

WHAT MAKES HOLLYWOOD RUN?  
Capitalist Power, Risk and the Control of Social Creativity

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## Abstract

This dissertation combines an interest in political economy, political theory and cinema to offer an answer about the pace of the Hollywood film business and its general modes of behaviour. More specifically, this dissertation seeks to find out how the largest Hollywood firms attempt to control social creativity such that the art of filmmaking and its related social relations under capitalism do not become financial risks in the pursuit of profit. Controlling the ways people make or watch films, the thesis argues, is an institutional facet of *capitalist power*. Capitalist power—the ability to control, modify and, sometimes, limit social creation through the rights of ownership—is the foundation of capital accumulation. For the Hollywood film business, capitalist power is about the ability of business concerns to set the terms that mould the future of cinema.

The overall objective of Part I is to outline and rectify some of the methodological problems that obscure our understanding of how capital is accumulated from culture. Marxism stands as the theoretical foil for this argument. Because Marxism defines capital such that only economic activity can create value, it needs to clearly distinguish between economics and politics—yet this is a distinction it is ultimately unable to make. With this backdrop in mind, Part I introduces the capital-as-power approach and uses it as a foundation to an alternative political economic theory of capitalism. The capital-as-power approach

views capital not as an economic category, but as a category of power. Consequently, this approach reframes the accumulation of capital as a *power process*.

Part II focuses on the Hollywood film business. It investigates how and to what extent major filmed entertainment attempts to accumulate capital by lowering its risk. The process of lowering risk—and the central role of capitalist power in this process—has characterized Hollywood’s orientation toward the social-historical character of cinema and mass culture. This push to lower risk has been most apparent since the 1980s. In recent decades, major filmed entertainment has used its oligopolistic control of distribution to institute an order of cinema based on several key strategies: saturation booking, blockbuster cinema and high-concept filmmaking.

## Dedication

*To Marian  
again  
and again*

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## Introduction

In Budd Schulberg's novel *What Makes Sammy Run?* the protagonist, Al Manheim, becomes obsessed with trying to understand the behaviour of Sammy Glick, his work colleague and pseudo-friend. Manheim first becomes puzzled when he notices that Sammy never really walks anywhere—he literally runs from spot to spot. Sammy's general mode of behaviour is also much like that of a driver who is willing to run over anything in his way. And when Sammy runs over other people in his pursuit of success, he does not slow down to look behind him.

A flabbergasted Manheim witnesses Sammy Glick successfully lie, sweet-talk, bullshit, backstab and plagiarize his way up the ranks, first as a journalist in New York and then as a screenwriter in Hollywood. While also working in Hollywood, Manheim comes to realize that the film business might be better suited for the Sammy Glicks of the world—even if Sammy, the individual, is rather exceptional. Although Manheim is older and wiser than Sammy, and although he actually writes his own screenplay assignments, he can't seem to synchronize himself with the pace of the Hollywood "Dream Factory."

And why not? If Manheim cannot keep pace with a capitalist institution like the Hollywood film business, what makes Hollywood run? What does Hollywood want and what are its strategies to achieve its goals?

## General Overview

This dissertation combines an interest in political economy, political theory and cinema to offer an answer about the pace of the Hollywood film business and its general modes of behaviour. More specifically, this dissertation seeks to find out how the largest Hollywood firms attempt to control social creativity such that the art of filmmaking and its related social relations under capitalism do not become financial risks in the pursuit of profit.

Controlling the ways people make or watch films, the thesis argues, is an institutional facet of *capitalist power*. Capitalist power—the ability to control, modify and, sometimes, limit social creation through the rights of ownership—is the foundation of capital accumulation. For the Hollywood film business, capitalist power is about the ability of business concerns to set the terms that mould the future of cinema. For the major film distributors, these terms include the types of films that will be distributed, the number of films that will be distributed, and the cinematic alternatives that will be made available to the individual moviegoer.

Parts of the dissertation substantiate this thesis with empirical research on the financial performance of *major filmed entertainment*, which is our term for what have been, historically, the six largest business interests in Hollywood—Columbia, Disney, Paramount, Twentieth Century Fox, Universal and Warner Bros. Other parts of the dissertation, including all of Part I, develop the theoretical framework that will frame the empirical research and the conceptual arguments of this project.

A detailed presentation of our theoretical framework is crucial. Most analyses of mass culture and Hollywood cinema are undermined by one of the

cardinal assumptions of mainstream political economy—that politics and economics are, ultimately, analytically separate. Economics and politics are usually separated analytically because of a desire to delimit and isolate a specific dimension for study, but this separation begets mismatches and confusions about the very essence of capitalist society. It generates a dualist methodology that has trouble explaining how a set of concepts for capitalist production (economics) does or does not relate to another set for ideology, power and authority (politics).

In order to offer insights into how various social elements of cinema come under the same heel of control and capital accumulation, this dissertation makes use of the capital-as-power approach, which was first developed by Jonathan Nitzan and Shimshon Bichler. In support of this political economic approach, the reader will also find references to the works of Friedrich Pollock, Franz Neumann, Herbert Marcuse, Theodor Adorno, Cornelius Castoriadis and Thorstein Veblen. This unique theoretical constellation of political economy and contemporary political theory produces an alternative method through which one can analyze the capitalist character of Hollywood cinema. It shows that the so-called “non-economic” elements of mass culture have a *direct* bearing on the accumulation of capital because the latter is not an economic magnitude to start with. Capital does not measure utility or socially necessary abstract labour time. Rather, capital is a quantitative, symbolic expression of organized power over society; it is a measure of the ability of capitalists in general and dominant capitalists in particular to strategically sabotage social relations for the purposes of pecuniary gain.

Much of this project's historical and empirical research seeks to demonstrate that Hollywood's dominant firms have a very specific orientation to the aesthetic potential of cinema. Like other firms, major filmed entertainment obeys the forward-looking logic of *capitalization*, the discounting of expected future earnings to present prices. Consequently, these firms value films as income-generating assets. However, the price of a film depends on what is happening in the world of cinema, mass culture and, indeed, society at large. Thus, major filmed entertainment capitalizes its films according to how social dimensions of culture might affect earning potential.

The overall logic of capitalization can be broken down further into primary components. One of these components is risk. In the capital-as-power approach, risk concerns the degree of confidence capitalists have in their own expectations. In our study of Hollywood, we find that risk relates to Hollywood's reluctance to let the world of cinema grow and evolve without limits instituted "from above." Thus, the control of creativity is motivated by a business concern to mitigate the risk of *aesthetic overproduction*. Aesthetic overproduction is not about the cultural or political value of cinema, but about the risk such overproduction poses to cinema's earning potential. In fact, the degree of confidence in the expected future earnings of Hollywood cinema tends to increase when the industrial art of filmmaking and the social world of mass culture are ordered by capitalist power. In this cultural environment—which we will describe as an *order of cinema*—limitations are imposed on what cinema can or cannot do, an imposition which in turn allows for the financial trajectory of film projects to become more predictable for those who

have a vested interest in future streams of earnings. Indeed, risk perceptions and, more generally, the logic of capitalization demand that assessments of a film's social significance be translated, with a degree of confidence, into quantitative expectations about the film's future income.

### **Outline of Part I**

The overall objective of Part I is to outline and rectify some of the methodological problems that obscure our understanding of how capital is accumulated from culture. In a world in which businesses, both large and small, and even individuals, explicitly attempt to produce culture for profit, the capitalist ethos of modern culture is obvious. However, political economic theories of *value* are designed to go "further" than the obvious and explain *what*, beyond the appearances of prices, is getting accumulated. Is it utility? Is it the exploited labour time of workers? Is it something else? Notwithstanding particular differences between schools of thought, it is common practice to build a concept of capital on the assumption that economic and political activity are distinguishable because economic value is, essentially, a measure of productivity.

Part I identifies key assumptions about economic value that create theoretical problems for the analysis of the political economy of mass culture. Marxism stands as the theoretical foil for this argument. Because Marxism defines capital such that only economic activity can create value, it needs to clearly distinguish between economics and politics—yet this is a distinction it is ultimately unable to make. Unfortunately, it runs into the same methodological problem from

two different angles. First, it incorporates politics and institutional power into its theory of capital accumulation yet simultaneously assumes that the quantities of accumulated capital *never* measure organized power. Second, it separates politics and economics by articulating a concept of capital that is about the productivity of labour.

With this backdrop in mind, Part I introduces the capital-as-power approach and uses it as a foundation to an alternative political economic theory of capitalism. The capital-as-power approach views capital not as an economic category, but as a category of power. Consequently, this approach reframes the accumulation of capital as a *power process*. Our particular path to the capital-as-power approach is influenced by the Frankfurt School, whose members began to rethink the role of political power and the economics-politics separation in the age of monopolies, concentrated ownership and automated technology. The capital-as-power approach goes further with respect to the definition of capital: it argues that the quantities of capital are symbolic expressions of organized power over society.

Chapter 1 demonstrates that the economics-politics separation needs to be reconsidered and that capital accumulation needs to be reframed. After explaining how the economics-politics separation creates problems for the definition of capital, this chapter examines the works of three thinkers of the Frankfurt School: Pollock, Neumann and Marcuse. Each of these thinkers helps illustrate that the solution to the politics-economics problem lies in a reconceptualization of capitalist power. Moreover, their writings demonstrate why Marxism cannot retain its economic assumptions about capital *and* overcome the economics-politics problem. On the

one hand, the Frankfurt School's arguments for the dialectical study of a capitalist totality inspire us to understand processes of accumulation, ideology and power holistically. However, holistic Marxist approaches still require an unhelpful split between capital *and* power, regardless of any intention to reject the base-superstructure model of classical Marxism. Marxism must keep making this split between capital and power because it is the only way for its definition of capital to privilege the productivity of labour in the capitalist pursuit of profit.

Chapter 2 looks at Marxist economics more closely. This chapter demonstrates why the Marxist assumption about the nature of economic value has, when applied to mass culture, little explanatory power. In general, we cannot objectively measure the magnitudes of the Marxist concept of capital. And since this shortcoming is general, Marxist theories of culture have no solid basis from which to assume that socially necessary abstract labour time is the unit of value that underpins the heterogeneous appearances of cultural commodities, prices and profit. Moreover, since the labour theory of value lies at the root of the Marxist method, it is difficult to see how this methodological problem could be solved when some cultural theorists include the desires and attitudes of consumers in a broader concept of productive valorization.

Chapter 3 develops a more comprehensive concept of capitalist power by putting power at the heart of capital accumulation. First, the writings of Garnham, Babe, Adorno and Marcuse act as precedents for thinking about the political economy of mass culture from the viewpoint of institutional power. Second, Veblen and the capital-as-power approach both argue that organized, institutionalized

power is the essence of business enterprise and the financial logic of capitalization. The capital-as-power approach is particularly useful because it breaks the separation of politics and economics *before* it builds a theory of institutionalized power in capitalism. Thus, we can use this approach to study the power processes that other studies of mass culture have noticed as well, but in a manner that avoids treating value as a so-called “real” magnitude of economic production.

For example, by greatly relying on subjectivity, desire and matters of taste and pleasure, the business of mass culture is filled with many qualitative, social aspects. The capital-as-power approach does not pretend otherwise. Rather, it claims that the control of culture is capitalized, which only means that capitalists incorporate the qualitative aspects of culture into their future expectations regarding streams of earnings. In other words, culture is produced and consumed, but this production and consumption bears on accumulation in relation to a *negative* component of private ownership. As a symbolic expression of organizational power, capital value is only attached to the protected claims of ownership that allow capitalists to withhold industrial processes—in this case, the unfettered production and consumption of culture—from society at large. Veblen called this socio-legal process of exclusion and control “strategic sabotage.”

## **Outline of Part II**

Part II focuses on the Hollywood film business. It investigates how and to what extent major filmed entertainment attempts to accumulate capital by lowering its risk. The process of lowering risk—and the central role of capitalist power in this

process—has characterized Hollywood’s orientation toward the social-historical character of cinema and mass culture. This push to lower risk has been most apparent since the 1980s. In recent decades, major filmed entertainment has used its oligopolistic control of distribution to institute an order of cinema based on several key strategies: saturation booking, blockbuster cinema and high-concept filmmaking. Of course, there is much more to cinema, and even Hollywood cinema, than these three key strategies. Yet the purpose of major filmed entertainment is to create an order of cinema that benefits its business interests. And when major filmed entertainment has the institutional means to shape the movements of the cinematic universe—social relations and all—it possesses a greater ability to affirm, modify or deny film projects and ideas according to their perceived function in capital accumulation.

Chapter 4 examines the capital-as-power approach in greater detail. First to be examined is the concept of *differential accumulation*. In this dissertation, differential accumulation denotes the process of accumulating capital faster than *dominant capital*, proxied by the 500 largest firms in the COMPUSTAT database. The second issue to be examined is the role of risk in the logic of capitalization. Since lower risk increases capitalization, differential reductions of risk lead to differential accumulation. As with our definition of differential accumulation, our analysis of differential risk concerns the ability of major filmed entertainment to lower its risk faster (or have it rise slower) than dominant capital as a whole.

Chapter 5 explains why the Hollywood film business seeks to create and reinforce deterministic social relations in the world of cinema. An order of cinema is

a defence against the threat of aesthetic overproduction. This threat, which is financial, can appear when the future social significance and aesthetics of cinema seem uncertain. This uncertainty derives from social-historical shifts in meaning, desire and, more generally, cultural norms and values. Again, shifts in the social meaning of cinema do not undermine filmmaking and film watching as cultural and political activities; in fact, these shifts in meaning might foretell a cinematic renaissance or democratic potential. But they can undermine the goals of business interests, which value film production, distribution and exhibition as, primarily, capitalist techniques. Therefore, the capitalist control of cinema requires that vested interests shape the relationship between new creativity and already established meaning.

Chapter 5 also examines a historical example of Hollywood's institutional power to control the relationship between creativity and meaning. In the early period of the Hollywood studio system, the Motion Picture Producers and Distributors of America (MPPDA) and the Production Code Administration (PCA) actively shaped the form and content of Hollywood cinema. Lack of relevant data on the profits of major filmed entertainment from 1920 to 1950 makes it difficult to accurately determine how this period of self-censorship affected the risk perceptions of the vested interests. Nevertheless, the analysis of this period suggests that Hollywood has always had a political economic incentive to narrow the horizon of cinema—in this case, through the formal institution of filmmaking taboos.

Chapter 6 examines, analytically and quantitatively, how and to what extent major filmed entertainment has been able to reduce risk in the contemporary period

of the Hollywood film business, from 1960 to 2013. The chapter outlines some of the business strategies that have been instrumental ever since the U.S. Supreme Court demolished aspects of the classical studio system in 1948. Key post-1948 strategies have been saturation booking and blockbuster cinema, and both were successful in reducing the risk of major filmed entertainment, both absolutely and relative to dominant capital.

These empirical conclusions are antithetical to mainstream theories. By relying on the neoclassical concept of consumer sovereignty, many theories claim that the systemic risk of Hollywood is *always* somewhere between high and extremely high, whereas in reality this risk has been dropping. In fact, the chapter demonstrates that major filmed entertainment is now able to confidently determine which films will be very successful in the saturation-booking system of theatrical exhibition.

Some of the data analysis in Chapter 6 show that the highest level of risk occurred in the late 1960s and 1970s. Risk dropped significantly in the early 1980s and then continued to drop steadily through to 2013. Chapter 7 analyzes how this historical trajectory of major filmed entertainment's risk parallels the sector-wide transition from American New Wave cinema (~1968-1975) to the narrowed aesthetic horizon of Hollywood cinema after 1980. This latter period was marked by a growing emphasis on *high-concept* cinema. High-concept filmmaking demands that large-budget films have simple and straightforward stories, character types and imagery. High-concept cinema is not just an aesthetic standard; it was a key idea after American New Wave cinema became a financial burden for major filmed

entertainment. The general institution of high concept enabled major filmed entertainment to refrain from distributing film projects that were deemed too complex, too ambiguous or, in light of what American New Wave was seeking to achieve, too political for its twin-engine strategy of saturation booking and blockbuster cinema. And this ability helped it achieve significant reduction in differential risk and a concomitant increase in differential earnings.

# Part I

## Chapter 1

### The Economics-Politics Separation and the Marxist Concept of Totality

#### Introduction

In both academic theory and public opinion, there is an inclination to think that material production has its own distinct place in capitalism, in the sphere of economics. Our subjective experiences often fuel this inclination; economics immediately appears to consciousness as a definite circuit of activity. Factories and offices are distinguishable from residences, schools, churches, army bases and government ministries. Goods are bought and sold on the market, which is a place that is neither familial nor governmental. Hegel, for instance, described “civil society” as a place where individuals negotiated their needs in relation to the “work and satisfaction of the needs of all the others” (Hegel 2005a, p.188). Hegel’s description of civil society was influenced by Adam Smith’s concept of the market. The extent of the market could, for Smith, be so large that individuals, each with only finite knowledge and specific abilities in the greater social division of labour, could find the goods they needed. Even if each object brought to market had specific, limited utility—like a pair of shoes, or a hunting bow—the market would mediate the needs of its participants (Smith 1991, pp.15–19).

Beneath such descriptions of the market and the places of material production is a deeper assumption about the composition of capitalist society.

Different theories of capitalism, each with its own intentions, assume economics is separate from politics. Caporaso and Levine explain how one can even unintentionally affirm this separation: “When we speak of *the* economy, we already assume the existence of a separate entity: ... a distinct set of relations between persons not in essence political or familial” (Caporaso & Levine 1992, p.28). But can we really speak of *the* economy? Should theory try to isolate economic relations from other social relations?

Neoclassical and Marxist approaches would disagree on many other aspects of capitalist society, but their respective concepts of capital both produce an analytical distinction between political power and economic production. Political power creates and institutes laws, norms and social values on the basis of institutional authority. This authority can take different forms—the authority of a king or queen can be “sanctioned” by divine right, but it is also theoretically possible for laws and norms to be instituted on the authority of the *demos*. Regardless, as Hobbes noted, if there is authority, there is an author. Political power, whether it represents the interests of the commonwealth or not, is “*done by Authority, done by Commission, or Licence from him whose right it is*” (Hobbes 1985, p.218).

Economics appears to be analytically different in this regard because “nobody” is the author of market activity. Governments still impose rules and regulations through command, but somehow, when market activity is itself the object of study, it seems that capitalist economics is in the “grip of subterranean forces that have a life of their own” (Heilbroner 1992, p.18). Power and authority are denoted as non-economic entities that affect competitive market activity from

the outside; and in the competitive market proper, commodities are said to be produced and sold at prices that neither buyers nor sellers author. The motions of a capitalist economy are, unlike the motions of politics, said to be governed by structural laws, material conditions and the measures of input, output and productivity.

Jonathan Nitzan and Shimshon Bichler argue that the economics-politics separation, as it is commonly understood, needs to be thoroughly reconsidered. It is commonly assumed that capital is an economic magnitude that is rooted in material production. Consequently, value is defined as a measure of material productivity, and political power can only ever distort economic activity (neoclassical) or assist, support or condition the mode of production (Marxism). According to Nitzan and Bichler, this is where the problem lies. If a given concept of capital privileges material productivity—measured as utility or socially necessary abstract labour time—a political economic framework is ill equipped to explain a capitalist historical reality in which the so-called economic sphere is itself a composite of power processes. In other words, the politics-economics separation creates methodological problems if, in fact, the existence of power undermines the very theoretical conditions that would make economics a separate sphere of activity to start with. Furthermore, the very concept of capital is wrought with logical fallacies and empirical obstacles because economic categories are developed on the assumption that the analytical separation of economics and politics is unproblematic.

Aside from a few comparative references to neoclassical economics, this chapter focuses on Marxist political economy. Focusing almost all of our attention on Marxism is justifiable. As Nitzan and Bichler note, Marx was “concerned with *social power writ large*. For Marx the question is how production and exploitation, organized through the process of accumulation, dictate the totality of human relations in capitalism...” (Bichler et al. 2012, p.8). Unlike neoclassical approaches that try to ignore the effects of power on society, Marxism argues that social power is a necessary condition for the class structure of capitalism to function in spite of its contradictions. Whether expressed through the political power of the state, the ideology of the media or the subject formation of the modern individual, power is a key factor in the social reproduction of capitalist society. Power is also expressed in the struggle over the terms of the labour-capital relationship, which includes the wage rate and the length of the working day.

Yet methodological problems appear because Marxism must also say something *specific* about the prices of capitalist society—why, for example, a pair of shoes is worth a certain amount of money, or why IBM’s net income in 2010 was almost \$15 billion. Marxism can answer these questions only if it commits to theoretically splitting economics and politics. If capitalism is, in essence, a mode of production, and if the circuit of capital is, beyond the appearances of price, rooted in labour values, a delineated economic sphere must exist. Otherwise, there is no logical reason why prices and profit should reflect material productivity. Ignoring for the moment the empirical dilemmas of measuring socially necessary abstract labour time, the existence of institutional power in society undermines the

*exclusivity* of the labour theory of value. Only under perfect competition, in a “power-free” market, would it even begin to be conceivable that the difference between production prices and profit is, essentially, the difference between “the value paid by the capitalist for the labour-power” (Marx 1990, p.302) and the exchange value of the commodity.

This chapter uses Nitzan and Bichler’s arguments about theories of capital as a platform from which to analyze the writings of Neumann, Pollock and Marcuse. These three members of the Frankfurt School are important for our purpose because their political economic ideas, which are sometimes fragmentary, reside in the grey areas of Marxism. While the Frankfurt School never intended to overcome Marxism entirely, its members shook and rattled the assumptions of Marxist political economy from within. The pushes and pulls of the Frankfurt School sought to reconsider the essence of capital accumulation in advanced capitalism, and this type of intellectual curiosity allows us, many decades later, to highlight the problematic nature of the politics-economics separation.

By virtue of its interest in the changing composition of domination in capitalist society, the Frankfurt School started to outline, however abstractly, a political economic process of power. Its different outlines of capitalist power reveal two problems with the politics-economics separation in Marxism.

First, there are numerous reasons to redefine capital in light of historical developments. Social power is everywhere in what Marcuse calls advanced capitalism: mass culture influences psychology, desire and social behaviour; technological infrastructure and the scientific worldview require their own forms of

instrumental rationality; and, perhaps most importantly for our concept of capital, giant firms have power over small firms and society at large. Thus, the Frankfurt School erases, ignores or modifies the politics-economics relationship when it obscures the role of power in capital accumulation. Gone is the idea that cultural and political processes only ever support or assist what is, in the last instance, an economic system. Rather, monopolization and the structure of the modern corporation, for example, suggested that institutional power was no longer on the margins of market activity.

Second, the political economic contributions of the Frankfurt School expose a fundamental problem in the Marxist concept of totality. Marxism is right to argue that a dialectical theory of society is indispensable if in fact the movements of capitalism reveal themselves through a diversity of social relations. Additionally, the concept of totality supersedes the base-superstructure model of less holistic Marxist approaches. However, it is the Marxist concept of capital that forces a split between political and economic categories. Historical materialism can reject the base-superstructure model, but its more holistic versions must still retain well-defined ideas of what is and is not economic exploitation. In other words, the conceptual tool that describes the mode of production and the accumulation of surplus value is dialectical only *up to a point*. Dialectical mediation, which remains an important methodological principle for both the Frankfurt School and Marxism, is arrested by the necessity to keep any critical insights about the role of power in advanced capitalism from transforming the Marxist concept of capital into something else.

## Economics-Politics and the Definition of Capital

The conceptual boundaries of any academic discipline influence the scope and methods of its research. In the case of political economy, the range of analysis is categorized, weighed and interpreted according to the *method through which it understands* the connection between politics and economics.

Based on the assumption that politics and economics are separate, most theorists tend to explain capitalism with dualist methodologies that have two sets of categories: one set for capital (economics) and another for ideology, power and authority (politics) (Nitzan & Bichler 2000; Nitzan & Bichler 2009). A simple but relevant example is found in the measurement of GDP. Notwithstanding the more technical debate about whether GDP is even a relevant measure of a country's prosperity (Stiglitz et al. 2009), GDP only counts *some* social activity on the fundamental assumption that activity in the economy produces wealth, while political activity cannot. For instance, government transfer payments—welfare, social security and subsidies—have great effects on society because they redistribute income (by authority of the state), but they are not counted in measurements of GDP. If economics is about the *production* of wealth, political exercises like transfer payments can only shape, support, influence, bend or distort the economy *from the outside*.

For many thinkers, the autonomy of economic activity explains the difference between capitalism and pre-capitalist societies. There is common agreement that, to understand material production in pre-capitalist societies, one cannot winnow out politics. Before capitalism, the economy was political; the meaning of material

production was defined in relation to the institution of a political order. We can certainly look at a past society and distinguish work and its details from other activities, such as leisurely dialogue or religious prayer. Past social hierarchies also reveal how unproductive rulers separated themselves from the mass of labourers who toiled and got their hands dirty. Nevertheless, many theorists find no point in drawing a circle around economic activity in pre-capitalist societies because the relations of production, exchange, distribution and consumption were not autonomous. Social institutions determined the form, means and ends of economic activity: material production could help actualize the good life or it could fuel war, territorial expansion and crusades against foreign peoples; and who worked, how they worked and what they were working for was affected by myth, tradition and custom, as well as by a ruling authority, be it democratic or autocratic.

The Sumerian debt system, for instance, was largely the prerogative of state rulers. Their decrees about the terms of debt and the interest rate had more to do with religious sanction and mathematical simplicity than profit and productivity rates (Hudson 2000). Through systems of absolute power, the rulers of Ancient Egypt controlled the social division labour in order to build grand public works and monuments like the pyramids, which celebrated “the cult of Divine Kingship” (Mumford 1970, p.29). Could we understand the building of pyramids without an idea of how this excessive and wasteful expenditure of human energy was politically sanctioned? It would be silly to shear politics and explain the existence of ancient pyramids from a “purely” economic standpoint. In fact, Bataille shows us how the reduction of symbolic power to economic laws unveils the absurdity of Keynes’

suggestion for economic recovery: “the pyramid is a monumental mistake; one might just as well dig an enormous hole, then refill it and pack the ground” (Bataille 1991, p.119).

Some theorists also demonstrate how the political terms of pre-capitalist production can be seen at the level of the individual. From a comparison of different societies, Polanyi drew the following conclusion about pre-capitalist economic behaviour: “Custom and law, magic and religion cooperated in inducing the individual to comply with rules of behavior which, eventually, ensured his functioning in the economic system” (Polanyi 2001, p.57). A similar argument is found in Weber. If, as Weber argues, capitalism is indeed “identical with the pursuit of profit, and forever *renewed* profit, by means of continuous, rational, capitalistic enterprise,” then pre-capitalist economic behaviour never approximated this description (Weber 2002, p.xxxi). Pre-capitalist behaviour was entangled with and limited by cultural, religious and political traditions.

What then is different or “special” about capitalist societies? Often, in the interest of affirming what is novel about the economics-politics relation in the capitalist universe, theorists tend to treat commodity production and exchange as a distinct domain. Economics is now seen as its own system, which, to some degree, has its own internal logic or laws of behaviour. Consequently, economic categories comprise a specific set of tools, distinct in function from other theoretical toolsets. Concepts of tradition, myth, command and power can explain some aspects of capitalist society, but they fumble with the details of material production and market exchange. This fumbling is to be expected if the capitalist economy has its

own *eidos*, *archē* and *telos*. The discipline of economics and economic categories thus exist to fill in the technical details about capitalist investment, wage labour and the value of production.

For instance, the economy is sometimes understood to be its own “thing” because people now behave and act according to a behavioural principle that originates in the market itself. According to Polanyi, the capitalist pursuit of gain for the sake of gain is characterized, first and foremost, as an economic motive that requires no “extra” reference to “social standing... social claims... or social assets” (Polanyi 2001, p.48). Or economic categories are deemed exceptional social categories because it is assumed that capitalist economics has determinable laws of motion, much like natural phenomena. Marx, for example, argued that the economic system is not only the key to explaining the class structure of capitalism, but also that it can, unlike our “legal, political, religious, or philosophic” systems, “be determined with the precision of natural science...” (Marx 1999, p.21).

The marked shift in perspective regarding capitalist societies produces a new form of dualism, one that assumes that the immanent laws of politics and economics are each understandable in isolation. Nowhere is this dualism more celebrated than in neoclassical economics. As Nitzan and Bichler explain, the existence of power politics can disturb capitalism’s economic system, but, for the neoclassical economist, the presence of power in the world never alters the basic *meaning* of capital:

According to the neoclassicists, capital is the utilitarian manifestation of multiple individual wills, expressed freely through the market and incarnated in an objective productive quantum. As a voluntary, material substance, capital

itself is orthogonal—and therefore impermeable—to power politics, by definition. (Nitzan & Bichler 2009, p.27)

Mancur Olson, for instance, goes to great lengths to list contemporary forms of what he calls “distributional coalitions,” rigid organizations that use power to protect their specific interests against the collective good (Olson 1982). Olson finds that, as in the Indian caste system or the British class structure, modern institutions like the Organization of the Petroleum Exporting Countries, labour unions, lobbying organizations and professional associations use their size and complexity to control the distribution of material and intellectual resources. However, Olson also assumes that the institutional power of distributional coalitions, no matter how large, complex or ubiquitous, can never change the categories we should use to understand economic activity. Distributional coalitions can accumulate “power and income,” but they can only depress the economy, which, for Olson, is still analytically separable. According to the neoclassical definition, economic activity is only about growth and productivity.

What about Marxism? By having different social and political interests than neoclassical economics, Marxist political economy takes a different approach to the politics-economics relationship. Marxism’s curiosities about the capitalist mode of production and the accumulation of capital are intimately connected to a political theory of liberation, whereby those outside the capitalist class have a real interest in overcoming the contradictions of capitalism. Marxism’s theoretical foundations also precede the neoclassical movement, which first began in 1870s. Along with Adam Smith and David Ricardo, Marx was a major figure in the classical tradition in

political economy. These intellectual roots prevent Marxist studies from keeping economics “pure.”<sup>1</sup>

It is noticeable that Marxism mixes economics and politics with enthusiasm. For instance, the economics-politics relationship is key to understanding how the historical development of the capitalist mode of production has been contemporaneous with liberalism, fascism, imperialism, colonialism, post-colonialism and neo-liberalism. Furthermore, Marx had great insight on social power because he understood that political force, e.g., state intervention, balanced the otherwise unstable contradictions of production and accumulation. As Habermas notes, Marx countered liberal claims of a power-free marketplace: hierarchical power must be present lest a class society quickly collapse from its inequalities, injustices and other irrationalities (Habermas 1991, p.122).

But regardless of how complex its analysis becomes, Marxism *needs* to keep its two main ingredients, economics and politics, separate. Because of the way in which capital is defined in Marxism, political processes must recede to the background when it is time to explain, in technical detail, what is *directly* responsible for the production of value (Nitzan & Bichler 2000). Power, law, violence, education, repression, ideology and other such mechanisms are still important to Marxism’s general theory of capitalism, but they only ever assist or support the set of social relations that exploit human labour’s singular capacity to

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<sup>1</sup> This fact is celebrated in the introduction to the edited volume *Cultural Political Economy*. Jacqueline Best and Mathew Paterson argue that Marxism is a good example of how political economy can have a rich life when it avoids the neoclassical path. Marxism is not “deadened by the insistence that ‘the economy’ can be analyzed without reference to the specific sorts of people which inhabit and produce it (its cultures), the forms of power embedded in it (its politics) and the normative questions which animate both it ‘in itself’ and reactions to it” (Best & Paterson 2009, p.24).

create value. Thus, the Marxist concept of capital always has, at root, an exclusive function. In the final analysis, it is the only thing that can explain the technological composition of material production, the productivity of labour and the effect of socially necessary abstract labour time on the exchange values of commodities.

To be sure, there is no analytical definition of capital in Marx (Nitzan & Bichler 2000, p.74). Capital, for Marx, is a complex, historical social relationship, and the complexity and historicity of that relationship make it impossible to reduce capital to a simple thing. For example, the Marxist concept of capital references, in its own definition, other concepts like primitive accumulation, expanded accumulation, capitalists, workers, labour, technology, commodity, value, money, price and surplus (Ollman 2003, p.14). Yet *this* dialectical mediation of concepts cannot go so far as to cause the labour theory of value to lose its relevance. In other words, the theory that describes the accumulation of surplus value is dialectical only *up to a point*. Political concepts such as power and ideology cannot qualitatively transform the Marxist theory of value, lest it be suggested that the exploitation of labour is secondary or inessential to accumulation. Additionally, only a certain set of categories is designed to explain how value is produced and exchanged according to socially necessary abstract labour time, the substance that “gives commodities their value and makes them commensurate” (Nitzan & Bichler 2009, p.88).

### **The Frankfurt School and the Historical Development of Capitalism**

At the end of the first volume of *Capital*, Marx reminds the reader of where the class struggle is heading, should “the immanent laws of capitalist production”

keep their grip on both the capitalists who own the means of production and the wage labourers who have nothing to sell but their labour power:

Along with the constant decrease in the number of capitalist magnates, who usurp and monopolize all the advantages of this process of transformation, the mass of misery, oppression, slavery, degradation and exploitation grows; but with this there also grows the revolt of the working class, a class constantly increasing in numbers, and trained, united and organized by the very mechanism of the capitalist process of production. (Marx 1990, p.929)

On the same page, Marx also emphasizes how “capitalist production begets, with the inexorability of a natural process, its own negation.” These words suggest why, since the early twentieth century, Marxist theory has been filled with internal debates about methodology.

In spite of significant crises such as the First World War, inflation in the 1920s and the Great Depression in the 1930s, the general actions of the European proletariat in the early twentieth century did not confirm Marx’s theory of capitalist crisis. To the surprise of Marxist intellectuals living through the first decades of the twentieth century, workers all over Europe were, in fact, going in the “wrong” direction. Rather than being a great moment of historical self-consciousness in which the proletariat recognized how “the centralization of the means of production and the socialization of labour [had reached] a point at which they become incompatible with their capitalist integument” (Marx 1990, p.929), Europe in the 1920s and 1930s was characterized by worker apathy, social democracy and, most disturbingly, fascism.

As a consequence of these historical developments, a new intellectual movement percolated within Marxism. Various European thinkers, while still sympathetic to Marxism’s political goals, openly reinterpreted the Marxist method

of social theory. Georg Lukacs's *History and Class Consciousness*, for example, was one of the first texts to explicitly present a Marxism-for-the-twentieth-century. According to Lukacs, ideology and the related issues of subjectivity and class-consciousness were now too important to only have a marginal place in Marxist theory. He also felt that some of his contemporaries, like Otto Bauer, were missing the point when they argued that Marxist economics simply needed to be "brought up to date." Classical Marxist economics was not only blind to the "ultimate fate of capitalism as a whole" (Lukacs 1968, p.31), its methods also betrayed its "inability to understand either the connections of the so-called 'ideological' forms of society and their economic base or the economy itself as a totality and as social reality" (Lukacs 1968, p.34).

The Marxism of Lukacs gave credence to the methods of the Frankfurt School. Reductionist versions of Marxism, thanks to Lukacs's interrogations, did not need to be defended when one rethought the relations between theory and practice. Indeed, the obstacles to revolutionary leftism in early twentieth-century Europe suggested that Marxism take a new approach: abandon classical Marxism and reconsider the essence of historical materialism. Events of the twentieth century gave, according to Marcuse, "a new import to many demands and indices of [historical materialism], whose changed function accords in a more intensive sense the character of 'critical theory'" (Marcuse 1968c, p.142).

The Frankfurt School's development of critical theory sought to explore new ways to understand the totalizing nature of contemporary social domination

(Marcuse 1968c, p.158). In this theoretical development, we find, among other things, the Frankfurt School's contributions to political economy.

### **The Political Economic Ideas of the Frankfurt School**

Given space limitations, only the contributions of Pollock, Neumann and Marcuse will be presented in this section. These three thinkers developed political economic concepts, such as “state capitalism” and “Totalitarian Monopoly Capitalism,” and they attempted to account for the modern corporation and the rise of automation in industrial production. Their analyses were premised on the principle that a historically grounded dialectic was the only way for critical theory to be both negative and emancipatory.

In my view, the writings of the Pollock, Neumann and Marcuse illustrate why the economics-politics separation needs to be thoroughly reconsidered and the concept of capital reconceptualized. Marxism's key economic assumption that value is rooted in the labour time of material production muddles the political economic insights of the Frankfurt School. On the one hand, Pollock, Neumann and Marcuse all began to respectively reframe capital accumulation according to how they understood the role of command, authority and domination in advanced capitalism. On the other hand, their suggestion that we have witnessed qualitative changes in the historical structure of capitalism did not push hard enough against the “economic” assumptions of Marxism. This weak push creates an incompatible relationship between the fundamental Marxist assumption that capital is a productive entity and the following hypotheses of the Frankfurt School: (1) that a

holistic theory of capitalism is necessary because economics cannot be isolated from politics; (2) that it is doubtful that there is a link between material production and prices; and (3) that a concept of capital that splits production and power is unhelpful.

From the functional perspective of intellectual history, the last facet of the argument—the incompatible relationship—seems to be an unfair critique, as it holds these members of the Frankfurt School to a goal they never personally held. As Kellner notes in his intellectual history of the Frankfurt School, the school's rejection of classical Marxism and its rethinking of the politics-economics separation were meant to strengthen rather than weaken historical materialism (Kellner 1989, p.70). Nevertheless, the historical materialism of the Frankfurt School's first generation is now in the hands of its interpreters, and the way in which this latter group has handled its engagement with the economics-politics problem is telling: to the best of my knowledge, no one in this group has considered the possibility of using abstract ideas of capitalist power as a platform for a non-Marxist, yet critical, political economy.

Instead, the writings of the Frankfurt School are used in arguments that defend Marxism's understanding of the politics-economics relationship. Moishe Postone, for example, uses the political economy of Pollock and Horkheimer as foils for his own reading of Marx's theory of capital. According to Postone, Marx's mature writings do not split politics and economics because Marx did not seek to produce a dichotomy between the value of labour and the modes of distributing value across society. Rather, Marx used a concept of the capitalist totality to explain how the

value of labour is always mediated by capitalism's overarching structure of social domination (Postone 1996). According to Postone, the Frankfurt School retained the politics-economics dualism of classical Marxism and overstated the novelties of institutional power in advanced capitalism (Postone 1996, p.90).

Other theorists, such as Martin Jay and Douglas Kellner, interpret the Frankfurt School more favourably. They credit the Frankfurt School for developing a holistic Marxist theory of capitalist society. Indeed, the writings of the Frankfurt School produce a concept of totality, theorize dialectical theory and conceptual mediation and criticize the base-superstructure model for its analytical simplicity (Jay 1984; Kellner 1989).

As we will see in our analysis of Pollock, Neumann and Marcuse, these two interpretations of the Frankfurt School fail to adequately consider the limitations of the Marxist framework—limitations that the school's analysis inadvertently revealed. First, as our analysis will show, the very historical development of capitalism challenges the theoretical primacy of labour time in the valorization and accumulation of surplus value. In fact, the Marxist labour theory of value obscures our understanding of capital in a world in which modern firms (a) erase the distinction between economic and political activity, and (b) acquire the power to accumulate capital in ways that are not primarily about material productivity: law, ideology, price control, etc.

Second, we will posit that a holistic theory of capitalism does not necessarily overcome the rigid separation of economics and politics. Mixing pre-existing economic and political categories differs from fundamentally redefining a theory of

capital in light of the capitalist ability to accumulate through power. This failure is not one of dialectics per se, but of the Marxist distinction between economic valorization and political power. Holistic Marxism certainly mixes the two with enthusiasm—it has to do so in order to explain the social reproduction of the capitalist system. Yet economics must still be isolatable in this theoretical mixture, lest a multi-dimensional picture of capitalist society undermine the key assumption that one specific social activity, labour, is the source of value.

### **Pollock on Political Power and State Capitalism**

Writing just after another member of the *Institut*, Henryk Grossman, had argued that classical Marxist economics was just fine—a claim that seemed to have been vindicated by the Wall Street Crash of 1929—Pollock’s perspective in 1941 was unusual by comparison (Kellner 1989, p.57). Since the early 1930s, argued Pollock, capitalism had found ways to solve its own crises. The concentration of ownership and the size of large-scale production transformed capitalist societies into “planned economies.” Consequently, in order to theorize how a “new set of rules” had replaced “the methods of the market,” the critical theorist had to make a conceptual shift (Pollock 2005, p.75). Pollock suggested that we use the concept of “state capitalism.” Market activity still existed, just as production and distribution were still theoretically relevant, but old assumptions about their specifically *economic* essence had to be jettisoned:

During the non-monopolistic phase of private capitalism, the capitalist (whether an individual or a group of shareholders represented by its manager) had power over his property within the limits of the market laws.

Under state capitalism, this power has been transferred to the government which is still limited by certain “natural” restrictions but free from the tyranny of an uncontrolled market. The replacement of the economic means by political means as the last guarantee for the reproduction of economic life, changes the character of the whole historic period. It signifies the transition from a predominantly economic to an essentially political era. (Pollock 2005, p.77)

Economic problems were now “problems of administration,” and political concepts, like power, could be used to explain the control of production and distribution.

Members of the Frankfurt School reacted in different ways to Pollock’s political economic theory of state capitalism (Horkheimer 2005b; Neumann 1942, pp.181–187). Neumann, for example, disagreed with Pollock’s distinction between economics and politics. A social formation in which “the new economy is... one without economics,” “the profit motive is supplanted by the power motive,” and “force, not economic law, is the prime mover of this society” is “no longer capitalistic” (Neumann 1942, pp.182–183). If politics has supplanted economics, a state could be called “a slave state or a managerial dictatorship or a system of bureaucratic collectivism—that is, it must be described in political and not in economic categories” (Neumann 1942, p.183).

The disagreement between Pollock and Neumann was rooted in the assumption that economics and politics *begin* as separate domains. If economics and politics are separate and the latter sphere has conquered the former, a new political ruling class must also have superseded the class of private capitalists, whose habitat was the economy. Thus, in Neumann’s eyes, Pollock’s shift to the political suggested that we now needed to focus on a new group of elites: “industrial managers, party bureaucrats, high-ranking civil servants, and army officers” (Neumann 1942, p.182).

This new focus, however, appeared to keep capitalism's primary instinct, the drive to accumulate, out of sight.

But it seems that Neumann misread Pollock's intentions. For Pollock, the object of study remained capitalism. The term "state capitalism" simply tells us where Pollock thought power lay in the capitalist societies of the 1920s and 1930s. Moreover, power was still capitalist in form: "... profit interests still play an important role" and the political economic system being described is "not socialism" (Pollock 2005, p.72). In fact, Pollock's seemingly unorthodox conflation of profit and power produced two important insights about the character of capitalist societies since the early twentieth century.

First, similarly to Veblen, Pollock wanted us to think about the *control* of production and distribution. Concentration of ownership and the role of the state have changed the political economic environment: output is planned and prices are administered through political power (Pollock 2005, p.76). Second, and most importantly, the exercise of control over production and distribution is still understood and applied in the language of business enterprise. In capitalism, the power to "define the needs of society," allocate resources, "coordinate and control ... all productive resources," and "distribute the social profit" is now very much a matter of how monopolies secure "monopoly profits at the expense of the non-monopolistic market prices" (Pollock 2005, pp.74-76). Thus, in the furnace of "modern giant enterprises" the once separate logics of the entrepreneur, the financier and the government bureaucrat have become a single alloy whose purpose is to seek profit on the wings of administered prices:

Specific means of control include modern statistical and accounting methods, regular reporting of all changes in plant and supply, systematic training of workers for future requirements, rationalization of all technical and administrative processes and all the other devices developed in the huge modern enterprises and cartels. In addition to these traditional methods which have superseded the occult entrepreneurial art of guessing correctly what the future market demand will be, the state acquires the additional controlling power implied in complete command over money and credit. (Pollock 2005, p.79)

### **Neumann on Totalitarian Monopoly Capitalism**

Interestingly, both Pollock and Neumann tried to overcome the *same* analytical problem. When no longer grappling with “politics” and “economics” in the abstract, Neumann was much closer to Pollock’s position than he would have been willing to admit. Neumann did not like what “state capitalism” implied, and he also thought that Pollock simply supplanted the profit motive with the power motive. But the progressive concentration of ownership compelled Neumann, like Pollock, to reinterpret the relationship between capital accumulation and power.

Neumann’s political economic study of Nazi Germany, *Behemoth*, has its own term to describe capitalist power: “Totalitarian Monopoly Capitalism.” This term explains the heart of Nazi Germany’s business structure. It also denotes changes in the politics-economics relationship. Nazi Germany was an example of how a modern capitalist society could be both “a monopolistic economy” and “a command economy” (Neumann 1942, p.214).

For Neumann, the study of capitalist power prevents our conceptual language from obscuring the real differences between different types of property ownership. “In our language,” writes Neumann, “domination over means of consumption and over means production is called by the same name: ‘property’”

(Neumann 1942, p.210). However, describing the power of individuals and the power of business enterprises with the same term is a “legal mask.” The size of massive industrial infrastructure and joint-stock companies has created qualitative differences between capitalist power and consumer power. Power over industrial capacity has shattered the classical economic assumption that “a large number of entrepreneurs of about equal strength” can do nothing but “compete with each other on the basis of freedom of contract and freedom of trade.” Rather, the size and scope of contemporary industry gives its elite group of owners power over others: “power over workers, power over consumers, power over the state” (Neumann 1942, p.210).

In contradistinction to Pollock, Neumann still wanted to hold on to “economics” as an independent idea. However, the rich historical details in *Behemoth* demonstrate that he was rethinking the meaning of “economics” in light of historical developments in ownership and the size of modern institutions. There are too many details to cover here, but we can provide three examples that show that Neumann understood capital accumulation to be a power process.

First, prices no longer find market equilibrium because they no longer float in a “power-free” environment.<sup>2</sup> Only in “a purely competitive economy,” where firms are of roughly equal size and the concentration of ownership is low, will “prices crystallize as a result of supply and demand” (Neumann 1942, p.255). When

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<sup>2</sup> This is a point of Neumann’s that Pollock would agree with. Pollock writes: “Nothing may seem on the surface to have changed, prices are quoted and goods and services paid for in money; the rise and fall in prices may be quite common. But the relations between prices and cost of production on the one side and demand and supply on the other... become disconnected in those cases where they tend to interfere with the general plan [of administered prices].... In the last decades administered prices have contributed much toward destroying the market automatism without creating new devices for taking over its ‘necessary’ functions” (Pollock 2005, p.75).

this competitive environment does not exist, one must, according to Neumann, develop a theory of price control.

Here, on the topic of price control, Neumann's misinterpretation of Pollock's framework has a beneficial result. Pollock's concept of state capitalism, in Neumann's eyes, suggested that prices are now administered by the state. Thinking that Pollock was unaware of other types of price control, Neumann studied the opportunities for large firms to set prices on the basis of their "strength." Neumann's interest in pricing through strength bears similarities to the theory of Kalecki, who argued that giant corporations fix prices at levels higher than marginal cost. These higher levels are, according to Kalecki, indicative of a firm's "degree of monopoly" (Kalecki 1971).

For Neumann, pricing through monopoly power unravels the theoretical relationship between price and production:

The slightest check on competition—either as a result of a natural shortage in the supply of elements of production or of an artificial regulation of supply or demand in any particular sphere—must disrupt the system of functional equations that constitutes the "price level," and must prevent the proportions of production from directly following the price equations as well as preventing the price equations from exactly reflecting the proportions of production. This is the case both when monopolies bar competition in particular fields and when centralized controls are established to "stabilize" any set of given correlations of several elements of production or even of all of them. (Neumann 1942, p.255)

The distinction between "natural" supply and "artificial" shortages suggests that, beneath it all, Neumann still assumed that power "distorts" true economic value. However, Neumann tried to incorporate historical development into his theory of capitalism, such as the systematic application of price control and the existence of an uncompetitive market. In this state of affairs, the distillation of "pure" economic

value from nominal prices was less of a theoretical concern than what giant corporations had been able to do with their degree of monopoly.

This takes us to our second example: the increase in size of a corporation is not exactly about making gains in efficiency, or what is sometimes called “economies of scale.” Firms with large amounts of retained earnings—net profits that are not distributed as dividends—have the ability to expand or acquire industrial infrastructure. But, as Neumann notes, a reserve of undistributed profits is “not merely used for plant expansion and for an increase in stock....” It can also be “utilized for the extension of power of the monopolies over other enterprises” (Neumann 1942, p.264).

For Neumann, this particular phenomenon of giant firms acquiring smaller firms to extend their monopoly power rather than to become more efficient revealed the fallacy of Nazi ideology. The anti-capitalist views of the Nazi party “always exempted productive capital” according to a distinction between productivity (industrial firms) and predation (banks). This distinction proved to be fallacious when so-called industrial firms acted like banks—they could be just as predatory with their undistributed profits (Neumann 1942, p.263).

Neumann’s descriptions of predation are interesting to us because they are attached to his theory of price control. If a giant corporation can set prices on the basis of its strength, the acquisition of other firms can extend or even increase the ability to price through fiat. Indeed, the institutional power behind the setting of prices forces us to fundamentally reconsider why a firm is of a certain size in advanced capitalism (Nitzan & Bichler 2009; Nitzan 2001).

Third, Neumann found that the big firms of modern business do not perceive legislative and judicial acts to be extra-economic factors in the pursuit of profit. Rather, legal and political measures are essential to monopoly profits because they keep market competition *depressed*. Competition is never fully extinguished, and it is rare for monopolization in a sector to be perfect. Yet Neumann understood that capitalism's biggest players are not simply seeking material and technological advantages through utility or efficiency. Rather, these players use political and legal measures to refrain from competitive games. Market competition and a supply-and-demand environment undermine the ownership of modern technological apparatuses, which are so large that they require "enormous investments." Thus, "rich and powerful corporations" seek protection from "outsiders, new competitors, labour unions"—entities that could undermine the ability to price and purchase through monopoly power (Neumann 1942, p.213).

Business enterprise in Nazi Germany provided Neumann with a brutal example of how the law was much more than simply a mechanism to regulate economic behaviour and competition. Anti-Jewish legislation gave the biggest firms of Nazi Germany the opportunity to increase their profits through non-productive, anti-competitive means. This "Aryanization" of German business, as Neumann pointed out, was a "powerful stimulant to capital concentration and monopoly..." (1942, p.100). With significant undistributed profits at their disposal, only the biggest firms had the means to increase their holdings in this manner. For instance, the policies that followed the vom Rath murder and *Kristallnacht* created monopolistic business opportunities that had nothing to do with labour time,

technological efficiency or productive output. A mixture of ideology and authoritarian law redistributed national income, and the gap between the holdings of big and small firms widened as a result of what was essentially an ethnic/racial daylight robbery.

### **Marcuse on Automation and the Substance of Capitalist Rationality**

While Marcuse certainly grounded his critical theory within a Marxist framework, he also showed little hesitation to modify the tone and colour of political economic ideas. “A theory which has not caught up with the practice of capitalism,” writes Marcuse, “cannot possibly guide the practice aiming at the abolition of capitalism” (Marcuse 1972, p.34).

Marcuse’s approach to a political economy of advanced capitalism differs from those of Pollock and Neumann. Marcuse generally assumes that capital is a productive magnitude, but he also speaks of productivity in such a way that capital is simultaneously an “element” of power and control over society at large. The “technical apparatus of production and distribution,” by virtue of its new size and scope, has obliterated “the opposition between the private and public existence, between individual and social needs” (Marcuse 1991, p.xlvii). A quotation from *Counterrevolution and Revolt* also demonstrates Marcuse’s unique application of economic terminology:

... in the internal dynamic of advanced capitalism, “the concept of productive labour is necessarily enlarged,” and with it the concept of the productive worker, of the working class itself. The change is not merely quantitative: it affects the entire universe of capitalism.... The enlarged universe of exploitation

is a totality of machines—human, economic, political, military, educational. (Marcuse 1972, p.13)

Marcuse saw that rigid analytical divisions in theoretical analysis would prevent us from understanding how advanced industrial society “contains no facts which do not communicate the repressive power of the whole” (Marcuse 1991, p.11). For instance, political and economic categories must be reconsidered in light of how “the productive apparatus tends to become totalitarian...” (Marcuse 1991, p.xlvii). Moreover, the determinate negation of contemporary society is both material and ideological:

Validated by the accomplishments of science and technology, justified by its growing productivity, the status quo defies all transcendence. Faced with the possibility of pacification on the grounds of its technical and intellectual achievements, the mature industrial society closes itself against this alternative. Operationalism, in theory and practice, becomes the theory and practice of *containment*. (Marcuse 1991, p.17)

From the edifice of his own critical theory, Marcuse experiments with an abstract idea of capitalist power. This experimentation comes in bursts, and it is sometimes qualified with reminders about his political and philosophical commitment to a critical Marxism. But these experimental moments are still there for us to consider because, as Christopher Holman comments, Marcuse treated “Marxist theory as a living body of ideas constantly in flux, as a lively bundle of forces and tendencies that recombine and reorganize themselves in various ways...” (Holman 2013, p.5).

First, Marcuse argues that the implementation of automation in productive processes makes the Marxist labour theory of value an anachronistic concept:

The technological change which tends to do away with the machine as *individual* instrument of production, as “absolute unit,” seems to cancel the

Marxian notion of the “organic composition of capital” and with it the theory of the creation of surplus value. According to Marx, the machine never creates value but merely transfers its own value to the product, while surplus value remains the result of the exploitation of living labor. The machine is embodiment of human labor power, and through it, past labor (dead labor) preserves itself and determines living labor. Now automation seems to alter qualitatively the relation between dead and living labor; it tends toward where productivity is determined “by the machines, and not by the individual output.” ... [T]he very measurement of individual output becomes impossible.... (Marcuse 1991, p.28)

Quoting at length, a few pages later, Marx’s own prescience about the death of his labour theory of value at the hands of automation,<sup>3</sup> Marcuse then reconsiders the economic meaning of modern technology’s replacing of the “extensive utilization of human labor power in material production” (Marcuse 1991, p.37). When labour time becomes irrelevant to the output of automated production processes, the transfer of value to a commodity is indeterminate. Moreover, the multiple inputs and multiple outputs of automated technology “transubstantiate” labour power. Individual labour cannot be isolated in this conceptual soup of “joint” production; in fact, it is not exactly clear how new capitalist production processes still depend on the *direct* exploitation of human labour.

To be sure, Marcuse connects the implementation of automation to the Marxist thesis that capitalists attempt to raise “the productivity of labor” through advances in technology (Marcuse 1991, p.37). His conclusions about automation, however, are certainly unorthodox with respect to the economics-politics separation in Marxism. By undermining the *economic* rationale for capitalism’s reliance on labour power, the institution of automation suggests that the class struggle between the wage labourer and the capitalist is now much more about

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<sup>3</sup> The quotation is from the *Grundrisse*, and Marcuse provides his own English translation in *One-Dimensional Man* (Marcuse 1991, pp.35–36).

authority and control than productivity, even on the factory floor. If “the very measure of individual output becomes impossible” in light of automated technology, the purchase of variable capital (labour) through the wage contract is an indeterminate measure of individual exploitation and the extraction of surplus value. However, when capitalism is understood as a “system of domination,” the purchase of workers through the wage contract can be interpreted another way. Capitalists “value” the working class for what they refrain from doing when work is tightly controlled: using their power in numbers and their collective human creativity to disturb technological rationality and the pecuniary interests of the ruling class (Marcuse 1991, p.35).

Second, Marcuse reconceptualizes the implicit separation between economics and politics in Weber’s distinction between formal and substantive rationality. On the basis of Weber’s definition of formal rationality, the economy appears to be its own sphere. The quantitative terms of economic rationality are formal, and processes such as profit opportunities and the distribution of goods can be calculated in “value-free scientific purity” (Marcuse 1968a, p.210). Conversely, there is no purely formal logic of political power. Politics contains irrational elements like charisma, and political decisions always have social values and morals embedded in them. Hence, politics operates according to substantive rationality.

Marcuse updates Weber’s presentation of how formal and substantive rationalities relate to each other in modern society. For Weber, these two types of rationality keep touching because economic rationality also refers, *by virtue of being formalistic and abstract*, to the “external source” that defines the *ends* of its

instrumental calculations. For Marcuse, Weber was correct to think that the “external source” of economic rationality is political. However, for Marcuse, political power is no longer “outside” economic activity; no longer is substantial rationality something that is reserved for governments, courts and other political authorities. The seemingly formal rationality of business enterprise is also substantive. Giant firms do not simply calculate profits and losses, nor do they produce according to the “value-free” ends of a market. Rather, they themselves have the institutional means to create a technological apparatus that is the “congealed spirit” of their own vested interests. Thus, Marcuse concludes that capitalism, “no matter how mathematized and ‘scientific,’ remains the mathematized, technological domination of men [and women]” (Marcuse 1968a, p.215).

Marcuse’s description of capitalist rationality is similar to his concept of technological rationality, which he developed 20 years earlier. Technological rationality also blurs the line between economics and politics because, again, the techniques of economics do not comprise a sub-system that is oriented by a political power that is either above or outside it:

As the laws and mechanisms of technological rationality spread over the whole society, they develop a set of truth values of their own which hold good for the functioning of the apparatus—and for that alone. Propositions concerning competitive or collusive behavior, business methods, principles of effective organization and control, fair play, the use of science and technics are true and false in terms of this value system, that is to say, in terms of instrumentalities that dictate their own ends. (Marcuse 2005b, p.146)

Both of Marcuse’s essays note the historical change of business enterprise in the twentieth century—the increasing size and scope of large-scale industry, which

supersedes, among other things, the small individual entrepreneur (Marcuse 1968a, p.224).

### **Using the Frankfurt School to Look Beyond Marxism**

So far, we have seen how Pollock, Neumann and Marcuse renovated the theoretical separation between economics and politics in order to better understand the role of power in capital accumulation. This type of renovation gives *us* a platform to look beyond Marxism. A reconceptualization of the economics-politics separation should extend to the definition of capital itself.

As mentioned above, the Frankfurt School had no explicit intention to break from historical materialist philosophy. However, its analysis of capitalist power cannot help but become entangled with Marxism's assumptions about the economic nature of capital; there is an underlying incompatibility between the Frankfurt School's approach to historical materialism and the Marxist understanding of capital because the latter roots economic activity in the productivity of labour, not institutional power.

Secondary studies commonly attempt to reconcile, in one way or another, the Frankfurt School's interest in capitalist power with the Marxist concept of capital. One type of approach, which Marramao's and Postone's theory represent, argues that a "return" to Marx's labour theory of value can temper the Frankfurt School's enthusiastic reconfiguration of politics and economics. Pollock's interest in state capitalism, Neumann's concern with fascism and Marcuse's Welfare-Warfare state are all historically grounded, but this characteristic, ironically, irritates Marxist

approaches that maintain that capital accumulation during this period was misunderstood: the labour theory of value and its theoretical truths only *appeared* to have been superseded by totalitarianism and state power. Another approach credits the Frankfurt School and a few others, like Lukacs and Korsch, for developing a more holistic method than classical Marxist theory (Jay 1984; Kellner 1989). The concept of totality, according to this approach, replaces the base-superstructure model, which is what led classical Marxism to make unhelpful economics-politics splits.

Although these two secondary interpretations have different methods of reconciliation, both fail to adequately consider the Frankfurt School's inadvertent effect on the *economic* assumptions of Marxism. The Marxist framework requires that, when needed, the economics of labour, production and value creation be conceptually isolated from concepts of power, including ideology and state repression; otherwise, the mixture of politics and economics makes it impossible to claim that only the exploitation of productive labour is *directly* responsible for the creation of surplus value.

In fact, Pollock, Neumann and Marcuse challenge the assumptions of Marxist economics in ways that other political economists, who say so much more about the technical details of monopolization and the structure of the modern corporation than the Frankfurt School, do not. For example, the materialist underpinnings of Marxist political economy led Paul Baran and Paul Sweezy to retain the economics-politics separation in their theory of Monopoly Capital. On the one hand, Baran and Sweezy developed their own theory of monopoly capital because, hitherto, the

existence of monopolies had only been theorized as “quantitative modifications of the basic Marxist laws of capitalism.” In our contemporary age, we need to understand how monopolization has introduced a qualitative difference:

Today the typical economic unit in the capitalist world is not the small firm producing a negligible fraction of a homogeneous output for an anonymous market but a large-scale enterprise producing a significant share of the output of an industry, or even several industries, and able to control its prices, the volume of its production, and the types and amounts of its investments.... It is therefore impermissible to ignore monopoly in constructing our model of the economy and to go on treating competition as the general case. (Baran & Sweezy 1966, p.6)

On the other hand, the Monopoly Capital theory does not let its interest in power undermine its belief that the structural laws of monopoly capitalism rest on the productivity of material production. The power for a monopoly or coordinated oligopoly to acquire a profit greater than is possible in a competitive market is still, in Baran and Sweezy’s framework, a secondary phenomenon of accumulation; income signifies “an economic surplus,” which is still an “index of productivity and wealth” (Baran & Sweezy 1966, p.9).

Thus, in juxtaposition with Baran and Sweezy’s theoretical approach, Neumann’s own characterization of monopoly power does not liberally blur the line between politics and economics because *Behemoth* is about Nazi Germany, a totalitarian society whose business practices Horkheimer would describe as “gangsterism” (Horkheimer 2005c; Kellner 1989). Rather, the slight but significant difference between Neumann and Baran and Sweezy lies elsewhere. The latter’s interest in the destructive (institutionalized waste) and ideological (the sales effort) processes of giant corporations do not change the theoretical centrality of labour, production and material stock (Nitzan & Bichler 2009, p.51). Institutionalized waste

and the sales effort of modern advertising are designed to counterbalance monopoly capitalism's inability to absorb the wealth of a growing economic surplus (Baran & Sweezy 1966). By comparison, Neumann is exploring how concentrated ownership and monopolistic organization create profit opportunities that have little to do with productivity or any index thereof; he is open to the idea that organized capitalists can accumulate through gangsterism.

### **Reincorporating the Labour Theory of Value**

Marxist political economists will sometimes put the Frankfurt School "in context" by pointing out its political economic blind spots. Writers such as Neumann and Pollock, it is argued, experienced an exceptional phase of twentieth century capitalism. The size and reach of state institutions were easy to see in the 1930s and 1940s, but totalitarian politics also hid the economic contradictions of capitalism from view (Marramao 1975). Consequently, the Frankfurt School overstated its case when it suggested that, in advanced capitalism, the growth of political power and the intensification of social domination had transformed the character of capital accumulation. For example, when Pollock inferred that "economics as social science has lost its object under state capitalism" this was, according to Marramao, a mistake. Pollock was experiencing "the illusory character of the 'alien power' of the fetishized forms of the economic process, while accepting as reality the uncontradictory and 'one-dimensional' facade of socialized despotism" (Marramao 1975, p.74). In other words, Marramao deems the theoretical reconciliation of Marxism and the Frankfurt School to be straightforward: the Frankfurt School

should never have distanced its analysis from the mode of production and the Marxist labour theory of value in the first place.

Similarly, Postone argues that the Frankfurt School, like Sweezy and the Monopoly Capital theory, imagined a qualitative difference where there was none. Advanced capitalism may have jettisoned “the non-conscious, ‘automatic,’ market-mediated mode of distribution,” but the truth of Marx’s labour theory of value is undamaged as capitalism evolves:

[value] is not merely a category of the market, one that grasps a historically particular mode of the social distribution of wealth. Such a market-centered interpretation—which relates to Mill’s position that the mode of distribution is changeable historically but the mode of production is not—implies the existence of a transhistorical form of wealth that is distributed differently in different societies. According to Marx, however, value is a historically specific form of social wealth and is intrinsically related to a historically specific mode of production. (Postone 1996, p.25)

Thus, according to Postone, we must understand that new dimensions of contemporary society cannot disturb the “underlying continuity” of value theory. Marx’s theory of economic value had already anticipated historical change.

These criticisms of critical theory put the cart before the horse. They seem to acknowledge that advanced capitalism possesses new qualities, but they do not allow these changes to the nature of capitalism to test the validity of Marx’s logical structure. Rather, the logic of the labour theory of value is some sort of transcendental “corrective” that tells Postone that the appearances of state capitalism or totalitarian capitalism are just that: misleading appearances of something more essential. The essence of exchange value is now a permanent economic truth that will exist as long as capitalism continues. Capitalist societies can oscillate between market fundamentalism and repressive authoritarianism; the

technological infrastructure can multiply in size and complexity; and monopoly power can grow with the concentration of ownership and the depression of market competition—but any form of capitalist domination will necessarily obey the same temporal logic of labour time: the “magnitude of value of an individual commodity is... a function of the socially necessary labor time required for its production” (Postone 1996, p.193).

As Alfred Schmidt argues (in his critique of Althusser), arguments about the logical structure of Marxist theory can easily misrepresent Marx’s dialectical method (Schmidt 1981). For Marx, a theoretical framework becomes “poorer in definition” as more and more historical moments are deemed “external,” “accidental” or “inessential” to the theory (Schmidt 1981, p.68). Thus, it is hardly victory for Marxism if Marramao and Postone show us where the Frankfurt School’s historical insights diverge from Marx’s labour theory of value. In fact, the burden of proof is on Marxism to demonstrate that its theory of value is still usable when visible changes to the structure of capitalism suggest that labour cannot adequately explain capital accumulation.<sup>4</sup> On this point, Maramao and Postone are going sideways rather than

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<sup>4</sup> There is certainly no shortage of contemporary academics working to bring the labour theory of value into the twentieth and twenty-first centuries. Updates involve the expansion of the world market (Mandel), economic and financial crises (Foley 2012) and the evolution of technology and the need for capitalists to employ immaterial labour (Dyer-Withford 1999). Similarly to Postone, many of these scholars simply assume that the economic exploitation of productive labour has to be the theoretical touchstone on which everything rests. Either longstanding forms of productive work are now exploited more intensely (Braverman 1998) or new avenues of exploitation are found in labour that has been subsumed under capitalism, such as intellectual and cultural work (Shapiro 2009). The centrality of productive labour is also seen in the negative: many of the crises of the twentieth century revolved around the structural compulsion for capitalists to realize surplus value (Kliman 2012).

Our critique is not about the political aspects of the class struggle; Marx provided a very rich picture of how, in the history of capitalism, the treatment and conditions of the proletariat are visible expressions of capitalism’s repressive and irrational tendencies. Rather, the issue is about the theory

forward. Not once is the labour theory of value empirically tested for its role in capital accumulation.

How do we justify claiming that the productivity of labour is *primary* or *essential* when advanced capitalism has other methods of capital accumulation? Consider, for example, the modern phenomenon of inflation. In the era of classical political economy, inflation was not a key factor. Instead, the theoretical frameworks of great theorists like Marx were, according to Nitzan and Bichler, developed in a “deflationary context” in which “consumer prices in Great Britain and wholesale prices in the United States both dropped by more than one third.” Thus, it “was only natural to concentrate on production and the coercive discipline of ‘market forces’ and to ignore inflation” (Nitzan & Bichler 2009, p.367). Yet classical theories about the value of productivity are now, at the very least, partially outdated as a result of the contemporary phenomena of *ongoing* inflation and powerful trends of stagflation (inflation + stagnant growth). Furthermore, the ability to accumulate through inflation is much more consistent with a theory that emphasizes institutional power, not production. As Nitzan and Bichler demonstrate, the power of dominant firms to establish higher-than-average markups is not only a significant means of income redistribution, but also “positively related to firm size.... [The] larger the firm, the greater and more systematic its differential gains from inflation” (Nitzan & Bichler 2009, p.374).

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of economic value. How much is capital accumulation in advanced capitalism explained by the productive output of labour? One-hundred percent? Fifty percent? Even less? Marxist political economy often gives an unconvincing answer to this question because its reasons for applying the labour theory of value are far more philosophical than historical and empirical—i.e., on the basis of how Marx defined capital accumulation, it is safe to assume that the historical evolution of capitalism will never have anything other than productive labour as the essential magnitude of value.

### **Critical Theory and the Marxist Concept of Totality**

As much as Postone critiques the Frankfurt School for its political economic ideas, he also recognizes that the writings of the Frankfurt School helped twentieth century Marxists rejuvenate the dialectical method of historical materialism.

Moreover, Postone follows in the footsteps of the Frankfurt School and uses dialectical logic to construct a concept of the capitalist totality. The capitalist totality, in the words of Postone, “refers to the domination of people by abstract, quasi-independent structures of social relations, mediated by commodity-determined labor, which Marx tries to grasp with his categories of value and capital.”

Consequently, the study of the entire capitalist universe will relate to the details of its grain of sand, the capitalist mode of production:

... the Marxian critique is a critique of labor in capitalism, rather than merely a critique of labor’s exploitation and mode of social distribution, and... the fundamental contradiction of the capitalist totality should be seen as intrinsic to the realm of production itself, and not simply a contradiction between the spheres of production and distribution. (Postone 1996, p.124)

Other Marxist theorists commend the Frankfurt School for resuscitating the philosophical rigour of Hegel and Marx, and for replacing the base-superstructure model with a concept of totality (Ollman 1976; Jay 1984; Jay 1996; Kellner 1989). With respect to the economics-politics separation, this type of remodelling is often deemed to be sufficient. The base-superstructure model is what kept economics and politics separate, and any politics-economics dualism is a bad habit. According to Bloch, it is the “vulgar” Marxists who forget “that the economy, which can never be isolated, is made by human individuals, as is politics, which can never be isolated”

(Bloch 1988, p.27). From this perspective, the Frankfurt School's concept of totality helps keep politics and economics in a good dialectical relationship, which enables us to understand how production and power are mutually constitutive.

However, is the Marxist concept of totality, and all that it implies methodologically, sufficient to answer our critique of the politics-economics separation in political economic theory? In order to clarify that the issue is not dialectics as such, let us briefly address the dialectical method and the foundations of critical theory. The problem is that, in order to be able to say something specific about capital accumulation, the Marxist concept of capital requires that economics always be cleanly isolatable. Otherwise, all of this talk about the capitalist totality—with its multiple social dimensions—can obscure a theory of value that delimits *productive* labour as the only source of surplus value while excluding otherwise important power processes as *unproductive*.

The concept of totality is methodologically crucial for any critical theory of society. Capitalism is not just a mode of production; it is mode of being, a society and a way of life. The idea of totality requires that we ground seemingly disparate facts in the same social condition. For Lukacs, a concept of totality is dialectical thinking unleashed: "... the dialectical conception of totality can enable us to understand *reality as a social process*" (Lukacs 1968, p.13). Marx's method is holistic largely because it is dialectical. "The concrete is concrete," writes Marx, "because it is the concentration of many determinations, hence unity of the diverse" (Marx 1993, p.101). This "concentration of many determinations" is conceptualized when theory searches for the social reality that each thing or idea presupposes. Exchange value,

for example, “presupposes population, moreover a population producing in specific relations; as well as a certain kind of family, or commune, or state, etc. It can never exist as an abstract, one-sided relation within an already given, concrete, living whole” (Marx 1993, p.101). The concept of a capitalist totality overcomes the bad habit of dividing society into strict analytical categories. Fallacies accumulate when we think that spheres of society have clearly demarcated boundaries—almost as if institutional structures and networks of social relations self-align according to the rigid division of academic disciplines.

To develop their concepts of the capitalist totality, members of the Frankfurt School took their research in all sorts of directions, including science, aesthetics, psychoanalysis and philosophy. The school also considered the epistemology of holistic social analysis. These studies of epistemology have a distinct flavour. As described by Martin Jay, the general tenets of critical theory were, from its inception, “expressed through a series of critiques of other thinkers and philosophical traditions” (Jay 1996, p.41). For example, Horkheimer’s critique of “traditional theory” was the first major project of the Frankfurt School. This critique enabled Horkheimer to propose that an alternative “critical theory” could build a much more holistic analysis of social and political domination.

Traditional theory is defined by its ignorant relationship with the larger social processes that condition each branch of knowledge. This ignorance is not the same as conceptual isolation, which is often required for scientific activity to focus its experiments on particular variables. Instead, the ignorance of traditional theory rests in the social values, structures, institutions and relations that condition the

*application* of theoretical knowledge. Consequently, traditional theory prides itself for its intellectual self-sufficiency or value-free neutrality, but it also lacks a “concrete awareness” of its role in the greater social division of labour (Horkheimer 2002b, p.216). For Horkheimer, it is telling that the value-free neutrality of traditional theory and its place and function in society contradict. The “real social function of science is not made manifest; it speaks not of what theory means in human life, but only of what it means in the isolated sphere in which for historical reasons it comes into existence” (Horkheimer 2002b, p.197).

With respect to its formal structures, critical theory is similar to traditional theory. “The critical theory of society,” writes Horkheimer, “also begins with abstract determinations.... In critical theory, as in traditional theory, specific elements must be introduced in order to move from fundamental structure to concrete reality” (Horkheimer 2002b, p.225).<sup>5</sup> However, critical theory consciously seeks to overcome traditional theory’s ignorance. Capitalist society runs on an engine of particular social values—class, wealth, profit, power, modern technology, etc.—and traditional theory is unable to recognize “its positive role in a functioning society, [its] indirect and obscure relation to the satisfaction of general needs, and [its] participation in the self-renewing life process” (Horkheimer 2002b, p.216). Thus, critical theory reminds itself that a theory becomes one-sided when the complex totality of modern society is lost from view:

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<sup>5</sup> In similar fashion, Marcuse thinks that the abstractness of critical theory is not unique: “... critical philosophic thought is necessarily transcendent and *abstract*. Philosophy shares this abstractness with all genuine thought, for nobody really thinks who does not abstract from that which is given, who does not relate the facts to the factors which have made them, who does not—in [her] mind—undo the facts. Abstractness is the very life of thought, the token of its authenticity” (Marcuse 1991, p.134).

... separated from a particular theory of society as a whole, *every theory* of cognition remains formalistic and abstract. Not only expressions like life and promotion, but also terms seemingly specific to cognitive theory such as verification, confirmation, proof, etc., remain vague and indefinite... if they do not stand in relation to real history and receive their definition by being part of a comprehensive theoretical unity. (Horkheimer 2005a, p.426)

To my knowledge, Horkheimer did not use the term “traditional theory” in any published writing other than “Traditional and Critical Theory.” However, the term clearly inspired Horkheimer to continue critiquing theoretical systems for not overcoming “the one-sidedness that necessarily arises when limited intellectual processes are detached from their matrix in the total activity of society” (Horkheimer 2002b, p.199). For example, he detected one-sidedness in the metaphysical systems of Western philosophy. From the heights of metaphysics, the details of history are almost invisible. And similarly to traditional theory, metaphysics then reifies what its methods cannot adequately describe: it “takes the most general characteristics, the elements as it were, which are common to all men in all times and calls them ‘concrete’” (Horkheimer 2002a, p.18).

Horkheimer and other members of the Frankfurt School also argued that the base-superstructure model was producing a one-sidedness within Marxist theory (Kellner 1989, p.11). In *Counterrevolution and Revolt*, Marcuse argues that the base-superstructure model is an impediment to dialectical thought because it freezes historical analysis in a manner similar to traditional theory: “To isolate the identical capitalist base from the other sectors of society leaves Marxian theory at its very foundation with an unhistorical, undialectical abstraction” (Marcuse 1972, p.33). In the section of *Minima Moralia* titled “Baby with the Bath Water,” Adorno takes a similar stance. Addressing the problematic way in which culture is stripped of any

autonomy in the base-superstructure model, Adorno criticizes those who put all of their theoretical and practical energy into the so-called objective tendencies of the capitalist economy (Adorno 2005, p.44).

### Is the Marxist Concept of Totality Satisfactory?

In light of the growing number of holistic Marxist approaches,<sup>6</sup> the Frankfurt School's position on the base-superstructure model can no longer be considered unorthodox. In fact, defenders and critics of Marxism can actually agree that the base-superstructure model is far too rigid for any theory that calls itself "dialectical." For instance, Castoriadis's criticism of Marxism mirrors Terry Eagleton's *defence* of a Marxist approach that can mix economics with everything else:

... there is not, nor has there ever been, an inertia of the rest of social life, nor a privileged passivity of the "superstructures." These superstructures are no more than a fabric of social relations, neither more nor less "real," neither more nor less "inert" than the others, and just as "conditioned" by the [base] as the [base is] by them, if the word "conditioned" can be used to designate the mode of coexistence of the various moments or aspects of social activities. (Castoriadis 1998, p.20)

As opposed to:

Politics, culture, science, ideas and social existence are not just economics in disguise.... They have their own reality, evolve their own histories and operate by their own logic.... The traffic between economic "base" and social "superstructure" ... is not just one way. (Eagleton 2011, p.113)

Bertell Ollman too wants to dissuade us from associating Marxism with economic determinism. While determinism appears to surface in places like the preface to *A Contribution to the Critique of Political Economy*, many of Marx's writings, according

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<sup>6</sup> A list of holistic Marxist approaches would likely include the theories of Adorno, Bloch, Gramsci, Korsch, Lefebvre, Lukacs, Marcuse and Merleau-Ponty (Ollman 1976; Jay 1984).

to Ollman, are not fundamentalist about the linearity of the base-superstructure model. In fact, when Marx's method is understood in the proper light, "Economic Determinism'... appears to be a caricature foisted upon Marxism by readers who misread [Marx's] general claims" (Ollman 1976, p.9).

Yet the deterministic relationship between base and superstructure is not the only barrier to a more dialectically robust theory of capitalism. A radically holistic method can easily undermine labour's privileged position in capital accumulation. Therefore, in Marxism, the necessity to isolate production in general and labour in particular demarcates the limit of dialectical mediation, even without the base-superstructure model.

Interestingly, this point is sensed by one of Marxism's most esteemed writers on the place of culture in historical materialism: Raymond Williams. While Williams believes theorists should study much more than the economic structure of capitalism, he also thinks Marxism should recognize that the idea of totality can undermine the core purpose of Marxist theory:

The totality of social practices was opposed to this layered notion of base and a consequent superstructure.... Now the language of totality has become common, and it is indeed in many ways more acceptable than the notion of base and superstructure. But with one very important reservation. It is very easy for the notion of totality to empty of its essential content the original Marxist proposition. For if we come to say that society is composed of a large number of social practices which form a concrete social whole, and if we give to each practice a certain specific recognition, adding only that they interact, relate and combine in very complicated ways, we are at one level much more obviously talking about reality, but we are at another level withdrawing from the claim that there is any process of determination.... If totality is simply concrete, if it is simply the recognition of a large variety of miscellaneous and contemporaneous practices, then it is essentially empty of any content that could be called Marxist. (Williams 2005, pp.35-36)

The general thrust of Williams' concern is warranted; weak or missing theoretical principles will produce amorphous theories. Yet Williams is also defending what we are critiquing. He argues that Marxism has the theoretical principles to prevent itself from becoming a formless analysis of capitalism. Starting from the assumption that economic exploitation is a definable process, Marxism can then branch out and explain the existence of the state, the military, the church and the educational system; it can help us see the ideological character of affirmative culture, positive philosophy and common sense; and it can include the developments of technology, science, art and language. Moreover, this concept of totality does not relapse into a simple concept of superstructure because this complex of social relations—the totality—is not, according to Williams, “secondary” to the economy. Rather, our political and cultural values saturate the “consciousness of society,” including our economic behaviour (Williams 2005, p.37).<sup>7</sup>

Yet if the Marxist concept of capital is assumed to be correct, the mixture of politics and economics produces an additional methodological step: we need to demonstrate that, from within this mixture, Marxism's categorical distinction between power and productive processes will help us say something *specific* about capital accumulation. Unfortunately, Marxism's assumption that value is a productive magnitude makes it difficult to demonstrate what, from a more holistic perspective, political activity adds to our understanding of accumulation and its denomination in labour time.

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<sup>7</sup> Williams' argument is inspired by Gramsci's concept of hegemony (Williams 2005, pp.37–40).

In “Ideology and Ideological State Apparatuses,” for instance, Althusser relies on the Marxist definitions of economic value and the reproduction of labour power to mix his presentation of ideology and institutional power with material production (Althusser 2001). The basis for this particular politics-economics mixture is Marx’s claim that the market value of labour power is always tied to what social reproduction means in each culture. In agreement with Marx and Engels, Althusser states that the “quantity of value (wages) necessary for the reproduction of labour power is determined not by the needs of a ‘biological’ Guaranteed Minimum Wage... alone, but by the needs of a historical minimum...” (Althusser 2001, p.88). Althusser then paints a picture in which almost every social institution, except for the police and the military, is a factor in the ideological reproduction of the worker.

To be sure, Althusser’s presentation initially appears to be an impressive showcase of how ideological social reproduction and material labour are not separate but, rather, mutually constitutive elements in a dialectical whole. But Althusser’s enthusiastic mixture of ideology and labour time actually does Marxist economics no favours. The economic aspect of the argument must somehow decipher how this multitude of ideological state apparatuses affects the *quantitative* level of the wage rate, the value of which is expressed as “a definite quantity of the means of subsistence” (Marx 1990, p.276). Forgetting for the moment the more important problem that the wage rate is expressed in prices, and not in abstract labour time, the exchange value of labour power, both simple and complex, now somehow refers to an ideological complex of media, religion, law, education and family. But which political and cultural aspects of social reproduction are

simultaneously economic factors, and how do we calculate the value of ideology as a means of subsistence? We have wage data in prices, but to know the value of labour power, we must first know what constitutes the “means of subsistence” in advanced capitalism. What aspects of advanced capitalism allow the “owner of labour-power” to maintain what Marx called the “normal state as a working individual”? (Marx 1990, p.275) For instance, as of 2014, 116.3 million American homes have a television (Nielsen 2014). Does this popularity make television consumption a necessary factor in the ideological reproduction of the contemporary worker? If so, the cost of reproducing contemporary labour power must include the economic *value* of television sets. This example means that we must also have definitive views on the role of a great multitude of commodities, as social reproduction might also include cinema, religion, family, coffee, alcohol, cars, sports, the Internet and so on.

Because of the economics-politics separation in Marxism, the role of ideology in capital accumulation must pass through a confusing two-step method, whereby politics and culture are unproductive themselves, but they are also the “social conditions” of productive processes. The confusions about this two-step method multiply as institutional power and ideology increase in importance and complexity. Note, for instance, that Althusser is *not* simply saying that capitalists can accumulate through ideology. Rather, ideology is unproductive political and cultural power that is indirectly productive; ideology is somehow a large, multi-sided factor in the value of labour power, which then determines how long it will take a rate of exploitation to create a *surplus* of value.

Conversely, a holistic Marxist theory will also pay a heavy price if it is unwilling or uninterested in applying, in more historically specific terms, the assumptions about what is and is not included in magnitudes of value. When boldly journeying into the realms of politics and culture without a clear distinction between political power and economic exploitation, the Marxist framework is able to produce only abstract descriptions of capital accumulation. Marcuse sometimes draws, for example, an imprecise picture of the accumulation of surplus value in advanced capitalism:

The directing and organizing power of *Gesamtkapital* [(capital as a whole)] confronts the productive power of the *Gesamtarbeiter* (collective labour force): each individual becomes a mere fragment or atom in the coordinated mass of the population which, separated from control of means of production, creates the global surplus value. (Marcuse 1972, p.11)

Similarly, Postone seems content to speak about economic exploitation at a high level of abstraction. With little interest in being more specific about how we measure capital accumulation in a social totality that is comprised of economics, politics and other dimensions, Postone can only use Marx's concepts of use value, exchange value, commodification and labour time as *general* social-philosophical terms. Consider part of Postone's answer to an interviewer who wants to know how we can avoid "slipping into a kind of metaphoric" when describing the dual character of the commodity:

Marx grounds the form of production in capitalism as well as its trajectory of growth with reference to his analysis of the dynamic nature of capital. I tried to work out the general character of the dynamic as a treadmill dialectic. It's this treadmill dialectic that generates the historical possibility for the abolition of proletariat labor. It renders such labor anachronistic while, at the same time, reaffirming its necessity. This historical dialectic entails processes of ongoing transformation, as well as the ongoing reproduction of the underlying conditions of the whole. As capital develops, however, the necessity imposed by the forms that underlie this dialectic increasingly remains a necessity for

capital alone; it becomes less and less a necessity for human life. In other words, capital and human life become historically separated. (Postone & Brennan 2009, p.314)

Similarly to the abstractness of metaphysics, here we have truth claims stacked on top of truth claims about a historical process that should have concrete, observable details.

When the methodological implications of the economics-politics separation are overlooked, secondary interpretations of the Frankfurt School can also imply that abstract ideas about the capitalist totality are sufficient to explain capital accumulation. Jameson, for example, states that Adorno's presentation of the social division of labour and the mechanization of human beings in capitalist production is "itself dialectical and includes Marx's analysis of the organic composition of capital as such" (Jameson 2007, p.71). To a Marxist political economist, this identification of Adorno with the organic composition of capital is at best misleading. The organic composition of capital is fundamentally a quantitative relationship ( $c/v$ ) that is related to the rate of surplus value ( $s/v$ ) and the rate of profit ( $s/(c + v)$ ). Furthermore, the organic composition of capital is a weak concept when presented in the abstract; Marx argued that historical circumstances, such as foreign trade and the depression of wages below the value of labour power, could act as "counteracting tendencies" to the falling rate of profit.<sup>8</sup> Adorno's writings are monumental in importance, but nowhere in them do we find such a commitment to

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<sup>8</sup> Fine and Saad-Filho explain how "counteracting tendencies" also have a quantitative relationship to the organic composition of capital: "If we write  $r = s/(c + v)$ , it follows that anything that reduces  $c$  or  $v$ , and anything that increases  $s$ , tends to increase  $r$ . The production of relative surplus value does all these, because the increase in productivity implies a reduction in the value of  $c$  and  $v$  (whether directly in the wage goods sector or indirectly through its use of lower valued raw materials) and an increase in  $s$ , through the reduction of  $v$  (given the real wage)" (Fine & Saad-Filho 2004, p.113).

the technical details of value theory. Even his repeated use of the category “exchange-value” is not meant to clarify how the quantification of exchange value would be measured.

## **Conclusion**

Although the Frankfurt School is not free from some of the methodological problems that are being criticized in this chapter, Pollock, Neumann and Marcuse are influential for recognizing that theories of capitalism, prevailing at their time, might not have been keeping pace with the types of historical development that began in the early decades of the twentieth century. In fact, their curiosity about the nature of capital accumulation in advanced capitalism is a testament to how critical theory understands itself to be dialectical. “The name of dialectics,” writes Adorno,

says no more... than that objects do not go into their concepts without leaving a remainder, that they come to contradict the traditional norm of adequacy.... Dialectics is the consistent sense of nonidentity. It does not begin by taking a standpoint. My thought is driven to it by its own inevitable insufficiency, by my guilt of what I am thinking. (Adorno 1973, p.5)

No longer can an abstraction stand as a “timeless eternal” form; a concept is only valid if it is relevant to a social reality and “the practice of the associated individuals” (Marcuse 1968e, p.87).

The Frankfurt School disrupts our impulse to assume that, in capitalism, economic categories should specifically or mostly focus on the productivity behind the creation and distribution of value. When power processes intervene in the theoretical link between capital accumulation and material production, it cannot be true that production and power are distinguished by virtue of what the former

explains and the latter does not: the so-called “real” productive engine of profit. Such a separation lingers within Marxism, despite its intention to provide a critique of capitalist processes and their effects on individuals inside and outside of work. The Marxist framework, even when holistic, still forces an unhelpful split between economics and politics.

Alternatively, the political economic adventures of the Frankfurt School give us a greater opportunity to rethink the economics-politics relationship. If capitalists can accumulate through power, then we can redefine the concept of capital according to the modern business functions of monopoly, command, automation, ideology and so on. Such a redefinition might leave some of Marxism’s key economic assumptions behind, but this might be the cost of better understanding social domination under advanced capitalism. And as Marcuse’s reflections on his studies of Heidegger show, a self-reflective, curious attitude can reveal to us where conceptual barriers lie:

To me and my friends, Heidegger’s work appeared as a new beginning: we experienced his book... as, at long last, a concrete philosophy: here there was talk of existence, of our existence, of fear and care and boredom, and so forth.... Only gradually did we begin to observe that the concreteness of Heidegger’s philosophy was to a large extent deceptive—that we were once again confronted with a variant of transcendental philosophy (on a higher plane), in which existential categories had lost their sharpness, been neutralized, and in the end were dissipated amid greater abstractions. That remained the case later on when the “question of Being” was replaced by the “question of technology”: merely another instance in which apparent concreteness was subsumed by abstraction—bad abstraction, in which the concrete was not genuinely superseded but instead merely squandered. (Marcuse 2005a, p.176)

## Chapter 2

### The Marxist Concept of Capital and the Study of Mass Culture

#### Introduction

In 1961, Leo Lowenthal was concerned with the deficiency of research on the “negative” sides of mass culture. “It seems to me,” he wrote, “that the splendid isolation of the social researcher is likely to reinforce a common suspicion, namely, that social research is, in the final analysis, nothing but market research ... a tool with which to prepare reluctant customers for enthusiastic spending.” It is doubtful whether a social researcher would come to the same conclusion about the state of contemporary research. Because of academics like Lowenthal, there is no longer a shortage of studies that critique mass culture for its role in reinforcing unjust social relations. Hollywood cinema, for example, is studied for its role in legitimating nationalism, imperialism or orientalism (Said 1997; Kellner 2010); for reproducing problematic images of gender, race and class (hooks 1996; Ryan & Kellner 1988); and for masking its political elements with a facade that mass culture is harmless, apolitical fun (Adorno 1976, p.21).

Unfortunately, a different deficiency now lingers in contemporary research. Explanations of mass culture often fail to adequately explain how capital is accumulated from culture. Marxism is the platform for many studies of mass culture and, just like neoclassical economics, this framework treats valuation and accumulation as *magnitudes of productivity*. This productivist-economic approach obscures our understanding of capital accumulation because the concept of

productivity is besieged by logical and empirical problems, and these problems in turn make valuation and accumulation immeasurable. Concretely for our purpose here, these problems make it impossible to know how and to what extent socially necessary abstract labour time is behind the production, sale and profit of cultural commodities.

Problems with the labour theory of value arise from Marxism's decision to separate power from its definition of economic value. Power is an important term in the Marxist framework—it helps describe the function of the state, the media, education, ideology, etc. Yet power only ever conditions and supports the economic sphere, which is where Marxism assumes that capital is valorized through the exploitation of labour. Consequently, Marxism must commit to its demarcation of economics when it claims to explain (1) the nature of value, the source of equivalency between commodities; (2) what produces economic value, in distinction from what only uses or transfers already existing value; (3) how much value each productive entity contributes.

This chapter explores the extent to which the Marxist labour theory of value might impede our ability to understand how the social relations of mass culture relate to capital accumulation. In order to empirically account for the actual historical processes of valuation and accumulation, Marx's labour theory of value must be able to do three things: (1) reduce concrete labour to a universal unit of measure, socially necessary abstract labour; (2) determine what types of labour are productive; and (3) explain how prices reflect a chain of labour inputs. In practice, it is difficult if not impossible to objectively satisfy any of these three tasks. Moreover,

these theoretical/empirical dilemmas exist at the root of the Marxist method; they precede any subsequent modification to the labour theory of value. This predicament makes it difficult to claim that socially necessary abstract labour time is the universal “essence” behind the heterogeneous appearances of commodities, prices and profit.

This chapter is composed of three main parts. The first part examines whether we can objectively measure socially necessary abstract labour time. This examination is crucial since Marxism treats socially necessary abstract labour time as an objective value measure on which the entire capitalist mode of production and its associated class system rest. In fact, Marx sought to use his value theory, in the words of Joan Robinson, in order to “escape from sentiment and win for [his approach] the status of a science” (Robinson 1964, p.25). His theory doesn’t simply offer a moral critique of capitalism—it uses economic categories to explain the contradictory *laws* of capitalism and the *logic* of capital (if *a*, then *b*).

The next two parts subject the Marxist value theory to a “stress test”: it examines how this theory performs in the mass culture sector. Mass media is now big business, and a theory of capital accumulation should be able to explain how profit can be made from artworks and cultural practices. In addition, a theory of value that has traditionally emphasized material labour must keep step with the increasingly ubiquitous immaterial and ideological aspects of mass culture.

## Theoretical Assumptions about Capitalist Production

Even when it is assumed to be true that value is the objective substance of capitalism, explaining why is not easy. For Marx, capital is not a “thing,” and neither is the objective nature of value found outside the historical movements of capitalist societies (Harvey 2006, p.38; Postone 1996, p.124). Nevertheless, the exchange of commodities refers to quantities of labour time (five hours of labour, two days of labour...) and each exchange value is, under competitive conditions, independent of the buyer and seller’s wills:

The division of labour within society brings into contact independent producers of commodities, who acknowledge no authority other than that of competition, of the coercion exerted by the pressure of their reciprocal interests, just as in the animal kingdom the “war of all against all” more or less preserves the conditions of existence for every species. (Marx 1990, p.477)

The value of each commodity on the market refers to the socially necessary labour time of production, which is a system-wide expression of average productivity. And just as the mouse cannot appeal to the hawk to arrest the natural law of predation and the “circle of life,” individual capitalists cannot buck system-wide competition over material productivity. As Paul Baran explained to Herbert Marcuse, the averaging of socially necessary labour time is an objective force that acts upon individuals:

The fact that all profits are subject to *averaging* in the arithmetical sense is not the issue. *Ex post* for purposes of some calculations you can average out the profits of your corner grocer and of GM—this is of no consequence. Marx assumed—and rightly so for a competitive economy—that the averaging out process takes place *in reality* (not merely in statistics), i.e. that equal capitals earn equal returns in different employments *in reality*. (Baran 1954)

This chapter critiques Marxist approaches to mass culture for their concept of value: Marxism’s theoretical robustness depends on the objectivity of its concept

of value, yet in practice that concept is hardly if ever objective. For some Marxists, the objective validity of the labour theory is presumed rather than explained. At one end of the spectrum, we find theorists who jump right into the formal logic of value theory. Here we have arguments about logical consistency and discussions of different models—from simple commodity production to expanded reproduction (e.g., Wolff 1981; Harris 1972). These applications, though, tend to *already* presuppose that value is objectively measured in labour time and that this objectivity allows us to examine the resulting difference between the value of labour power and the value that is created during production.

At the opposite end, we find the labour theory of value being treated as just another *quality* of Marx's social philosophy. This treatment is common in critiques of mass culture that integrate or rethink Marxist categories. Shane Gunster, for example, introduces his otherwise excellent study on the Frankfurt and Birmingham Schools with the following remark:

“It is impossible to measure with any precision the extent to which human cultural activities are actually commodified...”

An interesting claim, especially in light of what immediately follows:

“... we can, however, say that the systematic pressure to harmonize culture with commodity is inescapable.” (Gunster 2004, p.4)

But how can a theory of culture remain Marxist while denying the measurability of cultural commodities? Overly qualitative descriptions of labour and capital accumulation still rely on the quantitative dimension of Marx's theory, regardless of how the latter is sometimes hidden in very abstract language. Indeed, Marxist social philosophy continues to orbit around the concepts of *equivalent* commodity

exchange and exploited labour *time*. It still assumes that capital is about the growth and appropriation of *more and more* surplus value, which is the *remainder* of a *greater sum* of produced value. And it continues to stress the structural imperative to *increase* the exploitation of labour—for example, Braverman’s argument that workers will often “thwart efforts to realize to the *full* the potential inherent in their labour power” (1998, p.69). Things fall apart if the implied quantities of these descriptions can never be measured explicitly.

Therefore, we have reason to question the objectivity of Marx’s concept of labour value and reassess the implication for his theory of accumulation. For the remainder of this section, let us consider what the Marxist labour theory of value presumes to measure.

First, value is always counted in units of abstract labour time. Whether we are considering constant capital, the means of subsistence or any other expression of value, labour time is the unit of value:

How, then, is the magnitude of [abstract human labour] to be measured? By means of the quantity of the “value-forming substance,” the labour, contained in the article. This quantity is measured by its duration, and the labour-time is itself measured on the particular scale of hours, days etc. (Marx 1990, p.129)

As Castoriadis argues (1984b, p.270), this “value-forming substance” must have an invariant unit of measurement. Otherwise, it would be impossible to apply the measure of labour time so broadly and consistently to include different capitalist processes under the same “economic laws” of productivity. For example, the organic composition of capital can rise or fall with time; but this change can only exist, let alone be understood, if two points in the history of capitalism can be compared with exactly the same set of formulas and units of measure. Similarly, if

Canadian and Japanese labour are each examples of “variable capital,” they must be identical with respect to the *unit* of measurement, which is labour time.<sup>1</sup>

Second, socially necessary abstract labour time acts as an objective force on individual capitalists, just as “gravity asserts itself” when objects fall to the ground. It was no accident that Marx, the critic of commodity fetishism and reification, chose to argue that “labour-time socially necessary to produce [commodities] asserts itself as a regulative law of nature” (Marx 1990, p.168). The notion of commodity fetishism was, among other things, directed at the misinformed bourgeois economist, who had no explanation for why two commodities were equal in value. In fact, the critique of commodity fetishism confirmed that a *social* system could shape the behaviour of individuals as if it were an objective force: “... different kinds of private labour... are continually being reduced to the quantitative proportions in which society requires them” (1990, p.168).

Third, Marx repeatedly quantified labour time to demonstrate that the contradictions of the capitalist mode of production would still hold true when every commodity, including labour power, was exchanged at its value. These deliberate references to the quantifications of labour power can be held to account for their argumentative power. As Aristotle argues (1999, bk.1, 3, 1094b), “the educated person seeks exactness in each area to the extent that the nature of the subject

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<sup>1</sup> The magnitudes of Canadian and Japanese labour power can certainly differ from each other because the reproduction of labour power, for Marx, depends “on the level of civilization attained by a country.” Yet it is also Marx’s point that we are comparing value with value, like with like: “The value of labour-power can be resolved into the value of a definite quantity of the means of subsistence. It therefore varies with the value of the means of subsistence, i.e., with the quantity of labour-time required to produce them” (Marx 1990, p.276). In other words, when we compare the value of labour powers in different countries, we apply the same formal method: “in a given country at a given period,” we break the means of subsistence down into smaller quantities of labour time.

allows.... [I]t is just as mistaken to demand demonstrations from a rhetorician as to accept [merely] persuasive arguments from a mathematician.”<sup>2</sup> Thus, Marx’s arguments can be judged on the exactness they strived for:

Let the value of the linen remain constant, while the value of the coat changes. If, under these circumstances, the labour-time necessary for the production of the coat is doubled, as a result, for instance, of a poor crop of wool, we should have, instead of 20 yards of linen = 1 coat, 20 yards of linen =  $\frac{1}{2}$  coat. If, on the other hand, the value of the coat sinks by one half, then 20 yards of linen = 2 coats. (Marx 1990, p.145)

Furthermore, labour time is added, subtracted, multiplied and divided to yield quantitatively meaningful results. For example, Marx claims that we can add commodities together to find the “total labour-power of society, which is manifested in the values of the world of commodities...” (1990, p.129). We can also divide the value of the means of subsistence by the values contained in a bundle of commodities (1990, p.276). Likewise, since labour time is a measure of (productive) duration, an hour of abstract labour can be broken down into minutes of labour, just as hours can be aggregated into days, and days into weeks.

Lastly, Marxism differentiates the social substance of value from the symbolic expressions of a price system. This differentiation of value and price need not take us all the way to the infamous “transformation problem.” Rather, the philosophical foundation of Marx’s framework is just as significant. As Castoriadis reminds us (1984b, p.265), Hegel’s influence on Marx was such that the latter did not use the terms “appearance,” “substance” and “essence” naïvely. For Marx, value is the essence behind the appearance of equivalence—in contrast to other economists

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<sup>2</sup> The use of this quotation is inspired by Castoriadis’s interpretation of Aristotle (1984b).

who mistakenly confused the value-form of commodities with the value of commodities (Harvey 2006, pp.9–13).

In line with this distinction between value and its appearance, we can find in Marx's writings claims about value that could never be corroborated through price alone. For example, jobs of all types remunerate work, but only some forms of labour will produce value; some commodities have prices but no value; or, some commodities, like diamonds, have value but their prices might never be "proportional" to their values (Marx 1990, p.130). In fact, divergences between price and value are likely because the ratio between money wages and profits and the rate of exploitation, measured in labour time, can fluctuate independently of each other (Robinson 1976, pp.38–42). Therefore, Marxist political economy needs a measurable unit of value in order to determine whether values remain constant when nominal prices remain constant, or if, beneath a stable level of prices, values are growing, shrinking or staying the same.

### **Concrete Labour to Simple Abstract Labour**

So for Marx, value represents the invariant entity of socially necessary abstract labour time. This is true for any productive process in the capitalist mode of production, whether it takes place on a movie set, a car factory or a chemical plant. Consequently, the concept of *abstract labour* is a keystone of the Marxist framework. It is the basis for the exchange of two commodities that are otherwise incommensurable with respect to their use values and the "formative" elements of their concrete labour. For example, the concreteness of tailoring and weaving can be

abstracted away, which then lets us see how they are the same in the “physiological sense”: they are each “a productive expenditure of human brains, muscles, nerves, hands, etc.” (Marx 1990, p.134).

The concept of abstract labour produces a common standard through which to measure productive duration. However, using the concept of abstract labour as this common denominator is not as straightforward as it first appears. There are methodological questions concerning *how* one reduces concrete labour to abstract labour. With respect to mass culture, a key methodological problem involves the nature of artistry and the use of creativity in cultural production. These aspects confound the meaning of abstract labour and, consequently, Marxist approaches to the economics of mass culture.

### **Creativity and Artistry?**

The creative, artistic and immaterial elements of cultural production turn abstract labour into an unwieldy concept. No doubt, the creativity of the human imagination is not exclusive to cultural or artistic labour. (How is a biological yardstick—brains, nerves, muscles—helpful when the concrete labour of a doctor or a shoemaker is always a complex composite of our biological capacities?) Yet, in the realm of art and culture, the problem of reducing concrete creativity to abstract labour appears especially acute.

By formulating a *general* theory of capital, Marx excluded works of art for being exceptional commodities. Artistic labour was not yet, in the eyes of Marx, formally subsumed under capital. Instead, artistic labour was in a “transitional”

stage (Marx n.d.). Only some artists valorized capital because only some members of the artistic community performed “joint-work” for the benefit of a capitalist. Thus, as an umbrella category, artistic labour remained a tricky grey area because it still included artists such as Milton and Balzac, who were neither alienated nor exploited like the proletariat.

Because the “transitional stage” of Marx’s time has carried over into the contemporary era of artistic work, this tricky grey area in the definition of artistic labour continues to nag theories of whether and how such work is reduced to socially necessary abstract labour time. For example, what can the labour time of Picasso tell us about the exchange value of *Guernica*? How do Picasso’s artistic skills rate against the socially average degree of artistic skill? What was, in 1937, the socially average degree of artistic skill? It matters little if *Guernica* took ten days or ten years to be completed; with no other *Guernicas* for comparison, it can never be determined whether the time it took Picasso to paint this unique artwork was socially necessary. And without a determinable quantity of value on the basis of abstract labour time, the exchange value of *Guernica* cannot be expressed as  $x$  coats,  $y$  yards of linen,  $z$  pounds of coffee, etc.<sup>3</sup>

Just as significantly, theoretical confusions also affect our understanding of the role of “joint-work” in mass culture. Rather than making it easier to claim that artistry and creativity are beholden to socially necessary abstract labour time, joint-work in mass culture retains aspects of classical bourgeois art. For each branch of

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<sup>3</sup> For a critique of theoretical assumptions that root the price of art on its production, see Suhail & Phillips (2012). Similarly to this dissertation, Suhail and Phillips develop this critique from the perspective of the capital-as-power approach.

mass culture—music, film, theatre, etc.—some artists draw (high) wages because their proper names are famous—just like Milton, Balzac or Picasso. John Cleese, for instance, is an exemplary comedian who cannot be substituted with even Michael Palin or Terry Jones, two other members of Monty Python.

When translated into the language of Marxist political economy, these obvious points about the ubiquity of modern celebrities reveal the difficulty in using the concept of abstract labour for mass culture. According to Marx, two labour processes can produce quantities of the same “homogeneous labour” because an abstraction is made from their “particular qualities,” including “the formative elements in the use values.” When talent and skill border on singularity, however, it is not so easy to abstract the homogenous element from labour that is intimately and publicly associated with a concrete individual. For instance, you are left with nothing meaningful if you remove all of Cleese's singular traits from his ability to produce laughter as a use value. He was on the BBC because *his* brain, *his* nerves and *his* muscles produced comedy.

Some do not find the singularity of some artistic creativity to be a methodological problem. In fact, the irreducible concreteness of artistic labour is said to explain the accumulation of capital from culture. For instance, Ryan argues that art's incompatibility with the Marxist definition of abstract labour creates a particular labour-capital relationship:

The key to understanding the artist-capitalist contradiction lies in grasping the fact that as historically and ideologically constituted, the artist represents the special case of concrete labour which is ultimately irreducible to abstract value. This is because the structures of art make artists incompatible with the structures of capital. The employment of artists in whatever technical form necessitates recognizing and preserving their named, concrete labour. They

cannot be employed as labour-power, as anonymous production factors functioning under the sway of capital. (Ryan 1992, p.44)

Art can certainly create friction between different social interests, as there is no *a priori* necessity that the intentions behind an artist's work will resonate with established social values. Ryan, however, transforms this possible friction into a structural contradiction of capitalism. From a Marxist perspective, Ryan finds the struggles between artists and capitalists in mass culture to have a common characteristic:

Unlike many other types of workers, capital is unable to make the artist completely subservient to its drive for accumulation. The reason is simple. Since art is centred upon the expressive, individual artist, artistic objects must appear as the product of recognizable persons; the *concrete and named* labour of the artist is always paramount and must be preserved. As socially constituted, artists appear to capital as the antithesis of labour-power, antagonistic to incorporation in the capitalist labour process as *abstract* labour. (Ryan 1992, p.41)

Although artworks are the objectification of expended labour, the concrete particulars of artistic production cannot, for Ryan, be flattened into simple abstract labour.

However, much like a drop of ink in a glass of clear water, the very idea that *some* creative labour is irreducible to abstract labour dirties the whole picture of contemporary cultural production. Who is an artist and who is not? I agree with James Agee's (2005) praise for the four most recognizable comedians in the era of silent cinema—Charlie Chaplin, Buster Keaton, Harold Lloyd and Harry Langdon—but where is the objective platform for me to state firmly that none of their concrete labour translates into socially necessary abstract labour time? What if someone thinks that, of the four, only Chaplin and Keaton are artists? This second

discrimination implies that the labour times of Lloyd and Langdon were formally subsumed under capital as abstract labour time. Or what of artists who, while exceptional in their craft, will never have the same publicity as prize-winning writers, movie stars, pop singers or fashion designers? The whole idea of “irreducibility” plays on our imagination that recognizable artists stamp their “signatures” on the artworks they create. Consequently, how will value theory account for the “background” work of exceptional film composers, make-up artists, set designers and others? How do we decide which background artists are famous enough for their labour to fall outside of abstract labour? Does the theoretical place of someone like Hans Dreier depend on whether moviegoers recognize his name?

To some, these questions might appear as nitpicking. However, a solid definition of abstract labour is key to Marxism’s argument that labour subsumed under capital is measured against socially necessary labour time. The latter is a competitive benchmark; it forces capitalists to keep designing and redesigning their manufacturing processes on the basis of what, at each moment in time, is deemed socially necessary. Moreover, these redesigns can only be said to follow the laws of value if it is possible to find where productive processes, denominated in abstract labour time, deviate from competitive averages. For instance, Marx argued that if a “capitalist has a foible for using golden spindles instead of steel ones, the only labour that counts for anything in the value of yarn remains that which would be required to produce a steel spindle, because no more is necessary under the given conditions” (Marx 1990, p.295). Therefore, if it is unclear how artists of various types are even treated as abstract labour, it is also unclear how the derivation of

socially necessary labour time is the system-wide mechanism that determines what is “excessive” in the production of mass culture. This issue resurfaces when we come to the concept of productive labour.

### **Complex Labour**

Even if we assume that artistic creativity poses no problems for the accumulation of capital from mass culture, methodological issues still plague the concept of abstract labour. For example, the use of abstract labour requires that complex labour be reducible to simple labour.

Anticipating that abstract labour time would be the common denominator of differently skilled jobs, Marx argued that skilled labour time is only ever a multiple of *simple* labour (1990, p.135). Simple labour is “the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way.” Simple labour may vary “in different countries and at different cultural epochs, but in a particular society it is given.” It is crucial that the simple labour of a particular society can be measured. Every type of complex labour is only, according to Marx, “*intensified*, or rather *multiplied* simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour” (Marx 1990, p.135).

Two methodological issues obscure the simple-complex connection. First, it is far from straightforward how we can establish which type of labour is simple labour. Does society possess an existing labour process that lacks even the smallest

degree of skill? Moreover, is simple labour even isolatable?<sup>4</sup> If simple labour is mixed with any amount of complex labour, we cannot count hours of work and treat them as a benchmark for simple labour (Nitzan & Bichler 2009, p.141). Instead, we must first know the quantitative relationship between complex labour and simple labour—i.e., by how many multiples complex labour is a quantity of simple labour.<sup>5</sup>

Second, it is problematic to reduce complex labour to simple labour from both the input and output sides of production. Reduction from the input side relies on the costs of education and training. For example, Hilferding (1966) argued that the ratio of complex to simple labour is equivalent to the costs required for labour power to develop its skills. However, Hilferding presumes not only that education and training can already be counted in units of simple labour, but also that the only “hours” of education that can be counted are the ones that capitalists eventually pay for. In other words, my formal university education can hypothetically be broken down into labour time ( $x$  hours of education multiplied by  $y$  years of schooling) because it is a commodity with a price tag. But the exchange value of any informal education or the layers of socialization from one’s family, community and culture are all obscure because they are *free* (Harvey 1985; Nitzan & Bichler 2009, p.143).

The presence of free, indirect and non-commodified education undermines the logic of equating the complexity of skill with its costs of development. And with respect to the skilled labour pool of mass culture, the issue is even more dizzying.

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<sup>4</sup> For a critical examination of the Marxist skilled labour-unskilled labour relationship, see (Nitzan & Bichler 2009, pp.141–144).

<sup>5</sup> “Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society” (Marx 1990, p.129).

Assuming that Hilferding's argument applies to any artistic training that comes at a cost, what of internships, apprenticeships or any other training that is not exactly or only partly paid for by a future employer? Just as problematically, Hilferding sees the transfer of education to skilled labour as a linear process:

Regarded from its standpoint of society, unskilled labour is latent as long as it is utilized for the formation of skilled labour power. Its working for society does not begin until the skilled labour power it has helped to produce becomes active. Thus in this single of the expenditure of skilled labour a sum of unskilled labours is expended, and in this way there is created a sum of value and surplus value corresponding to the total value which were requisite to produce the skilled labour power and its function, the skilled labour. (Hilferding 1966, p.145)

But what if, from year to year, the line between work and education is increasingly blurred? Film directors could have gone to film school, but they can also receive a lifelong "informal" education from an endless love of old and new cinema. Or an artist can join an intellectual milieu, such as the one described by Stefan Zweig in his memoir, *The World of Yesterday* (1943). In such an atmosphere, the linearity of skills development is transformed into a repetitive cycle; artists learn from their frequent interaction with each other. Aristotle might call this artistic development "habituation" (Aristotle 1999).

Reducing skilled labour from the output side is also problematic. As Nitzan and Bichler point out (2009, p.142), wage income is the only quantitative measure available to compare qualitatively different skills. Consequently, we would be using price differentials to explain the distribution of complex labour power, rather than the other way around. And if we create price differentials for labour in mass culture, the great inequality of wage income suggests that a celebrity earning \$20 million per year is producing 250 times the value of someone earning \$80,000 per year, who

herself is producing four times the value of someone earning \$20,000 per year. The implication that a celebrity is creating 1,000 times more value than someone who earns \$20,000 is not problematic simply because the multiple is large. Without a means to measure abstract labour directly, we actually cannot determine whether this multiple is too big or too small. And depending on the celebrity, our estimated ratio is undermined even more; the celebrity might never have paid for artistic training, whether because there is no school to become famous or because their talent is extraordinary.

According to Harvey (2006), these criticisms of the complex-to-simple-labour reduction miss the mark because they take the wrong perspective. Too much focus on skilled labour, according to Harvey, risks overlooking how the “reduction from skilled to simple labour is more than a mental construct; it is a real observable process, which operates with devastating effects upon the labourers” (Harvey 2006, p.59). In other words, capitalism’s real push to mechanize and de-skill labour will eventually short-circuit the complex-simple problem:

The essential measure of the reduction of skilled to simple labour lies in the degree to which capitalism has created skills that are easily reproducible and easily substitutable. All of the evidence suggests that this has been the direction in which capitalism has been moving, with substantial islands of resistance here and innumerable pockets of resistance there. To the extent that the reduction of skilled to simple labour is still in the course of being accomplished, we have to conclude that capitalism is in the course of becoming more true to the law of value implied in its dominant mode of production. (Harvey 2006, p.119)

While it is good to critique any systemic process that is repressive, is our methodological problem about simple labour erased by this argument? No. At least

with respect to mass culture, the need for *some degree* of artistic skill dirties the cleanliness of Harvey's argument.

For Harvey, Marx's method of only using measures of "simple labour" is "reasonable" because the capitalist system breaks and represses any skill that the worker could monopolize (2006, p.119). For the case of mass culture, however, Harvey's rationale is contradicted by Ryan's description of the capital-labour relationship in cultural production. The business of mass culture seems to embrace and exploit rather than repress and destroy the class of artists who have a virtual monopoly on their fame, image and singular qualities (Ryan 1992). To be sure, for the majority of creative work that falls outside of this exclusive class of artists, artistic labour is a much more anonymous and precarious activity (Gill & Pratt 2008). At issue, however, is the theoretical implication that the laws of capitalism compel businesses in mass culture to fight against *any* form of labour that can act as a monopoly on skill. Therefore, the reduction to simple labour remains a methodological problem because the business of mass culture deviates from the universalization of simple labour by needing the concrete labour of identifiable, famous talent.<sup>6</sup>

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<sup>6</sup> With respect to the Hollywood film business, some would argue against the usefulness of the star system for profitability. Leaver, for example, is very pessimistic about the effects of "star power" on sector-wide profitability. For Leaver, stars and directors are essentially "value skimming" from the studios that hire them. They force firms to redistribute wage compensations upwards, to the upper echelons of the star system and its network of agents and producers. Consequently, according to Leaver, the "untrammelled power of stars (occupying a key structural position outside the firm as a vital input) allows them to skim more value than the major studios can accommodate over the medium to long term" (Leaver 2010, p.475).

Is this an argument in support of Harvey? Unfortunately, two obstacles—one theoretical and the other historical—block a quick and easy jump to the conclusion that Hollywood has an interest in de-skilling and repressing the monopoly power of stars and directors. Theoretically, the reduction of wage costs and compensation to movie stars is not automatically an avenue to higher profits because

Furthermore, we should be skeptical of Harvey's claim that skilled labour is being reduced to simple labour *in reality*. Harvey's interpretation of simple labour builds from Marx's main object of study: nineteenth-century industrial manufacturing. Because labour processes in the "dark satanic mills" of the nineteenth century were often simple and monotonous, it was reasonable for Marx to assume that the labour power of each worker is easily substitutable within this process. Since Marx's time, however, it has become difficult to assume that simple labour will become a universal characteristic of every modern labour process. For example, in the last hundred years, engineering, law, medicine, science and technology have become complex jobs, even in their most "simplified" or controlled forms. Indeed, according to Lewis Mumford, the great need for complex wage labour has also inaugurated a change in the relationship between worker and machine. The "qualities the new worker needs," writes Mumford, "are alertness, responsiveness, an intelligent grasp of the operative parts: in short... an all-round mechanic rather than a specialized hand" (2010, p.227).

### **Productive versus Unproductive Labour**

The Marxist labour theory of value requires that theorists be able to discriminate between productive and unproductive labour. In this case,

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the ubiquity and fame of its stars might very well be essential to Hollywood's revenues. Destroying its own star system without depressing its level of revenues is a big "if," and this is a possible reason why Leaver—who otherwise claims that Hollywood is an "allegory of modern capitalism under financialisation"—concludes that the Hollywood business model is, at most, "unresolved." This logical issue is exacerbated by historical fact: the behaviour of the major Hollywood studios does not indicate that there is a systemic interest in crushing all of its skilled labour down into simple labour. From the early days of the Hollywood studio system, celebrities have been used as branded products to distinguish singular names from anonymous labour (Hozic 2001).

“productive” refers specifically to the creation of surplus value, and never simply to the physical or mental production of use-values—only under socialism would the idea of productivity change (Mandel 1976, p.33). Consequently, Marxism cannot neglect the theoretical distinction between productive and unproductive labour in capitalism. Besides helping us distinguish which labour processes valorize capital, this distinction is fundamental to the overall coherence of historical materialist philosophy (Mohun 1996, p.31).

Just as it did for abstract labour, cultural production complicates the distinction between productive and unproductive labour. Theoretically, the Marxist definition of productive labour should be consistent across business sectors, including cultural production. In fact, Marx sought to be consistent by explaining why a “literary proletarian” is productive, while John Milton, the great epic poet, was unproductive:

Milton, for example, who did *Paradise Lost*, was an unproductive worker. In contrast... the writer who delivers hackwork for his publisher is a productive worker. Milton produced *Paradise Lost* in the way that a silkworm produces silk, as the expression of *his own* nature. Later on he sold the product for £5 and to that extent became a dealer in a commodity. But the Leipzig literary proletarian who produces books, e.g. compendia on political economy, at the instructions of his publisher is roughly speaking a productive worker, in so far as his production is subsumed under capital and only takes place for the purpose of the latter’s valorization. (Marx n.d.)

Unfortunately, Marx’s example does not help explain productive work in mass culture. Even if all productive cultural work were “hackwork” created for profit, the lines between production, circulation and, for some, consumption have been blurring since the early decades of the twentieth century, which in turn makes it difficult to assess when and how different types of cultural activity are even

subsumed under capital. Advertising and marketing firms, for example, act as intermediaries for productive processes that “create” value directly. But are they themselves productive or unproductive? Moreover, the ideological and social dimensions of mass culture involve the imaginations and desires of its consumers. These aspects of consumer activity create, reproduce and circulate the meaning, symbols and images of culture, but are these aspects economically productive?

### **Three Definitions of Productive Labour**

By reviewing some of the existing literature, we find three general methods to define productive labour in cultural production. Unfortunately, each of these definitions has a set of methodological problems.

In order to retain the universality of value theory, the first definition of cultural production tinkers with classical Marxism as minimally as possible (Starosta 2012; Mohun 1996). This definition assumes that we can apply the concept of “immediate producer” to culture and art just as we do to the production of physical commodities like corn and grain. Terms like “immaterial labour” or “cognitive labour” are small but reasonable modifications that account for the particularities of cultural work. Overall, this definition draws clear lines between productive and unproductive labour: productive cultural work is distinguishable from cultural activity during “free-time,” and immaterial, cognitive or artistic labour can valorize capital when it is exploited directly (Starosta 2012; Mohun 1996).<sup>7</sup>

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<sup>7</sup> Knowing whether labour can valorize capital or not is significant because, according to Marx, valorization only begins at a quantifiable point in the labour process—when production is carried

Moreover, this definition does not modify Marx's important distinction between the production of value and the mere circulation of value. For example, intellectual property rights are unproductive because they do not create surplus value (Starosta 2012).

The second definition of cultural production considers how quantitative increases in advertising and marketing have transformed the mode of circulation since Marx's time. Baran and Sweezy summarize the change:

The tremendous growth of the sales effort and the spectacular intensification of its sway stem from its having undergone a far-reaching qualitative change. Price competition has largely receded as a means of attracting the public's custom, and has yielded to new ways of sales promotion: advertising, variation of the products' appearance and packaging, "planned obsolescence," model changes, credit schemes, and the like. (Baran & Sweezy 1966, p.115)

Because of this structural transformation, the second definition deems the mode of circulation to be productive. Ryan, for instance, argues that processes of circulation, like advertising and aesthetic design, are productive because they are *indispensable* "for the conservation of use-value of commodities" (Ryan 1992, p.64). "Immediate producers" still exist, but large segments of labour now have the job of mediating the relationship between immediate producers and consumers.

In contrast to the first definition, this conceptualization of productive labour seeks to address the broader social world of mass culture. As Bohm and Land argue, such a modification to the definition of productive labour has been necessary because unproductive labour, as it was defined in classical Marxism, included far too much:

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*beyond* "the point where the value paid by the capitalist for the labour-power is replaced by an exact equivalent" (Marx 1990, p.302).

Teaching and education in general are clearly part of the reproduction of capitalist value, and should therefore not simply be regarded as “unproductive labour.” In a similar way, feminist writers have pointed to the usually unwaged reproductive labor of women doing housework and care work. Equally, we would suggest that artists and cultural workers contribute to the production of capitalist value while falling outside traditional Marxist categories of “labour.” (Bohm & Land 2009, p.87)

If the second definition expands beyond traditional Marxist categories by one or two degrees, the third definition’s expansion is much more significant. In the second definition, the valorization of cultural commodities still takes place in the “hidden abode” of privately owned firms, even if this abode now includes advertising, marketing and other aspects of the corporate sales effort. By comparison, the third definition of cultural production demolishes the analytical walls between production, circulation *and* consumption. Here, consumption and consumer participation in mass culture produce value (Arvidsson 2005b; Bohm & Land 2012), especially if cultural meaning is esoteric or a mark of distinction—i.e., where artists and patrons cherish their privileged knowledge of and access to a specific cultural scene or genre (Bourdieu 1984).

The third definition includes much more cultural activity than the other two because it assumes that work and “free-time” are indistinguishable in the realm of culture (Gill & Pratt 2008). According to Arvidsson, this mixture of work and free time is subsumed under capital by brand management; the latter incorporates the “context of consumption” as a productive factor in valorization (Arvidsson 2005a, p.244). Furthermore, the ideological and social dimensions of mass culture have radically redefined productivity. For instance, the attitudes, emotions and desires of

consumers factor into the valorization of capital (Lazzarato 1996; Gill & Pratt 2008; Haiven 2012).

### **Problems with the Three Definitions**

The first definition preserves a strict distinction between production and circulation at the cost of ignoring the social dimensions of culture. For Guido Starosta, for example, the mechanical and digital reproduction of culture can never add value; these processes can only *mediate* the value that was first created in the production of prototypes or the “first” copies of artworks:

The value of the aggregate product [i.e., all the reproductions of a commodity] no longer represents the simple addition of its constituent elements. Instead, the total value is determined “first” and then shared out equally by each individual commodity, which now contains a proportional fraction of the former. (Starosta 2012, p.374)

Similarly, for Simon Mohun, any form of labour that “brings buyers and sellers together” is unproductive because this form of labour “produces nothing in addition to what is already in existence” (Mohun 1996, p.44). Granting, for the sake of argument, that production and circulation can, in fact, be strictly separated, how could this distinction ever be applied in empirical research?

For instance, how should we apply value theory to the production of something as complex as the *Star Wars* universe? On the one hand, George Lucas originally created characters, environments, objects and images for the production of the first three *Star Wars* films (*A New Hope*, *The Empire Strikes Back* and *The Return of the Jedi*). On the other hand, the meaning of the *Star Wars* universe has expanded with every creative addition since the first three films. Is the value of the

first *Star Wars* trilogy the “original” commodity establishing that every subsequent commodity of the franchise is an aliquot part of total value? How do we account for the reuse of established characters, such as Luke Skywalker or Darth Vader? Is value being created when reproduction takes place in another medium, such as when the image of Han Solo (Harrison Ford) is printed on t-shirts or movie posters? Or is this just unproductive advertising? When more characters, places and things are added to the *Star Wars* universe, which aspects are new (productive) and which ones are “already there” (unproductive)? For instance, Darth Maul was a new villain for *Episode I: The Phantom Menace*, but he is also a particular version of past universal concepts (e.g., Jedi, the “Darth” prefix, lightsabers, the Force). What is the proportion between the creation of new value and the transfer of past value?

It is impossible to deconstruct the creation of the *Star Wars* universe according to a distinction between productive and unproductive labour because, as Nitzan and Bichler point out, the line between productive and unproductive moves every time something manifests advertising-like qualities:

... take advertising. Undoubtedly, this activity is designed to promote sales. But what about the incessant remodeling of automobiles, clothing, detergents, cosmetics, architecture, news media and what not—remodeling that according to some estimates accounts for over 25 per cent of the cost of production? Given that the main purpose here, much like in advertising, is to enhance circulation, shouldn't we consider the labour put into such remodeling to be unproductive as well? Paradoxically, even a positive answer would not solve the problem here. After all, *any* new product characteristic can persuade people to buy, so how do we distinguish between the advertising-like aspect of remodeling that merely circulates existing values and its productive aspect that by definition creates new values? (2009, p.113)

The second definition of cultural production claims to rectify the problem of unproductive labour by stating that the mode of circulation is, in fact, productive.

However, we now face another difficult question: how would we know when and to what extent labour in the capitalist mode of circulation is productive?

As we saw above, some Marxist theorists argue that the mode of circulation is productive because marketing, branding, artistic creativity and design are currently *necessary* parts in the creation of value. The so-called necessity of it all, however, is difficult to determine. Take, for example, the decision to pay someone like Tom Cruise \$20 million to star in the next big action-adventure blockbuster. On top of this high wage cost, there are the added costs of promoting Cruise's involvement. Does all labour surrounding Tom Cruise add value to the commodity, the movie? How does one definitively determine how much value the aura of Tom Cruise adds to the movie? Step one is to determine whether the capitalist purchase of Tom Cruise's labour power was necessary. Unfortunately, this determination requires that we first know the subjective attitudes of consumers. If the commodity in the mind the average customer was "a Tom Cruise movie," then the cost of hiring Tom Cruise was necessary for accumulation. And if the labour to promote and advertise Tom Cruise changed people's minds about seeing "a Tom Cruise movie," then this labour might be considered productive as well. But if it is also possible that moviegoers will watch the movie for entirely different reasons—e.g., "I just wanted to watch a good popcorn movie and don't care who the lead actor is"—then it is less clear whether all of the labour necessary to circulate the aura of Tom Cruise was necessary and, thus, a productive input.<sup>8</sup>

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<sup>8</sup>Although I am using my own hypothetical example, this point comes from the insights of Nitzan and Bichler, who use "Mexican flowers" as their example (Nitzan & Bichler 2009, p.116).

As we will see with the third definition, Marxism seems to rely on the neoclassical concept of revealed preferences to incorporate subjective desire into its theory of value. To foreshadow what is problematic about the use of revealed preferences, let us add one more comment about the second definition of cultural production.

Methodological confusions about the productivity of circulation occur because the coercive *structures* of capitalism unravel any simple one-to-one relationship between consumer behaviour and the labour costs of corporate sales efforts. People are certainly bombarded with advertisements every day, but it is also possible that the length of the working day, stagnant wages, the social division of labour, a high concentration of capitalist ownership and other structural aspects of capitalism are making consumers buy into mass culture. For instance, the business of mass culture benefits from what Marx discovered in 1844, namely, that the persistence of alienated labour causes us to estrange and degrade our capacity to express our species being. In such a situation, human labour is a “mere means” to existence, and time away from work is a sanctuary from both physical *and* mental activity (Marx 1988, p.76). Additionally, mass culture relies on the depth and breadth of surplus repression in modern civilization—i.e., “the restrictions necessitated by social domination” (Marcuse 1966, p.35). Through the family unit, social taboos and a hierarchical distribution of scarcity, both material and immaterial, the instinctual energies of a population are modified and deflected into socially acceptable forms of sexuality and pleasure. In fact, atomized, immediate

forms of satisfaction are heightened when the same social system bars technological innovation from satisfying the whole of society *as one community* (McMahon 2011).

These structural aspects of capitalism can effectively limit the range of possibility during free time. Therefore, social power and its effect on consumer behaviour make it difficult to determine whether exercises in glossy advertising or branding are necessary, partially necessary or superfluous to capital accumulation.<sup>9</sup> This indeterminacy is exacerbated in the third definition of cultural production. It assumes that consumer activity is also a productive *input* in the valorization of cultural commodities. To explain why this assumption is untenable, let us first consider the rationale for including the ideology and the subjectivity of consumers in a theory of capital accumulation.

The third definition of cultural production includes consumer attitudes, desires and emotions as productive factors in the valorization of capital. This ideological dimension of consumer activity is considered productive because consumer attitudes are integral to making certain images, ideas, symbols and values function as a meaningful system of brand culture. Essentially, individuals reproduce shared cultural imaginaries. As Bohm and Land argue, brands and the symbols and images of mass culture are never “so much things—material artifacts and commodities—as social relations, signifying complexes, frames of action and subjectivity” (2012, p.231). Likewise for Max Haven, the value of Pokémon cards is a good example of why the value of popular cultural objects cannot be found in the

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<sup>9</sup> It is noteworthy that Adorno, one of the fiercest critics of mass culture, came to a similar conclusion about the ideological strength of consumerism: “... the culture industry has... become total,” but it is “doubtful whether the culture industry and consumer-consciousness can be simply equated with each other” (2004c, p.195).

costs of material production: “The value of Pokémon cards is clearly imagined. Even in their initial, commodified form, a slip of mass produced, coloured cardboard is by no stretch of the imagination ‘worth’ the money children pay for them” (2012, p.15).

Society, according to this third definition, is one big “social factory” (Gill & Pratt 2008). Heavily influenced by the school of autonomous Marxism, this understanding of cultural production now includes “the extent to which emotions, feeling, relationships are ‘put to work’ in post-Fordist capitalism” (Gill & Pratt 2008, p.15). For instance, Bohm and Land argue that consumer desire for Apple computers can explain the high value of the brand:

Through friendship, play, sex and even love, the production of this cultural, brand value lies beyond the direct control of its owner and managers. Rather, the reproduction of the cultural values and meanings invested in the brand, and its related communities, is secured by the active labour of those consuming the brand and thereby valorizing the brand and contributing to its value. (Bohm & Land 2012, p.230)

Consequently, consumers are being treated as a part of mass culture’s “workforce” (Lazzarato 1996). For Arvidsson, the productive contributions of consumers explain why material manufacturing processes and brand valorization are separated from each other in the age of “informational” capitalism. A physical factory can make material things, but much “of the value of brands derives from the free (in the sense of both the unpaid and autonomous) productivity of consumers” (Arvidsson 2005b, p.130). Capitalists can extract value from the productivity of consumers “by positing the brand as a kind of virtual factory, by giving labour a place where its autonomous productivity more or less directly translates into feedback and information” (Arvidsson 2005b, p.130).

As with the second definition, the methodological problem with the third has little to do with the rationale for renovating the Marxist labour theory of value. Rather, the issue revolves around the nature of valorization. By sticking to a theory of productivity, the big question is: how much value do ideology, desire and consumer participation add to the total value of a commodity? Unfortunately, the way adherents of this definition seem to answer the question is by using a modified version of revealed preferences. Coined by Paul Samuelson, “revealed preferences” is a neoclassical term that purports to explain the utilitarian values of goods even if utility cannot be measured directly. Assuming that “utility drives behavior,” the prices of goods in perfectly competitive equilibrium indirectly “reveal” their utility. Thus, like the detective of Edgar Allan Poe’s “The Purloined Letter” the neoclassicist must deduce the whereabouts of its lost item (utility) from things it can observe (prices). Yet, unlike a letter and its owner, the claimed existence of universal utility completely depends on the utility-price relationship. Without the ability to ever independently verify the utilitarian calculation, the proof runs into problems. For instance, the neoclassicist must determine that the market is in a state of perfectly competitive equilibrium—prices would not, without this condition, cleanly reveal utility. Moreover, the revelation of preferences uses prices to determine utility, even if utility is meant to be the subjective *cause* of prices. By going in reverse, the proof for the existence of utility is simply an assumption that it must exist because people are purportedly willing to pay for goods at certain prices. The same form of reasoning could be used to argue that ghosts must exist because a part of the population believes in them.

The third definition is forced to retreat to an explanation of revealed preferences because so much of its so-called consumer valorization is obscure—as even proponents of the third definition admit (Bohm & Land 2012, p.130). Value cannot be observed, even indirectly, through revealed preferences, because, apart from everything else, the “labour” of consumers is unpaid—in fact, consumers often pay to participate in a cultural process they are also said to valorize! Moreover, the quantitative categories of productivity, such as labour time, are inapplicable to the desires and emotions of consumer behaviour. Two people own Adidas shoes, for example. Do they valorize the Adidas brand equally? Do obsessed fans of the Harry Potter novels produce more value than those who read and enjoy the stories with much less intensity? Does so-called value-producing consumption need to be reduced to simple labour? Is consumption a skill that can be possessed to varying degrees?

As a consequence of these dark spots, the makeshift solution is to work backwards, by first looking at prices. One method is to treat immaterial value as a residual, where brand value is a firm’s market price minus its tangible assets. Or, at the level of individual consumption, the desires and emotions of consumers are revealed through the “premium” price they are willing to pay because this “premium” is the new use-value of cultural commodities:

On a first and most basic level, consumers pay for access to a brand. Within marketing and accounting literature this is usually conceived as the “premium price” that consumers pay for a branded item, with respect to a “comparable” non-branded item (a Nike shoe versus an anonymous shoe, for example). What consumers pay for is access to the communicative potential of the brand, the possibility of inserting the brand in their own assemblage of compatible qualities. The use-value of the brand for the consumer is its value as a means of communicative production. (Arvidsson 2005a, p.250)

To look at price and work backwards, however, is to employ a faulty logic whereby the value of ideology and other immaterial qualities must be revealed through the prices people pay for consumer goods. The explanation is supposed to go the other way: how do ideology, desire and other immaterial aspects of consumer behaviour *cause* prices? Can the so-called productive value of consumer behaviour be verified independently of market prices? Moreover, defining a premium price in contrast to an “anonymous shoe,” for example, is problematic if it is not so easy to find a “pure” brand-less item that can act as an objective benchmark for differences in value, which we have still not found. For instance, many countries associate luxury and pleasure with the ownership of expensive cars, but where is the generic, anonymous car to reveal to me the value differential of a BMW, Mercedes or Lexus? Even the “average” car, whatever that may be, is branded property.

## **Conclusion**

The methodological issues involving simple labour and productive labour derive from Marxism’s presupposition that capital is fundamentally about material productivity. Marxism assumes that value is a quantity of labour time, but, unfortunately, it lacks an objective measure of that quantity. And in the case of mass culture, the issue of what should or should not be included in the concept of valorization seems irresolvable, at least objectively.

One road to a methodological solution, we will now argue, starts with a reconsideration of the economics-politics separation, the primary assumption that

informed Marx's decision to, like Smith and Ricardo, exclude power from his measure of capital. By putting power at the centre of a theory of capital, we might be able to develop a more robust theory of mass culture. Moreover, breaking the dualism between economics and politics, this thesis will suggest, might help refurbish many of the *reasons* for theorists to consider the social and ideological dimensions of mass culture.

## Chapter 3

### An Alternative Approach: A Power Theory of Mass Culture

#### Introduction

So far, our theoretical meditations have primarily focused on the limitations of the Marxist framework. While we have been critical of fundamental assumptions in Marxist economics, we have not sought to reject the social philosophy of historical materialism *in toto*—the insights of Marx have generated many fruitful meditations on the political, cultural and philosophical dimensions of capitalism in particular and modernity in general. Rather, our main critique has involved Marxism’s method of defining the economics-politics relationship in capitalism. The Marxist concept of capital privileges labour on the assumption that magnitudes of capital are essentially measures of economic productivity—in this case, labour time. For all of its dialectical insights, and despite the contemporary desire for Marxism to account for many social dimensions of capitalist society, economics and politics must ultimately be analytically separable according to this assumption. In the final analysis, surplus value, the object of capitalist appropriation, is defined as the product of exploited labour time, nothing else. Therefore, Marxism has, by its own definition of capital, committed itself to the argument that, within the dense composition of capitalism, nothing other than the abode of production, however defined, is the so-called “real” source of value. Other aspects of modern business, like finance, are deemed to operate with quantities of fictitious capital, and the state and other institutions of civil society are understood to only ever promote or assist capital accumulation as external forces.

As with neoclassical economics, the logical difficulties faced by Marxism in explaining the relation between nominal prices and real economic values are connected to the empirical problem of isolating a pure measure of productivity in reality. Unlike the conservative presentation of “distortions” in neo-classical economics, however, Marxism inadvertently hides this logical/empirical problem about the nature of economic value within a dialectical framework that aimed at studying the social dynamics of power in capitalist society.

With respect to studying the political economy of mass culture, Marxism’s well-intentioned inclusion of ideology and institutional authority is undermined by the assumption that the so-called economic facet of mass culture is rooted in material productivity. Labour is certainly an important factor to any comprehensive study of capitalist mass culture, but it is our assumptions about economic productivity and not the ubiquity of wage labour that tells us we have to look at the latter in terms of productive output. Therefore, if we use entirely different assumptions, we might be able to create stronger links between profitability, creativity and the social composition of mass culture. This chapter takes this latter route. It uses an alternate set of assumptions about capital to develop a power theory of mass culture.

### **Intellectual Precedents to a Power Theory of Mass Culture**

While the path to breaking the dualism between economics and politics lies in a concept of capital that is different from what is found in Marxist frameworks, there are actually some intellectual precedents for this path contained in the latter.

Within a broader methodological debate about how to theorize culture, Marxist political economy often presents itself as the best method for studying the effect of power on the cultural aspects of capitalism. This interest in power, despite our deeper issue with the labour theory of value, is still useful for research on the political economy of mass culture. It can help explain the role of control and authority in the creation and circulation of cultural significations. Thus, by reviewing some of these Marxist approaches to power and culture in capitalism, we construct a stepping-stone of intellectual precedents that can then be used for our analysis of an alternative concept of capital, which is mainly derived from Veblen and Nitzan and Bichler.

### **Cultural Studies v. Marxist Political Economy**

In the March 1995 issue of *Critical Studies in Mass Communication*, a “Colloquy” between academics addressed a categorical division in leftist theories of culture. On the one side was political economy and on the other was cultural studies.

One of the participants, Nicholas Garnham, made the case for Marxist political economy. For Garnham, the discipline of political economy is effective in criticizing the capitalist character of culture and communication (Garnham 1995). Marxist political economy performs this function by connecting the ideological qualities of culture to its historical mode of production. This theoretical link between ideology and material structure is the means to investigating how “a delimited social group, pursuing economic or political ends, determines which meanings circulate and which do not, which stories are told and about what, which

arguments are given prominence and what cultural resources are made available and to whom” (Garnham 1995, p.65).

Garnham uses his understanding of Marxist political economy to correct what he thinks cultural studies misunderstands in this debate over methodology. Cultural studies is similarly interested in power, but its analyses of culture have, in the eyes of Garnham, hastily rejected the methods of Marxist political economy. Because of the dislike scholars of cultural studies exhibit toward the “economistic” or “reductionist” aspect of Marxist political economy (Garnham 1995, p.62), their view of economic determinism biases their interpretation of how Marxism looks at capitalism’s superstructure, the “place” that houses cultural activity. Cultural scholars like Stuart Hall and Angela McRobbie, as cited by Garnham, believe that there is a correlation between Marxism’s economic determinism and its problematic arguments about the so-called “false consciousness” of ordinary people (Garnham 1995, p.62).

Robert Babe, who refers to this colloquy in his book *Cultural Studies and Political Economy*, returns to this war over method because, as of 2009, “the fields remain riven” (Babe 2009, p.6). According to Babe, cultural studies is a “multidisciplinary study of culture” that “refers to arts, knowledge, beliefs, customs, practices and norms of social interaction.” This approach differs from political economic theories of culture, which focus on “the economic, financial and political causes and consequences of culture” (Babe 2009, p.4). Similarly to Garnham’s argument in 1995, Babe claims that the poststructuralist turn within cultural studies was the unfortunate effect of other scholars believing that political economists had

mishandled the immaterial aspects of culture. As had Garnham, Babe argues that political economy is unfairly indicted for engaging in economic reductionism, for not “inquiring into the ideological and interpretive practices of audiences” (Babe 2009, p.5).

The arguments of Garnham and Babe certainly aim to defend their interpretations of Marxist political economy.<sup>1</sup> Beyond their more particular interests in Marxism, however, they make a particular argument that interests us here—that cultural studies and political economy *should* reconcile and integrate their methods. According to Garnham, an analysis of the “structure of domination” is the solution to problematic instances when “the source of power remains, in general, opaque” (1995, pp.67–69). The “cultural industries” are examples of these “structures and organization of power” and their mysteries are clarified through sophistication: they create a link between the “power relations embedded in the production, distribution and consumption of cultural forms as commodities” and “the use-value of that commodity to the consumer.” With such a link, political economy is able to juggle both the symbolic and material aspects of culture in a single unified theory. Similarly, Babe argues that a holistic method is effective at

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<sup>1</sup> Garnham’s and Babe’s respective styles of argumentation are cut from a larger cloth. When something is of interest to poststructuralism (subjectivity, knowledge, language), Marxism often launches a critique by presenting itself as the better method to analyze the same phenomenon. Its methodology, so the argument goes, has a sharper blade for a social critique of power because it grounds various social phenomena in the same principles of historical materialism. Compare, for example, the argumentative styles of David McNally’s critique of poststructuralist theories of language (2001) and John Sanbonmatsu’s critique of postmodern subjectivity (2010).

Something is also noticeable about the debate within which Garnham’s and Babe’s arguments occurred: with respect to the details of Marxist political economy, much of it was superficial. In fact, Garnham and Babe did not have to be very technical because the primary issue was one of the more flagrant misinterpretations of Marxism: the immovability of false consciousness and the gravity of economic determinism. This debate is a significant distance from the technical details of the labour theory of value.

analyzing modern culture as a political economy of power and control: “... the median and dialectical position... acknowledges mutual interaction and mutual dependency in the *systems theory* sense among culture, economy, and polity/policy” (Babe 2009, p.8).

### **Adorno**

According to Babe, a prototype of a political economy of power can be found in the cultural writings of Adorno. The interdisciplinary qualities of Adorno’s writings on culture demonstrate that it is

insufficient merely to depict general relations between various cultural products (say, musical genres) and social life. Rather one needs to explore how cultural products help organize society (allocate leisure time and promote passivity and conformity in audiences, for example), and address in detail the production, reproduction, distribution, exchange and consumption of cultural commodities. (Babe 2009, p.24)

And while Adorno’s theory of culture is still Marxist, it is moving outwards. By abandoning both the “basic tenets as class warfare between capital and labour” and the idea that the materialist dialectic in capitalism is the inevitable “working out” of contradictions on the way to socialism, Adorno is, according to Babe, able to outline the new “fundamentals” for a “critical political economy of media and culture.” This critical political economy is much more holistic, as it includes:

the claim of marked asymmetries in the distribution of communicatory power; an emphasis on the oppression, manipulation, and control through media by an elite; the notion of domination of media as a prerequisite to attaining and maintaining political-economic power; media as devices for influencing if not controlling consciousness and limiting resistance; economic power as affecting cultural production, including both scholarship and commercial culture; transformations wrought by commodification (exchange value suppressing use value); critique of science, technology and instrumental reason; creative arts as a possible but waning key to critical understanding; emphasis on the social

totality; and the importance of contradiction, reflexivity and dialectics. (Babe 2009, p.31)

Babe, like other sympathetic readers of Adorno (Cook 1996, pp.103–105), is not trying to credit Adorno for doing more than he does. Adorno outlines important components of a political economy of power—all of which would then need to be developed with more historical and empirical research on mass culture.<sup>2</sup> In other words, much of his writing on culture could be considered foundational, in the sense that it explores the very notion of analyzing mass culture through a concept of institutional power.

For example, there is Adorno's presentation of the dialectic between culture and administration. This conceptual presentation illustrates why the autonomy of cultural creation is simultaneously a struggle against external control. Just as enlightenment is never ultimately separate from myth in the dialectic of enlightenment, culture is never separate from administration. Equally importantly, the latter two concepts, while intertwined, still cannot be reduced to the same common denominator. Between culture and administration, there is a tension of non-identical purposes:

Whoever speaks of culture speaks of administration as well, whether this is his intention or not. The combination of so many things lacking a common denominator—such as philosophy and religion, science and art, forms of conduct and mores—and finally the inclusion of the objective spirit of an age in the word “culture” betrays from the outset the administrative view, the task which, looking down from on high, is to assemble, distribute, evaluate and organize. (Adorno 2004a, p.105)

The lack of a common denominator is the effect of culture being irreducible to the means-ends logic of instrumental reason. The objectification of culture in art,

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<sup>2</sup> Babe's awareness manifests itself in his decision to merge the ideas of Adorno and Harold Innis.

symbols, imagery and meaning can certainly be treated as means to the ends of dominant social interests—e.g., cultural production for the purposes of glory, prestige or profit. But culture can also be created without any regard to “functional relationships within society.” Conversely, administration can never disregard these functional relationships, as its very purpose is to control social relationships according to some mandate, whether official or tacit (Adorno 2004a, p.108). Thus, writes Adorno,

The demand made by administration upon culture is essentially heteronomous: culture—no matter what form it takes—is to be measured by norms not inherent to it and which have nothing to do with the quality of the object, but rather with some type of abstract standards imposed from without, while at the same time the administrative instance—according to its own prescriptions and nature—must for the most part refuse to become involved in questions of immanent quality which regard the truth of the thing itself or its objective bases in general. (2004a, p.113)

No solution to the cultural effects of administration can be found in wishing that cultural creation could reject administration “*en bloc*” (Adorno 2004a, p.121). Instead, highlighting the traces and effects of administration on the *scope* of cultural creativity allows for matters of art and culture to be opened for political deliberation. Through the lens of political categories like freedom and happiness, we can debate the legitimacy of and necessity for an administrative power to control and sometimes constrain the historical possibilities of aesthetics and meaning.<sup>3</sup> Indeed, politics can make autonomous what would otherwise be heteronomous in the assumption that power has no effect on the dynamics of culture: the institution of a culture through authority. In other words, self-reflexive criticism of the culture-administration dialectic derives from an awareness that artistic and institutional

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<sup>3</sup> Here, Adorno refers to the work of Benjamin as an example of how authority’s effect on culture can be critiqued.

interests will diverge at points: “Culture is the perennial claim of the particular over the general, as long as the latter remains unreconciled to the former ...

[Administration] necessarily represents—without subjective guilt and without individual will—the general against the particular” (Adorno 2004a, p.113).

In this respect, Adorno’s apparent “pessimism” about mass culture is related to the amount of theoretical work that is required to put power back into the mix—so that we can then analyze and talk about the power structure of culture in capitalism. As with one-sided notions of enlightenment, where the very possibility for enlightenment to revert to myth is buried within impulsive affirmations of technological progress and scientific knowledge, a one-sided concept of mass culture is resistant to the language of power when nothing about leisure time and modern entertainment appears to be worthy of a serious critical eye.<sup>4</sup> For example, part of Adorno’s criticism of mass culture relates to myths surrounding the historical transformation of artistic production from patronage to bourgeois liberalism. The bourgeois ideals of purposeless art, “pure works of art... simply following their own inherent laws,” *l’art pour l’art*, and other such notions where art is postulated as its own autonomous sphere, are all formally different from patronage,<sup>5</sup> where artists are, by virtue of the patronage relationship, “subject to the patrons and their purposes...” (Horkheimer & Adorno 2002, p.127). However, a simplistic narrative positing mass culture as the child of artistic freedom born during the decline of European patronage in the eighteenth century will likely hide

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<sup>4</sup> The spirit of Adorno is found in serious criticisms of entertainment, such as Maltby (1983).

<sup>5</sup> For a theory of how patronage can affect the form and content of artistic creativity, see Bram Kempers’ (1994) historical analysis of Italian Renaissance art from the thirteenth to the end of the sixteenth century.

the key structural development of institutional power in advanced capitalism: “The triumph of the giant corporation over entrepreneurial initiative is celebrated by the culture industry as the perpetuity of entrepreneurial initiative” (Horkheimer & Adorno 2002, p.120).

As is shown in two supplementary commentaries to the 2002 English translation of *Dialectic of Enlightenment*, Adorno’s descriptions of monopoly capital and institutional power were entangled in various problems of terminology, some of which concerned how Marxist terminology would be interpreted in juxtaposition with the realities of Soviet Marxism and authoritarian forms of socialism (Noerr 2002; Reijen & Bransen 2002). Nevertheless, we can offer two reasons why this emphasis on institutional power is a useful precedent for our delineation of a concept of capital that stresses power, not productivity.

First, the “culture industry” (*Kulturindustrie*), perhaps the Frankfurt School’s most well-known concept, denotes the control of cultural production and distribution, rather than the productivity of these processes. In “Culture Industry Reconsidered,” for example, Adorno clarifies what he means by the term “industrial”: “It is industrial more in the sociological sense, in the incorporation of industrial forms of organization even when nothing is manufactured—as in the rationalization of office work—rather than in the sense of anything really and actually produced by technological rationality” (Adorno 2004b, p.101).

Second, Adorno describes the *Kulturindustrie* in such a way that the most emphasized facet of modern corporate activity in mass culture is the ability to control the shape and style of culture through exclusion and repression:

The explicit and the implicit, exoteric and esoteric catalog of what is forbidden and what is tolerated is so extensive that it not only defines the area but wholly controls it. Even the most minor details are modeled according to this lexicon. Like its adversary, avant-garde art, the [*Kulturindustrie*] defines its own language positively, by means of prohibitions applied to its syntax and vocabulary. (Horkheimer & Adorno 2002, p.101)

The motives for this control are “economic,” but the efficient cause has more to do with the negation of other competitors. For example, corporate advertising is transformed into a negative principle when “the free market is coming to an end...” What was once about “orienting the buyer” in a competitive market is now a “blocking device” for firms that can out-spend much smaller firms. In an environment in which a lot of money is used to advertise and promote the most dominant firms, “anything which does not bear its [money’s] seal of approval is economically suspect” (Horkheimer & Adorno 2002, p.131). Furthermore, the so-called economics of advertising changes qualitatively when consumers are already informed about the most popular commodities on the market: “Advertising becomes simply the art with which Goebbels presciently equated it, *l’art pour l’art*, advertising for advertising’s sake, the pure representation of social power” (Horkheimer & Adorno 2002, p.132).

### **Marcuse**

Compared to Adorno’s conceptual outlines, the writings of Marcuse appear to be even further removed from a historically detailed political economy of mass culture. If Adorno refers to monopolization, invents a term like “the culture industry” with Horkheimer and highlights, in his collaborations and conversations

with Horkheimer and Benjamin, the ownership and control of modern aesthetic techniques, Marcuse's interests in culture seem to be much more about its ideological character. However, Marcuse's conceptualization of ideology is an important complement to Adorno's project. Marcuse's critical theory, with its mixture of aesthetic and political theory, produces a picture in which ideology is the emergent property of institutional power and its grip on society. Such a presentation of ideology is an inspiration to us. It suggests that we can include ideological aspects of culture in a theory of capital accumulation, but without having to take the problematic step of claiming that the desires of consumers are sovereign, or even productive as such. Rather, the production of cultural signification is also connected to the social institution of limitations, constraints and taboos.

As much as ideas, beliefs and values are, so to speak, a matter of the human mind, Marcuse's conceptualization of ideology is primarily interested in the ways in which an established social universe of discourse and action can serve as an *objective* limit on the dynamics of thought. This objective limit is predominately social. It is mainly the product of vested interests and institutional power repressing historical possibilities through the control of society's intellectual and technological development. Limiting technological and intellectual development according to the established goals and values of dominant powers in society is also the other side of any affirmative rationalization of these goals and values. By circumscribing the scope of technology, work and creativity according to the goals of society's vested interests, the "ideas, aspirations and objectives" of thought, even when expressed through cultural creation, become what Marcuse describes as "one-dimensional."

One-dimensional thought can subsist even in light of capitalism's many irrationalities because thought is barred from finding rational solutions in the realm of meaningful social alternatives. The material and intellectual capacities to usher in a qualitatively different, more humane society are either limited by the demands of capitalist society or made ineffectual through attenuation.

Marcuse's interest in culture is an outgrowth of his more universal concept of one-dimensional thought (Marcuse 1991). Included under the category of one-dimensional thought are modes of thinking that certainly differ in their formal attributes. Yet different systems of thought in philosophy, science, politics and culture can all be manifestations of one-dimensional thought because the term describes the *social* function of thinking. Logical positivism is not the same as idealist philosophy, and these two are not the same as operational behaviourism in business management. However, all can be one-dimensional on the basis of what they achieve: they reconcile thought with existing modes of behaviour in an established social order. It is this reconciled relationship that is ideological, rather than specific thinking per se. For Marcuse, the

concept of ideology has meaning only when oriented to the interest of theory in the transformation of the social structure. Neither a sociological nor a philosophical but rather a political concept, it considers a doctrine in relation not to the social conditions of its truth or to an absolute truth but rather to the interest of transformation. (Marcuse 1968c, p.140)

For example, we might watch a film and conclude that it is ideological for what we see to be problematic or apologetic content. Yet, according to Marcuse's critical theory, the ideological quality of the film is never simply about the film itself. The ideological quality is the mediated quality of what its content refers to at a

higher degree of analysis: a greater historical project that may or may not have a vested interest in rationalizing, rather than addressing, injustice, alienation and unhappiness in society. For instance, misogynist imagery is less of an *ideological issue* if it is actually an unfortunate exception to a greater anti-misogynist culture (which is not to say that problematic content is beyond all political critique). Conversely, this very same content is ideological when it stands, like other misogynist films, as a particular representation of an established culture of cinema that has no interest in transforming the art of cinema into something better (in other words, the particular and the universal are identical here). One of Marcuse's own examples is also illustrative. An empirical analysis of political polling is not ideological simply by virtue of the fact that it is concerned with the data and facts of an established society.<sup>6</sup> Such a study is ideological when the theoretical scope of its quantitative analysis is limited by an idea of democracy that merely assembles aspects of democratic societies in their already existing forms (Marcuse 1991, p.118). In this case, there is no tension between the idea of democracy, which has a long intellectual history, and the facts of the polling research. Without any tension between concept and object, these facts appear to be "adequate," and there is also no intellectual room to judge whether or not actual democratic processes fulfill the "historical intent of democracy" (Marcuse 1991, p.117). This hypothetical study on

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<sup>6</sup> Horkheimer established in the early years of the Frankfurt School that critical theory had an empirical component. The difference between traditional theory and critical theory was a matter of logical structure, which determined how empirical facts would relate to theoretical propositions. For instance, in "Materialism and Metaphysics" Horkheimer considers the role of sense experience: "The requirement that every existent manifest itself through the senses does not mean that the senses... are to be regarded as fixed cornerstones of the world. If the evidence of sense experience is part of the grounds for existential judgments, such experiences are far from identical with the constant elements of the world. [Critical theory] is always more than sensibility alone and cannot be totally reduced to sensations" (Horkheimer 2002a, p.42). See also Horkheimer (2002b, p.224ff).

political polling is one-dimensional because it has become “circular and self-validating. If ‘democratic’ is defined in the limiting but realistic terms of the actual process of election, then this process is democratic prior to the results of the investigation” (Marcuse 1991, p.116).

According to this conceptualization of ideology, a critique of ideology examines how the reconciliation between thought and society is *false*. With respect to culture, what is of concern is its spiritual dimension, broadly conceived. While the broad spiritual dimension of culture acts as the “background” of a society, cultural values are susceptible to becoming one-dimensional when their “oppositional, alien and transcendent elements” no longer have an antagonistic relationship with the established social reality. For Marcuse, this is a worrisome situation because many cultural values are, in fact, oppositional by virtue of being ideals and beliefs about how a social order *should* function. As a “background” that frames the meaning of actual social behaviour, culture, says Marcuse, “thus appears as the complex of moral, intellectual, aesthetic goals (values) which a society considers the purpose of the organization, division, and direction of its labor—‘the good’ that is supposed to be achieved by the way of life it has established” (Marcuse 1965, p.190).

Cultural values sometimes have a loose, almost intangible connection to the social order that is meant to embody these values. But like the examples of cinema and democracy above, the ideological issue is defined by the ways in which the non-coincidence between historical possibilities and actual social behaviour are

handled.<sup>7</sup> Culture is one-dimensional, for example, when its spiritual character is perceived as a matter unto itself, when the possibility for a “better material existence” has no effect on how we collectively value the institution of cultural signification. Culture is also one-dimensional when unrealized cultural ideals do not create a tension between the ideas of the Good Life and the established social reality (Marcuse 1968d, p.121). Here, the separation between spiritual activity and everything else in civilization is exalted, but in a manner that makes cultural values harmless. No longer is art an effective means of highlighting how historical circumstances have deviated from society’s own transcendental ideals about the meaning of life in a political order.<sup>8</sup>

To be sure, Marcuse’s definition of culture is narrow, as it seeks to highlight the political quality of cultural values. Such a definition of culture, however, allows Marcuse to point to the elements of culture on which vested interests and institutional power can have great impact. Culture can be made to be one-dimensional because it “involves the relation of values to facts, not as a logical or epistemological problem, but as a problem of social structure” (Marcuse 1965, p.191). In other words, there are moments in history in which the social structure enables the sphere of art to point to the untruth of its greater social conditions; or, at the very least, art is a means of protecting the truth of culture’s contradiction or

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<sup>7</sup> In “A Redefinition of Culture,” Marcuse offers a more concrete formulation of the problem: “... how are the literature, arts, philosophy, science, religion of a society related to its actual behavior?” (1965, p.191).

<sup>8</sup> Marcuse’s approach to culture is strongly influenced by the German philosopher Johan Gottfried von Herder. As Raymond Williams notes, Herder was the first to use the singular plural, “cultures,” as a means to distinguish spiritual configurations from the greater civilizations of which they were a part (1981, p.10). Herder’s core idea—that “spiritual values belong to the definition of culture in contrast to mere civilization”—points to the problem that Marcuse thinks needs serious investigation (Marcuse 1968d, p.103).

incompatibility with the present, “the unhappy consciousness of the divided world, the defeated possibilities, the hopes unfulfilled, and the promises betrayed” (Marcuse 1991, p.61). Conversely, the repression of historical alternatives and the institution of external constraints can create, sustain and even intensify the ideological quality of culture.

This effect of institutional power on culture is clearer in some of Marcuse’s more focused analyses, when he is interested in how needs and wants are satisfied, how values and ideas coordinate the behaviour of a community and how the aesthetic dimension is objectified as art. For the remainder of this section, we will analyze how the transformation of transitive meaning into intransitive meaning contributes to the pacification of the tension between cultural values and the facts of social existence.

The problem of transitive meaning becoming intransitive can be seen in the obverse, through the lens of Marcuse’s arguments in favour of conceptual thinking. According to Marcuse, concepts mediate the transitive properties between apparently disparate aspects of a social universe. This type of mediation is especially important when, in a social universe that is “broken in itself,” there are “modes of being in which men and things are ‘by themselves’ and ‘as themselves,’ and modes in which they are *not*—that is, in which they exist in distortion, limitation, or denial of their nature (essence)” (Marcuse 1991, p.125). For Marcuse, a concept

is taken to designate the mental representation of something that is understood, comprehended, known as a process of reflection. This something may be the object of daily practice, or a situation, a society, a novel. In any case, if they are comprehended, they have become objects of thought, and as such,

their content and meaning are identical with and yet different from the real objects of immediate experience. "Identical" in as much as the concept denotes the same thing; "different" in as much as the concept is the result of a reflection which has understood the thing in the context (and in the light) of other things which did not appear in the immediate experience and which "explain" the thing (mediation). (Marcuse 1991, p.105)

Here we can see the influence of Hegel's philosophy on Marcuse's critical theory.<sup>9</sup>

For Hegel, a concept is a "movement of knowing" (Hegel 1977, sec.166) and it sublates two limited moments of a thought process. The first moment is a limitation that manifests itself through naïve or stubborn attempts to overdetermine and inflate a partial truth. The second limitation is expressed in the partial overcoming of the first, when consciousness, on the one hand, grasps the partial-truth *as* partial-truth, but, on the other hand, still "does not know how to free it of one-sidedness, or to maintain it as free...." As Yirmiyahu Yovel explains, these two limitations are arresting to a consciousness that is "driven by the law of non-contradiction... to exclude one moment because of the other" (Hegel 2005b, p.68). Conceptual thinking, for Hegel, is the movement of self-consciousness, which is no longer stymied by the law of non-contradiction. Self-consciousness works through a "double object" (Hegel 1977, sec.167). It sees a partial-truth as both a moment (e.g.,

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<sup>9</sup> There is also an illustrative example in Spinoza's *Ethics*, which is a key precedent to Hegel's philosophy. For Spinoza, intransitive meaning can become an obstacle to affirming knowledge with certainty. The issue with intransitive meaning is that there is nothing "beyond" the image or object to cause our imaginations to "waver," or to make us doubt that the ideas we hold are "confused and fragmentary." Instead, the barrier to certainty is that intransitive "imaginings of the mind, considered in themselves, involve no error." The stand-alone image of a winged horse, for example, never tells us what about this image is false. Rather, it is the movement of thought that causes us to doubt the existence of this imagined creature: "For if the mind should perceive nothing apart from the winged horse, it would regard the horse as present to it, and would have no cause to doubt its existence nor any faculty of dissenting, unless the imagining of the winged horse were to be connected to an idea which annuls the existence of the said horse, or he perceives that the idea of the winged horse is inadequate. Then he will either necessarily deny the existence of the horse or he will necessarily doubt it" (Spinoza 2006, pt.II, P49, Schol).

rationalism) and as a moment “in conflict and in opposition with itself” (e.g., rationalism in conflict with and opposition to empiricism) (Hegel 2005b, p.68).

Conceptual thinking, as proposed by Marcuse, is a tool to uncover problematic intransitive logics in everyday language—e.g., my gas consumption in North America has nothing to do with wars in the Middle East. Indeed, this habit of bracketing and separating social spheres of activity into mutually exclusive spheres exacerbates, in the words of Marcuse, “a new ideology which undertakes to describe what is happening (and meant) by eliminating the concepts capable of understanding what is happening (and meant)” (Marcuse 1991, p.178). Our experiences of individual pleasure are good examples of how mass culture is ideological in this sense. Discourse around our experience of mass culture tends to be the effect of accepting that, in capitalism, pleasure is separate from reason, or that play is structurally different from labour. Indeed, our language about mass culture need not refer to the more “serious” issues of society because pleasure is affirmed as something “exclusively subjective” (Marcuse 1968b, p.167), while the terms and values of the greater social reality are deemed to be of another, loftier type. Consequently, the properties of mass culture become resistant to criticism as the meaning of individual pleasure is satisfied through the closed language of modern consumerism: “Describing to each other our loves and hatreds, sentiments and resentments, we must use the terms of our advertisements, movies, politicians and best sellers. We must use the same terms for describing our automobiles, foods and furniture, colleagues and competitors—and we understand each other perfectly” (Marcuse 1991, p.194).

Again, the issue is not that individuals can find pleasure in the world of mass culture. Rather, mass culture, along with all of its pleasures, is structured as a social sphere of “non-interference.” The meaning of individual pleasure does not touch, nor is it touched by, real differences between consumptive affluence and the general unhappiness of historical circumstances. To allow pleasure to be framed in the context of greater political problems would open the realm of pleasure to “the historical demand for the general liberation of the individual” (Marcuse 1968d, p.101).

Moreover, this non-interference of mass culture is predominantly institutional.<sup>10</sup> For Marcuse, individuals tend to acquiesce to the contradictory ways in which capitalism “delivers the goods” because industrial techniques and our pool of intellectual knowledge are currently under the capitalist form of social organization (Marcuse 1968e). Small degrees of individual pleasure can be found in types of work in which the social division of labour is less dehumanizing, precarious, monotonous or alienating than in other jobs. Yet the structural administration and systematic ownership of social creativity in capitalism still generally bifurcate work and play into two separate spheres of modern life. The former is generally “a whole dimension of human activity and passivity [that] has been de-eroticized. The environment from which the individual could obtain pleasure—which [he or she] could cathect as gratifying almost as an extended zone of the body—has been rigidly

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<sup>10</sup> Both Adorno and Marcuse consider that art will always, by virtue of creating an imaginary dimension of meaning and ideas, have some degree of non-interference with society at large. Whether surrealist or positivist in style, art’s freedom to represent reality through the imagination comes with an added cost. Truth in the aesthetic dimension can be ignored as “metaphysical” or even as the idle play of fantasy.

reduced” (Marcuse 1991, p.73). The play of immediate gratification, in contrast, is marked by its allocation to a delimited space-time of social life. The great range of pleasures available to the modern consumer is repressive to the extent that sublimated activity (e.g. work) is not a place to create a less repressive structure for the *sublimated* activity of human beings. As the “scope of sublimation” is both restricted and prevented from being transformed, the immediacy of gratification—i.e., desublimation—is intensified to the point that it appears that individual pleasure equals desublimated activity (Marcuse 1991, p.73).<sup>11</sup>

### **A Preliminary Concept of Capitalist Power**

As intellectual precedents to a power theory of capital, the ideas of Garnham, Babe, Adorno and Marcuse are limited to the extent that they are still connected to Marxist economics and the problems inherent to it. Thus, a gap remains between where we are now (institutional power in historical materialism) and where we hope to go (a power theory of capital). We can traverse this gap with a preliminary

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<sup>11</sup> *One-Dimensional Man* follows *Eros and Civilization* and asks how increasing the opportunities for immediate gratification—i.e., desublimation—is nevertheless repressive. *Repressive desublimation* is a concept in *One-Dimensional Man*, and its psychoanalytic name is not incidental. Repressive desublimation emphasizes once more that increasing satisfaction through consumption does not liberate Eros if the latter is nevertheless “deprived of the claims which are irreconcilable with the established society” (Marcuse 1991, p.75).

If we were to extend our analysis of how the repressive characters of sublimation and desublimation are related, there would be two important steps. The first would involve Marcuse’s crucial distinction between basic and surplus repression. This distinction is a corrective to the fatalistic character of Freud’s metapsychology. The second step would consider Marcuse’s theorization of non-repressive sublimation. Put simply, non-repressive sublimation is the idea that the pleasure principle is not automatically “redirected” to a substitute object or goal because sublimation could exist *without* “desexualization” (Marcuse 1966, p.208). For more on Marcuse’s psychoanalytic theory and its relationship with political transformation, see Horowitz (1977; 1987), McMahan (2011) and Holman (2013).

concept of *capitalist* power. The outlines of this concept will draw from the ideas of Cornelius Castoriadis. Castoriadis helps us present the political and philosophical elements of capitalist power, which, according to Nitzan and Bichler, is a historical *mode* of power (Nitzan & Bichler 2009).

Capitalist power seeks to aggrandize itself through the accumulation of more power. Its form of accumulating power is also, as a specific mode in history, defined by the mechanisms and goals of capitalism. Thus, we can start to look at mass culture with the concept of power that is relevant to it. Its major institutions are business enterprises. And in the interests of profit, the scope and capacity of social creativity are controlled through the rights of ownership, which is a type of authority that rests on the greater social system of private property. Capitalist power and its control over social creativity are certainly never about the total mastery of culture and its many social relations. Instead, this power over social creation is the expression of vested interests attempting to impose social signification “from above” and repress the potential for a radically democratic form of social creation.

Reference to a political term like radical democracy is a by-product of needing to look at social creativity through the lens of institutional power, whether it is capitalist or of another mode. The presence of power in society makes the human capacity to create forms and meanings (*vis formandi*) a political matter. To be sure, humans possess a bare ontological capacity to be creative; this opening of spaces for the institution of new forms is an inherent characteristic of historical time:

The perpetual self-alteration of society is its very being, which is manifested by the positing of relatively fixed and stable forms-figures and through the shattering of these forms-figures which can never be anything other than the positing-creating of other forms-figures. (Castoriadis 1998, p.372)

The *politics* of creativity is about the social application of this bare ontological capacity to create other forms and figures. Thus, the political character of human creation circles around questions of how and why. How and why is the “otherness-alteration” of creativity being affirmed or denied by society and its major institutions?<sup>12</sup>

With respect to matters of radical creation in culture, Castoriadis thinks that autonomous democratic societies can use art to affirm “the fact that brute reality is not fixed, but bears within it immense interstices which allow of movement, assembling, alteration, division; and the fact, too, that man [sic] is able to insert himself as a real cause in the flux of reality” (Castoriadis 1984a, p.240). Here, the novelty and indeterminacy of social-historical creation is treated as a vitamin for a democratic cultural project, rather than an allergen: “When an artist begins a work, and even when an author begins a theoretical book, he both does and does not know what he is going to say—even less does he know what that which he will say will actually *mean*” (Castoriadis 1998, p.74). Under different political circumstances, however, the potential of *autonomous* creation can be perceived as a threat to what Castoriadis calls “an explicit power.” Whether it be legislative, executive, judicial or even what we are calling capitalist power, an explicit power has an instrumental

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<sup>12</sup> Otherness is not difference: “... to say that figures are *other* (and not simply different) has a sense only if figure B can in no way derive from a different arrangement of figure A—as a circle, ellipse, hyperbole or parabola derive from one another and so are the same points *arranged* differently—in other words, only if no identitary law, or group of laws, is sufficient to produce B starting from A” (Castoriadis 1998, p.195).

orientation to how social creativity is being applied: its particular conservatism against the “perpetual self-alteration of society” is “rooted in the necessity [for the explicit power] to decide what is and is not to be done with respect to the more or less explicit ends which are the objects of the push and drive of the society considered” (Castoriadis 1991, p.155).

Capitalist power bears the markings of heteronomy to the extent that the logic of capital is antithetical to the openness of radical creation. Just as Plato monopolized the term *poiesis* by reducing all creation to imitation (*mimesis*), capitalism reduces social creativity in mass culture to a “coherent set of already produced means (instruments) in which this power is embodied” (Castoriadis 1998, p.195). This certainly does not mean that examples of great technical and artistic skill are absent from modern culture. Instead, it means that the popular conception of capitalism relying on creativity or even a “creative class” to achieve economic growth is missing a very important aspect of social creativity. Applied creativity tends to adhere to the same set of fundamental values: the making/doing of individuals is currently oriented “toward the antagonistic maximization of consumption, of power, of status, and of prestige” (Castoriadis 1993, p.302).

All of this language of power and control might still seem far removed from the financial language of business enterprise, which would be hard pressed to speak about the employment of creative labour in stark political terms. Yet business enterprise relies on the *control* of social creativity, which necessarily breaks the separation between economics and politics. If the business of creativity were simply economic—on the assumption that economics and politics are analytically

separable—the *vis formandi* of human beings would be less about business limiting and controlling human potential. Instead, issues regarding creative labour could simply remain matters of economic policy; they could revolve around the allocation of creative labour to meet market demand for employment, innovation or skill. In fact, the effects of market competition would only put weak boundaries around economic creativity and innovation—boundaries that are many degrees weaker than the strong arms of an external political force, which has the authority to institute laws and customs through command. Indeed, if a free, competitive market essentially determined the limit of social creativity, great financial successes could go to *any* type of creative innovation that successfully met market demand, especially when the supply of that type of creativity was still below what it “should” be.

Unfortunately, there is a thorny methodological issue in this separation of politics and economics. Take the theory of creative destruction in the business of mass culture. As Gillian Doyle points out (2010), Schumpeter’s concept of creative destruction is a metaphor for beneficial economic dynamism. The history of creativity in mass culture, for example, appears to make a lot of sense; its hyperactivity in artistic and technological progress is seemingly rational because creative destruction will kick-start another cycle of income. For example, writes Doyle,

creative destruction [appears to relate] to the music sector where the progress of time has been marked by a succession of advances in audio formats, from gramophone to vinyl records to the arrival of CDs which are now being usurped by MP3 digital files. Each successive innovation has brought opportunity, success and growth for some players. (2010, p.250)

The thorn in the side of this story comes in follow-up questions. Why did the new replace the old in that way and at that time? We can clearly see the signs of dynamism in mass culture, but how do we know that creative destruction is beneficial to society? In Doyle's terms, what is the social value that tells us that creative destruction is "good" rather than "destructive destruction"—"i.e. a phase in which businesses are eradicated but without any positive benefits being created"? (2010, p.251).

These questions demand an answer that goes beyond a tautological reference to prices—e.g., any technological progress that is profitable is creative destruction, while the evolution of technology is merely destructive and wasteful when it is not. Neither is the answer satisfied by counting creativity in the amount of stuff that is made or how many times an artistic or technological method is renovated by innovation—this would suggest that any quantitative iteration is *ipso facto* useful. Instead, the answer is found in the very place that, according to Doyle, makes the economics of culture a problematic theory. What is or is not beneficial, pleasurable or useful about cultural objects depends on what *cultural* and *political* ideas hold court at a certain moment in time. Similarly, the meaning of creativity is defined by a system of social significations that frame, in the words of Castoriadis, what "is and is not, what is relevant and what is not, [and] the weight, the value... of what is relevant" (Castoriadis 1998, p.234).

The social meaning of culture, especially its symbolic meaning (Doyle 2010, p.246), opens the floodgates to methodological problems in attempts to keep an economic definition of creativity separate from politics and power. In a historical

circumstance in which a creative endeavour has the choice to affirm what already exists as much as it has the capacity to, in the more philosophical language of Castoriadis, become the radical creation of other forms, the business of culture is never simply about what gets produced, but about the scope of creativity: why are some ideas approved, and why are others rejected or severely modified for the purposes of business? Are some ideas *inherently* unprofitable? Even in the hypothetical situation in which firms are so small that they are necessarily passive with respect to the needs and wants of consumers, the business of mass culture still needs to make decisions that will refer to an established world of social signification. Thus, even a weak decision about what gets produced is already marked by the existence of social power. Unless the world of social significations is the product of the *demos* autonomously limiting itself around a set of values, the business of mass culture is faced with the fact that the meaning of its creativity is less about consumer sovereignty and more about what cultural and political values are reinforced by the presence of society's major institutions—e.g., education, religion, science, government and the military. What sort of cultural commodity should a firm produce when dominant groups in society have clear preferences for only *some* ideas, values and norms?

When some capitalist firms are themselves large enough to actively participate in the very construction of social meaning, the presumed societal benefits of creative destruction become even more opaque. Note that for Schumpeter, the practice of creative destruction by big business was meant to be a substitute for what was traditionally accomplished by small entrepreneurs in a less

concentrated market. Let big business become a “perfectly bureaucratized giant industrial unit” that “ousts the small and medium-sized firm” (Schumpeter 2008, p.134), capitalism must stay true to what it always exalted as its key economic value in society:

... capitalist practice turns the unit of money into a tool of rational cost-profit calculations.... [Primarily] a product of the evolution of economic rationality, the cost-profit calculus in turn reacts upon that rationality; by crystallizing and defining numerically, it powerfully propels the logic of enterprise. (Schumpeter 2008, p.123)

Theoretically, this key economic value of cost-profit analysis would, at the least, bind the rate of technological change to the amortization schedules of old investments. Thus, the giant firm, even when in a monopoly position, “will always adopt a new method of production which it believes will yield a larger stream of future income per unit of the corresponding stream of future outlay, both discounted to the present, than does the method actually in use” (Schumpeter 2008, p.97).

The partial truth of Schumpeter’s writing lies in the fact that these calculations are a matter of prices and profit, not much else. Yet even the largest firms are compelled, according to Schumpeter, to make beneficial contributions to technological progress because “the capitalist engine in motion comes from the new consumer’s goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates” (Schumpeter 2008, p.83). What Schumpeter neglected, however, were the opportunities for dominant firms to transform the principle of creative destruction

itself by significantly influencing the very social-historical meaning of “new” technological improvements.

This ability of dominant firms to shape the fundamental social significations of creativity is hidden when, as Nitzan and Bichler argue, we continue to assume that the market is like a Newtonian container:

Its particles—the utility maximizing investors-consumers—act and react on one another according to the rules of the market, but they have no bearing on the rules as such. These rules are eternally fixed, making market space independent and absolute. (Nitzan & Bichler 2009, p.279)

Things look different when a social space like the market is not independent of the bodies that move and interact within it, but rather is the “*order of the things*” (Nitzan & Bichler 2009, p.278). In other words, when some firms are significantly larger than others, their gravitational force can bend the curvature of the social space they and other firms occupy together.

With respect to mass culture, *capitalist* power allows some firms to significantly bend the social space in which they also produce culture for pleasure and profit. Thus, while the largest firms rely on the creative powers of their labour force, the means and ends of controlling social creativity change when firms can take advantage of a world of culture that is significantly defined by their own behaviour. Mass culture necessitates technological development and artistic skill, but its oligopolistic structure allows for the repetition, stagnation and repression of social creativity to be called by other names: e.g., inventive, imaginative, exciting and, most importantly, new. This effect of redefining the boundaries of mass culture is not just about what is massively popular—e.g., pop music, blockbuster film, primetime television, etc. It is also about dominant firms having great influence as a

result of their ability to reject, deny or modify the desire of creative labour to experiment, pursue alternatives, and even dislocate meaning through “otherness-alteration.” It is the contemporary version of what Castoriadis described regarding the beginnings of the bourgeois era:

The result was the appearance, for the first time in history, of the phenomenon of the *avant-garde* and of an artist who is “misunderstood,” not “by accident” but *of necessity*. For, the artist was reduced at that time to the following dilemma: to be bought by the bourgeois of the Third Republic—to become an official pompier-style artist—or to follow his/her own genius and to sell, if lucky, a few canvases for five or six francs. (Castoriadis 1995, p.109)

When a firm’s ability to *negate* the potential of creativity is this influential, the separation between economics and politics is wholly untenable. Investment will still involve some type of production, but it can now also depend on the ability of alternative forms of human ingenuity to be neglected, marginalized or repressed by the authority of others. Labour and the costs of production still matter, but the strategies of business enterprise have an authoritative element when large firms can also set the terms of social creativity. Furthermore, this power can be specifically characterized as capitalist power the more we pull away from the assumption that institutional power is secondary or external to the “real” story of economic productivity, however measured. Indeed, as Garnham argued, we should use political economy to understand power in modern culture because giant conglomerates in the business of culture are able to profit from their active influence over the manner in which meaning is created, stories are told and social creativity finds its means to objectify itself in art.

Below, we conclude with a few examples of institutional power from the world of Hollywood cinema. These examples gesture yonder towards what will be

the main subject of Part II: risk in the political economy of Hollywood. They also demonstrate how the actuality and potentiality of human creation are welded together through capitalist power. In advanced capitalism, the creativity and human labour behind an established culture is entangled with firms and cooperative institutions that stand as barriers to the creation, autonomous or otherwise, of other social significations. In other words, there is a dialectic of power and creativity.

On the one hand, there are still some aspects of Hollywood that can demonstrate how creative and artistic skills are needed for its business enterprises to be successful. In fact, there are certainly instances of big Hollywood firms performing creative destruction, which Schumpeter thought monopolies would need to perform on a regular basis. For example, the creativity of what many scholars call “New Hollywood,” a period from roughly 1968 to 1977, could be labelled “creative destruction.” Because of falling profits in the 1960s, the largest Hollywood firms purposefully gave young filmmakers autonomous creative control—from project approval to final cut. Indeed, the Hollywood film business wanted New Hollywood filmmakers such as Hal Ashby, Robert Altman, Peter Bogdonovich, John Cassavetes, Francis Ford Coppola, William Friedkin, Sidney Lumet, Arthur Penn and Bob Rafelson to supersede old Hollywood fare with an American New Wave style.<sup>13</sup>

On the other hand, the assumption that Hollywood can only meet the demands of society when it allows the best and brightest talent to stretch their creative capacities to the fullest is an illusion. The relationship between the qualities

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<sup>13</sup> See Chapter 7.

of film production and the needs and wants of film consumers is held together by the weight of capitalist power. There are also many instances that demonstrate both Hollywood's ability and financial desire to stagnate social creativity in cinema. The effect of Hollywood on the social relations of cinema can advantage its investments, while simultaneously disadvantaging the pursuit of business and art with alternative methods. Hollywood's power over filmmaking, in this sense, is not about the productivity of labour. Neither is it necessarily the case that Hollywood *has* to perform creative destruction over and over again.

#### **Example #1: When Hollywood Gets Repetitive**

Much of this interest in capitalist power can be extracted from the visible repetitiveness of Hollywood cinema. The use of film genres in Hollywood, for example, is much more than a philosophy of aesthetic forms; it is an industrial technique that can sometimes, in the Hollywood system, act as a form of structural constraint on the scope of creativity (Neale 2000). A new film project in Hollywood will usually obey the divisions that prevent some genres from being mixed together—"horror western" anyone? The same film project might, like so many other Hollywood films before it, insert a romantic element into the story because this type of mixture is considered standard. A new film, situated within a particular genre, might also be pressured to affirm the tropes and clichés of that genre—so as to conform to what audiences have been conditioned to expect.

Some readers may now be thinking of notable exceptions in Hollywood cinema. Nevertheless, while we can disagree about particular differences between

Hollywood films, we can still stumble towards questions about structural pressures and its effects on art. Is it in Hollywood's financial interest to be repetitive and formulaic? Is the injection of small changes into well-used aesthetic formulas or styles the best that Hollywood can do creatively? Are instances of repetition a function of business strategy, or does Hollywood overuse formulaic filmmaking techniques when it lacks sufficient creative talent?

In his sardonic language, playwright, screenwriter and film director David Mamet argues that the formulism of Hollywood film production is rooted institutionally, in the corporate relationship between script readers and their bosses:

The entry level position at motion picture studios is script reader. Young folks fresh from the rigours of the academy are permitted to beg for a job summarizing screenplays. These summaries will be employed by their betters in deliberations.

These higher-ups rarely (some, indeed, breathe the word "never") read the actual screenplay; thus, the summaries, called "coverage," become the coin of the realm.

Now, like anyone newly enrolled in a totalitarian regime, these neophytes get the two options pretty quickly—conform or die. Conformity, in this case, involves figuring out what the studios might like (money) and giving them the illusion that the dedicated employee, through strict adherence to the mechanical weeding process, can provide it. The script reader adopts the notion that inspiration, idiosyncrasy, and depth are all very well in their place but that their place has yet to be discovered and that he would rather die than deviate from received wisdom.

The mere act of envisioning "the public," that is, "that undifferentiated mass dumber than I," consigns the script reader to life on the industrial model. He or she now is no longer an individual but a field boss, a servant of "industry".... Deprived of the joys of whimsy, contemplation and creation, they are left with prerogative. So script coverage is brutal and dismissive.

Why would this canny employee vote for the extraordinary? The industrial model demands conformity, and the job of the script reader is not to discover the financially, and perhaps morally, the questionable "new" but to excel in

what, for want of a better word, one must call hypocrisy. (Mamet 2007, pp.77–78)

Mamet's critical opinion of the Hollywood business structure, which was formed through his first-hand experiences in Hollywood, is rationalized by the "creative instability hypothesis" of Peter E. Earl and Jason Potts (2013). For Earl and Potts, it is rational for business managers to remain within the aesthetic mainstream and only allow the creative envelope to be pushed with conservative hesitation.

Similarly to Mamet's view that there is a lot of creative talent that Hollywood ignores or is hesitant to hire (Mamet 2007, p.79), Earl and Potts admit that the issue of creative instability is not about a deficit of ingenuity and creativity in labour.

Rather, artistic novelty, complexity and even playful experimentation are business risks because they can exacerbate competition in the form of "overshooting."

Overshooting, the "other side" of "Schumpeterian competition" (Earl & Potts 2013, p.153), is the destruction of demand through Hollywood firms' allowing its creative labour too free a hand in innovation and complexity—all of which Earl and Potts acknowledge can be good for art (2013, p.154).

From Adorno's perspective, Earl and Potts are admitting that it is necessary for business to separate its instrumental goals in cultural creation from the truth of art. Mamet also thinks that such a separation is latent in the way film ideas are developed in Hollywood. While script readers, producers and their bosses "may subjectively (and legitimately) dislike any given script on its merits," the more important point for the Hollywood film business is whether the script is disliked because of the "purely mechanical operation of the development process" (Mamet 2007, p.78). But for Earl and Potts, the instrumental control of creativity is not a

window into a possible critical perspective about the possibilities of art. For them, the tight control of social creativity can be rationalized; it is a perceived necessity of doing business in mass culture.

First, the pecuniary value of artistic complexity is “mediated by the dynamics of consumer attention relative to producer creativity” (Earl & Potts 2013, p.165). Second, the “overshooting” of creativity in the business of mass culture is “not uncommon” because management (“the suits”) can only really act upon producer creativity. Consumer attention, according to Earl and Potts, is the independent variable that requires business to be conservative about the potential of aesthetics:

... it is to be expected that a product will be rejected if consumers cannot “get into” it because it requires too much skill in discerning patterns in, and construct meaning from, the flow of information associated with it. If products are highly complex, many potential customers may fail to give attention to them after initially failing... to discern plot, theme, melody and so on. The human tendency to make evaluations relative to prior reference points and to suffer from loss aversion will limit the willingness of customers, as well as suits and creative, to take risks with products that seem to be straying too far from familiar territory. (Earl & Potts 2013, p.161)

As much as the creative instability hypothesis can be applied to the actual behaviour of the Hollywood film business, it also hides the role of capitalist power in the process. Earl and Potts refer to the behavioural psychology of consumers in a very matter-of-fact style. In fact, their low estimation of each consumer’s cognitive capacities helps reify consumer attention and the need for business to control social creativity. In the hands of Earl and Potts, the story of management controlling producer creativity ignores the ways in which dominant firms could have a hand in shaping and nurturing consumer attention.

Therefore, in the case of the Hollywood film business, the creative instability hypothesis ignores pertinent questions about capitalist power. Does the global presence of Hollywood cinema have no effect on consumer predilections? Are some films or film project ideas deemed too alien, confusing or weird by virtue of how Hollywood cinema socializes and habituates our film-watching skills? Earl and Potts claim that “consumers can develop their skills in appreciating creative products by successfully trying more challenging works” (2013, p.161)—but does this aesthetic education take place in a vacuum, or is it the sole responsibility of the consumer? Does Hollywood have a hand in affecting the production, distribution and exhibition of “challenging” cinema? By ignoring these type of questions, Earl and Potts come to the conclusion that the business and creative sides of modern entertainment share the *same* “rational” perspective about art, creativity and risk: “In working out how far the creative envelope should be pushed, both suits and creatives will, if acting rationally, take account of the need to ensure that the product that is offered aligns with the consumption capabilities of potential customers” (2013, p.161). But if the “consumption capabilities of potential customers” are said to be more about the natural limits of human psychology than they are about social power, Mamet’s script reader is technically behaving rationally when she envisions the public as “that undifferentiated mass dumber than I.” This version of creativity and risk changes the more we reconsider the role of power in he Hollywood film business.

## **Example #2: When Hollywood Gets Biblical**

The case of Ridley Scott's *Exodus: Gods and Kings* is a telling example of Hollywood rationalizing its so-called inability to widen the boundaries of its creative labour. Much of the pre-release journalism on *Exodus* concerned the contentious decision to cast white Hollywood actors in the story of Moses opposing the Pharaoh and leading the Israelites out of Ancient Egypt (Child 2014; Palmer 2014; Anon 2014). As much as it is standard practice for Hollywood studios to keep casting within the hierarchies of its own star system, Christian Bale's attempts to diffuse some of the criticism inadvertently reveals how these decisions about the style of *Exodus* were not made for lack of historically available alternatives: "I don't think fingers should be pointed, but we should all look at ourselves and say, 'Are we supporting wonderful actors in films by North African and Middle Eastern filmmakers and actors, because there are some fantastic actors out there'" (Anon 2014). The obvious rationale for not casting fantastic North African or Middle Eastern actors instead of Bale and other white Hollywood actors is rooted in the financial goals of Hollywood—even Bale acknowledged this. However, such a rationale does not merely obscure the racist element of this story; it actually obscures how Hollywood's *modus operandi* transforms a controversial choice about casting into a so-called "rational" business decision. For instance, when Scott defended his film with the argument that he *had* to assemble the "best possible cast... on a budget of this scale [~\$140 million]," he admitted to Hollywood's interest

in profit but glossed over the main reason that all of these decisions about aesthetic quality are “necessary” business strategies.<sup>14</sup>

If we start to ask follow-up questions about the aesthetic decisions of the film, it starts to become clearer that the size and influence of Hollywood in modern cinema has a hand in *making* these decisions become instrumentally rational under specific historical conditions. Is it necessary for a film about the Book of Exodus to cost \$140 million? Is it necessary that, for the sake of entertainment, Moses bear a sword rather than a staff, or that the Red Sea be made red from man-eating crocodiles sent by God? Is it necessary that Moses be portrayed as an atheistic warrior—where God might be the hallucinatory consequence of a concussion—rather than the eventual lawgiver of God’s commandments? If the answer to these questions is “no,” we actually catch a glimpse of how the casting of Bale fits into a larger political economy of power. Hollywood is bending the curvature of modern cinema in such a manner that there is a financial disincentive for it to cast a film about Moses more appropriately, which is what Bale would personally hope for: “To me that would be a day of celebration. For the actors it would be wonderful. It would be a wonderful day for humanity, but also for films and for storytelling in general” (Anon 2014).

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<sup>14</sup> Scott also rationalized the business decisions of *Exodus* with much blunter language: “I can’t mount a film of this budget, where I have to rely on tax rebates in Spain, and say that my lead actor is Mohammad so-and-so from such-and-such. I’m just not going to get it financed. So the question doesn’t even come up” (Child 2014).

### **Example #3: When Hollywood Gets Moral**

Similarly to the Production Code Administration's "Seals of Approval," an infamous aspect of Hollywood's classical studio system, the Motion Picture Association of America's (MPAA) film-rating system is mostly known for informing consumers about how much or how little "objectionable" content is in every released film. But the rating system is also a non-governmental means of making sure that the potential open-endedness of artistic labour is channelled into a system that hopes to deliver content at different "levels" of morality. The contracts that allow film directors to direct in Hollywood effectively tether film production to the MPAA film-rating system, even before anything is shot. As John Lewis notes, contracts oblige directors to "deliver their film as G, PG, PG-13 or R" (2013, p.43). Film directors must also do whatever the MPAA's Classification and Rating Administration says is needed for the final cut of the film to meet that contractual obligation.

### **Example #4: When Hollywood Determines what is Taboo**

The MPAA example is not just about the creative labour that already works in Hollywood. It is also a means for Hollywood to produce a significant financial disincentive for any form of filmmaking that tries to play the game another way. NC-17, the rating that is technically available to films deemed more sexually graphic

than R-rated films,<sup>15</sup> is effectively a taboo rating. Hollywood wants nothing to do with this rating, even though the major studios of Hollywood comprise the MPAA. Major theatre chains and big retailers like Wal-Mart refuse to offer any film rated NC-17 (Lewis 2013, p.43).

In fact, the cinematic styles that Hollywood likes are popular enough to create financial disincentives for radically alternative cinematic forms. As Jonathan Rosenbaum argues (2000), the Hollywood film business affects the way film journalism promotes good cinema. Excluded from the category of “good” cinema are films that editors think will be too alien to their readership. The independent, avant-garde or just plain weird can often find some degree of journalistic coverage, especially in the age of the Internet, but Rosenbaum’s experience at film festivals, The Chicago Tribune and his guest television appearances on *Chicago Tonight* all reveal the nature of the problem. Not only does mainstream journalism choose to stay within the boundaries that Hollywood helps define, but film critics also turn into pseudo-marketers:

Consider what might happen if Roger Ebert couldn’t find a single movie to recommend on one of his weekly shows. Or let’s assume that this has already happened once or twice. How much freedom would he have to assign a thumbs-down to everything three or four weeks in a row without getting his show canceled? And for all the unusual amount of freedom I enjoy at the Chicago Reader, how long could I keep my job if I had nothing to recommend week after week? For just as Communist film critics were “free” to write whatever they wanted as long as they supported the Communist state, most capitalist film critics today are “free” to write anything as long as it promotes the products of multinationals; the minute they decide to step beyond this agreed-upon canon of “correct” items, they’re likely to get into trouble with their editors and publishers. (Rosenbaum 2000, p.54)

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<sup>15</sup> According to some Hollywood filmmakers in the documentary *This Film is Not Yet Rated*, film studios and the MPAA have tended to place the representation of female sexual pleasure and homosexual acts in the NC-17 category.

Rosenbaum's criticism is similar to what Adorno said about the power of scale in modern advertising: large capitalist firms can advertise their products to such a degree that we come to associate the quality of an object with the amount of advertising or publicity it gets. This power of scale also binds the profession of film criticism to a business that is not in the habit of admitting to the quality of what lies beyond its own boundaries. For instance, the journalistic conspiracy of silence regarding Bela Tarr's seven-hour-long *Sátántangó* was, according to Rosenbaum, a means of ignoring hard truths about the institutional repression of aesthetic potential. If other film critics, like Rosenbaum, thought the film's long shots and extremely slow pace excellently captured the philosophical themes of nihilism and authoritarianism, it would challenge, even in some small way, the rationale of the mainstream film business (Rosenbaum 2004, p.48). If its length of seven hours is not excessive at all, the high quality of *Sátántangó* shakes the illusion that Hollywood's shorter films are the reflection of universal laws about the duration of good films. Additionally, the film reveals that there is an implicit business risk to artists making great films: "If great films invent their own rules," writes Rosenbaum, Bela Tarr demonstrates that one can create a type of masterpiece that *cannot* be covered by the national media (2004, p.48).

#### **Example #5: When Hollywood Finds Ways of Celebrating Itself**

Rosenbaum gives another relevant example (2000, pp.91–106). In his opinion, the American Film Institute (AFI) betrays its mandate to honour "the most

outstanding motion pictures”<sup>16</sup> because its acts of honouring American cinema hardly ever stray from the films of major Hollywood studios. This produces a redundancy in the AFI’s lists of “top” films. Some of the listed films are outstanding in their own right, but the AFI uses its institutional power to tell people what they already think—that *Casablanca*, *The Wizard of Oz*, *Gone with the Wind*, *E.T.*, *The Godfather* and *Star Wars* are outstanding films in the history of cinema. As should be the case in film journalism, so should it be the case with the AFI: neglected films in independent, alternative or foreign cinema should be pulled out from under the shadows of Hollywood, rather than get pushed deeper into the darkness. Even though the AFI is only concerned with American cinema, Rosenbaum claims that it is not difficult to produce much more representative lists of what has been outstanding in *all* of its history.

### **The Capital-as-Power Approach**

The capital-as-power theory, first developed by Shimshon Bichler and Jonathan Nitzan, is a political economic approach that makes power the conceptual centre of capital. First, by building from Castoriadis’s critique (Castoriadis 1984a) of Marx’s interpretation of Aristotle, Nitzan and Bichler argue that equivalence in exchange is not rooted “in the material sphere of consumption and production, but in the broader social-legal-historical institutions of society” (Nitzan and Bichler 2009, 148). Second, they argue that a concept of capital must go to the roots of the capitalist imaginary, which, in parallel to Castoriadis’s critique of Marxism, does not

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<sup>16</sup> This phrasing is taken from AFI’s website: <http://www.afi.com/about/whatis.aspx>

lie in an isolatable “economic” sphere. Third, the capital-as-power approach allows us to conceptualize the ownership and management of modern cultural production as an institutional mechanism of power, not productivity. While this presentation of power over creation has several clear theoretical lineages in the history of political economic theory, especially Marx’s analysis of power in the division of labour in manufacturing (Marx 1990), it is most explicitly connected to Veblen. The capital-as-power approach builds on three aspects of Veblen’s political economic theory: (1) his distinction between business and industry, (2) his concepts of strategic sabotage and (3) capitalization. By reviewing these aspects of Veblen’s writings, we can identify where the capital-as-power approach will be useful. Nitzan and Bichler can help explain how the profits of Hollywood depend on the ability to control both the relationship between filmmakers and their audience and the relationship between radical creation and already accepted significations.

### **Veblen’s Concept of Capital**

In the interest of breaking the theoretical dualism of economics and politics—a dualism that is often exclusively reserved for capitalist societies—we must be willing to rethink our concept of capital. If capital is forever an economic magnitude anchored in production, then power and control will both be externally related to the process that creates value.

Thorstein Veblen’s approach is useful because from the word “Go!” he rejects the productivist-economic approach. To be sure, the nature of productive activity is important to Veblen, particularly with the rise of the Industrial Age. However, in his

mind, people misunderstand capitalism when they deem productivity to be the substance of profit. Veblen points to the problem inherent in focusing so much attention on productivity:

It has commonly been assumed by economists, without much scrutiny, that the gains which accrue from invested wealth are derived from and (roughly) measured by the productivity of the industrial process in which the items of wealth so invested are employed, productivity being counted in some terms of material serviceability to the community, conduciveness to the livelihood, comfort, or consumptive needs of the community.... The aggregate gains of the aggregate material capital accrue from the community's industrial activity, and bear some relation to the productive capacity of the industrial traffic so engrossed. But it will be noted that there is no warrant in the analysis of these phenomena as here set forth for alleging that the gains of investment bear a relation of equality or proportion to the material serviceability of the capital goods, as rated in terms of effectual usefulness to the community. (Veblen 2006a, pp.353–354)

While Marxists laugh to themselves that neoclassical economics assumes that price is a reflection of the utility generated by a good, they also assume a material substance of their own: socially necessary abstract labour time. Capitalism in Marxism is understood through the interaction of two layers: nominal price (appearance) and real value (essence). While rejecting one “real” measure (utility), the Marxist economist accepts another (labour time).

Veblen has his own duality, industry and business, but his dualism avoids the problems of both neoclassical economics and Marxism. It does not regard capital, which belongs entirely to business, as a two-sided affair of nominal and so-called real economic value. Rather, an asset “is a pecuniary concept, not a technological one; a concept of business, not of industry.” The same can be said of so-called tangible capital goods:

Capital goods, which typically make up the category of tangible assets, are capital goods by virtue of their technological serviceability, but they are capital

in the measure, not of their technological serviceability, but in the measure of the income which they may yield to their owner. (Veblen 2006a, p.359)

Veblen does not deny the influences of technological efficiency and the sweat of labour on the success of business—indeed, production is a necessary condition for business. But capitalization does not measure the level of technology or the efficiency of the production process; it measures the ability to make a profit, which certainly includes the ways and means of technology and labour—but not directly, only or even mainly. What is capitalized is the “income stream” that is attached to an object through ownership. Note the absence of material productivity in this definition of capital:

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

What do these observations mean for the measurement of capital? Nitzan and Bichler point to Veblen’s essential insight: prices and earnings do not reflect “productivity per se,” but “the control of productivity for capitalist ends” (Nitzan & Bichler 2009, p.223). In capitalism, business is the power of private ownership over industry (Nitzan & Bichler 2000, p.78). The owner derives an income from his or her legal rights to sabotage industry, to “keep the work out of the hands of the workmen and the product out of the market” (Veblen 2004, p.66). Nitzan and Bichler emphasize that sabotage through the right of private ownership need not be exercised: “What matters is the right to exclude and the ability to exact terms for not exercising that right” (2009, p.228). Moreover, the sabotage of industry is strategic.

The best strategy for business is to charge what the traffic will bear—to use one of Veblen’s favourite phrases. Charging what the traffic will bear, for Veblen,

consists, on the one hand, in stopping down production to such a volume as will bring the largest net returns in terms of price, and in allowing so much of a livelihood to the working force of technicians and workmen, on the other hand, as will induce them to turn out this limited output. It evidently calls for a shrewd balancing of production against price, such as is best served by a hard head and a cool heart. (2004, p.67)

Elsewhere in *Absentee Ownership*, Veblen emphasizes this point by calling sabotage “A Conscientious Withdrawal of Efficiency” (2004, p.218). Conscientiousness in this case is not insignificant, as too little sabotage can be just as disastrous for capitalization as too much. While the community at large may benefit from a free-run of industrial production, business would not.

### **The Hollywood Film Business: The Strategic Sabotage of the Industrial Art of Film**

Having challenged the usefulness of existing methods, it is necessary to offer a substitute for the study of the political economy of mass culture. First, while the production of culture certainly matters, we need not obsess about productivity. Veblen—with the additions of Nitzan and Bichler—sidesteps the issue of whether the creative labour of artists, writers, actors, playwrights, designers, copy editors, etc. create “real” economic value. To be sure, from the perspective of industry and the interests of the community at large, all of their work may or may not be beneficial, pleasurable or useful. Nevertheless, according to Veblen, the gains of business are differential gains related to the socio-legal institutions that determine the distribution of industrial production (Veblen 2006b, pp.324–351). By itself, the

output of industry is not the “real” essence of value, as a stock of technology, knowledge, energy or human creativity says nothing about how its material benefits are distributed amongst members of a community. In fact, even if capitalist society creates incentives for so much daily human exchange to be mediated by prices and private property, the material and intellectual benefits of modern production *can always* be distributed for free. Similarly, by virtue of how some material and intellectual benefits of industrial civilization are automatically distributed to society at large, they cannot be treated as exclusive pieces of property, as a result of which their positive industrial value translates into zero business value.

Capital is a pecuniary magnitude that refers to the ability to control—and limit—the production and social distribution of industry. Under capitalism, the pace and direction of industry is the prerogative of the business interests that have a vested claim on production. The capitalist owners that have a claim on natural resources, technology, labour and knowledge loosen or tighten their grip on what they own according to the logic of business, which is not the same as the art of industry. Business looks at industry differently from how industry looks at itself. For Veblen, the

motives of the business man are pecuniary motives, inducements in the way of pecuniary gain to him or to the business enterprise with which he is identified. The end of his endeavors is, not simply to effect an industrially advantageous consolidation, but to effect it under such circumstances of ownership as will give him control of large business forces or bring him the largest possible gain. (Veblen 2006c, p.36)

To substantiate these general theoretical claims, let us tighten our focus and look closely at one sector of mass culture: the major Hollywood firms. Having critiqued some Marxist assumptions in Chapters 1 and 2, and then having turned to

an alternative theory of capital in this chapter, we can now theorize the relationship between the Hollywood film business and the more general social relations of mass culture differently. Using the insights of Veblen and Nitzan and Bichler, our method of study can be radically political, and capital can be taken as a “broad power institution” (Nitzan & Bichler 2009, p.80).

In order to exist, business enterprise must be able to threaten to withhold the products of industry it controls, because, as Nitzan and Bichler remind us, free limitless production is not a sound business strategy:

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

The details, the specific ways and means of a particular business-industry relationship depend on the *types* of industry being controlled by business. The sabotage of art differs in its details from the sabotage of the production of cars. And within the realm of art, the sabotage of cinema differs from that of music. With respect to the production and distribution of films, there are requisite conditions that make the film business possible.

To have *any* price attached to a film, whether profitable or not, there must be an effective claim of ownership on that film. The claim of ownership must mean something to the particular person or group that holds it, and it must be embedded in a general system of private property, where there is an ability to exclude and keep what is mine separate from what is yours. Abstracted from the social structures that support them, claims of ownership are useless pieces of paper or empty

entitlements. The *real* ability to keep everyone else's hands off of your claim is nothing but social power that is expressed through the state, laws, the courts, the police and an established culture of private property and exclusive rights (Nitzan & Bichler 2009, p.228).

Seen through the prism of the film business, the division of society through private property and the forms of exclusion associated with it takes on specific characteristics. At the core of the film business is the principle that the products of the film industry should be private property and sold to the consumer at a price. While the absentee owner-investor may know next to nothing about how a film is made (as that is a matter of industrial technique), he or she may nonetheless be interested in how the material properties of the produced film will serve the goals of strategic sabotage.

For instance, relevant to the film business is the *indivisibility* of the film image. Indivisibility refers to how one person's consumption of a film does not exhaust the physical capacity for someone else to watch in tandem (Sedgwick & Pokorny 2005, p.13). Certainly, the indivisibility of a film is not infinite. There are technological and physical limits to how many people can watch the same image from the same screen (even though the Internet is breaking all sorts of spatial barriers to how people can access motion pictures). However, unlike the physical properties of a car, which excludes potential passengers with a rigid steel frame, there is no way for the light of the film image to selectively transmit to the eyes of some and not others who can also see the screen. The number of people who can watch a rented DVD in a friend's living room depends on the size of the living room

and not the DVD.

From the earliest days of film, the business side has needed means of exclusion to manage this “problem” of indivisibility. For instance, from the 1900s to the late 1910s, the major power to stanch the possibility of indiscriminate exhibition—indiscriminate according to business principles—was the Motion Picture Patent Company, the “Edison Trust.” Spearheaded by Thomas Edison himself, the Edison Trust leveraged its pool of patents over film technology to set prices. The Trust also attempted to control how many movies were made, what types of movies were made, and where movies were shown (Litman 1998, p.10; Wu 2010, p.64). Tim Wu explains the consequence of such power:

In the name of avoiding “ruinous” competition, [the Motion Picture Patent Company] pooled sixteen key patents, blocked most films exports, and fixed prices at every step of filmmaking and exhibition. There was, for instance, a set price per foot of film that distributors would pay producers, another price (originally \$2 per week) that exhibitors paid for use of patented Trust-owned projectors, and so on. (2010, p.64)

To benefit from the blessings of the Trust, producers and exhibitors (owners of nickelodeons) were required to align themselves exclusively with the Trust and not acquire independent or foreign technology for the production and exhibition of films (Litman 1998, p.10).

Another example of indivisibility, this time from the sphere of law, concerns the demarcation of what is to be considered socially acceptable exhibition. Copyright law has become an especially important subject for cinema over the last 30 years. A central concern has been the evolution of film exhibition, through the inventions of VHS, DVD and Blu-ray Disc, which could, if left unchecked, undermine the ability of business to strategically sabotage the promise of open-ended viewing. The habits of

private viewing must be explicitly separated from what would be deemed acceptable “public performance.”

What distinguishes the law-abiding exhibitor from a law-breaking individual is a license for public performance. The MPAA summarizes public performance based on the Federal Copyright Act, as follows:

Neither the rental nor the purchase of a copy of a copyrighted work carries with it the right to publicly exhibit the work. No additional license is required to privately view a movie or other copyrighted work with a few friends and family or in certain narrowly defined face-to-face teaching activities. However, bars, restaurants, private clubs, prisons, lodges, factories, summer camps, public libraries, daycare facilities, parks and recreation departments, churches and non-classroom use at schools and universities are all examples of situations where a public performance license must be obtained. This legal requirement applies regardless of whether an admission fee is charged, whether the institution or organization is commercial or non-profit, or whether a federal or state agency is involved. (Motion Picture Association of America, Inc. n.d.)

At first sight, this limitation may seem counter-intuitive. Does a movie company not want as many people as possible to see the films they release to the public? Yes, but only at prices that are profitable to the company. The latter requires limitation, sabotage and exclusion.

Modern societies rely on such large technological apparatuses that it is difficult to comprehend just how creative the sum of our technologies is. But business looks at the creativity of industry differently than a community would. A technological development in food production may be of great benefit to communities that suffer from hunger, but beyond a certain point this increased capacity in food production may be bad for the business of food. Business interests and non-business interests see facts about technology and material capacities from different perspectives. According to Veblen, we can see this difference when we

think about what “overproduction” actually means. Based on his split between business and industry, Veblen notes that overproduction applies “not to the material, mechanical bearing of the situation, but to its pecuniary bearing” (Veblen 2006c, p.215). The output of industry may not exceed the “consumptive capacity of the underlying population,” but the same level of output may threaten prices that concern the vested interests of business (Veblen 2004, p.213).

According to Veblen, industrial stagnation and the occasional depression are important to business because businessmen and businesswomen “do not see their way to derive a satisfactory gain from letting the industrial process go forward on the lines and in the volume for which the material equipment of industry is designed” (Veblen 2006c, p.213). With this in mind, we can start to think of situations that would be beneficial to the art of film but nightmarish for the business of film. From the standards of aesthetics and democratic principles, free public performances and an open culture of sharing could energize the world of cinema. Free public access to motion pictures, for instance, could be the condition for an engaged assembly of moviegoers; and that engaged assembly could in turn enliven those in the film industry who know that the principle of producing “cheaply and interestingly made distractions” (Bloch 1988, p.27) has nothing to do with aesthetics and everything to do with profit. Could absentee owners of film property ever embrace these alternative, democratic principles?

In the words of Adorno, owners are all too happy for freedom during leisure time to be “functionalized, extended and reproduced by business” (Adorno 2004c, p.190). Prices and income depend on how the art of film serves the order of

business. This “harmony” is never without power. We saw how power is used to manage the material indivisibility of the film image. In addition, film businesses must manage and control the material quality of *reproducibility*. As Walter Benjamin notes, in principle all art is reproducible: “Man-made artifacts could always be imitated by men.” However, the techniques of *mechanical* reproduction represent something new for artistry (Benjamin 1968, p.218). While the methods of founding and stamping go back to the time of Ancient Greece, the more contemporary methods of reproduction are revolutionary in at least one important respect: reproduction is now *inherent* in the very technology of artistic creation. This feature is especially true for films and photography. The uniqueness and permanence of an authentic artwork have been superseded by mass production, where there is no concern that an original artwork precedes the reproduction of facsimiles. Benjamin explains: “From a photographic negative, for example, one can make any number of prints; to ask for the ‘authentic’ print makes no sense” (1968, p.224). If Benjamin sees in film production an opportunity for the *demos* to reject ritual and any heteronomous reverence for the aura of tradition, the film business that he fails to adequately consider sees something else. For the film business at large, the reproducibility of the film image is a potentiality that needs to be tamed and kept at reasonable levels. Power from above is needed to repress the promise that Benjamin sees in the film image and contemporary art: the indeterminate, radical potential of mechanical reproduction.

In more recent times, this conflict over the effects of mechanical reproduction connects to business’ struggle against piracy in digital culture. The modern notion of

piracy has deep origins. Adrian Johns notes the connection to the much older idea of seafaring pirates. Thucydides understood that the stability of the Greek city-states depended on their ability to repress *peiratos*, “seagoing coastal warlords” (Johns 2009, p.35). And since the seventeenth century, there has been a new breed of pirates, those who violate someone else’s privilege to reproduce or withhold a work. At stake in this violation is the power relationship between “creativity, communication, and commerce” (Johns 2009, p.5).

Ignoring for the moment the morality of cultural piracy—some of Europe’s greatest thinkers, such as Newton and Hume, put up no resistance when they learned that their work was shared with the public through piratical means—Europe’s earliest *pyrates*, from the late 1600s to the 1800s, ignored everything from exclusive patents given through royal decree to common customs of registration. As a consequence, many sectors, but particularly in bookselling, used privilege and property rights to repress technological alternatives to “authentic” works. For example, English booksellers purchased rights to print from an author, had a royal patent, or belonged to an organization like the Company of Stationers. Johns describes the latter: “... the Stationers’ Company received its royal charter... in 1557 from Queen Mary. The company was to embrace all participants in the trade, binders, booksellers, and printers alike.... It had a remit to police its members to forestall seditious printing” (Johns 2009, p.24). Contained in Stationers’ Hall was a registry book that the Company used to determine who had registered a text first. The Company also held court to decide between competing claims over the same book or similar enough texts. However, formal rules were not the only means open

to the Company. Employing tactics similar to those of Charles II, the Company focused on associating the bookseller with the moral codes of a noble gentleman; his virtue was meant to provide a differential advantage in bookselling. Moreover, authors would sometimes personally sign copies of their books to undermine false editions—at the extreme, Lawrence Sterne signed over 12,000 copies of *Tristram Shandy* (Johns 2009, pp.33–49).

Compared to the complexity of current intellectual property laws, the early methods of defending against piracy through ideas of honour and nobility seem embarrassingly unsophisticated. However, there is a clear connection with present techniques: back then, outsiders, renegades, anti-imperialists, and anti-monopolists—many of whom resided in Dublin, before English copyright laws were successfully applied to Ireland—were violating a major taboo of modern times by circumventing the reach of intellectual property law and custom (Johns 2009, pp.145–147).

For the sellers of cinema, the unlawful reproduction of a film, in whole or in part, is perceived to be a drain on the power of related propriety claims. The MPAA lists the types of theft that concern Hollywood firms: camcorder theft, peer-to-peer (P2P) theft, streaming theft (“watch for titles that are ‘too new to be true’... trust your eyes and ears... [and] be cautious when websites make offers that are too good to be true”), optical disc theft, theatrical print theft, screener theft, signal theft, broadcast theft, and illegal public performances (Motion Picture Association of America, Inc. n.d.). Furthermore, new technologies that allow the private citizen to watch a film at home must not subsequently create new avenues for illegal recording

and copying—again, the technological creations of industry can threaten business if the latter does not put the clamp on the former. For example, before intellectual property rights caught up with Betamax, the major distributors that had hitherto relied on theatrical exhibition were hostile to Sony, Betamax’s owner. As Maltby recounts, “Jack Valenti [the president of the MPAA] declared that [Betamax] was a parasite likely to kill moviegoing, and in 1976, Universal and Disney brought a lawsuit against Sony claiming that its Betamax machine encouraged infringement of copyright and arguing that its manufacture should be prohibited” (Wu 2010, p.192). Through this behaviour, Hollywood was involved in what Tim Wu calls the Kronos Effect: “... the efforts undertaken by a dominant company to consume potential successors in their infancy” (Wu 2010, p.25). When Betamax eventually succumbed to VHS, the latter was no longer perceived as a threat because the dominant business interests had by then adapted and incorporated home viewing through changes to copyright law.<sup>17</sup>

### **The Capitalization of Mass Culture**

As an aspect of business, this power over the pace and direction of industry is connected to the common terms and symbols of modern finance, the formal language of business enterprise. If capital is an index of strategic sabotage, as Nitzan and Bichler argue, the quantities of capital are a symbolic representation of a power struggle, “a conflict between dominant capital groups, acting against opposition, to shape and restructure the course of social reproduction at large. In this struggle,

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<sup>17</sup> In 1986 the Supreme Court deemed that home recording was “fair use” (Maltby 2003, p.192).

what gets accumulated is not productivity as such, but the ability to subjugate creativity to power” (Nitzan & Bichler 2009, p.218).

Nitzan and Bichler readily acknowledge that such claims about capital cannot be made trivially. So much of our common language about capital accumulation implies that the true foundation of magnitudes of capital lies in the realm of productivity. However, Nitzan and Bichler build from the insights of Veblen, who was deeply sceptical that the quantities of capital could ever be *measures* of industrial production:

If capital and capital goods were indeed the same “thing” [Veblen] asked, how could capital move from one industry to another, while capital goods, the “abiding entity” of capital, remained locked in their original position? Similarly, how could a business crisis diminish the value of capital when, as a material productive substance, the underlying capital goods remained unaltered? Or how could existing capital be denominated in terms of its productivity, when technological progress seemed to destroy its pecuniary value? (Nitzan & Bichler 2009, p.231)

According to Nitzan and Bichler, Veblen’s distinction between business and industry carries over into the quantitative dimension of capital. The quantitative dimension of capitalist power is the “pecuniary capitalization of earning capacity. It consists not of [what is owned] ... but of the present value of profits expected to be earned by virtue of such ownership” (Nitzan & Bichler 2009, p.231).

Strategic sabotage, according to Nitzan and Bichler, is the institutional backbone of capitalization. Capitalization is quantitative in form and forward-looking in orientation. Capitalization is the discounting of *expected* future earnings to present prices.<sup>18</sup> In this sense, capitalists are looking to the overall state of society in order to judge how expected earnings will eventually translate into actual

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<sup>18</sup> For a concise anthropology of capitalization, see Nitzan & Bichler (2009, pp.147–166).

earnings, what risk premium they should factor in and what should be considered the normal rate of return.

According to Nitzan and Bichler, the order of a capitalist society, from its institutions to its communities and individuals, all factor into the capitalization formula:

Capitalists routinely discount human life, including its genetic code and social habits; they discount organized institutions from education and entertainment to religion and the law; they discount voluntary social networks; they discount urban violence, civil war and international conflict; they even discount the environmental future of humanity. (Nitzan & Bichler 2009, p.158)

The “eye of capitalization,” say Nitzan and Bichler, looks everywhere, because the movements of society could influence the very circumstances that capitalists are trying to discount.

Investors in mass culture, whether their ownership is exercised directly through stocks or indirectly through hedge funds, investment portfolios or loans,<sup>19</sup> are also discounting social habits, especially those having to do with leisure time. The rituals of discounting the particular environment of leisure time are the same as those that discount other social environments, although the particular impact in each case may differ greatly. Work, unemployment, inflation, religion, social trends, war, piracy, technology and the presence of competing leisure activities—these are just a few things that could determine whether the customs and habits of consumers include a “healthy” dose of mass culture. The question for the forward-looking capitalist is whether businesses can deliver the goods they promise and whether people will *pay* to watch what is being sold. For instance, is the film industry

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<sup>19</sup>For a clear but uncritical analysis of how an independent film is financed, before a major studio purchases the rights to distribute, see Wiese (1991).

sabotaged enough, are the habits of individuals predictable enough and is the general order of society stable enough to signal to the studio executive that it is prudent to green-light a \$100 million motion picture about talking animals?

An equally important question for the discounters is how the changing state of the world can *disturb* the profitability of the culture business. What countries offer cheap labour? Are there tax incentives for producing culture in a certain country? How much security is needed to keep on-location work on schedule? Did MGM discount the risk of street rioting halting production of its TV series, *Maya*, which was filmed in Srinigar, Kashmir in the late 1960s? Did any executive or head of production from 20<sup>th</sup> Century Fox in 1966 consider that the widening and damming of a small river in Castle Combe, England, for the purpose of filming *Dr. Dolittle*, would anger its residents to the point that two young Englishmen attempted to blow up the dam?<sup>20</sup> Taken from a recent annual report of DreamWorks Animation SKG, Inc., the following is a list of potential future risks identified by the company:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes and changes in these laws;
- differing cultural tastes and attitudes, including varied censorship laws;
- differing degrees of protection for intellectual property;
- financial instability and increased market concentration of buyers in foreign television markets;
- the instability of foreign economies and governments; and
- war and acts of terrorism. (Dreamworks Animation SKG, Inc. 2010, p.21)

DreamWorks' vested interest in the future of the world is not insignificant when nearly 49 percent of its theatrical revenues come from outside the United States.

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<sup>20</sup>The last two examples are taken from Dunne (1998, pp.34, 129).

## **What about the Value of Work, Industry and Social Creativity?**

So far, it appears that the capitalization of mass culture depends very much on the social relations of mass culture. Moreover, much of mass culture could be described as productive labour in a more sociological sense: people make, shape, consume and circulate meaning through their ideological and material activities, both inside and outside of work. However, there is a slight but crucial difference between the capital-as-power approach and frameworks that want to incorporate technology, labour and consumer activity into their theories of value. While the latter frameworks will commonly offer convincing reasons for a political economic theory of culture to include creativity, desire, meaning and context in its concept of capital accumulation, they will also maintain that, ultimately, an expanded or inclusive concept of capital is still rooted in the productivity of its inputs.

Take, for example, the two-stage argument that splits the apparent difference between brand value and brand equity. Descriptions of brand value are, essentially, definitions of capitalization: Brand value is the

financial valuation given to a branded product, service or company in terms of income, potential income, reputation, prestige, and market value. (Willmott 2010, p.525)

In practice, income-based models typically use a discounted cash flow (DCF) of the value of brands, in which future cash flows are discounted to a “net present rate” using a discount rate intended to reflect the risk of those cash flows. (Moor & Lury 2011, p.442)

The next step in the argument is to claim that brand value is the process of monetizing brand equity, which is a complicated and sometimes obscure measure of a firm’s immaterial wealth. In other words, brand value is the pricing of the future earning potential and risk of brand equity, which is comprised of all of the

productive processes, both inside and outside the firm, that go into establishing brand loyalty and consumer preferences.

Many of the same social elements can be found in the capital-as-power approach. A noticeable similarity is the scope of capitalization:

... we can say that in capitalism most social processes are capitalized, directly or indirectly. Every process—whether focused on the individual, societal or ecological levels—impacts the level and pattern of capitalist earnings. And when earnings get capitalized, the processes that underlie them get integrated into the numerical architecture of capital. (Nitzan & Bichler 2009, p.166)

However, an important difference lies in what capitalist ownership involves, or, more importantly, what it does *not* involve. An investment, whether it includes production in a factory, involves the use of an immaterial idea or relies on social knowledge or the behaviour of individuals in social settings, is simply the legal right to claim future earnings from ownership. The valuation of this claim is *only ever* financial because, at any point in time, it refers to earnings that may or may not come in the future. But in contrast to the conventional perspective, the process of capitalization rests on a fundamental act of exclusion, and never on the underlying productivity as such. Not only is the right to profit *privately* owned, but prices are also determined on the basis of how otherwise free, communal production and creativity are to be withheld through the restrictive institution of private property.

This description can be substantiated through a critique of an argument based on productivity. We will use Willmott's theorization of YouTube's worth:

*YouTube* was acquired by *Google* for \$1.65bn in 2006 when it had just 65 employees. That is a potent illustration of how the labour of user-consumers built the brand equity of *YouTube* that was turned into brand value. The proceeds of the sale of *YouTube* were shared amongst those legally credited with owning the site... to the exclusion of those who provided its content and built its reputation. The capitalist state ensured that, legally, the co-producers of *YouTube's* brand equity had no entitlement to the dollar value generated by

their labour. (Willmott 2010, p.527)

Willmott is updating a Marxist theory of appropriation: the shareholders of YouTube were making it rich on the appropriation of labour values, which in this case was the work of users making and uploading content for free. There are theoretical problems, however, with the suggestion that Google paid \$1.65 billion for the sum of all contributing productivity.

Essentially, the issues concern the idea that value was appropriated from the people who helped make YouTube a cultural space of meaning, socialization and individual participation. Certainly, YouTube depends on its popularity among Internet users. Yet the presumed appropriation of “value” also implies that labour *could* have been paid for its inputs if it had not been appropriated as surplus value. How would this \$1.65 billion be paid out in the form of royalties to the productivity of labour? Veblen demonstrates why these royalties could also never be measures of the so-called “real” productive input that presumably generated them. As with other processes in modern industry, the labour of cultural goods cannot simply be deconstructed into atomistic, definable factors of a production function. Rather, the production of any YouTube video borrows inputs from the larger *free* “common stock” of knowledge and ideas—which is necessary for any individual object to be produced (Veblen 2006b, p.328).

For instance, the making and uploading of a basketball video on YouTube would never simply be about the labour time of the filmed basketball players or the user who makes, edits and uploads the content. Rather, this productive process of sharing a video on the Internet is dependent on an enormous complex of factors in

computer, electrical and mechanical engineering. Moreover, a video on basketball depends on the existence of this sport, which was invented and developed from knowledge in material science, organizational behaviour and the biological capacities of human beings. Additionally, any commentary in the video would rely on a shared human language, such as English or Japanese.

The simple idea that the maker of the YouTube basketball video is tacitly relying on the productivity of semi-conductors, binary logic, the invention of synthetic rubber, language, mathematics and so much other modern technology to create and upload a single digital product is Veblen's point. These aspects are the technological and industrial foundations of, from smaller to larger scale, the video, basketball, YouTube itself, the Internet, etc. Much of this industrial creation is also, by virtue of being shared knowledge, free to all, including businesses. Capitalization, in contrast, stands on the aspects of industrial capacity that have been *made* exclusive through the social-legal institution of private ownership. These aspects—the exclusive right to advertise and sell data to others—are what make YouTube an asset to Google. The future earnings of YouTube still depend on all of the social relations that are relevant to making this website a virtual community, but the capital value is attached to the copyrights, patents and ownership titles that allow Google to *sell access* to certain exclusive services.

### **The Capitalization of Cinema: Power over the Industrial Art of Filmmaking**

Working through the example above helps elucidate how Nitzan and Bichler's approach to capital will be useful to a political economic theory of Hollywood

cinema. As an *industrial art*, filmmaking is an integrated composite of human knowledge and social activity. The eye of capitalization would include some of this in its calculations about future earnings. Yet ownership claims attach to the aspects of cinema that are commodified as distinct pieces of private property. As was shown above, the indivisibility and reproducibility of the film image are *threats* to the film business because it needs to be able to attach prices to what it can withhold as privately owned assets.

Similarly, our critique of the YouTube example helps illustrate how capitalization would apply to the social creativity of film production. As an industrial art, filmmaking is a clear expression of how every act of production will draw from a huge well of *social* creativity. Each modern film relies on the historical development of human knowledge about light, sound, storytelling, verbal and nonverbal communication and so on. Each film draws from the development of ideas about style, setting and mood. Each new film can draw freely from the many sharable aspects of cinematic art: its methods, techniques, philosophies and even many of the ideas involved in making a film. For filmmaking as a *business concern*, however, many of these productive elements in art have *zero earning potential* because their use and application cannot be protected through copyrights or other means of exclusion. For example, there is no copyright for the genre of horror or the idea that a good story involves a protagonist and an antagonist. Thus, the capitalization of cinema looks out into the world of culture, but it does so with an eye to the claims of ownership that can actually be capitalized.

As an example, take the first *Star Wars* film. On the one hand, Lucas was able

to create parts of *Star Wars* by freely appropriating myths and ideas that are in the public domain (Decherney 2012, p.17). On the other hand, there are all of the copyrighted elements of *Star Wars*, which Lucas successfully registered under the “Star Wars Corporation.”<sup>21</sup> First, we have the motion picture itself, which was initially owned by three parties: the Star Wars Corporation, Twentieth Century-Fox Licensing Corporation and General Mills Fun Group, Inc. We then have the elements that Lucas publicly registered as his property. Luke Skywalker, for instance, can be treated as an asset (now under Disney) because it is copyrighted as “Visual Material.” This is the institutional mechanism of exclusion that allows owners to command a price from all of the Luke Skywalker imagery that does not fall under “fair use.” There are also many other copyrighted elements, from the obvious (e.g., Han Solo, Darth Vader, Ben Kenobi) to the seemingly trivial (e.g., “X-Starfighter attacking Death Star,” “Front view of Corellian starship,” “Imperial storm troopers confronting Han Solo, Luke Starfiller and Chewbacca the Wookiee,” “Princess Leia Organa awards the heros [sic] of the rebellion”).<sup>22</sup>

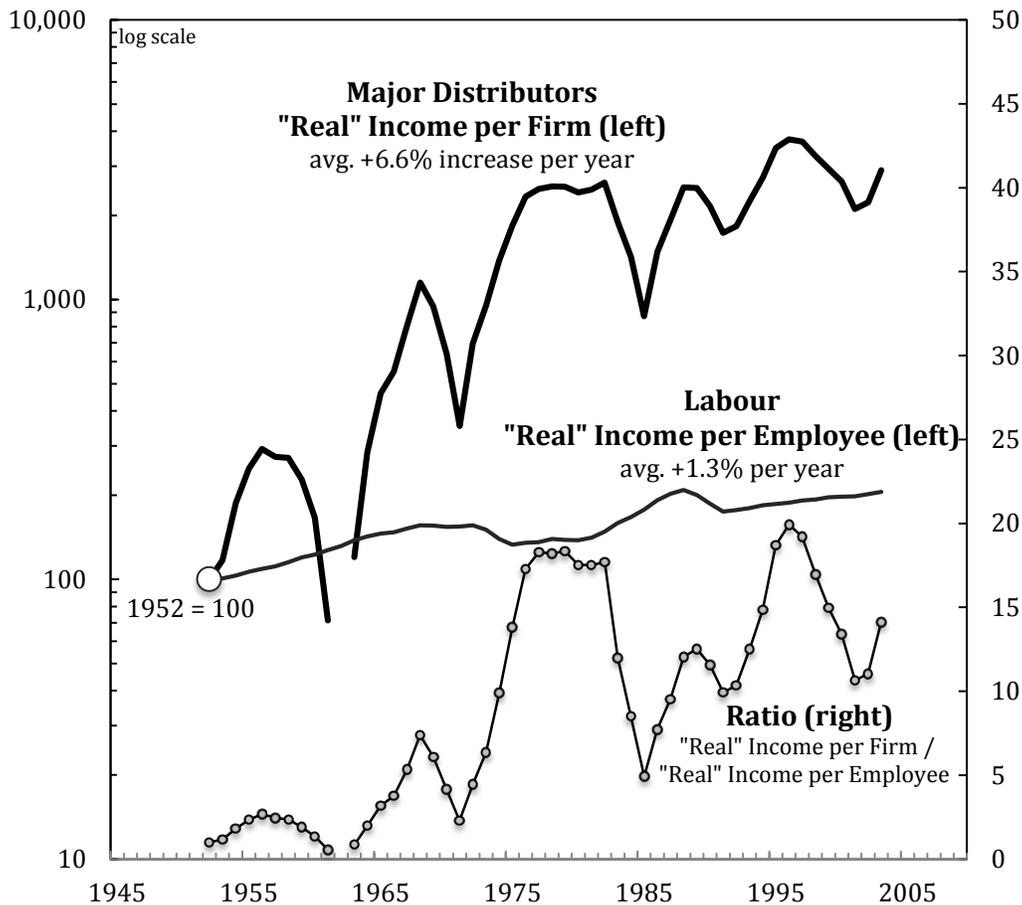
These pieces of cinema can be bought and sold as commodities. Their pecuniary value can also rise and fall for reasons other than the price of hiring labour power to produce and distribute culture for a profit. As Figures 3.1 and 3.2 show, too much emphasis on the productivity of labour will likely produce severe empirical blind spots in a political economy of Hollywood. In Figure 3.1, we have a benchmarked comparison of two series: the average operating profits of the major

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<sup>21</sup> These examples of what aspects of *Star Wars* are protected by copyright were found in the United States Copyright Public Records (<http://cocatalog.loc.gov/>).

<sup>22</sup> It is not a typo that Luke Skywalker is listed as “Luke Starfiller.” Some of the *Star Wars* copyrights were registered as early as 1974.

Hollywood studios (which will be called “major filmed entertainment” in Part II) and the average employee compensation for U.S. motion pictures. The bottom series is a ratio of the two. This ratio helps visualize the significant movements in the operating



**Figure 3.1** Major Distributors v. Labour in Hollywood, 1950 – 2003

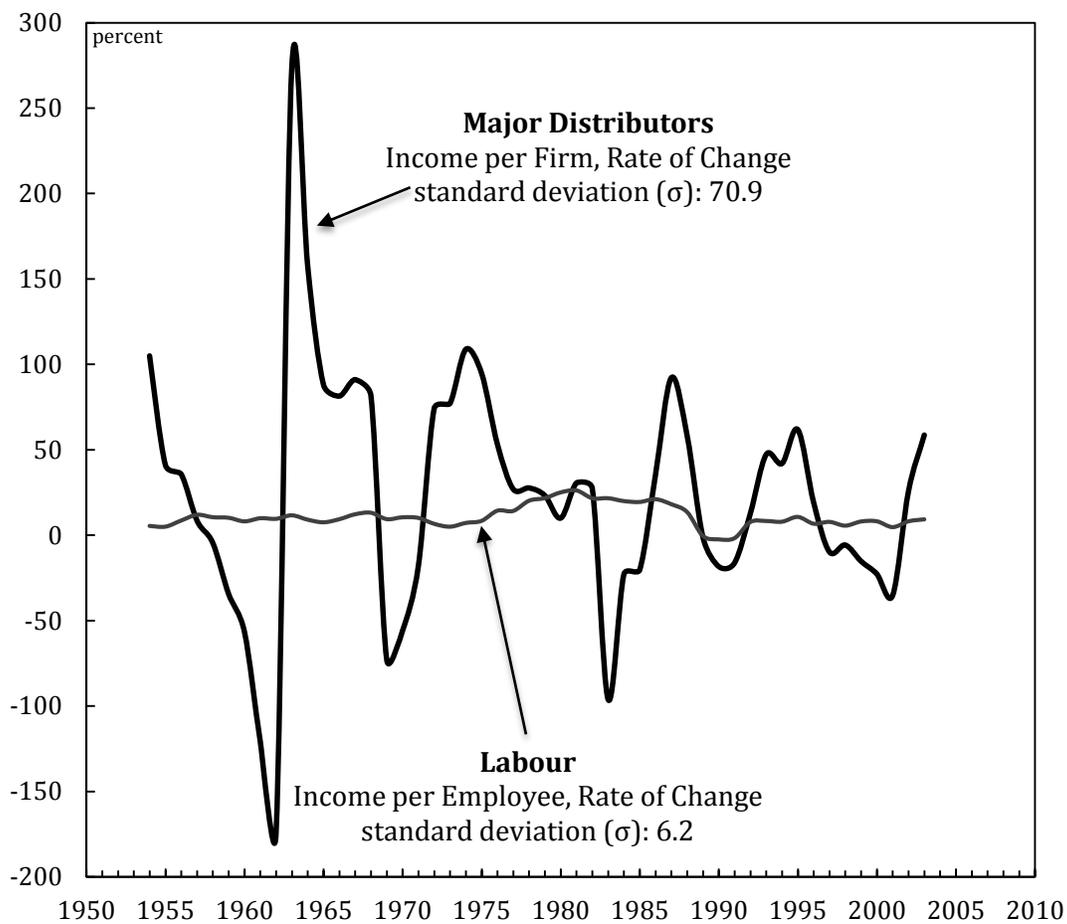
$$\text{"Real" Income per Firm} = \frac{\text{Major Filmed Entertainment Operating Income per firm}}{\text{U.S. CPI}}$$

$$\text{"Real" Income per Employee} = \frac{\frac{\text{Compensation of Employees, Motion Pictures}}{\text{Employed, Full \& Part Time, Motion Pictures}}}{\text{U.S. CPI}}$$

Note: Both "Real" Income per Firm and "Real" Income per Employee are shown as 3-year moving averages.

Source: COMPUSTAT through WRDS for operating income and revenues of Major Filmed Entertainment, 1950-1992. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management’s Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2003. Global Insight for U.S. CPI, Compensation of Employees and Employed, Full & Part Time.

income of Hollywood that do not seem to appear in the level of compensation. Figure 3.2 confirms that there is no correlation between the rate of change of operating income and the rate of change of employee compensation. Hollywood's profitability is moving up and down for *some reason or reasons*, but its profitability does not correlate with *changes* to the cost of its labour (Pearson's  $r = -0.003$ ).



**Figure 3.2** Major Distributors v. Labour (Rates of Change)

Note: Both series are smoothed rates of annual changes (5-year trailing averages).  
Source: see Figure 3.1.

## **Conclusion**

When combined, the three chapters of Part I produce a theoretical meditation on the place of power in political economic theory. Looking forward to Part II, this mediation will help us explore various aspects of Hollywood cinema without having to arbitrarily decide which parts of culture are productive and which are not. It will help us situate ideological and aesthetic dimensions of cinema in the context of capital accumulation. And its emphasis on strategic sabotage and capitalization will help guide our research into the historical transformation of risk in the Hollywood film business.

# Part II

## Chapter 4

### Applying the Capital-as-Power Approach to Hollywood

#### Introduction

To our benefit, the influence of Marx pushed Marcuse, Adorno, Garnham and Babe to look for signs of institutional power in the production and distribution of mass culture. To our deficit, however, the insights of their analyses were ultimately undermined by the political economic foundations of Marxism, which, in our view, are shakier than they at first appear. Marxist political economy makes too many problematic assumptions about the nature of capital. Contrary to what Marxist political economy assumes, economic processes in capitalism cannot be isolated from political power and prices are hardly straightforward reflections of labour time. Therefore, even the best Marxist analyses of mass culture still struggle to pinpoint the effect of power on capital accumulation, the *goal* of all capitalist investment.

Up to this point in this dissertation, the job has been to clear theoretical ground for an alternative study of the political economy of Hollywood. But if we hope to develop a critical political economy of Hollywood *outside the* Marxist framework, how should we proceed? How do we apply the capital-as-power approach to the Hollywood film business? What are we looking for? How do we explain capital accumulation? What makes Hollywood run?

This chapter serves two purposes. First, it explains how the capital-as-power framework orients our analysis of the Hollywood film business. Building on the presentation of the capital-as-power approach in Chapter 3, capitalization and the measure of capital accumulation are now described in greater detail. Second, this chapter explains why the rest of the project focuses on risk in the Hollywood film business. In the capital as power approach, risk is conceptualized as an elementary particle of capitalization: it is *the degree of confidence* that capitalists have about future earnings (of Hollywood cinema, in this case). In the interest of lowering risk and increasing their degree of confidence, Hollywood's business interests attempt to predetermine how new films will function in an already instituted order of cinema, which includes the creativity of filmmakers and the habits of moviegoers.

Considering that Chapter 4 is the hinge on which Part II swings from Part I, this chapter outlines the following key aspects of my research methods:

1. *The Object of Study:* Major Filmed Entertainment
2. *The Logic of Prices:* Capitalization and its Elementary Particles
3. *The Measure of Capital Accumulation:* Differential Accumulation

By covering these details first, the rest of Part II will have a toolset to study the effects of risk on the Hollywood film business. Additionally, we can, by the end of this chapter, have a better understanding of how the capital-as-power approach functions as a critical political economic theory of capitalism.

### **Major Filmed Entertainment**

Part II of this dissertation describes and analyzes the capital accumulation of what will be called *major filmed entertainment*. As Table 4.1 shows, this category

comprises the six *major studios* in Hollywood: 20th Century Fox, Columbia, Disney, Paramount, Universal and Warner Bros. These studios were key players in the studio era of Hollywood, and they dominated film distribution for the years I am primarily researching (1950-2013).

| <u>Table 4.1</u><br>Major Filmed Entertainment: 1950 – 2013   |  |  |
|---|--|--|
| Studio <sup>a</sup>   | Parent <sup>b</sup>  | Available Financial Data<br>(Source)   |
| Columbia  | Coca-Cola (1982 – 1987)<br>Sony (1989 – 2013)  | 1950 – 1981 (COMPUSTAT) <sup>c</sup><br>1995 – 2013 (Annual Reports) <sup>d</sup>  |
| Disney  |  | 1993 – 2013 (Annual Reports)   |
| Paramount   | Gulf + Western (1966 – 1989)<br>Paramount Communications (1989 – 1994)<br>Viacom (1995 – 2013)   | 1950 – 1955 (COMPUSTAT)<br>1957 – 1994 (COMPUSTAT)<br>1995 – 2013 (Annual Reports) |
| Twentieth Century Fox   | News Corporation (1985 – 2012)<br>21 <sup>st</sup> Century Fox (2013)  | 1951 – 1980 (COMPUSTAT)<br>1982 – 1992 (COMPUSTAT)<br>1996 – 2013 (Annual Reports) |
| Warner Bros.  | Warner Bros.-Seven Arts (1967 – 1969)<br>Kinney National Company (1969 – 1971)<br>Warner Communications (1972 – 1989)<br>Time Warner (1990 – 2013) | 1965 – 1966 (COMPUSTAT)<br>1972 – 1988 (COMPUSTAT)<br>1994 – 2013 (Annual Reports) |
| Universal   | MCA (1964 – 1989)<br>Matsushita (1990 – 1995)<br>Seagram Inc. (1995 – 2000)<br>Vivendi (2000 – 2011)<br>GE (2004 – 2012)<br>Comcast (2009 – 2013)  | 1954 - 1989 (COMPUSTAT)  |
| <b>Notes:</b>   |  |  |
| <p><i>a.</i> For histories of the Hollywood film business and profiles of the major studios after the Paramount case of 1948, see Cook (2000), Langford (2010), Maltby (2003), Prince (2000) and Wasko (1994; 2003).</p> <p><i>b.</i> For details on the conglomeration and ownership structure of Hollywood, see Bagdikian (2004), Compaine &amp; Gomery (2000), Kunz (2007) and Thomas &amp; Nain (2004).</p> <p><i>c.</i> COMPUSTAT was accessed through Wharton Research Data Services.</p> <p><i>d.</i> The relevant annual reports were accessed through company websites, the United States Securities and Exchange Commission EDGAR database (<a href="http://www.sec.gov/edgar/searchedgar/companysearch.html">http://www.sec.gov/edgar/searchedgar/companysearch.html</a>) and the New York Stock Exchange (<a href="https://www.nyse.com">https://www.nyse.com</a>).</p> |  |  |

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

Second, “filmed entertainment” is a term that reflects the scale of the available financial data from 1950 to 2013. The business of cinema has, in the last few decades, diversified its methods of gaining income—e.g., exhibition windows after theatrical exhibition (DVD, Blu-Ray, Internet streaming), intellectual property, franchising—and there are serious obstacles involved in trying to *isolate* the business of cinema in this age of conglomeration. At one end of the scale, we must still distinguish filmed entertainment operations from the different activities of Hollywood’s corporate parents. For example, GE acquired NBC Universal from Vivendi in the early 2000s. For the period when GE had a full or partial stake in media entertainment (Comcast had a 51 percent stake in NBC Universal from 2009 to 2013), this giant of corporate America was also investing in the business of appliances, aviation, gas, industrial motors, weapons and wind turbines, among others. Consequently, the market capitalization or net income of GE, the conglomerate firm, gives us far too much noise for our purposes. At the other end of the scale, data for the film studios proper are not always available. “Filmed

entertainment” signifies that some of the data will sometimes include other filmed operations, like television or animation.

Other researchers echo these limitations to empirical research on the financial aspects of Hollywood (Wasko 2003; Leaver 2010). As a consequence of these limitations, my empirical methods aim to be multi-sided. At the centre of my analysis is the “de-conglomerated” data on major filmed entertainment. As is shown in the third column of Table 4.1, the source of data changes from COMPUSTAT to annual reports in the early 1990s. This choice is made in light of when much of the COMPUSTAT data on the Hollywood studios end: in the conglomeration wave that swept up Hollywood film studios in the 1980s (Prince 2000; Kunz 2007). Rather than continue the series with data on the conglomerate parents—which repeats the problem of the GE example above—I have used the conglomerates’ annual reports to extract data on each of their various business operations. The advantage of this method is that we can ignore the conglomerates’ operations that are not relevant to specific arguments about Hollywood cinema. The disadvantage, however, is that our market capitalization data end when we switch from COMPUSTAT to annual reports.

I also use data on film releases, film attendance, theatrical grosses, opening theatres, ticket prices and other related facts. On their own, many of these data sets share the same shortcoming for our purpose: they do not provide information on profit. Yet they can supplement our core data on major filmed entertainment. Like the parable of trying to discern the outline of an elephant through touch alone, the Hollywood film business is big enough to offer enough “touch points”—an array of

perspectives that will sharpen our understanding of capital accumulation in the realm of cinema.

Therefore, while media conglomeration is certainly significant to a history of contemporary Hollywood and mass culture, our decision to focus specifically on film operations is purposeful. Film is still a distinct cultural commodity in capitalist society, and even when we limit ourselves to studying the role of capitalist power in Hollywood cinema we have more than enough research questions to juggle. Take *Avatar* as an example. Seen from the heights of media conglomeration, *Avatar* is valued for being malleable intellectual property, which allows for its copyrighted images to be licensed and sold in fast-food chains, retail stores and amusement parks. Yet *Avatar* started as a film, and its function as intellectual property derives from this original incarnation. Consequently, to understand the eventual superstructure of earnings and capitalization built on this film, we have to delve deep into its creation and ramifications. For example, how does the cinematic design of this 3-D blockbuster affect its business performance? Was the style and content of *Avatar*-the-film instrumental or incidental to News Corp's ultimate interests in intellectual property and franchising? Can any Hollywood film or cinematic style support subsequent expansions into the broader realms of modern entertainment, or does multimedia franchising prefer certain filmmaking techniques and styles? The answers to these questions require a new analytical approach, to which we turn now.

## Capitalization and its Elementary Particles

The concept of capitalization was first introduced in Chapter 3. Capitalization is the numerical architecture of capital. It is, according to Nitzan and Bichler, “the algorithm that governs and organizes prices.” In other words, capitalization is a generative force; it is the key logic that, denominated in prices, creates and recreates the capitalist order.

The scope of capitalization widens as forms of ownership broaden, forms to which a business enterprise attaches “income streams.” In fact, the formal *universality* of capitalization first interested neoclassical economics in the early twentieth century. Irving Fisher, for example, argued that every productive activity can be directly or indirectly capitalized because the logic of discounting expected future earnings applies to every claim on ownership that is treated as an “income-generating asset” (Nitzan & Bichler 2009, p.156).

In our case, the logic of capitalization is the lens through which the multi-faceted, qualitative world of cinema, art and culture become, to major filmed entertainment, objects and relations that need to be discounted to present prices. In other words, these qualities are transformed into what Marcuse describes more broadly as the “quantifiable qualities” of technological rationality. Many of these qualitative aspects of cinema, art and culture are not owned by major filmed entertainment directly, but the latter is trying to discount what it does own: claims of ownership whose expected income streams can be affected by the social composition of mass culture and the dynamics of consumption, leisure, pleasure and meaning in society.

According to Nitzan and Bichler, this logic of capitalization can be deconstructed into its “elementary particles”: earnings, hype, risk and the normal rate of return, which, like a treasury bill or a government bond yield, is a rate of return that “all capitalists believe they deserve” at minimum (Nitzan & Bichler 2009, p.239).<sup>1</sup> The relationship between these variables can be presented this way:

$$(4.1) K_t = \frac{E \times H}{\delta \times r_c}$$

Capitalization at any given time ( $K_t$ ) is equal to the discounted value of future earnings ( $E$ ) multiplied by hype ( $H$ ), which measures the extent to which capitalists are “overly optimistic or overly pessimistic about future earnings” (Nitzan & Bichler 2009, p.189). The numerator is discounted by two variables: a rate of return that capitalists feel they can confidently get ( $r_c$ ) and the risk coefficient ( $\delta$ ). Because risk is in the denominator, a smaller  $\delta$  indicates a greater degree of confidence and therefore a larger capitalization, and a larger  $\delta$  indicates the opposite. If, for instance, there is growing uncertainty about the size and pattern of a future stream of earnings,  $\delta$  will increase and the asset in question will be discounted to a lower present price.<sup>2</sup>

Over the long term, earnings are the main anchor of capitalization (Nitzan & Bichler 2009, p.186). The second part of this chapter and the rest of Part II demonstrate that, in the case of Hollywood, risk ( $\delta$ ) is also of crucial significance. For

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<sup>1</sup> The normal rate of return can fluctuate, but, according to Nitzan and Bichler, this rate is perceived as “normal” because state power has made this a universal condition of business—e.g., government bonds guarantee a return that capitalists can then seek to beat through private investment. In fact, the normal rate of return is a foundation for strategic sabotage: if your firm cannot make a “reasonable profit”—i.e., something as least as high as the “normal” rate—limit production or shut down. For more on the power underpinnings of the normal rate of return, see (Nitzan & Bichler 2009, pp.243–248).

<sup>2</sup> For an expanded version of this explanation, see (Nitzan & Bichler 2009; McMahon 2013).

now, though, it is helpful to move from capitalization to differential accumulation.

### Differential Accumulation

Differential accumulation is rooted in capitalization. More specifically, it is rooted in the relative differences between capitalized properties. There is an implicit differential measure between any two magnitudes of capitalization. For example, on January 16, 2015, Apple’s market capitalization (\$622.8 billion) was 1.6 times larger than Google’s (\$383.8 billion), and Google’s was 2.3 times larger than Disney’s (\$160 billion). Taken at a single point in time, these multiples are static measures of differential capitalization. Differential *accumulation* measures how differential capitalization changes over time. Treated as a dynamic process of redistribution, firms accumulate differentially when their capitalization rises faster than that of others and “their distributive share” becomes “bigger and bigger” (Nitzan 2001, p.230).

Similarly to how capitalization can be broken down into elementary particles, differential accumulation can be broken down into the elements of differential capitalization (Nitzan & Bichler 2009, p.327):

$$(4.2) \quad DK = \frac{K_a}{K_b} = \frac{\frac{E_a}{E_b} \times \frac{H_a}{H_b}}{\frac{\delta_a}{\delta_b}}$$

Like Equation 4.1, Equation 4.2 deconstructs capitalization into future earnings, hype, risk and the normal rate of return, which is effectively cancelled out because it is common to the capitalization of both the entity in question (*a*) and the benchmark

to which it is compared ( $b$ ).<sup>3</sup> By making each element the ratio of two entities, we have a platform to investigate the extent to which a firm or set of firms can accumulate differentially. The capitalization of  $a$  can rise faster than the capitalization of  $b$  through a rise in differential profit ( $\dot{E}_a > \dot{E}_b$ ), a rise in differential hype ( $\dot{H}_a > \dot{H}_b$ ) or a *decrease* in differential risk ( $\dot{\delta}_a < \dot{\delta}_b$ ).

### **The Differential Accumulation of Major Filmed Entertainment**

Since we are looking primarily at the longer-term trends of Hollywood cinema, hype ( $H$ ), a mostly cyclical, shorter-term variable, will be kept hidden as a part of expected earnings ( $EE$ ).<sup>4</sup> Furthermore, the measure of differential accumulation has major filmed entertainment in the numerator (set  $a$  in Equation 4.2) and *dominant capital* as a whole in the denominator (set  $b$  in Equation 4.2):

$$(4.3) \quad DK = \frac{K_{MFE}}{K_{DC500}} = \frac{\frac{EE_{MFE}}{EE_{DC500}}}{\frac{\delta_{MFE}}{\delta_{DC500}}}$$

Dominant capital here pertains to the U.S. It is defined, for each year, as the top 500 firms on COMPUSTAT, sorted by the market capitalization of all firms that are listed, but not necessarily incorporated, in the United States. This 500-firm index of dominant capital is meant to be similar to the S&P 500, which is a standard benchmark for the performance of large U.S.-based corporations. Moreover, I have accounted for what major filmed entertainment data can measure (see Table 4.1).

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<sup>3</sup> The entities  $a$  and  $b$  do not necessarily have to be single firms; they can be the total or average capitalization of a set of firms. More on this below.

<sup>4</sup>  $EE = E * H$ .

For example, my key measure of major filmed entertainment is operating income, rather than net income. Thus, dominant capital's operating income is used to create a proper measure of differential operating income.

Why not put a set of filmed-entertainment firms in the denominator of Equation 4.3? Or can we hypothetically put any firm or set of firms in the denominator? Of course, we can do either. But the more important consideration is what exactly we, the researchers, seek to understand with the differential-accumulation method. Take, for example, a piece of major filmed entertainment's historical performance: in 1996 the average operating income per firm of major filmed entertainment was \$504 million. For the same year, its average revenues per firm were \$4.5 billion. Are these magnitudes large or small? Now consider other relevant questions. How would *investors*, who could always put money in sectors other than film and media, regard these numbers? How does Hollywood know if it is doing well or not? When is the financial performance of major filmed entertainment cause for celebration, and when is it a reason for distress?

As Nitzan and Bichler explain, the *modus operandi* of actual capitalists is to find and use relevant benchmarks for their performance. The relative performance of an investment can be gauged when it is measured against a meaningful average:

A capitalist investing in Canadian 10-year bonds typically tries to beat the *Scotia McLeod* 10-year benchmark; an owner of emerging-market equities tries to beat the *IFC* benchmark; investors in global commodities try to beat the *Reuters/Jefferies CRB Commodity Index*; owners of large US corporations try to beat the *S&P 500*; and so on. Every investment is stacked against its own group benchmark—and in the abstract, against the global benchmark. (Nitzan & Bichler 2009, p.309)

I posit that major filmed entertainment's meaningful benchmark is *dominant capital* as a whole, rather than an index of average filmed entertainment. Figure 4.1 illustrates why. For the last 50 years, the major Hollywood studios have held a very large share of all income in the American film sector.<sup>5</sup> This means that a chasm in the film business divides the large firm from the small. It also means that beating the average solely within the filmed-entertainment sector is meaningless since major filmed entertainment is so large that it *is* the average of that sector.

Before outlining Part II's focus on risk, it is prudent to briefly consider the broader relationships between differential accumulation and some of the theoretical issues that were studied in Chapters 2 and 3. One point to address is the seemingly "phenomenal" nature of differential accumulation—i.e., the fact that prices are only being benchmarked against other prices. A Marxist theorist would likely have a problem with this apparent aspect of the differential-accumulation method.

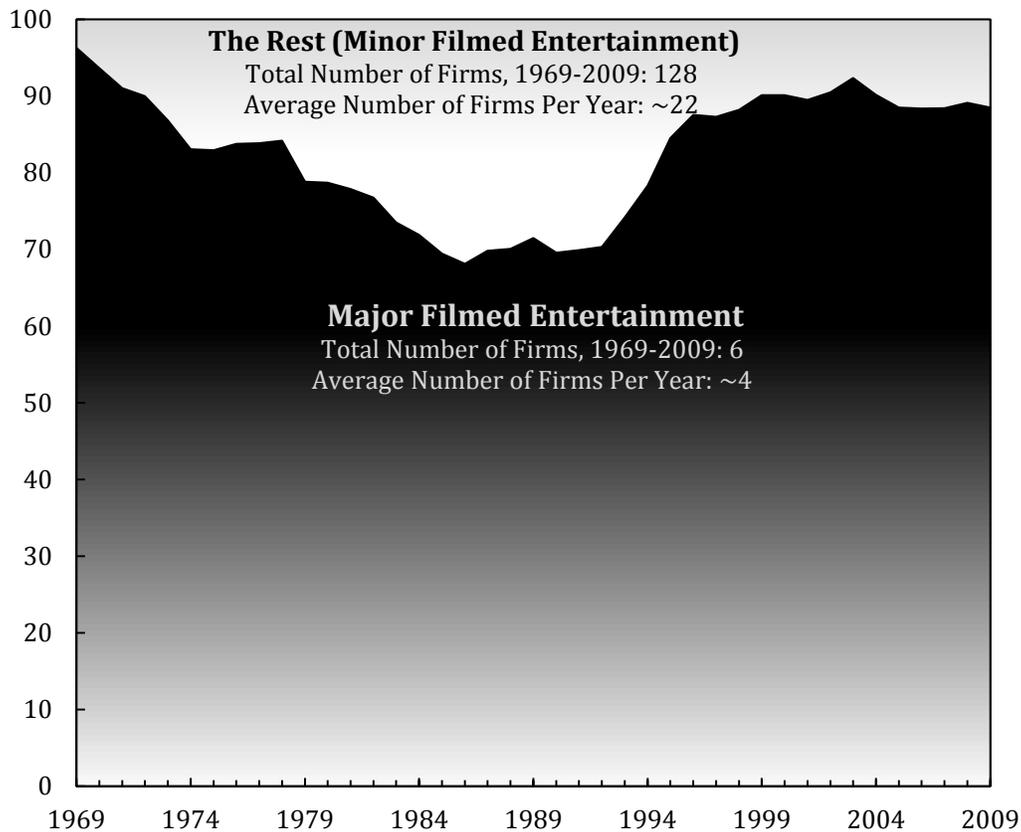
The other point to consider is differential accumulation's usefulness to our broader interest in capitalist power.<sup>6</sup> The concept of differential accumulation helps us see capitalist power as a relation, not a thing in and of itself. This perspective on the nature of social power is important if, as Marxism first argued, capital accumulation both creates and feeds from the contradictions and conflicting interests of capitalist society. From the perspective of differential accumulation, we

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<sup>5</sup> This has been one of the main points of many studies that define Hollywood film distribution as an oligopoly (Litman 1998; Hozic 2001; Maltby 2003; Wasko 2003).

<sup>6</sup> Here, the usefulness of differential accumulation will only be spoken of generally, in terms of developing true abstractions of capitalist power's emergent properties. The rest of the dissertation aims to strengthen the link between the quantities and qualities of major filmed entertainment and its orientation to the social relations of cinema.

can outline how a dominant firm is driven to augment its power in such historical conditions.



**Figure 4.1** *American Film Production and Film Distribution: Percent of Total Operating Income*

Note: Series are shown as 10-year trailing averages

Note: The firms of minor filmed entertainment were selected according to either their Standard Industrial Classification (SIC) code or their code under the more contemporary North American Industry Classification System (NAICS). Four codes were used: SIC 7812 (Services-Motion Picture & Video Tape Production); SIC 7822 (Services-Motion Picture & Video Tape Distribution); NAICS 512110 (Motion Picture and Video Production); NAICS 512120 (Motion Picture and Video Distribution).

Sources: For a list all of general classifications, see U.S. Securities and Exchange Commission, "CF SIC Code List," n.d., <http://www.sec.gov/info/edgar/siccodes.htm>. For a detailed breakdown of each NAICS code, see US Census Bureau, The Economic Classifications Development Branch, "NAICS - North American Industry Classification System Main Page," n.d., <http://www.census.gov/eos/www/naics/>. COMPUSTAT through WRDS for operating income of Major Filmed Entertainment, 1969-1992. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2009. COMPUSTAT through WRDS for operating income of Minor Filmed Entertainment, 1969-2009.

### Is There Even a “Real” Benchmark for Accumulation?

As does Marxist philosophy, the capital-as-power approach argues that conceptual abstractions should be constructed from the complicated, often mediated historical context of capital accumulation. Without qualitative descriptions of a social order that is stratified by hierarchies and comprised of labour, technology, politics, culture, morals, religion, law and other social dimensions, facts and data about the quantitative magnitudes of capital are no more than one-sided abstractions of what should be a more rounded, concrete history of capitalist society. Yet are measures of differential accumulation somewhat deficient in this regard? As a ratio of nominal magnitudes, does this type of measure remain at the level of appearances? Should political economists seek to go “deeper” in search of an objective measure of so-called “real” value?

By comparing price with price, income with income, etc., differential accumulation only ever rests on the *formal* identity between everything that is incorporated into the symbolic architecture of capitalization. In other words, the identity between differential capitalization and power, argue Nitzan and Bichler, is “only figurative. [The logic of capitalization] consists of converting quality into quantity, of translating and reducing the heterogeneous processes of capitalist power into the universal units of differential capitalization. And this conversion... is *not* an objective process” (Nitzan & Bichler 2009, p.312). From a Marxist perspective, this quality-quantity aspect of differential accumulation might appear deficient, while, by comparison, the depth of Marx’s approach would seem to be all the more thorough. As Marx argues in the third chapter of *Capital*, the “price or

money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form....” If separated from the latter, a system of prices, or the money-form of commodities, is “purely ideal or notional....” Since prices are not what render “commodities commensurable,” Marx claims that there is a heavier anchor than the price of a commodity: “Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time” (Marx 1990, p.188).

In contrast to the appearance-essence distinction of Marxist political economy, the concept of differential accumulation looks barebones. Yet, seen from another perspective, the “thinness” of the concept proves to be very beneficial to a theoretical distinction between appearance and essence. Like *any* research method, the capital-as-power approach acts as a set of predefined ideas to orient subsequent research. Yet this method gives empirical and historical analysis the breathing room to properly test and substantiate its concepts. Research on differential accumulation, to Nitzan and Bichler, is the telling of a “scientific story” (2009, p.313) because the correspondence between appearance and essence is historically specific—it must be explained over and over, time and again.

The *formal* identity of capitalization and power does not explain the historical particularities of capital accumulation: “... individual or groups of capitalists secure their claims through particular organizations, institutions and processes, so the *content* of their power is always qualitatively unique” (Nitzan & Bichler 2009, p.311). Thus, an explanation of capitalist strategy, of the ways and means of accumulating capital, is contextual, and only so much can be said about the

universal *means* of capital accumulation. What is common to all material production in capitalism—labour, technology, efficiency, rationalization, etc.—is certainly relevant for accumulation, but these general properties are too unwieldy as historical concepts. For instance, even if they both purchase labour power, GM is a leviathan in comparison to my local auto-repair shop; some business enterprises profit from war and regional violence, while others are ersatz pacifists, as they seek to profit from the decadences of peaceful leisure time; some firms oppress masses of cheap, precarious labour, and some retain an exclusive pool of very skilled employees on high salaries; some firms control industrial processes that can be automated down the line, but others have less of a choice about how much or how little human labour will be employed; various consumer goods are hyped through advertising, yet some goods, like gasoline for automobiles, appear to be an unavoidable “necessity” of modern times, and the desires or false consciousness of a consumer have less to do with its purchase.

Moreover, measures of differential accumulation account for historical changes to the benchmarks themselves. According to Nitzan and Bichler, modern-day capitalists have had little choice in substituting “Newtonian differentials” for “Archimedean absolutes.” The flux of historical time and the dynamic changes of capitalist society “leave no absolute yardstick standing.” Thus, the goal of differential accumulation “is not to maximize but to exceed, not to meet but to beat. To achieve a 5 per-cent profit growth in a recession is success; to gain 15 per cent when others make 30 is failure. Even *declining* profit can be a triumph, provided it ‘outperforms’ the average” (Nitzan & Bichler 2009, p.309).

Conversely, a methodological constraint is produced by the assumption that labour has been, throughout the existence of the capitalist mode of production, the only true engine of valorization. As Equation 4.4 shows, the appearance-essence schema of Marxism is rigid because this theory of value relies on a correspondence between not just one but *two* quantitative abstractions:

$$(4.4) \frac{\text{Price of Commodity A}}{\text{Value of Commodity A}} = \frac{\text{Price of Commodity B}}{\text{Value of Commodity B}} = \frac{\text{Price of Commodity C}}{\text{Value of Commodity C}} = \dots$$

At the level of the numerators, the *formal* abstraction of a price system is straightforward since regardless of what object is being priced, \$5 = \$5, \$5 > \$4 and \$5 < \$6. Yet Marxism also claims that this formal abstraction is a reflection, more or less, of another abstraction: a system of value. This system of value is, by definition, universal; the movements of the entire capitalist mode of production produce it. Moreover, as a group, capitalists can only ever draw value from one source: exploitation of human labour through the purchase of labour power. Therefore, socially necessary abstract labour time is, according to Marx, the one *substantial, real* benchmark of every contemporaneous process; it is the backbone of the ratio between prices and values. Thus, Hollywood, big auto companies, supermarkets, oil barons and even coffee shops, salons, convenience stores and family restaurants are, according to this logic, obedient to a law of commodity exchange that functions on the principle that, in addition to the formal equivalence between prices, five hours of socially necessary abstract labour time of commodity *A* is equal to five hours of socially necessary abstract labour time of commodity *B*, etc.

Unfortunately, key components of this “real” economic substance—valorization, surplus value, socially necessary abstract labour time—remain obscure

because there is no effective method of measuring Marxism's definition of value. In practice, the best Marxism can do is what everyone else does: look at prices to understand the quantities of accumulation. But by only ever looking at prices, Marxists are repeatedly making logical leaps from the precipice of their own belief in "real" value. One such leap is to assume that, despite having no means to empirically test the claim, the general correspondence between prices and labour values is nevertheless true. A more common leap occurs when the labour theory of value is only implied or the quantitative dimension of valorization is downplayed. Yet, as the unexplained correspondence between price and value moves further from the mind of the researcher, many qualitative, historical aspects of capitalist society are analyzed without any inkling of the greater theoretical problems at the heart of value theory. A few illustrations from the world of cinema follow.

For example, the authors of *Global Hollywood 2* (Miller et al. 2005) infuse unnecessary theoretical claims into their otherwise excellent study of the Hollywood film business. They use the general framework of Marxist political economy to define a two-level project. First, Hollywood is bolstered by "corporate and state domination, with the US government instigating and facilitating capital accumulation generally and screen trade in particular." Second, films are "commodities whose value is derived from the labour that makes them" (2005, p.5). When combined, these two conceptual levels of *Global Hollywood 2* cover a great amount of historical detail: the involvement of the U.S. government in Hollywood's global ambitions, international trade agreements (e.g., GATT), the power of copyright, "runaway production" (location shooting that only appears to have been

filmed in the stated locale), the division of labour on a Hollywood film project, and the marketing and surveillance of consumer behaviour. Yet, as impressive as this scope is, the inclusion of the labour theory of value implies that labour time is the productive backbone of Hollywood's so-called economic dimension. And that implication is hard to support.

As an assumption that hangs over each page of *Global Hollywood 2*, the Marxist concept of value seeps from the background to the foreground, colouring the particular facts with a larger theory of capital. To be sure, the collage of well-researched historical details in *Global Hollywood 2* is not the problem. Rather, the nagging issue is the absence of any demonstration of how the manifold historical descriptions, which include prices and wages, connect to a concept of capital that, according to its own definition, denotes accumulation in quantities of labour time. Therefore, as historical details fly this way and that, the theoretical structure of *Global Hollywood 2* is unable to ultimately explain what is and is not a component in the engine of capital accumulation. Is it surplus value from labour alone, and if so, what is the correspondence between Hollywood's rate of profit and its rate of exploitation? What effects do the state, ideology and law have on the level of value produced in this sector? Labour is defined at the beginning of the book as the *de jure* source of value; however, by the time we reach the conclusion, we have travelled through a complex *de facto* story of how a film becomes a means for profit, and that story goes far beyond labour as such. The story of the Hollywood film business includes massive state investment, major diplomatic negotiations, copyright

protection, monopoly restrictions, ideologies of pleasure and Americanism, etc. (Miller et al. 2005, p.363).

A keen reader might reply that *Global Hollywood 2* is doing what good Marxist political economy does well: it looks at all of the historical conditions that underpin and surround capital accumulation. She may go on to reiterate the authors' point that they "blend disciplinary perspectives" because "historically, the best critical political economy and the best cultural studies have worked through the imbrication of power and signification.... Hollywood's cultural products travel through time, space and population..." (Miller et al. 2005, p.6). Yet if the political economy of Hollywood is this diverse, what is the purpose of stating in the introduction that only one universal quality, human labour, is the basis of value? Because of the book's rigour and breadth, we can say that *Global Hollywood 2* is trying to study the economic *and* power dimensions of capital accumulation in Hollywood. But if that is indeed the case, the labour theory of value causes undue friction. It relies on the assumption that an economic magnitude is distinguishable from political power.

For example, the authors of *Global Hollywood 2* note that the production of the *Star Wars* prequels took advantage of the nominal price difference between average wages in Hollywood and Australian film production (\$635 v. \$400-430 daily pay);<sup>7</sup> but how is this presumed exploitation measured in "real" terms, and should

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<sup>7</sup> In fact, the *Star Wars* prequels example is, by itself, not just about that wage cost of labour. The example spills over from productivity into power because the "below-the-line" labour is embroiled in conflicts over royalty schemes and profit sharing, which are matters of contract negotiation and union strength (Miller et al. 2005, p.145). Take note, for example, of Leaver's argument and its roots in hierarchy and sabotage:

we assume that Australian workers are therefore exploited more than their American counterparts? Similarly, the statement that “establishing scarcity through exclusivity is one of the enduring aims of copyright protection” is suggestive of accumulation-through-power (Miller et al. 2005, p.227); but does this statement mean that legal institutions and state power are, far from being mere addendums, *directly* responsible for the capital accumulation of Hollywood? Or is copyright protection still just a mechanism of the capitalist superstructure, which only supports the mode of production rather than being integral to it? It is confusing to implicitly take away with one hand—i.e., value is only rooted in labour—what the other hand offers explicitly—i.e., copyright protection is a key function in profit seeking from cultural ideas and images.

If we commit to radical left politics, to which Marxism has contributed greatly, we should be prepared to overcome problematic assumptions that limit our research. The capital-as-power approach offers the advantage of openly affirming what Marxist political economy is forced to admit tacitly: namely, that, in the age of advanced capitalism, ideology, desire, signification, intellectual property rights,

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In organisational terms Hollywood may now host a global image business which penetrates multiple geographical and product markets; it may also remain an industry that exerts market power on weaker players within the sector, to the detriment of those smaller players. But in financial terms Hollywood is a machine that enriches a small number of individuals with privileged structural positions, with little or no profit for the majority of publicly listed firms operating within it. This value skimming by a small, well-placed elite has ramifications for others in the sector when majors have little option but to adjust below-the-line costs, resulting in an expansion of runaway productions and off-shoring to lower labour cost areas like Canada, Prague and Bucharest.... Meanwhile, star power is only increasing as the claim on residuals from cable TV, foreign markets and internet media is the next target for the Screen Actors Guild. The likely result is increased top-to-bottom inequality within the profession.(Leaver 2010, p.472).

nationalism and many other political processes are just as important for accumulation as labour and machines are.

### **A Historical Concept of Social Power**

Like Marxism, the capital-as-power approach assumes that there is an important theoretical link between the quantity-quality and appearance-essence relationships in capitalism. In contrast to the Marxist approach, however, the quantities of differential accumulation are measurable. The researcher can easily mimic the historical benchmarks that capitalists create and try to beat again and again. The quantities of differential accumulation, by themselves, are certainly never the whole story. Yet, if deeper assumptions about “real” value—i.e. the notion that labour time is the backbone of nominal prices—start to hamper even a rudimentary study of prices and profit, a theory of political economy will, down the line, keep running into an appearance-essence obstacle. This obstacle, as Marcuse notes, is also what hampers idealist philosophy: “The two dimensions of thought—that of the essential and apparent truths—no longer interfere with each other, and their concrete dialectical relation becomes an abstract epistemological or ontological relation” (Marcuse 1991, p.135).

As a method of analysis, the study of differential accumulation can serve the apparent goal of other political economic studies of power. Like *Global Hollywood 2*, my analysis of major filmed entertainment assumes that the ability to make a profit is contextual and often complicated: the sabotage of industry depends on the *type* of industry that is under the heel of business enterprise. In the case of major filmed

entertainment, this sabotage, I hypothesize, manifests itself through the relationship between the pecuniary goals of the film business and the production of cinematic meaning. With this hypothesis in mind, I research how various aspects of mass culture bear on the differential accumulation of major filmed entertainment.

But in what way is the capital-as-power approach a method of *critiquing* capitalist power? This question brings us to our second point about differential accumulation. The concept of differential accumulation allows us to develop what, in his critical theory, Marcuse calls “true abstractions”:

... there are false and true abstractions. Abstraction is a historical event in a historical continuum. [A true abstraction] proceeds on historical grounds, and it remains related to the very basis from which it moves away: the established societal universe. Even where the critical abstraction arrives at the negation of the established universe of discourse, the basis survives in the negation (subversion) and limits the possibilities of the new position. (Marcuse 1991, p.134)

Grounding concepts in historical circumstances bind the otherwise opposing qualities of abstractness and concreteness in dialectical tension: “When historical content enters into the dialectical concept and determines methodologically its development and function, dialectical thought attains the concreteness which links the structure of thought to that of reality” (Marcuse 1991, p.141).

The challenge of developing historically grounded abstractions is an ongoing one for any social theory. For any theory of institutional or organized social power, there is an added level of difficulty. Social power must be conceptualized in abstraction because power, in a sense, is invisible or “supersensible.” Power is a relation, not a thing. As Hegel acknowledged early on in the *Phenomenology*, in the chapter titled “Force and Understanding,” postulating universal laws about the

emergent properties *between* things is very difficult because particular phenomena do not express these laws at every moment (Hegel 1977, chap.3, §132–165). For example, storm clouds produce thunder and lightning, but, here and now, outside my window, clouds could be white or the sky could be a clear blue. Or even during a storm, the power of lightning is only expressed through the effects of a strike, and the latter is the relation between lightning and its struck object.

Differential accumulation guides the capital-as-power approach in its political goal, which is to theorize how and why capitalist interests control, direct and often repress autonomous social creativity. Differential accumulation also puts an investigation of capitalist power on solid empirical ground: insofar as differential accumulation is a manifestation of power, and given that it measures the extent to which firms beat their relevant benchmarks, this phenomenon is a symbolic expression of capitalist power being expanded or intensified faster than the power of others, including other capitalists.<sup>8</sup> According to Bichler and Nitzan, differential accumulation is logically related to distributional power:

One important feature of distributional power is that it [is] clearly bounded. Given that no group of capitalists can ever own more than there is to own in society, distributional power can never exceed 100 per cent. Similarly, since no owner can own less than nothing, distributional power cannot fall below 0 per cent. The movement between these lower and upper bounds, though, can follow many different patterns. (Bichler & Nitzan 2012, p.29)

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<sup>8</sup> To untangle the historical development of differential accumulation, Nitzan and Bichler develop two sub-concepts: breadth and depth. These two terms will be used in the second part of this chapter.

In other words, somebody has to lose or gain power for a distributional share to shrink or grow.<sup>9</sup> And a historical analysis of capitalist firms offers an explanation of how *redistribution* occurs.

In a sense, differential accumulation is a strong clue that lightning struck and had an effect on something, whatever this “something” turns out to be. Indeed, Nitzan and Bichler purposefully adopt Hegel’s principle that “force is nothing apart from its effect,” and for good reason.<sup>10</sup> It is an important empirical corrective to our theoretical imaginations about the *potentials* of social power. Even if thought should not limit itself to what is actual, the depths of potentiality are not infinite, nor can the subject arbitrarily posit what is potential. Marcuse helps explain how dialectical thought moves between these “two dimensions” of reality:

Hegel now introduces the concept of force to explain how the thing is held together as a self-determining unity in this process. The substance of the thing, he says, can only be understood as force.

The concept of force takes in all the elements that philosophic analysis has so far found to be characteristic of the real object of knowledge. Force itself is a relation, the elements of which are distinct and not yet separate from each other; it is in all conditions not contingent but necessarily determined by itself....

If we take the substance of things to be force, we actually split reality into two dimensions. We transcend the perceptible properties of things and reach

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<sup>9</sup> For more on the logic of this argument, see Nitzan and Bichler’s paper “The Asymptotes of Power.” The metaphor of an asymptote—a mathematical term—is used to orient our imaginations towards the limits of redistribution. If there were no upper limit on accumulation, it would be theoretically possible for the linear or exponential growth of capitalists to carry on “until the resistance [to capital] is totally crushed and capitalists appropriate the entire national income. The end result itself is socially impossible (the non-capitalists, having lost their income, perish) or non-capitalistic (the losers end up living on handouts from the winners).” Our intuitive response that capital accumulation would never get that far as long as the capitalist system still functions actually speaks to the reason behind Nitzan and Bichler’s use of the asymptote metaphor. For example, in the Occupy Wall Street movement, the group of people known as “the Top 1%” was rebuked by a mass of citizens who were angry over how wealth has been distributed. In this regard, the asymptote of power highlights the difficulty of the Top 1% *increasing* its distributive share, currently around 45 percent, even more (Bichler & Nitzan 2012).

<sup>10</sup> The phrasing of this principle is taken from Herbert Marcuse’s *Reason and Revolution* (1999).

something beyond and behind them, which we define as “the real.” For, force is not an entity in the world of perception; it is not a thing or quality we can point to, such as white or cubical. We can only perceive the effect or expression of it, and for us its existence consists in this expression of itself. Force is nothing apart from its effect; its being consists entirely in this coming to be and passing away. (Marcuse 1999, p.109)

Seen from this viewpoint, measures of differential accumulation are strong empirical foundations for us to jump into theoretical claims about the broader, often qualitative, social effects of capitalist power, which might include the sometimes-inexact concepts of alienation, repression, violence, sabotage and waste. For instance, the peaks and troughs of differential income and capitalization reflect the changing confidence of capitalists using institutional resources and means of sabotage in the face of *potential* social resistance. Here, Nitzan and Bichler’s more philosophical definition of social power is crucial. They define social power as “confidence in obedience” because rulers *actively* shape their society when “confidence is high.” In such a state, the imposition of power over society at large is viewed as “customary and natural,” and forms of political resistance from below are treated as “mere disturbances” (Nitzan & Bichler 2009, p.17).

From this theoretical perspective, we can, for example, translate one of Neumann’s observations about the political economy of Nazi Germany.<sup>11</sup> Like Marcuse and Pollock, Neumann surmised that capital accumulation is not strictly dependent on increases in material productivity. Neumann’s analysis of how big business in Nazi Germany profited from anti-Jewish legislation and the “Aryanization” of German business is very much about confidence in obedience. The

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<sup>11</sup> This example is described in more detail in Chapter 1.

boldness of redistributing income through government-sanctioned robbery and anti-Semitism would carry its own future expectations about whether such a power process would face significant social resistance from German society, Europe and possibly the rest of the world. And for the period during which the social obedience and widespread fear of German society under the Nazi party were palpable, German monopoly interests would have judged their own aggressive strategies of differential accumulation against their confidence that this level of social obedience would hold.<sup>12</sup>

There is much room for the capital-as-power approach to grow as a critique of capitalism, and its methodological principles will likely evolve with the meditations and criticisms of interested researchers. With respect to its keen interest in trying to understand capitalist power from the perspective of those who wield it over society, the approach can make stronger connections with the history of political thought. For instance, Machiavelli's *The Prince* mirrors the perspective and sensibility of an actor who carries the authority to impose a political order. Indeed, Machiavelli's "gift" to Lorenzo de Medici is that what has been learned about princes from the perspective of the people will be re-translated for the prince. This "translation" is necessary because the prince's perspective of a political order is "from above," like that of a person who sees lowlands from the heights of a mountain (Machiavelli 1999, p.4).

Machiavelli's descriptions of princely strategy are also relatable to the capital-as-power approach. First, a prince must always consider the potential

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<sup>12</sup> The level of obedience and fear of political resistance in Nazi Germany is portrayed to terrifying effect in Hans Fallada's *Every Man Dies Alone* (2009).

ramifications of his decisions because the present strength of a principality is evaluated in light of what will possibly come in the *future*. The future has no guaranteed outcome, and a wise prince is aware that shifts in the surrounding political environment will ultimately reveal how his decisions were either prudent or impetuous.<sup>13</sup> Some political strategies, such as coming to power by means of crime and violence, are effective in the short term, but they ultimately damage the stability of a principality, especially when the obedience of its citizens is tested:

In disturbed times... men whom the prince can trust will be hard to find. So such a prince cannot rely on what he has experienced in times of tranquility, when the citizens have need of his government. When things are quiet, everyone dances attendance, everyone makes promises, and everyone would die for him so long as death is far off. But in times of adversity, when the state has need of its citizens, there are few to be found. And this test of loyalty is all the more dangerous since it can only be made once. Therefore a wise prince must devise ways by which his citizens are always and in all circumstances dependent on him and on his authority; and then they will always be faithful to him. (Machiavelli 1999, p.35)

Moreover, the future expectations of the prince are doubly imaginary because, like the rituals of capitalization, the instrumental calculations of the prince are always one step removed from the object of his calculations: society at large. While the prince clearly needs and even benefits from the obedience of the citizen body, the latter is not the author of a principality's laws and institutions; this authorship falls on the shoulders of the prince alone. Similarly to how the strategic sabotage of industry can engender social unrest, the prince must decide how to keep his acts of (imposed) authority from transforming social obedience into hatred of him and his political position.

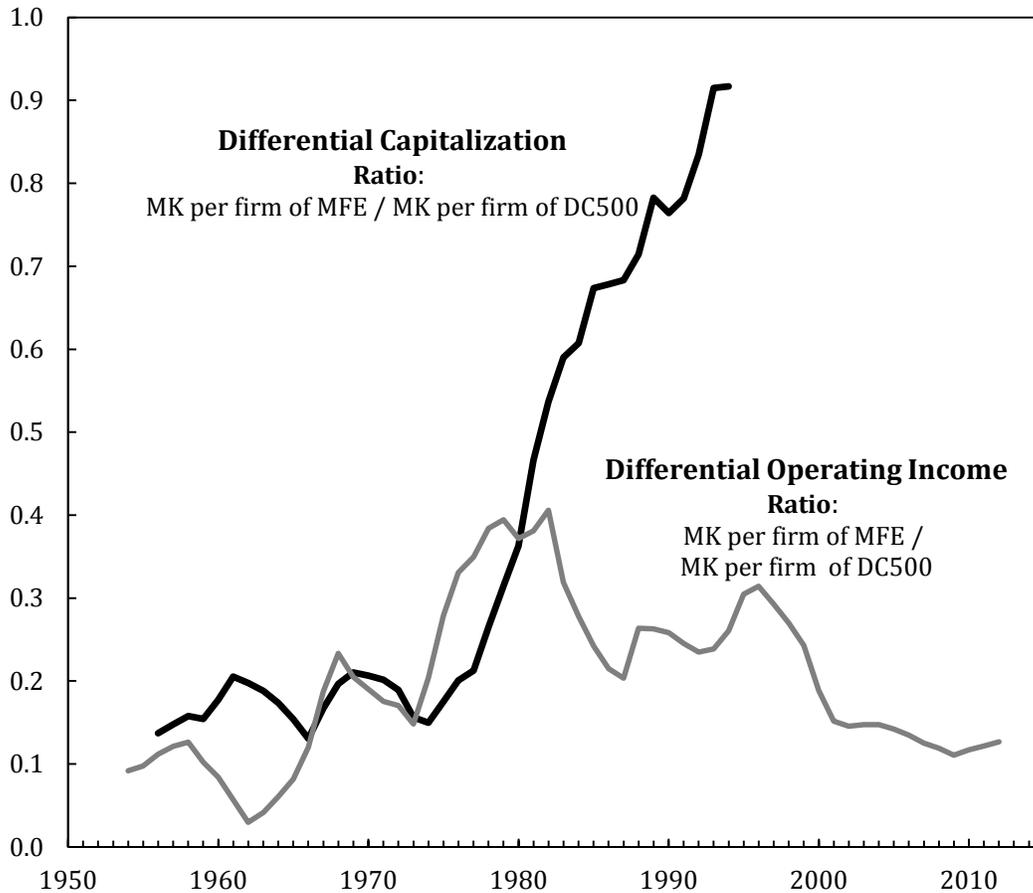
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<sup>13</sup> "Time sweeps everything along and can bring good as well as evil, evil as well as good" (Machiavelli 1999, p.12).

## The Main Objective of Part II: Risk in the Hollywood Film Business

In light of what has been covered above, we can now outline the main objective of Part II in more detail. Our focus is on the role of *risk* in the differential accumulation of major filmed entertainment. Risk does not tell the whole story of the capitalist character of Hollywood, but it is an elementary particle of the logic of capitalization. Risk is a partly subjective, partly objective factor that shapes the way a claim on future earnings is assessed. If capitalization discounts the size and pattern of a future stream of earnings, risk is the expression of the “*degree of confidence capitalists have in their own predictions*” of those earnings (Nitzan & Bichler 2009, p.208). Risk can also be expressed as a differential measure (e.g.,  $\frac{\delta_{MFE}}{\delta_{DC500}}$  in Equation 4.3), which lets us inquire how a firm or set of firms, like major filmed entertainment, lowers its risk at a faster rate than others.

The decision to focus on risk is motivated by the relationship between the two series in Figure 4.2. The first series presents the differential market capitalization of major filmed entertainment from 1950 to 1994. Here, the average market capitalization of major filmed entertainment is benchmarked against the average for dominant capital as a whole, proxied by the top 500 firms in the entire COMPUSTAT database. As was mentioned when we first introduced the term “major filmed entertainment,” the capitalization data for this group end at 1994; from this point onward, available data pertain to the market capitalization of Hollywood’s *parent* conglomerates, rather than the *subsidiaries* we are interested in. The second series measures the differential operating income of major filmed entertainment, which is likewise benchmarked against dominant capital as defined above. Unlike



**Figure 4.2** *Differential Capitalization and Differential Operating Income of Major Filmed Entertainment*

Note: Both series are 5-year trailing averages. See Table 4.1 and Chapter 4 for an explanation of why Differential Capitalization ends at 1994.

Source: COMPUSTAT through WRDS for common shares outstanding (CSHO) and Price (PRCC\_F) of Major Filmed Entertainment, 1950-1992. COMPUSTAT through WRDS for operating income, common shares outstanding (CSHO) and Price (PRCC\_F) of Dominant Capital 500, 1950-2011. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2013.

market capitalization, this series is available for the entire 1950-2013 period, since operating income for major filmed entertainment can be obtained from their annual reports and COMPUSTAT. The juxtaposition of the two series shows that, for the years for which there are data for both series, the differential earnings of major

filmed entertainment are insufficient to explain differential capitalization. Most significantly for our purpose is the fact that, from 1980 to 1994, differential earnings declined significantly while differential capitalization soared. Although there can be no comparison made for years subsequent to 1994, it is clear that differential capitalization depends not only on earnings, but also—and possibly far more so—on differential risk.

The study of risk also accounts for historical shifts in capitalist power. As Nitzan and Bichler suggest, capitalization is not a crystal ball that can see the future. Rather, it is a social ritual, one that attempts to *estimate* how a stream of income and its underlying social conditions will carry into the future (Nitzan & Bichler 2009, p.187). The difference between prophecy and estimation is significant. Social norms, values and behaviour can change, and business enterprise, which is trying to estimate this future, can never find an Archimedean point that is outside of society or safe from the winds of history. Consequently, there is always “risk” that business estimates will turn out to be wrong. Moreover, risk can change as social actors, including capitalists, strengthen or weaken the continuity of established social relations.

As stated above, Nitzan and Bichler understand power as “confidence in obedience: it represents the certainty of the rulers in the submissiveness of the ruled” (Nitzan & Bichler 2009, p.398). Thus, if we translate  $\delta$  into the more philosophical language of power, the capitalist degree of confidence ( $1/\delta$ ) refers to the perceived *duration* and *strength* of obedience and the likelihood that future social behaviour will function for capitalist ends. For instance, capitalist confidence

can increase when individuals have internalized the goals of a repressive society, when the persistence of fear, violence and poverty has actually helped *social* power acquire an “unshiftable weight” (Castoriadis 1998, p.109). Yet, however strong obedience may appear to be, it is always threatened by the possibility that individual or even social autonomy will resurface in the future. Even for the largest empires and the most repressive political regimes, there is never an absolute guarantee that social obedience will carry on indefinitely. Therefore, risk is the product of the inability of a ruling class to fully extirpate the potential for individual and group autonomy to resurface in the future.<sup>14</sup>

With respect to the forward-looking nature of the Hollywood film business, risk perceptions account for the possibility that the future of culture will be different—and perhaps radically different—from what capitalists expect it to be. This logic of capitalist accounting, while quantitative in expression (prices, income, volatility, etc.), is social in essence. For this reason, the risk perceptions of major filmed entertainment cannot overlook any social dimension of cinema, be it aesthetic, political or cultural. The eye of capitalization searches for any social condition that could have an impact on “the level and pattern of capitalist earnings” (Nitzan & Bichler 2009, p.166).

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<sup>14</sup> While Spinoza did not use the same terms, we can find the germ of this idea in his *Theological-Political Treatise*: “A person’s judgment, admittedly, may be subjected to another’s in many different and sometimes almost unbelievable ways to such an extent that, even though he may not be directly under the other person’s command, he may be so dependent on him that he may properly be said to be under his authority to that extent. Yet however much skillful methods may accomplish in this respect, these have never succeeded in altogether suppressing men’s awareness that they have a good deal of sense of their own and that their minds differ no less than do their palates” (Spinoza 2007, chap.20, §2).

As Bill Grantham notes, this thorough evaluation of risk is evident at the level of project financing: “... film risk is variable and the degree of risk is subject to structural considerations as well as the greater or lesser degree of ‘riskiness’ inherent in any project’s subject matter, or associated with its writer, director, stars, and so on” (Grantham 2012, p.200). But based on what was said above, Grantham’s use of the word “inherent” is potentially misleading. Here, “riskiness” is a term of business, not art. We may be tempted to label a film “risky” if it challenges social taboos, or if, like Věra Chytilová’s *Daisies* (1966), it uses the cinematic medium to critique political regimes. A filmmaker can also be said to be taking an “aesthetic risk” when he or she develops an untested cinematic style. However, indeterminate creativity in the realm of aesthetics or the development of political cinema can both exist separately from the logic of capital. In fact, it is Veblen’s point that pecuniary value does not simply reflect political, cultural or aesthetic quality. Rather, when cinema is a business concern, vested interests flip the definition of value. Under their logic of capital, the potential of creativity, both anthropological and technological, are judged according to the terms of capitalist investment: a risky movie is one that fails not business’s aesthetic criteria but its financial expectations.<sup>15</sup>

### **Framing Empirical Research on Risk in the Hollywood Film Business**

Our overarching hypothesis for the rest of Part II is the following:

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<sup>15</sup> According to Jonathan Rosenbaum, film journalism helps perpetuate the idea that a movie’s quality is signified by its financial success. He points to a recent worrying trend in film journalism that conflates two business terms—“turkeys” (bad movies) and “bombs” (financial disasters). This conflation perpetuates a sort of shorthand for the general audience, where a film must be a turkey because the financial data tell us it was a bomb (Rosenbaum 1997a).

*Hypothesis:* The drive to reduce risk—and the central role of strategic sabotage in this reduction—shapes Hollywood's orientation toward the social-historical character of cinema and mass culture. Major filmed entertainment uses its oligopolistic control of distribution to create what we can call an *order of cinema*. An order of cinema is the product of a cinematic universe—social relations and all—being valued as a deterministic social system. As an object of instrumental calculation, the orderliness of cinema is defined by the way various properties of cinema predictably function in the goal of differential accumulation.

Hollywood cinema can be treated as an order because cinematic creativity and social meaning are bound together—and in important ways shaped and controlled—by major filmed entertainment's strategies of capital accumulation, its strategies of filmmaking and the social consequences of these strategies. "Risk" in this context reflects the degree of confidence investors have that this order of social relations will generate predictable earnings. In other words, it reflects how much the future of this three-part relationship between accumulation strategies, filmmaking strategies and their social consequences is determinable in the present. Now, since risk perceptions are a major component of capitalization, *reducing* risk is a major driver of accumulation. This reduction, we will try to demonstrate, is accomplished by making the articulation and determination of the order of cinema *ever more predictable*.

The future is, of course, always unknown. Yet major filmed entertainment, like other business enterprises, translates its control of industry and the historical trajectories of society into forecasted instrumental calculations about its claims of ownership. If we break down the overall confidence of major filmed entertainment

into smaller building blocks of means and ends, we acquire a keener sense of how strategic questions about the control of social creativity will underpin the capitalization of cinema. For example: which film projects should be nurtured, developed and then green lit for production? Which film ideas should be rejected, and according to what criteria? Should creativity in filmmaking obey standards about form and content, and, if so, what should these standards be and how should they be instituted? What will happen to earnings if filmmakers are allowed to explore new ideas or experiment with untested filmmaking techniques? Will consumers welcome—i.e., pay for—forms of cinema that engage with social taboos or controversial subjects? What about political films? Overall, will people pay to watch what we decide to make? Can we *make* them pay—and if so, how?<sup>16</sup>

Our hypothesis—that major filmed entertainment tries to reduce risk through the control of cinema—also relates to the relationship between theatrical attendance and major filmed entertainment’s output. On the one hand, it appears that, based on evidence of U.S. attendance per capita, major filmed entertainment has experienced a stagnant level of yearly attendance per capita since the 1960s. On the other hand, major filmed entertainment (though not firms outside of this group) has kept its yearly film releases at low or negative rates of growth for the same period. Is it possible that, instead of adopting a strategy of increasing theatrical attendance by significantly increasing its quantitative output of films, major filmed

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<sup>16</sup> If these questions seem to hint at a theory of consumer sovereignty, the first part of Chapter 6 will argue that it is problematic to put consumer sovereignty at the heart of an analysis of risk in the Hollywood film business.

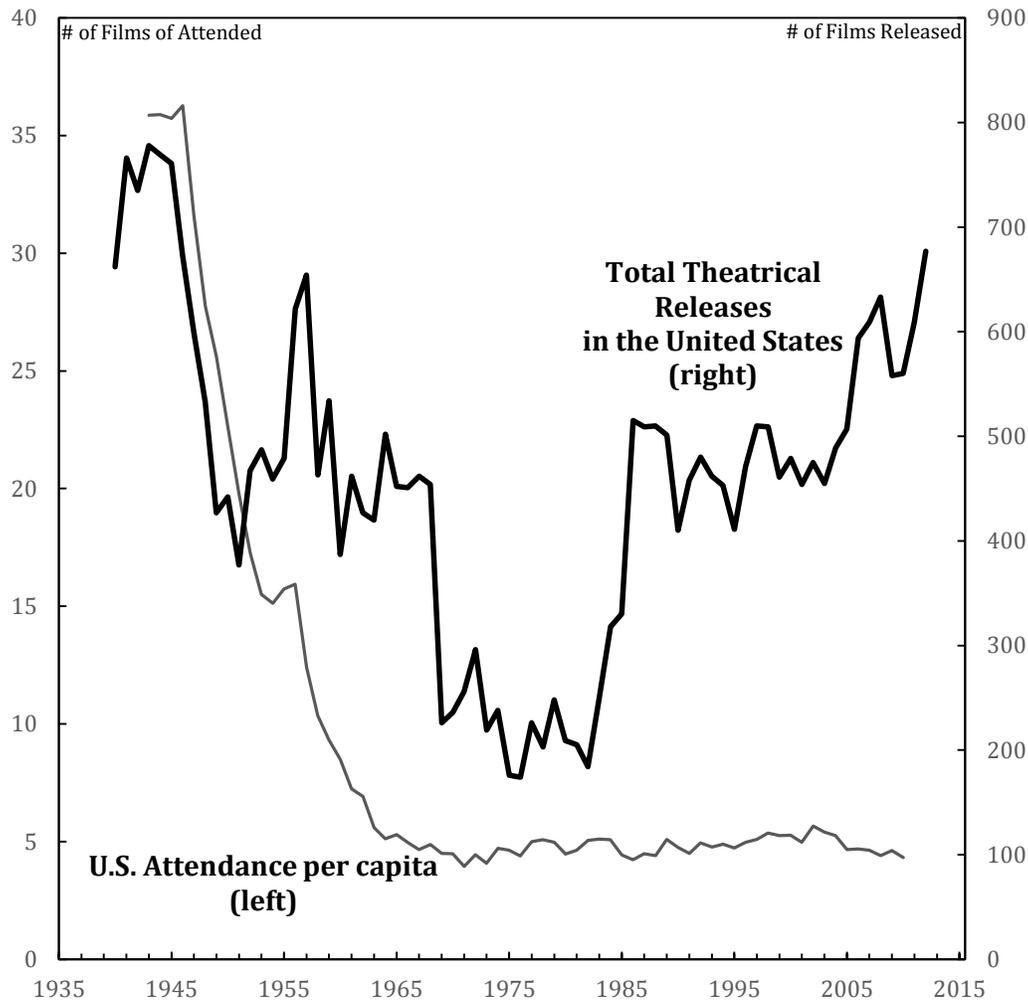
entertainment is looking for a *habituated* audience, one that is ready and willing to keep gravitating around small sets of films, year after year?

To explore this possibility, let's begin with the relationship between theatrical attendance and major filmed entertainment's output.

### **Looking for a High Degree of Confidence**

Figure 4.3 compares two series. The first series measures U.S. movie attendance per capita. After a sharp decline that was most likely caused by the advent of television, U.S. attendance per capita has stayed at roughly the same level since the 1960s. The second series presents the yearly total of all films released in America. Major filmed entertainment's share changes from year to year, but it is responsible, on average, for roughly 42 percent of the released films. Figure 4.3 helps illustrate how risk reduction might be a top priority if, from 1980 onwards, more and more movies are *technically* available, but in practice the average American is still only seeing about five films in theatres per year. In this context, the challenge for major filmed entertainment might be to determine *which* five films the average moviegoer sees; and more specifically, to create a determinable order of cinema that keeps the spotlight directly on its *own* films. Hollywood may certainly try to expand the market, pushing people to see more films in theatres. However, with U.S. attendance per capita having remained constant for over 50 years, the alternative strategy is for major filmed entertainment to redistribute the market: to ensure that moviegoers see mostly *their own* blockbusters (Cucco 2009).

Digital technology and the Internet support the strategy of redistributing theatrical consumption. For instance, Epagogix is a consulting firm that sells data analysis to the Hollywood studios. The firm uses a database of film scripts to



**Figure 4.3** *Theatrical Releases in the U.S. and Theatrical Attendance Per capita*

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

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

capitalize the smallest details of any potential film project. After having broken down a client's script into separate elements, the database produces "values" for each element, as if the film were one big neoclassical production function. Malcolm Gladwell witnessed Epagogix's process in 2006:

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

*The New York Times* recently covered a similar company named World Wide Motion Picture Group (Barnes 2013). By running its own database and surveying the tastes of moviegoers, World Wide advises about the final construction of a Hollywood film. For example, it argues that it is financially risky for any film to have a bowling scene. Or, if you make a superhero movie, it is better for the bottom line that the protagonist is a "guardian superhero" rather than a "cursed superhero."

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

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

The "problem" is that leisure time is too open-ended. Google's solution, however, is more for the capitalist than the moviegoer who uses the Internet to make a decision

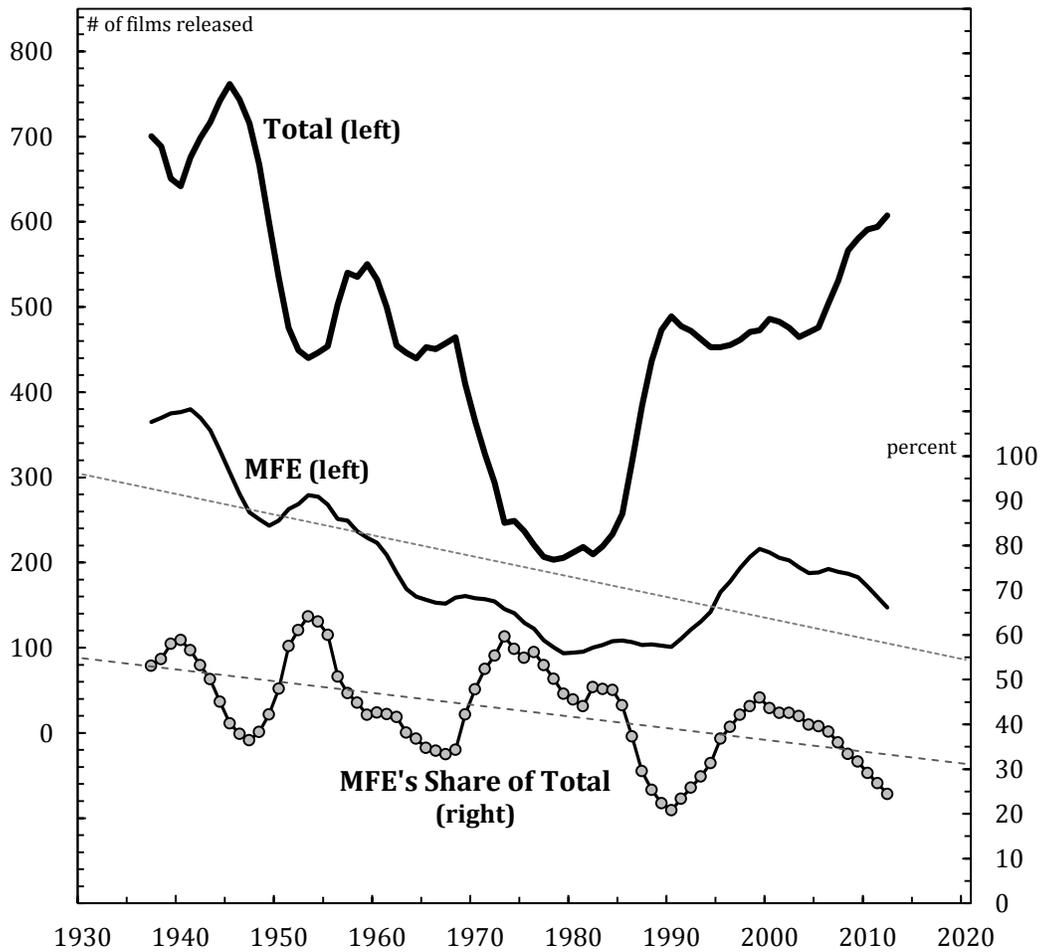
on Friday night. To help quantify the financial risk of moviegoer decision-making, Google tracks searches, YouTube views and advertisement clicks. It keeps data on searches for specific titles, especially big names like *The Dark Knight* or *The Avengers*. Google also analyzes how the search criteria of potential moviegoers become less specific and more generic in slow periods between blockbuster films.

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

### **Major Filmed Entertainment's Film Release Strategy and its Social Effects**

In light of what Figure 4.3 presents, how did major filmed entertainment act during the same period, from 1950 to 2012? Did it release a lot of films, or did it curtail its rate of releases per year? These questions pertain to an aspect of cinema that major filmed entertainment has direct control over, since it actively makes decisions about its own production and distribution strategies.

Figure 4.4 shows the extent to which major filmed entertainment has restrained and depressed its film releases since the 1940s. The top two series show the total number of films released yearly in the United States, as well as the number released by major filmed entertainment only. Both series are presented as five-year trailing averages. The bottom series, which is measured by the right axis, is major filmed entertainment's percent share of the total.



**Figure 4.4** U.S. Theatrical Releases, 1933-2012

Note: All three series are 5-year trailing averages.

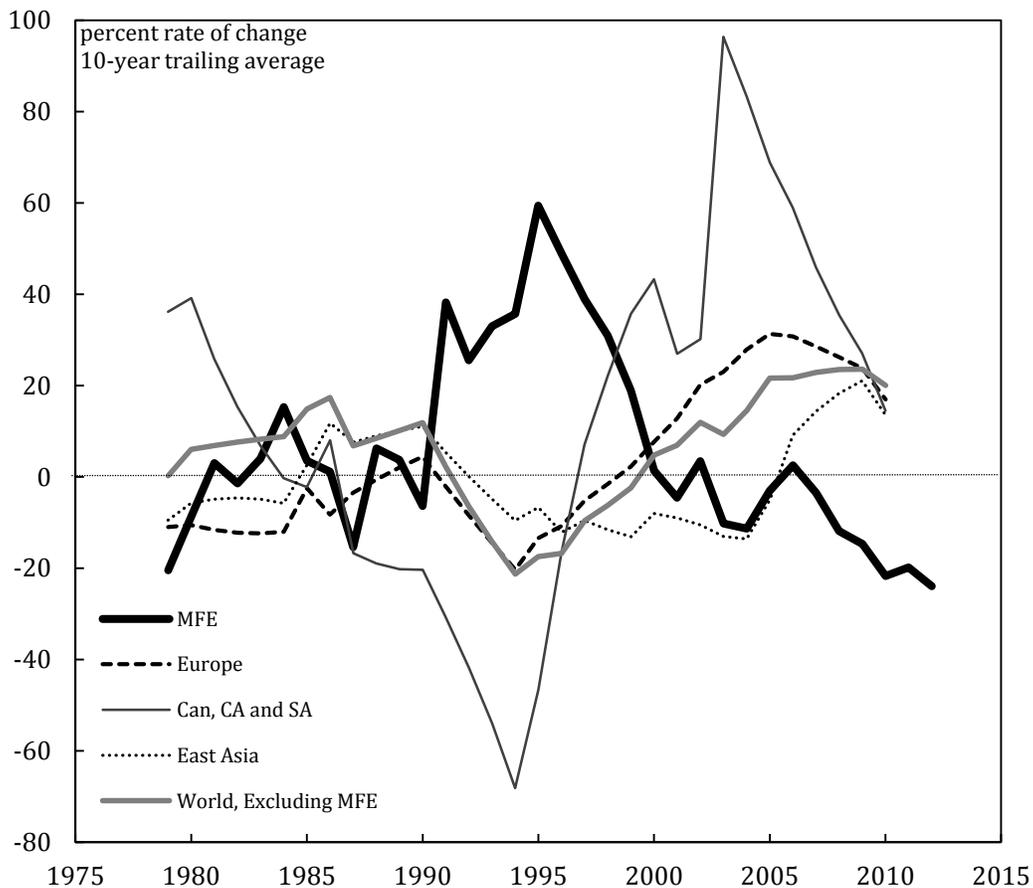
Sources: Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for total releases and MPAA releases from 1933-2002; MPAA Theatrical Market Statistics for total releases and MPAA releases from 2003-2012.

Figure 4.4 shows the downward trend of major filmed entertainment's film-release strategy, both absolutely and relatively (more on the 1990s, the most visible exception, below). To be sure, the other dimension of this historical process is certainly the *quality* of Hollywood's output, however measured. But if increasing the quantity of films is still one method of fulfilling individual needs and desires, and perhaps a way to increase attendance per capita, major filmed entertainment is going the other way. Counted by the number of films, mainstream Hollywood is a shrinking universe.

Major filmed entertainment's strategy of maintaining negative or low rates of film output is tied to its risk perceptions, which are in turn part of its quest to accumulate differentially. In other words, major filmed entertainment may be trying to tailor its quantitative output to the perceived habits of individual moviegoers (~5 films per year in the United States); but if it does so, it does so in order to increase earnings and/or lower risk. Thus, the capitalist's degree of confidence in his or her earning expectations is closely related to the social consequences of *how* industry is strategically sabotaged.

One possible consequence of low or negative output by major filmed entertainment is uncertainty regarding the extent of the competition from other filmmakers, both domestic and foreign. Because of limits on available film-market data, the rest of the dissertation will focus mostly on the United States (which sometimes includes the box-office grosses of Canada). Yet two figures help us understand how Hollywood's risk perceptions relate to the competition of cinema from other parts of the world.

Figure 4.5 contrasts major filmed entertainment’s stagnation strategy with potential foreign competition. It compares the U.S. film releases by major filmed entertainment to domestic releases in countries other than the United States. Each series shows the number of films released per year, expressed as a percent deviation of its own ten-year trailing average. This presentation serves to “calibrate”



**Figure 4.5** *Major Filmed Entertainment vs. The World: Film Releases*

Note: Missing data for Canada (Can), Central America (CA), South America (SA), Europe, East Asia and World Total film releases are interpolated as linear trends between adjacent observations.

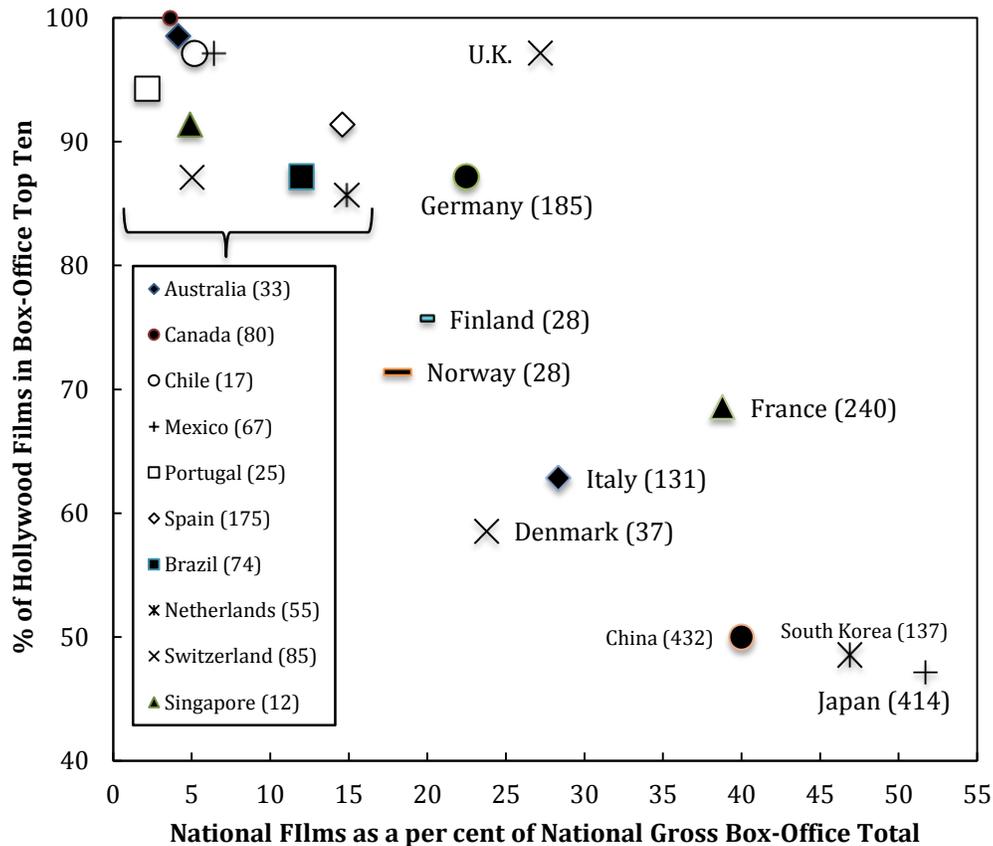
Sources: Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for total releases and MPAA releases from 1933-2002; MPAA Theatrical Market Statistics for total releases and MPAA releases from 2003-2012. Screen Digest for the film releases of Canada, Central America, South America, Europe, East Asia and World Total (1970, 1974-1970, 1980, 1984-1987, 1990, 1994-1997, 1999-2006, 2009, 2010).

the different movements, which otherwise might be of different absolute orders.

Figure 4.5 demonstrates that the movements of major filmed entertainment and the rest of the world tend to be *inversely* correlated, particularly since the 1990s. Furthermore, the positive growth rates of major filmed entertainment's film releases in the 1990s were perhaps "special" in light of the drops in the releases of other regions. As we saw in Figure 4.4, the prevailing trend since the 1930s has been for major filmed entertainment to prefer stagnant or declining output.

Figure 4.6 illustrates Hollywood's dominance of the top tier of the global box-office in the last few years, which is a period when the rest of the world increased its film production and, once again, major filmed entertainment stagnated its output. On the Y-axis, the figure plots Hollywood's average share of the box-office top ten in countries other than the United States. This average share is plotted against, on the X-axis, the share of total box-office revenues earned by national films. The bracket beside each country counts the number of domestic films it released from 2005 to 2011. Plotting the two series against each other shows the spread of Hollywood's foreign dominance in relation to what might sway its impact: the domestic films of other countries. Moreover, a piece of UNESCO's analysis can frame the data of Figure 4.6 as an aspect of major filmed entertainment's risk perceptions. Film consumption in countries where it is uncommon or rare for their domestic films to be in the national box-office top ten tends to contribute to a more predictable *global* homogeneity: there is a greater likelihood that the top ten grossing films in such

countries will be comprised of the *same* Hollywood films (UNESCO Institute for Statistics 2013).<sup>17</sup>



**Figure 4.6** *Hollywood's Box-Office Share Outside of the United States, 2005-2011: Top Ten v. National Films*

Source: UNESCO Institute for Statistics, Cinema Statistics  
<http://www.uis.unesco.org/culture/Pages/movie-statistics.aspx>

<sup>17</sup> According to Dal Yong Jin (2011), there is also good reason to understand Hollywood's dominance in foreign markets as an expression of the power relations behind some of the free-trade agreements that countries have with the United States. Being opposed to the UNESCO convention, which aims to "protect and promote the diversity of cultural expressions," the U.S. government seeks to put, and has sometimes succeeded in doing so, the matter of foreign cultural production in its free-trade agreements. As Jin argues, the result advantages Hollywood: "Domestic film markets in a number of countries signing FTAs with the US have shown a demise or rapid decline, with only a few exceptions. As the US government and the MPAA expected, countries such as Mexico, Canada, Australia and Korea have lost power in their domestic markets, while Hollywood majors have increased their control on a large scale" (Jin 2011, p.658).

## Hollywood's Depth Strategy

The ability to redistribute income through stagnant output also depends on society at large. The quest of dominant capital to beat a historical average could take place in the midst of widespread indifference, social apathy or passivity, but redistribution through differential accumulation can also spark public resistance, protest or even systemic crisis and systemic fear (Bichler & Nitzan 2010; Kliman 2011; Bichler & Nitzan 2011). For its part in this potentially unstable social environment, major filmed entertainment tends to adopt what Nitzan and Bichler describe as a *depth* strategy. As one of the general means of differential accumulation, the strategies of depth involve stagflation (inflation + stagnant growth) and cost cutting.

The goal of accumulation through depth is to increase the elemental power per “unit of organization”—e.g., increase earnings *per employee*. In Hollywood's case, its strategy to accumulate through depth also involves increasing earnings per film during periods when the rate of film releases is stagnating or even decreasing. During these periods of stagnation, *earnings per film* become central to major filmed entertainment's elemental power. The place of earnings per film in the overall earnings of major filmed entertainment can be presented algebraically:

$$(4.4) \text{ Earnings of MFE} = \text{Films} \times \frac{\text{Earnings}}{\text{Films}} = \text{Films} \times \text{Earnings per Film}$$

More generally, accumulation through depth can trigger and fuel resistance from below because its methods of achieving higher earnings put greater stress on capitalism's social hierarchies and inequalities: a firm might attempt to sell a commodity with a bigger markup; a firm might try to depress industrial production

below its technological capacity to meet social needs; a firm might cut wages or lay off a part of its workforce. These strategies are all contentious and conflictual, making differential accumulation through depth often “uncertain” and “seemingly far more risky than breadth,” the other general means of differential accumulation (Nitzan & Bichler 2009, p.19). By contrast to depth, accumulation through breadth seeks to increase the organizational size of a firm and involves green-field investment and mergers and acquisitions. The socio-political effects of breadth, at least on the surface, are far less confrontational and divisive.<sup>18</sup>

Firms are not eternally bound to either depth or breadth. In fact, Nitzan and Bichler claim that depth and breadth, at least in the U.S. and the U.K., tended to be cyclical strategies in the twentieth century (Nitzan & Bichler 2009, p.384; Francis 2013; Bichler & Nitzan 2013). And this alternation of depth and breadth, along with the pronounced differences between them, can help explain how major filmed entertainment combines strategic stagnation and risk reduction to create and sustain an order of cinema. In the midst of a depth strategy, major filmed entertainment relies on the stability of the social relations that underpin its confidence; its limited number of films might not be sufficient to satisfy the desires and habits of moviegoers. To be sure, mainstream Hollywood cinema is unlikely to fall into crisis when the entire cycle of production, distribution and consumption functions as major filmed entertainment expected—i.e., when the blockbusters that were estimated to be financially successful indeed went on to become big hits on release. Yet it is always possible that consumers will see even fewer films in the

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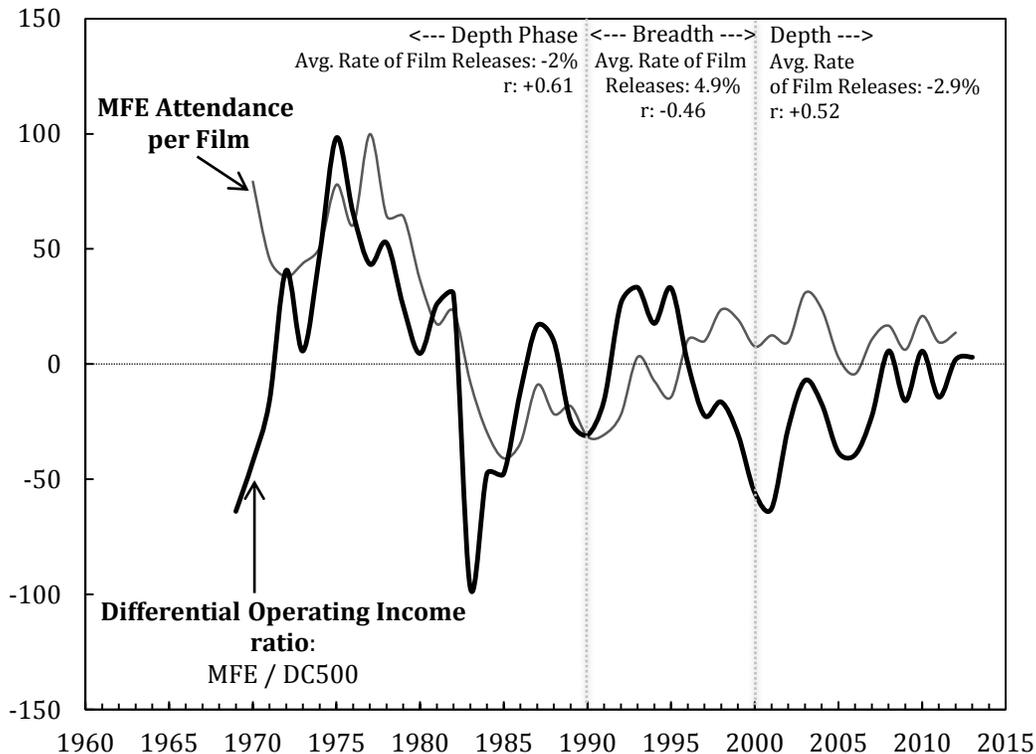
<sup>18</sup> For a detailed comparison between depth and breadth regimes of accumulation, see the “Breadth” and “Depth” chapters in *Capital as Power* (Nitzan & Bichler 2009, pp.334–382).

future, or that they will become tired of how Hollywood concentrates on blockbuster cinema at the expense of so many other possibilities in filmmaking.<sup>19</sup> Like Machiavelli's prince, major filmed entertainment must pursue its own particular goals, but without losing the hearts and minds of its "people." The purpose of "depth" is to achieve this goal: it relies on consumers gravitating to its limited set of films (stagnating film releases), in order to increase its earnings per film.

Figure 4.7 estimates the relationship between major filmed entertainment's differential profits and its reliance on the habits of moviegoers. The darker line measures the average differential operating income of major filmed entertainment (relative to dominant capital as whole). The lighter line measures major filmed entertainment's attendance per film. Both series are expressed as percent deviations from ten-year trailing averages. We are looking at *per film* attendance because we are interested in the prevalent depth strategy behind major filmed entertainment's earnings. In other words, when there is a rise in attendance per film, attendance is rising faster than the number of films released. The figure distinguishes between three different periods, based on the rate of change of film releases in Figure 4.4. This periodization shows a positive correlation for the two depth periods during which major filmed entertainment was generally stagnating its film releases (+0.61 and +0.52) and a negative correlation for the breadth period during which its film releases were rising (-0.46). Moreover, we can use the data

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<sup>19</sup> The potential for the social composition of cinema to shift, possibly to the detriment of investors' expectations, will be given bolder conceptual outlines in the next chapter, when we address the risk of aesthetic overproduction.



**Figure 4.7** *Differential Operating Income and Attendance per MFE Film (Rates of Change)*

Note: Both series are smoothed rates of annual change from their 10-year trailing average.

Note: Attendance per MFE film = Revenues per film/Ticket Price. Ticket Price is a weighted average of three ticket price series, U.S., UK and Japan. The respective weights for each ticket price series--0.76 (U.S.), 0.1 (UK) and 0.14 (Japan)--were based on the historical average size of each cinema market, measured by average yearly admissions.

Sources: COMPUSTAT through WRDS for operating income and revenues of Major Filmed Entertainment, 1950-1992. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2011. COMPUSTAT for the US dollar exchange rates for the British Pound and the Japanese Yen. Motion Pictures Association of Japan ([www.eiren.org/statistics\\_e/](http://www.eiren.org/statistics_e/)) for Japanese theatre admissions and ticket prices, 1955-2012. British Film Institute Statistical Yearbooks ([www.bfi.org.uk/education-research/film-industry-statistics-research](http://www.bfi.org.uk/education-research/film-industry-statistics-research)) for UK theatre admissions and ticket prices, 1960-2011. Box-Office Mojo ([boxofficemojo.com/about/adjuster.htm](http://boxofficemojo.com/about/adjuster.htm)) and NATO Online ([natoonline.org/data/ticket-price/](http://natoonline.org/data/ticket-price/)) for U.S. ticket prices, 1960-2011. Bradley Schauer and David Bordwell, "Appendix: A Hollywood Timeline, 1960-2004," in *The Way Hollywood Tells It: Story and Style in Modern Movies* (Berkeley: University of California Press, 2006), 191-242, for total attendance 1960-2004; <http://natoonline.org/data/admissions/> for attendance 2005-2012.

behind Figure 4.7 to count the number of years in which attendance per film increased during years of stagflation (stagnation + inflation). These computations, presented in Table 4.2, show that this condition fulfilled in 19 years—a full 44% of the total.

| <b>Table 4.2</b>  |          |
|---|----------|
| <b>Depth Breakdown for Major Filmed Entertainment, 1970-2012</b>  |          |
| Number of years in which...   |          |
| ... its total film releases had a growth rate of less than 3 percent from   |          |
| the previous year:  | 27 (62%) |
| ... its attendance per film had a positive growth rate:   | 30 (69%) |
| ... differential ticket price had a positive growth rate:   | 28 (65%) |
| ... all three of the above conditions applied:  | 19 (44%) |
| <p>Note: for differential ticket price, our weighted average of American, British and Japanese ticket prices is converted to U.S. dollars and divided by the U.S. CPI.</p> <p>Note: a 3 percent growth rate, while somewhat arbitrary, was chosen because it means that, for the average year between 1950 and 2012, major filmed entertainment would, when adhering to this growth rate, release no more than five extra films per year. If we only count the years between 1970 and 2012, a growth rate of 3 percent would only, on average, produce four new films per year. By contrast, during the breadth phase between 1991 and 1999, the output of major filmed entertainment had an average growth rate of roughly 36 percent. This meant that, for some of the years, major filmed entertainment added more than 10 extra films to its yearly output. For 1995, its level of output was 45 more films than in 1994.</p> <p>Source: see notes and sources for Figure 4.7</p> |          |

### **Conclusion: Moving Forward**

In this chapter we set the stage for the rest of Part II. Having moved step by step through some of the more technical details of the capital-as-power approach, we can now state the main objective of Part II in a more conceptual language:

*Main Objective, version 2:* Analyze the role of differential risk in the differential accumulation of major filmed entertainment.

The rest of Part II will research the role of risk in the Hollywood film business in two ways. First, we are interested in the quantitative dimension of major filmed entertainment's risk reduction strategies. From this perspective we look to find empirical evidence of what major filmed entertainment has been able to achieve in the film sector. Moreover, measures of *differential* risk can explain the intensity of major filmed entertainment's behaviour—it seeks a high degree of confidence in its ability to redistribute income faster than others, including other dominant capitalists and society at large. Second, sections of Part II seek to understand how the aesthetic and social dimensions of cinema were affected by major filmed entertainment's push to reduce risk. By linking our study of differential risk to a historical and theoretical study of Hollywood cinema, we can connect major filmed entertainment's financial goals to the strategic sabotage of social creativity.

## Chapter 5

### The Risk of Aesthetic Overproduction

#### Introduction

The capitalist structure of Hollywood might not extinguish every flame of creativity from its film projects, but the interests of business leave scars and bruises on the aesthetic dimension of Hollywood cinema. Contemporary filmmaking is organized such that the major Hollywood firms have a particularly dominant position in film distribution. This position enables the biggest film distributors and the other business interests involved, like banks that offer financing and firms that are looking for licensing and merchandising opportunities, to stand between film production and the market (Wasko 1982). As a consequence of this feature, some film projects, on account of their subject matter or style, can be effectively withheld from the market because no major firm will purchase the rights to distribute them. A film project may be able to find financing, but under a contract that stipulates conditions about form, content, budget, cast, crew, etc. A film can be produced, but management will have a role in the direction and pace of creation. And if business interests are still sceptical about their investment in potentially chaotic artistic creativity, the right of film ownership often includes the right of “final cut,” i.e., the right to modify a film before it is released but *after* the director presents his or her final version (Bach 1985).

But must the dominant Hollywood firms purposefully stand between the professional filmmaker and the moviegoer? Is the answer to this question binary, or is there an issue of *extent* here? To what degree should the business of film

distribution shape and limit the social creativity of filmmaking? How is that degree determined?

This chapter analyzes the structure of Hollywood film distribution through the lens of risk. In both its technical and conceptual senses, risk is relevant to the study of how Hollywood, as a business, utilizes social creativity. The conventional wisdom is that cinema is a very risky business enterprise, which means that even the biggest Hollywood firms are uncertain about their financial success (a point that will be elaborated in Chapter 6). Yet, Hollywood appears to have devised strategies to limit and restrict social-historical creativity, strategies that enable it to reduce the possibility that the future of culture will be radically different from what capitalists expect it to be. This making of order does not eliminate risk entirely. Rather, from the perspective of capitalization, the industrial art of filmmaking and the social world of mass culture can be made *sufficiently* orderly for film projects to be weighable and calculable. Under such historical conditions, estimations of a film's social significance can, with a degree of confidence, be translated into concrete expectations about future streams of income. Furthermore, certain strategies affect risk perceptions as much as they affect earnings: the repetition of genres, sequels, remakes; the cult of movie stars; the institution of false needs and wants through the sales efforts of business; and the dual ability to make movies resonate with *established* desires and to ready the industry of filmmaking for potential changes in social desire.

In the interest of lowering risk, Hollywood firms attempt to predetermine how new films will function in an already instituted order of cinema, which includes

the creativity of filmmakers and the habits of moviegoers. For instance, if a major studio is trying to determine, with some degree of certainty, the potential theatrical attendance for a new romantic comedy, there is a benefit if the larger social relations of cinema in which this comedy is embedded—both the creation and consumption of films—are determinable because they are orderly. And if the social relations of cinema are determinable because they are orderly, Hollywood’s biggest distributors can then select and capitalize upcoming film projects with a greater degree of confidence.

The first part of this chapter analyzes how the pace and direction of social creativity has a bearing on major filmed entertainment’s degree of confidence, which refers to the ability of capitalists to make predictions about future earnings. It also examines how major filmed entertainment strategically calibrates its effect on the social creativity of cinema—how it controls the pace and direction of filmmaking but without suffocating it completely.

The second part argues that the repetitive, habitual qualities of Hollywood cinema are a defence against the possibility of *aesthetic overproduction*. Importantly, the term “overproduction” is being used in the same way that Veblen uses it. Aesthetic overproduction is the language of business, not art; it occurs when aesthetic decisions undermine the profitability and capitalization of a film, regardless of how they shine in the light of aesthetic, cultural and political judgment.

The third part applies the concept of aesthetic overproduction to a period of Hollywood when creative self-censorship was not only prevalent, but also openly advertised to placate the moral outrage emanating from parts of the United States

and the rest of the world. The Production Code Administration (PCA) era of Hollywood (1934-1950) and the public scandals that led up to the publication of the Production Code (1920-1930) are interesting examples of risk and capitalist power. As much as Hollywood was initially forced to react to growing public displeasure about the sex, violence and immorality in its films before 1930, the PCA and the moral proscriptions of the Production Code became convenient quality-control systems. They bounded the creative desires of filmmakers and the expectations of audiences to the same rules about the aesthetics of cinema.

### **The Social World of Cinema and the Capitalist Desire for Order**

A film's relationship to other films and the social habits of consumers, who watch some films at the expense of others, automatically produces a simple financial order. This process is automatic under capitalism because, at any given time, the composition of the cinematic world can be stratified according to the quantities of a universal language: price. For example, one can go to a website like [boxofficemojo.com](http://boxofficemojo.com) and arrange the world of cinema according to box-office gross revenues, where the biggest theatrical grosses are at the top and the lowest are at the bottom. The same financial stratification is implied when a film is capitalized. When a film is given an expected theatrical revenues plateau (e.g., \$20 million, \$70 million, \$300 million), the Hollywood film business is making an estimate about the future popularity of the film (Litman 1998, p.44). This financial estimate automatically positions a film among other films. The meaning of \$200 million

expected revenues, for example, is relative, as it depends on how other contemporary film projects are capitalized (McMahon 2013).

A more substantial concept of order includes the social actors and institutions that can, to differing degrees, have an effect on the financial stratification of films. There are firms that try to boost their investments through advertising and public relations. There are film critics and media personalities who can extol some films and criticize others. There are consumers who prefer certain types of films over others, or maybe they want to use their leisure time for something other than cinema. This more substantial concept of order also includes the form and content of films. The films at the top of the financial pyramid may touch upon common themes, or adopt similar cinematic styles. The financial order of cinema may also be stratified according to how society values the political function of art. If people expect art to be more entertaining than confrontational, it could be difficult or impossible for politically contentious subjects, like abortion, or traumatic human behaviour, like genocide, to be top performers financially.

This more substantial order of cinema frames the risk perceptions of major filmed entertainment. When some aesthetic qualities of cinema are perceived as riskier investments than others, Hollywood has a *financial* interest to be strategic about which expressions of human creativity it will affirm and which expressions it will mould, shape, modify or even deny. This same strategy manifests itself when some film projects are given bigger budgets than others—some ideas, regardless of their artistic value, will never be profitable if production costs grow to the size of a Hollywood blockbuster. Hollywood also needs to account for the possibility that the

behaviour and attitudes of moviegoers can change. A popular film might inspire a wave of sequels or copycats—but is mimicking past financial successes always an effective strategy?

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

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

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

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

The changing values of cultural and political meaning are not simply external factors that stand outside the reach of corporate strategy. Rather, a firm's labour force can be so innovative and original that its creativity undermines the pecuniary value of

older assets—they are suddenly “out-of-date” because artistic labour has inaugurated a new cultural environment (Earl & Potts 2013).

On the problem of treating a film as a long-lived asset, Stephen Prince is correct to argue that part of the uncertainty relates to the technological changes in distribution (theatre, VHS, DVD, etc.). “Determining the profitability of a given film,” writes Prince, “can be an elusive undertaking because so many revenue sources figure into this determination...” (Prince 2000, p.xx). However, part of the reason that so few films are released into the public domain, regardless of technological changes, is that every significant shift in social-historical relevance gives major filmed entertainment another opportunity to re-capitalize its old film property. The tragic death of an actor can make his or her filmography popular again (on DVD); a new channel of TV distribution, like Turner Classic Movies, can open future income streams for films that have not been distributed in decades; or, genres, like science fiction and musicals, can suddenly rebound in significance. These examples contextualize the valuation of film libraries, which are often key assets in the mergers and acquisitions of media conglomerates (Vogel 2011; Kunz 2007).<sup>1</sup> Indeed, *Casablanca* is still an asset (for Time Warner), and would expectations about its future earnings not incorporate its mythological position in popular histories of cinema? How would one re-capitalize *Casablanca* if the American Film Institute, in its next round of publishing lists of great American films, knocked this film down in rankings, or removed it completely from “AFI’s 100 Years... 100 Movies”?

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<sup>1</sup> For a selection of important film library transfers between 1957 and 2010, see Vogel (2011, pp.104–105).

Although changes to the order of cinema occur infrequently, they can be so abrupt that great uncertainty surrounds the capitalization of film property. One such abrupt change was the transition from silent film to sound in the late 1920s. For example, uncertainty over whether silent films would still have a place alongside “talkies” forced Albatross, a medium-sized French company, to temporarily stop all film production, as it was unable to price its own property:

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

Although the uncertainty caused by the advent of sound cinema had a less severe effect on the studios that actively developed sound technology than it did on Albatross, it affected them as well.<sup>2</sup> Because the aesthetics of sound cinema were still too open-ended during its nascent period, the major studios agreed to place a temporary moratorium on their own research and development. To really pursue sound cinema as a business enterprise, Hollywood studios first needed to decide if they were going to export American “talkies” in English, or whether they would be more accommodating to the languages of other countries.<sup>3</sup> Just as significantly, they did not yet know what a sound film should even look like (Hanssen 2005, p.102).

Music and sound effects could be retrofitted onto films that were originally silent; a

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<sup>2</sup> In a partnership with Western Electric, Warner Brothers was developing a “sound-on-a-disc” system in 1926. The Fox Film Corporation, which was to merge with Twentieth Century Pictures in 1935, was the first to develop a means of putting sound on film stock (Hanssen 2005, p.90).

<sup>3</sup> As Kristin Thompson notes, “In early 1928, Louis B. Mayer declared that he was not worried [about the language problem]; he assumed that the popularity of American films would lead to the use of English as a universal language” (Thompson 1985, p.158).

film could be released in two versions, one silent and another in sound; or a film could be silent for the majority of its running time, except for a few scenes that have dialogue or singing (e.g., *The Jazz Singer*).

Certain journalists have been fortunate enough to witness how the risk of social significance manifests on a film set or the studio lot, when studio executives, producers and directors argue over the form and content of film projects. In Lillian Ross's *Picture*, a book that was a product of her reporting on the filming of *The Red Badge of Courage*, we find the recurring theme of the conflict between creativity and risk.<sup>4</sup> Many of the daily struggles over filming *The Red Badge of Courage* were the consequence of MGM's uncertainty about whether Americans in 1951 were even interested in seeing a film version of an 1895 book about the Civil War (Ross 2002). John Gregory Dunne spent one year investigating the workings of Twentieth Century-Fox in 1967. One of Dunne's stories is crass yet illustrative of how even the smallest details of a film can become subject to risk perceptions. Dunne describes a meeting at which Twentieth Century executives were talking about the studio's plan to distribute *Tony Rome* in Israel. The film, a detective story starring Frank Sinatra, is heavy on American slang. Two people in the meeting, Harry Sokolov and Stanley

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<sup>4</sup> Reporting on the MGM's filmed adaptation of *The Red Badge of Courage*, Ross intelligently focuses on Gottfried Reinhardt, the producer of the film. Being half-artist and half-manager, the struggle between art and commercial interests was acute for Reinhardt. In 1951, with *The Red Badge of Courage* yet to be released, and with MGM growing anxious over the film's expected profitability, Reinhardt described his experiences in the food chain of managers and artists: "[Louis B. Mayer, the head of MGM,] says to me the picture is no good because there is no story. I tell him we are adding narration to the picture, but he says narration won't help what isn't there. L. B. is a dangerous man. If you're his enemy, he destroys you. If you're his friend he eats you.... I don't know why it is; every time I go to lunch, I have to run into L. B. Today, on my way to lunch, he came at me like a battleship: 'Mr. Reinhardt!' Then he told me the same things all over again. 'Why don't you want to make a hit? Why don't you want to make money for the studio?' Today I said to him, 'When John Huston [the director of *The Red Badge of Courage*] comes to me and says he wants to make a picture, I am honored. You hired him. I didn't.' He didn't hear me. He talks about the picture as though it were refrigerators" (Ross 2002, p.210).

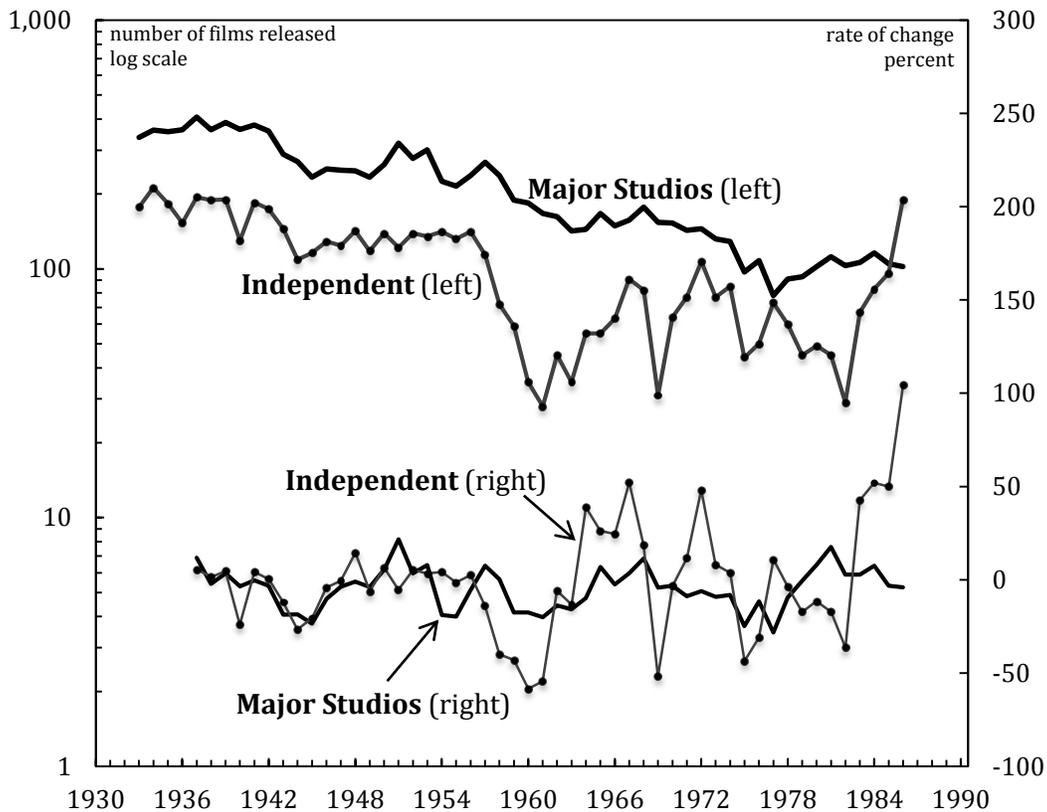
Hough, were concerned that much of the dialogue would not resonate with an Israeli audience. Richard Zanuck, who at the time was executive vice president in charge of worldwide production, worried less about the translation of English dialogue to Hebrew. He felt it was always possible to “dub it in local slang.” As Dunne then notes, Owen McLean, the head of casting, remained uneasy about a scene he feared was untranslatable: “... there was a scene in the picture based on the *double-entendre* of an old woman calling her cat a ‘pussy’” (Dunne 1998, p.154).

Uncertainty about the effectiveness of a *double-entendre* is not an insignificant concern. In fact, a PricewaterhouseCoopers report gives us a sense of how a shift in what is considered funny or entertaining can create real financial problems for those who are on the hook for a film’s costs. A change in the world of cinema can cause a “pre-release” write-down, which happens when the costs of the film become larger than its future expected earnings. As the report states, “pre-release write-downs generally occur when there is an adverse change in the expected performance of a film prior to release.” Of the five examples about what can adversely change the future expectations of an individual film, four relate to the social relations of cinema:

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

It is also possible to speculate as to how quantitative changes to the order of cinema affect risk perceptions. Figure 5.1, for example, compares the output of

major studio film distribution in the United States with independent U.S. distribution from 1933 to 1986. The two bottom series are rates of changes from five-year trailing averages. What we see is a noticeable change to the pattern of independent film distribution from the late 1950s onwards.



**Figure 5.1** *U.S. Films Released, 1933 – 1986 (Numbers and Rates of Change)*

Note: Both rates of change series are presented as percent changes from 5-year trailing averages.

Source: Joel W. Finler, *The Hollywood Story*, 3rd ed. (New York: Wallflower Press, 2003) 376-377, for independent releases and MPAA releases from 1933-1986.

On its own, Figure 5.1 cannot tell us how risk perceptions changed in this era; it can, however, help us visualize how the composition of American film distribution has changed over time, which is in turn relevant to risk perceptions. For one thing,

the new size and pattern of independent film releases from 1960 to 1986 is a sign of the transformed relationship between major filmed entertainment and independent filmmakers. Up until the 1950s independent filmmaking appears to have been “stabilized” by its marginalization from the studio system, which had the power to keep independent fare out of America’s premier theatres. After a 1948 Supreme Court decision forced Hollywood’s major studios to begin divesting of their theatre holdings, independent cinema’s film releases fluctuated much more on account of new opportunities to exhibit films in mainstream theatres. As Schatz describes, major filmed entertainment also changed its strategies by financing and distributing certain independent productions:

Adopting and modifying the UA model, the studios concentrated on financing and distribution rather than production. Lacking the financial resources and contract talent to mass-produce movies for a declining market they no longer controlled, the studios now relied on independent producers to supply “packaged” projects that the studios would “green light” for production, putting up some portion of the budget in exchange for the distribution rights, and often leasing out their production facilities as well. This meant ceding creative control to independent producers and freelance directors, and also to top stars whose “marquee value” gave them tremendous leverage and a share of the profits. (Schatz 2008, p.16)

### **The Threat of Aesthetic Overproduction**

Major filmed entertainment’s control of film distribution is not simply about the level of future earnings. Confidence, or low risk perceptions, derives from major filmed entertainment’s ability to be the ultimate arbiter of the future of cinema. If major filmed entertainment is unable to stand between the filmmaker and the consumer, the administered relationship between the aesthetic dimension of

cinema and established social meaning breaks down, risk perceptions rise and capitalization tanks.

Risk perceptions cannot overlook the aesthetic dimension of cinema because each decision about film design has an effect on the overall degree of confidence. Nitzan and Bichler's argument about the eye of capitalization explains why a film's many qualities—e.g., its genre, style, story, cast, director, production quality—and its possible resonance with established cultural and political attitudes would all be “integrated into the numerical architecture of capital”: many dimensions of cinema can impact “the level and pattern of capitalist earnings” (Nitzan & Bichler 2009, p.166). The Hollywood film business may or may not succeed in creating an order of cinema through the control of filmmaking—that is yet to be determined empirically—but, according to its own logic, it must translate the political, cultural and aesthetic qualities of cinema into the quantitative and forward-looking logic of capital.

A film project is translated into the logic of capital in its germinal stages, well before the first day of filming. Expectations about future earnings are being discounted to present prices when some scripts are sold while others are ignored, when some projects are properly developed while others sit idle and when some projects are produced while others never make it out of “development hell.”<sup>5</sup> As Janet Wasko points out, in contrast to popular belief, “Hollywood films do not begin when the camera starts rolling, but involve a somewhat lengthy and complex

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<sup>5</sup> A project is in “development hell” when “a script is in development but never receives production funds” (Wasko 2008, p.53). In his “how-to” book about film financing, Michael Wiese estimates that major filmed entertainment produces one film for every 50 projects that remain forever in purgatory (Wiese 1991, p.32).

development and pre-production phase during which an idea is turned into a script and preparations are made for actual production followed by post-production” (Wasko 2008, p.43). A project begins as a film concept, usually in the form of a full script in its first draft. If approved by management, the project then goes into development, which is still far from the production stage (Wasko 2008, p.45). In development, the film concept is polished, the script is edited and re-edited, sometimes even rewritten completely, and producers and agents start talking about the film’s possible “players” (main cast and director).

Risk perceptions permeate all along the line because a calculation of the expected earnings of cinema must work with, and sometimes in spite of, another logic: the logic of art. More specifically, the Hollywood film business must determine how it will *strategically* sabotage the creativity of those for whom cinema is primarily an art form. Such a characterization of social creativity is not meant to suggest that every artist or moviegoer is critical of the creative limits that are imposed by business.<sup>6</sup> Instead, the industrial art of filmmaking, with all of its aesthetic qualities, puts the Hollywood film business in a particular business-industry relationship, with specific features that cannot be ignored. The ways and means of any particular business-industry relationship depend on the *type* of industry being controlled by business.

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<sup>6</sup> As was visible in Powdermaker’s anthropological study of different jobs in Hollywood, there is a mixture of attitudes about the aesthetic value of Hollywood film production. Some of the interviewees seemed not to care about the ideals of art at all. Rather, fame was their main concern. For others, especially screenwriters who had originally hoped to become successful novelists, Hollywood cinema was perceived more as a mediocre art form (Powdermaker 1950).

The freedom of cinematic art to evolve in unforeseen ways can potentially threaten the financial goals of major filmed entertainment. Creativity is a wild animal, and major filmed entertainment wants to harness it in order to develop, finance, produce and distribute the “right” set of films. In this sense, “right” and “wrong” both refer not to aesthetic standards but to earnings. Fundamental to capitalist investment is the confidence that, if needed, firms are able to steer social creativity in new directions, *but with investors never losing control*.

If we imagine for argument’s sake that the control of social creativity is *unnecessary* for capitalist ends, it will seem that film studios make bad films because they lack “creative” labour. Instead, however, the repetitive, even cautious, quality of Hollywood’s imagination indicates that the film business *aims* to keep creativity in the film industry within a limited bandwidth. In its own way, a 2003 article in *The Economist* recognized that unharnessed artistic creativity troubles the Hollywood film business. The article characterized the business-industry struggle in Hollywood as that between “suits” and “ponytails”:

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

Of course, there are historical examples of business dictating that filmmaking travel in one direction when it should have, in business hindsight, taken another. For instance, the popularity of *The Sound of Music* (1965) was mistakenly taken as a sign that the major studios should say “Yes!” to more musicals when, outside of Hollywood, radical changes to the political values and cultural attitudes in America

were pointing in a very different way. To be sure, eventually Hollywood would come to its business senses and enthusiastically embrace the 1960s student, civil-rights and anti-Vietnam War movements,<sup>7</sup> but not before releasing a long string of unpopular musicals: *Camelot* (1967), *Doctor Dolittle* (1967), *Chitty Chitty Bang Bang* (1968), *Hello, Dolly* (1969), *Paint Your Wagon* (1969), *Star!* (1968), *Sweet Charity* (1969) and *Darling Lili* (1970). The financial failure of *Darling Lili* was particularly bitter: in an explicit attempt to re-exploit *The Sound of Music*, *Darling Lili* stars Julie Andrews, who plays a singing spy in the First World War (Cook 2000, p.12).

Business decisions about the form and content of Hollywood films are haunted by the spectre of *aesthetic overproduction*. Two things about the concept of aesthetic overproduction should be noted immediately. First, the term is my own tailoring of Veblen's generic concept of "overproduction." Second, overproduction applies "not to the material, mechanical bearing of the situation, but to its pecuniary bearing" (Veblen 2006c, p.215). Thus, overproduction does not mean that the material and intellectual capacities of a workforce are overtaxed, nor does it mean that a community is physically or mentally unable to consume what is in supply. Overproduction is a "question of prices and earnings"; it refers to a level or type of production that is inexpedient *purely* on "pecuniary grounds." Aesthetic overproduction is itself a consequence of how the business accounts of art "are kept in terms of the money unit, not in terms of livelihood, nor in terms of the serviceability of the goods, nor in terms of the mechanical efficiency of the industrial or commercial plant." Thus, regardless of what a film project could mean in political

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<sup>7</sup> Chapter 6 of this dissertation analyzes how Hollywood briefly embraced New Wave Cinema and the political ideals that inspired it.

terms, or regardless of the potential for creative film design to strengthen the social importance of cinema, film projects are, like other assets, “capitalized on the basis of their profit yielding capacity” (Veblen 2006c, p.85).

In the case of Hollywood cinema, the threat of aesthetic overproduction cuts across the spatial and temporal divisions between film production, distribution and exhibition.<sup>8</sup> Indeed, the business interests of Hollywood might glimpse the spectre of aesthetic overproduction well before a film is completed and distributed. For instance, the brevity of Hollywood “pitch” meetings, which determine whether a film project will even get funds for production, is a pre-distribution hurdle that many film ideas have to clear (Elsbach & Kramer 2003). What is said or left unsaid during a pitch meeting can foreshadow the uncertainties of acquiring, developing, producing and then distributing a project that is potentially too “weird” or “complex” for an audience (Wyatt 1994; Mamet 2007). Conversely, the financial failures of distribution can go back upstream and define aesthetic overproduction for those readying new film projects. The infamous failure of *Waterworld*, for instance, serves as a sober warning for those who think a new project has all the “right” elements for high grosses—e.g., big movie star, lots of action, expensive and elaborate sets.

The threat of aesthetic overproduction tells us a few things. First, the *autonomous* creation of new social significations is, in general, antithetical to capitalist interests. Again, the potential for artists to openly redefine the meaning

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<sup>8</sup> The spatial and temporal divisions between production, distribution and exhibition are, nevertheless, still relevant to strategic sabotage. In this regard, Aida Hozic’s analysis of how the control of film production significantly changed when filmmaking started to move from studio lots to location shooting is relevant (Hozic 2001).

and ends of art does not threaten cinema as a cultural-political activity—free from the repressive demands of business enterprise, cinema could support a political project of open, democratic cultural creation (Holman & McMahon 2015). Yet the unpredictability and openness of artistic creation can undermine the instrumental calculation of expected future earnings. The capitalization of film falls apart if either the *telos* of a film or its relationship to an already instituted social imaginary is obscure to the point of being non-determinable.

Second, major filmed entertainment has a real incentive to sustain a form of cinema that is conservative because it is repetitive and formulaic. Even if there is a technological/anthropological capacity for the art of filmmaking to go well beyond the “limits” that are imposed in Hollywood cinema, guideposts like the star system and film genres help keep everybody involved from veering too far off the well-beaten path. To be sure, these guideposts are not meant to suffocate all forms of artistic innovation—film production requires large amounts of creative and technical skill. Rather, genre and the Hollywood star system “save” filmmakers the trouble of yearning for, and then abandoning, unconventional filmmaking techniques that could jeopardize distribution with one of Hollywood’s dominant firms (Rosenbaum 2000).

This foreclosure of alternatives through institutional norms is a defence against the first point, the potential for autonomous creation. By obeying its own instituted formulas of filmmaking, Hollywood reinstitutes the “canonical and vacuous tautology” that is, according to Castoriadis, hidden within many notions of creativity. Social institutions often define the ends of human activity in such a way

that “the new is no more than the actualization of a possible which was given (to whom?) from the start...” (Castoriadis 1984a, p.234). For Castoriadis, this version of creativity is less threatening to an established social order because the *radical* creation of new forms is denied. Rather, human imagination is limited to imitative production; the scope of creativity is bounded by an already existing Form or Idea (Castoriadis 1998, p.197).

Third, the repetitive nature of mass culture, of which Hollywood is a central part, is about more than ideology. Risk perceptions partly determine the level of capitalization, and confidence about the size and pattern of expected earnings is likely to increase if moviegoers had a predilection for only a narrow range of film types. The threat of aesthetic overproduction is a strong reason why the Hollywood business has a vested interest in effectively “pre-selling” new films through stylistic repetition. When Hollywood repeats itself, the “new” already has, in the eyes of a habituated moviegoer, a familiar, pre-digested quality (Maltby 2003). This cycle of repetition also explains why independent filmmakers will sometimes vocalize their opposition to having films appeal to the sensibilities of the average audience. Making films “for only themselves” or “for nobody” is a form of symbolic resistance to all that is implied when Hollywood says it makes films to “please an audience” (Ortner 2013, pp.51–53).

Fourth, if the underlying identity between creation and consumption is firmly rooted in capitalist power, Hollywood gains additional flexibility about what types of films it will make. As Adorno recognized, the ideology of mass culture can become “as internally antagonistic as the very society which it aims to control”

(Adorno 2004e, p.181). In the last few years, for example, Hollywood has demonstrated that it has no problems showing rape, poverty, racism and violence on the silver screen. As long as these cinematic representations of an unjust reality have a determinable relationship to the habits and attitudes of an audience, the cultural representation of social contradictions is not antithetical to the goal of profit. Mass culture's weak impact on real social contradictions is consistent and, therefore, predictable with respect to risk perceptions.<sup>9</sup>

### **Reducing the Threat of Aesthetic Overproduction, 1920 - 1950**

What constitutes aesthetic overproduction is historically specific, just as the exercise of strategic sabotage is contextual. We have, as a good example, film production and distribution under the classical studio system (1920-1950).

As Richard Maltby notes in his history of the 1930s, the oligopoly of the Hollywood studio system used institutional power to exert a form of "generic pressure, comparable to the pressure of convention in a romantic comedy or a Western" (Maltby 1993, p.70). The two main institutions were the Motion Picture Producers and Distributors of America (MPPDA) and the PCA, and both were created by the major studios. Having created these institutions, the major studios were able to define American cinema with one hand and dictate the terms of socially acceptable filmmaking with the other. The risk of aesthetic overproduction was

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<sup>9</sup> Marcuse finds a similar relationship between cultural representation and social antagonisms in bourgeois art of the eighteenth and nineteenth centuries (Marcuse 1968, p.96ff.).

reduced to the extent that, under these circumstances, new film projects had to fit within a narrow moral and political spectrum.

For the American firms that were beginning to establish the Hollywood studio system—Warner Bros., RKO, Loew’s Inc., Fox Film and Paramount—events of the 1920s had a great influence on the type of entertainment they would sell for the next 30 years. Around the start of this decade, these “Big Five”, along with the “Little Three” (Columbia, Universal and United Artists), successfully supplanted both the Motion Pictures Patent Company (a.k.a. the Edison Trust) and the French firms that had a large market share of American distribution before the First World War (Bakker 2005). The initial success of the new film business in Hollywood, California, however, was undermined by a series of public-relation problems. First, Hollywood experienced its inaugural wave of publicized scandals. In roughly the same period, Mary Pickford divorced her husband to marry Douglas Fairbanks, Wallace Reed overdosed on heroin and, most notoriously, the comedian Fatty Arbuckle was charged with the manslaughter of Virginia Rappe (Maltby 2003, p.404). A second problem was American anti-Semitism. Many of Hollywood’s original founders were Jewish immigrants from Europe, and their successful creation of a West Coast film industry had made the film production patents of the Protestant-owned firms in New York irrelevant. Prejudiced critics of this change attempted to connect the ethnicity of Hollywood’s founders with the perceived immorality of its cinema’s content. Consequently, studio founders like Carl Laemmle and Adolf Zukor found themselves in the court of public opinion because the films they produced and the foreign films they imported were not “self-censored.”

Overall, cities and towns across America reacted conservatively to Hollywood's first boom. The city of Chicago, for example, conducted hearings about the effects of cinema on crime and juvenile delinquency.<sup>10</sup> State, regional and municipal censor boards were also being put in place to clean up Hollywood films before they were exhibited; because of a 1915 Supreme Court decision about the inapplicability of the First Amendment to film, these boards had a constitutional right to cut or ban films within their jurisdiction (Maltby 1993, p.42).

Scandals, anti-Semitism and public outcries about violence and immorality in Hollywood films were not the only precursors to the PCA and the MPPDA. The U.S. government of the time was interested in the international export of American cinema. Yet, from its very beginning in the mid-1910s, this Hollywood-Washington partnership was strained by the "immoral" content of Hollywood films:

During World War I, the Committee on Public Information (CPI) coordinated boycotts against the showing of entertainment produced by the Central Powers. Working through the War Trade Board (WTB), CPI leader George Creel deftly banned export of Hollywood entertainment to those theatres continuing to show German films. He also threatened similar sanctions against those theatres reluctant to show CPI newsreels. Grateful for state intervention against their German competition, the leadership of the U.S. film [business] understood that Creel's program entailed costs: in particular, his obstinate denial of export licenses for any thrillers dealing with the desperado Jesse James, the skull-cracking bouncer Harry "Gyp the Blood" Horowitz, and themes of the sordid side of North American life. (Trumpbour 2002, p.63)

The international relations of Hollywood cinema continued to run into problems in the 1920s. In 1922, Mexico placed an embargo on the importation of U.S. films, and Spain and Latin America criticized Hollywood's stereotyped representations of Hispanics (Trumpbour 2002, p.28). Hollywood films had also become unwelcome in

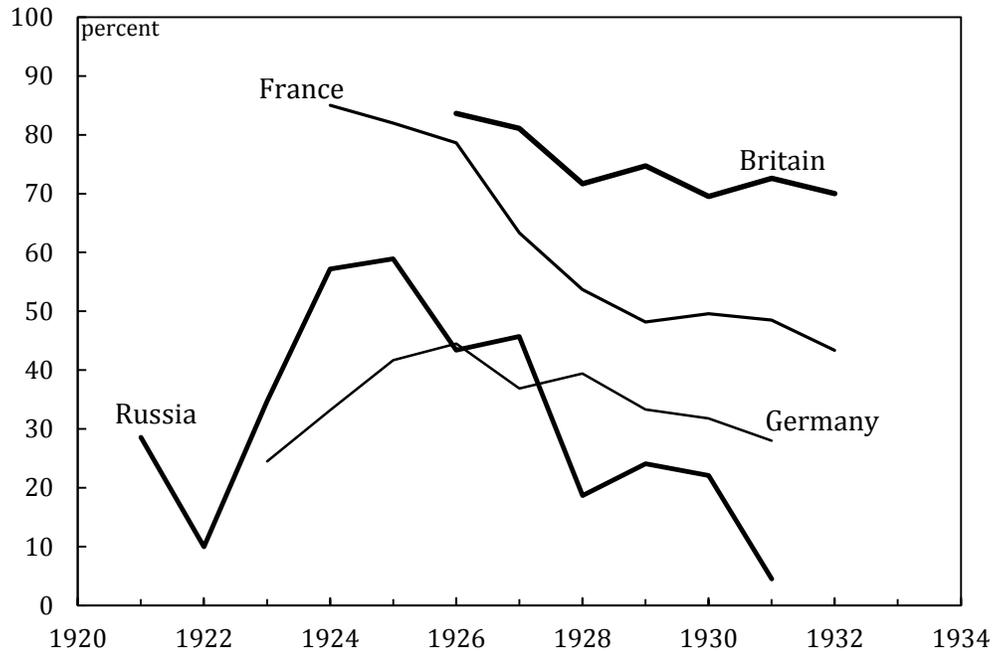
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<sup>10</sup> There were also two attempts to found film production and distribution trade associations after the Edison Trust was dissolved in 1915—the Motion Picture Board of Trade in 1915 and the National Association of the Motion Picture Industry in 1916 (Trumpbour 2002, p.23).

Europe. For instance, elites in Europe felt that Hollywood created problems for “European rule in colonial dominions by showing the white man, particularly figures of authority, in scenes thought likely to elicit responses of contempt and ridicule” (Trumpbour 2002, p.18).

European countries also established film-quota laws to marginalize American cinema and promote domestic film production instead. Other authors have done an excellent job researching this particular subject in great detail (Thompson 1985; Trumpbour 2002). As a graphical summary of some of this research, Figure 5.2 gives us a picture of how the institution of new film quotas in Britain, France and Germany, and the development of Soviet cinema, reduced Hollywood’s share of foreign markets in the 1920s and early 1930s.

Hollywood’s major studios erected two new institutions to handle these mounting domestic and foreign problems. The first institution was the MPPDA, founded in 1922. The studio heads appointed Will H. Hays, former chairman of the Republican National Committee and the postmaster general under President Harding, as its head. Hays worked with the State Department and U.S. consulates to strengthen Hollywood’s international presence (Trumpbour 2002, p.65). The MPPDA also had the task of reorganizing the business-industry relationship in light of Hollywood’s domestic controversies. Soon after joining the MPPDA, Hays began designing an institutional apparatus that would enable major studios to pre-censor social creativity in their own film industry.



**Figure 5.2** Share of American Films in Foreign Markets, 1921-1932

Source: Thompson, Kristin. *Exporting Entertainment: America in the World Film Market, 1907-34*. London: British Film Institute, 1985.

The embryo of the second institution, the PCA, was born in 1924, when Hays drafted production guidelines to keep filmmaking away from social taboos. In 1927, these guidelines were transformed into a list of “Don’ts and Be Carefuls,” which was used by the MPPDA’s Studio Relations Committee. The Studio Relations Committee, headed by Jason Joy, was an important predecessor of the PCA. The Studio Relations Committee was only able to make recommendations about Hollywood’s behaviour; this often-criticized weakness, however, quickly demonstrated to the major studios that they had, in the moral climate of the 1920s and 1930s, a political economic interest in enforcing harder rules about socially acceptable content.<sup>11</sup>

<sup>11</sup> I am, for the sake of space, glossing over the reasons why the Social Relations Committee proved to be ineffective in its advisory role. For a detailed history that presents the nuances of the evolution from a pre-PCA Hollywood to a PCA Hollywood, see Maltby (1993, pp.41–48).

The PCA was not established until 1934, but its Production Code was first drafted in 1930 by Joy, Irving Thalberg and one of Hollywood's most public protesters, a Jesuit priest named Daniel Lord. An indirect contributor was Martin Quigley, the founder of a trade periodical called the *Motion Picture Herald*. Together, but with Lord's version winning over Thalberg's less "moralistic" version, they published *The Motion Picture Production Code* in March 1930. The Production Code provided guidelines about how films should represent subjects such as murder ("revenge in modern times shall not be justified"), adultery ("must not be explicitly treated, or justified, or presented attractively"), and religion ("no film or episode may throw ridicule on any religious faith"). The Production Code also stated that *all* Hollywood filmmaking would adhere to a general moral spirit, which was embodied in three principles:

1. "No picture shall be produced which will lower the moral standards of those who see it. Hence the sympathy of the audience should never be thrown to the side of crime, wrongdoing, evil or sin."
2. "Correct standards of life shall be presented on the screen, subject only to necessary dramatic constraints."
3. "Law, natural or human, should not be ridiculed, nor shall sympathy be created for its violation." (Anon 2003b, p.594)

The ability to sabotage autonomous and creative filmmaking in the spirit, rather than the letter, of the Production Code pleased both Lord and Quigley. Both felt that social and political problems, like divorce and communism, could find their way into films that were otherwise "clean" and "correct" in their small details (Maltby 1993, p.50).

From 1930 to 1934, the Code was not enforced, but was instead used as a guideline in consultations between the MPPDA and individual movie producers and

directors. The transition from consultation to enforcement began when Joseph Breen, the future head of the PCA, came to Hollywood. First hired by the MPPDA to oversee its public relations, Breen strongly agreed that the Production Code should be made enforceable.<sup>12</sup> He, along with Quigley and Lord, hurried the moral crisis around Hollywood films. All three of them formally worked for Hollywood, but they helped build controversy by urging Roman Catholic groups in major American cities to threaten boycotts of Hollywood films. An actual boycott took place in Philadelphia, and the Legion of Decency, a Roman Catholic organization headed by none other than Daniel Lord, publicly claimed that it had 7 to 9 million Catholics committed to a nationwide boycott.

This “moral crisis” in Hollywood boiled over in 1934. In response, the MPPDA renamed the Social Relations Committee as the Production Code Administration, and Hays made Breen its director. With the consultation of the Legion of Decency, Breen would oversee the review of all scripts and each major studio agreed to only release a film for distribution if it had a PCA certificate, which would be displayed on every film print. Distribution without a PCA “seal of approval” would result in a \$25,000 fine for the studio involved (Maltby 1993, p.61).

### **What Type of Institution was the PCA?**

Histories of this period of Hollywood tend to portray the PCA as a puritanical institution that limited the potential of filmmaking in order to protect Christian

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<sup>12</sup> Breen’s private letters reveal that his anti-Semitism and overall distaste for Hollywood fare fueled his strong support for the Production Code. Short quotations from his correspondence can be found in Wu (2010, pp.116, 119).

values in the United States (Maltby 1983). To be sure, this aspect of the PCA is important, and the crusading natures of Breen, Lord and Quigley support this interpretation. Nevertheless, only on rare occasions would the PCA reject a film project *in toto*.<sup>13</sup> This fact, in combination with humorous examples of Breen trifling over small details,<sup>14</sup> can be misinterpreted to suggest that creative talent easily circumvented the restrictions of the Production Code. If the Production Code is viewed in isolation, disembodied from the idea that major filmed entertainment is primarily a regime of capital accumulation, it is easy to conclude that the PCA in fact failed at keeping taboos from sneaking under the radar.

Frank Capra's *It Happened One Night*, for instance, shows how some filmmakers brilliantly found loopholes in the Production Code's rules on cinematic representations of explicit sexuality. *It Happened One Night* was PCA-approved and has the appearance of being prim and proper. Yet, when viewed with a slightly more discerning eye, it becomes obvious that the veil over the extramarital desires between Clark Gable and Claudette Colbert is as thin as the "walls of Jericho," the hung bed sheet that separates Gable and Colbert each time they share a motel room that has two single beds.<sup>15</sup>

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<sup>13</sup> As recorded in Maltby's essay, one example was the film project *Killers on Parole*, which was killed by Breen: "We have read with utter amazement your script... of your proposed production, *Killers on Parole*. Any... story remotely resembling the story set forth in this script, is certain to result in a picture which we will have to reject entirely.... It hardly seems credible that you have seriously in mind production of such a picture" (Breen to Harry Zehner, 8 August 1935, quoted in Maltby 1993, p.65).

<sup>14</sup> In place of the now-famous last line of *Gone with the Wind*—"Frankly, my dear, I don't give a damn"—Breen suggested: "Frankly, I don't care" (Wu 2010, p.116).

<sup>15</sup> For an analysis of the film's nuances and how they relate to the Production Code, see Mizejewski (2010).

Did Breen have to compromise with Capra and other filmmakers? Was the PCA ineffective against the intentions of filmmakers? The MPPDA and the PCA could not over-censor, lest the American public come to judge the Production Code as “political censorship.” Furthermore, Frank Capra was a great Hollywood filmmaker, and Columbia Pictures likely compromised with him in order to retain his notable talents. However, the Production Code was still an important instrument of strategic sabotage for major filmed entertainment. And in order to understand this function, particularly during the period from 1920 to 1950, we should think of the Production Code not only as a moral and political institution, but, more broadly, as integral to the distribution and exhibition strategies of the major studios.

### **The Political Economic Dimensions of the PCA and the MPPDA**

Because of the international problems and domestic issues buzzing around Hollywood’s products, the name of the game for the major studios was to tell everybody that cinema was entertainment, and *only* entertainment. This ideological goal was not separate from Hollywood’s drive to accumulate capital.<sup>16</sup> Like the MPPDA, the major studios used the PCA to institutionalize a type of cultural entertainment that had defined creative limits. This power to define creative limits gave Hollywood’s biggest studios more control over the threat of aesthetic

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<sup>16</sup> In their own ways, other authors have recognized the political economic importance of the PCA. Thompson (1985) and Trumbour (2002) both place this institution in an analysis of Hollywood’s *international* business strategy. Even more significantly, Maltby (1993) finds that the ideology of the PCA was coeval with the oligopolistic structure of the classical Hollywood studio system, which lasted from 1930 to 1948.

overproduction, which in turn allowed them to better devise filmmaking and distribution strategies according to their financial goals.

This sector-wide attitude about the entertainment value of Hollywood cinema certainly could have been a rationalization of historical circumstances: other countries had censorship boards in place, and in the U.S., the First Amendment did not protect films until 1952.<sup>17</sup> But regardless of where this attitude toward apolitical entertainment came from, Hollywood's dominant firms used the mantra "entertainment, *only* entertainment" to claim that, even if some Hollywood films happened to touch upon some social issues, Hollywood-the-cultural-institution had no interest in morality or politics. For instance, Louis B. Mayer wrote to the director William Wyler about the anti-German bias in *Mrs. Miniver*, which was released in 1942: "This is a big corporation. I'm responsible to my stockholders. We have theatres all over the world, including a couple in Berlin. We don't make hate pictures. We don't hate anybody. We're not at war" (quoted in Trumbour 2002, p.77).

To be sure, in the years between 1920 and 1950 Hollywood was not always able to hide behind the claim of having no politics whatsoever. The most famous example of this inability was the 1947 investigation of Hollywood producers, screenwriters and directors by the House of Un-American Activities Committee (HUAC). Indeed, the HUAC investigation paraded around the attention-grabbing argument that Hollywood was a subversive threat to America because communist

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<sup>17</sup> "Mutual Film v. Ohio (1915) served as the landmark decision upholding state and municipal censorship boards, with the Supreme Court refusing to hear another movie censorship case until the advanced date of 1952. Speaking for a unanimous Court, Justice Joseph McKenna rendered the judgment in 1915 that movies were not speech..." (Trumbour 2002, p.52).

ideology had gripped the hearts and minds of its creative talent. Yet, even in light of such controversy, the strategy of the MPPDA was to swiftly seek shelter within the political mainstream of the United States.

Those who were uncooperative with or remained suspicious after the HUAC hearings were blacklisted and effectively barred from the Hollywood studios.<sup>18</sup> Studio heads stayed out of the limelight as much as possible, and much of the publicized blowback focused on the director Elia Kazan's cooperation with the HUAC hearings. Kazan certainly had things to atone for: he never apologized and his career continued because of his testimony. Yet, as Rosenbaum points out in light of the controversy of giving Kazan a Lifetime Achievement Award at the 1999 Academy Awards, the anger has always been targeted at "the facilitators or the patsies of the blacklist" and never at "the blacklisters themselves":

... I continue to find it inexplicable why Kazan was judged so harshly when the perpetrators of the blacklist—the studio heads who refused to hire blacklisted individuals—got off with a clean bill of health. Even if all these moguls are dead, the industry often granted them accolades and tributes when they were still alive, and to the best of my knowledge, not a word of protest was heard against their honors because of their behavior during the blacklist. (Rosenbaum 2000, p.14)

Additionally, the MPPDA, which was renamed the Motion Picture Association of America (MPAA), created a new public-relations committee in 1948. The Motion Picture Industry Council (MPIC) was created to respond to the HUAC hearings and assure the American public that nobody with radical politics, whether on the left or the right, worked in Hollywood (Brownell 2012, p.524). In one of its campaigns to repair public perceptions about the entertainment value of Hollywood, the MPIC

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<sup>18</sup> For a survey of the people who were put on Hollywood's blacklist, see Humphries (2008). For an analysis of the American political climate in 1940s and its effect on the career of Adrian Scott, one of the Hollywood Ten, see Langdon (2008).

organized a tour called “Movietime U.S.A.” The “Movietime U.S.A.” tour had Eric Johnston, the new president of the MPAA, and Hollywood actors such as George Murphy and Ronald Reagan stop in small towns across America. At each stop, Johnston and his cohort of actors pontificated that Hollywood understood the importance of “religion, volunteerism, [the] free market, consumption, and anticommunism” (Brownell 2012, p.527).

The “Movietime U.S.A.” tour betrays the presence of moral and political values in Hollywood’s “harmless” entertainment. This push to align Hollywood filmmaking with liberal capitalist values was also political economic in character. The PCA and MPPDA helped circumscribe the social creativity of American filmmaking according to classical Hollywood’s strategies of film production and distribution. More specifically, it helped define aesthetic overproduction for those who had a vested interest in major filmed entertainment’s business goals.

Major filmed entertainment would not establish an American film-rating system until 1968 (Kunz 2007, p.21). Thus, films in the era of the Production Code were designed for an undifferentiated audience (Maltby 1993, p.40). For its part, the Production Code acted as *one* abstract set of moral laws for all genres to orbit. In other words, the PCA made each film fit a business strategy that did not deviate from the “average” moral sensibility in America.

Essentially, there was no opportunity for niche films to *explicitly* violate the Production Code so long as they were, like our R and NC-17 films today, upfront about potentially objectionable subject matter. Instead, the Legion of Decency, the Catholic organization at the heart of the PCA, used a rating system to narrow the

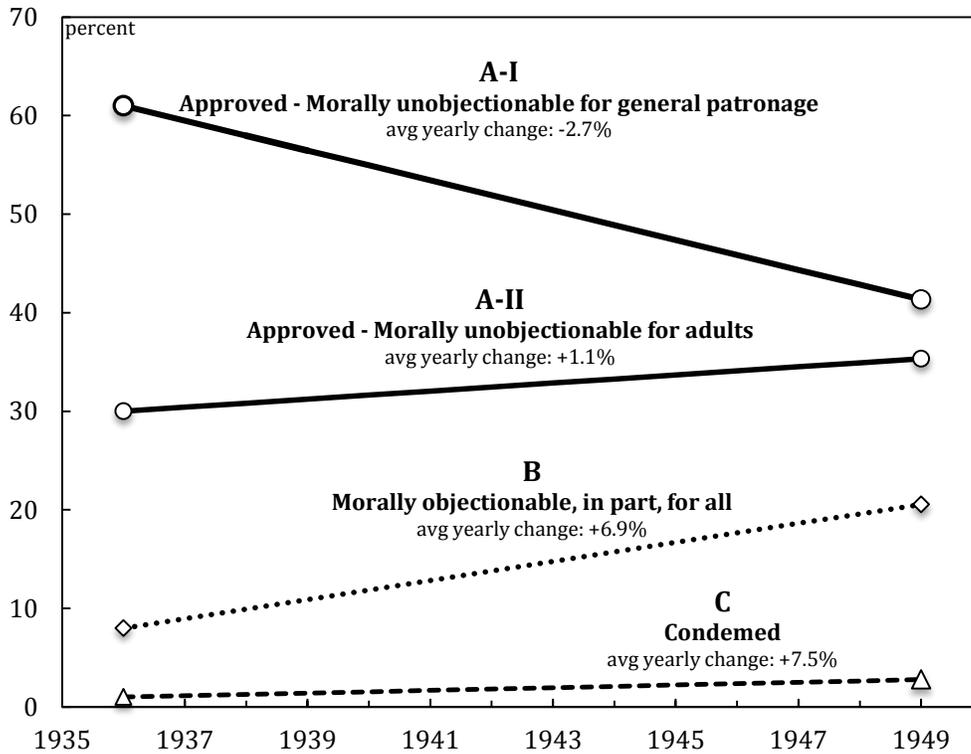
bandwidth of film content. This Legion of Decency rating system sorted all films into three general classes:

| <u>Table 5.1</u><br>The Legion of Decency Rating System |  |
|---|--|
| Class A:  | Approved                                       |
| Section I:  | Morally unobjectionable for general patronage. |
| Section II:   | Morally unobjectionable for adults.            |
| Class B:  | Morally objectionable, in part, for all.       |
| Class C:  | Condemned.                                     |
| Source: Powdermaker (1950, p.68)                        |  |

As Powdermaker argued, there were two key ways for this rating system to act as a broad tool to limit creativity. First, the Legion of Decency got tougher with its ratings as the years went on. As Figure 5.3 shows for the years between 1936 and 1949, fewer films received an A rating and there was a significant increase in Class B and an increase in Class C. If we can assume that the PCA preferred an A-I rating to an A-II rating, the relative decrease of A-I ratings is also considerable. Second, studio heads would sometimes use the moral strictness of the Legion of Decency as a convenient excuse to reject ideas that they were “certain” would eventually be rejected, should they ever be developed and given to the PCA. As one writer complained to Powdermaker, he resigned “to think in terms of the Code” because he had been forced to accept “in advance that certain themes will be forbidden” (Powdermaker 1950, p.66).<sup>19</sup>

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<sup>19</sup> It should be acknowledged that writers developed their own strategies to save their most valued ideas from being excised. One such strategy was to pad a script with a lot of material that would predictably be flagged and eventually pruned by the PCA. All of these “cuts” to the script would then enable screenwriters to bargain for elements to be saved or left alone, which were really what they wanted in the first place (Powdermaker 1950, p.66).



**Figure 5.3** *Legion of Decency's Movie Classifications in the PCA, 1936-1949 (Percent of all rated movies)*

Source: (Powdermaker, 1950, p.68).

The PCA's official line that "movies were entertainment, not vehicles for political pontification or controversy" (Langford 2010, p.49) also allowed major studios to exploit the formal differences between shots and cuts that purposefully produce ambiguous meaning and those filmmaking techniques, such as *match-on-action* cutting, that are used for the continuation of the primary action (Bordwell et al. 1985, p.46). If a Hollywood film presents itself as harmless, but politics and other controversial subjects nonetheless appear as secondary meanings, an illusion is created that it is the spectator who finds these meanings through deeper subjective interpretation. By no means should this argument suggest that filmmakers in classical Hollywood had no taste for political issues, ambiguity or the Freudian

unconscious; in fact, some of the best filmmakers in the classical studio system, such as Frank Capra, Howard Hawks, Ernst Lubitsch, Douglas Sirk and Preston Sturges, mastered the skill of putting a lot of subtext or implied meanings in their PCA-approved films. Rather, the PCA allowed for the business side of Hollywood to force its filmmakers to camouflage their most significant ideas with the same glossy, well-manicured cover (Maltby 1993, p.41).

The theoretical underpinnings of this argument about the difference between primary and secondary meanings is influenced by the works of Andre Bazin (2005b; 2005c), and will be expanded in more detail in Chapter 7. For now, we can surmise that this well-manicured cover continues to exist and reduces the threat of aesthetic overproduction even today. On the one hand, the moviegoer is “free” to find deeper, more sophisticated and complex meaning—maybe even political meaning—in the subtext of a Hollywood film. But on the other hand, the order of cinema is much simpler and more stable from the perspective of capitalization. The Hollywood film business does not need to worry about investing in film projects that are just as complex as the multitude of perspectives and attitudes in society. Rather, studios can stick to filmmaking formulas through acts of negation: limit the social creativity of filmmaking at each point where Hollywood cinema would become *explicitly* political or morally complex. The potential volatilities of deeper consumer desires and multiple interpretations are then left to fall on the side of subjective interpretation.

This surface-level simplicity of Hollywood cinema was especially important during the Cold War, when the United States combated the ideology of Soviet

communism with idyllic presentations of luxury and happiness in the capitalist West. One of Hollywood's successful on-location films, *Roman Holiday*, is a good example of a movie that is, on the surface, apolitical and simply entertaining. As Shaw and Youngblood note, the surface of *Roman Holiday* has nothing to do with the Cold War; it is, rather, a fun, glamorous story in which Gregory Peck's character, Joe Bradley, shows the audience how even the simple, hardworking Westerner is happy and free spirited. Interestingly, *Roman Holiday*, with its apparent lack of political ideology, was exactly the type of film that the Motion Picture Export Association and the United States European Recovery Program wanted to promote all over Western and, when the opportunity arose, Eastern Europe. Moreover, the glossiness of *Roman Holiday* is the product of strategic sabotage. Revisions to its script softened the class differences between Peck's character, an average American, and Audrey Hepburn's, a nineteen-year old princess who is only in Rome for a royal goodwill tour. *Roman Holiday* was also designed to meet the approval of the European Recovery Program, which was an aspect of the Marshall Plan. This program prevented "negative" Hollywood films, such as John Ford's *The Grapes of Wrath*, from being distributed in Cold War Europe (Shaw & Youngblood 2010, pp.98-112).

This qualitative control of output—i.e., making entertaining films for an undifferentiated audience—complemented the quantitative output of the major studios. Between 1933 and 1948, the major studio distribution averaged 326 films per year. The quick pace of producer-led, not director-led, film production (Maltby 1993; Balio 1993), combined with the fact that the five most powerful firms during this period—Warner Bros. Pictures, Loew's Incorporated, Paramount Pictures,

Radio-Keith-Orpheum Corporation (RKO) and Fox Film Corporation—owned around 75 percent of all first-run movie theatres in the United States (Kunz 2007, p.25), enabled major studios to dump generic products onto the market with little concern about the behaviour of smaller competitors. Not only did non-studio films have little chance of exhibiting in first-run theatres, but, as Maltby notes, an independent production’s route to exhibition was also obstructed by the major studios’ tactic of selling the exhibition rights of its films in blocks:

Small independent exhibitors had little opportunity to cancel or choose films within the block and could not prevent distributors from including films of dubious commercial quality in the package. The main purpose of much of the majors' low-budget production...was to occupy exhibition time, foreclosing entry into the market by independent distributors and maintaining their own monopoly. (Maltby 1983, p.45)

This Janus-faced exhibition system, maybe the most notorious feature of the classical Hollywood studio system,<sup>20</sup> found a partner in the PCA, which used the Production Code to force filmmakers to be less experimental and, instead, create products that catered to already established moral standards and principles (Maltby 1993, p.72). There was little incentive for Hollywood to diversify its own creative output because, under such oligopolistic conditions, the social consumption of classical Hollywood cinema was partially *forced*.

And finally, the MPPDA was a public-relations magnet for a regime of accumulation that was replacing the Edison Trust. The Production Code was used to convince the public that the political economic domination of an oligopolistic system was, in fact, a good thing. As Maltby notes:

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<sup>20</sup> This practice is often referred as the “block booking system” of classical Hollywood. For more on the political economy of block booking, see (Hozic 2001; Sedgwick & Pokorny 2005; Hanssen 2005).

Hays presented the MPPDA as an innovative trade association at the forefront of corporate organizational development, largely responsible for the industry's maturation into respectability, standing trade practices and stabilizing relationships between distributors and small exhibitors through film boards of trade, arbitration, and the standard exhibition contract. The establishment of "the highest possible moral and aesthetic standards of motion picture production" was in one sense simply an extension of this practice, but it also implicitly accepted that "pure" entertainment—amusement that was not harmful to the consumer—was a commodity comparable to the pure meat generated by the Food and Drug Administration. (Maltby 1993, p.42)

Ironically, the MPPDA would use the Production Code to defend the business structure of Hollywood against anti-trust claims, just as the Edison Trust, Hollywood's unfriendly predecessor, had used moral arguments to justify its monopoly on film patents (Wu 2010, p.72). Yet the larger political climate surrounding Hollywood from 1920 to 1950 created new conditions for the major studios to publicly justify their tight control over cinema. Indeed, the MPPDA and the PCA were said to remove any cinematic "impurities" that could antagonize either domestic or foreign audiences.

## **Conclusion**

The period from 1920 to 1950 can be characterized by the attempts of the major studios to censor themselves through the MPPDA and the PCA. We can use the concept of aesthetic overproduction to see Hollywood's self-censorship as advantageous to business interests because it put definable limits on the industrial art of filmmaking. While some of the people involved in the PCA and the MPPDA were on a moral crusade, censorship over creative decisions was not simply moral; the PCA and the MPDDA were front-line defences in a larger strategy of sabotage. A

determinable order of cinema, one with clearly marked aesthetic boundaries, helps business be more confident in the social relations of cinema.

With this conclusion, we can now shift our focus to the more contemporary period. With empirical data from 1950 to 2013, we can turn our theoretical claims into more concrete arguments about the threat of aesthetic overproduction. In the next chapter, we demonstrate how, since the 1960s, major filmed entertainment has managed to systematically decrease its risk, both absolutely and differentially.

## Chapter 6

### The Rise of a Confident Hollywood

#### Introduction

This chapter focuses on the historical development of risk in the Hollywood film business from 1960 to 2013. This development will mostly be presented graphically, in a series of figures that give us a better sense of how and to what extent major filmed entertainment has increased its degree of confidence through the systemic reduction of risk ( $\delta$ ). Our overarching hypothesis is that any increase in confidence is a significant factor in major filmed entertainment's drive to accumulate differentially.

Due to the scope of the project and the lack of long-term data on the prices, revenues and profits of VHS, DVD, Blu-ray and other forms of digital distribution,<sup>1</sup> much of our detailed analysis will focus on major filmed entertainment's strategy of distributing blockbuster-type films for large theatrical openings—i.e., “saturation booking.” As will be shown, the twin-engine strategy of saturation booking and blockbuster cinema has been a success for major filmed entertainment. First, major filmed entertainment has been using, from the early 1980s to 2013, the saturation-booking strategy more effectively: Hollywood is getting better at predicting which films will use their wide releases to outperform their cohorts. Second, changes to the volatility of consumer habits have also benefited the blockbusters of major

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<sup>1</sup> According to Ulin, “the amount spent to open a film is disproportionately large because the theatrical launch of a film is the engine that drives all downstream revenues. Accordingly, the money spent up front marketing a film, creating awareness, develops an overnight brand that is then sustained and managed in most instances for more than a decade” (Ulin 2010, p.499).

filmed entertainment. The consumption of the most popular films is becoming increasingly less volatile. Third, the duration of saturation booking, measured by how many days the average film is in theatres, is shortening, and this reduction advantages blockbuster films over those films that receive a lower number of opening theatres—i.e., “platform releases.” In fact, the blockbuster-saturation booking combination might also be changing the relationship between major filmed entertainment’s quantitative output and its share of all U.S. box-office revenues.

The evidence provided in this chapter offers an important empirical foundation on which we can begin theorizing Hollywood’s behaviour in the contemporary period. Indeed, it is curious that long after the collapse of the studio system in 1948, visible boundaries on the form and content of Hollywood cinema continue to persist (Bordwell 2006; Langford 2010). The art of filmmaking is no longer suffocated by the uncompetitive strategies of block booking, and it is no longer bounded by the moral standards of the Production Code. Rather, it appears that the social relations of Hollywood cinema, on both the business and consumer sides, are, technically, much more free: major filmed entertainment has the moral and political freedom to make more types of films, and consumers, likewise, have the freedom to explore parts of cinema that would have been marginalized or non-existent under the distribution methods of the classical studio system.

But as we delve under this surface, we will see how capitalist power continues to shape the art of filmmaking and its potential, and specifically, how this transformation has brought about a substantial reduction in risk. The drop in risk from 1960 to 2013 parallels the sector-wide transition from American New Wave

cinema (higher risk) to the narrowed strategy of blockbuster, high-concept cinema (lower risk). While many of the qualitative details of this transition will be presented only in Chapter 7, the quantitative research in the current chapter establishes that the evolution of Hollywood's aesthetics in the contemporary age is the result of strategic sabotage. Hollywood today has the same political economic goal it had when it relied on the studio system, the MPPDA, the Production Code and the PCA—to control the social creativity of filmmaking for pecuniary ends.

### **Steps to Prepare Our Analysis**

To investigate risk empirically with the capital-as-power approach, two preparatory steps are necessary. First, it is useful to challenge a theoretical assumption that permeates other studies of risk in the Hollywood film business. Second, we need to create an empirical starting point by approximating major filmed entertainment's risk coefficient ( $\delta$ ).

### **Risk and Economic Assumptions about Consumer Sovereignty**

Risk does have a place in mainstream economic studies of Hollywood, but many of these investigations tend to run into one very significant problem. Essentially, mainstream approaches tend to ignore the *historical* development of risk. In its place is an ahistorical concept, which is used to set systemic risk at an “inherent” level. In the case of the Hollywood film business, risk is often deemed to be somewhere between high and very high, which is where it remains. Consequently, the particular techniques of major filmed entertainment, such as the

repetition of genres, sequels and remakes, the cult of movie stars and the institution of false needs and wants, are believed to be unable to affect the level of risk or change the social environment about which risk perceptions are made.

The ahistorical concept of risk is produced when mainstream approaches move from the particular to the universal, when general conclusions about risk in the Hollywood film business are drawn from studies of specific risk-reduction strategies (De Vany 2004; Litman 1983; Nelson & Glotfelty 2012; Pokorny 2005). At the level of specific strategies, many theoretical arguments acknowledge that the Hollywood film business can actively reduce risk. Some theorists, for example, consider how famous movie stars, with their perceived ability to draw consumers to some movies rather than others, are employed to reduce financial risk (Elberse 2007; Hadida 2010; Ravid 1999). Others point to the blockbuster method of filmmaking, which is argued to be Hollywood's style of choice because it is also a way to reduce risk (Litman 1998; Ravid 1999; Denisoff & Plasketes 1990). The tone of these theories change dramatically, however, when they take a wider view and incorporate their fundamental assumptions about economics and capitalism. At a *macro* level of analysis, according to most of these theorists, the strategies of the Hollywood film business are ineffective in reducing the overall *level* of systemic risk. The star system and blockbuster cinema can only mitigate the risk inherent in the greater business environment. They cannot significantly curtail it.

Why the odd disconnect? The possibility for risk perceptions to change significantly over time is out of place in studies that also assume that so-called economic actors are, under perfect competition, too small to change the historical

circumstances of risk. In other words, risk-reduction strategies, *no matter how effective* at a micro level, never transform the business environment itself (De Vany 2004, p.270). In part because its oligopolistic character is downplayed or even ignored, the Hollywood film business, as a whole, is seen to have an “inherent” level of risk that is impervious to historical transformation.

In this version of Hollywood cinema, risk-reducing techniques can only do so much in the face of consumer sovereignty, which is always a powerful extraneous force. In this theoretical narrative, capitalists can affect particular dimensions of culture, but they cannot *create* the overall cultural environment, and certainly not in ways that favours their pecuniary interests. The world of cinema can never be made to have machine-like regularity when the sovereign consumer is an unalterable arbiter, possessing the “economic” freedom to *always* be fickle when the next film is released (Garvin 1981, p.4).

The notion that risk has an “inherent”, irreducible level adds an unnecessary theoretical obstacle. In order to protect its definition of atomistic economic behaviour, neoclassical theory must commit to its notion of risk when it comes down to earth, to a world populated, from around 1900 onwards, by trusts, trade associations, giant corporations, conglomerates, active governments and other social institutions that would have an effect on consumer behaviour. Also, the association of inherent risk with consumer sovereignty must treat consumer behaviour as a series of “revealed preferences,” even though, as Galbraith notes, the hyperactivity of capitalist firms in marketing, advertising, and branding makes it difficult to find the sovereign consumer among society’s creators of wants: “So it is

that if production creates the wants it seeks to satisfy, or if the wants emerge *pari passu* with the production, then the urgency of wants can no longer be used to defend the urgency of the production. Production only fills a void that it has itself created” (Galbraith 1997, p.125).

With respect to the Hollywood film business, the neoclassical approach, particularly its competitive branch, is unable to acknowledge that massive fixtures like blockbuster cinema and the star system can create and then sustain a fixed horizon of consumer tastes. Thus, what appears to be acknowledged with one hand is taken away with the other. A consumer will “form attachments to specific film ‘markers’ such as stars and genre” and will even “seek a degree of familiarity in their film consumption experience”—but, nevertheless, “consumer tastes in film are ultimately unpredictable.”<sup>2</sup> For some, the permanent autonomy of consumers reveals an “inherent” level of risk that is so high that *ex ante* predictions are actually impossible. Arthur De Vany, for instance, uses complex statistical modelling to substantiate screenwriter William Goldman’s statement that, with respect to making predictions about the future of Hollywood cinema, “nobody knows anything.”

According to De Vany,

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<sup>2</sup> Pokorny and Sedgwick argue that the predilections of an average moviegoer will only last so long, which is why film producers cannot use these predilections as guidelines for future film production. On its own, this argument is perfectly reasonable. However, the problem is that other arguments by Pokorny and Sedgwick imply that the habits and desires of film consumers are unstable from film to film: “... any film production strategy based on the success of single, one-off film projects is doomed to failure. Rather, a more sensible strategy for a rational profit-maximizing film producer is to produce a wide range of films annually, in the hope that at least some of these will produce profits that will compensate for the losses that a large proportion of these films will inevitably generate. That is, we could characterize the successful film studios/distributors as constructing diversified annual portfolios of films, diversified according to production budget and genre, and allocation of stars, directors and screenwriters. The issue, then, is not so much which of the films in the portfolio are profitable, but simply that the portfolio itself is profitable” (Pokorny & Sedgwick 2012, pp.188–190).

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

De Vany’s conclusion that “the confidence interval of [a] forecast is without bounds” (De Vany 2004, p.71) is unsatisfying because it is embedded in a framework that assumes that the Hollywood film business is eternally subject to this extremely high degree of uncertainty. It is probably true that Hollywood has experienced great uncertainty—for instance, Chapter 5 speaks about the uncertainty of firms during the nascent period of sound cinema. But is Hollywood doomed to live in a permanent state of extreme risk, such that the variance of expected revenues is always *infinite*?

On this point, it is helpful to briefly consider the concept of history that is at the core of the capital-as-power approach. For Nitzan and Bichler, societies are historical because human beings have the ability to change the foundations of a social order through *active* creation. Nitzan and Bichler capture this point with the verb-noun *creorder*: “Historical society is a *creorder*. At every passing moment, it is both Parmenidean and Heraclitean: a state in process, a construct reconstructed, a form transformed. To have history is to create order...” (Nitzan & Bichler 2009, p.305). This concept of history draws from the philosophy of Cornelius Castoriadis, who offers us the term “social-historical.” For Castoriadis, the hyphenation of social and historical signifies that it is

impossible to maintain an intrinsic distinction between the social and the historical, even if it is a matter of affirming that historicity is the “essential

attribute” of society or that society is the “essential presupposition” of history.... It is not that every society is necessarily “in” time or that a history necessarily “affects” every society. The social *is* this very thing—self-alteration, and it is nothing if it is not this. The social makes itself and can make itself only as history. (Castoriadis 1998, p.215)

The capital-as-power approach is, therefore, open to the investigation of the social-historical *development* of risk. Capitalist power may never be able to make the business of culture risk-free, but we put up barriers to our own analysis if we assume that risk in Hollywood is inherent because it is also ahistorical.

Moreover, in my view, the very idea of “inherent risk” is specious because consumer sovereignty in advanced capitalism is a myth. Consumer sovereignty and the ideas that spring from this concept are, as noted by Leo Lowenthal, born from the “false hypothesis that the consumer’s choice is the decisive social phenomenon from which we should begin further analysis” (Lowenthal 1961, p.12). The unfortunate effects of this false hypothesis can be seen in analyses of cinema. Especially in neoclassical analyses, the financial statistics of movies are often treated as transparent indicators of consumer choice. In this model, the financial distribution of consumer spending is the quick and easy method of determining quality. If sovereign consumers create hierarchies of taste, it follows that both the popular, financially successful movies and those that die lonely deaths from under-consumption are deserving of their respective fates. The people have spoken with their wallets.

At an even more fundamental level, the false hypothesis of consumer sovereignty is rooted in problematic assumptions about the analytical separation of economics and politics in capitalism. Take, for example, Barry Litman’s *The Motion*

*Picture Mega-Industry*. Trying hard to balance theory and historical fact, Litman seeks to recognize the existence of both consumer sovereignty and monopoly power. On the one hand, he states:

...effective consumer demand directs supply and strong “consumer sovereignty” prevails. This is clearly the case in the motion picture marketplace where movie patrons register their dollar votes directly for the kinds of movies they prefer, and the differential box office rewards create the financial incentive for the next round of motion picture investment. (Litman 1998, p.4)

This theoretical position on the *sovereignty of consumers* is maintained, on the other hand, in a study of the organizational *power* of Hollywood’s major film distributors. To determine whether consumer sovereignty has been undermined by such power, Litman takes an “industrial organization approach,” which “begins by examining the product and structure of an industry in its basic components—demand, market concentration, barriers to entry, vertical integration, conglomerates, and so on in order to gain an overall picture of the distribution of current market power and the chances for de-concentration in the future” (Litman 1998, p.5).

To balance these two conflicting perspectives about the character of capital accumulation, Litman argues that the history of the business of Hollywood can be split into two periods: the period of organizational power and the subsequent period of the sovereign cultural consumer. For Litman, the twilight of Hollywood’s monopoly power was the late 1940s. Price fixing and “excess” profits were enjoyed up until 1948, when the United States Supreme Court decided on Hollywood’s vertical integration of film production, distribution and exhibition in *United States v. Paramount Pictures*. After the Supreme Court’s ruling that the major film studios would be required to sell their stakes in film exhibition, a new day dawned:

With vertical disintegration and the end of block booking and franchising, assured access to theatres was no longer guaranteed: *films would have to compete according to their intrinsic quality*. This naturally opened up the market for independent producers and distributors whose products would now be judged according to merit rather than percentage. (Litman 1998, p.15)

In my view, Litman's temporal division is more the product of his theoretical leanings than historical facts. Decades of monopoly power in the film business did not dissuade Litman from making consumer sovereignty the first principle in his study of Hollywood cinema and modern capitalism. To be sure, *United States v. Paramount Pictures* is frequently cited as marking the end of Hollywood's classical studio system (Hanssen 2005, p.89; Maltby 2003, p.129; Langford 2010, p.20). Yet we are beyond facts when we argue that people have been free to register their "dollar votes" since 1948 (Litman 1998, p.4). Litman's characterization of the end the classical studio system assumes that legal regulation rinsed off political contaminants from an economic system that is, at its core, atomistic and competitive. Similar to Mancur Olson,<sup>3</sup> Litman assumes that there is nothing about politics and institutional power that can change the meaning of capital; the economy, even when contaminated by external non-economic factors, is strictly defined as a rational determination of nominal prices that behave according to "real" utility. Monopolies can affect consumer demand, or they can erect arbitrarily high barriers to entry on the supply side, but their effect on the revealed preferences of consumer sovereignty does not, in this picture, change the definition of what the capitalist economy "truly" is.

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<sup>3</sup> See Chapter 1.

In this sense, the idealization of consumer sovereignty obscures aspects of capitalist power in our current social-historical state. Either the power of the Hollywood distributors fades and becomes a thing of the past—this first scenario implies, to paraphrase Marx, that there has been power, but there is no longer any (Marx 1990, p.175)—or, like an eternal flame, consumer sovereignty survives in all circumstances, even when a business sector continues to be dominated by a set of giant firms. Like the stoic in Hegel's *Phenomenology of Spirit*, the second version of consumer sovereignty is indifferent to the very social structures that determine whether an individual can be free in the first place (Hegel 1977, para.197ff). Neither version is convincing to our analysis of Hollywood and risk. The free, individual determination of needs and wants—the purported principle behind consumer sovereignty—is an idea that is actually radically democratic at its core: it implies individual autonomy. And as Marcuse explains, capitalism is effective at repressing autonomy while simultaneously offering a great deal of individual choice:

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

Thus, while there is no direct, physical coercion to buy and consume commodities for pleasure and relaxation, the ability of capitalists to create a realm of leisure time through power—the apparent sanctuary of the private individual—should cause us to rethink the common understanding of risk in capital accumulation.

## The Risk Coefficient and a Volatility Index

The risk coefficient ( $\delta$ ) is a variable in the capitalization equation. It is an *ex ante* variable in the valuation of an asset and not an *ex post* explanation for why a capitalist “deserved” a particular rate of return.<sup>4</sup> Risk is a partly subjective, partly objective factor that shapes the way a claim on future earnings is assessed. A smaller  $\delta$  indicates a greater degree of confidence and a larger capitalization, and a larger  $\delta$  the opposite.<sup>5</sup>

If we can approximate major filmed entertainment’s risk coefficient, we will have an empirical starting point for the analysis that follows. In order to create a robust approximation of major filmed entertainment’s risk coefficient, two different methods will be used. The first proxy will rearrange the capitalization formula, measure/estimate the components on the right, and then solve for  $\delta$ :

$$(6.1) \quad \delta = \frac{EE}{MK \times r_c}$$

The second method will measure volatility, which is a common proxy for risk.

Using two different methods helps alleviate limitations that would be more significant if the methods were applied separately. Solving for  $\delta$  can represent *ex ante* risk,<sup>6</sup> which is consistent with Nitzan and Bichler’s definition. To the method’s

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<sup>4</sup> Nitzan and Bichler’s concept of risk, which is used here, is different from the neoclassical theory of risk. For their critique of the “risk premium” and its role in the construction of the capital asset pricing model (CAPM), see Nitzan & Bichler (2009, pp.198–210).

<sup>5</sup> See Chapter 4.

<sup>6</sup> Another method to represent *ex ante* risk would be to use expected earnings per share and price data:

$$(6.A) \quad \delta = \frac{EEPS}{Price \times r_c}$$

Analytically, this is the same as equation (6.1); it just takes the view of someone capitalizing an individual stock. I prefer equation 6.1 to equation 6.A for empirical reasons. For the firms that comprise major filmed entertainment, “Earnings Per Share from Operations” is unavailable on

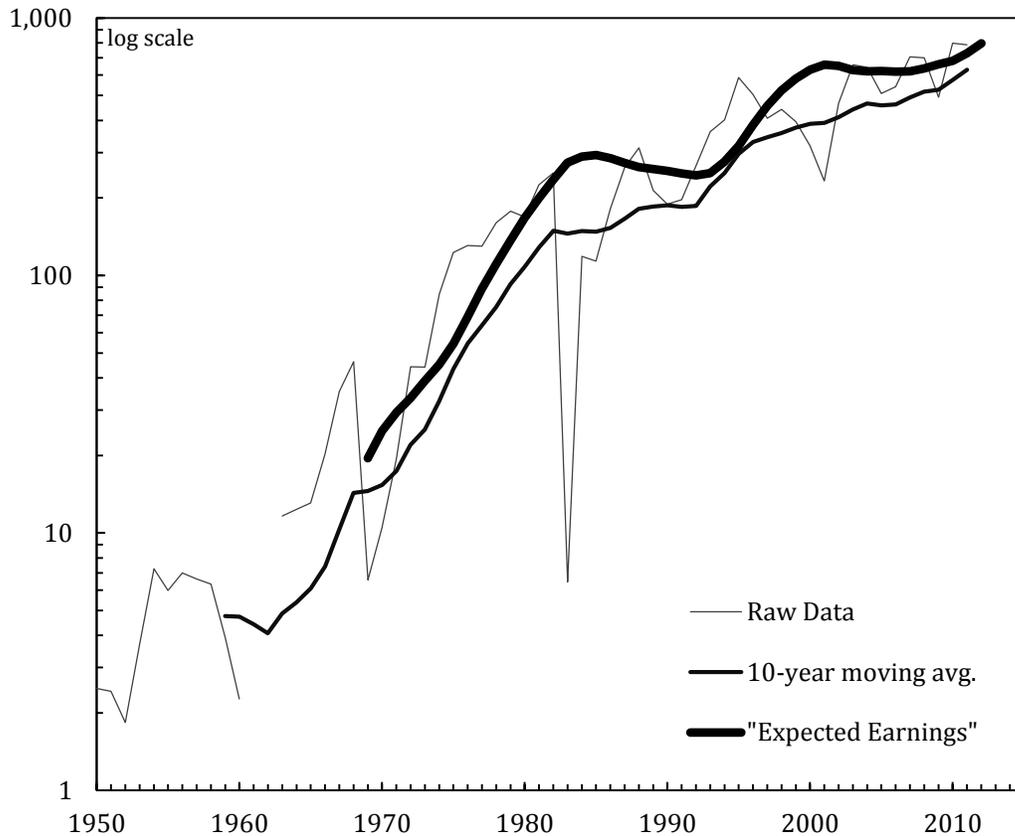
detriment, however, solving for  $\delta$  treats risk as a residual in the capitalization formula, which, in this case, is deconstructed with an estimate of expected earnings. Volatility, while a common proxy for risk, signifies *ex post* risk, as it measures the movements of the past. Past volatility certainly cannot be used to predict the future, but there is almost universal agreement that past volatility is still a chief determinant in capitalist *estimations* of future risk (Ricciardi 2004).

To solve for  $\delta$  in Equation 6.1, we must remember that each variable in the capitalization formula is “future oriented.” In other words, our approximation of *ex ante* risk must rest on *expected* earnings, not past earnings. Thus, for each year, the expected earnings per firm (*EE*) need to be estimated from historical data. My method stipulates *EE* as a ten-year linear forecast of operating income per firm. This forecast is derived by extending the linear trend of the past ten years of data, which have already been smoothed as a ten-year trailing average.

Figure 6.1 visualizes the steps taken, beginning from raw data and ending with a proxy for *EE*: the series “Expected Earnings.” From the raw data—operating income per firm, 1950–2011—I create a ten-year trailing average. For each point on this smoothed series, a ten-year trend-line (linear regression) is forecasted ten years into the “future.” For example, take the year 1969. Here, we are trying to get a sense of what future earnings a capitalist in 1969 would forecast for the next ten years. In retrospect, we, the researchers, know major filmed entertainment’s profits in every year till 1978; however, in 1969 the forecasting capitalist did not, and he or she was trying to discount into present prices Hollywood’s expected profit for the

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COMPUSTAT, my primary source of data. This is an empirical limitation that makes data on operating income my best means to develop a long historical picture of major filmed entertainment.



**Figure 6.1 A Proxy for Expected Earnings (EE):  
A Graphic Visualization of the Steps Taken**

Source: COMPUSTAT through WRDS for operating income of Major Filmed Entertainment, 1950-1992. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2013.

coming decade. Thus, to construct 1978 profits as they might have been estimated in 1969, we move in two steps. First we create a linear regression trend-line for the relevant ten years, the smoothed data from 1959 to 1968. This step computes what the 1969 capitalist would know: the average profit trend of the last ten years. Second, this trend-line is extended ten years into the "future," where  $EE_{1969}$  is equal to  $y$  in a linear trend line equation where the value of  $x$  is 20 (ten years of past profits + ten years forecasted):

$$(6.2) \quad EE_{1969} = y = m(20) + b$$

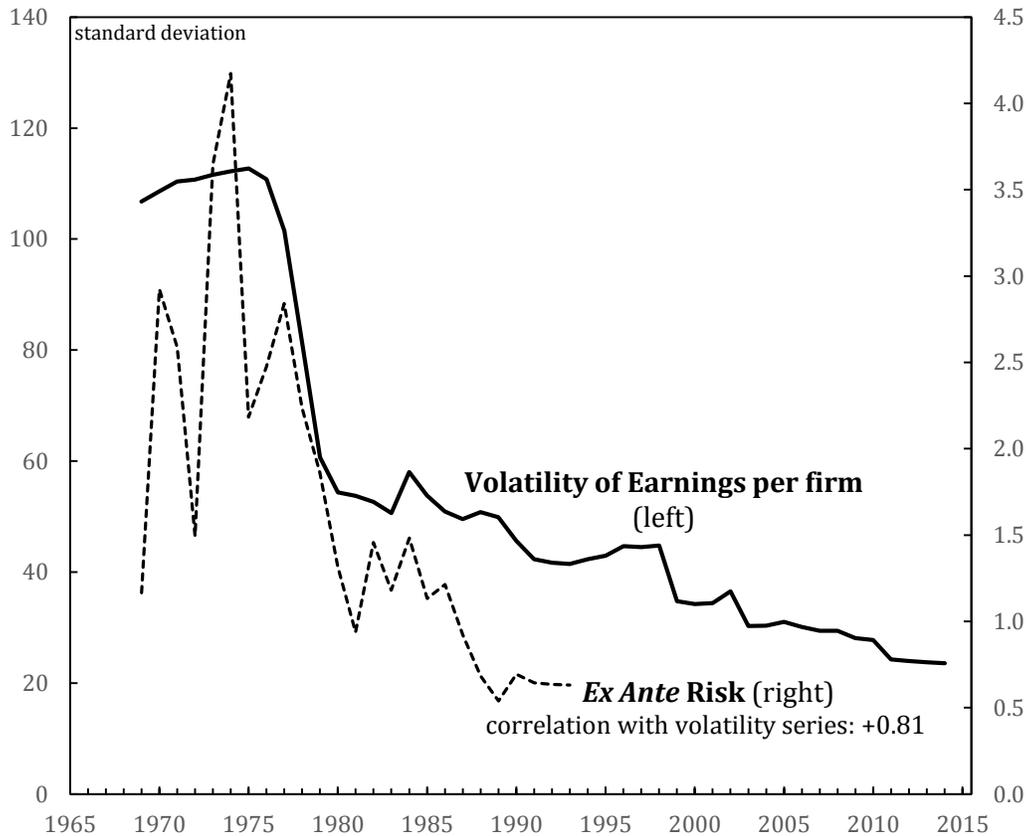
After the smoothed data from 1959 to 1968 give us the slope ( $m$ ) and the  $y$ -intercept ( $b$ ) of the trend-line, the whole process yields a proxy for expected earnings in 1969:

$$(6.3) \quad EE_{1969} = \$19.48 \text{ million} = 0.8868(20) + 1.7521$$

For every year that also has market capitalization data (see Chapter 4), we repeat the example of  $EE_{1969}$  but with the appropriate ten-year window of past earnings—e.g., the linear regression of 1979 would be the operating income of 1969 to 1978, *not* 1959 to 1978. Figure 6.2 presents our approximation of the *ex ante* risk for major filmed entertainment. It empirically solves for  $\delta$  by using the “Expected Earnings” series constructed in Figure 6.1, market capitalization per firm of major filmed entertainment and the United States 10-year Bond Yield for the normal rate of return.

Figure 6.2 also presents my index for the volatility of major filmed entertainment’s earnings per firm; this series signifies *ex post* risk. This index is constructed in two steps. First, for each year, I compute the percent rate of change of operating income from its five-year trailing average. Second, I measure, for each year, a trailing fifteen-year standard deviation of the computed rates of changes. Thus, the larger the standard deviation, the greater the volatility in the earning growth rates of major filmed entertainment’s previous fifteen years.

Note the relative high correlation between our *ex ante* risk and *ex post* volatility measure. Over the 25-year period, the Pearson Correlation Coefficient between them is 0.81. This tight empirical relationship suggests that our conceptual



**Figure 6.2** Two Measures of Risk for Major Filmed Entertainment

Note: the “Volatility of Earnings” series looks at long-term trends of the average performance of major filmed entertainment. The standard deviation is a trailing 15-year standard deviation of the annual percent change from a 5-year trailing average (e.g., 1990 = standard deviation of the rates of changes from 5-year trailing averages, from 1976 to 1990).

Note: “Ex ante Risk” is our own calculation of  $\delta$ . See Figure 6.1 to see the steps taken to calculate expected earnings (*EE*).

Source: COMPUSTAT through WRDS for operating income of Major Filmed Entertainment, 1963-1992. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management’s Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2011. COMPUSTAT through WRDS for common shares outstanding (CSHO) and Price (PRCC\_F) of Major Filmed Entertainment, 1950-1992.

approach to risk is pretty robust, and this robustness in turn allows us to draw four important conclusions from the data. First, risk for major filmed entertainment was at its highest from the mid-1960s to the mid-1970s. Second, the most precipitous fall in risk happened in the following period, from around 1975 to 1980. Third, risk

steadily declined from 1980 to the present. And finally, our volatility index suggests that, compared to its own history (for which data are available), major filmed entertainment is currently in its least risky stage. Each of these four observations will be substantiated in this chapter and in Chapter 7.

### **The Risk Reduction of Major Filmed Entertainment**

Figure 6.2 indicates a long-term historical decline in risk. The next step is to historicize this process. How did major filmed entertainment manage to reduce its risk so systematically from the 1960s to 2013?

In the period during which risk dropped sharply and then steadily declined (1975-2013), the Hollywood film business established two important techniques: saturation booking and blockbuster cinema. As much as these two techniques are well-known characteristics of contemporary Hollywood, the risk perceptions of major filmed entertainment relate their successful application. For instance, Hollywood must decide how many big-budget films it will produce or finance—all in the hopes that each one will become a hit at the box office. Moreover, executives, managers and producers must, in the interest of future income, ask questions that underpin the capitalization of film projects. For instance, what type of film can reach the highest revenues plateau? Does it matter if a film opens on ten screens, 100 screens or 1,000?

After briefly describing the function of saturation booking, we will demonstrate that, since the early 1980s, major filmed entertainment has been able to make progressively better predictions about its saturation-booking strategy.

Second, we will account for the positive relationship between blockbuster cinema and saturation booking. And finally, we will demonstrate that major filmed entertainment's continuous use of saturation booking and blockbuster cinema might actually be changing the order of cinema.

### **Saturation Booking**

Saturation booking is a distribution-exhibition strategy that gives a film a “wide” release by simultaneously exhibiting the film in as many theatres and on as many screens as possible. Saturation booking starts on opening day, continues on opening weekend, and remains in place for as long as the film is popular in cities and towns all over the country. This wide-release strategy is not simply designed to accumulate big revenues; it is designed to accumulate them *as quickly as possible*. For example, the 2001 film *The Mummy Returns* opened in 3,401 theatres in the United States and earned 90 percent of its domestic theatrical revenues in its first five weeks. By contrast, *O Brother, Where Art Thou?* opened in five theatres in the same year, and only eventually grew to a maximum of 847 theatres. It took four months to earn 90 percent of its domestic theatrical revenues (which were almost five times smaller than the box-office gross revenues of *The Mummy Returns*).<sup>7</sup>

The sector-wide institution of saturation booking has modified major filmed entertainment's orientation to risk and the social world of cinema. In other words, even if major filmed entertainment has always sought to control the creation and

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<sup>7</sup> These two examples, *The Mummy Returns* and *O Brother, Where Art Thou?*, are taken from (Maltby 2003, pp.202, 204).

consumption of films for pecuniary ends, the nature of the saturation-booking strategy compelled Hollywood to add another consideration to its predictions about the expected earnings of a film. Saturation booking is *not* applied to every film. The Hollywood film business must now decide, on the basis of what it thinks will be popular, which films will be given wide theatrical releases. The tiered exhibition system of classical Hollywood may be no more, but some contemporary films will only ever get “platform” releases, which means they will open in a small number of theatres, usually in select cities (New York, Los Angeles, etc.). Moreover, not every cinematic premise or idea is suitable for the blockbuster style; and since saturation booking gives the widest releases to Hollywood’s biggest, most expensive blockbusters, not every film is deemed suitable for the saturation-booking strategy.

Therefore, a *confident* decision about a distribution strategy is a confident judgment about how a film will rank relative to its cohorts. For example, there is historical evidence that top-ranking films, sorted by revenues, have been able to outperform other films by a wide margin. In addition, for each decade since the late 1940s, the share of all box-office revenues that go to the top 1 percent of films, ranked by revenues, has grown. Mark Weinstein describes this phenomenon:

In the late 1940s, the top 1 percent of films represented 2 percent to 3 percent of studio revenue; by the early 1960s, this had tripled, to an average of about 6 percent. This trend has continued in recent years. In 1993 the world-wide revenues for the top 1 percent (two films) of 163 major-studio released films were 13.8 percent of the total. (Weinstein 2005, p.252)

We can infer, along with Sedgwick, that this widening gap between the revenues of the top films and the rest of their cohorts began when Hollywood “became increasingly focused on the production of ‘hit’ films,” which require large sums of

money for “production values” and “visual and audio innovations” (Sedgwick 2005, p.187). This widening gap, however, carries its own risk perceptions. While platform releases can sometimes become popular and pull in revenues that few business experts and marketing strategists originally expected, wide-release films are *designed* to dominate the top tier. The difference between wide releases and platform releases is *decided* upon, and a wide release is typically paired with a large advertising and promotion budget. Thus, investor confidence in major filmed entertainment might drop if unknown films become popular while the wide releases that are advertised *ad nauseam* repeatedly underperform.

As Rosenbaum speculates, this fear of giving wide releases to the wrong set of films—or rather not giving it to the right set—might explain the reactive co-optation of *The Blair Witch Project* by the mainstream media (Rosenbaum 2000, pp.45–46). The promotional coverage of *Blair Witch* by the big media conglomerates was aggressive, but, as Rosenbaum notes, it was really a defensive manoeuvre to gloss over major filmed entertainment’s ignorance of and non-involvement with a film that rapidly accumulated \$140 million at the U.S. box-office. The media blitz began weeks after the independent film distributor, Artisan Entertainment, first released this low-budget film in 27 American theatres.<sup>8</sup>

A better understanding of saturation booking may shed important insight on the risk perceptions of Hollywood. As Figure 6.2 suggests, major filmed

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<sup>8</sup> *The Blair Witch Project* was far and away Artisan’s most successful theatrical release. For all the films Artisan released from 1997 to 2003—at which point Lionsgate acquired the firm—the theatrical revenues of *Blair Witch* were 17 times greater than the average Artisan release. For the same period, the film accounted for 36 percent of Artisan’s total theatrical revenues (see <http://boxofficemojo.com/studio/chart/?studio=artisan.htm>).

entertainment's degree of confidence has increased over the long term. Could this increase be the result of an increasingly effective use of saturation booking? Could this effect be empirically estimated?

### **A Predictability Index for the Risk Perceptions of Major Filmed Entertainment**

To answer these questions, I use *opening theatres* as a proxy for future expectations. Opening theatres stand as a proxy for future expectations because the decision about the number of opening theatres is made before a stream of box-office revenues actually begins to flow. Decisions about what is a good release strategy for each film derive from financial expectations about what will happen to each film on its opening weekend and onwards. Furthermore, as I established above, the Hollywood film business is concerned with the future pecuniary rank of its films, which in turn relates to the strategy of giving some films a wide theatrical release. Now, the key point to our examination of risk is that not every high-grossing film is the product of a wide release strategy. A platform release can, over time, become popular and consequently earn a relatively high level of gross revenues. For example, *Schindler's List*, which opened in only 25 theatres, ended up the ninth-highest-grossing film of 1993. But major filmed entertainment does not want to wait for its wide releases to *eventually* become popular; it wants to hit the iron when it's hot. It wants to open a select number of films in a large number of theatres—often 1,500, 2,000 or even more—and to gross as much income as it can and sooner rather than later. This strategy, though, requires major film entertainment to be

very confident in its particular choices, and the question is where this confidence comes from.

The first step in answering this question is to establish that major filmed entertainment has indeed become more confident about its saturation booking strategy. Historical data on opening theatres enable us to create a “predictability index” for the success of saturation booking, and that index in turns allows us to approximate the evolution of Hollywood’s risk coefficient ( $\delta$ ). Using this index, I will demonstrate below that, from 1981 to 2013, Hollywood has improved its ability to predict the financial performance of its films. This increased predictability reflects a better understanding of and perhaps a greater ability to create an order of cinema that is better suited to the strategy of giving *some* films wide theatrical releases. And this greater understanding and ability in turn translate into higher confidence, lower risk perception and higher capitalization.

As a proxy for future expectations, opening-theatres data can be used to compare expected and actual theatrical gross revenues. As an example, Table 6.1 uses 1986 data from boxofficemojo.com to rank the very top films by their box-office gross revenues. The table also provides the number of opening theatres for each film. Table 6.1 is interesting for a few reasons. What first stands out is *Platoon*, which only opened in six theatres but eventually went on to become the third-highest-grossing film of 1986, a good example of a highly successful platform release. The second and perhaps more important point is that there is no one-to-one match between revenue rankings and opening-theatre rankings. For example, the two top-grossing films—*Top Gun* and *Crocodile Dundee*—did not have the two

widest releases of that year. Even on this abridged list, we can see five films that had wider releases in 1986.

| <b>Table 6.1</b>   |                                      |                             |
|--|--------------------------------------|-----------------------------|
| <b>Films Released in 1986, Ranked by Box-Office Gross Revenues</b> |                                      |                             |
| <b>Film</b>  | <b>Box-Office<br/>Gross Revenues</b> | <b>Opening<br/>Theatres</b> |
| <i>Top Gun</i>   | \$176,786,701                        | 1,028                       |
| <i>Crocodile Dundee</i>  | \$174,803,506                        | 879                         |
| <i>Platoon</i>   | \$138,530,565                        | 6                           |
| <i>The Karate Kid Part II</i>                                      | \$115,103,979                        | 1,323                       |
| <i>Star Trek IV: The Voyage Home</i>                               | \$109,713,132                        | 1,349                       |
| <i>Back to School</i>  | \$91,258,000                         | 1,605                       |
| <i>Aliens</i>  | \$85,160,248                         | 1,437                       |
| <i>The Golden Child</i>  | \$79,817,937                         | 1,667                       |
| ...  | ...                                  | ...                         |

Source: [www.boxofficemojo.com](http://www.boxofficemojo.com) for US theatrical gross revenues and opening theatres.

Table 6.2 offers a different view of the same year. It sorts films released in 1986 not by box-office revenues, but by opening theatres. Aside from two films, *Back to School* and *The Golden Child*, none of the films in Table 6.2 appear in Table 6.1. The films in Table 6.2 had the widest releases in 1986, but only two of them were able to even reach the \$50 million plateau.

| <b>Table 6.2</b>  |                                      |                             |
|---|--------------------------------------|-----------------------------|
| <b>Films Released in 1986, Ranked by Opening Theatres</b> |                                      |                             |
| <b>Film</b>   | <b>Box-Office<br/>Gross Revenues</b> | <b>Opening<br/>Theatres</b> |
| <i>Cobra</i>  | \$49,042,224                         | 2,131                       |
| <i>Police Academy 3: Back in Training</i>                 | \$43,579,163                         | 1,788                       |
| <i>Raw Deal</i>   | \$16,209,459                         | 1,731                       |
| <i>The Delta Force</i>                                    | \$17,768,900                         | 1,720                       |
| <i>The Golden Child</i>                                   | \$79,817,937                         | 1,667                       |
| <i>Friday the 13th Part VI</i>                            | \$19,472,057                         | 1,610                       |
| <i>Back to School</i>                                     | \$91,258,000                         | 1,605                       |
| <i>Poltergeist II: The Other Side</i>                     | \$40,996,665                         | 1,596                       |
| ...   | ...                                  | ...                         |

Source: [www.boxofficemojo.com](http://www.boxofficemojo.com) for US theatrical gross revenues and opening theatres.

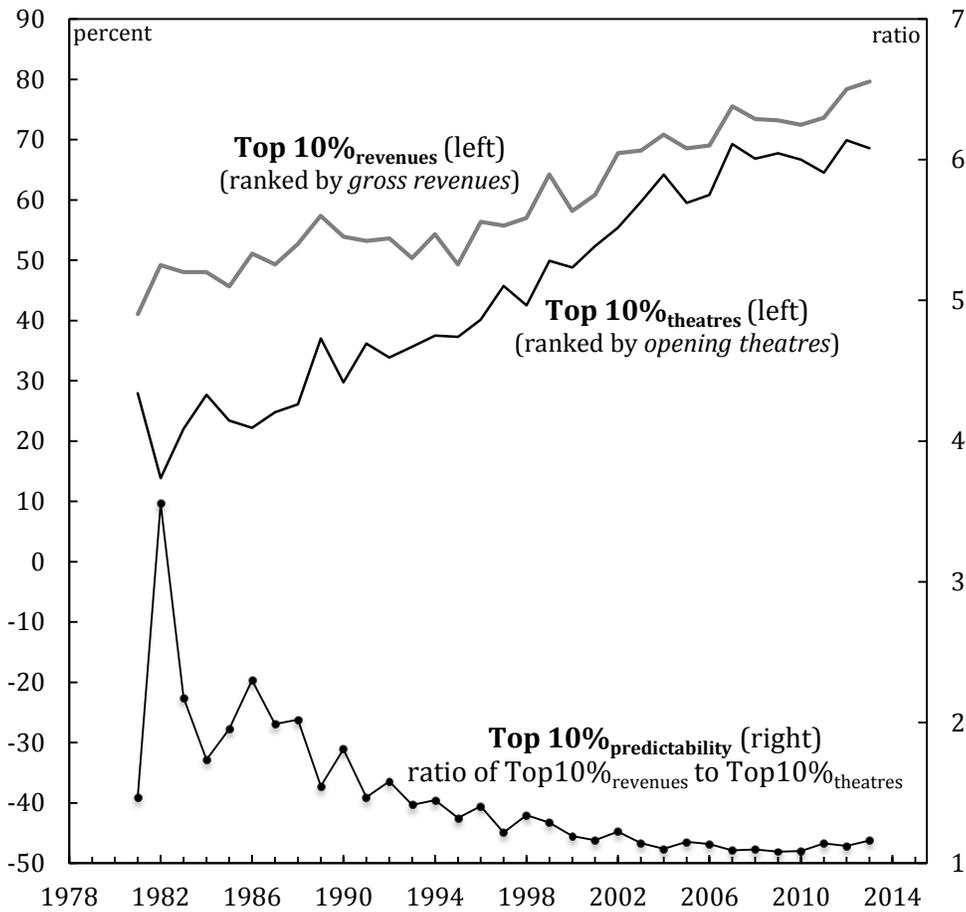
Taken together, Tables 6.1 and 6.2 compare the top-performing films (ranked by gross revenues) to what Hollywood expected the top-performing films to be (ranked by opening theatres). Figure 6.3 extends this comparison over time. The figure contains three time series. Top 10%<sub>revenues</sub> measures, for each year, the U.S. box-office gross revenues of the top 10 percent of all films, ranked by box-office gross revenues (comparable to Table 6.1). The revenue data are presented as a percent share of *all* U.S. box-office gross revenues for each year. The second series, Top 10%<sub>theatres</sub>, measures, for each year, the U.S. box-office gross revenues of the top 10 percent of all films, ranked by opening theatres (comparable to Table 6.2). This series is also presented as a percent share of all U.S. box-office gross revenues.

In line with Weinstein's observations, Top 10%<sub>revenues</sub> demonstrates that the top tier of films has, over a 32-year period, increased its share of all U.S. box-office gross revenues. The top 10 percent of films in 1981 grabbed approximately 41 percent of all U.S. box-office gross revenues for that year. In 2013 the top 10 percent grabbed a 79 percent share.

What is more interesting for our purpose, however, is the relationship between Top 10%<sub>revenues</sub> and Top 10%<sub>theatres</sub>. From the mid-1990s onwards, their fluctuations grow increasingly correlated.<sup>9</sup> Additionally, and most crucially, over time the two series converge. This second process is illustrated by the third series of Figure 6.3, Top 10%<sub>predictability</sub>. Top 10%<sub>predictability</sub> presents, from 1981 to 2013, the ratio of Top 10%<sub>revenues</sub> to Top 10%<sub>theatres</sub>.

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<sup>9</sup> To present the change in the Pearson correlation coefficient between Top 10%<sub>revenues</sub> and Top 10%<sub>theatres</sub>, the entire period can be broken down into three sub-periods: 1981-1989 (Pearson = +0.35), 1990-1999 (+0.74), 2000-2013 (+0.95).



**Figure 6.3** U.S. Gross Theatre Revenues: The Share of the Top 10% of All Films

Note: Boxofficemojo.com provides, from 1981 to 2013, data for each film released in the United States. After grouping every film from 1981 to 2013 by their year of release, I sort each year twice: once to rank all films by their *gross revenues*, and another time by their *opening theatres*. Both times, I measure the Top 10% share of the yearly total of U.S. gross revenues. Each year, the measure of Top 10% is adjusted by the annual total of films released in the United States. See (McMahon, 2013).

Note: The series that is sorted by opening theatres is not simply measuring opening weekend revenues. It measures total theatrical gross of each relevant film.

Source: [www.boxofficemojo.com](http://www.boxofficemojo.com) for number of films released per year, U.S. theatrical gross revenues and opening theatres for each film, and the sum of all U.S. theatrical gross revenues.

We can see that, over time, (1) the size of the ratio has decreased, getting closer and closer to 1, and (2) the fluctuations in this ratio have lessened. What does

it mean when Top 10%<sub>predictability</sub> is close to 1? Technically, it means that Top 10%<sub>revenues</sub> and Top 10%<sub>theatres</sub> are counting more of the same films. In other words, in a year in which Top 10%<sub>predictability</sub> is close to 1, the highest-grossing films were also, more or less, those given the widest releases. Conceptually, the declining ratio and fluctuations of Top 10%<sub>predictability</sub> suggest that Hollywood is getting better at predicting which movies will perform better than their cohorts. As the ratio approaches 1, the films put up for wide release end up also being the top financial performers, which is doubly significant if the top tier of films now grabs the majority of *all* box-office revenues in the United States.

For instance, in 2007, the gross revenues of the top 10 percent of films accounted for roughly 75 percent of all U.S. box-office revenues. Moreover, the value of Top 10%<sub>predictability</sub> in 2007 was 1.089. Out of a possible 63 films, 46 films are included in both Top 10%<sub>revenues</sub> and Top 10%<sub>theatres</sub> of that year. We can catch a glimpse of this fact in Table 6.3, which reproduces for 2007 an abbreviated version of Tables 6.1 and 6.2. As we saw, only two films appear in both Table 6.1 and Table 6.2—*Back To School* and *The Golden Child*. As Table 6.3 demonstrates, five films appear in both rankings for 2007. Furthermore, the same five films of 2007 occupy, although in different order, both top five spots.

Figure 6.4 combines different scales to construct a more robust predictability index. Applying the methods just described, it presents a weighted average of three predictability indices, based on the top 1 percent, top 5 percent and top 10 percent of films each year, from 1981 to 2013. As in Figure 6.3, the results of this weighted

Table 6.3  
Rankings in 2007

| Ranked by Box-Office Gross Revenues            | Ranked by Opening Theatres                       |
|--|--|
| <i>Spider-Man 3</i>                            | <i>Pirates of the Caribbean: At World's...</i>   |
| <i>Shrek the Third</i>                         | <i>Harry Potter and the Order...</i>             |
| <i>Transformers</i>                            | <i>Spider-Man 3</i>                              |
| <i>Pirates of the Caribbean: At World's...</i> | <i>Shrek the Third</i>                           |
| <i>Harry Potter and the Order...</i>           | <i>Transformers</i>                              |
| <i>I Am Legend</i>                             | <i>Fantastic Four: Rise of the Silver Surfer</i> |
| <i>The Bourne Ultimatum</i>                    | <i>Ratatouille</i>                               |
| <i>National Treasure: Book of Secrets</i>      | <i>Bee Movie</i>                                 |
| ...  | ...  |

Source: [www.boxofficemojo.com](http://www.boxofficemojo.com) for US theatrical gross revenues and opening theatres.

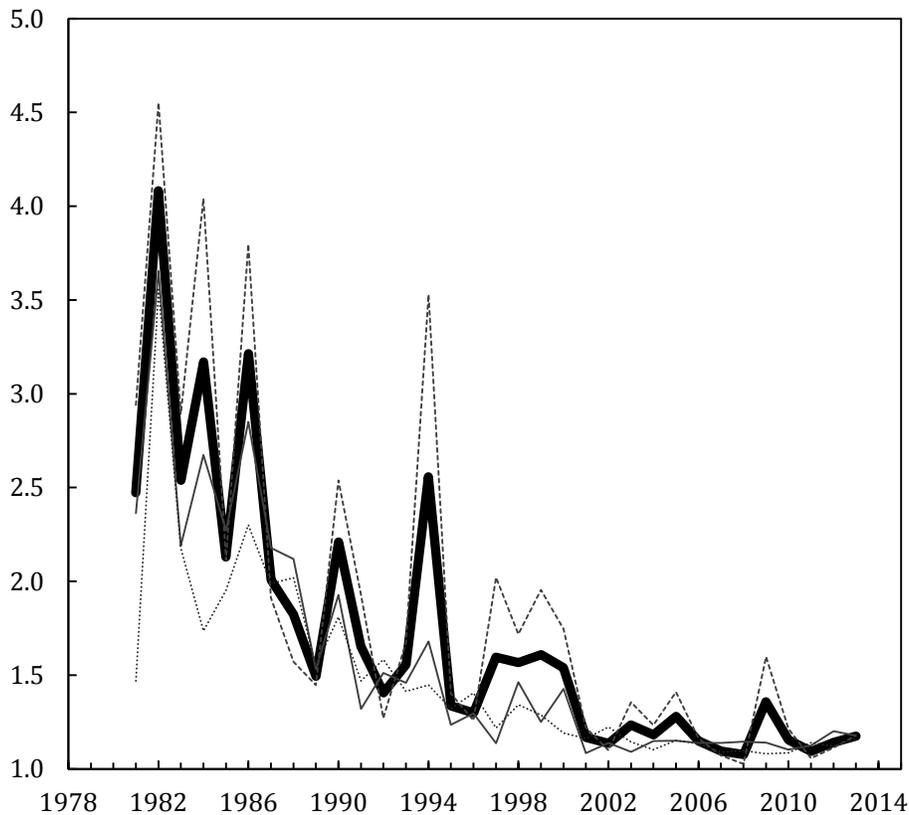


Figure 6.4 Predictability Index for the Top Tier of Theatrical Films Released in the United States

Note: The thick series is a weighted average of the Top 1% (0.5), the Top 5% (0.3) and the Top 10% (0.2). The methods that were used in Figure 6.3 were applied to the top one and five percent of U.S. gross revenues, ranked by gross revenues and opening theatres.

Source: see Figure 6.3

average suggest that major filmed entertainment has been able to predict the future shape of Hollywood cinema with a greater degree of confidence.

### **The Blockbuster Effect**

Blockbuster cinema, which first emerged in the 1970s, is different from “event” films of the past. Hollywood films before the 1970s, no matter how big in production value and grand in scale or imagination, did not get wide releases through simultaneous exhibition—saturation booking was only used for exploitation and pornographic films. Instead, a pre-1970 Hollywood film moved through a *tiered* system that staggered the exhibition schedule. “First-run” theatres—movie theatres in metropolitan centres—would get the film first.<sup>10</sup> Only when the “first-run” was complete would the film move on to the second tier, and so on down the line. The actor and director Tom Laughlin broke this convention in 1971. By using the saturation-booking method for his own Hollywood film, *Billy Jack*, Laughlin helped usher out the classical system of exhibition, which still carried on after the 1948 Supreme Court decision forced major filmed entertainment to divest its movie-theatre holdings.

The relevance of blockbuster cinema to the risk perceptions of saturation booking can be understood dialectically. Like the self-reflective movement of Reason in Hegel’s philosophy, a more effective use of the saturation-booking

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<sup>10</sup> While a tiered system was certainly in place, “first-run” theatres lost some of their advantages after 1948. For example, there was no longer a ticket-price difference between “first-run” theatres and lower tiered ones—most likely due to the post-1948 decline of double features (i.e., tickets that sell two back-to-back films). Also, the “clearance” tactic—where major studios would remove a film from all theatres for a block of time between its “first-run” exhibition and its “second-run”—was deemed illegal in the Supreme Court case against Paramount and the other major studios. (Waterman 2005, p.57).

strategy was an eventual solution to the early shortcomings of saturation booking in the 1970s.<sup>11</sup> Look beyond the two most obvious financial successes of the 1970s—*Jaws* and *Star Wars*—and there are examples of this decade having qualities that undermined the interests of major filmed entertainment. First, if blockbusters were to be high-octane fuel for the big engine of saturation booking, major filmed entertainment would need to learn how to design enough “must-see” films for the top financial tier. This lesson was first taught in 1976, the year that was sandwiched between *Jaws* and *Star Wars*. *Jaws* created a new pecuniary standard for high-grossing films, and in this environment, the great financial success of *Rocky*—the highest-grossing film in 1976—was, as Cook describes, “puzzling and unnerving” (Cook 2000, p.52). *Rocky* was a low-budget project that featured, at the time, a cast of unknown actors. Its unexpected success twisted the knife in the side of designed-to-be-blockbuster films like *King Kong* (1976) and *The Deep* (1977), two films that could not repeat the financial success of *Jaws* (Cook 2000, p.44).

Second, if the blockbuster style was going to be a mainstay for years to come, major filmed entertainment needed the “right” type of creativity. Spielberg and Lucas were certainly proving their worth early on, but many of their contemporaries in the late 1970s were making *auteur*/blockbuster hybrids that proved to be incompatible with the wide-release strategy. On the one hand, the

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<sup>11</sup> “Spirit gains its truth only through finding itself within absolute rupture. Spirit is that power not as a positive which turns away from the negative, as when we say of something that it is nothing or false, and having thus finished with it we turn to something else; rather, spirit is that power only in so far as it looks the negative in the face and dwells in it. This dwelling is the magic force which converts the negative into being” (Hegel 2005b, p.129). Yirmiyahu Yovel, in his running commentary on Hegel’s “Preface” to the *Phenomenology*, describes the self-reflective nature of Reason: “It is essential for knowledge to separate itself from the object and thus introduce falsity as a condition of the eventual reidentification” (Hegel 2005b, p.141).

production costs of films like Kubrick's *Barry Lyndon*, Peckinpah's *Convoy*, Friedkin's *Sorcerer*, Coppola's *Apocalypse Now*, Scorsese's *New York, New York*, and Cimino's *Heaven's Gate* were far too big for a small-release strategy to be profitable; on the other hand, the form and content of these films were also too esoteric to ever reach the revenues plateau of a *Jaws* or a *Star Wars*.<sup>12</sup>

Figure 6.5 helps illustrate the transformation from the 1970s to the current era of Hollywood cinema, 1980-2013. The figure is a proxy for the consumer habits of American cinema. It presents the volatility of attendance for both the top three and top five films per year. Volatility is computed in two steps. For both the top three and the top five films per year, the annual growth rates of total attendance are computed from the 1940s to 2013. The two series in Figure 6.5 are measures of, for each year, a 20-year trailing standard deviation of these growth rates.

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

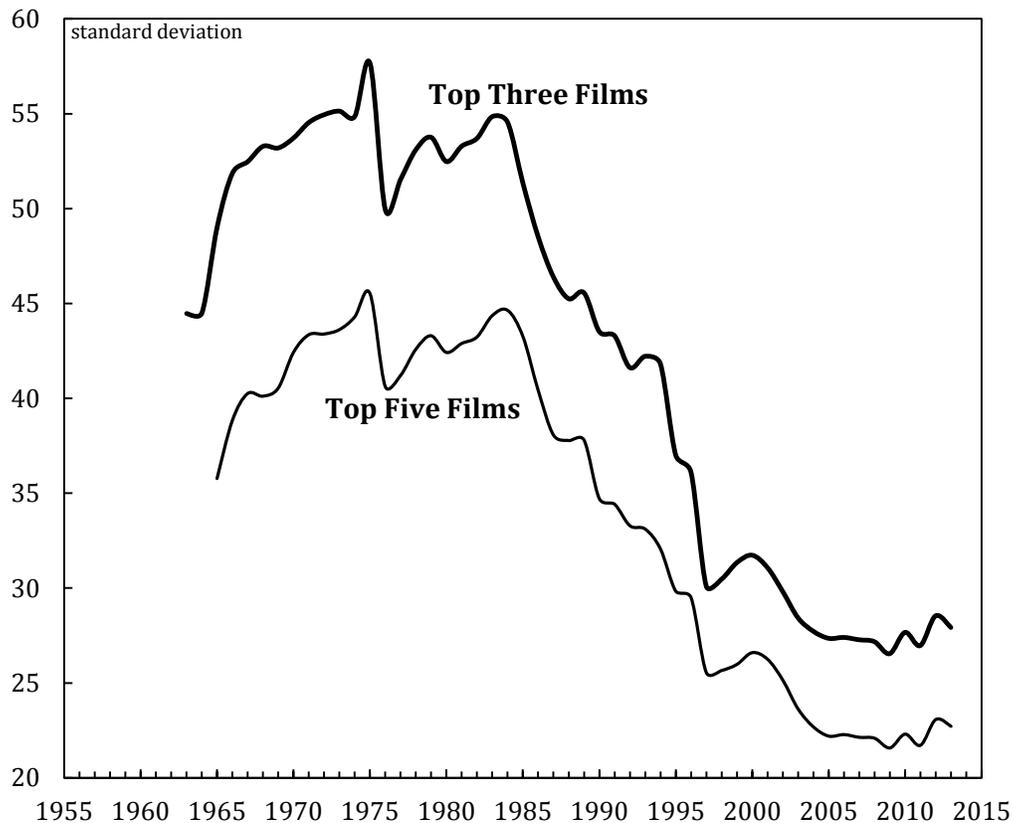
Following *Jaws*, high quality studio films developed even broader saturation releases; in 1976, *King Kong* (with a 961 theater opening); in 1977, *The Heretic: Exorcist II* (703 theaters), *The Deep* (800 theaters), *Saturday Night Fever* (726 theaters); in 1978, *Grease* (902 theaters) and *Star Trek—The*

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<sup>12</sup> Chapter 7's section on high-concept filmmaking will explicate this point further.

*Motion Picture* (856 theaters) continued to expand the pattern of saturation release and intense television advertising. (Wyatt 1994, p.112)

Despite this flurry of wide releases, however, Figure 6.5 illustrates that there is still a difference between the 1970s—a decade when blockbuster cinema was still in its infancy—and the contemporary period from 1980 to the present—a time when



**Figure 6.5** Volatility of U.S. Theatrical Attendance: Top Three and Top Five Films

Note: Attendance = Total U.S. gross revenues of the top three films / average U.S. ticket price

Note: Each series is a 20-year trailing standard deviation of annual percent rates of changes (e.g., 1980 = standard deviation of the rates of changes from 1961 to 1980).

Source: Bradley Schauer and David Bordwell, "Appendix: A Hollywood Timeline, 1960-2004," in *The Way Hollywood Tells It: Story and Style in Modern Movies* (Berkeley: University of California Press, 2006), 191-242. For years not covered in Schauer and Bordwell, see [www.boxofficemojo.com](http://www.boxofficemojo.com) for yearly gross revenues of individual films and National Association of Theatre Owners for average US ticket price (<http://natoonline.org/data/ticket-price/>).

blockbuster cinema has become Hollywood's predominant style. The two series—"Top Three Films" and "Top Five Films"—both start their decline in the 1980s and reach their lowest levels in the 2000s. By 2011, the 20-year trailing standard deviation for the attendance of the top three films was 48 percent less volatile than it had been in 1980. The same can be said for the attendance of the top five films.

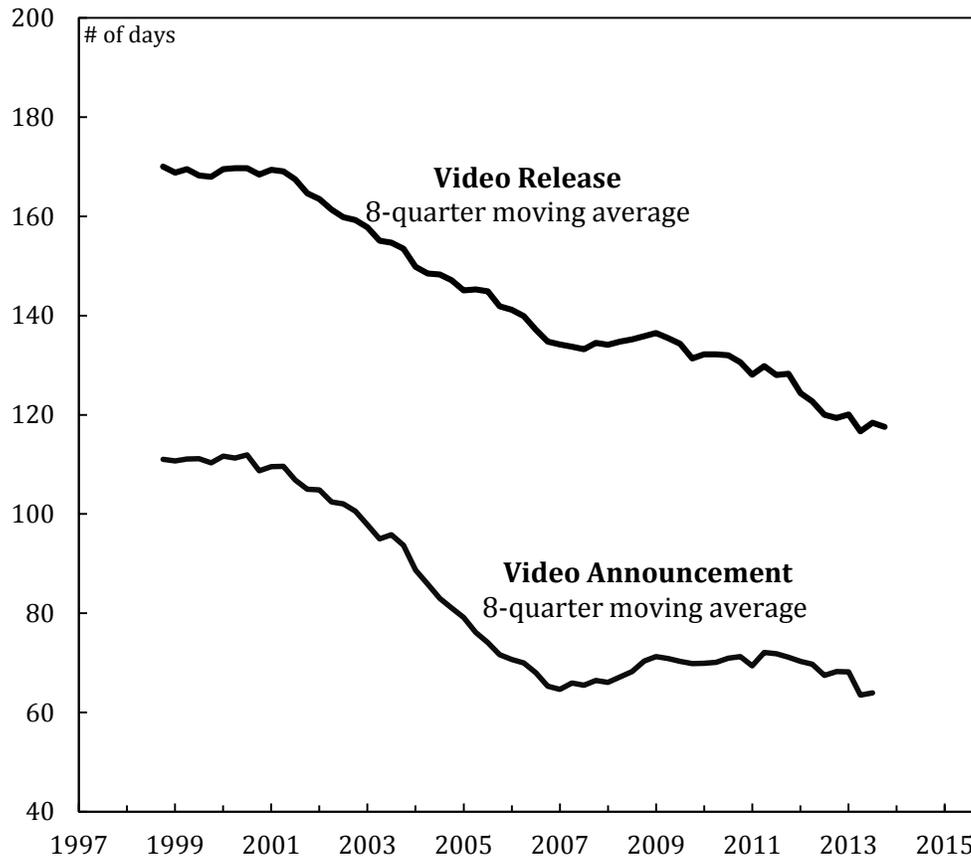
### **The Historical Circumstances of Saturation Booking**

Taken together, the increased confidence regarding the expectations of saturation booking implied by Figures 6.3 and 6.4 and the reduction in the volatility of attendance for the top tier of films shown in Figure 6.5 suggest that, since the 1980s, the historical circumstances of risk have changed significantly.

Now let's go one step further and examine the *extent* to which major filmed entertainment's push to reduce risk modified the order of cinema. Our argument here is that, when paired with the "right" set of blockbuster films, saturation booking is a social-historical force; it can bulldoze and reconstruct the historical circumstances about which risk perceptions are made.

To illustrate this point, consider the next two figures. Figure 6.6 uses the National Association of Theater Owners data to illustrate how the Hollywood theatrical-release window has changed from 1997 to 2013. With only a few exceptions, the theatrical-release window is the period of time when a film is exhibited in movie theatres exclusively, before it is made available in other media formats. In the chart, "Video Announcement" is the average number of days between the opening day of the film and the day when video release plans for the same film

are announced—a signal that a film’s theatrical-release window is closing or already closed. “Video Release” measures the average number of days between opening day of the film and the actual release of the video (DVD, Blu-ray and, previously, VHS).



**Figure 6.6** Average U.S. Theatrical Release Window for Major Studios, 1997-2013

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

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

Therefore, this measure is the sum of two periods: when a film is in theatres, and the period when the film is no longer in theatres, but has yet to be released on video.

As we can see, both series have trended downward. This shortening of the average theatrical-release window is partly a reaction to Internet piracy and

bootlegging. By releasing its video formats sooner, major filmed entertainment is attempting to distribute each product before the respective wave of piracy reaches its crest. For our purpose, though, the important point is that this shortening of the theatrical-release window undermines a key aspect in De Vany's argument about the high to extreme levels of risk in the Hollywood film business. According to De Vany, consumers, although barraged with advertisements that attempt to control their behaviour, can significantly disturb expected financial performance through word of mouth. Word-of-mouth behaviour, so goes this type of argument, is an unpredictable, inherent risk of consumer sovereignty; it can stop a "hit and run" strategy dead in its tracks (Cucco 2009, p.223). For the first few weeks, it may be possible for major filmed entertainment to attract audiences simply through promotion and advertising, even for its bad films. But after that, according to De Vany, an "uninformative information cascade" reaches its limit and the chaos of word-of-mouth communication takes over. This latter process, he maintains, *always* makes the future success of a theatrical release extremely uncertain; your unknown film can become a hit and your expected hit can become a flop when people start to talk (De Vany 2004).

The shortening of the theatrical-release window shown in Figure 6.6 cuts the word-of-mouth factor off at the knees. After a film has already been in theatres for a few weeks, and as the din of manufactured media buzz begins to fade, there is now a smaller interval in which word of mouth can potentially put a film on an unexpected, financial trajectory. As Cucco notes, this weakening of the word-of-mouth factor

actually advantages the saturation-booking strategy, which relies on blockbuster cinema:

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

Just as importantly, the shortening of the theatrical-release window disadvantages films that depend heavily on favourable word-of-mouth communication between moviegoers. For example, let us return to the difference between the theatrical releases of *The Mummy Returns* and *O Brother, Where Art Thou?* Both films were released in 2001, a year when the average interval between opening day and video announcement was 101 days. To earn 90 percent of its theatrical revenues *The Mummy Returns* only needed approximately 35 days, while *O Brother* needed approximately 112 days to accumulate 90 percent of a much smaller amount of theatrical revenues. This disadvantage of platform releases in a shorter theatrical window is actually much worse than it appears; *O Brother* was a *very successful* platform release—which is how it could earn 90 percent of its revenues eleven days after the theatrical window had already closed for many films in 2001. Overall, major filmed entertainment tends not to nurture platform releases that, like Jarmusch's *Dead Man*, might be artistically thought provoking but financially listless (Rosenbaum 2000, p.55). Indeed, platform releases are forced to become dependent on word of mouth because business interests have decided to withhold a large advertising budget from them (Ulin 2010, p.384). If a platform release fails to generate some heat through word of mouth, major filmed entertainment prefers to

let it languish in obscurity, rather than inject extra marketing and advertising, or what is sometimes called “sustained marketing” (Ulin 2010).

Figure 6.7 compares two series. The thick line measures the number of major filmed entertainment annual releases from 1975 to 2012. It is expressed as a percentage of the total number of films released in the United States. The dotted series measures, from 1975 to 2007, major filmed entertainment’s share of all U.S. box-office annual revenues. This series is an indirect measure of the struggle between major filmed entertainment and theatre owners—there is a finite amount of theatrical revenues each year, and it is contract negotiations that determine what share goes to the dominant Hollywood film distributors (Vogel 2011).

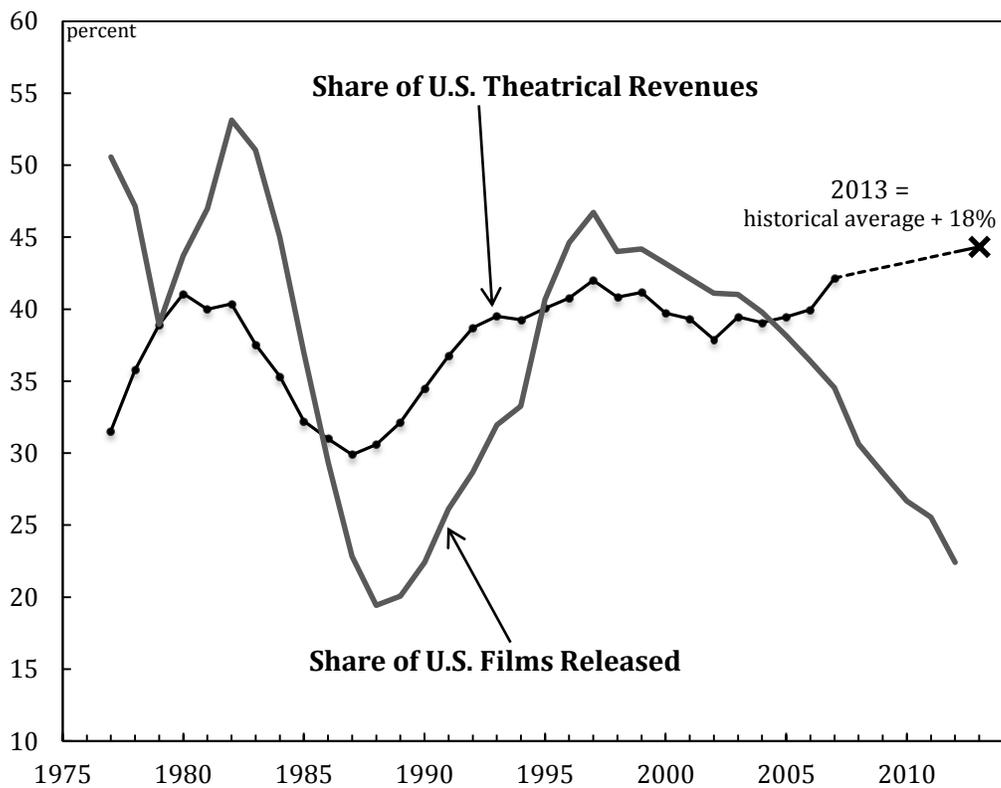
2007 is the last year for which data are available for major filmed entertainment’s box-office share. We can create a hypothetical extrapolation of the revenues series with details from the *Iron Man 3* contract dispute.<sup>13</sup> 2013 on the dotted series is 18 percent higher than the historical average of major filmed entertainment’s share of box-office revenues between 1975 and 2007. Eighteen percent is, according to what the *Los Angeles Times* reported, the low estimate of the amount by which Disney was attempting to increase its gross revenue share (from 55 percent to 65 percent).

The period from 2007 to 2013 is illuminating. That major filmed entertainment’s share of theatrical revenues is likely increasing while its share of all

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<sup>13</sup> In 2013, the *Los Angeles Times* reported a dispute between Disney and two major theatre owners, AMC Entertainment and Regal Entertainment. The dispute was over the theatrical release of *Iron Man 3* and how its theatrical revenues were going to be split between Disney, its distributor, and theatre owners. According to the *Los Angeles Times*, studios “typically collect 50% to 55% of ticket sales, depending on the movie.” AMC and Regal were challenging Disney because, for *Iron Man 3*, “Disney was seeking an excessively large take of the box-office revenue—up to 65%” (Verrier 2013).

film releases is decreasing indicates that the rules of the game might be changing. For most of the time span in Figure 6.7, from 1977 to 2006, there is a positive correlation (+0.72) between major filmed entertainment's share of total releases and its share of all theatrical revenues. This high correlation corroborates the research of Robert W. Crandall, who looked at the structure of Hollywood film distribution from 1948 to 1967. In regards to this 19-year period, which immediately followed the conclusion of the antitrust case against Paramount and



**Figure 6.7** Major Filmed Entertainment's Film Releases and Theatrical Revenues

Note: Both series are 3-year moving averages.

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

the other major studios, Crandall recognized that the means for distributors to exercise power over exhibitors were still there and, in fact, “were quite straightforward—the control over the number of film releases per year” (Crandall 1975, p.62). By “controlling the only nonsubstitutable input in theatrical exhibition—the film itself—the distributors continued to exercise market power” over theatrical exhibition (Crandall 1975, p.62).

Major filmed entertainment’s share of all films released in the United States has now declined to a level not seen since the late 1980s. However, unlike in the 1980s, its share of all theatrical revenues might be approaching a historical high. Thus, in recent years, major filmed entertainment’s share of theatrical revenues is no longer dependent on the extent to which it dominates film releases in the United States, at least not in the way it was until only a decade ago. This change might have to do with the stable popularity of superhero franchises and other blockbusters. This popularity created a situation in which major filmed entertainment has far less to worry about the growing number of competing films: they are less relevant to the certainty and revenue power offered by its wide-released blockbusters. While few in number but big in impact, the most popular blockbuster films lend their distributors a high degree of confidence about their gravitational pull.

### **Conclusion: The Significance of Major Filmed Entertainment’s Strategies**

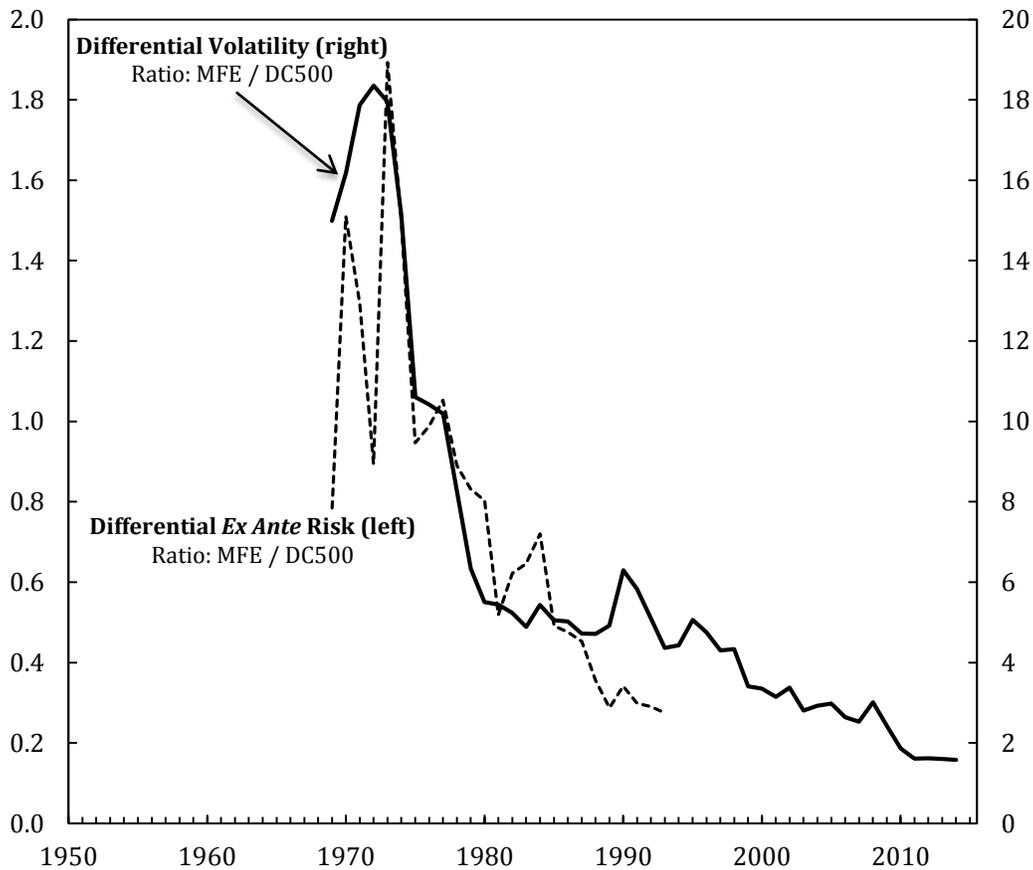
The aim of this chapter has been to understand how and to what extent major filmed entertainment has increased its degree of confidence through the systemic reduction of risk ( $\delta$ ). Around 1980, major filmed entertainment began to

effectively determine the financial trajectory of its most valuable films. Since then, Hollywood has gotten better at predicting which films will best use the saturation-booking strategy to accumulate a greater share of all theatrical revenues. Moreover, the volatility of attendance has decreased for the top films, and this historical change is coeval with a shortening of the theatrical-release window, which in turn disadvantages platform releases. Overall, the institution of blockbuster cinema and the strategy of saturation booking signify a decrease in risk for major filmed entertainment.

This decrease in risk has been a significant factor in major filmed entertainment's drive to accumulate differentially. The reduction of risk was not only absolute, it was also differential, relative to U.S. dominant capital more broadly. Figure 6.8 presents differential measures for major filmed entertainment's *ex ante* risk and volatility index. The same methods are applied to our data on dominant capital as were applied in Figure 6.2. It is highly significant that the shapes and patterns of the two series in Figure 6.8 are very similar to those in Figure 6.2. Overall, during the period since the early 1970s, major filmed entertainment has been lowering its risk at a faster rate than its benchmark, dominant capital.

Figure 6.9 supports our observations. The chart juxtaposes our measures of differential risk with the differential capitalization of major filmed entertainment. As shown in Equation 4.2, differential capitalization is affected negatively by differential risk—i.e., the lower the differential risk, the higher the differential capitalization. That is indeed what Figure 6.9 demonstrates. The pattern of differential capitalization was originally presented in Figure 4.2. The remarkable

divergence, occurring between the early 1980s and the mid-1990s, between rising differential capitalization and falling differential income led us to hypothesize that this divergence was created by falling differential risk; and to further guess that this decline in risk was crucial for understanding the emerging order of cinema in the

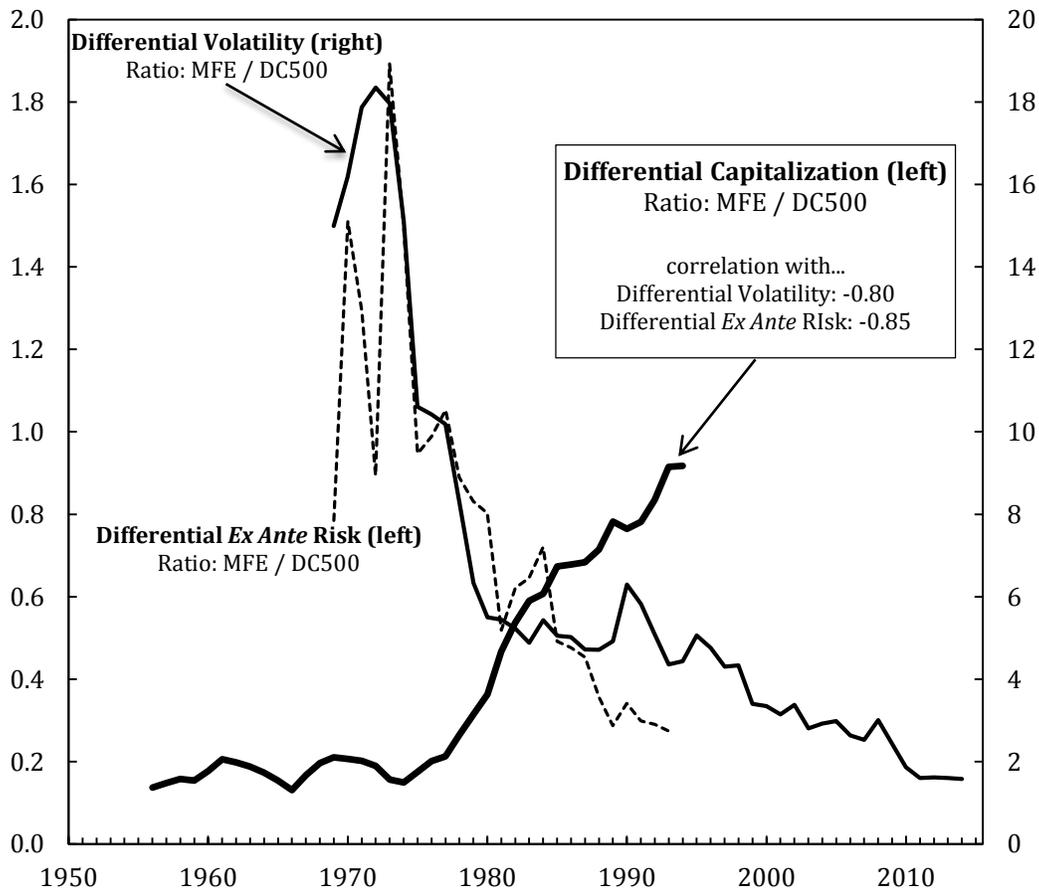


**Figure 6.8** Major Filmed Entertainment's Degree of Confidence: Differential Risk and Differential Volatility

Note: See Figures 6.1 and 6.2 for an explanation of how differential *ex ante* risk and differential volatility were calculated.

Source: COMPUSTAT through WRDS for common shares outstanding (CSHO) and Price (PRCC\_F) of Major Filmed Entertainment, 1950-1992. COMPUSTAT through WRDS for operating income, common shares outstanding (CSHO) and Price (PRCC\_F) of Dominant Capital 500, 1950-2011. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2011. Global Financial Data for normal rate of return: USA 10-year Bond Constant maturity Yield (IGUSA10D).

contemporary period. Figure 6.9 highlights the quantitative importance of the risk factor. The differential capitalization of major filmed entertainment stagnated right up to the point that differential risk started to drop in the early 1980s. And it started



**Figure 6.9** *The effect of Risk Reduction on Differential Capitalization*

Note: See Figures 6.1 and 6.2 for an explanation of how differential *ex ante* risk and differential volatility were calculated.

Source: COMPUSTAT through WRDS for common shares outstanding (CSHO) and Price (PRCC\_F) of Major Filmed Entertainment, 1950-1992. COMPUSTAT through WRDS for operating income, common shares outstanding (CSHO) and Price (PRCC\_F) of Dominant Capital 500, 1950-2011. Annual reports of Disney, News Corp, Viacom, Sony, Time Warner (Management's Discussion of Business Operations for information on their filmed entertainment interests) for operating income of Major Filmed Entertainment, 1993-2011. Global Financial Data for normal rate of return: USA 10-year Bond Constant maturity Yield (IGUSA10D).

to soar, despite falling differential earnings, as differential risk steadily decreased, from 1980 to 1994.

Moving forward, we can use major filmed entertainment's drive to reduce its differential risk to help conceptualize the more qualitative dimensions of contemporary Hollywood cinema. Risk perceptions are critical in framing Hollywood's orientation to the aesthetic potential of cinema. Only some types of films are given wide releases and big advertising budgets. Only some sets of films elicit high revenues expectations because their form and content are well suited for major filmed entertainment's pecuniary goals. Big blockbusters might not be everything for the Hollywood business, but they prevail by overshadowing other forms of filmmaking. This overshadowing helps reduce risk and boost differential accumulation, and in order to achieve it, major filmed entertainment must strategically sabotage the aesthetic techniques of filmmaking.

## **Chapter 7**

### **The Institution of High-Concept Cinema**

#### **Introduction**

This chapter, which is concerned with the history of American cinema and the political philosophy of art, complements the quantitative research of the previous chapter. The chapter provides a conceptual analysis of high-concept cinema, which is a key component of the contemporary Hollywood film business, and it shows how, over the past three decades, the growing hegemony of high-concept cinema went hand in hand with the ability of major filmed entertainment to significantly reduce its risk.

High-concept cinema in Hollywood involves the simplification of a film's message for marketing purposes. This strategy, which first emerged in the late 1970s, is the product of the rise and fall of American New Wave, which was briefly embraced during the period of "New Hollywood." By excising the complexity, ambiguity and, dare we say, politics from the aesthetic intentions of American New Wave, the application of high-concept cinema by major filmed entertainment has been able to realign the aesthetics of Hollywood films with the contemporary strategies of saturation booking and blockbuster cinema.

The chapter explores how the aesthetic form of high-concept cinema complements major filmed entertainment's need to strategically sabotage the industrial art of filmmaking. High-concept cinema is a product of "intensified continuity", which is a filmmaking technique that achieves clarity, simplicity and straightforward meaning through rapid cutting between shots. Intensified

continuity need not be, in and of itself, a function of strategic sabotage. But it can become one when the rights of ownership allow major filmed entertainment to transform the “raw” material created during film production into high-concept cinema. This discrepancy between what is shot during actual production and what is finally presented to the audience is possible because American copyright law gives major filmed entertainment the right to edit or re-arrange any film that is ostensibly completed by its filmmakers.

### **High-Concept Cinema**

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

Who exactly invented high concept has yet to be settled. Wyatt notes that some people credit Barry Diller, while others point to Michael Eisner. Diller first used the high-concept standard when he was a programming executive for ABC television: “Since Diller needed stories which could be easily summarized for a thirty-second television spot, he approved those projects which could be sold in a

single sentence” (Wyatt 1994, p.8). Eisner first practiced high concept when he was a creative executive for Paramount (he later moved to Disney). For Eisner, it was also about whether a film could be summarized briefly (1994, p.8).

This yearning for brevity is partly a consequence of Hollywood “pitch” meetings, which usually give writers or filmmakers only about 20 minutes to sell their idea or script to a producer or development executive (Elsbach & Kramer 2003, p.286). However, as Wyatt points out, the pitch to a studio executive or producer is also a hypothetical pitch to an audience that commonly learns about the plots of upcoming films through television commercials, movie posters or Internet trailers. For example, Steven Spielberg, the most financially successful director in contemporary Hollywood and an executive producer of many films, uses the high-concept style to bridge pitched ideas and their hypothetical final products, the films themselves: “If a person can tell me the idea in 25 words or less, it’s going to make a pretty good movie. I like ideas, especially movie ideas, that you can hold in your hand” (quoted in Wyatt 1994, p.13).

Twenty-five words or less is not very much, but as Wyatt points out, Hollywood has devised ways to achieve this reduction, whereby the gist of the film is expressed in a simple marketable idea. As we show in what follows, this reduction in cinematic complexity is coeval with the systematic reduction of risk for major filmed entertainment.

## The Elements of High-Concept Cinema

In a high-concept film, one will find character types, a simple narrative or a take-away image or style—and sometimes all three elements.

High-concept films tend to rely on simple character types to make the motivation and goals of characters transparent. High-concept characters may have proper names, but they lack the richness and depth that often give individual desires, both real and imaginary, an ambivalent, obscure or even unconscious foundation. The main point of high-concept characterization is to highlight a single property in each character. For instance, in Steven Soderbergh's *Ocean's Eleven*, George Clooney plays a thief who steals for more than money, be it for love or revenge; Brad Pitt plays a thief who is always the cool counterweight to Clooney; and Matt Damon is the thief who is talented but always clueless about the master plan, to which Clooney and Pitt are always privy. Physical qualities can also stand in for personality and psychological motivation. In *Twins*, for instance, the narrative centres on "the *physical* difference between the twins," which, as Wyatt points out, "is reinforced by the casting of Danny DeVito and Arnold Schwarzenegger" (1994, p.55). This visual contrast between a stocky DeVito and brawny Schwarzenegger was also at the centre of the film's marketing campaign.

In Hollywood, complex stories are not always winnowed down to the point that they become high concept. Charlie Kaufman, for example, was forced to simplify his script for *Eternal Sunshine of the Spotless Mind*, yet the final product is complex enough to not qualify as high concept. As the analysis by Bordwell implies, *Eternal*

*Sunshine* is not easily marketable because its simple narrative structure was buried beneath a visible façade of experimental exposition:

As with the experiments of the 1940s and 1960s, most storytelling innovations since the 1990s have kept one foot in classical tradition. Because of the redundancy built into the Hollywood narrative system, unusual devices could piggyback on a large number of familiar cues. *Eternal Sunshine*, as Kaufman doubtless realizes, tells of boy meeting girl, boy losing girl, and boy getting girl. (Bordwell 2006, p.73)

By design, a high-concept film does not hide this simplicity. Instead, a high-concept film is the least likely candidate to veer from the established narrative standards of Hollywood cinema. With a straightforward premise and a cast of characters that lack psychological depth, high-concept films can cleanly and efficiently follow standard Hollywood procedure:

Act 1 introduces the problems faced by the hero, ending with a crisis and the promise of major conflict. Act 2 consists of an extended struggle between the protagonist and his or her problem, and it ends at a point of even more severe testing for the hero. Act 3 shows the protagonist solving the problem. Taking a two-hour film as the norm and assuming that one script page equals a minute of screen time, [it is recommended] that act 1 run about thirty pages, act 2 about sixty pages, and act 3 another thirty pages. (Bordwell 2006, p.28)

This ratio of page count to screen time suggests that Adorno was not exaggerating when he stated that the total duration of a Hollywood film “is regulated as if by a stopwatch” (Adorno 2004d, p.75).

The third element, the high-concept image, can be described as “excessive”. In order to explain what that means, though, we need to briefly examine the role of images in art films. As will be described later in this chapter, art films, like high-concept ones, will often delay narrative progression, sometimes by holding a shot and creating memorable images. However, there is a qualitative difference between high-concept imagery and, for example, the images of perpendicular female faces in

*Persona* and *Mulholland Drive*. The latter two films use the same type of shot to add complexity, mystery and ambiguity to stories that are already discontinuous. As Bordwell notes, an art film generally alternates between imagery *and* narration to announce that “life is more complex than art can ever be, and... the only way to respect this complexity is to leave causes dangling and questions unanswered” (2003, p.43).

By contrast, the narrative-imagery relationship of high-concept film aims to have the opposite effect. The first job of high concept is to keep the film’s marketable qualities on the surface (Wyatt 1994, p.63). Thus, a pause in narrative is “excessive” because the style of high-concept imagery is never an alternative road to substantial meaning. Thus, having Tom Hanks play the foot-operated piano at FAO Schwarz in *Big*, or John Cryer lip-synch and dance to “Try A Little Tenderness” in *Pretty in Pink*, does not make the films richer, and after the pause in narrative, their stories resume as if nothing had ever happened (Wyatt 1994, p.44). Moments of “excessive” style can also be used to showcase a much beloved quality of an actor.

Wyatt comments on the role of Eddie Murphy in the story of *Beverly Hills Cop*:

Murphy’s performance in *Beverly Hills Cop* breaks the development of the story at several occasions due to Murphy’s extraordinary “transformations.” In order to gain access to information, Murphy playing Detective Axel Foley, assumes strikingly different identities: from an irate *Rolling Stone* reporter to a dedicated floral deliveryman to an effeminate gay lover. Each of these transformations is accomplished solely through Murphy’s acting: through his speech patterns, gestures, and manner of presentation, rather than through physical disguises. The abruptness with which Murphy assumes each new character, along with the apparently arbitrary choice of persona, serves to break the world of the film. Murphy’s performance, composed of these psychological transformations, explodes the banal detective story at these points, taking precedence over any narrative development. (1994, p.33)

This same method of “storytelling” was used in many Jim Carrey films in the 1990s, particularly *Ace Ventura: Pet Detective*, *The Mask* and *The Cable Guy*. In each of these films, the story is thin because the true purpose is to have Carrey-the-actor showcase his abilities in physical comedy and impersonations.

The excessiveness of high-concept imagery actually increases the need for the story of a high-concept film to be straightforward and easy to follow. If the imagery does not add any complexity to a film, the time left over for narrative development might not be enough to produce the experience of following the progression of a good story. As Mamet notes, great films of various genres are able to build anticipation and excitement step by step because dramatic experience is “essentially *the enjoyment of the postponement of enjoyment*” (Mamet 2007, p.130). But for this deferred form of enjoyment, the screenwriter needs a lot of pages and the director needs every scene. When films are, instead, built around scenes or images that do little to deepen meaning, what is generally left over for story are simply pretexts for action, or a “loose assemblage” of visual effects or scenes (Mamet 2007).

### **Capitalizing the Habits and (Low) Artistic Expectations of Hollywood Cinema**

As Wyatt observes, the elements of high-concept cinema come together such that they weaken our identification with character and narrative. Instead of building a complicated relationship between subject and object,

the viewer [of a high-concept film] becomes sewn into the “surface” of the film, contemplating the style of the narrative and the production. The excess created through such channels as the production design, stars, music, and promotional

apparati, all of which are so important to high concept, enhances the appreciation of the films' surface qualities. (1994, p.60)

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

High-concept filmmaking helps increase major filmed entertainment's degree of confidence because it has become a socially accepted style of cinema. Not every Hollywood film is high concept, nor is every film of this type wildly popular. Rather, the general persistence of high-concept films shapes and reinforces social expectations about what cinema should and should not be. If the belief that films *should* be simple and straightforward is strongly held by managers, producers, directors, screenwriters, actors, artists and the consumers of their films, major filmed entertainment can, with a greater ability, quantify its expectations about the repeatability and regularity of high-concept cinema. Thus, the social institution of high-concept cinema relies on the social-historical foundation of aesthetic experience (Adorno 1997, p.269). Low, pessimistic expectations about the aesthetic *potential* of cinema can reinforce the institution of a narrow aesthetic horizon. Prevailing cinematic habits and expectations can also disadvantage filmmakers and audiences that would otherwise wish that films discovered the artistic depths of

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

The wide social acceptance of high-concept cinema is assisted by other characteristics of the Hollywood film business. For instance, the Hollywood star system is commonly used to develop a film project that can be sold in one or two sentences. The use of well-known stars, whose fame has come from repeatedly playing certain character types, gives a film a "certain pre-sold identity" (Wyatt 1994, p.24). By virtue of Tom Cruise or Meryl Streep being cast in a film, we already imagine what this film is about, or, at the very least, what it is likely *not* about. From the perspective of major filmed entertainment, our mental associations between movie stars and their typical movie roles can be sold back to us. Moreover, major filmed entertainment can sabotage the art of filmmaking to guarantee that the advertisements of films follow through on their promises. If an advertisement suggests that I keep holding on to my idea of what a typical Julia Roberts film is, it is also promising that this particular Julia Roberts film, the one being advertised, will deliver the goods; it will be what I already expect it to be.

On this count, high-concept cinema is a variation of what Hollywood has been doing for many decades. In the past, the form and content of a typical Hollywood film also served to reinforce and solidify the social relations that Hollywood needed to extend itself as the most dominant cinematic tradition. For instance, in the 1930s, MGM attempted to develop an MGM style that the audience would identify as any

film with high production values and a lot of movie stars. Through repetition of this “style,” MGM created a feedback loop in which more and more “MGM-type” films were made because moviegoers had come to associate aesthetic quality with high production values and lots of movie stars (Christensen 2012). Other studios also learned how a business-led institution of aesthetic standards was simultaneously an ideological and financial strategy. Once, in the words of Maltby, the “fabled extravagances of film production” had become “central to the myth of Hollywood the Dream Factory,” the ideological predominance of the Hollywood style of cinema had “the practical effect of restricting the number of companies which could afford to mount A-feature productions” (1983, p.48). Only the major studios could afford to produce A-feature productions, and if moviegoers developed a habituated taste for nothing but A-feature productions, films with smaller budgets, or even an alternative cinematic style, were technically not in competition for the same streams of revenues.

What sort of empirical evidence can we offer in support of our arguments about risk and high-concept filmmaking? Wyatt has his own statistical evidence, and his conclusion that “high concept lowers the risk and uncertainty within the movie marketplace” reinforces the argument of this section (1994, p.172). Yet Wyatt acknowledges that his method carries a statistical bias for high-concept films. Wyatt looks at the revenue impacts of a film’s “elements,” as if every film in the dataset could be broken down as a production function of inputs. Such elements as “stars, bankable director, merchandising tie-ins, and genre,” however, already favour high-concept cinema’s method of income generation:

The modular, packaged high concept films, with marketing hooks inherent in the projects, lend themselves to this analytical breakdown. Consequently, it is not surprising perhaps that the statistical model illustrates that high concept is actually more predictable than other forms of production. The model works most successfully with genre-bound, linear narrative and pre-packaged films—all categories which overlap with high concept.” (Wyatt 1994, p.172)

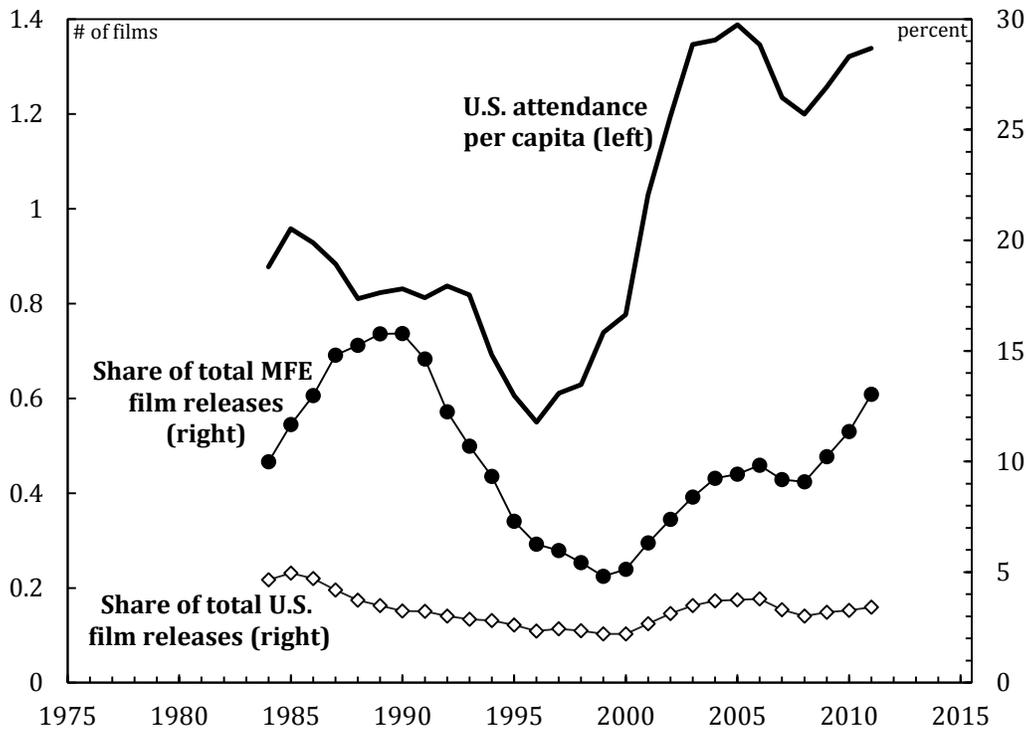
Instead of retaining the assumptions that underlie Wyatt’s quantitative analysis of high-concept “elements,” we can offer an alternative method that treats high concept as a world within a larger cinematic universe. As was established in figure 4.3, U.S. theatrical attendance per capita has remained at roughly the same level for over 50 years. If we treat this average moviegoing habit as an outer limit of the social world of American cinema, we can then ask how much of the average movie consumption (~5 films per year) goes to high-concept films. We can also ask whether the general fixation on high-concept films has strengthened over the years. If U.S. theatrical attendance per capita of high-concept films has increased, we can conclude that these films have a greater degree of *social* longevity. Concomitantly, we can infer that capitalist confidence in high-concept filmmaking has increased—though, by exactly how much, our method cannot determine.

Changes in the share of high concept cinema offer a rough approximation of changes in risk perception, to be sure. Yet U.S. theatrical attendance per capita has been more or less stable for some time, so an increase in attendance for high-concept cinema means that this type of film is being substituted for other types of films. And if, over the long term, high-concept films are watched with greater frequency, that increase suggests that moviegoing habits are locked into a narrowing range of film types. Stronger dedication to high-concept filmmaking, even

if only in relative terms, speaks to the *durability* of Hollywood's social-historical foundations, which could always change in light of new creation.

Figure 7.1 presents data on U.S. franchise films, a term denoting a film that has the copyright to exploit images, characters, environments and stories of intellectual property (e.g., James Bond, Ghostbusters, Indiana Jones, Jurassic Park, Marvel superheroes, Harry Potter). The intellectual property of a film franchise can originate from other media, such as literature, television shows and comic books. The production of sequels or "spin-offs" can also create or extend a film franchise. Not every high-concept film is a franchise, but all film franchises are high-concept. A typical franchise film is reducible to its marketable element, which is often one or many of its characters. This marketable element is the franchise film's *essence* because the franchise is primarily designed to carry its theatrical success to or from other channels: television, novels, fast-food chains, toys and video games (Drake 2008, p.77). Additionally, if a franchise pre-exists its cinematic manifestation, a film version of the franchise is its own shorthand advertisement, as the essential idea has been pre-sold to its audience through other media.

Figure 7.1 shows three series, which are each smoothed as a five-year trailing average. The series on the left y-axis measures the per capita attendance of franchise films. The other two series present the share of franchise films in major filmed entertainment's total film releases and the share of franchise films in the total number of films released in the United States. With respect to major filmed entertainment's releases, the share increase of franchise films after 2000 has pushed per capita attendance higher—i.e., the average American moviegoer is still



**Figure 7.1** Franchise Films, 1980-2011: U.S. Attendance per capita and Share of Releases

Note: All series are 5-year trailing averages.

Attendance = total U.S. gross revenues/average US ticket price.

Sources: [www.boxofficemojo.com](http://www.boxofficemojo.com) for yearly gross revenues of individual films; <http://www.boxofficemojo.com/franchises/> for franchise films and <http://www.boxofficemojo.com/genres/chart/?id=foreign.htm> for foreign language; National Association of Theatre Owners for average US ticket price (<http://natoonline.org/data/ticket-price/>). Global Insight for total United States population.

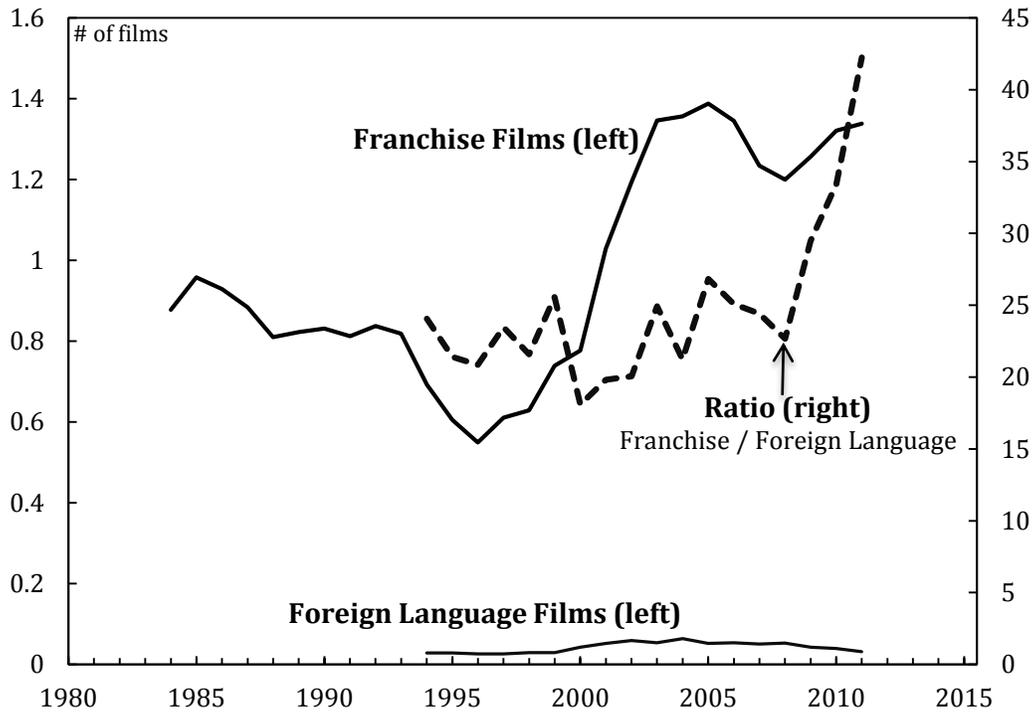
not seeing more films in total, but more of her ~5 films per year goes to the franchise films that Hollywood distributes. Relative to the U.S. total number of films, franchise cinema continues to be small world in a much larger cinematic universe. Increased consumer dedication to this small world corroborates the film criticism of Jonathan Rosenbaum (Rosenbaum 1997b; Rosenbaum 2000). As Rosenbaum often argues, our collective comfort in the mainstream of Hollywood cinema perpetuates

our ignorance of the larger universe of cinema, which is much more expansive than we habitually imagine.

An audience usually knows what it wants to get out of franchise films, and Hollywood, for its part, is committed to delivering it. Only so much originality, or even abnormality, is tolerated in a franchise film because there is always a more pressing task: the film must touch upon many or all of the established themes and images of the franchise in question. Christopher Nolan, for example, injected his love of monochromatic visuals and film noir into *Batman Begins*, *The Dark Knight* and *The Dark Knight Rises*, which creates a stylistic continuity between these three franchise films and his non-franchise projects, such as *The Following* or *Memento*. However, the key elements of the Batman universe are nevertheless given primacy in Nolan's Batman trilogy. A Batman film without the Batmobile, the Batcave and the Bat-Signal is taboo. It is also never a cliché to re-use the villains of previous Batman films: the Joker, Bane and Two-Face.

To get a better sense of how American cinematic habits are narrowing, we need to answer the following question: what is the average American *not* watching? Figure 7.2 compares franchise films to another series, U.S. theatrical attendance per capita for foreign-language films. Here the difference is stark. U.S. theatrical attendance per capita for franchise films is currently above 1, and there is still a lot of room for growth. By comparison, foreign-language films are not even in competition for American attendance; they are generally ignored and relegated to a minor league. U.S. attendance per capita for foreign-language films is so low that

only a small proportion of Americans bother to see even *one* foreign-language film per year.



**Figure 7.2** Franchise Films versus Foreign Language Films: U.S. Attendance per capita

Note: Each series is a 5-year trailing average.

Attendance = total U.S. gross revenues/average US ticket price.

Sources: [www.boxofficemojo.com](http://www.boxofficemojo.com) for yearly gross revenues of individual films: <http://www.boxofficemojo.com/franchises/> for franchise films and <http://www.boxofficemojo.com/genres/chart/?id=foreign.htm> for foreign language; National Association of Theatre Owners for average US ticket price (<http://natoonline.org/data/ticket-price/>). Global Insight for total United States population.

Some readers might already know this last fact about the unpopularity of foreign-language films in America. However, when examined more closely, low American attendance for foreign-language films says something important on the degree of confidence of major filmed entertainment. First, there have been four mini

flashes of a relative increase in American attendance for foreign-language films: 1998, 2000, 2004 and 2006. Interestingly, these moments do not signal a threat to major filmed entertainment. These short-term increases were the result of four films that were distributed by major filmed entertainment's subsidiaries. The films, distributors and the corporate parents of the distributors are *Life is Beautiful* (1998, Miramax, at the time owned by Disney), *Crouching Tiger, Hidden Dragon* (2000, Sony Pictures Classics, Sony), *Hero* (2004, Miramax) and *Pan's Labyrinth* (2006, Picturehouse, Time Warner). All four films are part of Hollywood's aggressive-but-common strategy to invest and over-inflate the artistic merits of only a few foreign-language films per year. *Life is Beautiful*, *Crouching Tiger, Hidden Dragon* and *Pan's Labyrinth* won awards at the Golden Globes and the Oscars, and distributors like Miramax and Sony Pictures Classics have been known for stubbornly preferring foreign-language films that can be easily tailored for the tastes of North American audiences (McDonald 2009).

Second, the trend of the foreign-language series in Figure 7.2, however short, suggests that major filmed entertainment can be quite confident about what its potential consumers are unlikely to watch. Long-term *disinterest* in foreign-language films, be they German, French or Hindi, is stable; foreign-language films do not threaten the amount of attention and hype that is given to Hollywood's franchise films. Thus, the existence of foreign-language films is not a barrier to the continued, and possibly intensified, strategy of making more and more franchise films. This point is, oddly enough, an extension of what was just said about the few foreign-language films that major filmed entertainment has taken an interest in. In the time

since *Hero* and *Pan's Labyrinth*, major filmed entertainment has closed some of its independent, more artistically-minded cinema divisions (Ortner 2013) and the budget range of \$20 million to \$85 million has become, says Steven Soderbergh, a “dead zone.” It is possible for an art film to find financing below \$20 million—although even that might be too generous—but a budget above \$85 million is not even a conceivable possibility. “Above the 85 range you’re into sort of the physically big movies that probably have movie stars in them or have some high concept behind them that they can sell” (Soderbergh 2010, p.62).

Figures 7.1 and 7.2 stand as historical evidence that the subject-object relationship between consumer and Hollywood film is ripe for reification. Here, Adorno’s argument about the repetitive cycle of a type of music listening can be applied to franchise cinema:

Aesthetic norms that are said to correspond to the perceiving subject’s invariant forms of reaction are empirically invalid; thus the academic psychology is false that, in opposing new music, propounds that the ear is unable to perceive highly complex tonal phenomena that deviate too far from the natural overtone relations: There is no disputing that there are individuals who have this capacity and there is no reason why everyone should not be able to have it; the limitations are not transcendental but social, those of second nature. If an empirically oriented aesthetics uses quantitative averages as norms, it unconsciously sides with social conformity. What such an aesthetics classifies as pleasing or painful is never a sensual given of nature but something performed by society as a whole, by what it sanctions and censors, and this has always been challenged by artistic production. (Adorno 1997, p.267)

### **Before High Concept**

Figures 7.1 and 7.2 corroborate the argument that high concept helps increase major filmed entertainment’s degree of confidence because it has become a socially acceptable style. However, it is still possible to continue pondering why

high-concept cinema, *of all possible cinematic styles*, is related to the risk-reduction strategies of major filmed entertainment. Why is this style of cinema an effective component in risk reduction?

It would be an exaggeration to state that high concept was, logically, the only aesthetic style capable of helping major filmed entertainment reduce risk from 1980 onwards. Yet we can pinpoint the importance of high-concept aesthetics another way. The institution of high-concept filmmaking is, as a particular risk-reduction strategy, the product of a two-stage process that began in the late 1960s. By briefly looking at Hollywood cinema during the American New Wave years, from roughly 1968 to 1977, we can see that the Hollywood film business purposefully instituted high-concept filmmaking in order to negate ambiguity and indeterminacy as filmmaking techniques. In comparison to the style of cinema it superseded, high-concept filmmaking was a much more suitable aesthetic style for saturation booking and contemporary marketing efforts. Overall, major filmed entertainment used high-concept filmmaking to go back to what Hollywood does best: sustain a social world of cinema through repetition and sameness. In comparison to American New Wave, high-concept films affirm, with much greater intensity, what Adorno and Horkheimer would describe as the schema of mass culture.

### **The Aesthetic Dimension and the Auteurism of American New Wave**

American New Wave is associated with the period of institutional rebirth, when out of the ashes of the crumbled studio system came the phoenix of “New Hollywood.” A partial list of New Hollywood filmmakers includes Hal Ashby, Robert

Altman, Peter Bogdonovich, John Cassavetes, Francis Ford Coppola, Sidney Lumet, Arthur Penn and Bob Rafelson. What these filmmakers have in common is a composite of two influences. American New Wave was predominantly European in form and American in content. With respect to form, the aesthetic of New Hollywood was imported from European cinema of the fifties and sixties—e.g., lengthy shots, location shooting, handheld cameras, the use of natural light and a grainy colour palette achieved through the exposure of film negatives. Its stories were also character driven and the plot, often non-linear, was typically used to explore a political issue conceptually.

European art cinema has had a small but stable place in American consumerism since the 1920s (Guzman 2005), but in the business environment of New Hollywood, European New Wave cinema actually had a direct influence on mainstream American film production. Essentially, many of the artistic techniques of European New Wave were consciously mixed with the content of American society. An American New Wave film does not always make *explicit* references to Vietnam, President Nixon, civil rights or the Women's Liberation Movement and the sexual revolution, but the Hollywood film business hired many young and previously inexperienced directors because they had the eyes and ears for an America that was in the midst of social and political upheaval. In fact, to the extent that youth in America were developing a "new sensibility" in the 1960s and 1970s (Marcuse 1969), some American filmmakers had chances to practice a form of auteur filmmaking in the Hollywood system. As Cook notes, "the studios' transitional managers briefly turned the reigns of creative power to a rising

generation of independents and first-time directors” because their “values seemed to resonate with the newly emerging ‘youth culture’ market” (Cook 2000, p.156).

However monumental the rise of American New Wave was, its aesthetic and commercial successes were eventually overshadowed by the rapidity of its death. Around 1980, it had become clear that major filmed entertainment’s embrace of New Wave cinema would only ever be an exception to Hollywood’s usual aesthetic style.<sup>1</sup> What had changed? Why was this aesthetic movement, which appeared to be temporarily loved by investors and critics alike, suddenly buried as a brief experiment in the long history of Hollywood cinema?

The quantitative research of Chapters 4 and 6 already gives us part of the answer. As Figure 4.2 shows, the differential profits of major filmed entertainment were highest in the 1970s (at least for the roughly 50 years for which data are available). Yet the relatively high volatilities of earnings (Figure 6.2) and of attendance for the same period (Figure 6.5) are indicators that risk was a serious issue for major filmed entertainment. That these volatilities of profits and attendance were sharply reduced in the 1980s is no coincidence. In the twilight of American New Wave, the delicate balance between auteur filmmaking and studio management had, after almost a decade of functioning well, suddenly tipped over and smashed to pieces, having been replaced by the far less risky high-concept style.

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<sup>1</sup> Some of the works of David Bordwell and Kristin Thompson could be combined and stand as one long study of Hollywood’s general aesthetic style, with the auteur movement in the 1970s being the lone exception. For studies of Hollywood’s classical style, see Bordwell & Thompson (1993) and Bordwell et al. (1985). For a study of Hollywood’s neoclassical style, which was established in the 1980s, see Bordwell (2006).

A brief summary of Marcuse's theory of the aesthetic dimension will enable us to frame this process. His theory orients us to the form-content question in aesthetics, which in turn allows us to highlight the aspect of American New Wave that was such a problem from the late 1970s onwards. American New Wave was risky for business not simply because its artists addressed or were inspired by political issues of the 1960s, from America's war in Vietnam to the social movements that were organizing themselves in cities like Washington, New York and Chicago. Rather, it was risky because young filmmakers were using the spirit of the times to reimagine the industrial practices of filmmaking and to take the form-content relationship of aesthetics very seriously—and that shift in industry threatened to undermine the control of business. In fact, when major filmed entertainment was ready to steer the film industry towards high-concept filmmaking, the aesthetic spirit of New Wave cinema had become an obstacle that needed to be pushed to the outskirts of American filmmaking.

As Marcuse argues, the form-content problem in art is the responsibility of the artist. It is the unity of the form and content that gives an artwork the "power to break the monopoly of established reality (i.e., of those who established it) to *define* what is *real*." There is certainly a multitude of artistic styles to choose from, but great artworks of various styles demonstrate the same point: "... aesthetic form, autonomy and truth are related" (Marcuse 1978, p.9). For Marcuse, this common denominator lies beneath different styles of artistic representation because, in each case, the artist is deciding how to represent the essence of reality "through estrangement." Thus, tackling the form-content problem is a crucial step in the

production of “critical mimesis,” which works with the content of established reality but has the power to make the invisible visible and the familiar unfamiliar. For example, “mimesis in literature occurs in the medium of language; it is tightened or loosened, forced to yield insights otherwise obscured. Prose is subjected to its own rhythm. What is normally not spoken is said; what is normally spoken too much remains unsaid if it conceals that which is essential” (Marcuse 1978, p.45).

Therefore, form is what gives historical content “aesthetic meaning and function” and once formed, the content of an artwork is “re-presented” as something in need of conscious re-examination.

This artistic ideal is fundamentally social: “in its very elements (word, color, tone) art depends on the transmitted cultural material; art shares it with the existing society” (Marcuse 1978, p.41). American New Wave tried to let the light of this social-artistic ideal shine with great intensity. It was trying to establish a form of filmmaking that, as art, was able to represent the estrangement of the ideal from the real. A New Hollywood film like *The Friends of Eddie Coyle*, for example, extols happiness and fulfillment as human needs, but this message only comes across in the negative, as a repressed ideal: the amelioration of life is not possible in the present, in social conditions where friends are not really friends at all (Kirshner 2012).

Looking at the form-content relationship reveals the qualitative change brought on by American New Wave. The content of a New Hollywood film, while often pushing the envelope with regards to how much sex and violence could be shown in a mainstream film, is only half the story. In fact, the freedom for an

American filmmaker to show more adult-oriented content on the silver screen was gained in the 1950s, when both the U.S. Supreme Court granted First Amendment rights to films distributed in the United States and the Hays Production Code effectively died.<sup>2</sup> The other half of the story was the form of American New Wave. It was aesthetically powerful because it was trying to reveal the ambiguity and indeterminacy of the content: an American society that was in turmoil since its established values were losing legitimacy.

At least for the filmmakers themselves, New Hollywood was an opportunity to make cinema political without shamelessly appropriating the news of the day or “hot-topic” subjects like gender, race, class and the rights of the individual. Rather, the point was to develop a style of cinema that could focus on, rather than gloss over, the moral ambiguity, complexity and difficulty of being a citizen in an unequal society that only paid lip service to the universal ideals of life, liberty and the pursuit of happiness.<sup>3</sup> New Hollywood cinema was fundamentally about the political: it found ways to look at the different processes, decisions and rationalizations that go

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<sup>2</sup> The collapse of the Hays Code was the result of more and more films, like those of Otto Preminger and Alfred Hitchcock, being released without a PCA seal of approval. A Supreme Court decision was also handed down in *Burstyn v. Wilson*, which dealt with the attempt to ban *The Miracle* (the first part of Rossellini's *L'Amore*) in New York for being “sacrilegious.” Explicit representations of sex and violence in Hollywood cinema continue to this day, while the form of New Hollywood films has vanished. Indeed, American New Wave cinema was never just about blood and nudity. Directors like Arthur Penn and Sam Peckinpah mixed their flair for violence and sexuality with the formal influences of European art cinema. For more details about the granting of First Amendment rights to motion pictures and the abandonment of the PCA seal of approval, see Kunz (2007, p.21).

<sup>3</sup> Of all these terms, “ambiguity” may be the key one. For instance, David Newman and Robert Benton, the writers of *Bonnie and Clyde*, declared that filmmakers in the late 1960s had good reasons to let ambiguous meaning roam free: “It is safe to assume... cinema lends itself to such a variety of interpretations because visual images tend to be more ambiguous than words in a book. The director can make his setup and call his shot, but you might get a fix on a table lamp in the corner of the frame and decide that’s the real meaning of the image.... This quest for ambiguity has, to a great extent, been encouraged by filmmakers in the last few years. Odd juxtapositions of subject matter or of images themselves have been so freely used that audiences have become educated to expect the shattering of ‘continuity’” (quoted in Christensen 2012, p.250).

into the institution of a social order. This artistic study of the political is what leads Kirshner to state that New Hollywood was truly an “adult” cinema. It was in this brief period that we found, in *mainstream* American filmmaking, “characters with morally complex choices, not necessarily between right and wrong, but made by imperfect people trying to find the best alternative from the menu of compromised choices that circumstances have made available to them” (Kirshner 2012, p.21).

As a type of “adult” film, New Hollywood cinema showed, for example, more explicit sexuality than had hitherto been shown in mainstream American cinema. Yet, argues Kirshner, greater amounts of “frank sexuality (admittedly at times vulnerable to the charge of pandering and titillation) were embraced as an important vehicle for exploring characters’ challenges and complexity, and acknowledging that sex and gender are inescapable elements of adult relationships” (Kirshner 2012, p.21). Moreover, many American auteurs of the 1960s and 1970s were purposefully and consciously trying to counterbalance the affirmative character of cinema. Since the cinematic image has a technological capacity to, with good-looking people, the right lighting and excellent picture quality, make almost *anything* look beautiful, New Wave filmmakers avoided any style that would give the facts of a bad reality a smooth gloss and sparkle.

Consequently, American filmmakers such as Scorsese, De Palma and Altman used cinematic form to deepen the moral and ideological incongruities of a complex narrative (Wyatt 1994, p.34). As Berliner notes about *Nashville*, Altman’s film is not complex just because it has a lot of main characters—24, to be exact. The style of *Nashville* gives the interwoven narratives a political quality. By making a multitude

of characters move in and out of the same scene, or by using parallel editing techniques to have different lifestyles and attitudes collide into one another, Altman reveals that many of the characters are inconsistent in their motivations and actions. In fact, Altman's lengthy presentation of these inconsistencies does not let the moviegoer use cinema to escape from *real* social antagonisms that lie outside of the movie theatre (or, in the twenty-first century, the living room) (Berliner 2011).

Speaking about the form-content relationship in protest films such as *Medium Cool*, Peter Lloyd states: "No engagement with the subject-matter can be possible if the 'style' is directed towards... superficial ends, without any sense of structure or the organic relation of every frame to the total conception of the movie itself" (quoted in Wyatt 1994, p.34). As was the case for Haskell Wexler, the director of *Medium Cool*, the artistic sincerity of American New Wave was often the result of "*auteur* filmmaking," which is an idea that was first instituted by French New Wave. Originally articulated by Francois Truffaut in 1954, the fundamental idea of *auteur* filmmaking was that the director was the principal author of a film (Kirshner 2012, p.28). "Principal author," not sole author—there are many branches of filmmaking (costume, lighting, design, makeup, sound, film scoring), and on professional films copyright law and trade union regulations require that the contributions of these branches are credited by name (MacCabe 2003, p.36). However, the philosophy of *auteur* cinema gives the film director principal authorship because directors have the exceptional task of having to express, on film, their attitudes about the visual amalgamation of all the content being used. Thus, as Andrew Sarris describes, the job of the director is to take in everything that goes into a cinematic image—

“cutting, camera movement, pacing, the direction of players and their placement in the décor, the angle and distance of the camera, and even the content of the shot” (2003, p.27).

*Auteur* cinema does not praise film direction as such, but directors who take responsibility for their creative role in a medium that is primarily visual.<sup>4</sup> This aesthetic principle was antithetical to the corporate structure of film production in the first half of the twentieth century, when directors traditionally were attached to film projects late in the creative process. It was often the case that in the studio system the director joined a film project that had already been “imagined” by others—e.g., the project had already been written by a screenwriter who had been hired to shape the preliminary visions of a producer or a studio executive (Bordwell et al. 1985; Balio 1993). Consequently, the idea of creative control was being turned on its head when, for instance, Robert Newman and David Benton, the screenwriters of *Bonnie and Clyde*, publicly extolled the role of the director: “... if there is one thing we learned beyond any question in the movie business it is this: once there is a director, he is the boss” (quoted in Christensen 2012, p.257).

### **The Party is Over**

Capitalist interests were certainly never wholly absent from the production of American New Wave films—in fact, the logic of capitalist investment always, at some level, needed to instrumentalize what was being filmed for profit, the ultimate

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<sup>4</sup> Who exactly these directors are is a matter of debate, subject to time and place. But some names kept coming up when *auteur* cinema was first articulated: Chabrol, Ford, Godard, Hawks, Hitchcock, Mizoguchi, Ray, Renoir, Resnais, Rivette and Rossellini.

end of any capitalist endeavour. Yet by the end of the 1970s, the industrial practices of American New Wave had become a severe irritant to major filmed entertainment. The instrumentalization of American New Wave filmmakers had grown to be difficult, especially in comparison to less “resistant” filmmaking techniques.

In the golden years of American New Wave—from about 1968 to 1975—the balance between business and industry could be considered mutually beneficial.<sup>5</sup> Many filmmakers were able to, for example, acquire autonomous creative control—from project approval to final cut—but only as long as they kept within the budgets that were decided upon by the respective studios. Woody Allen, an auteur in his own right, but not necessarily associated with New Hollywood cinema, was able to negotiate this freedom to do whatever he wanted with United Artists as long as he stayed on budget (Bach 1985, p.51). Similarly, the six-picture deal between Columbia and BBS productions, the production house that made *Easy Rider*, stipulated that Columbia would only keep its hands off development and production if all budgets stayed under \$1 million (Cook 2000, p.109). The needs of business were also expressed negatively, when studios sometimes made it clear they were not necessarily open to *any* form of American New Wave. For instance, the \$600,000 deal between Francis Ford Coppola’s film development project, American Zoetrope, and Warner Bros. was abruptly cancelled after the latter was thoroughly displeased

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<sup>5</sup> The golden years of New Hollywood exemplify Schumpeter’s theory of creative destruction. Schumpeter’s theory, however, depends on the repetition of creative destruction, which has disappeared since Hollywood became comfortable with saturation booking and blockbuster cinema. See Chapter 3 and our brief commentary on Schumpeter and the creative instability hypothesis (Earl & Potts 2013).

with the rough cut of the first Zoetrope project, George Lucas's *THX-1138* (Cook 2000, p.135).

Even this relative creative autonomy, however, became too costly by the end of the 1970s. At the time of American New Wave's twilight, blockbuster cinema was proving to be the next major strategy of Hollywood. Auteur-inspired films such as *Barry Lyndon*, *New York, New York*, *Sorcerer*, *Apocalypse Now* and *One From the Heart* had budgets the size of some contemporaneous blockbusters, but the style and substance of these particular films were far more esoteric. These films fell well below their financial expectations, and the blame for budget overruns fell on the philosophy of auteurism. Kubrick, for instance, was once praised by Warner Bros. management for keeping the production of his films on budget and schedule, but the huge cost of *Barry Lyndon* was the effect of shooting the film on location in Ireland and Kubrick's obsession with achieving an extremely detailed visual representation of English aristocratic life in the eighteenth century. Similarly for Terrence Malick, the production of *Days of Heaven* ran well over schedule because many of its beautiful long shots could only be achieved in the light of each day's "magic hour," the brief period when, during a sunrise or sunset, the top of the sun is just above the horizon (Cook 2000).

Perhaps the greatest impetus for instituting stricter controls over the pace and direction of Hollywood filmmaking was the production and distribution of *Heaven's Gate*, one of Hollywood's infamous financial disasters. Inspired by the Johnson County War of 1892, Michael Cimino's film was an ambitious portrayal of the conflict between the big and small players of the American frontier. With much

of the film shot on location in Montana, Cimino was obsessive about every detail that went into the story of cattle barons, the Wyoming Stock Growers Association, conspiring to kill settlers who, because of poverty, rustled cattle. Cimino's repeated demands to reconstruct sets, shoot multiple takes for virtually every shot and delay the daily shooting schedule in wait for potentially more beautiful shots ballooned the production budget to \$30 million, up from the planned \$11 million. At the end of shooting, there were over 1 million feet of footage, which is over 200 hours of running time.

Having lost Woody Allen to the newly formed Orion Pictures, United Artists hired Cimino on the hopes that *Heaven's Gate* would match the success of *The Deer Hunter*, a winner of five Academy Awards and Cimino's first film. By the time *Heaven's Gate* was actually released in 1980—Cimino cut and re-cut the film himself in post-production—United Artists had the task of advertising and distributing a film that was 3 hours and 39 minutes long and which ultimately cost \$44 million to produce and distribute. The domestic sales for its theatrical release were roughly \$3.5 million.<sup>6</sup> On top of being unsuccessful financially, *Heaven's Gate* won little to no critical acclaim during its initial theatrical run. All it ever became in the initial years of its release was the ultimate reason for Transamerica to sell United Artists to MGM in 1981.<sup>7</sup> In addition, Cimino himself became the public face of massive egotism and uncontrollable creativity in a Hollywood system that could no longer tame its own

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<sup>6</sup> For more on the *Heaven's Gate* fiasco, see (Bach 1985; Cook 2000).

<sup>7</sup> "Gosh," said John Beckett, the CEO of Transamerica, "the reason we bought the darn company in the first place was we hoped it would have some effect on the Transamerica stock, and it never has [sic]. I don't know why. Paramount gooses Gulf and Western, and Universal pushes up MCA.... That's a shame because, the stock ought to reflect your success" (Bach 1985, p.25).

directors—Francis Ford Coppola being one of the other well-publicized examples (Corrigan 2003, pp.102–108).

The sector-wide impact of *Heaven's Gate* is addressed in Steven Bach's memoir. As one of the United Artists vice-presidents involved with the financing and theatrical distribution of *Heaven's Gate*, Bach attempts to draw conclusions that are relevant to the business of Hollywood as a whole:

Movies matter. Because they do, and because they are created and manufactured in both artistic and industrial contexts, their costs matter, too. Signs that costs are once again escalating wildly and could one day make movies simply a prohibitively expensive "luxury" should be deeply sobering to those who care about them and most sobering of all to those who make them, the auteurs and artists whose assiduous pursuit of final cut or this or that other contractual advantage is a meaningless, even destructive luxury unless accompanied by the salutary force of discipline which no union, management, or conglomerate can impose. Like art, it comes from within. (Bach 1985, p.416)

Having worked with Cimino directly, Bach's memoir remains partly sympathetic to the aesthetic goals of *Heaven's Gate*. He is also clear that before production began, Bach and the rest of United Artists management wanted Cimino to ambitiously make an artistic masterpiece like his other film, *The Deer Hunter*. Yet Bach's conclusion on the *Heaven's Gate* fiasco also speaks to the changing attitude of management and investors, who were suddenly in no mood to deal with the "next Cimino," whoever that may be.

High concept contributed to the death of American New Wave because it, through its general application, created a dialectical opposite for business concerns to identify why films like *Heaven's Gate* were such bad investments. These films were so-called "low concept." Take, for instance, the words of Dawn Steel, former president of Columbia Pictures:

[The movie business in 1978] was all about capturing the spirit of the times with high-concept pictures geared to the youth audience—movies whose themes could be explained in a sentence or two. These were movies like *Saturday Night Fever* that were, as they were called at the time, critic-proof, so that they could bypass all the old ways of thinking. Following this premise, those films which are high concept could be matched by marketing campaigns that accurately represent their content, while marketing for low concept films would be more problematic, since the marketing, which inevitably operates through a reduction of the film's narrative, misrepresents the film as a whole. (Quoted in Wyatt 1994, p.9)

As Steel and other executives began to yearn for films that could be marketed in a straightforward manner, the ambiguity and complexity of many New Hollywood films began to be judged according to their perceived inability to fit the mould of high-concept cinema. Steel is right to imply that some films, by virtue of their style and content, cannot be reduced to one or two sentences; but this was *now*, in 1978, a problem in serious need of a “solution.”

The rise and fall of Robert Altman's career in Hollywood reflects the changing attitude toward American New Wave. In the first half of the 1970s his films were acclaimed for being imaginative, self-reflexive approaches to film genre and other staples of Hollywood storytelling. *McCabe and Mrs. Miller* is an anti-Western Western. Played by Warren Beatty, John McCabe is stubborn, but his stubbornness in the face of an encroaching mining company, a much larger foe, is not presented as a courageous virtue. Rather, McCabe is a bumbling character, unsure as to why, in the first generation of American trusts and cartels, he holds so strongly to the myth of the small entrepreneur (Shapiro 2008, p.58). Altman himself said that that the point of *McCabe and Mrs. Miller* was to turn “a number of Western conventions on their sides,” such as “male dominance and the heroic standoff; gunplay is a solution

only after reputation, wit, and nonviolent coercion fail; and law and order do not always prevail” (quoted in Shapiro 2008, p.55).

Altman’s *The Long Goodbye*, a film adaptation of a Philip Marlowe detective novel, is a neo-noir detective story fit for the American social consciousness of the 1970s. As Kirshner argues, Altman fought for and kept the revisionist ending of *The Long Goodbye*, where, unlike in Raymond Chandler’s novel, Marlowe (played by Elliot Gould) kills his friend, Lennox. Altman’s intention was to indict the “times he was living in. In the 1970s, not only was the world corrupt, but also there was no sanctuary to be found through the shared understanding of [a moral] code” (Kirshner 2012, p.173).

The dissonance between the aesthetic and commercial value of Altman’s *Nashville* symbolizes the changing perceptions of “low-concept” films best. For its cultural and political value to the community at large, *Nashville* is excellent because it is so ambitious. With its ensemble cast of 24 characters, the film follows multiple storylines, yet impressively reserves over one hour for musical performances. As Molly Haskell argues, *Nashville* has, with respect to cinematic ambition,

no successors except Altman’s own films—it was simply too complicated, too ambitious, too original in its improvisatory style, its huge cast, in other words, too inimitable. Think of it: twenty-four main characters—singers, musicians, wannabes, hangers-on—orbiting around the Grand Ole Opry and its satellite clubs, wandering into one another’s lives and limelight; twenty-four actors, free to work up their own material but staying in character through long crowd scenes, never knowing whether the camera was on them or not, never knowing whether what they sang or said would end up in the final cut. (Haskell 2013)

However, under the gaze of a film business that was, in 1975, beginning to prefer simpler, more straightforward films, *Nashville* malfunctioned financially. It became the typical “low-concept” film. Marketing-wise, the film had too many characters

and no single narrative to advertise. The original poster featured photos of the entire main cast of 24 characters. The advertising copy ignored the narrative and the complex social and political themes, and instead suggested that the consumer would feel an array of emotions because the film was “wild, wonderful, sinful, laughing [sic], explosive.” In contrast, this type of marketing problem did not affect *Jaws*, which was released in the same year as *Nashville*. The style, imagery and story of *Jaws* could be reduced “to a single marketing image without severe distortion, or oversimplification.” The iconic poster of *Jaws*, one of the first high-concept films in Hollywood, is not just clever marketing. The single image of an enormous shark approaching a woman swimming in the ocean is an *adequate* representation of what *Jaws* is *all* about (Wyatt 1994, p.117).

### **The Hegemony of High Concept**

For the period when major filmed entertainment was willing to give anti-Establishment youth of America what they wanted, the artistic principles of auteur filmmaking were less of a business nuisance. For instance, Jack Warner and the rest of the Warner Bros. management originally hated almost everything about *Bonnie and Clyde*, but the corporate mood in Hollywood momentarily changed when the film became the first of many commercial successes for American New Wave (Christensen 2012). And like the American New Wave films that followed on its heels, the writers and directors of *Bonnie and Clyde* were useful to business enterprise because they had access to social pipelines that were virtually invisible to

out-of-touch studio heads: European New Wave cinema, the American New Left, the Hippie movement, civil rights, women's liberation and a generational desire among young Americans to opt-out of the social structures they were supposed to inherit from their parents and grandparents.

Because American New Wave's main source of inspiration was the cultural and political transformations of the late 1960s and early 1970s, it is certainly possible that this cinematic movement would have faded anyways, as the norms and values of America became more conservative by the beginning of the 1980s. And as Todd Berliner notes, it is common for academic literature to focus on the content of American New Wave, which is then connected to the "ideological conflicts and social upheavals of the era" (2011, p.16). But while certainly important, this focus on the ideological content of American New Wave is still too narrow. By neglecting the *form* of American New Wave filmmaking, especially the form-content relationship, a one-sided view misses the part of the story that explains how Hollywood's shift from counterculture to high concept was also an effect of strategic sabotage. Beneath the visible shift from a critical American New Wave to an affirmative high-concept cinema was a structural, more subterranean shift in the ways in which major filmed entertainment sabotaged filmmaking. This shift took place in the institutional "asthenosphere" of film production, which is beneath the "lithosphere" of Hollywood aesthetics.

By looking at some of the institutional conditions surrounding the rise of high concept, we can make some connections between Hollywood's style of cinema and the pecuniary interests of major filmed entertainment. In fact, the "what might

have been?” question—namely, “what if the political and aesthetic principles of New Wave filmmaking had remained mainstream for many more decades?”—should flare in our minds because the social and political issues of modern civilization are reified just a bit more when the critical potential of cinema, and other mediums of mass culture, is being deflated by the pressures of business.<sup>8</sup>

If major filmed entertainment had no institutional means to sabotage the art of filmmaking, the synchronization of creative output in film production with Hollywood’s distribution and exhibition strategies would be beyond the control of capitalists. But with the institutional means to sabotage the art of filmmaking, as we will elaborate further, major filmed entertainment has been able to incorporate high-concept cinema in its greater project of reducing risk through blockbuster cinema and saturation booking. The power of the Hollywood film business over the social creativity of filmmaking mitigates the threat that, over time, the social relations of high-concept cinema will be undermined by a cultural-political project of autonomy.

The *telos* of a typical high-concept film is to produce the elements mentioned above—character types, simple narrative and superficial imagery—and institutional power is the efficient cause of making high concept become a cinematic movement. To appropriate Marcuse’s insights into the dialectical quality of persistence in historical time, the *identity* of high-concept cinema is “only the continuous negation”

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<sup>8</sup> For example, income inequality and crime and punishment in the United States more or less rose in tandem from 1980 to 2000 (Bichler & Nitzan 2014). And aside from *RoboCop* (1987), there are no mainstream Hollywood films that, without resorting to allegory, present the systemic causes and effects of crime in the contemporary era. Beyond the mainstream, I can think of only two American films where it is argued that crime in United States is structural: *Repo Man* and *Homicide*.

of any cinematic style that opposes its *essence*. In other words, American New Wave is in the oppositional camp; it is “other than” high concept.

Two institutional characteristics of Hollywood have, on the one hand, enabled high concept to persist for so many years after the fall of American New Wave, and, on the other, foreclosed the possibility that another radical auteurism will sprout up in an era in which Hollywood has lost its tolerance for an autonomous film industry. The first characteristic is the intensification of the continuity style, which, for the Hollywood film business, is closely entangled with the second characteristic, the rights of ownership in American copyright law.

### **Intensified Continuity**

What David Bordwell (2006) calls “intensified continuity” is the contemporary version of what classical Hollywood cinema often used to make the temporal and spatial construction of each film coherent. Classical continuity techniques involved “opening a scene with master shots, handling it through matched shot/reverse-shot coverage, going in [with close-ups] to underscore a point” (2006, p.161). Intensified continuity adopts these techniques and the “classical precepts of Hollywood spatial construction: break the dramatic interaction into segments according to the dramatic curve, keep eyelines and posture coherent so that we always understand who is looking at whom” (2006, p.161). But as the name suggests, intensified continuity also heightens the classical Hollywood style by using “rapid editing, bipolar extremes of lens lengths, reliance on close shots, and wide-ranging camera movements” (2006, p.121).

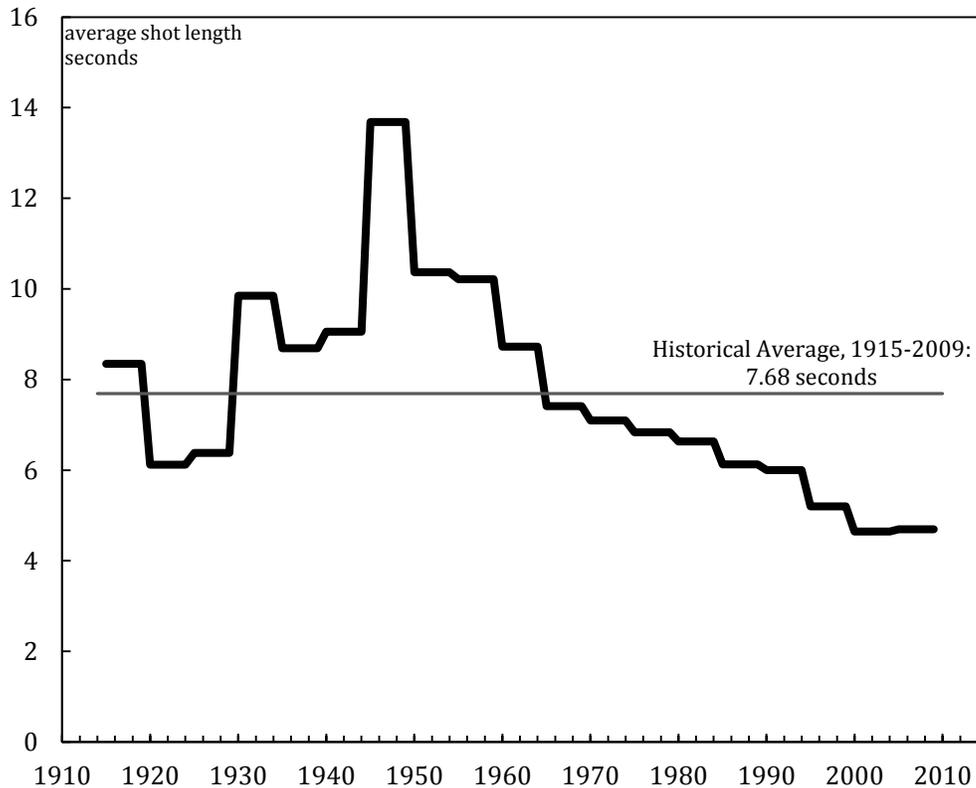
Average shot length (ASL) is a partial indication of the continuity style (Bordwell 2006, pp.121–124). Figure 7.3 demonstrates that the era of high concept (1980-present) has also been one of intensified continuity. The figure uses the ASL data provided by Barry Salt, whose Cinemetrics software allows interested researchers to create their own ASL database. Salt's data are certainly not exhaustive, but they offer an excellent start.<sup>9</sup> The series in the figure is the mean ASL for every five-year block of American films, starting in 1915. The mean ASL for all American films in the data set (7.68 seconds) shows us that the period of 1965 to 2009 is entirely below the historical average.

Aesthetically, intensified continuity is a temporal and spatial cinematic style that does not interfere with the types of characters, narrative style and imagery of high-concept cinema. “When every shot is short,” writes Bordwell (2006, p.124), “when establishing shots are brief or postponed or nonexistent, the eyelines and angles in a dialogue need to be even more *unambiguous*, and the axis of action is likely to be respected quite strictly.” Is it a coincidence that “in the 1980s the tempo [of Hollywood cinema] continued to pick up” and “double-digit ASLs, still found during the 1970s, virtually vanished from mass-entertainment cinema” (2006, p.122)?

The intensity of this continuity style is also important to the business-industry relationship in contemporary Hollywood cinema. The large number of

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<sup>9</sup> Because Salt has made his Cinemetrics software publicly available, the website <http://www.cinemetrics.lv/> has data that have been added by others. For the time being, I am only using Salt's own data (<http://www.cinemetrics.lv/satltodb.php#asl>) because there is yet to develop a standard methodology that allows the data of different people to merge into one large Cinemetrics database. Consequently, it is likely that users might rely disproportionately on the data of one person. However, Salt not only offers the largest data set made by one person, he has also published on his methodology and how it came about.



**Figure 7.3** *Average Shot Length in American Cinema, 1915-2009*

Note: All of the available data was sorted into bins of five years (e.g., 1915-1919, 1920-1924, etc.)

Source: Barry Salt's Cinemetrics data (<http://www.cinemetrics.lv/satltodb.php#asl>).

quick shots contained in an average Hollywood film since the 1980s relies heavily, Bordwell argues, on a set pattern of shooting and editing techniques, all of which are designed to achieve a tighter degree of coherence and continuity. As an extreme form of cutting between multiple quick shots, intensified continuity exploits, for the vested interests of Hollywood, what Bazin thought was deficient about montage techniques:

Through the contents of the image and the resources of montage, the cinema has at its disposal a whole arsenal of means whereby to impose its interpretation of an event on the spectator. (Bazin 2005a, p.26)

In analyzing reality, montage presupposes of its very nature the unity of meaning of the dramatic event.... In short, montage by its very nature rules out ambiguity of expression. (Bazin 2005a, p.36)

When films are not comprised of constant cutting between quick shots, cinema is capable of producing ambiguity and non-identity in the subject-object relationship of moviegoer and film. For Bazin, the works of Orson Welles and Italian neorealism are examples of how the absence of montage can “give back to the cinema a sense of the ambiguity of the reality” (2005a, p.37). Deep focus and single shots of greater duration also imply “a more active mental attitude on the part of the spectator” (Bazin 2005a, p.35). Interestingly, Bazin’s perspective is similar to Adorno’s. The “static character” of Antonioni’s *La Notte* is, according to Adorno, a good example of how lengthy takes can resuscitate a “subjective mode of experience” that is not simply a “technique of consumer exploitation.” Much like the experience of the person who, “after a year in the city, spends a few weeks in the mountains abstaining from all work,” the slowness of *La Notte* gives the subject an opportunity to explore unfamiliar and discontinuous images (Adorno 2004e, p.180).

Apart from its aesthetic functions, intensified continuity is a means for high concept to become the intended product of strategic sabotage. Achieved through quick shots and a lot of editing in post-production, intensified continuity marginalizes other filmmaking techniques in the Hollywood system to which Bazin and Adorno might have been sympathetic: “fixed-camera long takes, sustained two-shots, frequent long shots and mid-range framings” (Bordwell 2006, p.138). Furthermore, as these alternative methods have shrunk before the established standard of intensified continuity, the predominance of the latter has transformed

the actual structure of film production in Hollywood. It has given capitalist power a form of insurance over principal photography, the stage of shooting when directors and other creative personnel can significantly shape the form and content of a film project.

As the principal photography of *Heaven's Gate* demonstrated, the day-to-day process of film production can become a source of financial disaster. Costs can balloon when directors are not satisfied with the takes they already have, or when a shooting schedule is delayed or cancelled in hopes of achieving just the "right" look for a shot. Moreover, location shooting has been a common practice since the end of the classical studio system (Hozic 2001), which means that upper management might not always be on location to closely supervise filmmakers. Regardless of whether or not fast cutting between a lot of close shots has an aesthetic function in specific instances, the repeated use of intensified continuity is good for business because coherence is mainly achieved in postproduction, where producers and distributors have, as a result of contract agreements and the structure of the contemporary Hollywood system, the upper hand.<sup>10</sup> Their right over final cut gives them the ability to use postproduction editing to alter, cut or altogether second-guess the footage that was shot in principal photography, even if it was shot far away on location. Therefore, the threat of aesthetic overproduction from auteurism is greatly reduced and the potential of the aesthetic dimension are taken out of the

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<sup>10</sup> As Powdermaker revealed in her anthropological study of Hollywood in 1950, the current power of producers and management in postproduction has an ancestor in the classical studio system (1950, pp.100-130).

hands of filmmakers and transferred to people who may care much more about reducing financial risk.

Once again, the work of David Bordwell can help us perceive strategic sabotage in the filmmaking techniques of intensified continuity. As a result of what can happen to a film in postproduction, contemporary Hollywood now demands *complete coverage* from film production. Complete coverage means “shooting every scene from half a dozen angles to defer choices until the months of editing” (Bordwell 2006, p.118). It also means that the filmmaker is not in direct control of the *form* that is given to the content. There were certainly limitations to what a filmmaker could or could not do with cinematic form in previous decades, but intensified continuity is a much more formless process from the perspective of the director:

If you were a director [during the studio era], your choices were constrained by tacit but strongly felt boundaries, matters of taste and judgement as much as anything else. You could move the camera, but you couldn't cut in the middle of a movement. You could shoot extreme close-ups, but rarely. Every piece of action demanded one right spot for the camera, *which it was your task to find*. You didn't (for reasons of economy as much as professional pride) set up four cameras to grab action haphazardly. From this perspective, the casual setups and abrupt cuts that emerged in the 1960s could only look amateurish. (Bordwell 2006, p.118)

In the opinion of Sven Nykvist, the Swedish cinematographer who is noted for working on many Ingmar Bergman films, Hollywood's “requirement for so many cover shots... comes from the fact that the producers really have the final cut and they want to have all the material they can get in order to speed up the pace of the film or make other changes that may be necessary” (Nykvist 1981). And as Steven Soderbergh, Billy Bob Thornton, Jodie Foster and likely countless other filmmakers

have learned while working in contemporary Hollywood, single long takes are antithetical to a business that demands that contemporary filmmakers will cover all the angles during principal photography (Bordwell 2006). It is difficult to cut a carefully constructed lengthy shot into smaller pieces, and anything shot in one take leaves postproduction with less material to work with.

If the reader is holding on to the idea that the shift of creative control from production to postproduction is not much of a problem because directors often participate in the editing of a film, this idea can be put to rest. In fact, the symbiotic relationship between complete coverage and intensified continuity is only exacerbating the mechanization of cinema. Here is it useful to quote Bordwell at length:

With demands for complete coverage and a belief that the movie could be made in the cutting room, directors were overshooting wildly. A 100-minute movie runs nine thousand feet, but to arrive at that the editor might hack through as much as six hundred thousand feet of material. Directors and producers began to subdivide editing labor. Rather than handle all the footage, the principal editor might supervise a team of several cutters, often making each responsible for one reel of the final cut. (This was called, with typical Hollywood delicacy, “gang banging” the film.) The introduction of computerized editing systems allowed producers to demand even faster output. Now databases could track all the takes, the physical act of splicing was not needed until the very last moment. Producers began to expect to see a rough cut in as little as a week. Editors complained that they were overworked and didn’t have enough time to fine-tune the film. Under these conditions, they evidently felt obliged to fall back on the default settings of the dominant style. “I’m concerned,” remarked one director at the beginning of the trend, that “management will assume electronic equipment means editors should work faster. And faster means formula. Go to the master, two shot, close-up, close-up and get out.” Likewise, assigning each editor a reel of a big project favoured a neutral, standardized way of handling footage so that the completed film looked uniform throughout. (Bordwell 2006, p.156)

This quotation enables us to add another level of interpretation to Figure 7.3. The intensification of ASL likely tightens the relationship between coverage and

formulaic editing. The pressure for film production to contribute to the goal of intensified continuity is that much greater when the average shot is now less than five seconds.

### **The Rights of Ownership**

In its attempt to reduce risk, the Hollywood film business discovered a method of transforming the social-aesthetic principle of continuity into a business tool of strategic sabotage. The institution of intensified continuity is complementary to the means and ends of high-concept cinema, which is in turn part of the saturation-booking and blockbuster strategy. With this backdrop in mind, the question naturally arises: can the indeterminacy and ambiguity of American New Wave resurface in another form of Hollywood cinema? What are the chances that major filmed entertainment will allow aesthetic experimentation and alternative methods of cinematic expression in the foreseeable future?

The scope of these two questions is wider than our present discussion of high-concept cinema. Nevertheless, we can use them to add one more level to our analysis of high concept. Major filmed entertainment's pushing of the art of filmmaking towards high-concept cinema has been made possible by Hollywood owning the legal business right to sabotage the art of cinema. Indeed, Hollywood needed an institutional mechanism to steer the American film industry away from American New Wave and towards high concept, blockbuster cinema. Hollywood also needed institutional mechanisms to make and keep blockbuster cinema predominate for over 30 years. This institutional ability to limit the creative

faculties of industry and steer it toward profitable ends is the foundation of business enterprise. And in order to invest, capitalists need to be confident that this institutional ability will continue in the future.

A key institutional mechanism for major filmed entertainment to control Hollywood cinema is American copyright law (Decherney 2012; Kamina 2002; Salokannel 2003). In American law, as in other Anglo-American legal systems, the rights associated with the ownership of film copyright are always established through contract negotiation and guild rules. Moreover, American filmmakers are not perceived to naturally possess “moral rights,” which give original creators (filmmakers) an inalienable claim over the manner in which their films are exhibited to the public (Salokannel 2003). By contrast, European copyright law recognizes that “those who provide the original creative effort in the generation of the work should, *prima facie*, be considered the authors of the work.” This type of assumption about the authorship of original creator(s) grants the following moral rights:

1. “the right of paternity, i.e. the right to be identified as the author of the work”;
2. “the right of integrity, i.e. the right to object to derogatory treatments of the work”;
3. “the right of divulgation or of dissemination, i.e. the right to decide when and how a work should be made public (including the right not to make it public)”;
4. “the right to revoke a grant of right or to withdraw a work from commerce, on the condition that the author indemnifies the transferee for any loss (sometimes called the ‘right of reconsideration’).” (Kamina 2002, p.285)

Moral rights have sometimes been implicitly recognized in American law (Decherney 2012). But without the backing of Supreme Court decisions or strong

legislation from Congress, a filmmaker in the United States has generally been left to contractually negotiate the rights to control the aesthetic dimension of filmmaking from production to distribution and exhibition. In Europe, by contrast, there are examples of moral rights and the aesthetic principles behind them trumping the demands of a film's distributor. As Salokannel notes, an Italian appellate court "held that breaking [the television presentation of *Serafino*] up with commercials infringed the moral rights of its director [Pietro Germi]" (Salokannel 2003). Even more remarkably, the estates of John Huston and Ben Maddow were able to convince a French court to stop Turner Entertainment from broadcasting on French television a colourized version of *The Asphalt Jungle*, Huston's black-and-white American film (Decherney 2012, p.244).

These examples are certainly small drops in the massive pool of films ever to have been distributed in Europe. And the point is not to exaggerate the effectiveness of moral rights, especially with respect to the insertion of commercials into the television broadcasts of films. Rather, the point is to demonstrate that there are important differences between Europe and the United States with regard to copyright law. In Europe, the ideals of auteurism have a legal counterpart in the Berne Convention, which states that

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation. (Kamina 2002, p.286)

In the American system, in contrast, the principles of auteurism can only win the day by battling through a system of contract negotiation, which involves filmmakers, writing and directing guilds, agents, producers and studios.

Ever since the inclusion of cinematic art in American copyright law, which recognizes film as its own artistic medium rather than an appendage of either photography or theatre, the rights of cinematic expression have almost always gone to the film producer, the distributor or both. In other words, they went not to the film creators, but to its owners. And while the United States did implement the Berne Convention in 1988, Congress also made it explicit that it would take a “minimalist” approach to the issue of moral rights. Thus, unless a filmmaker lives on the margins of independent film for the express reason of trading financing opportunities for more creative control (Sayles 1987), it is rare for any of the key creators (director or screenwriter) to retain authorial rights in mainstream American cinema. Consequently, there is no authorial right based in natural law that stands in the way of American film distribution and its strategies of doing business. In other words, major filmed entertainment has the power to use its dominance over distribution to significantly leverage its rights of ownership against the industrial art of filmmaking, and the creators and artists have little legal recourse to object to what the former does with its property.

A 1990 United States Congressional Hearing before the Subcommittee on Courts, Intellectual Property and the Administration of Justice illustrates how frustrated filmmakers have become with this state of affairs. According to Joe Dante,

film director and the Directors Guild of America representative before the subcommittee,

State statutes systematically exclude motion pictures from protective status, the Lanham Act leads on to consumer's rights through labeling, and contracts in the motion picture business more and more routinely include boilerplate denying moral rights to creative participants for all time. Moral rights provide the legal tools for creators to protect their work from alterations that undermine their honor or reputation. There are no moral rights for filmmakers in the United States, and no arcane legal theories can alter that simple fact. (Dante 1990, p.184)

Phil Alden Robinson, screenwriter, director and the representative for the Writers Guild of America, shared the same feelings before the subcommittee. At one point in the hearing, Robinson argued that moral rights can only exist if the objections of principal artists (directors and screenwriters) are actually effective:

Mr. ROBINSON. Well, in fact, what we are asking for, we are saying, "You can do whatever you want to but we retain the right to object to it, if you change it in a way that"—

Mr. BERMAN [Congressman for California's 26<sup>th</sup> district]. Here is my problem, this word objection.

Mr. ROBINSON. Yes, sir.

Mr. BERMAN. Consultation, I understand. And I understand your version of consultation which is, "Come on in; tell us what you think. If we like what you say, we may do it, but we are going to decide and all the cards are in our hand." That is what consultation is. It is better to have it than not.... But now registering your right to object, what does that mean? Is that, you can block [a film] from being shown in an [edited] form?

Mr. ROBINSON. To me the right to object is the right to objectively object. It is not to have freedom of speech, to say, "Wait I object." And they say, "Thank you, goodbye." ... And my limited understanding of the Berne Convention is that moral rights includes the right to object. It seems to me that we need some way to redress our grievances. Right now, we do not have one other than the individual clout of the director or the writer. When they cut up my film or when they change it in a way that I feel damages me, where can I go? Who do I talk to under the present system? (Robinson 1990, p.209)

Major filmed entertainment has an institutional mechanism to enforce its will. Artists can be kept at arm's length once a film is finished and ready to be distributed through the different windows of exhibition (theatres, pay-per-view cable, DVDs and Blu-Ray, the Internet and television). This seemingly innocuous fact is actually, according to Robinson's testimony, a licence to strategic sabotage. Film production can create a product, a film, but the technological capacity to alter, edit, rearrange or add to any film that is ostensibly completed, at least in the eyes of the director, screenwriter, actors and other members of the film crew, can be abused by business interests when there is a proprietary distinction between authorship and ownership:

...maybe all over America, all over the world, people will sit in dark rooms and watch something that once existed only in your imagination. And they will be moved or entertained or enlightened or somehow touched by it. And this movie that you imagined that is the product of so many people working so hard for so long, this movie that against all odds, somehow turned out pretty good, this movie that bears your name, will outlive you.... Mr. Chairman, to accomplish that is an extraordinarily moving thing. To have even a chance of accomplishing that is the prime reason we create. But to go through all that and then to have somebody who did not put any of his sweat and tears and passion, much less a big chunk of his life into it, turn around and say, "Hey, pal, I own this and I think it would be better if we painted it green or cut off the ending or put in some rock music, or slapped in some nudity or lopped off the beginning," for someone to do that is the ultimate degradation, discouragement, insult, crime. It is a moral crime, not just against the creators, but against the people for whom that work was intended because they will not get to see it the way it was meant to be seen. So, instead of being moved by an artist who put part of his life into this, they will be ripped off by a merchant who gave it maybe 5 minutes of thought. (Robinson 1990, p.197)

## **Conclusion**

The arguments in this chapter followed in the footsteps of Chapter 6. The series of figures in Chapter 6 collectively suggest that major filmed entertainment

has been able to increase its degree of confidence about its blockbuster and saturation booking strategies. Furthermore, the 1980s appear to have been a key turning point in Hollywood's risk perceptions—this was the decade in which the systematic reduction of risk in the contemporary period gained momentum.

Building on these results, this chapter analyzes some of the underlying transformations that enabled and boosted major filmed entertainment's risk reduction strategies. If the 1980s was the decade when blockbuster cinema and saturation booking increased in effectiveness, the 1970s was the decade when the institution of high concept cinema helped redefine Hollywood's business-industry relationship according to these strategies. High concept cinema narrows the horizon of aesthetic potential; filmmakers might still have a personal desire for ambiguity and discontinuity, as these qualities can become ingredients for political cinema, but the Hollywood system generally wants ideas, stories and characters that can be marketed in a simple and straightforward manner. Intensified continuity and the U.S. legal framework of film copyright also protect business interests from a film industry that can become "uncontrollably" obsessed with the truths of the aesthetic dimension, whereby filmmakers inflate costs with artistic improvisations or deliver films whose cinematic meanings are too obscure for wide theatrical releases. Overall, the historical evolution of Hollywood's aesthetics are related to changes in the business-industry relationship in Hollywood, which is an effect of major filmed entertainment seeking to accumulate differentially by reducing its risk and differential risk.

## Conclusion

This dissertation has operated at two levels of analysis. At the level of theory, the presentation of the capital-as-power framework followed from a critique of Marxist political economy. While Marxist theory has advanced a great number of arguments about mass culture and its function in capitalism, the capital-as-power approach enables us to break new ground on this subject. It helps us demonstrate why the politics-economics separation in Marxism makes it difficult if not impossible to *jointly* theorize mass culture and accumulation in advanced capitalism. The capital-as-power approach also helps us theorize how major filmed entertainment capitalizes an order of cinema that is predominantly formed, shaped and transformed through capitalist power. Hollywood is an expression of capitalist power because its dominant firms, in their pursuit of differential accumulation, are compelled to delimit the possibilities of cinema through strategic sabotage. Strategic sabotage is used to predetermine, as much as possible, the place of new social creation in an instituted field of social significations.

At the empirical level, the dissertation has applied the capital-as-power approach to the historical trends and details of the Hollywood film business and the aesthetics of its cinema, with a particular focus on the theory and practice of risk reduction. The research on risk has been tied to two related questions. How is Hollywood cinema sabotaged? And how is sabotage in Hollywood cinema capitalized? The research on risk has sought to explain why aesthetic overproduction matters to the business of film and how the reduction of risk, both

absolute and differential, bore on the differential accumulation of major filmed entertainment.

While risk is only one of many aspects of the political economy of Hollywood, this type of research demonstrates the usefulness of transcending the politics-economics duality that is commonly assumed by political economic theories. The creative labour of the Hollywood film industry is still a part of our story about risk reduction, but this story also includes the institutional creation of ideology through the repression of meaning and the control of social behaviour. This institutional activity is political because it is about the power of major filmed entertainment to do the following: to effectively block unwanted creativity from finding the mainstream; to create a habituated social system of creation and consumption through the establishment of its own aesthetic principles; and, to narrow our collective expectations about the aesthetic potentials of cinema. These aspects of institutional power are mostly understood qualitatively, as they are rooted in the social relations of Hollywood cinema. Yet by challenging the politics-economics separation in Part I, we opened the door to research how, in our case, the logic of capitalization includes the control of ideology, meaning and other social characteristics of cinema. From this perspective, these qualitative aspects have a direct bearing on Hollywood's accumulation strategies.

More specifically, Part II argues that the Hollywood film business's ability to strategically sabotage the aesthetic, political and social qualities of cinema have a bearing on major filmed entertainment's degree of confidence. Expected future earnings can be predicted with a greater degree of confidence when the qualities of

cinema begin to function according to a level of predictability. Thus, the capitalization of cinema assumes that culture and art should behave like other determinate systems; elements “must be connected together by relations of causal determination, linear or cyclical (reciprocal), categorical or probabilist—relations which themselves are amenable to univocal definition...” (Castoriadis 1998, p.177). To passionate filmmakers and avid consumers of films alike, the capitalization of cinema does not capture the experience of creating and engaging with good films, especially novel ones. Yet this logic shapes the worldview of those who seek to profit from mass culture. Capitalization pushes capitalists to define where human creativity becomes aesthetic overproduction, which itself relates to the order of cinema. Furthermore, the chance to reduce risk compels capitalists to sabotage the industrial art of filmmaking, whose improvisations, experimentations and desires for *new* aesthetic forms can translate into greater business uncertainty and, therefore, lower capitalization.

### **The Direction of Future Research**

The empirical and theoretical levels of this dissertation can each be developed further, in future research on the political economy of Hollywood. Empirically, an obvious step is to take a closer look at conglomeration. Research on the big media conglomerates could ask, for example, why these diversified corporations own both “software” (film, TV, music) and “hardware” (satellite systems, cable networks and other infrastructure). This question is important to understanding how the complexity of media intellectual property is constituted by

its networks of distribution. For instance, the transaction costs, sales and profits of Time Warner stay “in house” when its intellectual property is produced at Warner Bros. studio facilities and then traverses cable subscription (e.g., HBO, TNT, CNN, Cartoon Network), newsprint (e.g., Entertainment Weekly, Time Magazine, People) and the Internet (e.g., HBO Go, CNN.com). Overall, research on the corporate parentage of Hollywood can help us develop a better proxy for the capitalization of Hollywood cinema.

Another research question concerns the apparent inverse relationship between the volatility and level of major filmed entertainment’s earnings. As major filmed entertainment’s differential risk declined, its differential earnings have stagnated. Can the risk of mainstream Hollywood be reduced further, or has it reached its limits? As of this writing, Hollywood remains committed to the distribution of blockbuster, high-concept cinema, but can this commitment cause *further* increases in theatrical attendance per capita, profits per firm and differential profits per firm? If Hollywood’s contemporary strategies are effective at reducing risk but ineffective at increasing earnings, its largest firms might need to reconsider how it will sabotage industry in the future. One way or the other, though, a new business-industry relationship that accommodates autonomous creativity might not be welcomed by Hollywood’s vested interests. American New Wave gave major filmed entertainment its longest differential increase in profits, but its wave of creativity also engendered Hollywood’s most unstable relationship between business, industry and consumerism.

Theoretically, the next step would be to consider why democratic self-determination and non-determinable creation are important political values to the art of cinema. Indeed, this dissertation spoke of this aspect in the inverse, when we showed that Hollywood, in its quest to accumulate differentially, must *sabotage* democratic self-determination and the non-determinable qualities of human creativity. If the power of businesses over artistic creativity is meant to repress the possibility that filmmaking will become too open, we need to outline the anti-thesis of this repression—namely, a political theory of democratic cinema. Questions could include the following. How would we institute a form of cinema that affirms the openness of radical democracy? Within the present historical context, what mode or form of cinema is potentially capable of affirming the democratic principles that structure Castoriadis’s model of autonomy? How would this form of cinema be related to the technological and anthropological potential of cinematic art?<sup>11</sup> What spaces are available to a radically democratic cinema under capitalism?

These questions are relevant to the art of cinema because decisions about the form and content of films are currently shaped by the structures of ownership and institutional power in capitalism. We can certainly choose to ignore the capitalist character of Hollywood cinema, but doing so severely limits our ability to understand how filmmakers, actors, writers, designers and other related artists will or will not conflict with business interests. As Lowenthal suspected, when “we talk about art” we tend to “reflect upon a specific product, its inner structure, its norms, and the relationship of such structure and norms to those of other individual

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<sup>11</sup> Christopher Holman and I have begun researching these questions. See Holman & McMahon (2015).

products...” (Lowenthal 1961, p.xix). What is missing from this perspective, however, are all of the decisions and institutional dimensions that could very well impact the creation of art, including its claims to truth:

*... who makes decisions about the kinds of entertainment and art offered in a given society? To indicate the scope of the problem briefly, one need only ask: who decides about the form and content of productions which may become, or are intended from the beginning to be, products of popular culture? If one can determine the conditions under which the decisions are made, one has moved at least a step toward answering the question of whether the gap between art and popular culture is unbridgeable. Decisions which are taken by joint conferences of financial groups, advertising agency and media corporation executives, engineers, directors and script writers have become so far removed from the realm of responsibility of the individual artist that no ready answers suggest themselves. (Lowenthal 1961, p.xx)*

Analysing the political economic dimensions of Hollywood force us to situate the cultural and political value of filmmaking against the goals of the film business. Moreover, the political economic dimensions of Hollywood give us the means to judge whether the business control of industry is legitimate. While the creation and distribution of culture, particularly in a highly complex technological setting, will never be entirely separate from acts of administration, the degree of power that the Hollywood film business imposes over the social creativity of filmmaking is not an inevitable fact. There are degrees of institutional control, just as the scope and effect of political power change with the type of political organization that is predominant in society. As the work of Castoriadis (1993) emphasizes, decisions on the limitations imposed on society and its institutions need not be heteronomous; they can also be made autonomously, through democratic activity.

The logic of repressing social creativity for the purpose of accumulating differentially is very different from the logic of artists constraining their work according to ideas about the form and content of art. These logics are certainly

mixed in capitalist society, but it is the difference between them that makes the question “What makes Hollywood run?” so interesting. According to Castoriadis, the historical potential of cinematic art is one the “great creations of the first quarter of the twentieth century” (Castoriadis 1993, p.306). And as Al Manheim comes to appreciate in *What Makes Sammy Run?*, the behaviour of major filmed entertainment can undermine but not exhaust this potential.

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