

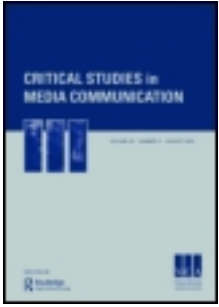
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Is Hollywood America? The Trans-Nationalization of the American Film Industry

FREDERICK WASSER

□—*The American film industry no longer addresses a national audience. Hollywood's domination of international trade has altered its relationship with the domestic market. This study locates and elaborates a postwar disassociation between films and the domestic audience in changing finance and marketing practices. The development in the nineteen seventies of pre-selling unproduced films to worldwide territories eroded the previous classic Hollywood emphasis on the American viewer. The economic history of this trans-nationalization is an important clue to the problem of why American films contribute so little to the social fabric.*

THE relationship between the mass media and national culture is undergoing a dramatic evolution. Mass media hegemony, once a matter of one national culture dominating another, can no longer explain the national character of the institutions of mass media. Instead, deracinated transnational media now dominate all national audiences. This shift is still obscure, particularly in film and television where the institutions producing and distributing culture are still the direct descendants of traditional Hollywood film companies such as Time-Warner, Sony Pictures, Fox, Disney and others. However, the current strategies of these compa-

nies no longer privilege a special relationship with the national American audience. I describe the recent history of one medium, cinema, in order to uncover the conditions under which the dominant Hollywood studios ceased to be primarily American, ceased to be institutions of national culture.

Trans-nationalization is an economic/cultural phenomenon. It is difficult to study for precisely that reason. However, by concentrating on the financing of American films (the act which initiates the cycle of production, distribution and reception) the history of Hollywood transnationalization can be isolated. This history provides another important tool with which to engage current policy debates over the cultural importance of global filmmaking.¹

The rupture between audience and producers has reached the acceleration stage of an ongoing fifty-year

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transformation. In the beginning, American film was organized on a national basis. It was a leisure activity that actively sought to cross local boundaries of class, and regional loyalties. Although priced for the working class, American films—in their content and marketing—constantly reached out to and soon captured the middle class. It was an industry shaped by immigrants, both as producers and as audience, conveying a strong assimilationist message. Films, by and large, either ignored or treated as picturesque the regional and class conflicts that fractured 19th century America. Distribution exchanges encouraged producers to appeal to a wide national audience rather than to more local ones. These patterns, set in the first decades of the industry, motivated film makers to present themselves as American artists, responding to the domestic audience and extolling their product over imported films representing foreign suspect values (Uricchio and Pearson, 1993, p. 52).

When the American film triumphed on the international market eighty years ago, a metaphor developed of America sharing its culture with the rest of the world. This metaphor assumed the paradigm of national cinemas created for national audiences. However the transnationalization of Hollywood film production shows the breakdown of this metaphor. Transnationalization is not to be observed in the export of film products but in the relationship of the film industry with the national audience. Traditionally the American film audience has had a rhetorical importance for the American film industry that exceeded the domestic size of the market (ranging from 50

to 75 percent for a major film release). The financing and distribution of films were premised on first finding success here before seeking further profits overseas. Now the domestic primacy is being reduced. On a per capita basis the American viewer is of no more importance than any other member of the global audience.

This paper will describe the development of economic practices of the post war years that led to the audience shift. The key moment occurred in the seventies with the international financing innovations of the film producer Dino DeLaurentiis and the banker Frans Afman. They pioneered the present landscape where funds from everywhere, intermingle and merge in Los Angeles to finance films for the world. Their legacy is not only important as an organizing principle of film history but also as an example of how globalization determines patterns even within the “dominant” culture of the United States.

TRANSNATIONALIZATION AND COMPLEMENTARY COMMUNICATION

In order to evaluate the trajectory of this history, we need to review two modeling terms: Sepstrups’ transnationalization and Deutsch’s complementaries of communication. The Danish media scholar Preben Sepstrup recently suggested some precise definitions in the globalization of culture vocabulary (Sepstrup, 1990, chs. 4–5). His review of the literature on media imperialism showed the need for a distinction between “international flow” and “transnationalization.” International flow is the movement of messages across national

boundaries that also mark the boundaries between two or more cultural systems. Transnationalization is the first order effect of the international flow on the production, supply and consumption of the messages. This first order effect, in turn, creates second level effects on the production and reproduction of culture and ideology. Transnationalization analysis examines the various institutions promoted or destroyed by the export surplus of American mass media. Debates about the first order effects focus on Hollywood's domination of international trade and its devastation of other national film production centers. The second order level debates occur over the extent to which an international audience adopts American values because of their increased exposure to American mass media.

Although these levels intermingle, it is useful to distinguish between the various levels of debate. By making these distinctions it is possible to see that the relationships between the various levels are not transparent or necessarily intuitive. For example, several writers have argued that, despite trade dominance, audiences have reinterpreted American media products according to their own needs and have resisted the importation of American values (Tracey, 1988; Liebes and Katz, 1991). In another context the health of a national media industry does not mean that local values are being promulgated. Brazil's telenovelas are as successful in the global market as most American television shows. However, as Omar Souki Oliveira has complained, this does not mean those telenovelas are serving Brazilian cultural needs or exporting Brazilian values. The

shows are situated in a fantasy of developed affluence and feature stars whose looks tend towards a European model. Despite their popularity with the Brazilian audience, telenovelas undermine the autonomy of their own national culture (Oliveira, 1992, p. 128).

The Brazilian example demonstrates that although domestic productions may be popular with domestic audiences, domestic producers are not necessarily in dialogue with their national culture. The conditions for such a national dialogue have been elaborated by Karl Deutsch in his notion of the complementaries of communication. He begins with the question of what constitutes a "people" and quickly eliminates such physical tests as a shared space, a shared language, or even a shared history (Deutsch, 1966, ch. 4). Rather, the answer is to be found in the exchange of information. If information is shared according to common codes albeit among different classes and different subcultures, then we may refer to the "complementary habits and facilities of communication we may call a people" (p. 96).

The complementary does not erase the differences of a stratified society but does suggest that the various strata of society have more information flow among themselves than with external groups. Deutsch (1966, p. 101) warns that if a ruling group's "main interests and ties lie elsewhere, perhaps outside the country, or if it has accepted alien speech, habits, or religion, or if, finally, it has come to care only for its own group interests in a quite narrow manner, then the national and social leadership may devolve upon the next class below it. . . ."

I find this operational definition of national communications of greater use in examining the Hollywood film industry than more interpretative frameworks regarding the imagined "nation." This imagination must necessarily be examined based either on the self-reports of the national audience or on the interpretations of analysts dangerously assuming the position of the implied audience. This kind of audience analysis has to presuppose that the audience has autonomy over its culture. Otherwise the site of analysis would have to relocate to that group possessing such autonomy. But the subject of the study of international cinema is a study of the loss of that autonomy. Therefore, reliance on audience analysis can obscure the loss of audience autonomy. In the Brazilian example cited above, the popularity of the Brazilian telenovela is not a mark of its complementariness within Brazil. If we look at the flow of information we see that the telenovela is designed for a small domestic audience capable of buying the consumer products advertised on the episodes and for an international consumerist audience. Its popularity among those Brazilians who cannot participate in the consumer market is of far less objective importance to the producers. They become an accidental audience despite their own avowed enthusiasm for the programs.

Complementary communication in the mass media is observable on the institutional level. Institutional agents—producers, distributors, exhibitors—make visible decisions about their markets. The meanings of these decisions are embedded in the rise and fall and transformations of companies as they seek to survive and to

thrive. It is here that the full cycle of communication from transmission to reception to feedback can be observed and evaluated for its social importance, not in direct measurements of the audience.

Since I wish to distinguish the international hegemony of the U.S. film industry from its transnationalization, I will now describe the early history of Hollywood and the nature of its global dominance before moving on to the nature of global pre-sales and financing.

THE UPS AND DOWNS OF HOLLYWOOD

The film industry reached a mature stage during the First World War when Hollywood obtained its domination of the global market (Thompson, 1985, pp. 88–89). A group of men, remarkably similar to each other in their position within the national culture, facilitated the maturing process. They were immigrants successfully expanding film from an urban working class amusement to a mainstream entertainment playing simultaneously to the entire nation.

This group was trying to market film "culture" to both an audience that they felt comfortable with and a more rooted middle class to which they aspired. Neal Gabler has written convincingly of the link between the class aspirations of the Jewish movie moguls and their specific strategies in the exhibition and production of films. They bought theaters that they upgraded in order to attract a "respectable" audience. They were the first American distributors to insist on longer length films. These longer films presented narratives attractive to the American middle class.

As their formulas proved successful, they reinvested their returns into an integrated production center feeding theaters that they owned throughout the country. The vertical integration of the film studio was a direct reflection of Adolph Zukor's, William Fox's, Sam Katz's and the other moguls' will to construct an American film audience. They tailored their product to first capture this vast audience and only secondarily to be distributed overseas.²

During these formative decades, studio spokespeople often expressed their concern for the cultural needs of the American public and how films contributed to the nation. These pronouncements are of rhetorical interest. A more definite demonstration of the national character of the Hollywood film industry occurred when the studios began using domestic profits from national theater chains to maintain world-wide dominance after the First World War. American distributors debated whether to demand European circuits pay in dollars or in the war-weakened local currencies. Responding to the threat of falling foreign earnings, Carl Laemmle (1920, p. 11), the influential president of Universal Film Company, wrote an opinion piece suggesting that each segment of the global market had to support its fair share of Hollywood's production costs. In other words each national audience had to pay on the same per capita basis in dollars.³ Other distributors and film executives ignored his advice. P. A. Powers (1920, p. 1201), vice president at Universal, a senior independent producer and rival of Laemmle, wrote in *Moving Picture World*, that Hollywood should budget its films so that negative costs

could be recovered in the domestic market. Films were to be exported at whatever level the overseas market could bear to pay. The film historian, Kristin Thompson more recently concluded that the industry historically followed Powers' advice, whether through inertia or design, and charged so little for American films in foreign markets that local producers complained that Hollywood distributors were "dumping" their product overseas (Thompson, 1985, p. 104).

Powers was not necessarily advocating dumping. The actual thrust of his remarks was to reduce what he termed "the colossal salaries to artists and the phenomenal prices [paid] to authors" (Powers, 1920, p. 1201). However, huge domestic exhibitors wanted the big pictures and costly talent. Various theater chains, most notably Balaban and Katz, were being organized on a national scale (Gomery, 1992, pp. 40–43). These national film theater chains could support the high cost of filmmaking in the twenties without the help of overseas revenues. Exhibitors had achieved advantages of efficient distribution and reliable returns, in part by emulating the new national food store chains such as Atlantic & Pacific (Gomery, 1979; Allen, 1980). During the mid-twenties, several national theater chains merged with the large production companies to control their source of programming. Production and distribution were now firmly under the control of men whose rise to power was through domestic exhibition. This large scale vertical integration tightened the relationship between the film industry and the national audience.

The size of the American audience

almost doubled in response to the sound revolution of 1927.⁴ The domestic box office and Wall Street investments financed the increase in production costs and the expansion of the industry. The adoption of sound eliminated the last vestiges of regional differences between theaters since live presentations featuring local talent were eliminated in favor of nationally distributed short films to play between feature presentations.

These are the years when nationally based cinema dominated national culture, not only here but elsewhere. Martin-Barbero (1993, p. 158) has stated that mass entertainment, especially film, had an important role in constructing the national identity of the newly urbanized masses of Argentina and Mexico. In this aspect, a vertically integrated American film industry played a role more similar to the popular cinema of Latin America than it did to European filmmaking. Both north and south American cinemas appealed to the masses flocking to the urban centers and seeking new national identities to replace the traditional ones of the village or the old world. By contrast, European films addressed audiences more secure in their national identity and more wary of massification.

DOMESTIC UPHEAVALS AFTER 1946

1946 was the best year ever for Hollywood. A record number of Americans attended the movie theaters and American films came back to Europe after its war time absence. However, in the next few years American attendance dropped rapidly—by 32 percent from 1949 to 1950 and approximately 5 percent

each of the subsequent years until it stabilized in 1958 at one half of its 1945-1948 average (Vogel, 1990, p. 359). The middle class was changing its lifestyle and was devoting its leisure time to television and other pursuits rather than attending centralized movie theaters. Also, in 1948 the Justice Department and the Federal court forced the five major studios (Paramount et al.) to divest their theater holdings since control of both production and exhibition facilitated the Paramount defendants' pooling of profits and other monopolistic conspiracies (Conant, 1960, ch. 4).

The "complementaries of communication" between the movie industry and America was eroding. Exhibitors had previously assumed a loyal audience. They boasted in 1929 that, "You don't need to know what's playing at a Publix house [a Paramount theater]. It's bound to be the best show in town" (Gomery, 1979, p. 35). But the 1948 separation of the studios from the theater chains forced production executives into a new way of thinking about the audience. "Mr. Zukor [was, at this time, chairman of Paramount] declared in the middle of 1949 . . . 'The public is just not going to a theater for the sake of seeing any picture.'" (Seldes, 1951, p. 41). Pictures had to be targeted to a market, not to a nation. Distributors tried to appeal to different demographic groups, in particular, youth. Gilbert Seldes (1951, p. 13), the noted media critic of the day, was already complaining in 1951, that movies were made for those under twenty. This tendency accelerated during the subsequent decades, culminating in the complete obsession with youth culture after the runaway success of *Easy Rider*. This 1969 ground breaker

earned \$19 million for the distributor. Of course if films were designed for youth, the international and domestic audiences became unified in the producer's mind, because age stratification crosses borders.

An entire generation of international youth had received a crash course in appreciating American movies when the distributors released the backlog of films after the war. These movies portrayed a country that had escaped devastation and defeated fascism. They celebrated an American concern with the enjoyment of life. This early exposure nurtured future global players in the transnationalized cinema. David Puttnam, the Oscar winning British film producer, recalled "I was brought up on movies . . . and for the most part, they were American movies. . . . I was one among millions of young people who basked in the benign, positive and powerful aura of post-Marshall plan, concerned and responsible America" (Yule, 1989, pp. 196–197).

Throughout the fifties Hollywood threw money at the screen in an attempt to buy back its decimated domestic audience with visual splendor that differentiated its product from the prosaic television fare. The studios had the cash to do so from the good years and from the sale of domestic theaters. In an attempt to make the money go even further by escaping the high costs of Los Angeles film crews and cast, producers used blocked funds to shoot overseas (Guback, 1985, p. 120). Peter Lev chronicles such efforts as *To Catch a Thief* (1954) shot in France, *Alexander the Great* (1955) shot in Spain, *The Ten Commandments* (1956) filmed in various countries (Lev, 1993). This

trend accelerated up through 1963 and then leveled off. Particularly in Italy, and throughout Europe, a new generation of experienced film workers and studio facilities was financed by this cycle of overseas Hollywood productions. Of course the money they earned gave them the flexibility to also work on local "art" films. This influx of American movie money made possible the careers of Federico Fellini, Francois Truffaut and even Jean-Luc Godard, among others.

The European film renaissance of the sixties found an audience in the United States. Bergman, Antonioni, Vilgot (*I am Curious-Yellow* [1967]) Sjoman, Bertolucci, and others inspired a new generation of American filmmakers to address the sexual revolution. This "sophisticated" theme further stratified the audience by demographic rather than national criteria. Increasingly, American film makers acknowledged the stylistic influences of European and Japanese films. The international cross-fertilization of styles and themes set the context for a new approach to film financing and distribution. It is not surprising, in this setting, that foreign marketing techniques should filter back into Hollywood. The career of DeLaurentiis shows this shift from domestic to global marketing in the seventies.

FOREIGN PRESALES

Dino DeLaurentiis introduced global thinking to American film financing. He had started out in his native southern Italy right before World War II. He was able in a rather mysterious way to produce films despite the postwar devastation. The 1950 production of *Bitter Rice* put him on

the map and his production of Fellini's *La Strada* (1951) gave DeLaurentiis a place in cinema history. He worked on a wide variety of films in Italy, from the serious to the sexy. He produced Fellini's *Nights of Cabiria* in 1952 but parted company with the director over *La Dolce Vita*. It is interesting that subsequently DeLaurentiis and Fellini tried to reunite but that partnership fell apart when Fellini refused to shoot in English (Greenberg, 1975, p. 91). DeLaurentiis also collaborated on eighty productions with Carlo Ponti but they split up in 1957 when DeLaurentiis claimed Ponti resisted his global marketing decisions for their co-productions (Brenner, 1973, p. 53).

In the next decade DeLaurentiis was successful enough to build a studio on the southern outskirts of Rome, with government subsidies. But a string of disappointing releases through the late nineteen sixties placed DeLaurentiis at risk, particularly after the flop of his Soviet co-production of *Waterloo*. He was committed to the international market and was annoyed at the Italian government's insistence that his movies had to have Italian principals, which he felt limited his global opportunities. In 1972 he jump-started his career by moving to America and he never looked back to his native film industry.

He arrived in the United States at a key moment—five years after Jack Warner sold Warner Brothers and a few years before the death of Adolph Zukor, markers of the passing of the first film generation. He arrived at a historic low point in domestic theatrical box office earnings, a little bit before the technologies of video and cable developed into new markets.

When he arrived, DeLaurentiis resisted going to work for the conglomerates of Hollywood. He would not become just another producer on a major studio lot. He wished to maintain a more general and allocative control over his films. Also, unlike his rival American film producers, DeLaurentiis was not interested in building his power by entering into a dialogue with the American audience. He had already made big films pay for themselves with the global audience. During the Italian phase of his career, he had accumulated relations with different distributors around the world. Now, he insisted on maintaining these relations by selling his productions directly to these distributors. The only equity he would give to a Hollywood distributor was the North American territory. In return, he sought fifty percent funding. The other fifty percent would come in piece-by-piece as he sold off pieces of the world market to the individual distributors. A Walter Reade executive exclaimed at the time that "Dino is the only producer who thinks of the United States as just another territory" (Brenner, 1993, p. 52).

A fellow European, the ex-Austrian Charles Bluhdorn, was the CEO of the conglomerate Gulf and Western that controlled Paramount. DeLaurentiis entered into partnership with this studio. The arrangement paid off with a string of hits such as *Serpico* (1973), *Death Wish* (1974), and *Three Days of the Condor* (1975).⁵

The domestic "complementaries of communication" was being widened to a worldwide box office. Indeed, the fact that *Death Wish* was a hit in America was an irrelevant surprise to DeLaurentiis. He had budgeted

the film by counting on the star status of Charles Bronson overseas. The turn around in the perceptions of the importance of the American audience was also mirrored by a reversal in the source of financing. Because DeLaurentiis sought funding in advance of production from his overseas distributors, his films are the first instance since World War I of American films being made with foreign investments. Financing through "presales" was greatly assisted when in 1973, Bluhdorn introduced DeLaurentiis to Frans Afman, a banker from the Slavenburg bank of Rotterdam, who was in America to investigate possibilities of doing business here. Afman and DeLaurentiis went on to develop the global presales technique. The bank advanced cash against the distributors' written guarantees.

DeLaurentiis was very protective about his presales network. It gave him the power to say no. He even turned down an offer from Barry Diller—at that time at Paramount—for global rights on *King Kong* (1976) when that production got into trouble. He felt his personal relations with distributors around the world had to be honored, particularly when he was under the pressure of producing a blockbuster. Afman covered DeLaurentiis as costs escalated from ten to twenty-four million dollars (Murphy, 1976, p. 32). The film eventually earned nearly \$75 million for the distributors (DeLaurentiis, 1986, p. 14).

Presales was also a source of weakness. By selling off exhibition rights in the film before it was made, DeLaurentiis diminished his ability to participate in profits if the film became a hit. He was unable to take full

advantage of his successes and had to continue to go back to his distributors for new guarantees on every production. Of course, it was hard to anticipate the market for an unmade film. Therefore, it was imperative to put together a film package that resembled previous successes as much as possible. This meant a heavy reliance on action genres and big stars. DeLaurentiis was quite willing to pay huge fees in order to obtain stars whose presence would facilitate the preselling (Kent, 1991, p. 83). It was difficult to judge whether the pressure of preselling was driving the explosion in talent fees, but established American studios were quick to blame DeLaurentiis for driving up the price of major movie stars.

The most important thing about preselling was that it allowed foreign film producers to come to Hollywood and make "Hollywood" pictures independent of the American companies and of American financing. Frans Afman had been increasing his entertainment portfolio when the French bank *Crédit Lyonnais* took over the failing *Slavenberg* bank in 1981 (d'Aubert, 1993, p. 183). The irony was that *Crédit Lyonnais*, owned by the French government encouraged Afman's Hollywood activities even as the French Ministry of Culture worried about the "Americanization" of French movie screens. Afman's clients now included many producers of different nationalities united in their orientation towards the global audience. Because of his activities, *Crédit Lyonnais* would eventually claim to be the number one bank in film financing.⁶ It was involved with production companies such as Carolco, Cannon, Castle Rock, Cinergi, DeLaurentiis Enter-

tainment Group, Empire, Epic, Hemdale, Largo, Morgan Creek, Nelson Entertainment, New World, Sovereign, Trans World Entertainment and others. It provided key loans to such films as *Dances with Wolves*, *Crimes of the Heart*, *Blue Velvet*, *Salvador*, *Platoon*, *Hoosier*, *A Room with a View*, *Superman I and II* and many, many others. A number of these studios, especially Cannon films, became important enough to be dubbed by the trade journals as "Mini-majors" to signify their challenge to the major studios. In a 1986 prospectus, DeLaurentiis (1986, p. 16) divided the motion picture industry into "Majors" (owning their own production studios and worldwide distribution systems), "Mini-Majors" (similar to the majors but not owning production studios and concentrating on lower budgeted films), and "Independents" (producers not releasing films on a continual pattern). Crédit Lyonnais' willingness to underwrite global presales caused "Minis" and "Independents" to proliferate, as did the introduction of new technologies of distribution.

The adoption of the Video Cassette Recorder (VCR) had a double effect overseas during the early eighties. First, movies could now be marketed to an audience who preferred to stay at home. Second, VCR usage, satellites, and terrestrial cable networks placed tremendous pressure on state controlled broadcasting systems to increase the variety and "entertainment" portion of their programming (Blumler and Hoffman-Riem, 1992, p. 21). Governments responded by either allowing the creation of alternative commercial channels and/or redirecting the mandate of the state-controlled television sys-

tem to include more entertainment. In all these cases, the opportunity for selling films to global television vastly expanded through the eighties up until the present.

The expansion of the market through home video rentals and global television sales had the effect of encouraging the "Mini-majors" to expand even further and to over-extend. 1987 became a turning point down for the two largest, DeLaurentiis and Cannon. Both had acquired studios and theater chains and had turned into public corporations offering stock. But they were not producing particularly successful movies and their presales techniques eliminated their ability to build up a cash reserve from the few popular movies that they did produce.

The original global presellers had run out of money by the end of the eighties. DeLaurentiis went out of business and sold off his film library in 1990. Cannon, Hemdale, and other low budget filmmakers ended the decade with a series of forced mergers and liquidations that effectively eliminated their independence as film producers. Crédit Lyonnais became involved with Giancarlo Piretti's "byzantine" takeover of MGM studios. The deals he had put together to buy MGM turned out to be less than realistic and the French bank had to take over the ailing studio in May 1992 ("The bank," 1993). This was an unhappy ending to the bank's decade long venture in film financing. The various entertainment division officers of the bank have been replaced by the current conservative French government. But the "Mini-majors" did not fade away before they demonstrated it was possible for distributors to make

more money overseas than in the domestic markets (Yule, 1987, p. 118).

DeLAURENTIIS' LEGACY

The transnationalization that DeLaurentiis pioneered (of bringing foreign money to Hollywood to make films for the global audience) is expanding today. Peter Bart, former studio executive and long time editorial director of the movie's industry bible, *Variety*, wrote recently about the importance of foreign film producers in contemporary Hollywood. He cites Mario Kassar, Arnon Milchan and Andy Vajna who have financed a combination of big films costing a total of \$500 to \$600 million. Vajna is associated with the *Die Hard* series. Kassar (CEO of Carolco Pictures) has produced a string of Schwarzenegger and Stallone hits and Milchan has bankrolled several Oliver Stone films, to name only a few of their high profile projects. They are successfully following the path laid out by DeLaurentiis when he first decided to treat the "United States as just another territory." They are global film producers, savvy about the international audience and raising money all over the world in order to make "event" films. These are huge budget films that are expected to gross upwards of a hundred million dollars.

Such large grosses can only be obtained when the film does very well in both the domestic and foreign markets. Sam Kitt, a current Universal executive, confirms that all the major studios consider the global audience, before launching a more expensive than average movie (\$27 million or more in negative costs) (personal interview, July 30, 1993).

The consideration of the global audience has paid off. *Variety* stated that "in 1994, for the first time, offshore rentals [rentals are that portion of the box office revenues that are returned to the distributor which is almost always a major Hollywood studio] surpassed North American figures." ("Worldwide rentals," 1995, p. 28) The big blockbuster producers have taken the advice of Carl Laemmle albeit some seventy years later. They are produced in anticipation that every part of the globe will pay its share of the revenues. From 1985 to 1990, production costs rose from \$16.8 million to \$26.8 million, an increase of 63 percent. Domestic revenues from all markets (theatrical, video and television) went from \$5.3 billion to \$8.2 billion and foreign revenues went from \$1.5 billion to \$5.2 billion in the same time period (Hoffman, 1992, chart A). The domestic market remains vital but the 247 percent increase in foreign earnings—both a measure of the weakness of the dollar and the increased sales of U.S. films—is driving the exponential increase in total revenues and the willingness to pay ever more money for the biggest films.

The global audience's influence goes beyond the aggregate figures. If one merely looks at the returns then the only change has been quantitative, as the foreign returns increase from the 30 percent characteristic of the twenties and thirties (Donahue, 1987, p. 145) to the current level of 51 percent. But the transnationalization is a much more profound change that is reflected in the foreign media companies investing heavily in Hollywood films. Milchan, Vajna, Kassar and others are able to

put together big investments because they work with large foreign programmers, the most prominent being Canal Plus. Canal Plus is a French pay TV/production group with 1993 revenues of \$1.7 billion ("Data Box," 1994, p. 240). Just like the American film theater chains of the teens and twenties, Canal Plus wants to participate in film productions in order to gain leverage over film seller's price demands. ("Euros learn biz," 1994, p. 82). Some of the other foreign companies involved in production deals are Italy's RCS, Holland's Polygram, Japan's Pioneer, U.K.'s Rank and Germany's Capella (Dawtrety, 1994, p. 75).

I have not emphasized the high profile take overs of Columbia and MCA/Universal by the Japanese electronic firms of Sony and Matsushita respectively. This is because the new owners have been relatively passive and have not yet visibly re-oriented marketing decisions away from the domestic audience. The bulk of the electronic firms' business is selling machines, not programming. Indeed Matsushita has sold MCA/Universal to Seagram this year, obviously regretting its venture into programming equity. Transnationalization is more evident among media companies trying to construct a global audience with internationally financed programming.

CONCLUSION

I have used Sepstrup's differentiation between the transnationalization of national film industries and the effects it may have on audience meaning-making to uncover the moment that global film financing became influential in Hollywood film production. The following remarks

will associate this economic history with attempts to understand the new landscape of world-wide movie viewing. The development of global film financing is implicitly at the heart of a new line of investigation about film and culture. This investigation takes the old question about the effect that American film dominance has had on foreign audiences and turns it around. Now it asks what effect this dominance has had on the role of film in American culture.

One answer lies in the way film style has changed and Timothy Corrigan's notion that the current multi-group audience is too much for any one film to address with old standards of coherence. He observes that there is "a larger pattern of illegibility in the international [Hollywood?] movie industry as it responds to widespread changes in production and distribution of film texts whereby viewing becomes an odd combination of distraction and appropriation" (Corrigan, 1991, p. 77). The old "realism" codes of Hollywood are not evolving but are breaking down as producers design films for a global audience. Shekhar Kapur (the director of the Hindu film *The Bandit Queen*) joked that one of the biggest box office American films of last year *True Lies* copies the conventions of the Indian film industry in its use of the fantastic.⁷

Kapur was not celebrating *True Lies* as an innovative hybrid of a global film culture but was suggesting that the Hollywood blockbuster misappropriated the Hindu film style. Other critics have more clearly denounced the negative effects of the American film industry directing its focus toward the global audience. The global audience is too infinite to

be knowable. Therefore, attempts to appeal to such an audience are bound to be crude and to be overly reductive. Michael Medved and the media scholar, George Gerbner, have linked the rise in irresponsible depictions of violence in films to the need to service a global audience with easy-to-understand action movies (Medved, 1992, p. 290). David Puttnam used his brief term as studio chief of Columbia Pictures (1987–1988) to argue that the film industry has to develop a greater sense of community responsibility (Yule, 1989, p. 198). Certainly this is even harder to do with a global market than it was when the perceived market was national.

In my conversations with American film executives,⁸ it was obvious that they perceive the world wide market as desiring a certain image of America to be featured in the movies. Each executive may have differing and changing notions of the desired image—one season it may be hedonist consumers on the open road with fast cars—the next season it may be the American ethic of an individual hero struggling against all corrupt collectives. The point is not whether international viewers are actually seduced by such images but

that film producers set for themselves the task of portraying an “America” that is a dreamscape for “universal” desires rather than a historic reality. They differ from a previous generation of producers who engaged in the task of presenting myth as reality to the American public. At least mythmaking contained some possibility of artistic engagement with historic concerns and problems. The trend line is not absolute but the economic circumstances of current production determines that fewer and fewer films will address a specific community or the national audience in a profound way.

Ralph Waldo Emerson (1940, pp. 62–63) warned us in 1834 that “We have listened too long to the courtly muses of Europe. . . . See already the tragic consequence. The mind of this country, taught to aim at low objects, eats upon itself.” His remarks, although in another context, are apt. Our cinema, by disengaging from a national dialogue, portrays a country aimed at low objects. American film makers have only sporadically addressed the American audience with artistic integrity. It will now be even more difficult to address the global audience in such a manner.

NOTES

¹Richard Frank (the former president of Walt Disney Studios) told a congressional hearing that, “We should not focus exclusively on matters of economics. This issue [export of US films] involves not just entertainment, but also ideas. American films and TV shows are just that, American. They show our country, and what it stands for, from our highest ideals to our gravest challenges” (U.S. Congress, 1990, p. 51). The irony is that Disney is well known for lifting stories out of cultural context, whether local or national. It is precisely to challenge Frank’s bland assertion that his product exemplifies American ideals that it is important to study the phenomenon of transnationalization. At this point, I cannot see that Frank has any greater claim to cultural importance than the extreme global profitability of Disney products.

²Carl Laemmle (1920, p. 11) (the founder and president of Universal Film) referred to the export market as “velvet,” “unexpected money.”

³Is it not coincidental that Laemmle had already shown that he was the most European oriented of the studio heads? He often went for sentimental visits and gave a great deal of

money to his German birthplace. Neal Gabler has described his general lack of concern over his immigrant status in American society.

⁴It went from 50 million per week in 1926 to 95 million per week in 1929 (Vogel, 1990, p. 359).

⁵Frederic Jameson (1992, pp. 13–15) used *Three Days of the Condor* in his description of a postmodern paranoid style. I don't think it was a causal relationship but an instructive coincidence that this film was produced with money from DeLaurentiis' international network.

⁶Personal interview with Fred Spar, CL's American spokesperson, January 11, 1993.

⁷As heard on David Darcy's report on Indian Cinema at the Toronto Film Festival, broadcast on Morning Edition, National Public Radio Network, September 22, 1994.

⁸This includes Sam Kitt (mentioned above), Peter Weatherall of Full Moon, Castle Rock, Mark Borde and other mid-level distribution people.

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