptions about the indelibility of consumer sovereignty, and supports the argument that institutional power can shape the historical circumstances within which risk perceptions are made.

The fourth part will add another layer to our concept of risk. I will argue that the repetitive, habitual qualities of Hollywood cinema are a defense against the possibility of aesthetic overproduction. Importantly, the term 'overproduction' is being used in the same way that Veblen used it. Aesthetic overproduction is the language of business, not art; it occurs when aesthetic decisions affect the price of a film, regardless of how it might be valued in other respects.

### **Capitalist power: Strategic sabotage and capitalization**

The decision to study Hollywood film distribution through the concept of risk derives from my general interest in the capital-as-power approach, which is a larger theory about capitalism and the character of capital accumulation. First developed by Nitzan and Bichler, this approach understands capitalism to be a mode of power, and not a mode of production or consumption (Nitzan and Bichler, 2009). This understanding challenges longstanding assumptions about the nature of so-called 'economic' value and the measurement of capital. According to Nitzan and Bichler, the theoretical isolation of an economic sphere and the privileging of material productivity, utility or labour-time, produces logical and empirical problems in both neo-classical and Marxist approaches. Essentially, when it is time to explain *what* gets accumulated, the assumption that capital is an objective quantity of material production or consumption leaves the political economist with the impossible task of separating 'real' value from nominal prices:

Utils [in neo-classical economics] and abstract labour [in Marxist political economy] do not have fundamental quantities that can be measured. They therefore have to be derived in reverse, [from nominal prices,] the very phenomena they try to explain. And even this inverted derivation falls apart, because it is built on assumptions that are patently false if not logically contradictory (Nitzan and Bichler, 2009: 144).

Nitzan and Bichler, in contrast, circumvent the ‘real’-nominal distinction because they reject the assumptions that produce this methodological tension in the first place. These are that politics and economics are separate, and that social power can only ever assist or disturb capital accumulation, which is, theoretically, a distinct process. Nitzan and Bichler instead put power at the heart of capital. Material production still matters, but a specific labour process or production function does not imbue an object with value. Rather, the quantities of capital are symbolic reflections of organized power *over* productivity and social creativity.

This section will only cover some of the fundamental ideas of the capital-as-power approach - just enough to provide a theoretical backdrop for our analysis of risk and the activity of major filmed entertainment. According to Nitzan and Bichler, this theoretical backdrop is important for three reasons. First, risk is an elementary component of the capitalist mode of power. Second, assumptions about economics being ‘power-free’ lead other analyses of risk to conclude that, ultimately, major filmed entertainment is passive or ineffective against a level of risk that is ‘inherent’ to the production, distribution and exhibition of films (Litman, 1983; De Vany, 2004; Nelson and Glotfelty, 2012; Pokorny, 2005). A power theory of risk, on the other hand, is free to investigate the historical development of risk in the Hollywood film business, such as the efforts of major filmed entertainment to sustain or even strengthen its dominant position in the world of cinema (McMahon, 2013). Third, the capital-as-power approach resonates with - if only partially - other theories of Hollywood that already understand major filmed entertainment to possess ‘distributional power’. Indeed, this article engages with other political-economic theories of culture and Hollywood cinema that address the role and effect of institutional power (Hozic, 2001; Leaver, 2010; Kunz, 2007; Babe, 2009).

In order to redefine capital *as* power (not capital *and* power), Nitzan and Bichler renovate a set of concepts that ordinarily explain the mechanisms of capitalist society – i.e. commodification, production, distribution, finance and accumulation. A major springboard for Nitzan and Bichler’s theory of capitalist power is Thorstein Veblen’s definition of capital, which is built upon a conceptual distinction between business and industry. For Veblen, capital belongs to the realm of business and not industry. The ways and means of industrial production may or may not be beneficial, pleasurable or useful; but what is or is not beneficial, pleasurable or useful about material production depends on what *cultural* and *political* ideas hold court at a certain moment in time (Veblen, 2006a).

The nominal price of an asset has little to do with the material magnitude of productivity, because industry is not the ‘real’ essence of capital. A stock of technology, knowledge, or energy says nothing about how material and intellectual benefits are *distributed* amongst members of a community. Capital, for Veblen, “is a pecuniary concept, not a technological one; a concept of business, not of industry” (Veblen, 2006a: 359). Veblen is not denying the influences of technological efficiency and the sweat of labour on the success of business—indeed, production is a necessary condition. But capitalization is not measuring the utility of technology or the efficiency of the production process; it is measuring the ability to make a profit.

As Nitzan and Bichler note, Veblen’s distinction between business and industry reveals how prices and earnings do not reflect “productivity per se,” but “the control of productivity for capitalist ends” (Nitzan and Bichler, 2009: 223). In capitalism, control and power stand outside industry (Nitzan and Bichler, 2000: 78). Business is the *power* of private ownership over industry. The owner derives an income from his or her legal rights to sabotage industry, to “keep the work out of the hands of the workmen and the product out of the market” (Veblen, 2004: 66). Just as

importantly, these rights of private ownership need not be exercised for sabotage to be effective: “What matters is the *right* to exclude and the *ability to exact terms for not exercising that right*” (Nitzan and Bichler, 2009: 228). In fact, the sabotage of industry is always strategic—too little sabotage can be just as disastrous for earnings as too much sabotage. The best strategy for business is to “charge what the traffic will bear.” This, according to Veblen,

consists, on the one hand, in stopping down production to such a volume as will bring the largest net returns in terms of price, and in allowing so much of a livelihood to the working force of technicians and workmen, on the other hand, as will induce them to turn out this limited output (Veblen, 2004: 67).

Thus, in order to exist, a film *business* must be able to threaten to withhold the products of the industrial processes it controls. Free limitless production is not sound business strategy:

The only way ... spending [on productive capacity] can become profit-yielding *investment* is if others are prohibited from freely utilizing its outcome. In this sense, capitalist investment—regardless of how 'productive' it may appear or how much growth it seems to 'generate'--remains what it always was: an act of limitation (Nitzan and Bichler, 2009: 233).

Moreover, the Hollywood film business must also decide how it will strategically sabotage the *social* creativity of filmmaking. The creative well of filmmaking is this ‘wide’ because, as an industrial art, it draws from many technological and intellectual developments in society. Each modern film, for instance, relies on the historical development of human knowledge about light, sound, storytelling, verbal and nonverbal communication and so on. Each film draws from the development of ideas about style, setting and mood. Each new film can draw freely from the many sharable aspects of cinematic art: its methods, techniques, philosophies and even many of the ideas involved in making a film. For filmmaking as a *business concern*, however, many of these productive elements in art have *zero earning potential* because their use and application cannot be protected through copyrights or any other means of exclusion. For example, there is no copyright for the genre of horror or the idea that a good story involves a protagonist and an antagonist. Thus, capitalist investment in cinema looks out into the world of culture, but it does so with a specific purpose.

As an example, take the first *Star Wars* film (George Lucas, 1977). On the one hand, Lucas was able to create parts of *Star Wars* by freely appropriating myths and ideas that are in the public domain (Decherney, 2012). On the other hand, there are all of the copyrighted elements of *Star Wars*, which Lucas successfully registered under the ‘Star Wars Corporation’ [2]. First, we have the motion picture itself, which was initially owned by three parties: the Star Wars Corporation, Twentieth Century-Fox Licensing Corporation and General Mills Fun Group, Inc. We then have the elements that Lucas publicly registered as his property. Luke Skywalker, for instance, can be treated as an asset (now under Disney) because it is copyrighted as ‘Visual Material’. This is the institutional mechanism of exclusion that allows owners to command a price from all of the Luke Skywalker imagery that does not fall under ‘fair use’. There are also many other copyrighted elements, from the obvious (e.g., Han Solo, Darth Vader, Ben Kenobi) to the seemingly trivial (e.g. ‘X-Starfighter attacking Death Star’, ‘Front view of Corellian starship’, ‘Imperial storm troopers confronting Han Solo, Luke Starfiller and Chewbacca the Wookiee’, ‘Princess Leia Organa awards the heros [sic] of the rebellion’) [3].

When capitalist in form, this power over the pace and direction of industry is connected to the common terms and symbols of modern finance, the formal language of business enterprise. The foundation of modern finance, according to Nitzan and Bichler, is the logic of capitalization. This logic is quantitative in form and forward-looking in orientation. Capitalization is the discounting of *expected* future earnings to present prices [4].

What is capitalized is the “income-stream” that is attached to an object through ownership:

The capital value of a business concern at any given time, its purchase value as a going concern, is measured by the capitalized value of its presumptive earnings; which is a question of its presumptive earning-capacity and of the rate or co-efficient of capitalization currently accepted at the time; and the second of these two factors is intimately related to the rate of discount ruling at the time (Veblen, 2004: 219).

While the ultimate concern of the capitalist is to make an actual profit, “presumptive earnings” are only ever expectations about future streams of income. Thus, capitalists attempt to be forward-looking; they try to account for all of the social conditions that could potentially affect how potential earnings become *real*. In the case of the Hollywood film business, expectations about future earnings account for, among other things, the established culture of cinema. Only with reference to the larger world of cinema could a capitalist determine whether a film property has any value - not as art, but as an asset.

This section has provided concepts that can be applied, in more detail, to the strategies of major filmed entertainment. The logic of capitalization and its institutional foundation, the ability for business interests to sabotage industry, will frame our analysis of risk perceptions and the social relations of cinema.

## **Towards an alternative, critical concept of risk**

Risk does have a place in mainstream economic studies of Hollywood, but many of these investigations tend to run into one very significant problem. Essentially, neo-classical approaches ignore the *historical* development of risk. An ahistorical concept of risk sets systemic risk at an ‘inherent’ level, which, in the case of the Hollywood film business, is deemed to be somewhere between high and very high. Consequently, the particular techniques of major filmed entertainment, such as the repetition of genres, sequels and remakes, the cult of movie stars, and the bombardment of media advertising and promotion, cannot affect the level of risk nor change the social environment about which risk perceptions are made.

Janet Wasko has been an important critic of this idea of inherent risk in Hollywood. Moviemaking “has been described,” writes Wasko, “as an ‘inherently risky business’”. Yet, when Hollywood is considered from a political-economic perspective, any number of issues arise which makes the risky nature of the business much less obvious (Wasko, 2004: 135). Included in the list of important issues that should make us reconsider the role of risk - “availability of data, distribution arrangements, definitions of profit, sources of revenue” - Wasko asks us to ponder why, despite “the presumed risk involved, the major distribution companies manage to survive and (usually profit)” (Wasko, 2004: 143). The purpose of this article is to theorize how risk is a function of those who seek to own, control and, possibly, profit from the world of cinema. More specifically, this section elaborates upon the decision to seek an alternative, critical concept of risk for understanding capitalist power, major filmed entertainment and the political economy of Hollywood.

The ahistorical concept of risk is produced when neo-classical approaches move from the particular to the universal, and when general conclusions about risk in the Hollywood film business are drawn from studies of specific risk-reduction strategies (De Vany, 2004; Litman, 1983; Nelson and Glotfelty, 2012; Pokorny, 2005). At the level of specific strategies, neo-classical arguments acknowledge that the Hollywood film business can actively reduce risk. Some theorists consider how famous movie stars, with their perceived ability to draw consumers to some movies rather than others, are employed to reduce financial risk (Elberse, 2007; Hadida, 2010; Ravid, 1999). Others point to the blockbuster method of filmmaking, which is argued to be Hollywood's style of choice because it is also a risk-reduction technique (Litman, 1998; Ravid, 1999; Denisoff and Plasketes, 1990). At a macro level of analysis, however, corporate activity in the Hollywood film business is rendered passive, and discussion of the contemporary star system and blockbuster cinema say little about the historical development of risk.

What explains this? The possibility that risk perceptions will significantly change over time is out of place in studies that assume that so-called economic actors are, under perfect competition, too insignificant to change the historical circumstances of risk. In other words, risk-reduction strategies, *no matter how effective* at a micro level, never transform the business environment itself (De Vany, 2004). In part because its oligopolistic character is downplayed or even ignored, the Hollywood film business, as a whole, is seen to have an 'inherent' level of risk that is impervious to historical transformation.

In this 'power-free' version of Hollywood cinema, risk-reducing techniques are essentially conservative reactions to consumer sovereignty, which is theorized as an extraneous force. Business techniques can be effective, they can even somehow lower risks for subsequent projects, but, in this theoretical narrative, capitalists cannot *create* a cultural environment that favors their pecuniary interests. The world of cinema can never be made to have machine-like regularity if it is assumed the sovereign consumer is an unalterable variable (such that the consumer *always* has the same 'economic' freedom to be fickle when the next film is released) (Garvin, 1981: 4).

The notion that risk has an 'inherent' level because firms only ever contend with the vagaries of consumer sovereignty adds an unnecessary theoretical obstacle to an analysis of capitalist power. Consumer sovereignty and the ideas that spring from it are, as noted by Leo Lowenthal, born from the "false hypothesis that the consumer's choice is the decisive social phenomenon from which we should begin further analysis" (Lowenthal, 1961: 12). Thus, an uncritical concept of consumer sovereignty skews our view of the capitalist order because it is unwilling to accept that individual autonomy and individualistic choice are not the same thing. Opposing this ideological view, Marcuse explains how choice can exist without autonomy:

Under the rule of the repressive whole, liberty can be made into a powerful instrument of domination. The range of choice open to the individual is not the decisive factor in determining the degree of human freedom, but *what* can be chosen and what *is* chosen by the individual. The criterion for free choice can never be an absolute one, but neither is it entirely relative. Free election of masters does not abolish the masters or the slaves. Free choice among a wide variety of goods and services does not signify freedom if these goods and services sustain social control over a life of toil and fear—that is, if they sustain alienation. And the spontaneous reproduction of superimposed needs by the individual does not establish autonomy; it only testifies to the efficacy of the controls (Marcuse, 1991: 7–8).



Thus, while there is no direct, physical coercion to buy and consume commodities for pleasure and relaxation, the realm of leisure time - this apparent sanctuary of the private individual - is not necessarily a realm without power.

Consequently, a neo-classical theory of consumer sovereignty stumbles because its definition of economic behavior is oblivious to an historical reality characterized from around 1900 onwards, by trusts, trade associations, giant corporations, conglomerates, active governments and other social institutions that can shape consumer behavior. The idea of consumer sovereignty rationalizes consumer behavior as a series of “revealed preferences,” even though, as Galbraith notes, the hyper-activity of capitalist firms in marketing, advertising, and branding makes it difficult to find the sovereign consumer among society’s creators of wants: “So it is that if production creates the wants it seeks to satisfy, or if the wants emerge *pari passu* with the production, then the urgency of wants can no longer be used to defend the urgency of the production. Production only fills a void that it has itself created” (Galbraith, 1997: 125).

With respect to the Hollywood film business, a neo-classical approach is unable to acknowledge how massive fixtures like blockbuster cinema and the star system reduce risk because these fixtures are actively producing and habituating consumer taste. Thus, what appears to be acknowledged on one hand is taken away with the other: a consumer will “form attachments to specific film ‘markers’ such as stars and genre,” they will even “seek a degree of familiarity in their film consumption experience”—but, nevertheless, “consumer tastes in film are ultimately unpredictable” [5]. For some, the permanence of consumer sovereignty reveals an ‘inherent’ level of risk so high that *ex ante* predictions are actually impossible. Arthur De Vany, for instance, uses complex statistical modeling to substantiate screenwriter William Goldman’s statement that, with respect to making predictions about the future of Hollywood cinema, “nobody knows anything.” According to De Vany,

revenue forecasts have zero precision, which is just a way of saying that ‘anything can happen’.... The ‘nobody knows’ principle...is revealed in the infinite variance and scale-free form of the probability distribution. When the probability distribution is scale free it has no characteristic size and there is no typical movie. If variance is infinite, the prediction is impossible; one can only say that the expected revenue of a movie is X plus or minus infinity (De Vany, 2004: 260).

De Vany’s conclusion that “the confidence interval of [a] forecast is without bounds”(2004: 71) is unsatisfying because it assumes a framework whereby the Hollywood film business is eternally beholden to this extremely high degree of uncertainty. To be sure, it could certainly be possible that Hollywood has had periods of great uncertainty; however, an ahistorical analysis of risk cannot help but reify its conclusions.

On this point, it is helpful to briefly discuss the concept of history that underlies the capital-as-power approach. For Nitzan and Bichler, societies are historical because human beings have the ability to change the foundations of a social order through *active* creation. Nitzan and Bichler capture this point with the verb-noun *creorder*: “Historical society is a *creorder*. At every passing moment, it is both Parmenidean and Heraclitean: a state in process, a construct reconstructed, a form transformed. To have history is to create order...” (Nitzan and Bichler, 2009: 305). The capital-as-power approach is, therefore, useful for investigating the historical development of risk. Capitalist power may never be able to make the business of culture risk-free, but we put up barriers

to our own analysis if we assume, ahistorically, that risk in Hollywood is simply inherent. Indeed, the very idea of ‘inherent risk’ is specious because consumer sovereignty in capitalism is a myth.

## Risk and the order of cinema

Major filmed entertainment, as a capitalist institution, is forward-looking. Its financial expectations concern the *future* of Hollywood cinema and mass culture in general. But if this is the case, how can we understand the role of risk in the capitalization of cinema?

Capitalization, Nitzan and Bichler clarify, does not require a crystal ball that can see into the future. Rather, capitalization is a ritual that attempts to estimate how a stream of income and its necessary social conditions will carry into the future. The difference between prophecy and estimation is significant. Capitalist society, with its myriad of qualities, can only carry into the future through the activities and beliefs of people. It is also possible for social behavior to change, sometimes in ways that capitalists could never expect. But whether the composition of capitalist society appears to be frozen or in flux, the future expectations of business enterprise can never determine an Archimedean point that is outside of society or safe from the winds of history. Consequently, risk perceptions are an elementary component of capitalization.

Risk is a partly subjective factor that shapes the way a claim on future earnings is assessed. If capitalization discounts the size and pattern of a future stream of earnings, risk is the expression of the “degree of confidence capitalists have in their own predictions” (Nitzan and Bichler, 2009: 208). Nitzan and Bichler argue that this degree of confidence appears in the capitalization equation as a risk coefficient ( $\delta$ ), which we can write in simplified form (for the moment we are ignoring hype (H), which is in the numerator):

$$K_t = \frac{EE}{\delta \times r_c}$$

Capitalization at any given time ( $K_t$ ) is equal to the discounted value of expected future earnings ( $EE$ ). Expected future earnings are discounted by two variables: a rate of return that capitalists feel they can confidently get ( $r_c$ ) and the risk coefficient ( $\delta$ ). A smaller  $\delta$  indicates a greater degree of confidence and a larger capitalization, and vice versa when  $\delta$  is larger. If, for instance, there is growing uncertainty about the size and pattern of a future stream of earnings,  $\delta$  will increase and the asset in question will be discounted to a lower present price [6].

Risk is also an important variable in Nitzan and Bichler’s conceptualization of power. Put briefly, Nitzan and Bichler understand power as “confidence in obedience: it represents the certainty of the rulers in the submissiveness of the ruled” (Nitzan and Bichler, 2009: 398). Thus, if we were to translate  $\delta$  into the language of power, risk is about the probability that future social behavior will be heteronomous. Heteronomy speaks to the duration and strength of obedience. For instance, heteronomy can exist when individuals internalize the goals of a repressive society, such that the persistence of fear, violence and poverty actually helps *social* power acquire an “unshiftable weight” (Castoriadis, 1998: 109). Yet, however strong, a state of heteronomy is always threatened by the possibility that individual autonomy will resurface in the future. Even the largest empires or the most repressive political regimes teach us that the present is never an absolute guarantee that obedience will carry on indefinitely. Therefore, risk is the product of society’s inability to fully extirpate the potential for individual autonomy to resurface in the future [7].

With respect to the Hollywood film business, risk perceptions account for the possibility that the future of culture will be radically different from what capitalists expect it to be. This logic of

capitalist accounting, while quantitative in expression (prices, income, volatility, etc.), is social in essence. In fact, the risk perceptions of major filmed entertainment cannot overlook any social dimension of cinema, be it aesthetic, political or cultural. The eye of capitalization searches for any social condition that could have an impact on “the level and pattern of capitalist earnings” (Nitzan and Bichler, 2009: 166).

As Bill Grantham notes, this thorough evaluation of risk is evident at the level of project financing: “film risk is variable and the degree of risk is subject to structural considerations as well as the greater or lesser degree of ‘riskiness’ inherent in any project’s subject matter, or associated with its writer, director, stars, and so on” (Grantham, 2012: 200). Based on what was said above, Grantham’s use of the term ‘inherent’ can now be seen as misleading. ‘Riskiness’, as it is being used here, is a term of business, not art. We may be tempted to label a film ‘risky’ if it challenges social taboos, or if it, like Věra Chytilová’s *Daisies* (1966), uses the cinematic medium to critique political regimes. A filmmaker can also be said to be taking an ‘aesthetic risk’, such as when he or she develops an untested cinematic style. However, indeterminate creativity in the realm of aesthetics or the development of political cinema can both exist separately from the logic of capital. In fact, it is Veblen’s point that pecuniary value is not simply reflecting political, cultural or aesthetic quality. Rather, the vested interests of Hollywood flip the definition of value. Under the logic of capital the potentials of creativity, both anthropological and technological, are judged on the terms of capitalist investment. We might always have poorly made films, but under capitalism, a bad movie is one that falls well below its financial expectations [8].

With one eye on film projects themselves and the other on the social world of cinema and culture at large, major filmed entertainment uses its oligopolistic control of distribution to create an *order of cinema*. The creation of order does not eliminate risk entirely. Rather, from the perspective of major filmed entertainment, the industrial art of filmmaking and the social world of mass culture should be orderly enough for each new film project to be weighable and calculable. Estimations about a film’s social significance can be, with a degree of confidence, translated into expectations about future streams of income. This degree of confidence is created and sustained through institutional power. The various business strategies of major filmed entertainment affect risk perceptions just as much as they affect earnings: the repetition of genres, sequels, remakes; the cult of movie stars; the institution of false needs and wants through the sales efforts of business; and the dual ability to make movies resonate with *established* desires and to ready the industry of filmmaking for potential changes in social desire. These techniques schematize the social relations of cinema (Adorno, 2004). Social habits, attitudes and values, in this environment, become things that can fit into a ‘knowable’ distribution, which then can be quantified as ‘risk’.

A film’s relationship to other films and the social habits of consumers, who watch some films at the expense of others, also arranges the social world of cinema into an order. In fact, the composition of the cinematic world has, under capitalism, a readily available universal language: price. When a film is given an expected theatrical revenues plateau (e.g. \$20 million, \$70 million, \$300 million), the Hollywood film business is making an estimate about the future popularity of the film (Litman, 1998). This financial estimate automatically positions a film among other films. For instance, an expectation of \$200 million in theatrical revenues means something in relation to how other contemporary films are capitalized. Depending on how other films are capitalized, capitalists could expect that \$200 million in box-office revenues would make this film one of the top grossing films in its year of release (McMahon, 2013).

On the question of how the social dimensions of film affect the risk perceptions of major filmed entertainment, there are plenty of examples. Some are found in the annual reports of the relevant firms. Time Warner, the owner of Warner Brothers Studios, lists risk factors relating to filmed entertainment and leisure time:

[Time Warner] must respond to recent and future changes in technology and consumer behavior to remain competitive and continue to increase its revenues.... [Time Warner] faces risks relating to increasing competition for the leisure and entertainment time and discretionary spending of consumers, which has intensified in part due to technological developments and changes in consumer behavior.... The popularity of [Time Warner's] content is difficult to predict, can change rapidly and could lead to fluctuations in the Company's revenues, and low public acceptance of the Company's content may adversely affect its results of operations (Time Warner, 2011: 13).

This 'public acceptance' of the Company's content is important. If a film property is to be valued as an *asset*, its form and content must be evaluated - even before the film is made - in the light of social meaning (Vogel, 2011: 99–106). For example, on account of its style and subject matter, film property may lose its relevance (i.e. pecuniary value as property) as social meaning changes with the passage of historical time:

...war epics, for instance, might be very popular with the public during certain periods but very unpopular during others. Some humor in films is timeless; some is so terribly topical that within a few years audiences may not understand it. In addition, because everything from hair and clothing styles to cars to moral attitudes changes gradually over time, the cumulative effects of these changes can make movies from only two decades ago seem rather quaint (Vogel, 2011: 101).

On the problem of treating a film as a long-lived asset, Stephen Prince is correct to argue that part of the uncertainty relates to the technological changes in distribution (theater, VHS, DVD, etc.). "Determining the profitability of a given film," writes Prince, "can be an elusive undertaking because so many revenue sources figure into this determination..." (Prince, 2000: xx). However, part of the reason why so few films are released into the public domain, regardless of technological changes, is because every significant shift in social-historical relevance gives major filmed entertainment another opportunity to re-capitalize its old film property.

The tragic death of an actor can make their filmography popular again; a new channel of distribution, like Turner Classic Movies, can open future income streams for films that have not been distributed in decades; or, genres, like science fiction and musicals, can suddenly rebound in significance. These examples contextualize the valuation of film libraries [9], which are often key assets in the mergers and acquisitions of media conglomerates (Vogel, 2011; Kunz, 2007). Indeed, *Casablanca* (Michael Curtiz, 1942) is still an asset (for Time Warner). Would expectations about its future earnings not account for the film's almost mythological position in popular histories of cinema? How would one re-capitalize *Casablanca* if the American Film Institute, in its next round of publishing lists of great American films, knocked this film down in rankings, or removed it from 'AFI's 100 Years...100 Movies'?

Although it occurs infrequently, changes to the social order of cinema can be so abrupt that great uncertainty surrounds the capitalization of film property. One such change was the transition from silent film to sound in the late 1920s. For example, the uncertainty of whether silent films would

still have a place alongside 'talkies' forced Albatross, a medium-sized French company, to temporarily stop all film production, as they were unable to price their own property:

We have not been able to do it [assess the book value of completed films], because the sudden shock that shudders through the motion picture markets because of the apparition of sound film, makes every estimate, even approximately, impossible, especially for the older films. At present, most foreign countries have stopped nearly completely to buy them. We must put on hold all film production until the situation becomes clear (Conseil d'Administration, April 25, 1929, quoted in Bakker, 2004: 64).

Although less severe than its effect on Albatross, the beginnings of a sound cinema even created uncertainty for the studios that were actively developing sound technology [10]. Because the aesthetics of sound cinema were still too open-ended during this nascent period, the major studios agreed to place a temporary moratorium on their own research and development. To really pursue sound cinema as a business enterprise, Hollywood studios first needed to decide if they were going to export American 'talkies' in English, or whether they would be more accommodating to the languages of other countries [11]. Just as significantly, they did not yet know what a sound film should even look like (Hanssen, 2005). Music and sound effects could be retro-fitted onto films that were originally silent; a film could be released in two versions, one silent and another in sound; or, a film like *The Jazz Singer* (Alan Crosland, 1927) could be silent for the majority of its running time, except for a few scenes with dialogue or singing.

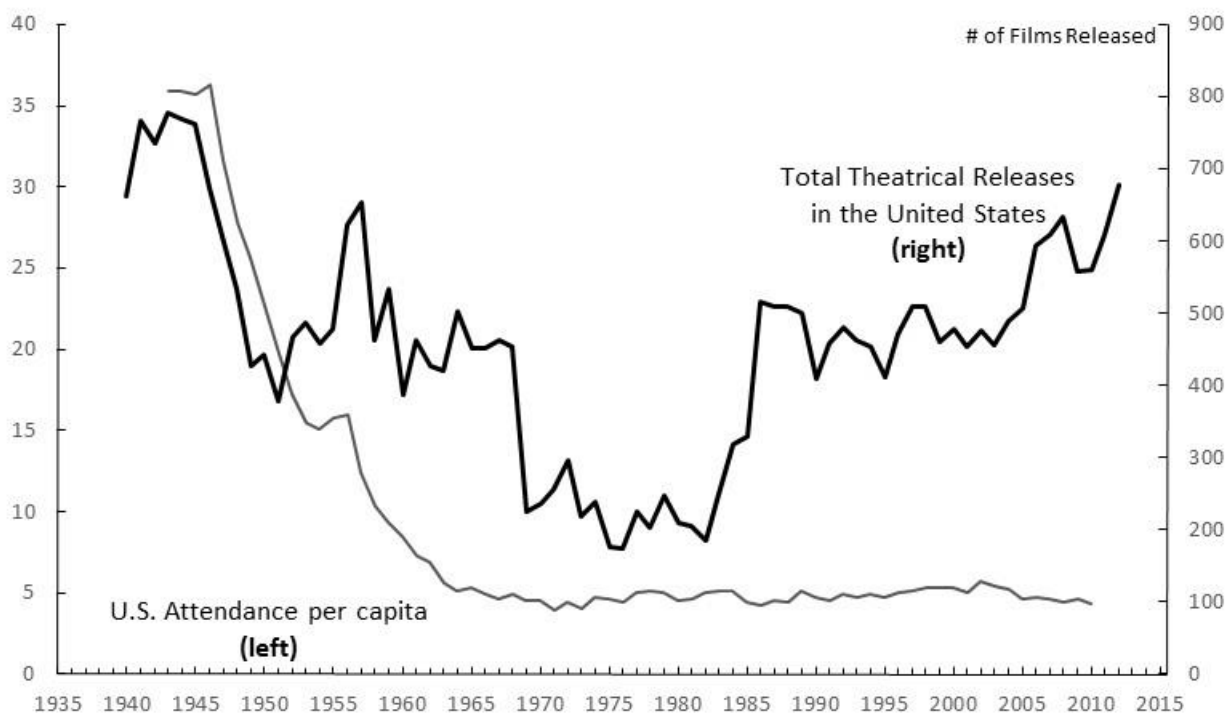
Certain journalists have been fortunate enough to witness how this problem of social significance manifests on a film set or the studio lot, when studio executives, producers and directors argue over the form and content of film projects. In Lillian Ross' *Picture*, a book that was a product of her reporting on the filming of *The Red Badge of Courage* (John Huston, 1951), we find a recurring theme of creativity and risk. Many of the daily struggles over how the film was to be filmed were the consequences of MGM's management and their uncertainty about whether Americans in 1951 were even interested in seeing a film version of an 1895 book about the Civil War (Ross, 2002). In 1967, John Gregory Dunne spent one year investigating the workings of Twentieth Century-Fox. One of Dunne's stories is crass yet illustrative of how the qualities of cinema can become elements of risk perception. He describes a meeting where Twentieth Century executives were talking about the studio's plan to distribute *Tony Rome* (Gordon Douglas, 1967) in Israel. The film, which is a detective story and stars Frank Sinatra, is heavy on American slang. Two people in the meeting, Harry Sokolov and Stanley Hough, were concerned that much of the dialogue would not resonate with an Israeli audience. Richard Zanuck, who at the time was executive vice president in charge of worldwide production, was not as worried, as it was always possible to "dub it in local slang." As Dunne then notes, Owen McLean, the head of casting, still worried about one scene in particular, which he feared may be untranslatable: "there was a scene in the picture based on the *double-entendre* of an old woman calling her cat a 'pussy'" (Dunne, 1998: 154).

Uncertainty about the effectiveness of a *double-entendre* is not an insignificant concern. In fact, a PricewaterhouseCoopers report can give us a sense of how a shift in what is considered funny or entertaining can create real financial problems for those that are culpable for the costs of a film. A change in the world of cinema can cause a 'pre-release' write-down, which happens when the costs of the film become larger than its future expected earnings. As the report states, "pre-release write-

downs generally occur when there is an adverse change in the expected performance of a film prior to release” (Anon, 2009: 26). Of the five examples about what can adversely change the future expectations of an individual film, four of them relate to the social relations of cinema:

- “Market conditions for the film that have changed significantly due to timing or other economic conditions;”
- “Screening, marketing, or other similar activities that suggest the performance of the film will be significantly different from previous expectations;”
- “A significant change to the film’s release plan and strategy;” and,
- “Other observable market conditions, such as those associated with recent performance of similar films” (Anon, 2009: 26).

All of these examples help explain what is included in the risk perceptions of major filmed entertainment. So how important is the role of risk in the capitalization of cinema? Figure 1 suggests that a high degree of confidence about the social world of cinema is of great importance to major filmed entertainment. Figure 1 compares two series. The first measures U.S. movie attendance per capita. After a sharp decline that was most likely caused by the advent of television, U.S. attendance per capita has stayed at roughly the same level since the 1960s. The second series presents the yearly total of all films released in America. This total includes many more films than the films released by major filmed entertainment. Showing the total helps illustrate how risk reduction might be a top priority if, from 1980 onwards, more and more movies are *technically* available, but in practice the average American is still only seeing about five films per year. In this context of film consumption, the contemporary goal of major filmed entertainment might be to determine *which* five films the average moviegoer sees: i.e. to create a determinable order of cinema that keeps the spotlight directly on its *own* films. Hollywood may certainly try to expand the market, pushing people to see more films in theatres. However, with U.S. attendance per capita having remained constant for over fifty years, the alternative strategy is for major filmed entertainment to ensure that mostly *their own* blockbusters are seen by moviegoers (Cucco,2009).



**Figure I.** U.S. Theatrical Attendance and Theatrical Releases

Note: For 1943-1959, attendance per capita = (total box-office receipts/average ticket price/U.S. population)

Sources: Joel Finler, Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for box-office receipts from 1943-1959; Bradley Schauer and David Bordwell, "Appendix: A Hollywood Timeline, 1960-2004," in *The Way Hollywood Tells It: Story and Style in Modern Movies* (Berkeley: University of California Press, 2006), 191-242 for total attendance from 1960-2004; <http://natoonline.org/data/admissions/> for attendance 2005-2012. Global Insight for total United States population. Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for total U.S. releases from 1933-2002; MPAA Theatrical Market Statistics for total U.S. releases from 2003-2012. Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for total releases and MPAA releases from 1933-2002; see MPAA Theatrical Market Statistics for total releases and MPAA releases from 2003-2012.

A redistributive strategy where people are giving more attention to Hollywood cinema but not necessarily seeing more films per year is aided by the development of digital technology and the Internet. For example, at Epagogix, a consulting firm of sorts, a database has been created to quantify the smallest details of a potential film project. After having broken down a client's script into separate elements, the database produces 'values' for each element, as if the film was one big neoclassical production function. Malcolm Gladwell witnessed Epagogix's process in 2006:

[Copaken, the co-founder of Epagogix,] started with the first film and had the neural network make a guess: maybe it said that the hero's moral crisis in act one, which rated a 7 on the 10-point moral-crisis scale, was worth \$7 million, and having a gorgeous red-headed eighteen-year-old female lead whose characterization came in at 6.5 was worth \$3 million and a 9-point bonding moment between the male lead and a four-year-old boy in act three was worth \$2 million, and so on... (Gladwell, 2006: 143).

*The New York Times* recently reported on a company similar to Epagogix, one named World Wide Motion Picture Group (Barnes, 2013). By running their own database and surveying the tastes of moviegoers, World Wide offers advice about the final construction of a Hollywood film. For

example, they argue that it is risky for any film to have a bowling scene. Or, if you make a superhero movie, it is better for the bottom line that the protagonist is a “guardian superhero” and not a “cursed superhero.”

Google is doing something similar. Focusing on the Internet use of potential moviegoers, they argue that risk is a top priority in the capitalization of cinema. For example, a 2013 Google Whitepaper begins with a problem scenario:

It’s Friday night and you’re thinking about seeing a movie. Your thought process might sound a little like this: What’s in theaters right now? What’s that new movie my friend was just talking about a couple days ago? That trailer I saw for another film a few weeks ago looked interesting. Another movie review I read sounded promising...what should I see? (Google, 2013: 1).

The ‘problem’ is that leisure-time is too open-ended. The solution, however, is more for the capitalist than the moviegoer that is using the Internet to make a decision on Friday night. To help quantify movie magic - i.e. the process by which the moviegoer makes up his/her mind—Google tracks searches, YouTube views and advertisement clicks. It keeps data on searches for specific titles, especially big names like *The Dark Knight* (Christopher Nolan, 2008) or *The Avengers* (Joss Whedon, 2012). Google also analyzes how the search criteria of potential moviegoers becomes less specific and more generic in slow periods between blockbuster films.

Google claims that such data lends confidence to Hollywood’s expectations about the future performance of theatrical exhibition. The effect is twofold. First, the data provided by Google can tell marketing teams how to adjust marketing strategies to “either capture the attention of the ‘curious’ moviegoer, or deepen audience engagement with a blockbuster title” (Google, 2013: 3). Second, and more significantly, Google states that Internet data can help Hollywood predict future movie sales. For instance, “in the seven day window prior to a film’s release date, if one film has 250,000 more search queries than a similar film, the film with more queries is likely to perform up to \$4.3M better during opening weekend. When looking at search and click volume, if a film has 20,000 more paid clicks than a similar film, it is expected to bring in up to \$7.5M more during opening weekend” (Google, 2013, p.5).

This article has taken some initial steps to develop a political economic theory of risk in the Hollywood film business. So far, we have introduced the capital-as-power approach to the study of Hollywood cinema, critiqued mainstream approaches to risk, re-conceptualized risk as a degree of confidence and theorized how risk perceptions are related to the social relations of cinema. Ideally, this approach to the political economy of Hollywood will transform into a more substantial critical *and* empirical methodology. Thus, let us offer two examples of how this political economic theory might be applied to future empirical and historical research on Hollywood.

### **Intra-capitalist struggle: major filmed entertainment versus theater owners**

First, let us contextualize recent news of an intra-capitalist dispute over the distribution and theatrical exhibition of a Hollywood blockbuster. In 2013 the *Los Angeles Times* reported a dispute between Disney and two major theatre owners, AMC Entertainment and Regal Entertainment. The dispute was over the release of *Iron Man 3* (Shane Black, 2013) and how its theatrical revenues were going to be split between Disney and theater owners. According to the *Los Angeles Times*, studios “typically collect 50% to 55% of ticket sales, depending on the movie.” AMC and Regal

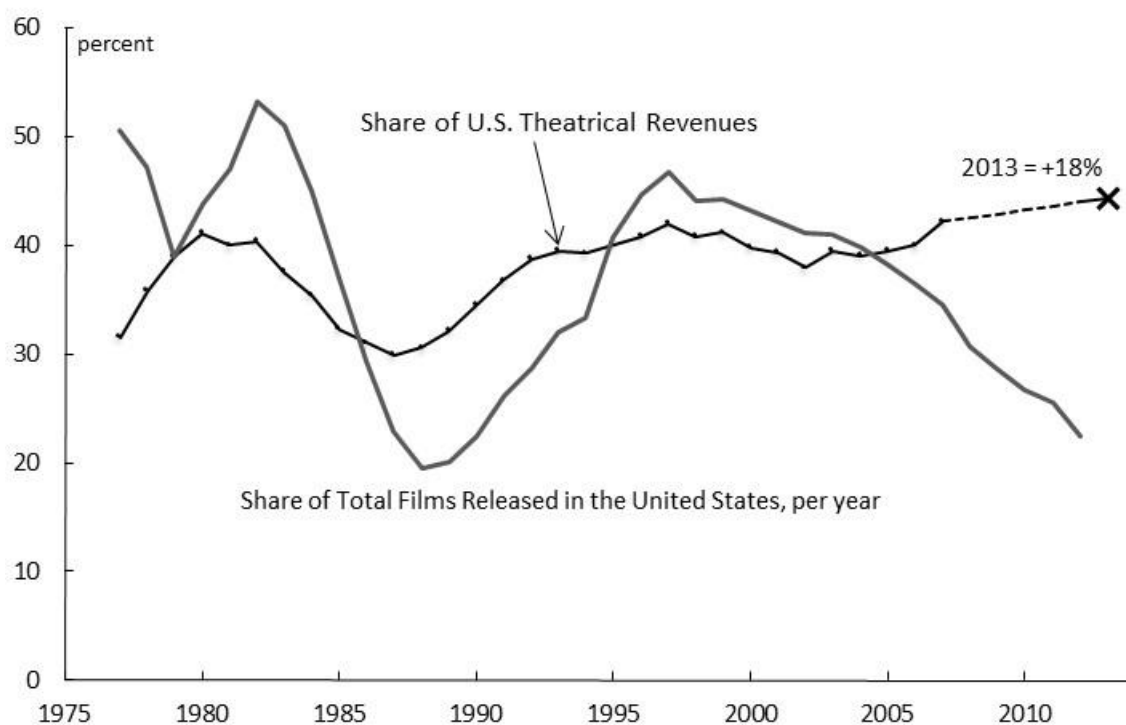


were challenging Disney because, for *Iron Man 3*, “Disney was seeking an excessively large take of the box-office revenue—up to 65%”(Verrier, 2013).

How might we understand this dispute? Having recently acquired Marvel Studios and Lucasfilm, Disney is in a position to benefit from the *future* of blockbuster cinema, should its popularity continue. Disney’s boldness about the distribution of *Iron Man 3* might also portend something more general: its degree of confidence about the future earnings of the Marvel superhero universe and its other franchises. Because the order of cinema is currently structured to give the top tier of films the majority of theatrical revenues (Weinstein, 2005; McMahon, 2013), the threat to withhold anticipated blockbusters from the community at large is a big one.

The underlying power structure of this dispute can also be seen if we take a historical view of the struggle between distribution and exhibition in contemporary Hollywood. Figure 2 compares two time series. The thick line measures the number of major filmed entertainment releases from 1975 to 2012. It is expressed as a percentage of the total number of films released in the United States per year. The dotted series measures, from 1975 to 2007, major filmed entertainment’s share of all U.S. box-office revenues per year. This series is an indirect measure of the struggle between major filmed entertainment and theater owners - i.e. there is a certain amount of theatrical revenues each year and it is by means of contract negotiation that a certain share goes to the film distributors of Hollywood (Vogel, 2011).

The last year data is available for major filmed entertainment’s box-office share is 2007. We can create a hypothetical extension of the series with the details of the *Iron Man 3* contract dispute for 2013. On the dotted series one can extrapolate an 18% increase over the historical average of major filmed entertainment’s share of box-office revenues between 1975 and 2007.



**Figure 2.** Major Filmed Entertainment’s Film Releases and Theatrical Revenues

Note: Both series are 3-year moving averages.

Sources: Joel W Finler, *The Hollywood Story*, 3rd ed (New York: Wallflower Press, 2003) 376-377, for total releases and MPAA releases from 1975-2002; MPAA Theatrical Market Statistics for total releases and MPAA releases from 2003-2012. Vogel, *Entertainment Industry Economics*, 88-89, for MPAA U.S. rentals % of box-office from 1975-2007.

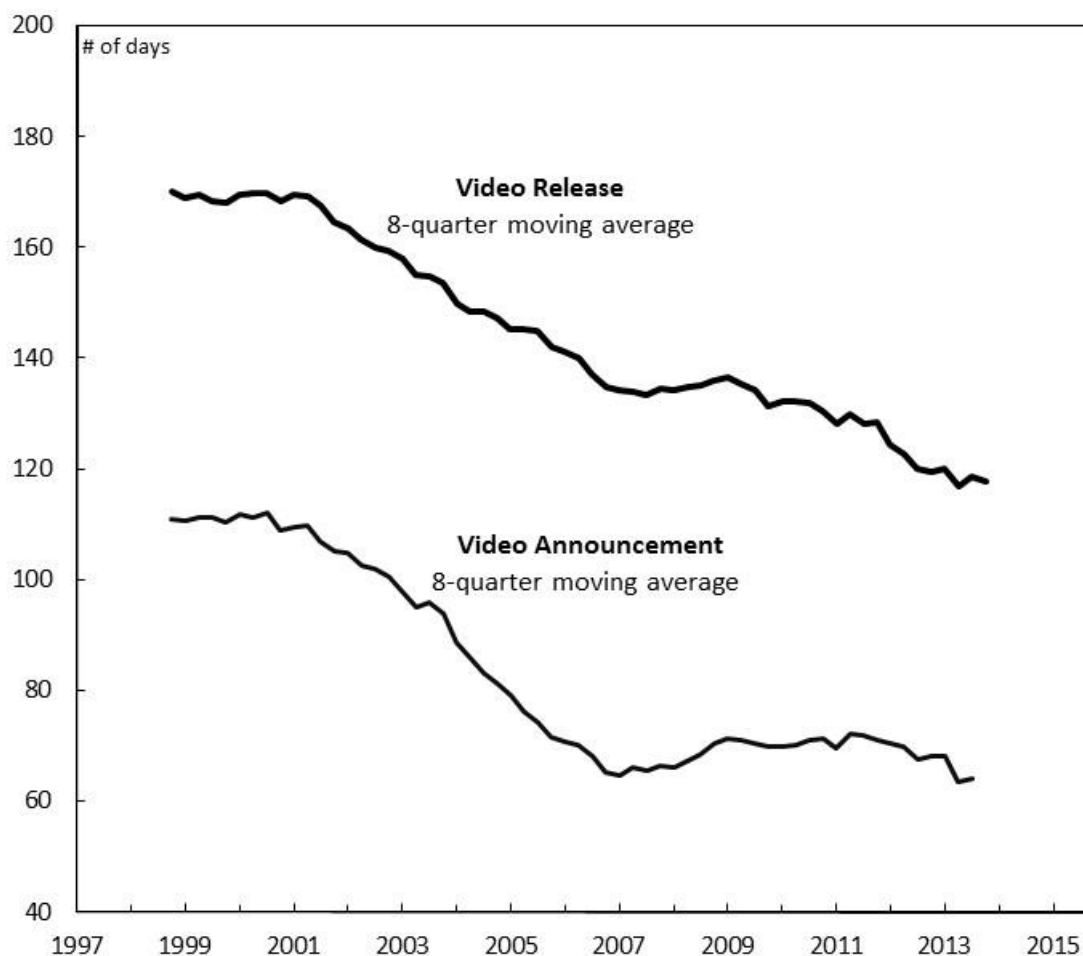
The period from 2007 to 2013 is illuminating. Since major filmed entertainment’s share of theatrical revenues is increasing as its share of all film releases is decreasing, the rules of the game might be changing. In Figure 2, for most of the period from 1977 to 2006, there is a positive correlation (+0.72) between major filmed entertainment’s share of total releases and its share of all theatrical revenues. This corroborates the research of Robert W. Crandall, who looked at the structure of Hollywood film distribution from 1948 to 1967. Crandall recognized that the means of strategic sabotage “at the distributors’ disposal” were still there and that they “were quite straightforward—the control over the number of film releases per year” (Crandall, 1975: 62). By “controlling the only non-substitutable input in theatrical exhibition—the film itself—the distributors continued to exercise market power” over theatrical exhibition (Crandall, 1975: 62).

Major filmed entertainment’s share of all films released in the United States is now declining to a level not seen since the late 1980s. However, unlike the 1980s, its share of all theatrical revenues might be approaching a historical high. Thus, in recent years, major filmed entertainment’s share of theatrical revenues is no longer dependent on whether it has a large share of all film releases in the United States. Instead, the stable popularity of superhero franchises and other blockbusters appears to have created a situation whereby major filmed entertainment is less concerned about the number of films that could potentially compete with mainstream Hollywood cinema. While few in number, the most popular blockbuster films lend their distributors a high degree of confidence about the social world of cinema.

## **The theatrical release window is closing**

In Figure 3, National Association of Theater Owners data is used to approximate the average size of Hollywood's theatrical release window. The series 'Video Announcement' is the average amount of days between opening day and the day when video release plans are announced—a signal that theatrical release is winding down, or even finished. The series 'Video Release' measures the entire period between opening day and the beginning of the video window (DVD, Blu-ray, previously VHS).

This shortening of the theatrical release window is partly attributable to Internet piracy and bootlegging. By releasing its video formats at a quicker pace, major filmed entertainment is attempting to distribute each product before the associated wave of piracy reaches its crest. This shortening of the theatrical release window undermines the neo-classical explanation of risk in the Hollywood film business. Buried in this explanation is an assumption about the function of word-of-mouth behavior. Such behavior is theorized to be an unpredictable, inherent risk; it can stop a "hit and run" strategy dead in its tracks (Cucco 2009: 223). For the first few weeks it may be possible for major filmed entertainment to attract audiences simply through promotion and advertising, even for its bad films. But after that, what De Vany calls an "uninformative information cascade" reaches its limit and seemingly random word-of-mouth communication makes the future success of a theatrical release extremely uncertain (De Vany, 2004: 124).



**Figure 3.** Average U.S. Theatrical Release Window for Major Studios, 1997-2013

Note: Each series is an 8-quarter moving average of the data for Disney, Twentieth Century Fox, MGM, New Line, Paramount, Sony, Universal, and Warner Bros.

Source: National Association of Theatre Owners (<http://natoonline.org/data/windows/>)

This shortening of the theatrical release window cuts the word-of-mouth factor off at the knees. After a film has already been in theatres for a few weeks, and as the din of manufactured media buzz fades, there is only a small interval where word-of-mouth can put a film on a new, possibly unexpected, financial trajectory. As Cucco notes, this weakening of the word-of-mouth factor advantages a saturation booking strategy, which is the hallmark of blockbuster cinema:

The expectation of [film] quality can be a risk as far as revenues are concerned, especially when speaking about blockbusters. This is why these films have been widely released on the opening weekend for almost 30 years now. By showing the film in many theatres at the same time, the number of people who watch a movie without reading reviews or hearing opinions beforehand increases (Cucco, 2009: 223).

Just as importantly, the quickening of theatrical release disadvantages films that depend heavily on word-of-mouth. For example, let us examine the temporal difference between the theatrical releases of *The Mummy Returns* (Stephen Sommers, 2001) and *O Brother, Where Art Thou?* (Joel Coen, 2000). Both films were exhibited in the United States in 2001, a year when the average

interval between opening day and video announcement was 101 days. To earn 90 percent of its theatrical revenues *The Mummy Returns* only needed approximately 35 days, while *O Brother* needed approximately 112 days to accumulate 90 percent of a much smaller amount of theatrical revenues (they were almost five times smaller than the box-office gross revenues of *The Mummy Returns*) [12]. It should be recalled that *O Brother* was a very successful platform release – indicated by the fact that much of its revenue was earned eleven days after the theatrical window was already closed for the average film. As a rule, major filmed entertainment tends not to nurture platform releases that, like Jim Jarmusch’s *Dead Man* (1995), might be artistically thought provoking but financially listless. Platform releases, whether successful or not, are overly dependent on word-of-mouth activity because business decisions have been made to *not* give these films a large advertising budget (Ulin, 2010: 384). If a platform release fails to generate some heat through word-of-mouth, major filmed entertainment prefers to let it languish in obscurity, rather than inject what is sometimes called “sustained marketing” (Ulin, 2010).

### **Conceptualizing risk: The threat of aesthetic overproduction**

Because order is desirable for the capitalization of cinema, major filmed entertainment’s control of distribution is of major significance. This is not simply about the level of future earnings. If major filmed entertainment is unable to stand between the filmmaker *and* the consumer, an administered relationship between the aesthetic dimension of cinema and established social meaning cannot be established. Confident risk perceptions derive from major filmed entertainment’s ability to be the ultimate arbiter about the future of cinema. Although this power is not total, analyses of capitalization and risk demonstrate that an orderly, predictable world of cinema is of interest to major filmed entertainment. It seems, then, that the formulaic and repetitive tendencies of Hollywood may not be accidental; if they were, studios would simply need to attract more ‘creative’ people. In actuality, the repetitive, even cautious, quality of Hollywood’s imagination indicates that the film *business* aims to keep creativity in the film industry within constructed limits.

Let us now move from the order of cinema to the mechanism of strategic sabotage. Risk perceptions permeate the strategic sabotage of cinema because, all along the line, a calculation about the expected earnings of cinema must work with, and sometimes in spite of, another language: the language of art. More specifically, the Hollywood film business must determine how it will *strategically* sabotage the creativity of those who think cinema is primarily an art form. Such a characterization of social creativity is not meant to suggest that every artist or moviegoer participating in Hollywood cinema is critical of the creative limits imposed by business. Instead, the industrial art of filmmaking, with all of its aesthetic qualities, puts the Hollywood film business in a particular business-industry relationship which cannot be ignored. The detailed ways and means of a particular business-industry relationship, depend on the *types* of industry being controlled by business.

The capacity for social creativity to go in different and unforeseen directions is always a potential threat to the aims of major filmed entertainment. Creativity is a wild animal which major filmed entertainment wants to harness in order to develop, finance, produce and distribute the ‘right’ set of films. In this sense, both ‘right’ and ‘wrong’ refer not to aesthetic standards but to earnings. Fundamental to capitalist investment is confidence that, if needed, firms are able to steer social creativity in new directions *without losing control*.

A 2003 article in *The Economist* recognized that the control of creativity was cause for concern in the Hollywood film business. The business-industry struggle in Hollywood was characterized that between ‘suits’ (business) and ‘ponytails’ (industry):

That the [film] industry tends over time to swing too far in favour of the ponytails, only to swerve back too far in favour of the suits, shows how hard it is to find a middle way. Devising a habitat in which creativity can flourish, yet within tight operational constraints: there lies a sequel for the entertainment industry worthy of a Hollywood blockbuster (Anon, 2003).

Of course, there are historical examples of business dictating that creativity travel in one direction when it ‘should’ have, in hindsight, taken another path. For instance, the popularity of *The Sound of Music* (Robert Wise, 1965) was mistakenly taken as a sign that the major studios should produce more musicals at a time when the political values and cultural attitudes in America were radically changing. To be sure, Hollywood would eventually embrace the 1960s student, civil rights and anti-Vietnam War movements with enthusiasm [13], but not before releasing a long string of unpopular musicals: *Camelot* (Joshua Logan, 1967), *Doctor Dolittle* (Richard Fleischer, 1967), *Chitty Chitty Bang Bang* (Ken Hughes, 1968), *Hello, Dolly* (Gene Kelly, 1969), *Paint Your Wagon* (Joshua Logan, 1969), *Star!* (Robert Wise, 1968), *Sweet Charity* (Bob Fosse, 1969) and *Darling Lili* (Blake Edwards, 1970). The financial failure of *Darling Lili* was particularly bitter: in an explicit attempt to re-exploit *The Sound of Music*, *Darling Lili* starred Julie Andrews, who plays a singing spy in World War I (Cook, 2000: 12).

Decisions about the form and content of Hollywood films are haunted by the specter of ‘aesthetic overproduction’. This term is my own tailoring of Veblen’s generic concept of “overproduction”. Overproduction, for Veblen, has a specific meaning; it applies “not to the material, mechanical bearing of the situation, but to its pecuniary bearing” (Veblen, 2006b: 215). Overproduction does not mean that the material and intellectual capacities of a workforce are overtaxed, nor does it mean that a community is physically or mentally unable to consume what is in supply. Overproduction is a “question of prices and earnings;” it refers to a level or type of production that is inexpedient *purely* on “pecuniary grounds.” Aesthetic overproduction is itself a consequence of the insight that accounts within modern business enterprise “are kept in terms of the money unit, not in terms of livelihood, nor in terms of the serviceability of the goods, nor in terms of the mechanical efficiency of the industrial or commercial plant.” Thus, regardless of the potential for cinema to be a domain for critical reason or political insight, film projects are “capitalized on the basis of their profit yielding capacity” (Veblen, 2006b: 85).

The threat of aesthetic overproduction is visible when film production is embedded in the larger circuit of film production, distribution and exhibition. Indeed, the business interests of Hollywood might glimpse this threat well before a film is completed and then distributed. For instance, the brevity of Hollywood ‘pitch’ meetings, which determine whether a film project will even get funds for production, is a pre-distribution barrier to any film project that cannot be sold in the high concept style (Elsbach and Kramer, 2003; Wyatt, 1994). Moreover, the conflicts between business and art in pitch meetings, or even during principal photography, can point to the potential uncertainties of film distribution. Conversely, the financial failures of distribution can go back upstream to implicate those readying new film projects. The infamous failure of *Waterworld* (Kevin Reynolds, 1995), for instance, serves as a sober warning for those who think a new project has all

the 'right' elements for high grosses - e.g. big movie star, lots of action, expensive and elaborate sets.

The specter of aesthetic overproduction means that major filmed entertainment has a real incentive to sustain a form of cinema that is repetitive, formulaic and conservative. Even if there is a technological/anthropological capacity for the art of filmmaking to go well beyond the 'limits' that are imposed in Hollywood cinema, guideposts like the star system and film genre help keep everybody within the well-beaten path. The purpose is not to suffocate all forms of artistic innovation. Rather, genre and the star system 'save' filmmakers the trouble of yearning for, and then abandoning, unconventional filmmaking techniques that could jeopardize distribution with any of Hollywood's dominant firms (Rosenbaum, 2000).

Moreover, the repetitive nature of consumer behaviour is about more than ideology. Confidence about the size and pattern of expected earnings is likely to increase if moviegoers have a predilection for only a narrow range of film types. The threat of aesthetic overproduction is a strong reason why there is, within the Hollywood business, a vested interest to 'pre-sell' its films, to habituate moviegoers to want new films to have a familiar, pre-digested quality (Maltby, 2003). It might also explain why independent filmmakers seem to take an oppositional stance against the sensibilities of the average audience. For an independent filmmaker to claim they make films "for only themselves" or "for nobody" could very well be symbolic resistance to all that is implied when Hollywood says it makes films to "please an audience" (Ortner, 2013: 1–53).

## **Conclusion: What makes Hollywood run?**

This article was born from a curiosity about how the art of filmmaking within the social relations of capitalism minimizes financial risks in the pursuit of profit. This curiosity is informed by certain conceptual tools that can be employed to critique the political economy of Hollywood. Here, the capital-as-power approach can deepen what is obvious to many: the business of culture does not exhaust the potentials of human creativity because capitalist investment is not embracing human creativity for its own sake. Rather, the interest of profit can be so strong that it repressively dictates the terms of creativity in capitalism. When the scope and potential of creativity is too open-ended, such a cultural environment is accounted as risk (the degree of confidence in making predictions about future earnings). What this open-endedness might mean for the cultural and political value of art is another story.

My observations are only starting points for a more substantial political economy of Hollywood. It is now evident why the Hollywood film business would want to create and reinforce deterministic social relations in the world of cinema. Ordering these social relations is a defense against the threat of aesthetic overproduction. This threat, which again is financial, appears when the future social significance and aesthetics of cinema is uncertain. Such uncertainty derives from social-historical shifts in meaning, desire and, more generally, cultural norms and values. Shifts in the social meaning of cinema do not undermine filmmaking or film watching as cultural or political activities. But they can undermine business interests that capitalize and sabotage cinema on the assumption that film production, distribution and exhibition are, primarily, capitalist techniques. The capitalist control of cinema as a process of technique falls apart if the relationship between cinema and an already instituted social imaginary is obscure to the point of being non-determinable.

## Author Bio

James McMahon recently defended his dissertation, titled *What Makes Hollywood Run? Capitalist Power, Risk and the Control of Social Creativity*. He is currently teaching at the University of Toronto, Canada.

## Endnotes

- [1] For various theorizations, applications and critiques of the capital-as-power approach, visit <http://bnarchives.yorku.ca/> and <http://www.capitalaspower.com/>
- [2] These examples concerning the aspects of *Star Wars* are protected by copyright were found in the United States Copyright Public Records (<http://cocatalog.loc.gov/>).
- [3] It is not a typographical error that Luke Skywalker is listed as “Luke Starfiller.” Some of the *Star Wars* copyrights were registered as early as 1974 (Star Wars Corporation & Lucasfilm Ltd, 1974).
- [4] For a concise anthropology of capitalization, see (Nitzan and Bichler, 2009:147–166).
- [5] Pokorny and Sedgwick argue that the predilections of an average moviegoer will only last so long, which is why film producers cannot use these predilections as guidelines for future film production. On its own, this argument is perfectly reasonable. However, the problem is that their other arguments imply that the habits and desires of film consumers are unstable from film to film: “... any film production strategy based on the success of single, one-off film projects is doomed to failure. Rather, a more sensible strategy for a rational profit-maximizing film producer is to produce a wide range of films annually, in the hope that at least some of these will produce profits that will compensate for the losses that a large proportion of these films will inevitably generate. That is, we could characterize the successful film studios/distributors as constructing diversified annual portfolios of films, diversified according to production budget and genre, and allocation of stars, directors and screenwriters. The issue, then, is not so much which of the films in the portfolio are profitable, but simply that the portfolio itself is profitable” (Pokorny and Sedgwick, 2012: 188–190).
- [6] For an expanded version of this explanation, see (McMahon, 2013).
- [7] While he was not using the same terms, we can find the germ of this idea in Spinoza’s *Theological-Political Treatise*: “A person’s judgment, admittedly, may be subjected to another’s in many different and sometimes almost unbelievable ways to such an extent that, even though he may not be directly under the other person’s command, he may be so dependent on him that he may properly be said to be under his authority to that extent. Yet, however much skillful methods may accomplish in this respect, these have never succeeded in altogether suppressing men’s awareness that they have a good deal of sense of their own and that their minds differ no less than do their palates” (Spinoza, 2007, chap.20, §2).



- [8] According to Jonathan Rosenbaum, film journalism helps perpetuate the idea that a movie's quality is signified in its financial success. Of concern is a recent trend whereby two film business terms –'turkeys' (bad movies) and 'bombs' (financial disasters)—are conflated in film journalism. This conflation perpetuates a sort of shorthand for the general audience, where a film must be a turkey because financial data in Hollywood tell us it was a bomb (Rosenbaum, 1997).
- [9] For a selection of important film library transfers between 1957 and 2010, see (Vogel, 2011: 104–105).
- [10] In a partnership with Western Electric, Warner Brothers was developing a "sound-on-a-disc" system in 1926. The Fox Film Corporation, which was to merge with Twentieth Century Pictures in the 1935, was the first to develop a means of putting sound on film stock (Hanssen, 2005: 90).
- [11] As Kristin Thompson notes, "In early 1928, Louis B. Mayer declared that he was not worried [about the language problem]; he assumed that the popularity of American films would lead to the use of English as a universal language" (Thompson 1985: 158).
- [12] Data for these two examples, *The Mummy Returns* and *O Brother, Where Art Thou?*, are taken from (Maltby, 2003: 202, 204).
- [13] For a thorough and stimulating examination of the decade when Hollywood embraced New Wave Cinema and the political ideals that inspired it, see (Kirshner, 2012).

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