

Why Hollywood Rules the World, and Whether We Should Care

Tyler Cowen

Cinema is one of the hard cases for globalization. When we look at world music, the visual arts, or literature, it is readily apparent how trade has brought a more diverse menu of choice *and* helped many regions develop cultural identities. In each of these cultural sectors, the market has room for many producers, in large part because the costs of production are relatively low.

But what about film? In no other cultural area is America's export prowess so strong. Movies are very expensive to make, and in a given year there are far fewer films released than books, CDs, or paintings. These conditions appear to favor dominant producers at the expense of niche markets. So if cross-cultural exchange will look bad anywhere, it is in the realm of cinema.

Moviemaking also is prone to geographic clustering. Many cultural innovations and breakthroughs are spatially concentrated. If a good Italian Renaissance painter was not born in Florence, Venice, or Rome, he usually found it worthwhile to move to one of those locales. An analogous claim is true for Hollywood, which attracts cinematic talent from around the world, strengthening its market position.

The degree of clustering has reached a sufficient extreme, and Hollywood movies have become so publicly visible, as to occasion charges of American cultural imperialism. European movies, in particular, have failed to penetrate global markets and also have lost ground at home. Many individuals claim that when it comes to cinema, global culture is a threat rather than a promise.

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What lies behind these charges? To what extent is movie production clustered in Hollywood, and why has such clustering taken place? Why is European cinema so economically moribund? Have other national cinemas fared badly as well? Is cinematic clustering inimical to diversity, and if so, could it be reversed? Most generally, has cross-cultural exchange damaged diversity in the realm of cinema?

Why Clustering in Hollywood?

The current malaise in European cinema is driven by a concatenation of unfavorable forces, involving television, excess subsidies, demographics, language, the size of the American market, and Hollywood's more entrepreneurial environment. While some negative charges can be pinned on globalization, we will see that cross-cultural exchange is not the primary culprit in the story.

The United States has at least one natural advantage in movie making – it has the largest single home-market for cinema in dollar terms (although total attendance is higher in India). The countries that specialize in moviemaking will tend to be those countries where movies are most popular, in this case America and India. Hong Kong has been an exception to this principle, but a large domestic market does give a natural advantage. Home audiences often (though not always) prefer native products, if only for reasons of language and cultural context, and this encourages production to shift to that market.

Aggregate market-size nonetheless remains only a single factor in determining who becomes a market leader. The United States, for instance, has been a large country for a long time, but only recently have European movies held such a low share of their home markets. In the mid-1960s, American films accounted for 35 percent of box office revenues in continental Europe; today the figure ranges between 80 to 90 percent. The greater population of the United States, and the greater American interest in moviegoing, do not themselves account for these changes.

Furthermore, only certain kinds of cinema cluster in Hollywood. In a typical year the Western European nations make more movies than America does. In numeric terms most of the world's movies come from Asia, not from the United States. It is not unusual for India to release between 800 and 900 commercial films a year, compared to about 250 from the United States.

The Hollywood advantage is concentrated in one very particular kind of movie-making: films that are entertaining, highly visible, and have broad global appeal. The typical European film has about 1 percent of the audience of the typical Hollywood film, and this differential has been growing. American movies have become increasingly popular in international markets, while European movies have become less so. [...]

In the United States, the television and video markets serve as handmaidens for the theatrical market, augmenting its influence over the quality of the product. While some movies succeed on video alone, video success typically depends on the advance publicity generated by the film at the theatrical box office. The same can be said for success on television, or for the sale of television rights. Theatrical revenue thus drives

both video revenue and television revenue in the American market. In Europe, in contrast, television revenue is more likely to be a *substitute* for theatrical revenue. European films, which experience major box office successes far less frequently, are more likely to be placed on television as filler.

The roles of television and subsidies are closely linked. Most west European nations have television stations that are owned, controlled, or strictly regulated by their respective governments, which use them to promote a national cultural agenda. Typically the stations face domestic-content restrictions, must spend a certain percentage of revenue on domestic films, must operate a film production subsidiary, or they willfully overpay for films for political reasons. The end result is overpayment for broadcast rights – the most important subsidy that many European movie-makers receive. Audience levels are typically no more than one or two million at the television level, even in the larger countries such as France – too small to justify the sums paid to moviemakers for television rights on economic grounds. [...]

The English language, combined with America's role as world leader, has strengthened Hollywood exports. Cinematic clustering, and the current crisis of European cinema, is rooted partially in the transition from silent film to talkies.

Counterintuitively, the onset of the sound era increased Hollywood's share of world cinematic revenue. At the time of the transition, equipping the theaters with sound and making movies with sound were costly. To recoup these costs, theaters sought out high-quality, high-expenditure productions for large audiences. The small, cheap, quick film became less profitable, given the suddenly higher fixed costs of production and presentation. This shift in emphasis favored Hollywood moviemakers over their foreign competitors.

More generally, the higher the fixed costs of production, the greater the importance of drawing a large audience and the greater the importance of demand forecasting and marketing. Today costly special effects and expensive celebrity stars drive the push for blockbusters in similar fashion, and favor Hollywood production as well.

The talkies, by introducing issues of translation, boosted the dominant world language of English and thus benefited Hollywood. Given the growing importance of English as a world language, and the focal importance of the United States, European countries would sooner import films from Hollywood than from each other. A multiplicity of different cultures or languages often favors the relative position of the dominant one, which becomes established as a common standard of communication. [...]

The Drive towards Clustering

In part, movie production clusters in particular geographic areas simply because there is no reason *not* to have clustering. When the cost of shipping the relevant goods and services are low, clustering makes economic sense.

Consider a more general economic analogy. There is more trade and mobility across the United States of America than across the disparate countries of Western Europe. This trade causes the economic profiles of the American states to diverge.

In economic terms, the countries of Western Europe are more likely to resemble each other than are the American states. Most of the American states have no steel industry, no automobile industry, and no wheat industry; instead they buy the products of these industries from other states or countries. But typically a nation of western Europe has its own steel, automobile, dairy, and agriculture sectors, largely because of subsidies and protectionism. Free trade within the United States allows states and regions to specialize to a high degree and causes their economic profiles to diverge; in a freer economic environment, the economies of western Europe would take the same path.

Trade and specialization thus bring geographic clustering when the basic product is mobile. Most American peanuts are grown in Georgia and Virginia and then shipped to the rest of the country. In contrast, each region of the United States performs its own cement manufacture, as does each country. The costs of trading and transporting cement are too high for clustered production, and subsequent transport, to be feasible. Action movies, however, resemble peanuts more than cement in this regard, especially if the film appeals broadly to many cultural groups.

Some of Hollywood's cinematic clustering is driven by the short-run, dynamic nature of film projects. Studios may dally over projects for years, but once the go-ahead decision has been made, the moviemakers wish to move as quickly as possible, to meet a perceived market demand. They need to assemble a large number of skilled employees on very short notice, and therefore they will "fish" for talent in a common, clustered pool. In similar fashion, the computer industry changes rapidly, many projects are short term, and once a go-ahead decision has been made, large numbers of talented employees must be assembled rapidly. Common forces therefore shape the clusters of Silicon Valley and Hollywood.

It is not always the case that movies can be *filmed* more cheaply in Hollywood than elsewhere. In fact, Hollywood studio hands are worried about how many movies are being outsourced to Canada, Australia, and other non-US locales, to lower production costs. Rather, clustering eases the finding, lining up, and evaluating of the movie's critical assets, such as stars, directors, and screenplays. These tasks are still done in Hollywood rather than in Vancouver or Sydney, regardless of where the movie is filmed.

The Hollywood cluster has a superior ability to evaluate cinematic projects and, in particular, to forecast and meet consumer demand. Hollywood is the geographic center for these kinds of talent. Ironically, it is easier to get a film made in Europe than America. In Hollywood, studios scrutinize projects intensely and refuse to finance projects that do not have a good chance of commercial success. Most European moviemakers do not apply similar filters. Hollywood is a cluster, in part, for the same reasons that New York and London are clustered banking centers. In both cases talents for large-scale project evaluation gravitate towards a single geographic area.

Moviemaking has become more expensive over the last thirty years, due largely to special effects, rising celebrity salaries, and marketing expenditures. All of these features have increased the natural advantage of talents for demand forecasting and project evaluation. They have increased the natural advantage of Hollywood. [...]

American Cultural Imperialism?

When Hollywood penetrates global markets, to what extent is *American* culture being exported? Or is a new global culture being created, above and beyond its specifically American origins? There is no simple answer to this question.

Critics of cultural imperialism make two separate and partially contradictory charges. Some are unhappy with the global spread of the American ethos of commercialism and individualism. Other complaints focus on the strong global-market position of a relatively universal cultural product, rather than local products based on national or particularist inspirations. There is some truth to each complaint, although they point in opposite directions.

If we look at the national identities of the major individuals involved, Hollywood is highly cosmopolitan. Many of the leading Hollywood directors are non-Americans by birth, including Ridley Scott (British) and James Cameron (Canadian), who were among the hottest Hollywood directors circa 2001. Arnold Schwarzenegger, Charlie Chaplin, and Jim Carrey have been among the leading non-American US stars. Most of the major studios are now foreign owned. A typical production will have Sony, a Japanese company, hire a European director to shoot a picture in Canada and then sell the product for global export. Of the world's major entertainment corporations, only Time-Warner is predominantly American in ownership.

For better or worse, Hollywood strives to present the universal to global audiences. As Hollywood markets its films to more non-English speakers, those films become more general. Action films are favored over movies with subtle dialogue. Comedy revolves around slapstick rather than verbal puns. The larger the audience, of course, the more universal the product or celebrity must be. There is relatively little that the world as a whole, or even a select group of fifty million global consumers, can agree on. Greater universality means that the movies are relevant to general features of the human condition, but it also can bring blandness and formulaic treatment. Critics allege that American culture is driving the world, but in reality the two are determined simultaneously, and by the same set of forces.

Non-American movies, when they pursue foreign markets, must strive for universality as well. The Jackie Chan Hong Kong movie *Rumble in the Bronx* was marketed in the United States with success. The producers, however, cut parts of the movie to appeal to American audiences. All of the action sequences were kept, but the relationship of Chan with the co-star was diminished, in part because the woman (Anita Mui) was a star in Asia but not in the United States, and in part because the relationship was based on the "Chinese" values of obligation and loyalty, rather than on a Western sense of erotic romance.

The most successful Canadian cultural export is the Harlequin romance novel. In 1990 Harlequin sold more than 200 million books, accounting for 40 percent (!) of all mass-market paperback sales in the United States. This fact is rarely cited by Canadian critics of American cultural imperialism, largely because this export success does not "count" for them. The Harlequin romance does not reflect a specifically Canadian perspective, whatever that designation might mean, but rather targets a broad circle of female readers.

Despite these powerful universalist forces, the American and national component to Hollywood moviemaking cannot be ignored. Hollywood has always drawn on the national ethos of the United States for cinematic inspiration. The American values of heroism, individualism, and romantic self-fulfillment are well suited for the large screen and for global audiences. It is true that Hollywood will make whatever will sell abroad. Nonetheless, *how well* Hollywood can make movies in various styles will depend on native sources of inspiration. Hollywood has an intrinsic cost-advantage in making movies based upon American values, broadly construed, and thus has an intrinsic advantage in exporting such movies. The clustering of filmmaking in Hollywood cannot help but be based on an partially American ethos.

For this reason, dominant cultures, such as the United States, have an advantage in exporting their values and shaping the preferences of other nations. Consider food markets. Many Third World citizens like to eat at McDonald's, not just because the food tastes good to them, but also because McDonald's is a visible symbol of the West and the United States. When they walk through the doors of a McDonald's, they are entering a different world. The McDonald's corporation, knowing this, designs its Third World interiors to reflect the glamour of Western commerce, much as a shopping mall would. McDonald's shapes its product to meet global demands, but builds on the American roots of the core concept. The McDonald's image and product lines have been refined in the American domestic market and draw heavily on American notions of the relation between food and social life.

The promulgated American ethos will, of course, successfully meld both national and cosmopolitan influences, and will not be purely American in any narrow sense. American cinema, like American cuisine, has been a synthetic, polyglot product from the beginning. Hollywood was developed largely by foreigners – Jewish immigrants from Eastern Europe – and was geared towards entertaining American urban audiences, which were drawn from around the world.

Furthermore, Hollywood's universality has, in part, *become* a central part of American national culture. Commercial forces have led America to adopt "that which can be globally sold" as part of its national culture. Americans have decided to emphasize their international triumphs and their ethnic diversity as part of their national self-image. In doing so, Americans have, to some extent, traded away particularist strands of their culture for success in global markets.

In this regard Hollywood's global-market position is a Faustian bargain. Achieving global dominance requires a sacrifice of a culture's initial perspective to the demands of world consumers. American culture is being exported, but for the most part it is not Amish quilts and Herman Melville. *Jurassic Park*, a movie about dinosaurs, was a huge hit abroad, but *Forrest Gump*, which makes constant reference to American history and national culture, made most of its money at home. [...]

In the early silent era, France dominated world cinema markets. Before the First World War, French movies accounted for up to seventy percent of the American market, and even more in Latin America. In a reversal of contemporary trends, American filmmakers charged the French with cultural imperialism and asked Washington for trade protection. It was commonly charged that European movies encouraged lax morals and corrupted American culture. The French responded by noting the openness of their cinematic markets and asking America to compete on

equal terms. Like Hollywood today, the French market dominance was achieved without significant subsidies from the French government.

Global cinema is in any case flourishing today, most of all in Asia. As for European cinema, its best hope is to rediscover an economic and cultural dynamic that combines both commercialism and creativity. Such a dynamic will require reliance on international markets and global capital, and is unlikely to flourish in a narrowly protectionist setting. The marketplace never guarantees a favorable result, but excessive insulation from competitive pressures can virtually guarantee an unfavorable result, whether economically or aesthetically.

Part VIII Questions

1. Discuss ways in which media globalization contributes to both homogenization and diversity in the countries of the world.
2. It is common to speak of the “Americanization” of countries influenced by the United States. What evidence do you see of “Japanization,” “Africanization,” and similar constructs in your culture – the borrowing and adaptation of cultural elements derived from other parts of the world?
3. For Tomlinson, any culture is a *mélange* of many other cultures. Does this mean that cultural imperialism is a meaningless concept? In responding, consider Tomlinson’s emphasis on the survival of cultures as compared to their transformation and adaptation.
4. What does Thussu mean by “contra-flow,” and what examples does he provide? How does he assess the strength of this contra-flow? Specifically, does it counter “dominant” flows sufficiently to make the media landscape “multivocal” and “multidirectional”?
5. What is the “Korean wave,” as described by Shim? What factors helped to make things Korean “the rage across Asia” by the early 2000s? How might the “development of Korean media industries” serve as a “sign of resilience of the subaltern,” as Shim argues?
6. To what extent did Australian producers of *Big Brother* stick to the global “bible” of instructions that defined the show? What lessons does Roscoe draw from their work? What broader trends emerged in the way the show was marketed and received in Australia in the 2000s?
7. Bollywood is squaring off with Hollywood, according to Tyrrell. What does this article tell us about the capacity of nonwestern countries to resist western culture? Should we expect Hollywood’s domination to decline further in the future? Why? What paradoxes about cultural globalization does Tyrrell illustrate through the case of the Indian cinema industry?
8. Why does Cowen call cinema “one of the hard cases for globalization”? Why does the production of certain kinds of movies cluster in Hollywood? Does Hollywood contribute to the Americanization of world culture? Does Cowen worry about that issue?

