Is Hollywood a Risky Business? A Political Economic Analysis of Risk and Creativity

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Abstract

This paper seeks to explain why Hollywood's dominant firms are narrowing the scope of creativity in the contemporary period (1980–2015). The largest distributors have sought to prevent the art of filmmaking and its related social relations from becoming financial risks in the pursuit of profit. Major filmed entertainment, my term for the six largest distributors, must discount expected future earnings to present prices with the forward-looking logic of capitalisation; and uncertainty about where creativity in cinema is going can produce financial uncertainty about the future earning potential of new film projects. Conversely, a degree of confidence in the expected future earnings of Hollywood cinema can increase when the art of filmmaking and broader social world of mass culture are ordered by capitalist power [Nitzan, J. and Bichler, S., 2009. *Capital as power: a study of order and creorder*. New York: Routledge]. For the period of 1980–2015, major filmed entertainment lowered its risk relative to the period before, 1960–79. This historical process of risk reduction is the effect of major filmed entertainment making the wide-release strategy (a.k.a., saturation booking) more predictable through an aggressive implementation of the blockbuster style and the high concept standard.

Keywords

Risk; creativity; Hollywood; film distribution; capitalisation

In 2001, a PBS Frontline documentary analysed the behaviour of the contemporary Hollywood film business by interviewing studio executives, film journalists, producers and actors. Titled 'The Monster That Ate Hollywood', the documentary wanted to answer questions such as:

> How do today's Hollywood pictures get made? Who makes the decisions?

> And why are so many big-budget Hollywood movies so disappointing? Have risk-averse conglomerates squelched Hollywood's creativity?[1]

Many of the interviews carried tones of pessimism. In fact, even the Hollywood 'insiders' acknowledged that contemporary Hollywood tended to produce simple, repetitive or unoriginal films. For example, a studio executive complained how the clichéd Hollywood-ending was being forced onto stories, regardless of whether it made any narrative sense (Frontline, 2001).

The PBS documentary also sought to frame Hollywood's creative output within the bigger context of global media. For example, interviewees spoke of how a wave of media conglomeration transformed Hollywood in the 1980s and 1990s. Filmmaking deals were no longer made casually, at parties or over lunch. Instead, the financial probabilities of film projects were now calculated in boardrooms of people who never began their careers as filmmakers or producers. Moreover, many of these financial calculations valued Hollywood films for their strategic positions in a conglomerated system of multimedia investment. Therefore, in order to get a 'green light' for development and production, film projects would now need to be much more amenable to the larger goals of franchising strategies and international consumer trends.

'The Monster that Ate Hollywood' builds a critical perspective of Hollywood's behaviour in the film business, but it also leaves a particular string of questions unanswered:

> Why is there a business interest for simpler, repetitive or unoriginal films? Do capitalists want Hollywood's creativity to stagnate? Is there a creative 'recession' in Hollywood? Would the big studios experiment with more cinematic styles if it had the 'right' creative talent?

[1] As of 12 June 2017 the website for 'The Monster that Ate Hollywood' is still online. Interview transcripts and videos can be found at: http://www.pbs.org/wgbh/pages/frontline/shows/hollywood/

These questions are about the financial goals of Hollywood, but they are also about the political-economic reasons for Hollywood's creativity, or lack thereof. It appears that the Hollywood film business is suddenly much less interested in balancing its pursuit of profit with a desire to make good art. In fact, the present waves of franchise, blockbuster films suggest that the Hollywood film industry is no longer distinguishable from the 'monster' that purportedly ate it.

This paper seeks to explain why Hollywood's dominant firms are narrowing the scope of creativity in the contemporary period (1980–2015). *Major filmed entertainment* – a category for the six largest business interests in Hollywood distribution: Columbia, Disney, Paramount, Twentieth Century Fox, Universal and Warner Bros – attempts to control social creativity such that the art of filmmaking and its related social relations under capitalism do not become *financial risks* in the pursuit of profit. Social creativity has the potential to translate into a financial risk because major filmed entertainment must, like other firms, discount expected future earnings to present prices with the forwardlooking logic of capitalisation; and uncertainty about where creativity in cinema is going can produce financial uncertainty about the future earning potential of new film projects. Conversely, a degree of confidence in the expected future earnings of Hollywood cinema can increase when the art of filmmaking and broader social world of mass culture are ordered by capitalist power (Nitzan & Bichler, 2009). In this cultural environment, limitations are imposed on what cinema can or cannot do, an imposition which in turn allows for the financial trajectory of film projects to become more predictable for those who have a vested interest in future streams of earnings.

For the period of 1980–2015 major filmed entertainment lowered its risk relative to the period before 1960–79. This historical process of risk reduction is the effect of major filmed entertainment using its oligopolistic control of film distribution to make the wide-release strategy (a.k.a., saturation booking) more predictable. Of course, there is much more to cinema, and even contemporary Hollywood cinema, than its widest released films. Yet their theatrical performances have become more predictable through an aggressive implementation of the blockbuster style and the high-concept standard. Thus, major filmed entertainment reshaped some of the movements of the cinematic universe – social relations and all – in order to possess a greater ability to affirm, modify or deny film projects and ideas according to their perceived roles in capital accumulation.

This paper is composed of five sections. The first section explains how I group the financial data of Hollywood's major distributors into one category, *major filmed entertainment*. The next two sections outline how I am using the capital-as-power approach to define and analyse major filmed entertainment's risk reduction. I explain my use of the concepts of capitalisation and risk in the capital-aspower approach, as well as the concept of differential accumulation, Nitzan and Bichler's concept of how capitalised power is understood relatively. The end of the third section demonstrates why the analysis of differential risk reduction is particularly relevant to the political-economic study of the Hollywood film business. Following the sections that outline my methods of research, the fourth section presents my findings on the role of blockbuster cinema and high-concept filmmaking in major filmed entertainment's push to reduce risk. The fifth section uses theatrical revenues, opening theatre distributions and operating income data to demonstrate that major filmed entertainment has been able to increase its degree of confidence in the saturation-booking strategy.

In sections four and five, the reader will notice that many of the figures focus on the US market. This paper is not neglecting the international dimension of Hollywood out of ignorance. Rather, the arguments and the methods of this paper rely on longer historical time series and many of the available time series on theatrical revenues, ticket prices and attendance are US-based. International market data do exist, but either in forms that are too aggregated for this paper's purpose (e.g. total international revenues) or as fragmented pieces (e.g. foreign revenues of single or select films). The next step beyond this paper would involve developing quantitative analyses about the capitalised power of a global Hollywood. Such a step would create a scope of research that could organically incorporate research that focuses on the global influence of Hollywood cinema (Crane, 2014; Jin, 2011; Miller, Govil, McMurria, Maxwell, & Wang, 2005; Trumpbour, 2002). Of particular importance to future research would be to develop datasets to determine the influence of international theatrical markets on the production, distribution and marketing strategies of Hollywood. Contemporary research demonstrates that film executives consciously account for foreign markets when they assess the story and casting decisions of proposed film projects (Mingant, 2015); and perhaps these executives are beginning to give more weight to the risk of failure in foreign markets. Yet a more concrete argument about what the capital-as-power approach could say on this issue is outside the scope of this paper.

Major filmed Entertainment

This section explains how I gathered and organised my financial data on the major Hollywood distributors. As a way to speak about their oligopolistic effects, I use the term major filmed entertainment. As Table 1 shows, this category comprises the six major studios in Hollywood: Twentieth Century Fox, Columbia, Disney, Paramount, Universal and Warner Bros. These studios were key players in the studio era of Hollywood, and they dominated film distribution for the years I am primarily researching (1950–2015).

I have chosen to use 'major filmed entertainment' over other, more commonly used terms, such as 'major film studios' and 'Hollywood film distribution', for two reasons. First, 'major filmed entertainment' is a language marker that helps remind the reader of the political-economic assumptions that frame my empirical research on Hollywood's behaviour and performance. Some of the facts and data have been drawn from other sources in film studies and political economy, but I do not want my terminology to imply that there is an automatic agreement over the theoretical meaning of the data.

Second, 'filmed entertainment' is a term that signifies the scale of the available financial data from 1950 to 2015. The business of cinema has, in the last few decades, diversified its methods of gaining income – e.g. exhibition windows after theatrical exhibition (DVD, Blu-Ray, Internet streaming), intellectual property, franchising – and there are serious obstacles involved in trying to *isolate* the business of cinema in this age of conglomeration. At one end of the scale, we must still distinguish filmed entertainment operations from the different activities of Hollywood's corporate parents. For example, GE acquired NBC

Table 1: Major Filmed Entertainment

Studio[a]	**Parent**[b]	**Financial Data (Source)**
Columbia	Coca-Cola (1982–7);	1950–81 (COMPUSTAT)[c];
	Sony (1989–2015)	1995–2015 (Annual Reports)
Disney		1993–2015 (Annual Reports)
Paramount	Gulf + Western (1966–89);	1950–55, 1957-94 (COMPUSTAT);
	Paramount Communications (1989–94)	1995–2015 (Annual Reports)
	Viacom (1995–2015)	
Twentieth Century Fox	News Corporation (1985–2012);	1951–80, 1982-92 (COMPUSTAT);
	Twenty-First Century Fox (2013–15)	1996–2015 (Annual Reports)
Warner Bros.	Warner Bros.-Seven Arts (1967–69);	1965–66, 1972-88 (COMPUSTAT);
	Kinney National Company (1969–71);	1994–2015 (Annual Reports)
	Warner Communications (1972–89);	
	Time Warner (1990–2015)	
Universal	MCA (1964–89);	1954–89 (COMPUSTAT)
	Matsushita (1990–95);	
	Seagram Inc. (1995–2000);	
	Vivendi (2000–11);	
	GE (2004–12);	
	Comcast (2009–15)	

[a] For histories of the Hollywood film business and profiles of the major studios after the Paramount case of 1948, see Cook (2000); Langford (2010); Maltby (2003); Prince (2000); Wasko (1994, 2003).

[b] For details on the conglomeration and ownership structure of Hollywood, see Bagdikian (2004); Compaine and Gomery (2000); Kunz (2007); Thomas and Nain (2004).

[c] COMPUSTAT was accessed through Wharton Research Data Services.

[d] The relevant annual reports were accessed through company websites, the United States Securities and Exchange Commission EDGAR database and the New York Stock Exchange.

Universal from Vivendi in the early 2000s. For the period when GE had a full or partial stake in media entertainment (Comcast had a 51 per cent stake in NBC Universal from 2009 to 2013), this giant of corporate America was also investing in the business of appliances, aviation, gas, industrial motors, weapons and wind turbines, among others. Consequently, the market capitalisation or net income of GE, the conglomerate firm, gives us far too much noise for our purposes. At the other end of the scale, data for the film studios proper are not always available. 'Filmed entertainment' signifies that some of the data will sometimes include other filmed operations, like television or animation.

Others are also concerned about the difficulties in researching the financial aspects of Hollywood (Leaver, 2010; Wasko, 2003). As a consequence of these limitations, my empirical methods aim to be multi-sided. At the centre of my analysis is a dataset that has accounted for the state of businesssector data in the era of conglomeration (Kunz, 2007; Prince, 2000). As is shown in the third column of Table 1, the source of data changes from COMPUSTAT to annual reports in the early 1990s. This change is made at each point when financial data on the studios are superseded by financial data on the parent conglomerate, as a whole entity. Rather than continue the series with data on the conglomerate parents – which repeats the problem of the GE example above – I have used the conglomerates' annual reports to extract data on each of their filmed entertainment business operations. The advantage of this method is that we can ignore the conglomerates' operations that are not relevant to specific arguments about Hollywood cinema. The disadvantage, however, is that our market capitalisation data end when we switch from COMPUSTAT to annual reports.

Capitalisation and Risk

Older volumes of New Political Economy include articles that have used the capital-as-power approach to study income inequality, food prices and the ownership of public debt in the United States. These respective studies by Brennan (2013), Baines (2014), and Hager (2014), as well as those of others (Cochrane, 2011; Park & Doucette, 2016; Suhail & Phillips, 2012), use Nitzan and Bichler's theorisation of capitalisation to understand capital accumulation as a forward-looking power process. Capitalisation, according to Nitzan and Bichler, is the 'mechanism through which capitalist power is commodified, structured and restructured' (Nitzan & Bichler, 2009, p. 18). As a quantitative, symbolic expression of future expectations, capitalisation also represents 'neither the productivity of the owned artifacts, nor the abstract labour necessary to produce them, but the *power of a corporation's owners*' (Nitzan & Bichler, 2009, p. 8, emphasis in original). In the case of studying the power processes of major filmed entertainment, Nitzan and Bichler's conceptualisation of risk has been particularly useful (McMahon, 2013, 2015). Risk is an 'elementary particle' of capitalisation. Risk is the degree of confidence (inverted) that capitalists have in their discounting of future earnings to present prices (of Hollywood cinema, in this case).

The other 'elementary particles' of capitalisation are earnings, hype and the normal rate of return, which, like a treasury bill or a government bond yield, is a rate of return that 'all capitalists believe they deserve' at minimum (Nitzan & Bichler, 2009, p. 239).[2] The relationship between these four variables

[2] The normal rate of return can fluctuate, but, according to Nitzan and Bichler, this rate is perceived as 'normal' because state power has made this a universal condition of

can be presented this way:

$$K_t = \frac{E \times H}{\delta \times r_c} \tag{1}$$

Capitalisation at any given time (K_t) is equal to the discounted value of future earnings (E) multiplied by hype (H), which measures the extent to which capitalists are 'overly optimistic or overly pessimistic about future earnings' (Nitzan & Bichler, 2009, p. 189). The numerator is discounted by two variables: a rate of return that capitalists feel they can confidently get (r_c) and the risk coefficient (δ). Because risk is in the denominator, a smaller δ indicates a greater degree of confidence and therefore a larger capitalisation, and a larger δ indicates the opposite. If, for instance, there is growing uncertainty about the size and pattern of a future stream of earnings, δ will increase and the asset in question will be discounted to a lower present price.[3]

In the context of accumulating capital from cinema, risk measures the degree of confidence investors have in future relationships between accumulation strategies, filmmaking strategies and their financial consequences (McMahon, 2013, 2015). Furthermore, since risk perceptions are a major component of capitalisation, *reducing* risk is a major driver of accumulation. This reduction is accomplished by making the articulation and determination of the world of cinema *ever more predictable.*

The future is, of course, always unknown. Yet major filmed entertainment, like other business enterprises, translates its con-

business – e.g. government bonds guarantee a return that capitalists can then seek to beat through private investment. In fact, the normal rate of return is a foundation for strategic sabotage: if your firm cannot make a 'reasonable profit' – i.e. something as least as high as the 'normal' rate – limit production or shut down. For more on the power underpinnings of the normal rate of return, see (Nitzan & Bichler, 2009, p. 243-48).

[3] For an expanded version of this explanation, see McMahon (2013); Nitzan and Bichler (2009).

trol of industry and the historical trajectories of society into forecasted instrumental calculations about its claims of ownership. If we break down the overall confidence of major filmed entertainment into smaller building blocks of means and ends, we acquire a keener sense of how strategic questions about the control of social creativity will underpin the capitalisation of cinema. For example: which film projects should be nurtured, developed and then green lit for production? Which film ideas should be rejected, and according to what criteria? Should creativity in filmmaking obey standards about form and content, and, if so, what should these standards be and how should they be instituted? What will happen to earnings if filmmakers are allowed to explore new ideas or experiment with untested filmmaking techniques? Will consumers welcome – i.e. pay for – forms of cinema that engage with social taboos or controversial subjects? What about political films? Overall, will people pay to watch what we decide to make? Can we *make* them pay – and if so, how?

In the contemporary era of the Hollywood film business, these and other questions about the artistic trends of filmmaking relate to the risk of overproduction. Figure 1 helps explain why. Panel A presents the yearly total of all films released in America, as well as a series that counts the number of films released by major filmed entertainment. The series in Panel B measures US yearly theatrical attendance per capita. After a sharp decline that was most likely caused by the advent of television, US attendance per capita has stayed at roughly the same level since the 1960s. Thus, the juxtaposition of Panels A and B illustrates how reducing the risk of overproduction would 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 four or five films in theatres per year. Moreover, the contemporary problem for major filmed entertainment might be to determine which four or five films the average moviegoer sees; and more specifically, 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, but the data on US attendance per capita can explain why major filmed entertainment is attempting to redistribute attendance upwards, to their own blockbusters (Cucco, 2009).

Differential Accumulation and the Study of Differential Risk

Differential accumulation is rooted in the relative differences between magnitudes of capitalisation (Nitzan, 2001; Nitzan & Bichler, 2009). For example, on 16 January 2015, Apple's market capitalisation ($622.8 billion) was 1.6 times larger than Google's ($383.8 billion), and Google's was 2.3 times larger than Disney's ($160 billion). Taken at a single point in time, these multiples are static measures of differential capitalisation. Differential accumulation measures how differential capitalisation changes over time. Firms accumulate differentially when their capitalisation rises faster than that of others and 'their distributive share' becomes 'bigger and bigger' (Nitzan, 2001, p. 230).

Similarly to how capitalisation can be broken down into elementary particles, differential accumulation can be broken down into the elements of differential capitalisation (Nitzan & Bichler,

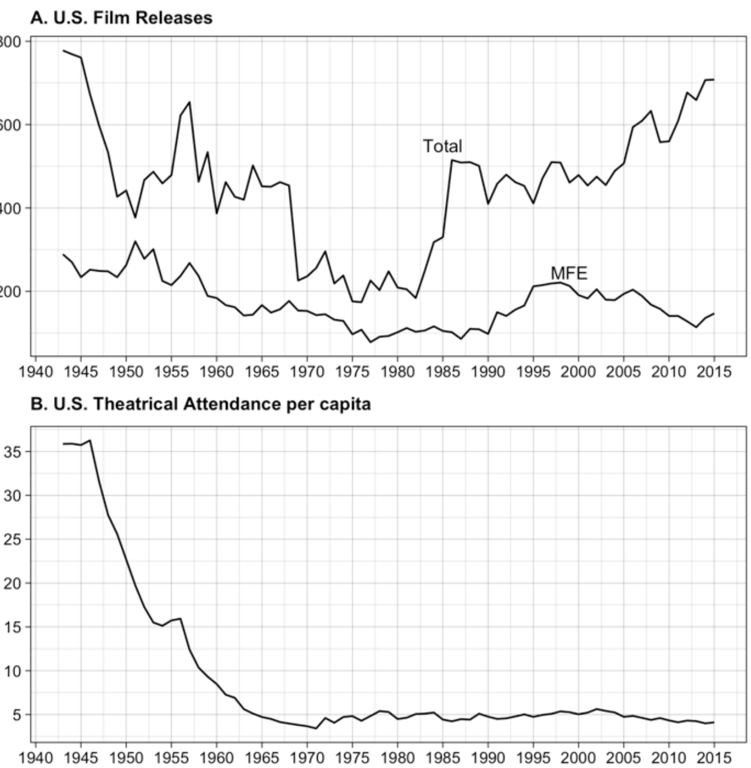

Figure 1: *Theatrical releases in the US and theatrical attendance per capita*

Note: For 1943–59, attendance per capita = (total box-office receipts/average ticket price)/US population.
Sources: (Finler, 2003, p. 376–7) for box-office receipts from 1943 to 1959; 'Appendix: A Hollywood Timeline, 1960–2004,' in (Bordwell, 2006, p. 191–242) for total attendance 1960–2004; http://natoonline.org/data/admissions/ for attendance 2005– 12. Global Insight for total United States population. (Finler, 2003, p. 376-7) for total US releases from 1933 to 2002; MPAA Theatrical Market Statistics for total US releases from 2003 to 2015.

2009, p. 327):

$$DK = \frac{K_a}{K_b} = \frac{\frac{E_a}{E_b} \times \frac{H_a}{H_b}}{\frac{\delta_a}{\delta_b}} \tag{2}$$

Like Equation 1, Equation 2 deconstructs capitalisation into future earnings, hype and risk. The normal rate of return is effectively cancelled out because it is common to the capitalisation of both the entity in question (a) and the benchmark to which it is compared (b).[4] By making each element the ratio of two entities, Equation 2 shows us how the capitalisation of a can rise faster than the through a rise in differential profit ($\dot{E}_a > \dot{E}_b$), a rise in differential hype ($\dot{H}_a > \dot{H}_b$) or a *decrease* in differential risk ($\dot{\delta}_a < \dot{\delta}_b$).

To investigate how major Hollywood firms can differentially accumulate through a decrease in differential risk, this paper places major filmed entertainment in the numerator (δ_a) and dominant capital as a whole in the denominator (δ_b). Dominant capital is defined, for each year, as the top 500 firms on COMPUSTAT, sorted by the market capitalisation of all firms that are listed, but not necessarily incorporated, in the United States. This 500-firm index of dominant capital is meant to be similar to the S&P 500, which is a standard benchmark for the performance of large US-based corporations.

Conducting political-economic research on a differential measure of risk lets us inquire how a firm or group of firms, like major filmed entertainment, lowers its risk at a faster rate than others. In fact, the relationship between risk reduction and Hollywood's efforts to differentially accumulate is an important research topic for two reasons.

[4] The entities a and b do not necessarily have to be single firms; they can be the total or average capitalization of a set of firms.

First, major filmed entertainment's differential profits cannot explain the surge in differential capitalisation from 1980 to 1994. The darker line in Figure 2 plots the differential market capitalisation of major filmed entertainment from 1950 to 1994. Here, the average market capitalisation of major filmed entertainment is benchmarked against the average for dominant capital as a whole. As was mentioned when we first introduced the term 'major filmed entertainment', the capitalisation data for this group end at 1994 (from this point onward, available data pertain to the market capitalisation of Hollywood's *parent* conglomerates, rather than the *subsidiaries* we are interested in). The other series in Figure 2 measures the differential operating income of major filmed entertainment, which is likewise benchmarked against dominant capital. Unlike market capitalisation, this series is available for the entire 1950–2015 period. Overall, Figure 2 demonstrates that, for the years for which there are data for both series, the differential earnings of major filmed entertainment are insufficient to explain its differential capitalisation. Most significantly, differential earnings declined from 1980 to 1994, while differential capitalisation soared. Although there can be no comparison made for years subsequent to 1994, it is clear that differential capitalisation depends not only on earnings, but also – and possibly far more so – on differential risk.

Second, risk reduction is a corollary of the tricky relationship between major filmed entertainment's distribution strategies and its broader social effects. In particular, this group of firms often stagnates its output and is involved (with film exhibitors) in the inflation of ticket prices. Yet as stagnation of output and inflation of pries occur, major filmed entertainment

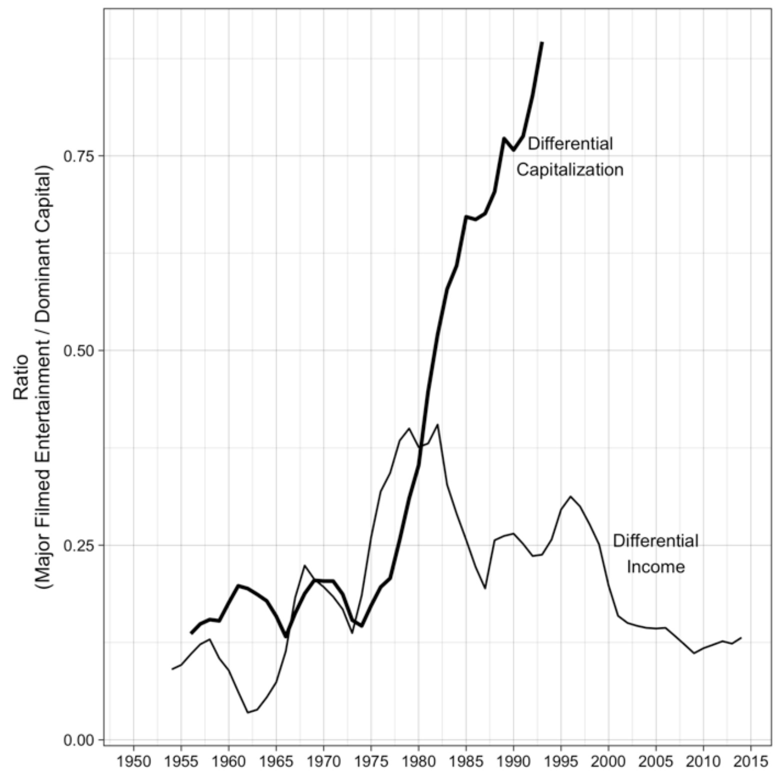

Figure 2: *Differential capitalisation and differential operating income of major filmed entertainment*

Note: Both series are 5-year trailing averages. See Table 1 for details to explain why differential capitalisation ends at 1993.
Sources: COMPUSTAT through WRDS for common shares outstanding (CSHO) and Price (PRCC_F) of Major Filmed Entertainment, 1950–93. COMPUSTAT through WRDS for operating income, common shares outstanding (CSHO) and Price (PRCC_F) of Dominant Capital 500, 1950–93. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993–2015.

also depends on the habitual return of audiences for the newest output, especially for summer and holiday blockbusters. From the theoretical perspective of the capital-as-power approach, major filmed entertainment's behaviour would be categorised as a depth strategy (Nitzan & Bichler, 2009). As one of the general means of differential accumulation, the strategies of depth involve stagflation (stagnant growth + inflation) and cost cutting. Firms are not eternally bound to use depth strategies. Another type of strategy is accumulation through breadth, which seeks to increase the organisational size of a firm and involves green-field investment and mergers and acquisitions Bichler and Nitzan (2013); Francis (2013); Nitzan and Bichler (2009). In contrast to breadth, accumulation through depth can put a greater stress on capitalism's social hierarchies and inequalities: a firm might attempt to sell a commodity with a bigger markup; a firm might try to depress industrial production below its technological capacity to meet social needs; a firm might cut wages or lay off a part of its workforce. These strategies are all contentious and conflictual, making differential accumulation through depth a 'seemingly far more risky [strategy] than breadth' (Nitzan & Bichler, 2009, p. 19).

The goal of accumulation through depth is to increase the elemental power per 'unit of organisation' – e.g. increase earnings per employee (Nitzan and Bichler 2009). In Hollywood's case, its strategy to accumulate through depth involves increasing earnings per film during periods when the rate of film releases is stagnating or even decreasing. Moreover, earnings per film is a representation of the elemental power that Hollywood has over the consumer, who may or may not consume from a smaller pool of films or who may or may not pay higher ticket prices. For added clarity, the place of earnings per film in the overall earnings of major filmed entertainment can be presented algebraically:

$$MFE_e = \frac{earnings}{films} \times films = earnings_{perfilm} \times films \quad (3)$$

As Equation 3 helps us see, a decrease in the number of films is not automatically trouble for major filmed entertainment. By increasing earnings at a rate higher than the rate of decrease in the number of films earnings per film can fuel a successful depth strategy.

Figure 3 estimates the relationship between major filmed entertainment's differential profits and its use of the depth strategy. Panel A of Figure 3 measures the average differential operating income of major filmed entertainment (relative to dominant capital as a whole). Panel B shows the rates of changes of two series: major filmed entertainment's annual film releases and the mean 'real' US ticket price (avg. US ticket price/US CPI). The shaded areas cover periods when either the mean 'real' US ticket price inflated consecutively, for a minimum of three years, or when the per cent change of film releases was negative, consecutively for a minimum of three years. The darker grey bars indicate when these two processes occurred simultaneously (i.e. stagnation + inflation).

In the midst of its depth strategy, major filmed entertainment relies on the stability of the social relations that underpin its confidence (Bichler & Nitzan, 2010; Kliman, 2011). Otherwise, stagnant output and rising ticket prices can engender consumer frustration. A limited number of films, for instance, might not be sufficient to satisfy the desires and habits of moviegoers; or the quality of Hollywood films might not be 'worth it'

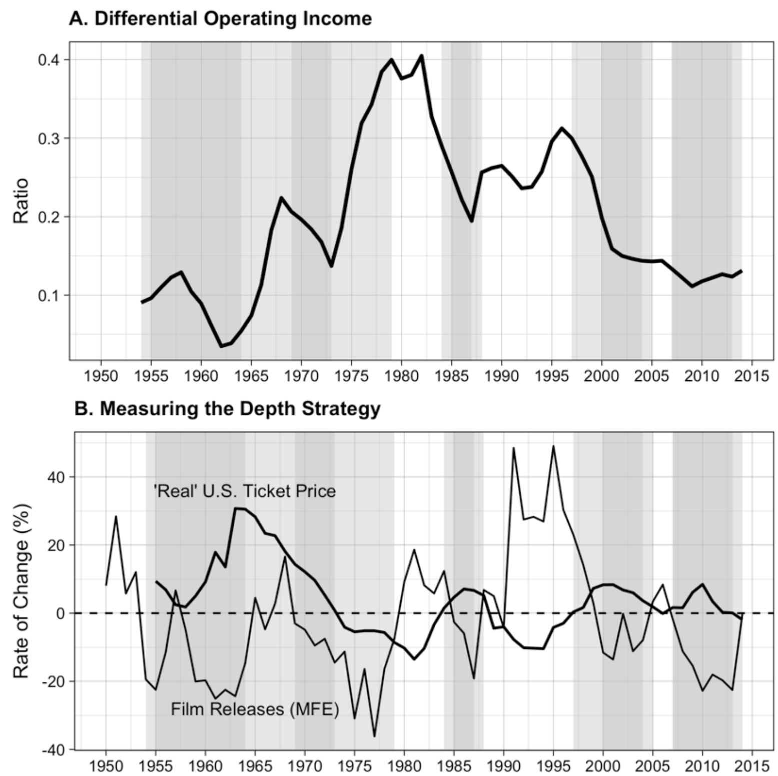

Figure 3: *Differential profits and major filmed entertainment's depth strategy*

Note: Differential profit in Panel A is a 5-year trailing average. Both series in Panel B are per cent changes from 5-year trailing averages.
Sources: COMPUSTAT through WRDS for operating income of Major Filmed Entertainment, 1950–92. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993–2013. (Finler, 2003, p. 376–7) for total US releases from 1933 to 2002; MPAA Theatrical Market Statistics for total US releases from 2003 to 2015. Box-Office Mojo (boxofficemojo.com/about/adjuster.htm) and NATO Online (natoonline.org/data/ticket-price/) for US ticket prices, 1960–2015.

when ticket prices inflate. Thus, it is always possible that consumers will see even fewer films in the future, or that they will become tired of Hollywood concentrating on blockbuster cinema at the expense of so many other possibilities in filmmaking. Like Machiavelli's (1999) prince, major filmed entertainment must pursue its own particular goals, but without losing the hearts and minds of its 'people'.

Making Saturation Booking More Predictable

This section analyses some of the key details behind major filmed entertainment's systematic reduction of its risk, both absolutely and differentially. From 1980 to 2015, major filmed entertainment has been successful at increasing the predictability of its theatrical revenues, which are still good predictors to how films perform later, when they are no longer in theatres and distributed on other platforms (Elberse, 2013, p. 25). To be sure, higher levels of operating profits would be desirable as well – assuming that volatility does not increase – but the distribution of blockbuster-type films for large theatrical openings has at least given major filmed entertainment a greater degree of confidence. As will be shown, major filmed entertainment has been using, from the early 1980s to 2015, the blockbuster style and the high-concept standard to develop a 'saturation-booking' strategy that more consistently outperformed films that were released in fewer theatres.

Saturation booking is the distribution strategy to give some films wide theatrical openings in multiple markets. Saturation booking starts on opening day, continues on opening weekend and remains in place for as long as a film is popular in cities and towns all over the country. This is a well-known strategy of contemporary Hollywood, but the risk perceptions of major filmed entertainment relate to its successful application. For instance, Hollywood must decide how many big-budget films it will produce or finance – all in the hopes that each one will become a hit at the box office. Moreover, executives, managers and producers must, in the interest of future income, ask questions that underpin the capitalisation of film projects. For instance, what type of film can reach the highest revenues plateau? Does it matter if a film opens in ten theatres, 100 theatres or 1,000? Which stories or ideas will get big production budgets? Which film projects should go to blockbuster levels and open in more than 3,000 theatres? Because there is not 100 per cent certainty about the future behaviour of moviegoers, these questions all relate to risk management. Furthermore, a wide-release strategy is not simply designed to accumulate big revenues; it is designed to accumulate them *as quickly as possible* (Elberse, 2013).

The following analyses of blockbusters and high concept are analytically separated, even if they are complementary in real life (the blockbuster film is often high concept and vice versa). This separation allows us to see that a lower risk saturation-booking strategy is a historical development. The latest wave of franchise cinema, for example, is an even stronger push to make wide-release distribution even more predictable.

The Blockbuster Effect

Blockbuster cinema, which first emerged in the 1970s, is different from 'event' films of the past. Hollywood films before the 1970s, no matter how big in production value and grand in scale or imagination, did not get wide releases through simultaneous exhibition – saturation booking was only used for exploitation and pornographic films. Instead, a pre-1970 Hollywood film moved through a tiered system that staggered the exhibition schedule. ‘First-run’ theatres – movie theatres in metropolitan centres – would get the film first.[5] Only when the ‘first-run’ was complete would the film move on to the second tier, and so on down the line. The actor and director Tom Laughlin broke this convention in 1971. By using the saturation-booking method for his own Hollywood film, *Billy Jack*, Laughlin helped usher out the classical system of exhibition, which still carried on after the 1948 Supreme Court decision forced major filmed entertainment to divest its movie-theatre holdings (Litman, 1998; Schatz, 2008).

The relevance of blockbuster cinema to the risk perceptions of saturation booking can be understood dialectically: a more effective use of the saturation-booking strategy was an eventual solution to the early shortcomings of saturation booking in the 1970s.[6] Look beyond the two most obvious financial successes of the 1970s – *Jaws* and *Star Wars* – and there are examples

[5] While a tiered system was certainly in place, ‘first-run’ theatres lost some of their advantages after 1948. For example, there was no longer a ticket-price difference between ‘first-run’ theatres and lower tiered ones – most likely due to the post-1948 decline of double features (i.e. tickets that count for two back-to-back films). Also, the ‘clearance’ tactic – where major studios would remove a film from all theatres for a block of time between its ‘first-run’ exhibition and its ‘second-run’ – was deemed illegal in the Supreme Court case against Paramount and the other major studios (Waterman, 2005, p. 57).

[6] “Spirit gains its truth only through finding itself within absolute rupture. Spirit is that power not as a positive which turns away from the negative, as when we say of something that it is nothing or false, and having thus finished with it we turn to something else; rather, spirit is that power only in so far as it looks the negative in the face and dwells in it. This dwelling is the magic force which converts the negative into being.” (Hegel, 2005, p. 129) Yirmiyahu Yovel, in his running commentary on Hegel’s ‘Preface’ to the Phenomenology, describes the self-reflective nature of Reason: “It is essential for knowledge to separate itself from the object and thus introduce falsity as a condition of the eventual reidentification.” (Hegel, 2005, p. 141)

of this decade having qualities that undermined the interests of major filmed entertainment. First, if blockbusters were to be high-octane fuel for the big engine of saturation booking, major filmed entertainment would need to learn how to design enough 'must-see' films for the top financial tier. This lesson was first taught in 1976, the year that was sandwiched between *Jaws* and *Star Wars*. *Jaws* created a new pecuniary standard for high-grossing films, and in this environment, the great financial success of *Rocky* – the highest grossing film in 1976 – was, as Cook describes, 'puzzling and unnerving' (2000, p. 52). *Rocky* was a low-budget project that featured, at the time, a cast of unknown actors. Its unexpected success twisted the knife in the side of designed-to-be-blockbuster films such as *King Kong* (1976) and *The Deep* (1977), two films that could not repeat the financial success of Jaws (Cook, 2000, p. 44).

Second, if the blockbuster style was going to be a mainstay for years to come, major filmed entertainment needed the 'right' type of creativity. Two young directors at the time, Steven Spielberg and George Lucas, were certainly proving their worth early on, but many of their contemporaries in the late 1970s were making auteur/blockbuster hybrids that proved to be incompatible with the wide-release strategy. On the one hand, the production costs of films such as Kubrick's *Barry Lyndon*, Peckinpah's *Convoy*, Friedkin's *Sorcerer*, Coppola's *Apocalypse Now*, Scorsese's *New York, New York* and Cimino's *Heaven's Gate* were far too big for a small-release strategy to be profitable; on the other hand, the form and content of these films were also too esoteric to ever reach the revenues plateau of a *Jaws* or a *Star Wars* (Bach, 1985; Cook, 2000; Wyatt, 1994).

Figure 4 helps illustrate the transformation from the 1970s to the current era of Hollywood cinema, 1980–2015. The figure is a proxy for the consumer habits of American cinema. It presents the volatility of attendance for both the top three and top five films per year. Volatility is computed in two steps. For both the top three and the top five films per year, total attendance in persons were converted to their annual growth rates, from the 1940s to 2015. The series shown in Figure 4 are the result of the second step. They are 20-year rolling standard deviations of the computed annual growth rates in theatrical attendance. In other words, each point in the standard-deviation series calculates the *spread* of change for the previous 20 years of theatrical attendance. The larger the standard deviation, the higher volatility the rate of change of attendance.

Interestingly, the volatility of attendance in the 1970s, the first decade of blockbuster cinema, was similar to that of the 1960s and even the mid-1950s – two periods when saturation booking was not yet a Hollywood strategy. Thus, we can surmise that, even if the release of *Jaws* in 1975 was the first big success of saturation booking, the related degree of confidence had not yet begun to increase. To be sure, having single-handedly pulled in around 128 million attendances in the United States, *Jaws* was an example to be mimicked immediately. Justin Wyatt describes the saturation-booking strategy that followed on its heels:

> Following *Jaws*, high quality studio films developed even broader saturation releases; in 1976, *King Kong* (with a 961 theater opening); in 1977, *The Heretic: Exorcist II* (703 theaters), *The Deep* (800 theaters), *Saturday Night Fever* (726 theaters); in 1978, *Grease* (902 theaters) and *Star Trek – The Motion Picture* (856 theaters) continued to expand the pattern of sat-

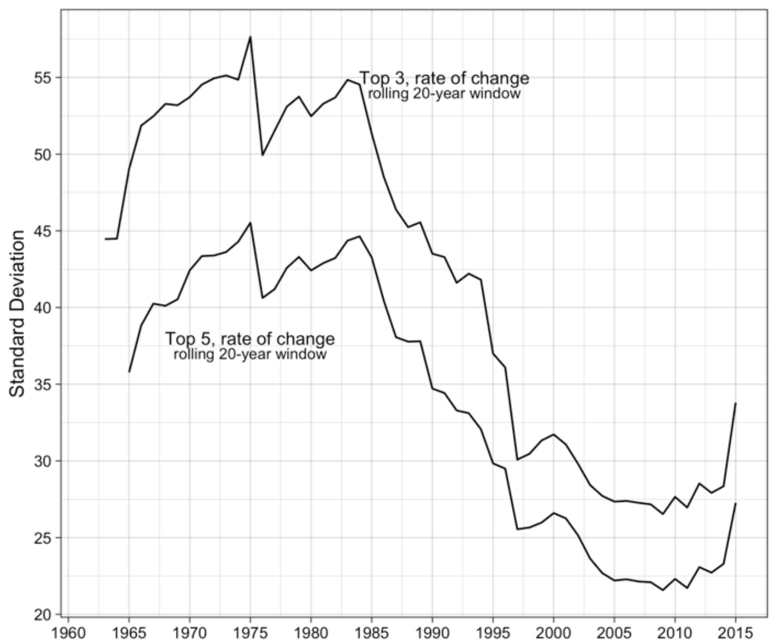

Figure 4: *Volatility of US theatrical attendance: top three and top five films*

Notes: Attendance = Total US gross revenues of the top three films/average US ticket price. Each series is a 20-year trailing standard deviation of annual per cent rates of changes (e.g. 1980 = standard deviation of the rates of changes from 1961 to 1980)
Sources: Source: Bradley Schauer and David Bordwell, 'Appendix: A Hollywood Timeline, 1960–2004,' (Bordwell, 2006, p. 191–242). For years not covered in Schauer and Bordwell, see www.boxofficemojo.com for yearly gross revenues of individual films and National Association of Theatre Owners for average US ticket price (http://natoonline.org/data/ticketprice/)

> uration release and intense television advertising. (Wyatt, 1994, p. 112)

Despite this flurry of wide releases, however, Figure 4 illustrates that there is still a difference between the 1970s – a decade when blockbuster cinema was still in its infancy – and the contemporary period from 1980 to the present – a time when blockbuster cinema has become Hollywood's predominant style. The two series – 'Top 3' and 'Top 5' – both start their decline in the 1980s and reach their lowest levels in the 2000s. For example, the 20-year standard deviation for the attendance growth rate of the top three films in 2011 was 48 per cent smaller than the standard deviation in 1980. The significance of the spike in volatility in 2015 will be analysed in a future paper.

The High-concept Standard

Over the past three decades, major filmed entertainment's growing preference for high-concept films went hand in hand with its search for films that would likely succeed as wide releases. High-concept cinema in Hollywood involves the simplification of a film's message for marketing purposes. This strategy first emerged in the late 1970s, when the project of 'New' Hollywood waned (Berliner, 2011; Kirshner, 2012; Wyatt, 1994). At times, the socially charged films of New Hollywood could become popular box-office hits, but the volatilities of their revenues and operating profits were also high. By excising the complexity, ambiguity and, dare we say, politics from the aesthetic intentions of New Hollywood, the application of high-concept cinema was a way for major filmed entertainment to realign the aesthetics of its films with the contemporary strategies of saturation booking and blockbuster cinema.

'High concept' is simultaneously an aesthetic and business term. It refers to a style of filmmaking that assumes that the essence of a film is broadly marketable when its main idea is as simple and straightforward as possible (Wyatt, 1994). According to the logic of high concept, the idea of a film should be communicated easily, as a modern audience is likely to discover upcoming films through trailers and other advertisements. Thus, because of its aesthetic design, short descriptions adequately represent what high-concept films are about. (It may already appear that 'low concept' is a more appropriate term; however, 'high concept' is the term used by the film business.)

Who exactly invented high concept has yet to be settled. Justin Wyatt notes that some people credit Barry Diller, while others point to Michael Eisner. Diller first used the high-concept standard when he was a programming executive for ABC television. He 'approved those projects which could be sold in a single sentence' (Wyatt, 1994, p. 8). Eisner first practised high concept when he was a creative executive for Paramount (he later moved to Disney). For Eisner, it was also about whether a film could be summarised briefly (Wyatt, 1994, p. 8). Regardless of its exact origin, high concept became a standard in Hollywood 'pitch' meetings, which usually give writers or filmmakers only about 20 minutes to sell their idea or script to a producer or development executive (Elsbach & Kramer, 2003, p. 286). For example, Steven Spielberg, the most financially successful director in contemporary Hollywood and an executive producer of many films, uses the high-concept style to bridge pitched ideas and their hypothetical final products, the films themselves: 'If a person can tell me the idea in 25 words or less, it's going to make a pretty good movie. I like ideas, especially movie ideas, that you can hold in your hand' (quoted in Wyatt, 1994, p. 13).

In a high-concept film, one will find character types, a simple narrative or a take-away image or style – and sometimes all three of these elements. As Wyatt observes, the elements of high-concept cinema come together such that they weaken our identification with character and narrative. Instead of building a complicated relationship between subject and object,

> the viewer [of a high-concept film] becomes sewn into the 'surface' of the film, contemplating the style of the narrative and the production. The excess created through such channels as the production design, stars, music, and promotional apparati, all of which are so important to high concept, enhances the appreciation of the films' surface qualities. (Wyatt, 1994, p. 60)

But how does high-concept filmmaking reduce risk? On the surface, the answer seems apparent: high-concept films are less risky because their stories are simpler and more straightforward, and the superficial style – be it through the marketing of a star, the music or even the look of the film – is a quick and easy 'argument' about why moviegoers should see a film. While this may be partly true, it is merely the first step. In order to understand the financial appeal of simplicity, we need to historicise the social relationship between filmmaking and film consumption.

High-concept filmmaking helps increase major filmed entertainment's degree of confidence because it has become a socially accepted style of cinema. Not every Hollywood film is high concept, nor is every film of this type wildly popular. Rather, the general persistence of high-concept films shapes and reinforces social expectations about what cinema should and should not be. If the belief that movies should be simple and straightforward is strongly held by managers, producers, directors, screenwriters, actors, artists and consumers, major filmed entertainment can capitalise, with greater confidence, its expectations about the future earnings of the high-concept strategy. For example, Hollywood needs to translate artistic qualities into projections about consumer behaviour when it searches for projects that have the potential to become 'four-quadrant' films: 'films appealing to young and old as well as male and female moviegoers' (Elberse, 2013, p. 16). This translation of society-wide consumer behaviour into financial expectations is less uncertain when the political-economic foundations of mass culture are reinforcing the types of films Hollywood wants to be successful and disadvantaging filmmakers and audiences that wish that filmmaking re-discovered the artistic depths of cinema (Adorno, 1997, p. 269).[7]

Moreover, the wide social acceptance of high-concept cinema can become self-fulfilling and justify the levels of creative control in the Hollywood film business. For instance, the Hollywood star system is commonly used to develop a film project that can be sold in one or two sentences. The use of well-known stars, whose fame has come from repeatedly playing certain character types, gives a film a 'certain pre-sold identity' (Wyatt, 1994, p. 24). Thus, major filmed entertainment can use the star system to guarantee that the film projects will follow through on their promises. If an advertisement suggests that I keep holding on to my idea of what a typical Julia Roberts film is, it is also promising that this particular Julia Roberts film, the one being advertised, will deliver the goods; it will be what I already expect

[7] With respect to the pursuit of alternative narrative styles, for example, Iranian filmmaker Abbas Kiarostami highlights Hollywood's problematic effects on the way we watch films: '...we want to follow everything or we think the film has failed' (Baumbach, 2014).

it to be.

What sort of empirical evidence can we offer in support of our arguments about risk and high-concept filmmaking? Wyatt uses US theatrical revenue data to demonstrate that 'high concept lowers the risk and uncertainty within the movie marketplace' (Wyatt, 1994, p. 172). Such an argument supports the claims of this section, but Wyatt acknowledges that his multi-variable method is limited. In order to construct a multi-variable regression, Wyatt treats films as being composites of smaller entities, whereby each entity is a variable in the production of the film's revenues. Variables include: 'stars, bankable director, merchandising tie-ins, and genre'. Unfortunately, these variables produce a statistical model that 'works most successfully with genre-bound, linear narrative and pre-packaged films – all categories which overlap with high concept' (Wyatt, 1994, p. 172).

As an alternative method, we can treat high concept as one world in a larger cinematic universe. As was established in Figure 1, US theatrical attendance per capita has remained at roughly the same level for over 50 years. If we treat this relatively stable moviegoing habit as an outer limit of American moviegoing, we can ask how much of average movie consumption (∼4–5 films per year) goes to high-concept films. If US theatrical attendance per capita of high-concept films has increased, we can conclude that these films would be perceived to possess greater strength in the social context of American theatrical exhibition. In other words, the strength of Hollywood's key aesthetic style can be an indication of its future longevity in theatres across the country, especially if there are no foreseeable changes to the habits of movie consumption.

Figure 5 presents data on US franchise films, a term denoting a film that has the copyrights to exploit images, characters, environments and stories of intellectual property (e.g. James Bond, Ghostbusters, Indiana Jones, Jurassic Park, Marvel superheroes and Harry Potter). The dataset of franchise films is produced from the list of films that Box Office Mojo, a popular website for theatrical revenue data, lists in its 'Franchise Index'. There are different ways for a film to be considered a franchise film. A film can be based on intellectual property that originated in another form of media, such as literature, television shows and comic books. The production of sequels or 'spin-offs' can also create or extend a film franchise.

Not every high-concept film is a franchise, but all film franchises are high concept. A typical franchise film is reducible to its marketable element, which is often one or many of its characters. This marketable element is the franchise film's essence because the franchise is primarily designed to carry its theatrical success to or from other channels: television, novels, fast-food chains, toys and video games (Drake, 2008, p. 77). Additionally, if a franchise pre-exists its cinematic form, a film version of the franchise is its own shorthand advertisement, as the essential idea has been pre-sold to its audience through other media.

Figure 5, Panel A plots the attendance per capita of franchise films (the dark line is smoothed as a five-year trailing average). The dotted series is our upper boundary, the total US attendance per capita. We already know that the average American moviegoer is not seeing more films per year, but we can now state that more of her ∼4–5 films per year goes to the franchise films that Hollywood distributes. With respect to major filmed entertainment's releases, Panel B shows that it is an increase in franchise film production that is pushing franchise films

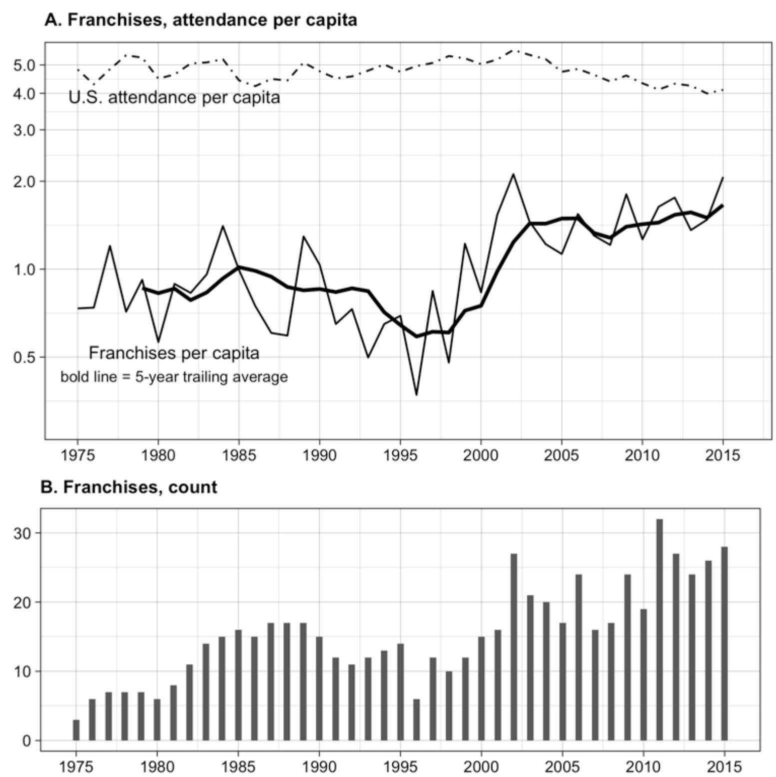

Figure 5: *Franchise films, 1975–2015: attendance per capita and number of releases*

Notes: All series are 5-year trailing averages. Attendance = total US gross revenues/average US ticket price.
Sources: www.boxofficemojo.com for yearly gross revenues of individual films: http://www.boxofficemojo.com/franchises/ for franchise films and http://www.boxofficemojo.com/genres/chart/?id=foreign.htm for foreign language; National Association of Theatre Owners for average US ticket price (http://natoonline.org/data/ticket-price/). Global Insight for total United States population.

to higher heights of popularity. Thus, franchise films have also grown proportionally, as a share of major filmed entertainment's total output (Figures 1 and 3).

The strength of consumer dedication to high-concept cinema can also be analysed indirectly. As film critic Jonathan Rosenbaum often argues, we have grown comfortable with a Hollywood system that works to perpetuate our ignorance of what else is out there, in the larger universe of cinema (Rosenbaum, 1997, 2000). Thus, to get a better sense of how American cinematic habits are narrowing, we need to answer another question: what is the average American not watching? My analysis of theatrical revenue data shows that foreign-language films are not even in competition for American attendance; they are generally ignored and relegated to a minor league. US attendance per capita for foreign-language films is so low that only a small proportion of Americans bother to see even one foreign-language film per year. Some readers might already know this last fact about the unpopularity of foreign-language films in America. However, when examined more closely, low American attendance for foreign-language films says something important about the degree of confidence of major filmed entertainment. There have been four flash increases in American attendance for foreign-language films – 1998, 2000, 2004 and 2006 – but these short-term increases were the result of four films that were distributed by major filmed entertainment's subsidiaries. The films, distributors and the corporate parents of the distributors are *Life is Beautiful* (1998, Miramax, at the time owned by Disney), *Crouching Tiger, Hidden Dragon* (2000, Sony Pictures Classics, Sony), *Hero* (2004, Miramax) and *Pan's Labyrinth* (2006, Picturehouse, Time Warner). All four films are part of Hollywood's aggressive-but-common strategy to invest and over-inflate the artistic merits of its pick of films. *Life is Beautiful*, *Crouching Tiger, Hidden Dragon* and *Pan's Labyrinth* won awards at the Golden Globes and the Oscars, and distributors such as Miramax and Sony Pictures Classics have been known for stubbornly preferring foreign-language films that can be easily tailored for the tastes of North American audiences (McDonald, 2009).

In fact, the attempt to redistribute attendance upwards, to the widest released films, is negatively affecting Hollywood's own branch of artistic cinema, which often competes with many foreign-language films for awards and status. In the time since *Hero* and *Pan's Labyrinth*, major filmed entertainment has closed some of its independent, more artistically minded cinema divisions (Ortner, 2013). Furthermore, the budget range of $20 million to $85 million has become in Hollywood, according to director Steven Soderbergh, a 'dead zone'. It is possible for an art film to find financing below $20 million – although even that might be too generous – but a budget above $85 million is not even a conceivable possibility. 'Above the 85 range you're into sort of the physically big movies that probably have movie stars in them or have some *high concept* behind them that they can sell' (Soderbergh, 2010, p. 62, emphasis mine).

Figure 6 focuses on a dimension of Hollywood's change to artistic output by plotting the attendance of the winner and nominees for the Academy Award for Best Picture. The line series is a three-year moving average of the attendance for Best Picture winners and the box plots show the spread of attendance for the nominees in set intervals (1980–9, 1990–9, 2000–8, 2009–15). Since the win of *Titanic* in 1997, there has been a steady decline in theatrical attendance for films that won an

Oscar for best picture. Interestingly, this decline might explain why in 2009 the Academy increased the number of films to be nominated per year, from five to nine. From 1970 to 2009, the winner was always above the 50th percentile of Best Picture attendance, while the nominees would create a spread between popular films (over 50 million in attendance) to films that got much less (less than 5 million). In the years from 2009 to 2015, the spread of nominees is similar but much wider, and the addition of more nominees is now being used to counter-balance the significant decline in attendance for the winners, which are now below the 50th percentile in Best Picture attendance. For example, the attendances for such nominees as *Avatar*, *Up*, *Inception*, *Toy Story 3*, *American Sniper*, *Gravity* and *The Blind Side* are all at least five times larger than the attendances of such winners as *12 Years a Slave*, *The Artist*, *Spotlight* and *Birdman or (The Unexpected Virtue of Ignorance)*.

Increasing the Degree of Confidence in Saturation Booking

The sector-wide institution of saturation booking has modified major filmed entertainment's orientation to risk and the social world of cinema. In other words, even if major filmed entertainment has always sought to control the creation and consumption of films for pecuniary ends, the nature of the saturation-booking strategy compelled Hollywood to add another consideration to its predictions about the expected earnings of a film. Saturation booking is not applied to every film. The Hollywood film business must now decide, on the basis of what it thinks will be popular, which films will be given wide theatrical releases. The tiered exhibition system of classical Hollywood may be no more, but some contemporary films will only ever get 'platform' releases, which means they will open in a small number of theatres, usually in select cities (New York, Los Angeles, etc.). Moreover, not every cinematic premise or idea is deemed suitable for the saturation-booking strategy. The widest releases are Hollywood's biggest, most expensive blockbusters, and often they are also good examples of high concept's influence.

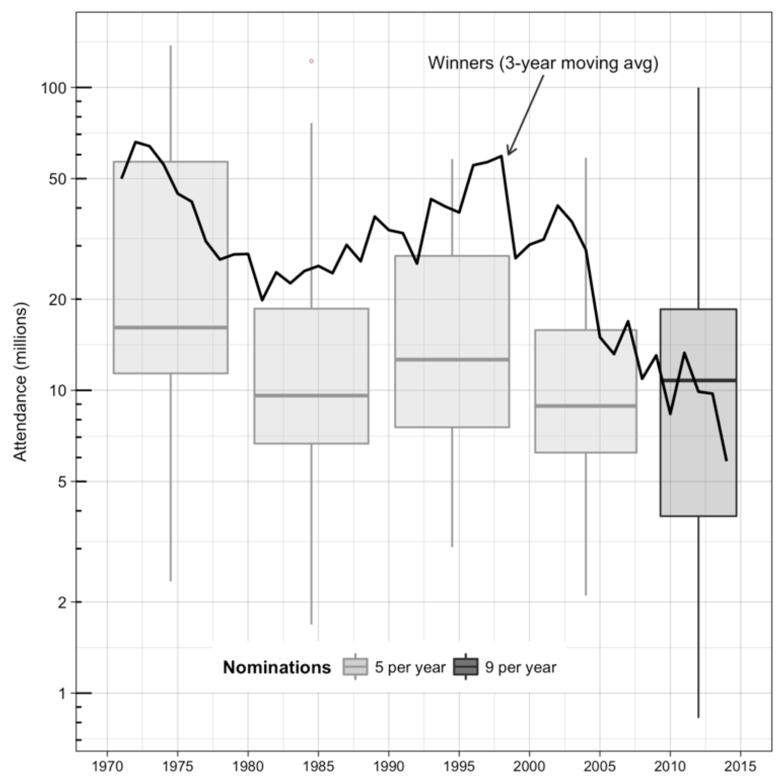

Figure 6: *Academy award for best picture: theatrical attendance*

Sources: www.boxofficemojo.com for yearly gross revenues of individual films; National Association of Theatre Owners for average US ticket price (http://natoonline.org/data/ticket-price/).

Overall, a confident decision about a distribution strategy is a confident judgment about how a film will rank relative to its cohorts. In an article for *Review of Capital as Power*, I used opening theatres as a proxy for future expectations (McMahon, 2013). Opening theatres stand as a proxy for future expectations because the decision about the number of opening theatres is made before a stream of boxoffice revenues actually begins to flow. Decisions about what is a good release strategy for each film derive from financial expectations about what will happen to each film on its opening weekend and onwards. Now, the key point to our examination of risk is that not every high-grossing film is the product of a wide-release strategy. A platform release can, over time, become popular and consequently earn a relatively high level of gross revenues. For example, *Schindler's List*, which opened in only 25 theatres, ended up the ninth-highest grossing film of 1993. But major filmed entertainment does not want to wait for its wide releases to eventually become popular; it wants to hit the iron when it is hot. It wants to open a select number of films in a large number of theatres – often more than 3,000 – and to gross as much income as it can and sooner rather than later. This strategy, though, requires major film entertainment to be very confident in its particular choices (McMahon, 2013).

When sorted from largest to smallest, opening-theatres data can be used as a proxy for the future expectations about the financial performances of the widest released films per year. Figure 7 uses this assumption to analyse the dependence of revenue rank on theatre rank. For each year from 1982 to 2014, films are sorted and ranked by opening theatre size, where the largest opening is first and so on. Each film is given a rank for its position in opening theatre data for its year and for its position in yearly gross revenues. If, for instance, a film had a theatre rank of 1 and a revenue rank of 6, the film would be the first largest opening of its year and would have achieved the sixth largest gross revenues.

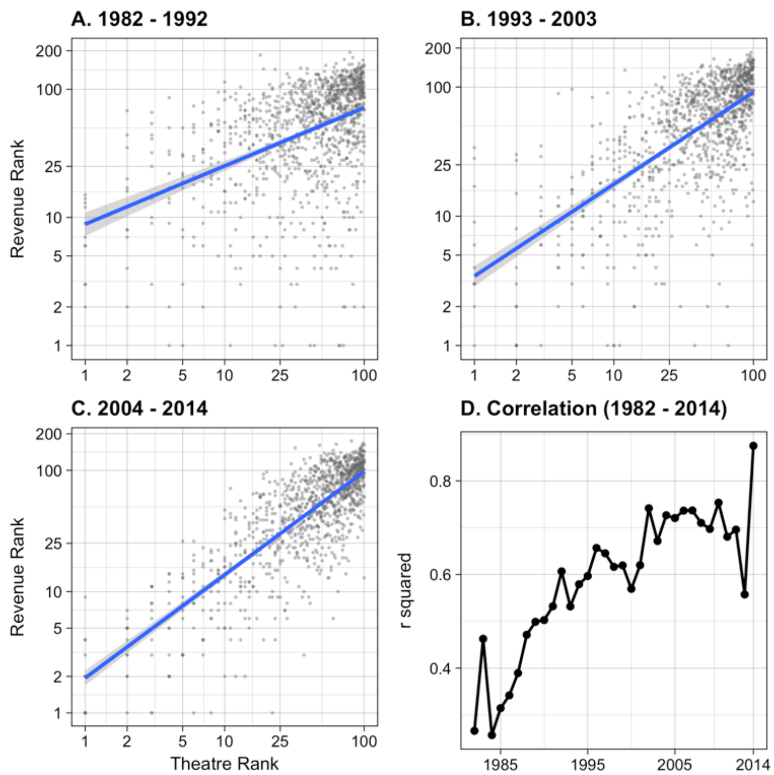

Figure 7: *Revenue rank versus opening theatre rank, US market*

Sources: www.boxofficemojo.com for yearly gross revenues and opening theatre sizes of individual films.

Even if a few wide-release films still do poorly, confidence about the wide-release strategy comes from greater predictability overall, whereby the largest openings will, in general, become the highest ranked films. Panels A, B and C of Figure 7 show that major filmed entertainment has had a boost in its confidence about saturation booking. Each of these panels looks at a span of 11 years and plots the hundred widest releases against their revenue rankings. In the most recent period, Panel C, the relationship is tightest; this would translate into higher confidence that the widest releases will become the biggest hits. Panel D plots the r-squared value of the correlation by year. As it shows, the correlation between theatre rank and revenue rank has been rising steadily.

Figure 7 corroborates some of the research of Elbrese, who also concludes that opening theatres data can show that there is an increasing success to the blockbuster strategy (Elberse, 2013). Yet I differ in my political-economic interpretation of why opening theatres is a good predictor of theatrical revenues. Elbrese consistently uses gambling metaphors in her writing on the business of blockbusters because her starting assumptions, intentional or not, do not include the broader political- economic power of the firms involved. But expensive, big-budget films do not simply succeed or fail on their own feet, which is a connotation of Elbrese's assumptions that blockbusters are risky and that executives make high-stake bets (2013). Rather, major filmed entertainment uses its institutional power to shape the cultural environment that is being capitalised. For example, I argue elsewhere (McMahon, 2015) that Hollywood has, from 1997 to 2013, shortened the theatrical release window in two ways: the average number of days a film is in theatres and the average number of days before a film is released in a video format (DVD, Blu-ray, streaming). This shortening does not affect all films equally. The widest releases are given lots of promotion and advertising to earn huge revenues in a narrower window, while 'platform' releases are forced to generate heat through 'word-of-mouth' consumer reviews, but with only a small number of opening theatres and minimal promotional spending. Moreover, blockbusters can successfully accumulate large revenues before the point when negative word-of-mouth has spread too far and becomes a potential source of risk (Cucco, 2009; De Vany, 2004).

In addition to the historical changes in theatrical window size, there is rising inequality in both the distribution of theatrical revenues and opening theatre size. Figure 8 plots the yearly Gini coefficient, a common measure of inequality, of theatrical revenues and opening theatres from 1983 to 2015. Panel A covers all films released in the United States. It demonstrates that the rising inequality of theatrical revenues is positively correlated with the rising inequality in the distribution of opening theatres between films. This correlation between two forms of rising inequality in theatrical exhibition is directly related to Hollywood's objective of risk reduction. The rises in inequality occur in a similar fashion and at the same time as the time series in Figure 7, Panel D, which indicates there has been a steady increase in the chance for the widest releases to end up also being the largest in terms of gross revenues. Figure 8, Panel B looks at inequality above the 70th percentile of each year, ranked by opening theatre size. Interestingly, Panel B shows a change in the early 2000s, around the time when franchise cinema boomed (Figure 5). Before the 2000s, there was virtually no inequality in the theatre distribution of the widest releases (a Gini coefficient of 0 is perfect equality). Since the 2000s, however, major filmed entertainment is even treating its biggest projects differently; some are getting even more opening theatres and this is translating into a greater annual share of theatrical revenues.

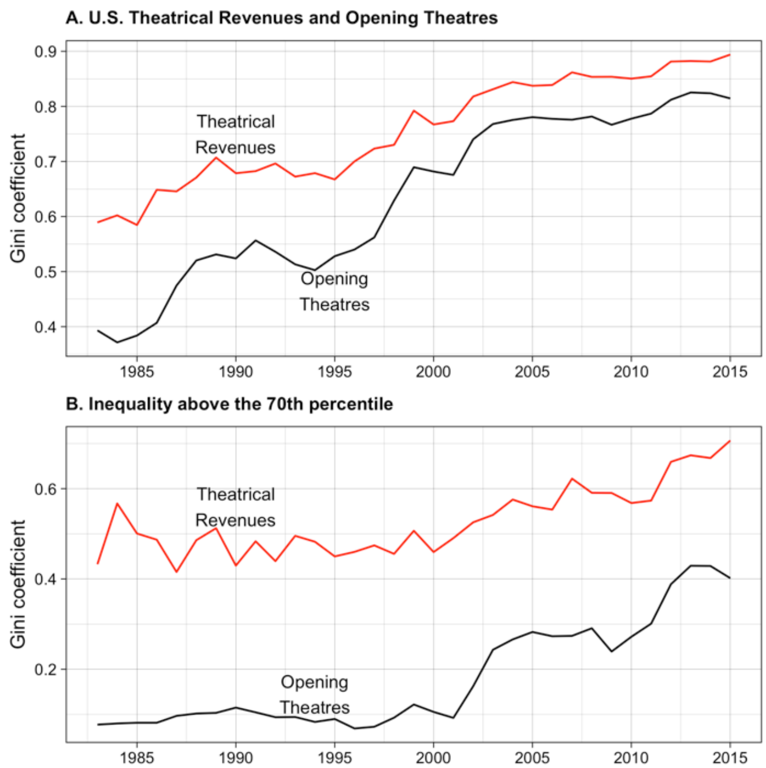

Figure 8: *Revenue rank versus opening theatre rank, US market*

Sources: www.boxofficemojo.com for yearly gross revenues and opening theatre sizes of individual films.

Figure 9 demonstrates that the historical transformation of major filmed entertainment's distribution strategies registers as a reduction in risk, both absolutely and differentially, relative to dominant capital ($\dot{\delta}_a < \dot{\delta}_b$). Volatility per firm is constructed in two steps. First, for each year, I compute the per cent rate of change of operating income from its five-year trailing average. This smoothing prevents two outlier rates of changes, 1963 and 1984 (Panel C), from skewing the measures of standard deviation, which are meant to measure how approximately two-thirds of the values deviate from the average. The series in Panels A and B are rolling 20-year standard deviations of the computed rates of change. A larger standard deviation is an indicator of greater volatility in the earning growth rates of the previous 20 years. Thus, Figure 9 demonstrates that major filmed entertainment's volatility has been shrinking since the late 1970s, and in such a way that is coeval with historical changes that have been plotted in other figures. In particular, the shapes of the series in Panels A and B resemble the shapes of the series that measured attendance volatility for the top three and top five films per year (see Figure 4). The long-term decline in volatility is also coeval with the long-term increase in the correlation between opening theatre rank and theatrical revenues rank (see Figure 7).

Conclusion

This paper uses the capital-as-power approach to investigate the political-economic reasons behind contemporary Hollywood's aesthetic output. It is important that we understand these political-economic reasons better. A more qualitative, cultural analysis of Hollywood cinema is better suited to analyse the small details of form, style, genre, content and ideology (Bordwell, 2006; Ryan & Kellner, 1988), but political economic research can build connections between Hollywood's aesthetic behaviour, its institutional power and its capitalist goals. These connections are needed to construct a multi-sided perspective of Hollywood, mass culture and society. These connections also allow for non-aesthetic reasons to be included in explanations of *why* some filmmaking styles are rarely deviated from, *why* some cinematic styles and ideas continue to be unrealised potentials, and *why* some films appear to be unfailing at the box office, almost as if these types of films are 'naturally' popular. In particular, this paper shows why a critical political-economic method is a welcome complement to research on Hollywood cinema. Contemporaneous to the rise and entrenchment of blockbuster cinema, with all of its qualitative elements, is a period of differential risk reduction from 1980 to 2015. Achieving this risk reduction suggests, from a capital-as-power approach, that major filmed entertainment grew to acquire a higher degree of confidence in the capitalisation of cinema, which is discounting *future* expectations to present prices.

Moving forward, this analysis of major filmed entertainment is a stepping-stone to analyse the broader political-economic aspects of contemporary Hollywood cinema. One of these aspects is the effect of reduced risk in 'filmed entertainment' on the capital accumulation of conglomerated media. Just as importantly, this paper can complement other political-economic theories of Hollywood that seek to understand to how and to what extent large studios possess 'distributional power' (Babe, 2009; Hozic, 2001; Kunz, 2007; Leaver, 2010). The capital-as-power approach provides a method to analyse how this 'distributional power' has

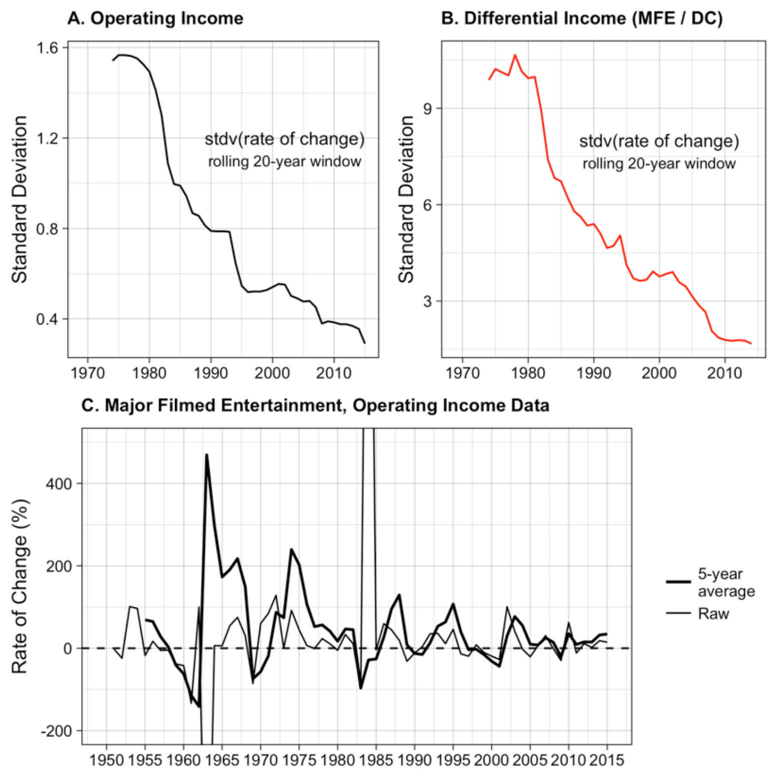

Figure 9: *Major filmed entertainment's degree of confidence: differential volatility*

Sources: COMPUSTAT through WRDS for operating income of Major Filmed Entertainment, 1950–92. COMPUSTAT through WRDS for operating income of Dominant Capital, 1950–2015. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993–2015.

expressed itself in the capitalisation of Hollywood cinema: we can now identify, more precisely, how risk reduction was the way for Hollywood to increase its differential power in the contemporary period.

Notes on Author

James McMahon's research interests are in the Hollywood film business, New Hollywood cinema, social theories of mass culture, political economic theory, and the relationship between institutional power and cultural practices. He currently teaches at the University of Toronto and Trent University. He can be contacted at james.mcmahon@utoronto.ca

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