MOVIES
DIGITIZING DREAMS

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Chad Ress/The New York Times/Redux

Although many American movies today are produced overseas, visitors still flock to Hollywood to be near their favorite stars—even if it's just to stand on a cement star in the sidewalk showcasing the star's name.

What's Ahead?

- Movies Mirror the Culture
- Inventors Capture Motion on Film
- Filmmakers Turn Novelty into Art
- Studio System and Independent Moviemakers Flourish
- Movies Become Big Business
- Big Five Studios Dominate
- Labor Unions Organize Movie Workers
- Movies Glitter During the Golden Age
- Congress and the Courts Change Hollywood
- Movies Lose Their Audience to Television
- Movies and Money Today
- Movies at Work
- Digital Technology Drives the Business
- Emerging Markets and Mergers Bring New Opportunities

"Some pictures make a lot of money, and a lot of pictures make no money."

—DAVID V. PICKER, MOVIE ANALYST

The movie industry has been called "an industry based on dreams" because it is a business founded on an imaginative, creative medium. Because the publicity surrounding movie celebrities captures a great deal of attention, it would be easy to assume the movie industry is one of the most profitable media businesses. So it often surprises people to learn that most movies lose money because movies are expensive to make and only a few movies each year become blockbusters.

Movies and movie stars thrive on public attention because the size of the audience has a direct effect on whether a movie succeeds. Investors, therefore, often favor "bankable" talent that brings fans to a movie, rather than new, untested talent. But even movies featuring established talent often fail. Every movie is a gamble because no one in the movie industry can accurately predict which movies will make a profit.

Movies Mirror the Culture

Perhaps more than any other medium, movies mirror the society that creates them. Some movies offer an underlying political message. Other movies reflect changing social values. Still other movies are just good entertainment. And all movies need an audience to succeed.

Like other media industries, the movie business has had to adapt to changing technology. Before the invention of television, movies were the nation's primary form of visual entertainment. The current use of special effects and 3-D is one way the movie industry tries to compete with television for your attention and dollars. But special effects and 3-D don't fit most movies, and they are very expensive. Today, as always, filmmakers are constantly searching for that special blend of a good story and the right cast to grab an audience's attention.

Inventors Capture Motion on Film

Movies were invented at a time when American industry welcomed any new gadget, and inventors wildly sought patents for appliances and electrical devices. The motion picture camera and projector were two of the Industrial Revolution's early gadgets.

Early Inventors Nurture the Movie Industry

Movies were not the invention of one person. First, a device to photograph moving objects had to be invented, followed by a device to project those pictures. This process involved six people: Étienne-Jules Marey, Eadweard Muybridge, Thomas Edison, William K. L. Dickson and Auguste and Louis Lumière.

Marey and Muybridge

Étienne-Jules Marey, a scientist working in Paris, sought to record an animal's movement by individual actions—one at a time—to compare one animal to another. He charted a horse's movements on graphs and published the information in a book, *Animal Mechanism*.

Unknown to Marey, photographer Eadweard Muybridge was hired by railroad millionaire and horse breeder Leland Stanford to settle a $25,000 bet. Stanford had bet that during a gallop, all four of a horse's feet simultaneously leave the ground. In 1877, Muybridge and Stanford built a special track in Palo Alto, Calif., with 12 cameras

TimeFrame
1877–Today

Movies Mature as a Popular Medium

Eadweard Muybridge/Corbis

AP Images/Paul Sakuma

AP Images/Uncredited

* **1877** Eadweard Muybridge catches motion on film when he uses 12 cameras to photograph a horse's movements for Leland Stanford in Palo Alto, Calif.

1915 Director D. W. Griffith introduces the concept of the movie spectacular with *The Birth of a Nation.*

1916 Brothers Noble and George Johnson launch Lincoln Films, the first company to produce movies called "race films," serious narrative movies for African American audiences.

1919 Oscar Micheaux releases *Within Our Gates*, a response to D. W. Griffith's controversial, anti-black epic *The Birth of a Nation*.

1927 *The Jazz Singer*, the first feature-length motion picture with sound, opens in New York City.

1928 Walt Disney releases *Steamboat Willie* as the "first animated sound cartoon."

1930 The Motion Picture Producers and Distributors Association adopts a production code to control movie content.

1947 The House Un-American Activities Committee calls The Hollywood Ten to testify.

1948 The U.S. Supreme Court breaks up the large studios' control of Hollywood by deciding in the case of *United States v. Paramount Pictures, Inc., et al.* that the studios are a monopoly.

1966 The Motion Picture Association of America introduces a voluntary content-ratings system for the movies.

* **1994** Steven Spielberg, Jeffrey Katzenberg and David Geffen launch DreamWorks SKG, the first independent American movie studio created since United Artists.

2001 To attempt to stop movie piracy, the Motion Picture Association of America challenges the availability of recordable DVD technology, but eventually DVD-Rs reach the marketplace.

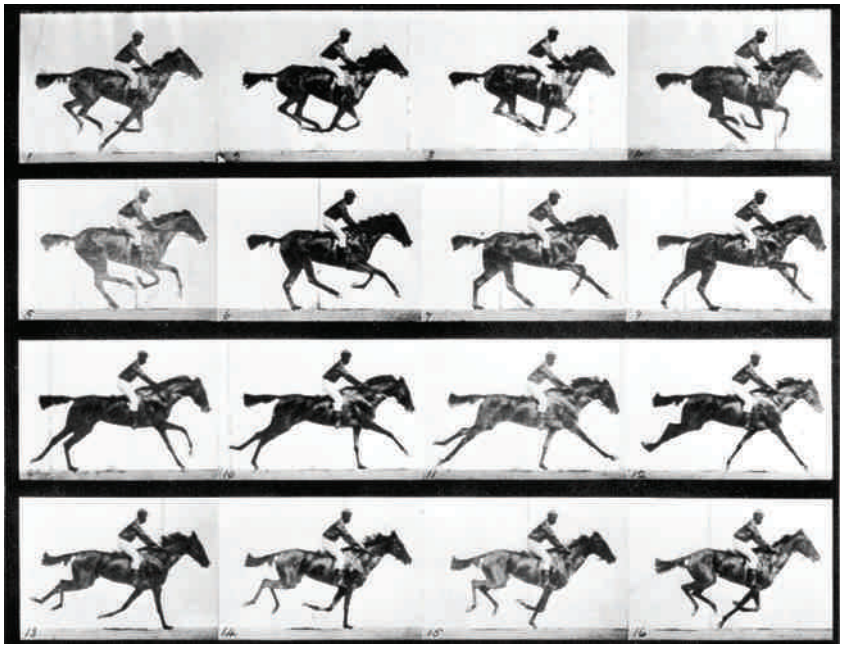
2006 DreamWorks is sold to Viacom Inc., leaving the United States without a major independent movie studio.

2011 3-D movies begin to generate higher revenue for the industry.

* **2013** Disney buys Lucasfilm, including all rights to the Star Wars series, for $40.5 billion.

2015 Netflix announces that it has more than 60 million subscribers, more than 40 million of them in the U.S.

Today Movie theaters collect about 1 billion tickets a year, but more people see movies on video and by streaming than in theaters. 3-D movies lose their luster, but the market for American movies continues to grow overseas.



Eadweard Muybridge/Time & Life Pictures/Getty Images

This series of images photographed by Eadweard Muybridge showed that a horse's hooves all leave the ground at a full gallop. They were produced to win a $25,000 bet, but eventually the photographic method Muybridge used led to the development of the first motion picture camera.

precisely placed to take pictures of a horse as it moved around the track. The horse tripped a series of equidistant wires as it ran, which in turn tripped the cameras' shutters. Stanford won his $25,000—one photograph showed that all four of the horse's feet did leave the ground—and the photographic series provided an excellent study of motion.

Muybridge expanded to 24 cameras, photographed other animals and then took pictures of people moving. He traveled throughout Europe showing his photographs. Eventually, Muybridge and Marey met. In 1882, Marey perfected a photographic gun camera that could take 12 photographs on one plate—the first motion picture camera.

Thomas Edison

Thomas Edison bought some of Muybridge's pictures in 1888 and showed them to his assistant, William K. L. Dickson. Edison then met with Marey in Europe, where Marey had invented a projector that showed pictures on a continuous strip of film, but the filmstrip moved unevenly across the projector lens, so the pictures jumped.

William K. L. Dickson

Back in America, Dickson perforated the edges of the film so that, as the film moved through the camera, sprockets inside the camera grabbed the perforations and locked the film in place, minimizing the jumps.

Dickson looped the strip over a lamp and a magnifying lens in a box 2 feet wide and 4 feet tall. The box stood on the floor with a peephole in the top so people could look inside. Edison named this device the *kinetoscope*. On April 11, 1894, America's first kinetoscope parlor opened in New York City. For 25 cents, people could see 10 different 90-second black-and-white films, including *Trapeze*, *Horse Shoeing*, *Wrestlers* and *Roosters*.

Auguste and Louis Lumière

In France, the Lumière brothers, Auguste and Louis, developed an improved camera and a projector that could show film on a large screen. The first public Lumière showing was on December 28, 1895: 10 short subjects with such riveting titles as *Lunch Hour at the Lumière Factory*, which showed workers leaving the building, and *Arrival of a Train at a Station*. Admission was 1 franc, and the Lumières collected 35 francs.

Edison Launches American Movies

Four months after the Lumière premiere in France, Edison organized the first American motion picture premiere with an improved camera developed by independent inventor Thomas Armat. Edison dubbed the new machine the *Vitascope*, and America's first public showing of the motion picture was on April 23, 1896, at Koster and Bial's theater in New York. Edison sat in a box seat, and Armat ran the projector from the balcony.

At first, movies were a sideshow. Penny-arcade owners showed movies behind a black screen at the rear of the arcade for an extra nickel. But soon the movies were more popular than the rest of the attractions, and the arcades were renamed *nickel*odeons. In 1900, there were more than 600 nickelodeons in New York City, with more than 300,000 daily admissions. Each show lasted about 20 minutes. The programs ran from noon until late evening, and many theaters blared music outside to bring in business.

By 1907, Edison had contracted with most of the nation's movie producers, as well as the Lumière brothers and the innovative French producer Georges Méliès, to provide movies for the theaters. Licensed Edison theaters used licensed Edison projectors and rented Edison's licensed movies, many of which Edison produced at his own studio. The important exception to Edison's licensing plan was his rival, the American Mutoscope and Biograph Company, commonly called Biograph.

Biograph manufactured a better motion picture camera than Edison's, and Edison was losing business. In 1908, Biograph signed an agreement with Edison, forming the

Motion Picture Patents Company (MPPC), which standardized movie cameras.

Filmmakers Turn Novelty into Art

All the early films were black-and-white silent movies. Sound did not come to the movies until the 1920s, and color experiments did not begin until the 1930s. Two innovative filmmakers are credited with turning the novelty of movies into art: Georges Méliès and Edwin S. Porter.

Georges Méliès

French filmmaker Georges Méliès added fantasy to the movies. Before Méliès, moviemakers photographed theatrical scenes or events from everyday life. But Méliès, who had been a magician and a caricaturist before he became a filmmaker, used camera tricks to make people disappear and reappear and to make characters grow and then shrink.

His 1902 film, *A Trip to the Moon*, was the first outer-space movie adventure, complete with fantasy creatures. When his films, which became known as *trick films*, were shown in the United States, American moviemakers stole his ideas.

Apic/Getty Images

Georges Méliès created fanciful creatures for his 1902 film, *A Trip to the Moon*, introducing fantasy to motion pictures. In a scene from the movie, an explorer lands on the moon landscape, hitting the moon in the eye.

Edwin S. Porter

Edison hired projectionist/electrician Edwin S. Porter in 1899, and in the next decade Porter became America's most important filmmaker. Until Porter, most American films were trick films or short documentary-style movies that showed newsworthy events (although some filmmakers used sultry subjects in movies such as *Pajama Girl* and *Corset Girl* to cater to men, who were the movies' biggest customers). In 1903, Porter produced *The Great Train Robbery*, an action movie with bandits attacking a speeding train.

Instead of using a single location like most other moviemakers, Porter shot 12 different scenes. He also introduced the use of dissolves between shots, instead of abrupt splices. Porter's film techniques—action and changing locations—foreshadowed the classic storytelling tradition of American movies.

Studio System and Independent Moviemakers Flourish

None of the actors in the early movies received screen credit, but then fans began to write letters addressed to "The Biograph Girl," who was Biograph star Florence Lawrence. In 1909, Carl Laemmle formed an independent production company, stole Lawrence from Biograph and gave her screen credit. She became America's first movie star.

Biograph was the first company to make movies using the studio system. The ***studio system*** meant that a studio hired a stable of stars and production people who were paid a regular salary. These people signed contracts with that studio and could not work for any other studio without their employer's permission.

In 1910, Laemmle lured Mary Pickford away from Biograph by doubling her salary. He discovered, says film scholar Robert Sklar, "that stars sold pictures as nothing else could. As long as theaters changed their programs daily—and the practice persisted in neighborhood theaters and small towns until the early 1920s—building up audience recognition of star names was almost the only effective form of audience publicity." (Mary Pickford became one of the most influential women in early Hollywood and helped finance the independent studio United Artists. See page 131.)

The ***star system***, which promoted popular movie personalities to lure audiences, was nurtured by the independents. This helped broaden the movies' appeal beyond their original working-class audience. Movie houses began

Studio System An early method of hiring a stable of salaried stars and production people under exclusive contracts to a specific studio.

Star System Promoting popular movie personalities to lure audiences.

to open in the suburbs, and from 1908 to 1914, movie attendance doubled.

In 1915, the first real titan of the silent movies, director D. W. Griffith, introduced the concept of spectacular entertainment. Most early movies were two reels long, 25 minutes. Griffith expanded his movies to four reels and longer, pioneering the feature-length film. In his best-known epic, *The Birth of a Nation* (1915), the Southern-born Griffith presented a controversial view of the Civil War and Reconstruction, portraying racial stereotypes and touching on the subject of sexual intermingling of the races. The movie's cost—about $110,000—was five times more than any American film before that time.

With *The Birth of a Nation* and his subsequent epics, Griffith showed the potential that movies had as a mass medium that could gather large audiences. He also proved that people would pay more than a nickel or a dime to see a motion picture.

In 1916, brothers Noble and George Johnson launched the Lincoln Motion Picture Company, the first company to produce serious narrative movies for African American audiences, called "race films," which paved the way for African American film stars Paul Robeson and Josephine Baker.

Moviemakers like the Johnson brothers and Oscar Micheaux proved that movies produced for specialized audiences could succeed. From 1910 to 1950, filmmakers produced more than 500 movies directed at African American audiences. (See **Impact/Profile**, "Lighting Up a Black Screen: Early 'Race Films' Pioneered the Art of Breaking Stereotypes," p. 131.)

By the 1920s, movies clearly had arrived as a popular, viable mass medium, moving from the crowded nickelodeon to respectability.

Movies Become Big Business

The movie business was changing quickly. Five important events in the 1920s transformed the movie industry:

1. The move to California
2. The adoption of block booking
3. The formation of United Artists
4. The industry's efforts at self-regulation
5. The introduction of sound

Studios Move to Hollywood

During the first decade of the 20th century, the major movie companies were based in New York, the stage theater capital. Film companies sometimes traveled to Florida or Cuba to chase the sunshine because it was easier to build sets outdoors to take advantage of the light, but soon they found a new home in California.

In 1903, Harry Chandler, who owned the *Los Angeles Times*, also owned a lot of Los Angeles real estate. He and his friends courted the movie business, offering cheap land; moderate, predictable weather; and inexpensive labor. Soon the moviemakers moved to a place called "Hollywood."

Distributors Insist on Block Booking

People who owned theater chains then decided to make movies, and moviemakers discovered they could make more money if they owned theaters, so production companies built theaters to show their own pictures. The connection between production, distribution and exhibition grew, led by Paramount's Adolph Zukor, who devised a system called ***block booking***.

Block booking meant a company, such as Paramount, would sign up one of its licensed theaters for as many as 104 pictures at a time. The movie package contained a few "name" pictures with stars, but the majority of the movies in the block were lightweight features with no stars. Because movie bills changed twice a week, the exhibitors were desperate for something to put on the screen. Often, without knowing which movies they were getting in the block, exhibitors accepted the package and paid the distributor's price.

United Artists Champions the Independents

In 1919, the nation's five biggest movie names—cowboy star William S. Hart, Mary Pickford, Charlie Chaplin, Douglas Fairbanks and D. W. Griffith—rebelled against the strict studio system of distribution and formed their own studio. Eventually Hart withdrew from the agreement, but the remaining partners formed a company called United Artists (UA). They eliminated block booking and became a distributor for independently produced pictures, including their own.

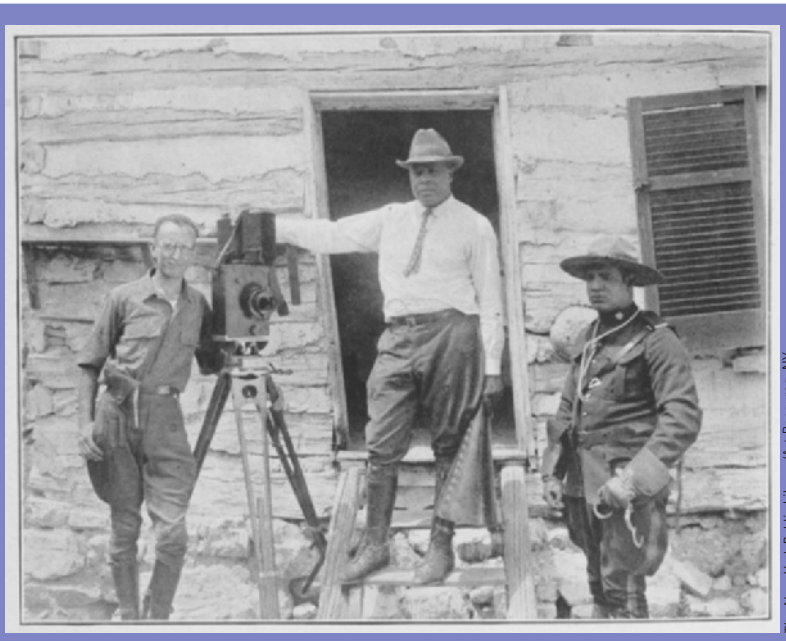
In its first six years, UA delivered many movies that today still are considered classics, including *The Mark of Zorro*, *The Three Musketeers*, *Robin Hood* and *The Gold Rush*. These movies succeeded even though UA worked outside the traditional studio system, proving that it was possible to distribute films to audiences without using a major studio.

Block Booking The practice of requiring theaters to take a package of movies instead of showing the movies individually.

IMPACT Profile

Lighting Up a Black Screen: Early "Race Films" Pioneered the Art of Breaking Stereotypes

By Teresa Moore



The New York Public Library/Art Resource, NY

Oscar Micheaux (center) was a pioneering African American filmmaker who produced "race movies," showing all–African American casts in a variety of roles. Micheaux's *Within Our Gates* was designed to counter the racism in D. W. Griffith's epic *The Birth of a Nation*.

The halcyon age for African Americans on the big screen was the period between 1910 and 1950 when blacks—and some whites—produced more than 500 "race movies," showcasing all-black casts in a variety of genres, including Westerns, mysteries, romances and melodramas.

In the naturally sepia-toned world of race movies, African Americans could—and did—do just about anything.

Lena Horne shone as the *Bronze Venus*. Crooner Herb Jeffries was the *Bronze Buckaroo*. There were black millionaires and black detectives, black sweethearts and socialites. Black heroines who swooned—tender, wilting ladies who never swept a broom or donned a do-rag. Black heroes who could be gentle and genteel, tough and smart. Black villains of both genders, out to separate black damsels and grandees from their virtue or fortune.

Race movies were so called because they were made for black Southern audiences barred from white-owned theaters. The films were shown either in the black-owned movie palaces of the urban North and Midwest or in "midnight rambles"—special midnight-to-2 a.m. screenings in rented halls or segregated theaters of the South.

Under segregation, the moviemakers created an onscreen world that not only reflected the accomplishments of the rising black middle class but also transformed reality into a realm where race was no impediment to love, power or success. . . .

The leading directors and producers—Oscar Micheaux and the brother team of Noble and George Johnson—wanted to uplift African Americans. Besides presenting black images more appealing to black audiences, they also offered black perspectives on racial injustice.

"In some ways these filmmakers were more free because they were making the movies for themselves," said Michael Thompson, a professor of African American history at Stanford. In *Within Our Gates*, Micheaux's filmic response to D. W. Griffith's controversial, anti-black epic *The Birth of a Nation*, a white man tries to rape a young black woman—stopping only when he recognizes her as his illegitimate daughter.

According to *Midnight Ramble*, Bestor Cram and Pearl Bowser's 1994 documentary on the black film industry, that industry developed alongside—and initially in reaction against—the white film industry. Virtually shut out of Hollywood, where a handful of black actors were usually cast as Indians and in various "ethnic" or "exotic" roles while whites in blackface cavorted onscreen, African Americans formed their own production companies, making hundreds of features and shorts.

Excerpted from Teresa Moore, "Lighting Up a Black Screen: Early 'Race Films' Pioneered the Art of Breaking Stereotypes," sfgate.com, February 25, 1997. Copyright 1997 by *San Francisco Chronicle*.

Topical Press Agency/Moviepix/Getty Images

AP Images/Chris Martinez

(Left) Mary Pickford, D. W. Griffith, Charlie Chaplin and Douglas Fairbanks (left to right) founded United Artists in 1919. (Right) In 1994, (left to right) Jeffrey Katzenberg, Steven Spielberg and David Geffen launched DreamWorks SKG, the first major independent movie studio created in the U.S. since United Artists. In 2006, the media conglomerate Viacom bought DreamWorks Animation, leaving the United States without a major independent studio (although Spielberg retained a partnership in the live-film division called DreamWorks SKG).

Moviemakers Use Self-Regulation to Respond to Scandals

In the 1920s, the movie industry faced two new crises: scandals involving movie stars and criticism that movie content was growing too provocative. As a result, the moviemakers decided to regulate themselves.

The star scandals began when comedian Roscoe "Fatty" Arbuckle hosted a marathon party in San Francisco over Labor Day weekend in 1921. As the party was ending, model Virginia Rappe was rushed to the hospital with stomach pains. She died at the hospital, and Arbuckle was charged with murder. Eventually the cause of death was listed as peritonitis from a ruptured bladder, and the murder charge was reduced to manslaughter. After three trials, two of which resulted in hung juries, Arbuckle was acquitted.

Then director William Desmond Taylor was found murdered in his home. Mabel Normand, a friend of Arbuckle's, was identified as the last person to see Taylor alive. Eventually Normand was cleared, but then it was revealed that "Taylor" was not the director's real name, and there were suggestions he was involved in the drug business. Hollywood's moguls and businesspeople were shocked. The Catholic Legion of Decency announced a movie boycott. Quick to protect themselves, Los Angeles business leaders met and decided that Hollywood should police itself.

Los Angeles Times owner Harry Chandler worked with movie leaders to bring in Will Hays, a former postmaster general and Republican Party chairman, to respond to these and other scandals in the movie business. Hays' job was to lead a moral refurbishing of the industry. In March 1922, Hays became the first president of the Motion Picture Producers and Distributors Association (MPPDA), at a salary of $100,000 a year. A month later, even though Arbuckle had been acquitted, Hays suspended all of Fatty Arbuckle's films, ruining Arbuckle's career.

Besides overseeing the stars' personal behavior, Hays decided that his office also should oversee movie content. The MPPDA, referred to as the Hays Office, wrote a code of conduct to govern the industry. In 1930, the MPPDA adopted a production code, which began with three general principles:

1. No picture shall be produced which will lower the moral standards of those who see it. Hence the sympathy of the audience shall never be thrown to the side of crime, wrongdoing, evil or sin.
2. Correct standards of life, subject only to the requirements of drama and entertainment, shall be presented.
3. Law, natural or human, shall not be ridiculed, nor shall sympathy be created for its violation.

The code then divided its rules into 12 categories of wrongdoing, including

- Murder: "The technique of murder must be presented in a way that will not inspire imitation."
- Sex: "Excessive and lustful kissing, lustful embraces, suggestive postures and gestures are not to be shown."
- Obscenity: "Obscenity in word, gesture, reference, song, joke, or by suggestion (even when likely to be understood only by part of the audience) is forbidden."
- Costumes: "Dancing costumes intended to permit undue exposure or indecent movements in the dance are forbidden."

An acceptable movie displayed a seal of approval in the titles at the beginning of the picture. Producers balked at

the interference, but most of them, afraid of censorship from outside the industry, complied with the monitoring.

Although standards have relaxed, the practice of self-regulation of content still operates in the motion picture industry today in the form of the movie ratings system.

New Technology Brings the Talkies

By the mid-1920s, silent movies were an established part of American entertainment, but technology soon pushed the industry into an even more vibrant era—the era of the talkies. MPPDA President Will Hays was the first person to appear on screen in the public premiere of talking pictures on August 6, 1926, in New York City. Warner Bros. and Western Electric had developed the movie sound experiment, which consisted of seven short subjects, called *The Vitaphone Preludes*.

The Warner brothers—Sam, Harry, Jack and Albert—were ambitious, upstart businessmen who beat their competitors to sound movies. On October 6, 1927, *The Jazz Singer*, starring Al Jolson, opened at Warners' Theatre in New York and was the first feature-length motion picture with sound. The movie was not an all-talkie but instead contained two sections with synchronized sound.

"IS IT ANY GOOD?"

Jorodo/cartoonstock

The success of *The Jazz Singer* convinced Warners' competitors to change over to sound. By July 1, 1930, 22 percent of theaters still showed silent films. By 1933, less than 1 percent of the movies shown in theaters were silents.

Big Five Studios Dominate

In the 1930s, the Big Five—Warner Bros., Metro-Goldwyn-Mayer, Paramount, RKO and Twentieth Century Fox—dominated the movie business, collecting more than two-thirds of the nation's box office receipts. United Artists remained solely a distribution company for independent producers.

The Big Five all were vertically integrated: They produced movies, distributed them worldwide and owned theater chains, which guaranteed their pictures a showing. The studios maintained stables of stars, directors, producers, writers and technical staff. Film scholar Tino Balio calls the studios at this point in their history a "mature oligopoly"—a group of companies with so much control over an industry that any change in one of the companies directly affected the future of the industry.

In the 1930s, Walt Disney was the only major successful Hollywood newcomer. He had released *Steamboat Willie* as "the first animated sound cartoon" in 1928. Disney was 26 years old, and he had sold his car to finance the cartoon's soundtrack. After some more short-animated-feature successes, Disney announced in 1934 that his studio would produce its first feature-length animated film, *Snow White and the Seven Dwarfs*. The film eventually cost Disney $2.25 million, more than MGM usually spent on a good musical. *Snow White* premiered December 21, 1937, at the Cathay Circle Theater in Hollywood and became an instant hit, the foundation for Disney's movie empire.

Box office receipts sagged in the 1930s as the Depression settled into every aspect of America's economy. Facing bankruptcy, several theaters tried to buoy their profits by adding bingo games and cut-rate admissions. The one innovation that survived the 1930s was the double feature: two movies for the price of one.

Labor Unions Organize Movie Workers

The Depression introduced another factor into motion picture budgets: labor unions. Before the 1930s, most aspects of the movie business were not governed by union agreements. But in 1937, the National Labor Relations Board held an election that designated the Screen Actors Guild to bargain for wages, working conditions and overtime.

The Screen Writers Guild was certified in 1938 and the Screen Directors Guild soon afterward. Unionization limited the studios' power over the people who worked for them, and by the late 1930s all the major studios had

Bettmann/Corbis

The late 1930s and early 1940s have been called the Golden Age of Movies. On December 1, 1939, Carole Lombard and Clark Gable arrive at Loew's Grand Theater in Atlanta for the premiere of *Gone with the Wind*, an MGM hit.

signed union agreements. Union agreements also introduced professionalism into the movie business. Then the Depression ended, and the studios once again prospered.

Movies Glitter During the Golden Age

With glamorous stars and exciting screenplays, supported by an eager pool of gifted directors, producers and technical talent, plus an insatiable audience, the movie industry reached its apex in the late 1930s and early 1940s. The most successful studio in Hollywood was MGM, which attracted the best writers, directors and actors. MGM capitalized on its star lineup with movies such as *The Great Ziegfeld*, *The Wizard of Oz* and *Gone with the Wind*.

Not only did *Gone with the Wind*'s phenomenal success demonstrate the epic stories that movies could tell, but the movie also was a technological breakthrough, with its magnificent use of color. The movie business was so profitable that even MGM's dominance didn't scare away the competition. Many other studios, such as RKO, created enduring stars, such as Fred Astaire and Ginger Rogers, in films with light plots but stunning dance production numbers.

Congress and the Courts Change Hollywood

Before television arrived throughout the country in 1948, two other events of the late 1940s helped reverse the prosperous movie bonanza that began in the mid-1930s:

1. The hearings of the House Un-American Activities Committee (HUAC)
2. The 1948 antitrust decision of the U.S. Supreme Court in *United States v. Paramount Pictures, Inc., et al.*

The House Un-American Activities Committee

In October 1947, America was entering the Cold War, an era in which many public officials, government employees and private citizens seemed preoccupied with the threat of Communism and people identified as "subversives." The House of Representatives Committee on Un-American Activities, chaired by J. Parnell Thomas, summoned ten "unfriendly" witnesses from Hollywood to testify about their Communist connections. (Unfriendly witnesses were people the committee classified as having participated at some time in the past in "un-American activities." This usually meant that the witness had been a member of a left-wing organization in the decade before World War II.) These eight screenwriters and two directors came to be known as the Hollywood Ten.

The Ten's original strategy was to appear before the committee as a group and avoid answering the direct

AP Images/Ed Widdis

The Hollywood Ten, targeted in 1947 by the House Un-American Activities Committee, eventually went to jail for refusing to answer questions before the committee about their political beliefs. On June 8, 1950, about 500 people at the Los Angeles Airport showed support for Hollywood Ten screenwriter Dalton Trumbo (third from right, wearing glasses). Trumbo was leaving for Washington, D.C., to begin serving a jail term for contempt of Congress.

question "Are you now or have you ever been a member of the Communist Party?" Instead, the Ten tried to make statements that questioned the committee's authority to challenge their political beliefs. In a rancorous series of hearings, the committee rejected the Ten's testimony, and the witnesses found themselves facing trial for contempt. All of them were sentenced to jail, and some were fined. By the end of November 1947, all the Hollywood Ten had lost their jobs. Many more movie people would follow.

In an article for the *Hollywood Review*, Hollywood Ten member Adrian Scott reported that 214 movie employees eventually were ***blacklisted***, which means that many studio owners refused to hire people who were suspected of taking part in "subversive" activities. The movie people who were not hired because of their political beliefs included 106 writers, 36 actors and 11 directors. This effectively gutted Hollywood of some of its best talent.

United States v. Paramount Pictures, Inc., et al.

The U.S. Justice Department began an antitrust suit against the studios in 1938. In 1940, the studios came to an agreement with the government, while admitting no guilt. They agreed to

1. Limit block booking to five films.
2. Stop ***blind booking*** (the practice of renting films to exhibitors without letting them see the films first).
3. Stop requiring theaters to rent short films as a condition of acquiring features.
4. Stop buying theaters.

After this agreement, the Justice Department dropped its suit with the stipulation that the department could reinstitute the suit again at any time.

By 1944, the government still was unhappy with studio control over the theaters, so it reactivated the suit. In 1948, *United States v. Paramount Pictures, Inc., et al.* reached the Supreme Court. Associate Justice William O. Douglas argued that although the 5 major studios—Paramount, Warner Bros., MGM-Loew's, RKO and Twentieth Century Fox—owned only 17 percent of all theaters in the United States, these studios held a *monopoly* over first-run exhibition in the large cities. The Supreme Court decided against Paramount, and by 1954 the 5 studios had given up ownership or control of all their theaters. Production and exhibition were now split; vertical integration was crumbling.

When the movie companies abandoned the exhibition business, banks grew reluctant to finance film projects because the companies could not guarantee an audience—on paper. Soon the studios decided to leave the production business to independents and became primarily distributors of other people's pictures. The result was the end of the studio system.

Movies Lose Their Audience to Television

In the 1950 Paramount movie *Sunset Boulevard*, aging silent screen star Norma Desmond (played by Gloria Swanson) romances an ambitious young screenwriter (played by William Holden) by promising him Hollywood connections.

> "You're Norma Desmond. You used to be in silent pictures. You used to be big," says the screenwriter.
>
> "I am big," says Desmond. "It's the pictures that got small."

Desmond could have been talking about the movie business itself, which got much smaller after 1948, when television began to offer home-delivered entertainment nationwide. The House hearings and the consent decrees in the *Paramount* case telegraphed change in the movie business, but television truly transformed Hollywood forever. In the 1950s, the number of television sets people owned grew by 400 percent, while the number of people who went to the movies fell by 45 percent.

Theaters tried to make up for the loss by raising their admission prices, but more than 4,000 theaters closed between 1946 and 1956. Attendance has leveled off or risen briefly a few times since the 1950s, but the trend of declining movie attendance continues today. The movie industry has tried several methods to counteract this downward trend.

Stunned by television's popularity, the movie business tried technological gimmicks in the 1950s to lure its audience back. First came 3-D movies, using special effects to create the illusion of three-dimensional action. To watch special effects like rocks flying off the screen, people had to wear special plastic glasses. The novelty was fun at first, but the 3-D movie plots were weak, and most people didn't come back to see a second 3-D movie.

Wide-Screen and 3-D Movies

Next came Cinerama, CinemaScope, VistaVision and Panavision—wide-screen color movies with stereophonic

Blacklisting Studio owners' refusal to hire someone who was suspected of taking part in subversive activities.

Blind Booking The practice of renting films to exhibitors without letting them see the films first.

Time & Life Pictures/Getty Images

Jim Prisching/AP Images for Imax

In the 1950s, the movie business used technological gimmicks, such as very primitive 3-D, to try to compete with television. In 2011, faced with declining audiences because of the Internet and streaming, the movie studios launched an updated version of 3-D, but 3-D movies proved too expensive to produce, so the fad again began to fade.

sound. All these techniques tried to give the audience a "you are there" feeling that they couldn't get from television, but eventually these specialty movies proved too expensive.

Changes in Censorship

On May 26, 1952, the Supreme Court announced in *Burstyn v. Wilson* that motion pictures were "a significant medium for the communication of ideas," designed "to entertain as well as to inform." The effect of this decision was to protect movies under the First Amendment, which meant fewer legal restrictions on what movies could show.

In 1953, Otto Preminger challenged the movies' self-regulating agency, the Production Code Administration (PCA). United Artists agreed to release Preminger's movie *The Moon Is Blue*, even though the PCA denied the movie a certificate of approval because it contained such risqué words as *virgin* and *mistress*. Then, in 1956, United Artists released Preminger's *Man with the Golden Arm*, a film about drug addiction, and the PCA restrictions were forever broken.

Encouraged by the *Burstyn* decision and the United Artists test, moviemakers tried sex and violence to lure audiences away from television. In the 1950s, Marilyn Monroe and Jayne Mansfield offered generously proportioned examples of the new trend. Foreign films also became popular because some of them offered explicit dialogue and love scenes.

Spectaculars

One by one, the studio moguls retired, and they were replaced by a new generation of moviemakers. This second generation "inherited a situation where fewer and fewer pictures were being made, and fewer still made money," says film historian Robert Sklar, "but those that captured the box office earned enormous sums. It was as if the rules of baseball had been changed so that the only hit that mattered was a home run."

Spectaculars like *The Sound of Music* (1965) and *The Godfather* (1971) and its sequels rewarded the rush for big money. But then a few majestic flops taught the studios that nothing demolishes a studio's profits like one big movie bomb.

Bruce Bailey/Getty Images

In the 1960s, moviemakers tried to compete with television by producing spectaculars, such as *The Sound of Music*. On March 10, 1965, *The Sound of Music* star Julie Andrews (center) appeared with several cast members at the film's premiere in Hollywood. The film, still being shown today around the world, celebrated its 50th anniversary in 2015.

Movie Ratings

In 1966, Jack Valenti, former adviser to President Lyndon Johnson, became president of the Motion Picture Producers Association (MPPA) and renamed it the Motion Picture Association of America (MPAA). The MPAA protects the business interests of movie companies by lobbying Congress about issues that are important to the movie business, such as freedom from government censorship. One of Valenti's first acts was to respond to continuing public criticism about shocking movie content. (Valenti ran the MPAA until his retirement in 2004.)

The MPAA began a rating system of self-regulation modeled on Great Britain's: G for general audiences, M (later changed to PG) for mature audiences, R for restricted (people under 17 admitted only with an adult), and X for no one under 18 admitted. The PG-13 rating—special parental guidance advised for children younger than 13—was added, and the X rating was changed to NC-17. Standards for the R rating have eased since the ratings system began, further blurring the effectiveness of the ratings system for the public.

Movies and Money Today

In today's system of moviemaking, each of the major studios (such as Disney, Viacom/Paramount and Sony Pictures Entertainment) usually makes fewer than 20 movies a year. The rest come from independent producers, with production, investment, distribution and exhibition each handled by different companies. Most of these independently produced movies are distributed by one of the large studios.

In an attempt to counteract the strong influence of the traditional movie studios, Steven Spielberg, Jeffrey Katzenberg and David Geffen launched a company called DreamWorks SKG (their initials—S, K, G) in 1994. DreamWorks was the first major independent movie studio created in America since United Artists was formed in 1919. The company survived as an independent studio for 12 years, but in 2006 DreamWorks was sold to Viacom, leaving the United States without a major independent movie studio.

In 2004, the animation division, DreamWorks Animation, was spun off as a publicly traded company, with Katzenberg as CEO. Viacom/Paramount kept the live-action portion of the studio. Geffen left the live-action studio in 2008, and in 2009, Spielberg, with two partners, bought back the live-action part of the original studio from Paramount.

So today there is DreamWorks Animation, a publicly traded company that produces only animated features, and Spielberg and his partners own DreamWorks Studios to produce live-action movies, such as *War Horse* (2011) and *Lincoln* (2012).

Movies are created by one group (the writers and producers), funded by another group (the investors), sold by a third group (the distributors) and shown by a fourth group (the exhibitors). No other mass media industry is so fragmented.

Ticket Prices Rise and Ticket Sales Drop

In 1946, the movies' best year, American theaters collected more than 4 billion tickets. Today, as more people watch more movies on video and by streaming, the number of theater admissions has dropped to about 1 billion. Exhibitors believe that if they raise their admission prices much more, ticket sales will fall further. This is why exhibitors charge so much for refreshments, which account for 10 to 20 percent of their income. (See **Illustration 7.1**, "Global Box Office Drives Movie Industry Profits," and **Illustration 7.2**, "Asia/Pacific and Latin America Are Fastest-Growing Movie Markets," p. 138.)

The average cost to make a movie today is more than $100 million, but an average is just that—many movies cost less, and a few movies cost a lot more. Even if a movie is a big box office success, a movie is a financial success only when it brings in more money than it costs to make.

The movie studios claim they lose money on *most* of the pictures they underwrite. Producers claim that, by hiding behind complicated financing schemes, the studios are able to keep exorbitant profits on the movies they distribute, which raises the cost of making movies for producers.

Movie finance is an important part of the movie business today because movies, like other media industries, are part of publicly owned corporations, where loyalty to stockholders comes first. Studios tend to choose safer projects and seek proven audience-pleasing ideas rather than take risks.

One way the movie industry collects predictable income is to make movies for television. Half the movies produced every year are made for television and underwritten by the TV networks. Video sales and movie streaming also bring reliable revenues, an important factor in movie funding called ***ancillary rights***.

Ancillary Rights Fund Projects

In 1950, a movie ticket cost about 50 cents. Today you can see a film for less than 50 cents a person if you pick up a Redbox movie for $1.50 and invite five friends to join you.

The explosion of video rentals and sales since the VCR was first marketed in 1976 has had a powerful effect on

Ancillary Rights Marketing opportunities related to a movie, in addition to direct income from the movie itself.

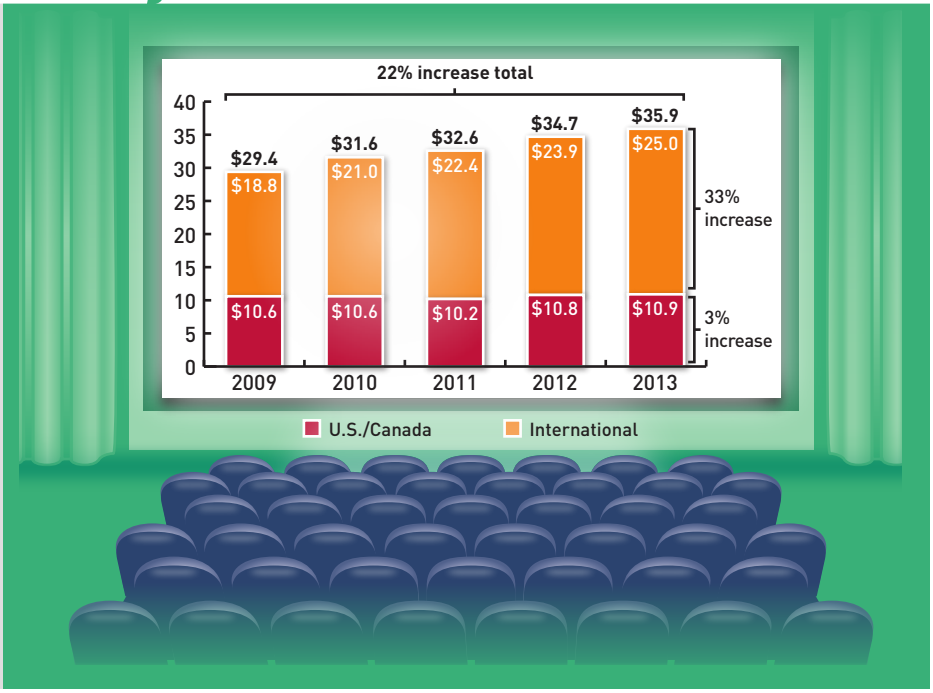
IMPACT Money

ILLUSTRATION 7.1

Global Box Office Drives Movie Industry Profits

Since 2009, movie box office receipts overseas have increased 33 percent, while the U.S./Canadian box office has remained virtually unchanged. This trend highlights why overseas markets have become such an important source of revenue for U.S. filmmakers.

"Theatrical Markets Statistics 2013," Motion Picture Association of America Inc., mpaa.com.



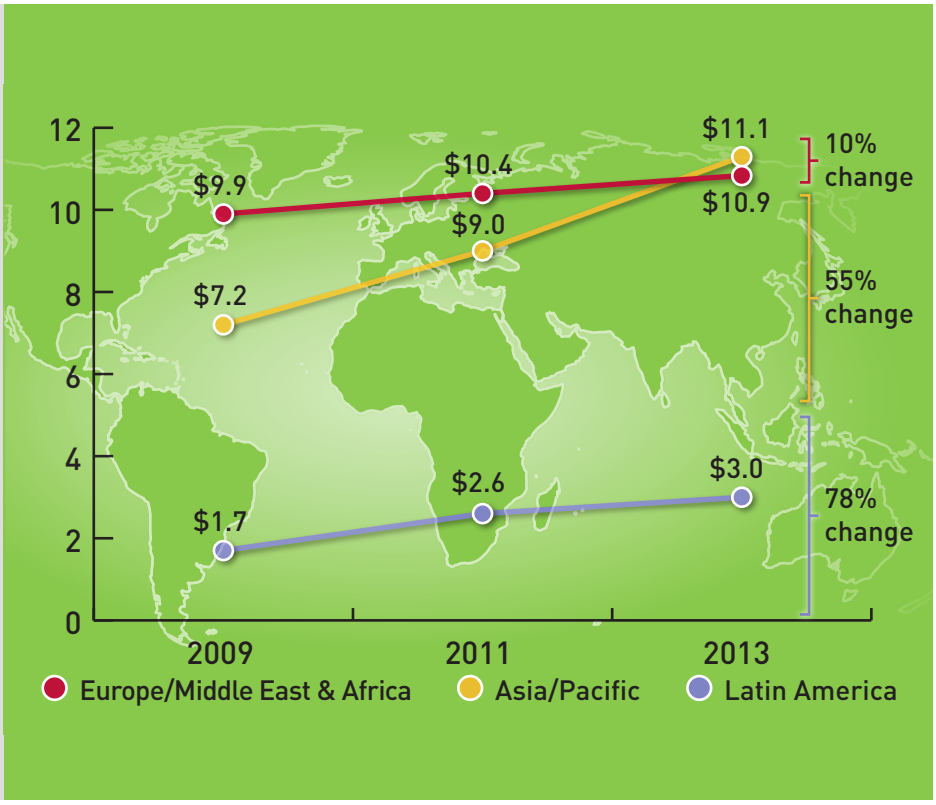
IMPACT Global

ILLUSTRATION 7.2

Asia/Pacific and Latin America Are Fastest-Growing Movie Markets

Movies are a global business. From 2009 to 2013, box office receipts in Europe, the Middle East and Africa grew 10 percent, but revenue in the Asia/Pacific region grew 55 percent, and the Latin American market increased 78 percent. Today the Asia/Pacific market is bigger than Europe, the Middle East and Africa combined.

"Theatrical Markets Statistics 2013," Motion Picture Association of America Inc., mpaa.com. (*Note:* International box office totals include money generated by U.S.-made movies exhibited overseas and overseas movies exhibited in the U.S.)



how the movie business operates today. The sale of movies on video and movie streaming are part of the ancillary rights market, which means marketing opportunities that are related to a movie (such as video games), in addition to direct income from theater ticket sales for the movie itself.

"Some pictures make a lot of money," says movie analyst David V. Picker, "and a lot of pictures make no money." But the fact is that the large studios usually make a respectable overall return on their investment each year because earnings are not just dependent on ticket sales alone. In 2013, the U.S. movie industry reported income of $10.9 billion.

Before a theatrical movie starts shooting, the investors want some assurances that they'll make their money back. Moviemakers use the sale of ancillary rights to add to investors' return on their investment. Ancillary rights include

- Subscription television rights
- Network television rights
- Syndication rights (sales to independent TV stations)
- Airline rights for in-flight movies
- Military rights (to show films on military bases)
- College rights (to show films on college campuses)
- Song rights for soundtrack albums
- Book publishing rights (for original screenplays that can be rewritten and sold as books)
- DVD reproduction rights
- Product placement
- Video game rights
- Internet downloads and streaming rights

Movies are commercialized in the sense that sometimes they are tied to products, which is another way of advertising a movie. A movie that can be exploited as a package of ancillary rights, with commercial appeal, is much more attractive to investors than a movie with limited potential.

Often the only choice for a filmmaker who wants to make a film without substantial ancillary-rights potential is to settle for a low budget. Once the film is made, the independent filmmaker must then find a way to distribute the movie. This severely limits the number of independent films that make it to the box office.

Movies at Work

Today the center of the movie industry is movie production. Independent companies produce most of the movies that are distributed by the major studios and exhibited at your local theater under agreements with individual studios. Although these production companies work independently, and each company is organized differently, jobs in movie production fall mainly into the following categories:

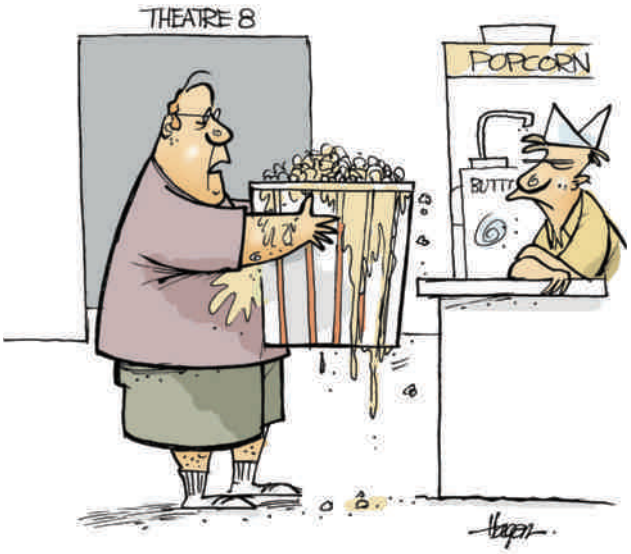
1. Screenwriters
2. Producers
3. Directors
4. Actors
5. Technical production
6. Marketing and administration

Every movie begins with a story idea, and these ideas come from *screenwriters*. Screenwriters work independently, marketing their story ideas through agents, who promote their clients' scripts to the studios and to independent producers.

Typically, *producers* are the people who help gather the funding to create a movie project. Financing can come from banks or from investors who want to back a specific movie. Sometimes producers or actors help finance the movies they make in exchange for a percentage of the profits.

The Washington Post/Getty Images

Star Wars is the most enduring and successful movie project ever produced, generating unprecedented income for the movies' creator, George Lucas. In 2012, Lucas sold Disney all rights to the *Star Wars* series for $40.5 billion and Disney plans to release *Star Wars: The Force Awakens* in December 2015. On September 4, 2015, 3-year-old Nashira Higdon shows that she is number one in line on "Force Friday" for the new *Star Wars* toys at the Disney Store at Tysons Corner in McLean, Virginia.



Ralph Hagen/Cartoonstock

Once the funding for the story is in place, a *director* organizes all the tasks necessary to turn the script into a movie. The director works with the producer to manage the movie's budget.

Obviously, *actors* are important to any movie project. Sometimes the producer and director approach particular stars for a project even before they seek funding, to attract interest from the investors and to help assure the investors that the movie will have some box office appeal.

Technical production includes all the people who actually create the movie—camera operators, set designers, film editors, script supervisors and costumers, for example. Once the movie is finished, the *marketing* people seek publicity for the project. They also design a plan to advertise and promote the movie to the public.

As in any media industry, people who work in *administration* help keep all the records necessary to pay salaries and track the employees' expenses, as well as keep track of the paperwork involved in organizing any business.

Digital Technology Drives the Business

New digital technologies affect three aspects of today's movie business:

1. Production
2. Distribution
3. Exhibition

Production

Smaller, portable cameras mean a camera operator can move more easily through a crowd. Digital video means that filmmakers can shoot more scenes at night and in dark places with less artificial lighting. Directors digitally record scenes as they shoot them and immediately play back the scene to be sure they have the shot they want. Technology also offers exciting special effects possibilities.

The ability to digitize color also means the images in movies can be intensified, adjusted and totally transformed after the movie is shot, in a way that was impossible even 20 years ago.

Distribution

Reproducing copies of films to send to theaters and guaranteeing their arrival is one of the costliest aspects of moviemaking. Many distribution companies already send their movies by satellite-to-satellite dishes on top of each theater and directly to consumers' homes. Live performances, such as a music concert or a major sports event, already are available by satellite at many local theaters, and some first-run movies can be sent directly to your home the same day they're released in the theater.

The theater industry is replacing the traditional film projector, invented more than 100 years ago, with

Matthew Pasant/Flickr Vision/Getty Images

Movie streaming on mobile devices is transforming movie distribution. In November 2012, a child watches the 82-year-old Disney movie *Steamboat Willie* on her iPad.

digital projectors, which can show movies that are sent by satellite or recorded on optical discs. Most of the nation's larger theaters have converted to digital projection, but the price of the conversion can be prohibitive for small, independent film houses. Digitized movies are cheaper to distribute and can be shown on more screens or removed quickly, depending on audience demand.

Also, as video technology grew faster and more accessible, established movie studios and independent moviemakers devised a whole new distribution system, based on digitized movies delivered directly to consumers via streaming on the Internet. In 2008, Apple iTunes launched online movie rentals, and in 2015, Netflix announced that it had more than 60 million subscribers for its streaming and movies-on-demand services, more than 40 million of them in the U.S.

Exhibition

To draw people back into theaters, New Line Cinema and DreamWorks began developing a new digital version of 3-D technology similar to what theaters tried in the 1950s. *Avatar*, released late in 2009, was the first big 3-D hit, and Disney followed with a 3-D version of *Toy Story 3*. At first, higher ticket prices for 3-D features helped increase profitability but, as with 3-D's initial launch in the 1950s, the novelty faded, and recently movie studios have been unwilling to underwrite new 3-D projects.

Emerging Markets and Mergers Bring New Opportunities

Today's movie industry is undergoing two major changes. One recent trend in the movie business is global ownership and global marketing. The second trend is the merging of the movie industry with the television industry.

Global Influence

Overseas companies own two of the major studios (Sony owns Sony Pictures Entertainment and Rupert Murdoch's News Corporation owns Twentieth Century Fox). Foreign ownership gives these companies easier access to overseas markets.

American motion pictures are one of America's strongest exports, and income from foreign sales accounts for more than one-third of the movie industry's profits. "If Hollywood has learned anything the past few years," says *Business Week*, "it's that the whole world is hungry for the latest it has to offer." International ticket sales reached $25 billion in 2013, primarily driven by rapid growth in Asia and Latin America.

Merging Media Production

In 1993, the Federal Communications Commission voted to allow the TV networks to produce and syndicate their own programs. This opened the door for TV networks to enter the movie business. Today, people in the television business are buying pieces of the movie business, and people in the movie business want to align themselves with television companies.

The result today is consolidated companies that finance movies, make movies and show those movies on their own television stations, on video and on the Internet. By controlling all aspects of the business, a company can have a better chance to collect a profit on the movies it makes.

Sound familiar? The studios held this type of controlling interest in their movies before the courts dismantled the studio system with the 1948 consent decrees (see "*United States v. Paramount Pictures, Inc., et al.*," p. 135). Today's major studios are trying to become again what they once were: a mature oligopoly in the business of dreams.

Kevin Winter/Getty Images

The international market for American films accounts for more than one-third of movie industry profits. On March 1, 2015, *Cinderella* star Lily James appeared at the movie's premiere in Los Angeles, but the movie actually opened in Germany and England a month before it was shown in the U.S.

IMPACT Global

Hollywood Takes a Roman Holiday . . . Again

By Jim Yardley

Tiziana Fabi/Getty Images

Daniel Craig, star of the new James Bond movie *Spectre*, shoots a scene in central Rome on February 23, 2015. Moviemakers, who used Rome as a backdrop for many movies in the 1950s and 1960s, have returned because of financial incentives offered by the Italian government.

ROME—Inside the Cinecittà film studios, originally built by Mussolini in part to produce fascist propaganda, a catapult is parked beside Soundstage 13. Not far away, craftsmen touch up chariots. The props are for the remake of the 1959 swords-and-sandals epic, *Ben-Hur*, which is consuming much of the vast studio lot, if not all of it.

Five soundstages are being used to film the Ben Stiller comedy *Zoolander 2*. And crews for the James Bond thriller *Spectre* used the studio in March [2015] while shooting scenes around Rome.

The recent arrival of Hollywood is in part because Rome is one of the most visually alluring and historically resonant cities in the world. But it is also about money. Having watched different countries use financial incentives to attract lucrative Hollywood productions, Italy's Ministry of Culture has sweetened the tax credits provided to foreign movie companies.

The glory days of Hollywood filmmaking in Rome came during the 1950s and 1960s—the so-called era of Hollywood on the Tiber. To many Americans, the defining film was *Roman Holiday* (1953), which depicted Audrey Hepburn and Gregory Peck riding a scooter around Rome. But the big-budget productions were the historical blockbusters including *Quo Vadis* (1951) and *Ben-Hur*.

The biggest, *Cleopatra* (1963), became what was then the most expensive movie in history, with huge cost overruns that almost bankrupted 20th Century Fox. The two stars, Elizabeth Taylor and Richard Burton, had a torrid affair that provided fodder for gossip magazines around the world.

Antonio Monda, a film professor at New York University, said the Hollywood-Rome connection gradually diminished in the 1960s for different reasons, including Italian hiring quotas for crews. Foreign films still came to Italy, but countries such as Bulgaria, Romania and the Czech Republic gradually began offering low-cost alternatives.

[A] policy was initiated last year [that] allows each production company to claim a tax rebate of up to €10 million on expenses incurred in Italy, meaning big-budget films produced by more than one company receive bigger savings.

Productions like the remake of *Ben-Hur* are estimated to spend up to €50 million during production in Rome alone. Last year, Italy generated €167 million from 53 foreign films being shot in the country, according to the Ministry of Culture.

Out at Cinecittà, a small museum chronicles the era of Hollywood on the Tiber and the Spaghetti Westerns that were filmed in Italy in the mid-1960s and that made a star of Clint Eastwood. "Rome has always been a center of cinematography," said [Giuseppe] Basso of Cinecittà, "and must be."

Excerpted from Jim Yardley, "Hollywood Takes a Roman Holiday . . . Again," April 6, 2015, nytimes.com.

REVIEW, ANALYZE, INVESTIGATE

CHAPTER 7

Movies Mirror the Culture

- Before the invention of TV, movies were the nation's primary form of entertainment.
- Like other industries, the movie business has had to adapt to changing technology.

Inventors Capture Motion on Film

- Eadweard Muybridge and Thomas Edison contributed the most to the creation of movies in America. Muybridge demonstrated how to photograph motion, and an Edison employee, William K. L. Dickson, developed a projector, the kinetoscope.
- Auguste and Louis Lumière developed an improved camera and a projector to show film on a large screen.
- Edison also organized the Motion Picture Patents Company to control movie distribution.

Filmmakers Turn Novelty into Art

- French filmmaker Georges Méliès envisioned movies as a medium of fantasy.
- Edwin S. Porter assembled scenes to tell a story.

Studio System and Independent Moviemakers Flourish

- Biograph became the first studio to make movies using what was called the studio system.
- The studio system put the studio's stars under exclusive contract, and the contract could not be broken without an employer's permission.
- The star system promoted popular movie personalities to lure audiences.
- D. W. Griffith mastered the full-length movie. Griffith's best-known movie is a controversial view of the Civil War, *The Birth of a Nation*.
- From 1910 to 1950, filmmakers like Noble and George Johnson and Oscar Micheaux produced movies specifically directed at African American audiences, called "race films."

Movies Become Big Business

- The movie studios moved from New York to Hollywood, where the climate was more favorable.
- The practice of block booking, led by Adolph Zukor, obligated movie houses to accept several movies at once, usually without previewing them first.
- The formation of United Artists by Mary Pickford, Charlie Chaplin, Douglas Fairbanks and D. W. Griffith was a rebellion against the big studios.
- UA distributed films for independent filmmakers.
- In the 1920s, the movie industry faced two crises: scandals involving movie stars and criticism that movie content was growing too explicit.
- The movie industry responded to the scandals and criticism about content by forming the Motion Picture Producers and Distributors Association under the direction of Will Hays.
- In 1930, the MPPDA adopted a production code, which created rules that governed movie content.
- Although standards have relaxed, the practice of self-regulation of content continues today.
- *The Jazz Singer*, the first feature-length motion picture with sound, premiered in New York City on October 6, 1927.

Big Five Studios Dominate

- As the studio system developed, the five largest Hollywood studios were able to control production, distribution and exhibition.
- In 1937, Walt Disney premiered the first feature-length animated film, *Snow White and the Seven Dwarfs*.
- Box office receipts sagged during the Depression, so theaters introduced the double feature—two movies for the price of one.

Labor Unions Organize Movie Workers

- In the 1930s, labor unions challenged studio control and won some concessions.
- Union agreements limited the studios' power over their employees.

Movies Glitter During the Golden Age

- The movies' golden age was the 1930s and 1940s, supported by the studio system and an eager audience.
- The most successful Hollywood studio was MGM, which concentrated on blockbuster movies such as *The Wizard of Oz* and *Gone with the Wind*.

Congress and the Courts Change Hollywood

- Three factors caused Hollywood's crash in the 1950s: the House Un-American Activities Committee hearings,

the U.S. Justice Department's antitrust action against the studios and television.

- At least 214 movie employees eventually were blacklisted as a result of the hearings of the House Un-American Activities Committee (HUAC).
- In 1948, the U.S. Supreme Court decision in *United States v. Paramount Pictures Inc., et al.* ended the studio system.

Movies Lose Their Audience to Television

- People abandoned the movies for television, and the trend of declining movie attendance continues today.
- Hollywood tried to lure audiences back to the movies in the 1950s with technological gimmicks, sultry starlets and spectaculars, but the rewards were temporary.
- Movie ratings were originally a response to criticism about immoral movie content, but the standards for these ratings have become blurred.

Movies and Money Today

- DreamWorks SKG, launched in 1994 by Steven Spielberg, Jeffrey Katzenberg and David Geffen, was the first major independent movie studio created in the United States since United Artists was formed in 1919. In 2006, DreamWorks was sold to Viacom, leaving the United States without a major independent movie studio.
- Today the number of moviegoers continues to decline, although DVD sales and streaming, as well as video game development, add to movie industry income.
- Most movies are funded in part by ancillary rights sales.
- The median cost to make a movie today is more than $100 million.
- Most movies are sold as packages, with all their potential media outlets underwriting the movie before it goes into production. This makes independent filmmaking difficult.

Movies at Work

- Movie production is the heart of the movie industry today.
- Screenwriters begin the moviemaking process; other jobs include producer, director, actor, technical production, marketing and administration.

Digital Technology Drives the Business

- New digital technologies affect production, distribution and exhibition of movies.
- Independent moviemakers can use computers to create movies inexpensively and distribute them on the Internet.
- Distribution companies send movies by satellite to satellite dishes on top of theaters and directly to consumers' homes.
- In 2008, Apple made first-run movie downloads available on its iTunes Web site for $2.99 each.
- In 2015, Netflix announced that it had more than 60 million subscribers for its streaming and video-on-demand services, more than 40 million of them in the U.S.
- New 3-D technology initially added to industry income, but recently movie studios have been unwilling to invest in new 3D projects.

Emerging Markets and Mergers Bring New Opportunities

- In 1993, the Federal Communications Commission voted to allow the TV networks to produce and syndicate their own programs. This opened the door for TV networks to enter the movie business.
- Overseas companies own two of the major studios.
- Foreign ownership gives these companies easier access to overseas markets.
- Overseas sales of American movies account for more than one-third of movie industry income.
- The movie and television industries have aligned themselves more closely to control all aspects of moviemaking.

Key Terms

These terms are defined in the margins throughout this chapter and appear in alphabetical order with definitions in the Glossary, which begins on page 361.

Ancillary Rights ***137***
Blacklisting ***135***
Blind Booking ***135***
Block Booking ***130***
Star System ***129***
Studio System ***129***

Critical Questions

1. What were "race movies"? Discuss the ways in which these films changed the perspective of African Americans portrayed in the films and for their audiences.
2. What were the effects of the practices of block booking and blind booking on the movie industry? How and why did these practices end?
3. Why do you believe the Hollywood Ten became a target of the House Un-American Activities Committee? Could the same thing happen today? Why? Explain.
4. Describe how today's digital technologies are changing moviemaking, distribution and exhibition.
5. In which areas of the world are moviegoing audiences growing the fastest? What role do international markets play in the movie business today? Explain.

Working the Web

This list includes sites mentioned in the chapter and others to give you greater insight into the movie business.

Academy of Motion Picture Arts and Sciences

oscars.org

Established in 1927 with legendary actor Douglas Fairbanks as its first president, the Academy of Motion Picture Arts and Sciences is the home of the Academy Awards, more commonly known as the Oscars. This is an honorary association of over 7,000 motion picture professionals. The Academy works to advance the arts and sciences of motion pictures, recognizing outstanding achievement and promoting technical research of methods and equipment.

DEG Digital Entertainment Group

degonline.org

DEG is a nonprofit trade consortium of more than 56 companies, ranging from major motion picture studios to consumer electronics manufacturers, retailers and ancillary businesses that support the home entertainment industry. DEG's primary goal is to explore opportunities in digital technologies and represent all aspects of the home entertainment industry. Members include DreamWorks Animation, DirectTV, Warner Brothers Home Entertainment and Samsung Electronics.

Directors Guild of America

dga.org

The Directors Guild of America is a labor organization that represents the creative and economic rights of directors and members of the directorial team working in film, television, commercials, documentaries, news, sports and new media. The DGA is governed by an elected National Board of Directors and has offices in Los Angeles, New York and Chicago.

Internet Movie Database (IMDb)

imdb.com

Owned by Amazon.com, IMDb started in 1990 as a hobby project by an international group of movie and TV fans. Today, IMDb is "the world's most popular and authoritative source for movie, TV and celebrity content." IMDb offers a searchable database of more than 100 million data items, including more than 2 million movies, TV and entertainment programs and listings for more than 4 million cast and crew members.

Lucasfilm

lucasfilm.com

This film and entertainment company founded by George Lucas in 1971 has produced such hits as *American Graffiti* and the *Star Wars* and *Indiana Jones* series. In addition to motion picture and television production, the company's businesses include Industrial Light & Magic (visual effects), Skywalker Sound and LucasArts (video games).

Motion Picture Association of America (MPAA) and Motion Picture Association (MPA)

mpaa.org

Founded in 1922, the MPAA is the primary advocate for the motion picture, home video and television industries. The MPAA and its international counterpart the MPA are responsible for the movie ratings and work to protect copyrights and stem piracy of filmed works in more than 30 countries around the world.

Netflix

netflix.com

Founded in 1997 and headquartered in Los Gatos, Calif., Netflix lays claim to being "the world's leading Internet television

network with over 57 million members in nearly 50 countries enjoying more than two billion hours of TV shows and movies per month." Subscribers can watch original series, documentaries and feature films as much as they want, anytime, anywhere, on nearly any Internet-connected screen. Members can play, pause and resume watching, all without commercials.

Screenwriters Federation of America (SFA)

screenwritersfederation.org

Formerly the Screenwriters Guild of America, the SFA's goals are to educate screenwriters about their craft and about the entertainment business. The SFA works to create a network for screenwriters and to administer standards for marketing scripts.

Sundance Institute

sundance.org

This nonprofit organization dedicates itself to discovering and developing independent moviemakers. Founder Robert Redford began hosting labs in 1981 where emerging filmmakers could work with leading writers and directors to develop their original projects. The Institute is now an internationally recognized independent artist resource and the host of the annual Sundance Film Festival.

Warner Bros.

warnerbros.com

Initially founded by the four Warner brothers as a silent-film distributor in 1903, today the company is headquartered on 142 acres in Burbank, Calif., and has a 160-acre studio lot in the United Kingdom. The company is now a division of Time Warner Inc. and includes Castle Rock Entertainment, New Line Cinema, Warner Brothers Home Entertainment, Warner Brothers Television Group, Warner Brothers Animation and DC Comics and Entertainment.

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TELEVISION
SWITCHING CHANNELS

08

CBS Photo Archive/Getty Images

Traditional TV networks, such as NBC, CBS and ABC, depend on successful comedy series, such as *The Big Bang Theory*, to attract a loyal audience for advertisers. But today new program suppliers, including Netflix and Amazon, are challenging the networks by providing subscription shows that stream on the Web without commercials.