This essay is a sequel of sorts to “The New Hollywood,” which first appeared in Film Theory Goes to the Movies, a lively collection published in 1993 that was intended, as the title exhorts, to bring film scholarship within shouting distance of contemporary Hollywood films and filmmaking. That volume was well received and helped fuel the growing interest in media industry studies, which gauges the complex interplay between media production (and media products) and the myriad forces that both shape and, in rare cases, are shaped by that production. My own work has continued along these lines, focusing mainly on the film industry in the late 1980s and 1990s as the New Hollywood steadily morphed into Conglomerate Hollywood. The focus here is on the film industry in the early 2000s, a period that in my view has proved to be quite distinctive, due particularly to the combined impact of conglomeration, globalization, and digitization—a veritable triumvirate of macro-industrial forces whose effects seem to intensify with each passing year.

It remains to be seen whether the early 2000s qualify as a distinct historical period—“millennial Hollywood,” if you will—but even without
the benefit of greater historical distance we can distinguish significant changes in the contours and overall configuration of the industry. Consider this brief inventory of industry developments during the past decade that mark either key advances over or distinct departures from the New Hollywood of the 1990s:

- the culmination of an epochal merger-and-acquisition wave and the consolidation of U.S. media industry control in the hands of a half-dozen global media superpowers;
- the related integration of the U.S. film, TV, and home entertainment industries into a far more coherent system than had ever existed before;
- the enormous success of DVD, both as a source of revenues for the studios (and their parent conglomerates) and also as a transformative technology for the home entertainment industry generally;
- the surging global film and TV markets, which have proved to be as susceptible to Hollywood-produced entertainment as the domestic media markets;
- the emergence of a new breed of blockbuster-driven franchises specifically geared to the global, digital, conglomerate-controlled marketplace, which spawn billion-dollar film series installments while also serving the interests of the parent conglomerate’s other media-and-entertainment divisions;
- the annexation of the “indie film movement” by the media conglomerates, providing a safe haven for a privileged cadre of filmmakers while leaving the truly independent film business in increasingly desperate financial straits;
- the rapid development of three distinct film industry sectors dominated by three different classes of producers—the traditional major studios, the conglomerate-owned indie divisions, and the genuine independents—which generate three very different classes of movie product.

The transformative effects of these and other industry forces have grown steadily more acute, reaching an apparent culmination in 2007—or so it seems from the vantage point of this writing in mid 2008. Here again, only time and a broader perspective will tell us whether the past year was indeed a pinnacle of sorts, perhaps even a watershed, or simply another step in the industry’s inexorable post-millennial transformation. In any event, Hollywood saw a remarkable number of singular developments and definitive events in 2007. These included record box-office revenues in both the U.S. and the worldwide marketplace, propelled by a run of franchise blockbusters like Spider-Man 3, Shrek the Third, and Transformers that cleared a billion dollars within a year of release, setting a new benchmark for the major studios commercially. Their affiliated “indie divisions” garnered all the critical praise with hits like No Country for Old Men and There Will Be Blood,
new hollywood, new millennium

resulting in an unprecedented drubbing of the majors in the post-season Oscar ceremony. Meanwhile the scores of genuinely independent producer-distributors, which released well over half of all theatrical films in the U.S., suffered their worst year ever both commercially and critically, as the independent sector threatened to implode. Thus 2007 was positively Dickensian in its best-of-times/worst-of-times polarity, underscoring the fact that the story of modern Hollywood is a tale of two industries, and that conglomerate ownership has become the deciding factor in a studio’s prospect for survival, let alone success. Indeed, while conglomeration has been the structural imperative of the movie industry for the past two decades, not until the early 2000s did it fully coalesce—with enormous consequences not only Hollywood but for the U.S. media industry at large.

conglomerate hollywood in the new millennium

The most salient development in contemporary Hollywood has been the formation of the so-called Big Six media conglomerates and their hegemony over the American film (and TV) industry (Epstein; Schatz, “Conglomerate Hollywood”). This modern conglomorate era crystallized in the mid-1980s when News Corp purchased 20th Century Fox and launched Fox-TV, and it culminated with the 2003 buyout of Universal Pictures by General Electric (GE) and subsequent creation of NBC Universal. At that point a cartel of global media giants—Time Warner, Disney, News Corp, Sony, Viacom, and GE—owned all six of the major film studios, all four of the U.S. broadcast TV networks, and the vast majority of the top cable networks, along with myriad other media and entertainment holdings including print publishing, music, computer games, consumer electronics, theme parks, and resorts. Conglomerate control of Hollywood is exercised primarily via ownership of the traditional major studios—i.e., Warner Bros., Disney, Universal, 20th Century Fox, Columbia (Sony), and Paramount (Viacom)—and in fact the term Big Six is used in the trade press to refer to both the major studios and their parent companies. The studios are situated within the conglomerates’ “filmed entertainment” divisions, which produce content for both the movie and TV industries, and operate in close cooperation with the “home entertainment” divisions, which play a vital role in film industry fortunes due to the impact of DVD on the home-video industry.

Key to the conglomerates’ hegemony and their financial welfare in the early 2000s has been the strategic integration of their film and TV operations in the U.S., by far the world’s richest and most robust media market, as well as their collective domination of the global movie marketplace. In terms of their U.S. film and TV holdings, consider the figures in Table 1.1 from Advertising Age’s annual report on the 100 leading media companies in 2006.
While movie-related revenues represent a relatively modest portion of the conglomerates’ overall U.S. media income, it’s important to note that the studios’ worldwide movie-related income in 2006 (according to the Motion Picture Association) was $42.6 billion (Hollinger). This indicates well the significance of overseas markets for Hollywood films, as well as the explosive growth of the foreign and home-video markets in the early 2000s. While domestic box-office revenues remained fairly steady from 2002 to 2007 at $9 billion to $10 billion per year (roughly twice the 1990 total), foreign box office steadily climbed from $9 billion to $18 billion. That growth is expected to continue due to the economic development of foreign markets as well as the studios’ coordination of domestic and international release—an effort that has been greatly facilitated by the fact that both the U.S. and overseas markets are fundamentally hit-driven, and are driven by the same studio-produced blockbusters. From 2002 to 2007, Hollywood’s top ten releases averaged an astounding 25.6 percent market share domestically and a 25.5 percent market share worldwide. During the same period, the top 25 box-office hits captured 45 percent of the domestic market and 41.2 percent of the market worldwide, grossing $9 billion to $10 billion per year.

Meanwhile the home-video sector grew at an even faster pace due to the impact of DVD, which was introduced as a movie-delivery system in 1997 and enjoyed the most rapid “diffusion of innovation” in the history of technology (Taylor; Sebok). The main reasons for the success of this new digital format were, first, the unprecedented alliance between the Hollywood film industry and two adjacent industries, personal computers and consumer electronics; and second, the decision to abandon the VHS-era rental model in favor of a conglomerate-controlled “sell-through” strategy that returned a far greater portion of home-video revenues to the studios. In 2002, home-video revenues reached a record $20.3 billion, with DVD surpassing VHS for the first time ever and sell-through surpassing

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<td>Time Warner</td>
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1 Worldwide parent company revenues.
2 Includes theatrical and home video/DVD revenues.
3 Network and TV station income.
4 Includes TV series production, distribution, licensing and syndication.
5 Sony figures apply to filmed content production only. According to Sony of America’s “Corporate Fact Sheet” (online at http://www.sony.com/SCA/corporate.shtml) the company’s US sales for the 2006–07 fiscal year were $18.9 billion.

Table 1.1 2006 Net U.S. media revenue (all figures in $ billions)
rental (Hettrick). The surging home-video industry reached $24 billion in 2004 and since then has leveled off in the $23–24 billion range, with the major studio-distributors consistently capturing the lion’s share of that market in sell-through DVDs. In 2006, fully 45 percent of the studios’ $42.6 billion in worldwide revenues mentioned above came from home video, and even top hits were routinely generating more revenue in DVD than in the domestic or foreign theatrical markets (Hollinger). This was most pronounced with CG effects-laden blockbusters like Transformers and 300, huge box-office hits that saw even greater returns on DVD than in either the domestic or foreign theatrical market. Another interesting trend involves idiomatic hit comedies like Wild Hogs, Knocked Up, Superbad, and Hairspray that do not “travel well” in terms of foreign box office but did extremely well on DVD.

Most of the studios’ DVD income is generated by current releases, although another crucial (and largely unanticipated) revenue source involved classic films and popular TV series, compelling the studios to make their entire libraries available on DVD. During the earlier VHS era, Disney was the only studio to exploit the extended shelf-life of its classic films. Indeed, Disney’s climb from struggling mini-major to industry power in the 1980s was based primarily on the savvy repackaging of its library for home-video sale. The other studios followed suit in the DVD era, although Disney remains far ahead of the pack in the home entertainment market generally, including its revamped “straight-to-video” strategy. In 2007, the top 100 DVD releases included reissues of Peter Pan (1954) and The Jungle Book (1967), along with new direct-to-DVD films extending its classic Cinderella franchise and its recently launched High School Musical franchise, which has been a huge hit on both the Disney Channel and on DVD. The DVD revenues for these four Disney releases alone totaled $312 million.

The substantial returns from their TV and DVD pipelines have induced the studios to treat theatrical release as a “loss leader” in the commercial life span of their movies. In other words, Hollywood’s major producer-distributors have developed a deficit-financing strategy whereby movies are expected to operate at a loss during theatrical release, ultimately recovering their production and marketing costs and turning a profit in the subsequent TV and home-video markets—and via the parent company’s other media divisions as well, from books and records to videogames and theme park rides. The reasons for this deficit-financing strategy are altogether obvious. First, a movie’s theatrical release and massive ad campaign establish its value in all other media markets. Second, TV licensing and DVD are far more profitable because the production and marketing costs—which ranged from $75 million to a quarter-billion dollars per film (more on this below)—are largely if not completely absorbed via theatrical revenues. Third, on a more abstract level, this strategy discourages competition,
since film producers outside the conglomerate realm lack the financial leverage and assured access to the marketplace enjoyed by the studios.

This deficit-financing strategy was facilitated by the conglomerates' broadcast and cable TV "pipelines"—for all but Sony, that is, which has been an outlier among the Big Six in its lack of significant TV holdings. This is not to say that the other five are structurally alike, and in fact each conglomerate's media-and-entertainment holdings outside the film and TV arena differ significantly. But the other five conglomerates do have similar profiles within the film-TV sector—including Time Warner, whose lack of a U.S. broadcast TV network is offset by its massive Turner Broadcasting division (whose acquisition was announced in 1995 within weeks of Disney's purchase of ABC), and also its development of HBO into the leading pay-cable network. TW has also kept pace with the other conglomerates in TV series production and distribution, another area in which Sony has lagged behind.

While the other conglomerates were acquiring media outlets, Sony has developed a very different strategy of media integration focusing on hardware-software synergy—i.e., on the coordination of its massive consumer electronics operation with U.S.-based content suppliers like CBS Records and Columbia Pictures. Sony has pursued this strategy not only in its filmed entertainment and consumer electronics divisions, but in its "computer entertainment" division as well. Sony is light years ahead of the other media conglomerates in the manufacture and sale of interactive games and game consoles, and it involves its three major divisions—Sony Pictures Entertainment, Sony Electronics, and Sony Computer Entertainment—in the development of entertainment franchises. Sony has tentatively pursued pipeline opportunities in recent years, most notably in a 2004 partnership with Comcast to acquire MGM/UA (Sorkin). This allied Sony with the top U.S. cable TV company (and a leading Internet service provider as well), while augmenting its film library and providing access to several dormant franchises—including James Bond, resulting in one of Columbia's top hits in 2006, *Casino Royale*. But Sony's overriding strategy continues to be the pursuit of hardware-software synergies, best evidenced by its 2007 introduction of Blu-ray, a high-definition (HD) DVD technology that Sony owns and controls, and that it hopes to establish as the worldwide standard for the "next generation" home video system (Hall; Fritz). In bucking the cooperative spirit of DVD's initial launch in 1997, Sony was willing to risk the kind of format war (with arch-rival Toshiba) that plagued the VCR's introduction in the late 1970s—a war that Sony lost. Sony seems to have prevailed, although it remains to be seen whether hi-def DVD displaces the current system. If and when that occurs, Sony's control of home video technology—and the license fees it collects for all discs and players sold—will help offset its lack of TV pipelines and will bring this perennial outlier into a closer rapport with the other media conglomerates.
hollywood filmmaking in the new millennium

Despite its outlier status and singular integration strategy, Sony’s operations within the feature filmmaking realm have been quite consistent with the rest of the Big Six. Indeed, a key development in the new millennium has been the increasing uniformity of the conglomerates’ filmmaking operations, particularly in terms of the major studios’ intensified blockbuster efforts and the annexation of the independent film sector by the conglomerate’s so-called indie divisions. The former is in many ways more important due to the sheer commercial success of the movie-driven global entertainment franchises. With each passing year since the late 1990s the studios’ compulsive pursuit of franchise-spawning blockbusters has become more acute—and more successful—as the film industry at large has become more blatantly hit-driven on a global scale, and more intently focused on the coordination of the domestic, foreign, and home-entertainment markets. Meanwhile, the industry powers responded to the surging independent film movement of the 1990s by strategically expanding their own filmmaking operations in that arena, either by acquiring successful independents or launching subsidiaries geared to art films, imports, and other “specialty” productions.

Consequently Hollywood filmmaking by the early 2000s was increasingly geared to three distinct industry sectors wherein three different classes of film producer were creating three very different classes of product. The top tier, so to speak, comprises Hollywood’s six traditional major studios—Warner Bros., Disney, Paramount, 20th Century Fox, Universal, and Columbia—whose filmmaking operations are closely tied to (and determined by) the structure and strategies of the parent conglomerate. The prime objective of these studios is the production of franchise-spawning blockbusters budgeted in the $100–$250 million range that are targeted at the global entertainment marketplace and are designed to operate synergistically with the parent company’s other entertainment-related divisions. The next tier includes the conglomerate-owned film subsidiaries—the indie and specialty divisions like Fox Searchlight, Focus Features, and Sony Pictures Classics that produce more modestly budgeted films in the $30 million to $50 million range for more specialized and discriminating audiences. The bottom tier includes the truly independent producer-distributors, literally hundreds of companies that supply over half of all theatrical releases, usually budgeted in the $5 million to $10 million range (often far less), and that compete for a pitifully small share of the motion picture marketplace, due largely to the proliferation of the conglomerate-owned film subsidiaries.

To get a sense of the impact of these indie subsidiaries on contemporary independent American film, consider the transformation—and fundamental segregation—of that industry sector over the past decade (as gleaned from data provided by the MPA and Nash Information Services).
In 1995, the six major studios captured 80 percent of the U.S. theatrical market and the conglomerate-owned subsidiaries captured another 11 percent, most of it going to Disney’s Miramax and Time Warner’s New Line, two recent acquisitions still operating with contractually assured autonomy. The only other active subsidiaries at the time were Sony Pictures Classics and New Line’s art-film subsidiary Fine Line, and the total indie subsidiary output was 79 films, roughly half that of the majors. Contrast that with 2005, when the six conglomerate-owned majors released 133 films while their 14 indie subsidiaries released 126 films, and together they captured over 95 percent of the theatrical market. Meanwhile, the number of independent releases grew from some 240 per year in the 1990s to well over 300 (and over 400 in both 2006 and 2007). The number of independent distributors grew from a few dozen in 1995 to well over a hundred a decade later, nearly half of which (64 of 138 companies) released only a single film. That year the domestic box office totaled $8.84 billion and the top two films alone—the latest Star Wars and Harry Potter installments—captured 7 percent of the market. In other words, as is typical of millennial Hollywood, the top two studio blockbusters alone generated more box office in 2005 than all of the 300–plus independent films combined. This disparity is even more severe in ancillary markets. Films produced by the conglomerate-owned studios are assured of domestic theatrical release and an attendant marketing campaign, and they are assured of access to subsequent markets as well. Most of the 300–400 independent films per year, conversely, were released with little or no marketing leverage and thus with meager prospects after theatrical release.

The deepening class divisions and class structure of contemporary Hollywood became remarkably acute by 2007. In sheer economic terms that was the movie industry’s best year ever, with the conglomerate-owned companies enjoying record revenues in both the domestic and worldwide theatrical markets ($9.63 billion and $26.7 billion, respectively), while home video and TV provided the lion’s share of their film-related profits. Business for the major studios was particularly strong, as all six surpassed $1 billion in domestic box-office revenues for the first time ever—which was an all-time record for four of them (McClintock, “Six”; McNary, “Foreign”). All of the majors released 20–25 films in 2007 with the notable exception of Warner Bros., which released 33, while Time Warner mini-major New Line released 14 (prior to its demise in early 2008, which will be discussed below). The average domestic box-office gross per release for the six major studios was $52.5 million, although averages mean relatively little in a sector that relies so heavily on “tentpole” hits—i.e., the top two or three runaway hits that generate most of a studio’s revenues and thus prop up the entire studio operation. Remarkably enough, the top three releases for all six major studios (and New Line) returned roughly one-half of their domestic box-office revenues. The number-one release in
each case was a franchise blockbuster that generated roughly one-fifth of the studio’s total domestic revenues. The majors all dabbled in the mid-range and indie markets via pickups or special deals with top talent and leading independent producers, as with Paramount’s *Sweeney Todd*, Warner’s *Michael Clayton*, and Disney’s *Apocalypto*, but their in-house production efforts focused primarily on high-cost, high-stakes franchise blockbusters.

While the major Hollywood powers enjoyed unprecedented prosperity in 2007, the true independents responsible for some 60 percent of all releases suffered their worst year ever due to over-production and intense competition from the conglomerate-owned indie divisions. Out of some 130 independent distributors in 2007, only four—Lionsgate, MGM, the Weinstein Company, and Goldwyn—enjoyed any real success at the box office, with nearly two-thirds of their releases (45 of 71) grossing at least $1 million. The eight other prominent independents, including Freestyle, ThinkFilm, Magnolia, and Roadside Attractions, were far less successful; in fact three-quarters of their releases (80 of 108) failed to return even $250,000 at the box office. A few independents operated successfully in small but relatively secure markets—IMAX, for instance, as well as Eros and Yash Raj, which release Indian films in the U.S.—while the other 115 or so companies failed to generate any significant business at all.

The most successful independent in 2007 was Lionsgate, which enjoyed its best year ever in terms of domestic box office ($372 million on 22 releases) and market share (3.9 percent). Currently the last of a vanishing breed of independent “mini-major,” Lionsgate is in a class by itself in contemporary Hollywood. The studio is on a par with the majors in terms of output and market reach, but astute enough to eschew the mega-budget realm; and is at the same time more productive, eclectic, and financially viable than the conglomerate-owned indie divisions. It has steadily climbed to the top of the independent heap since 2000, when (as Lions Gate) its total gross was just $30 million and its market share 0.4 percent—well behind indies like USA Films and Artisan that were later absorbed by the conglomerates or fell by the wayside. In 2007, 17 of its films grossed over $20 million domestically, and its diverse release slate included franchise horror films (*Saw IV, Hostel II*), African-American comedies (*Why Did I Get Married, Daddy’s Little Girls*), a Michael Moore documentary (*Sicko*), a martial arts film (*War*), an ambitious star-laden Western (*3:10 to Yuma*), a teen comedy (*Good Luck Chuck*), a CG animated film (*Happily N’Ever After*), and a live-action film based on a toy line and videogame (*Bratz*). In a clear indication of its distribution prowess, these ten films grossed $330 million domestically, nearly $150 million overseas, and $250 million on DVD. Lionsgate released only one “art film” in 2007, *Away from Her*, which was a critical if not a commercial hit, earning Oscar nominations for Julie Christie’s performance and writer-director Sarah Polley’s screenplay.
The conglomerate-owned indie-film sector was dominated by eight subsidiaries in 2007—Fox Searchlight, Focus Features (NBC Universal’s indie division), Miramax (post-Weinstein, still a Disney company), Paramount Vantage, Sony Pictures Classics, Sony Screen Gems, Warner Independent, and another TW subsidiary, Picturehouse—which together released 83 films and averaged just under $10 million per release in domestic box-office returns. As a rule, these companies handled domestic distribution themselves while relying on their major studio counterpart for international distribution and on their parent company’s home entertainment arm for DVD release. This complicates matters considerably regarding their relative autonomy within the conglomerates’ filmed entertainment divisions—thus the off-hand reference to these companies as “the Dependents”—although the upside of conglomerate ownership in terms of production funding and marketing muscle apparently outweighs these constraints. Moreover, the role of top executives like James Schamus at Focus and Tom Bernard and Michael Barker at Sony Classics is to protect the interests and autonomy of their production operations and ensure the creative freedom of top filmmaking talent.

In this sense the conglomerate-owned subsidiaries have provided a safe haven for Hollywood’s indie auteurs, and particularly for established writer-directors who are firmly ensconced in the indie-division sector—a privileged class that includes Joel and Ethan Coen, Paul Thomas Anderson, Pedro Almodóvar, Alexander Payne, Ang Lee, Wes Anderson, David O. Russell, Gus Van Sant, and Todd Haynes. Sustaining a filmmaking lineage dating back to the international art cinema of the 1960s and the Hollywood renaissance of the 1970s, these indie auteurs have managed to make films on their own terms thanks to their own distinctive talents, the support of indie-division executives and independent producers like Scott Rudin and Steven Soderbergh, and a conglomerate-era industrial machine that effectively ensures these filmmakers creative freedom (and continued employment) as long as they control costs and satisfy their ardent but highly discerning audiences. Thus the conglomerates’ indie divisions are subject to their own brand of tensions between art and commerce, and are valued for the prestige and critical cache they provide the parent company, as well as the revenues.

These tensions were never more pronounced than in 2007, when the indie divisions reversed a decidedly subpar year with a succession of holiday season hits, notably No Country for Old Men, There Will Be Blood, Juno, and Atonement. This late-year surge was scarcely surprising, given the tendency to gear the release of quality indie films to both the holiday season and the upcoming awards. The strategy paid off handsomely in 2007, as these and other indie-division hits received an unprecedented number of Academy Award nominations in December that further enhanced their market
value. Prospects improved even more on Oscar night in late February, when the voting members of the Academy displayed a pronounced bias against the major studios and in favor of the conglomerate-owned indies. “The Oscars have become the Independent Spirit Awards on a bigger budget,” Newsweek critic David Ansen aptly observed in a preview of the event (Ansen). As Ansen anticipated (he correctly predicted all eight of the top awards), the indie subsidiaries thoroughly trounced their major studio counterparts across the board. In the high-profile top categories—best picture, director, actor, actress, supporting actor and actress, original and adapted screenplay—indie-division films won seven of eight awards, four of which went to No Country For Old Men. The trend extended to the craft categories (cinematography, editing, sound, etc.), where the major studios’ vastly higher budgets invariably translate into superior production values if not better films. But here too the indies dominated, with 28 of 46 major craft nominations and six of ten Oscar wins.

The only 2007 studio release to receive significant Oscar attention was Warner Bros.’ Michael Clayton (with seven nominations and one win), although it was scarcely a major studio film. Independently financed and produced, Michael Clayton was later picked up for distribution by Warner due in part to the studio’s long-standing relationship with the film’s co-executive producers George Clooney (who also starred) and Steven Soderbergh. Michael Clayton marked the directorial debut of writer Tony Gilroy, who previously scripted the Jason Bourne series for Universal, and it was budgeted at a relatively modest $21 million, which by Gilroy’s estimate was one-fourth of what it would have cost a major studio. “I also got final cut,” he told Variety. “I wouldn’t have gotten that on a studio picture.” Michael Clayton’s success won Gilroy a writer-director assignment on a big-budget thriller at Universal—where he certainly will not get final cut, nor will he enjoy the degree of creative control he had on Michael Clayton (Frankel).

The “Oscar snub” of the major studios’ 2007 films was big news both inside and outside the industry, especially in light of the blockbuster hits that propelled Hollywood to its best box-office year ever. One could argue that the voting members of the Academy were collectively in denial regarding the economic realities of the industry, although the fact is that the year’s box-office behemoths, topped by new installments of the Spider-Man, Shrek, Harry Potter, and Pirates of the Caribbean series along with the “instant franchise” blockbuster, Transformers, scarcely warranted recognition for their artistry—or even their technical merits, for that matter, considering the routine rebooting of their CG effects menus. Indeed, the Academy seemed to share with the critical community the view that the major studios were in an altogether different business than their indie-subsidiary counterparts, and one that seems increasingly indifferent to quality filmmaking by traditional Hollywood standards.
franchise blockbusters: the rules of the game

The business of the major studios is making and selling franchise-sustaining blockbuster hits—i.e., calculated megafilms designed to sustain a product line of similar films and an ever-expanding array of related entertainment products, all of which benefit the parent conglomerates’ various media- and entertainment divisions. Hollywood has been a hit-driven industry from day one, of course, and since the postwar era it has been increasingly wed to a blockbuster ethos. The franchise mentality has intensified during the conglomerate era, and in the new millennium it has gone into another register altogether due to the combined effects of digitization and media convergence, which have significantly impacted both production and formal-aesthetic protocols, and due also to the effects of globalization as Hollywood fashions its top films for a worldwide marketplace.

Millennial Hollywood is dominated by some two-dozen active franchises, plus another dozen or so single-film franchises—most notably Pixar’s computer-animated films (*Monsters Inc.*, 2001; *Finding Nemo*, 2003; *The Incredibles*, 2004; *Cars*, 2006; *Ratatouille*, 2007). In fact Pixar’s remarkable run of animated hits, along with its complex, highly conflicted relationship with Disney, well indicate the changing stakes of blockbuster filmmaking in the conglomerate-controlled, franchise-obsessed, CG-driven era. Pixar began as the computer imaging division of Lucasfilm before breaking away in the 1980s, and after struggling to survive was bought by Apple co-founder Steve Jobs in 1986 for a mere $10 million (Price). Jobs struck a three-picture deal with Disney in the early 1990s when the studio was surging to industry dominance via huge animated hits like *Beauty and the Beast* (1991), *Aladdin* (1993), and *The Lion King* (1994). Disney’s animation division was run by Jeffrey Katzenberg, a strong proponent of traditional hand-drawn, cel-based animation, and put little stock in Pixar’s efforts to develop a computer-generated 3-D format. All that changed when Pixar’s debut feature, *Toy Story*, became a major hit in 1995, one year after Katzenberg left Disney to create DreamWorks with Steven Spielberg and David Geffen. Disney’s animation division then began a rapid decline while Pixar hit its stride with *A Bug’s Life* (1998) and *Toy Story 2* (1999), which like *Toy Story* were directed by Pixar’s resident visionary John Lasseter, who thereafter supervised creative operations on all of its films. Thus in a paradigm shift of truly historic proportions, Pixar supplanted Disney (which financed and distributed its films) as Hollywood’s top animation studio.

In the early 2000s, the Pixar-Disney alliance was in serious turmoil due to deal terms that, in Pixar’s view, unreasonably favored Disney, and due also to a clash of cultures between the companies and a clash of personalities between Jobs and Disney CEO Michael Eisner. After Eisner’s departure in 2005, his successor Bob Iger renegotiated the deal, resulting in Disney’s purchase of Pixar in 2006 for $7.4 billion (Britt). But despite all the turmoil,
the alliance flourished for two main reasons: first, Disney had decades of experience handling precisely the kind of G-rated, family-targeted animated features that Pixar produced; and second, Disney was singularly adept not only at marketing Pixar’s films but transforming them into multi-purpose entertainment franchises far beyond what Pixar could have done on its own. Consider the franchising of *Cars*, a solid hit released in June 2006 with combined theatrical and DVD revenues of over $700 million, which in two years generated an astonishing $5 billion in the sale of related retail products. Current plans to expand the franchise include a nationwide ice-skating tour, theme-park attractions in Disney’s global chain of parks and resorts, and perhaps most importantly, the 2012 release of *Cars 2*, with a plot devised specifically for the international marketplace (Barnes). This reverses a long-standing Pixar prohibition against sequels, which had been an ongoing sore spot with Disney. But it comes as no surprise in light of the growing competition in the computer-animation realm as well as the indisputable economic logic of series production.

What Pixar has had to recognize is that in today’s Hollywood a blockbuster series is the consummate renewable resource—a product line that can be strategically regenerated to sustain and actually increase its yield. This marks an important change from the 1980s and 1990s, when movie sequels and series invariably meant steadily diminishing financial returns. Now series installments routinely outperform their predecessors, a trend that has intensified along with the expanding global marketplace and the crucial added value of DVD returns. The trend has been increasingly pronounced since 1999 and the enormous success of *The Matrix* and the rejuvenated Star Wars series (after a 16-year hiatus). Since then, six franchises have come to comprise fully one-half of the top 50 all-time worldwide box-office hits while racking up billions in cumulative revenues, and in each case the strategic development of the series itself along with the larger industry forces (globalization, digitization, et al.) have created entertainment systems that have steadily expanded into veritable sub-industries unto themselves. In terms of box-office revenues alone, Hollywood’s elite half-dozen franchises have generated the following returns as of 2007:

<table>
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<tr>
<th>Franchise</th>
<th>worldwide box-office revenues</th>
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<tr>
<td>Star Wars redux (1999, 2002, 2005)</td>
<td>$2.4 billion</td>
</tr>
<tr>
<td>Pirates of the Caribbean (2003, 2006, 2007)</td>
<td>$2.7 billion</td>
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One reason for the studios’ record box-office in 2007 was the fact that four of these top franchises released new installments, all of which surpassed $1 billion in theatrical and DVD revenues within a year of release.
Moreover, three of these films—the Shrek, Spider-Man, and Pirates installments—were the strongest commercial hits to date for their respective franchises in terms of worldwide theatrical and DVD returns, despite being the weakest to date in terms of critical response. Transformers surpassed the billion-dollar mark as well in 2007, while another seven films cleared a half-billion dollars in combined box-office and DVD revenues, including new installments of the James Bond, Jason Bourne, and Die Hard series. Most of these second-tier franchise films featured adult protagonists and were targeted toward somewhat more discerning and mature audiences than the top performers, interestingly enough. And like the Mission: Impossible and reactivated Superman and Batman cycles in 2006, the Bourne, Bond, and Die Hard films were singled out by critics for such antiquated qualities as character development and human drama—as well as their spectacular CG effects and action sequences, which are now the sine qua non of blockbuster hit films.

While computer effects and action are essential to conglomerate-era blockbusters, they are scarcely the only rules that apply. The film industry’s development in the early twenty-first century has been fundamentally wed to a new breed of blockbusters whose narrative, stylistic, technological, and industrial conventions have coalesced into a veritable set of rules governing the creation and marketing of Hollywood’s “major motion pictures.” These rules include the following:

- The film should exploit or expand an established entertainment franchise, which might exist initially in any number of forms—a classic children’s story, a traditional fairy tale, a comic book or graphic novel, a TV series, even a theme park ride or a toy line.
- Regardless of its original form, the narrative source should provide not only a story property but also a piece of intellectual property whose copyright can be owned or controlled by the studio (or its parent company).
- The story should be amenable to continuation, with the film-to-film story line employing serial qualities that center on its principal character(s) rather than some external plot.
- The long-term story line should focus on an individual central protagonist.
- The protagonist should be male.
- The male protagonist should be an adolescent or an utterly naïve man-child.
- The protagonist should be a loner, either by choice or by circumstances, but one who is also forced by circumstances to perform some (preferably heroic) social function.
- The protagonist in the course of each film (and regardless of his heroic credentials) should develop from a relatively weak, ineffectual, or
compromised character into one who seizes the initiative and (re)asserts his heroic role.

- The hero should inhabit a Manichean universe of light and dark, good and evil, with the pervasive forces of evil embodied in one or more powerful antagonists.

- The hero should in some way mirror the antagonist(s)—perhaps via an alter-ego or an assumed identity—and thus he should confront both an external struggle against evil and also an internal struggle against his own “darker side.”

- The story should provide dazzling computer graphics and effects-driven action scenes at regular intervals that are carefully calculated in terms of their frequency, intensity, and adaptability to other digital media platforms.

- The action scenes should include violent, even deadly clashes, but the violence should be sufficiently stylized and artificial to ensure a PG or PG-13 rating.

- The film should build to a climactic confrontation and a “happy ending” in which the hero prevails—but not to a degree that eliminates the prospect for sequels.

- The film also should include a “love story” as a secondary plot line, but one that is strictly non-carnal, and one that is not fully resolved at film’s end.

- The story should take place in a world that is internally coherent but highly complex, and that is by design too expansive to be contained within a single film—and thus solicits further elaboration in subsequent films and in other media forms as well.

- This principle of further elaboration pertains to story materials as well, including software and effects, which should be designed for use in other media iterations.

- The monstrous antagonist and various secondary characters should have bizarre and fantastic qualities that can be enhanced via digital effects and readily exploited in subsequent (licensed) incarnations in other media.

- A successful franchise might secure stardom for its principal character(s), but top stars should not be cast in continuing roles in order to control costs, minimize creative interference, and encourage long-term participation.

- This same principle applies to filmmaking talent—particularly directors with indie-film credentials whose stature might be used to market the film.

- Coherent plotting and engaging characterization are important aspects of individual franchise films, but far less so than in “one-off” (self-standing, non-series) films. In franchise filmmaking, the primary concerns are, paradoxically, the integrity of the core narrative and its viability for expansion into an intertextual, transmedia system.
Hollywood’s top franchises follow these rules with remarkable fidelity, to the point of comprising a veritable genre unto themselves. Other franchises follow many (if not most) of these rules as well, but we should note a number of important distinctions due to factors such as source material, the primary market and target audience, and the nature and range of transmedia reiterations. One key distinction, as indicated above, involves the age and relative sophistication of the protagonist—and by extension the intended audience. From Jason Bourne to the rejuvenated Bond and Batman series, the second-tier franchises clearly limit their audience reach and commercial appeal by investing in more complex character development and dramatic conflict—not only within individual series installments but through the series at large. Thus the individual films tend to be more internally coherent and character driven—more classical, if you will—and less likely to be designed with a videogame or a theme park ride in mind. The films are often more complex thematically and politically as well, although they invariably default to a reductive celebration of rugged individualism, technical ingenuity, and masculine superiority. We might also note the obvious ties to Hollywood’s hardboiled detective and rogue-cop traditions in the Bourne, Bond, Mission: Impossible, and Die Hard franchises, among others. From Sam Spade to Jason Bourne, Hollywood has celebrated the heroic loner at odds with both the outlaw element and the authorities (including his superiors), the accomplished killer with his own moral code whose fiercest challenges often come from the institutional and political machinery that created him.

The superhero and fantasy franchises geared to younger and less sophisticated audiences tend to portray society generally in a more positive light and to see both the world and its inhabitants in simple (if not simplistic) binaries of light and dark, good and evil. Disorder in these worlds is invariably the result of human volition, of evil-doers who abuse or misuse power, and the restoration of order can only be attained through the intervention of the superhero—who also has his dark side to deal with. This is all quite predictable and formulaic, of course, and thus the primary selling point of each series installment tends to involve the satisfaction of viewer expectations by reproducing the “original” experience on the one hand, and enhancing that experience via entertaining, hyper-destructive villains and improved CG effects on the other. Along with these “production values,” the marketing of the film and its integration with the key ancillary versions of the story (computer games, print or TV series, etc.) are crucial to the ongoing success and currency of the franchise.

the case of spider-man

The conglomerate’s major studios and their related entertainment divisions—home video, gaming, print and music publishing, licensing and
merchandising, and so on—have refined this process to a remarkable degree. Consider Spider-Man, a quintessential conglomerate-era media franchise controlled by Sony (via an ongoing licensing deal with Marvel Comics) whose current configuration was propelled by the 2002 blockbuster movie hit, *Spider-Man*, produced by Sony-owned Columbia Pictures, which has become a multi-billion-dollar movie series and a crucial component of Sony’s global media-and-technology operations, while both Sony and Marvel continue to expand the franchise in an array of media formats (Graser). The current film cycle was of course pre-sold by countless iterations in various media dating back to the origination of Spider-Man by Marvel Comics’ Stan Lee in 1962. Those myriad versions did not include a live-action Hollywood film, however, which meant that Sony and Columbia could effectively re-originate the story, tailoring it to current industry conditions and to their own interests—a process that would become more focused and acute as the franchise evolved.

The series-spawning film was a major breakthrough for Sony because, in the words of chairman John Calley prior to its release, “This company has always suffered from not being able to market a franchise film” (Grover). *Spider-Man* changed that, firmly establishing the Sony franchise in the “popular imagination” while generating $822 million in worldwide box-office revenues. Much of the film’s $140 million budget was spent on its visual design and special effects, conceived and realized by literally hundreds of artists and technicians under the supervision of John Dykstra. The CG effects were truly spectacular and, like the “bullet-time” technique in *The Matrix*, set new standards for CG rendering of action and airborne scenes. *Spider-Man* made stars of both Tobey Maguire and director Sam Raimi, whose prior work had been in the indie-film realm—with Raimi’s success reinforcing the growing trend (also spurred by *The Matrix*) of indie directors taking on blockbuster franchises. The story itself is a straightforward re-telling of the Spider-Man origin myth: high-school nerd Peter Parker is bitten by a radio-active spider, giving him super-human powers, and the murder of his uncle and father-figure Ben (Cliff Robertson) compels him to become a vigilante superhero in a crime-ridden modern metropolis. The antagonist is a familiar comic-book foe, the Green Goblin (Willem Dafoe), the villainous alter-ego of entrepreneur Norman Osborn who turns “mad scientist” when his military weapons project goes awry, and who also happens to be the father of Peter’s best friend Harry (James Franco). Both boys are smitten with classmate Mary Jane (Kirsten Dunst), who provides the ongoing love interest for a superhero hopelessly torn between love and duty. The story culminates in Peter’s full assumption of his Spider-Man role in a climactic battle with the Green Goblin, whose death wins the enmity of son Harry, and in an epilogue Peter spurns Mary Jane’s affections due to his newfound (and troublesome) role as modern superhero.
These open-ended storylines provided the impetus for *Spider-Man 2*, in which the angst-ridden superhero battles Harry (transformed into the New Goblin) and another familiar Marvel foe, Doctor Octopus (Alfred Molina), a quasi-sympathetic mad scientist in the mold of Harry’s father. Peter continues to struggle with his role and identity as Spider-Man, and also with his affections for the equally long-suffering Mary Jane. The film was critically well received despite its by-the-numbers plotting and characterization, although like its predecessor, *Spider-Man 2* failed to garner even an Oscar nomination in any of the major categories (best picture, director, actor, screenplay, etc.). But the film clearly delivered in terms of action and spectacle, with the increased budget—reportedly in the $250 million range including marketing and distribution costs—upping the ante in terms of visual effects and earning the series its only Academy Award to date, which went to CG wizard John Dykstra, aptly enough (who left the series after this second installment). *Spider-Man 2* fell just short of the first installment at the box office ($784 million worldwide) but did better business on DVD—including a record 6 million units sold in its first day on the market. Sony also was more aggressive in exploiting the licensing potential of the franchise, particularly in terms of videogames, and it effectively used the films to exploit its own computer-entertainment and consumer-electronics endeavors. Most significant here was Sony’s decision to “bundle” both the film and the videogame with its new PlayStation2(PS2) system, helping it become the best-selling game console in 2005 (Zaun).

Sony intensified those efforts with *Spider-Man 3*, an awesome feat of marketing and media synergy and a solid commercial success, despite its relatively weak critical reception (only 44 percent positive reviews by top critics, according to Rotten Tomatoes.com). It was the top box-office hit in the U.S. in 2007, grossing $336 million, with foreign revenues of $554 million. DVD income quickly surpassed $100 million, thus yielding a theatrical and home-video total of over one billion dollars in 2007 alone. The DVD take would have been higher, but Sony opted to bundle an HD version of the film with both its new high-definition PS3 game console and its Blu-ray DVD player. The film’s release involved a global marketing campaign, starting in April with a world premiere in Tokyo, followed by a European debut in London and a U.S. premiere at the New York Film Festival (Schilling). The film “went wide” on a record 4,253 screens in the U.S. on May 1, and within a week was playing in 177 territories worldwide. The film set records both in the U.S. and worldwide in its opening weekend, generating an astounding $382 million globally—thus realizing 40 percent of its entire box-office take in the first three days of release. The *Spider-Man 3* videogame was released on May 4, with multiple game developers issuing literally dozens of different versions of the story/game on Sony’s PS3, Microsoft’s
Xbox 360, Nintendo’s Wii and DS systems among others (Mohr). The film’s DVD release was equally strategic in terms of Sony’s concurrent Blu-ray campaign, further enhancing the franchise’s visibility and underlining its enormous value as a marketing tool (Ault).

While Sony’s marketing campaign for Spider-Man 3 was clearly a success, the movie itself is a confounding, hyper-active muddle. Like its ensemble of split-personality characters, Spider-Man 3 manifests a dual identity as both a feature film and a big-screen videogame, and the results are most unsatisfactory in terms of narrative coherence and character development. This may explain the film’s poor critical reception, and in fact many of the critics who reacted favorably to Spider-Man 3 treated it as something other than a movie—primarily as a playful CG spectacle geared to teens and gamers, or as a purposefully extravagant promo for Sony’s next-generation digital wares. The story sets Peter/Spider-Man against Harry/New Goblin (who veers in this installment from foe to friend to foe to friend before his climactic demise to save Spider-Man), along with Flint Marko/Sandman (Thomas Haden Church) and Eddie Brock/Venom (Topher Grace). What’s more, an extraterrestrial “symbiote” crashes to earth and inexplicably attaches itself to our hero, creating a dark side for both Parker and Spider-Man. Thus the middle portion of the story focuses on a black-suited Spider-Man who rejects the social and moral code of the “real” Spider-Man, and also an obnoxious version of Peter modeled quite amusingly after John Travolta’s character in Saturday Night Fever (1977)—a reference that is likely lost on the film’s target audience. The film careens wildly from one plot line to another, all of which ultimately collide in a spectacular 13½ minute finale. This is the sixth CG-driven action scene in the film, which recur like clockwork—quite literally, at intervals of 16:15, 16:15, 16:30, 17:00, 19:00, and 29:00 in the course of the film. All told, fully 33:00 of the film’s running time of 2:15:00 is devoted to action scenes of one sort or another, including the “birth scenes” of both Sandman and Venom.

The weakness of the story undoubtedly contributed to Spider-Man 3’s fast fade at the box office, although the film did well enough to join the billion-dollar club in 2007 along with two other lackluster franchise films, the new Shrek and Pirates of the Caribbean installments. This would appear to be Conglomerate Hollywood’s version of Gresham’s Law, as inferior franchise films succeed their quality predecessors in the studios’ inevitable efforts to standardize product, minimize risk, and maximize revenues. Indeed, the studios have all but eliminated financial risk in the high-stakes arena of blockbuster filmmaking thanks to their increasingly adept facility for franchise formulation, their parent companies’ collective control of the crucial U.S. marketplace and their overall domination of global markets as well, and an apparently insatiable worldwide appetite for Hollywood-engineered entertainment.
coda: time warner, new line, and the hobbit

In December 2007, as the major studios’ record revenues were being tallied and the indie division hits were taking off, a long-running, high-stakes industry dispute was finally resolved—with consequences that speak volumes about the current state of the industry and thus provide an illuminating postscript to our assessment of millennial Hollywood. The dispute itself involved filmmaker Peter Jackson and New Line CEO Robert Shaye, whose three-year legal wrangle had effectively stalled the potent Lord of the Rings franchise—a matter of considerable concern to Time Warner, which also faced the impending conclusion of its Harry Potter franchise. Warner Bros. plans to extend the Potter series by splitting its adaptation of J.K. Rowling’s seventh and final Potter novel into two films, inspired by New Line’s similar plan to extend the Rings franchise via a two-film adaptation of The Hobbit, J.R.R. Tolkien’s fictional precursor to his Rings saga (Garrett). But those plans were on hold due to the Jackson–Shaye squabble with its incessant legal proceedings, which raised some provocative questions about corporate authorship, intellectual property, and the implicit connections between a film franchise and its purported auteur.

Like most modern franchises, The Lord of the Rings has a long, complex history—in this case dating back to the Tolkien novels themselves (written in the 1940s and published in the 1950s) and extending through multiple screen versions. Jackson initiated the current cycle as an individual film at Miramax in the mid-1990s, but as the size, scope, and development costs increased, the Weinsteins began looking for a partner or perhaps a buyer. The prospects included New Line, which like Miramax was a conglomerate-owned, quasi-independent mini-major that had been producing increasingly ambitious and expensive features to compete with the major studios; and like Miramax, New Line was struggling to keep pace. In 1998 Bob Shaye, an inveterate risk-taker since founding New Line in the 1960s, decided to take on the entire production. It was Shaye’s idea to do the Rings films as a trilogy, like Tolkien’s novels, and to produce them simultaneously to keep the total cost of Jackson’s ambitious enterprise in the $300 million range. Jackson and his key collaborator (and wife) Fran Walsh produced out of their own facilities in New Zealand, which were substantially expanded to accommodate the project. Thus Shaye was staking New Line’s future on an untried three-film franchise and the talents of a relatively obscure independent filmmaker working halfway around the world. The gamble paid off, of course, as the Rings trilogy emerged as a model franchise for the global, digital age. Released in consecutive holiday seasons in 2002, 2003, and 2004, the series returned global box-office revenues of $868.6 million, $926.3 million, and $1.13 billion, respectively, with the final installment reaching the number-two all-time global hit behind Titanic (1997), and sweeping the Oscars in early 2004 with a record 11 wins (Kristin Thompson).
In the wake of that third mega-hit, however, Shaye made the fatal mistake of feuding with Jackson over his profit participation deal and derailing the franchise. When Shaye inexplicably refused to submit to an audit in early 2005, Jackson abandoned work on The Hobbit and sued New Line (Waxman, “Identity Crisis”). Finally in December 2007 after two and a half years of increasingly public acrimony, which eventually reached the executive offices at Time Warner, the lawsuit was settled (for undisclosed terms) and The Hobbit films were green-lighted with Jackson and Fran Walsh attached as Executive Producers for a $40 million fee (Fleming). Jackson was not available to direct, significantly enough, due to his collaboration with Steven Spielberg on Tintin, a multi-film, digital-cinema project in Jackson’s WETA Digital plant in New Zealand, which thanks to New Line and the Rings films had displaced LucasFilm and ILM as the world’s foremost digital facilities. But despite Jackson and Walsh’s other obligations and their relegation to executive producer status on The Hobbit, their manager assured Variety that “the films will be made with the same level of quality as if they were writing and directing” (Halbfinger). That preposterous claim underscored Jackson’s status as a name-brand franchise auteur, although it was scarcely supported by the quality of Jackson’s most recent film, the ponderous King Kong (2005), nor by the fact that Sam Raimi was being touted as a possible director for the Hobbit films.

The tenor of the director search changed, however, when Guillermo del Toro emerged as a serious candidate. The news hit the national press in February 2008 within days of the Academy Awards, as No Country for Old Men and There Will Be Blood were reasserting the primacy of American independent film and as the Coens and Paul Thomas Anderson were being heralded as exemplary indie auteurs. Del Toro himself had enjoyed similar praise a year earlier, when Pan’s Labyrinth (El laberinto del fauno, 2006), released in the U.S. by the Time Warner indie subsidiary Picturehouse, was lighting up the independent circuit. Written and directed by del Toro, Pan’s Labyrinth was a brilliant amalgam of fantasy horror, historical drama, and political morality play that won widespread acclaim and multiple Oscars, and whose $37.6 million gross made it the most successful Spanish language film in U.S. box-office history. The film also put the Mexican-born del Toro on the map as an indie auteur, although like Raimi and Jackson he had already made a name for himself in the independent cult-horror realm with films like Cronos (1993) and Mimic (1997). But del Toro had major studio experience as well, most notably as writer-director of the two Hellboy films (2004 and 2008) and as a creative force behind the franchise’s expansion into video games and animated TV series.

The Hobbit films promised to put del Toro in another league altogether, of course, and he readily seized the opportunity. While a Variety headline gushed “Oscar directors shun studio shackles,” del Toro was negotiating a deal that would shackle him to a studio for the next four years—although
not to Bob Shaye at New Line (Frankel). In a curious irony, del Toro’s negotiation of the Hobbit deal directly paralleled a massive overhaul of Time Warner’s filmmaking operations. In February 2008, as serious negotiations with del Toro got underway, Time Warner announced its decision to “merge” New Line with Warner Bros.—meaning the New Line brand would persist while most of its 600 employees, including Shaye, were fired. The del Toro–Hobbit deal closed in late April, and then just two weeks later TW announced that it was closing down Picturehouse and Warner Independent (Hayes and McNary, “New Line,” “Picturehouse”).

Del Toro was circumspect about these developments, focusing instead on his relocation to New Zealand, where he planned to work closely with Jackson and Walsh on the Hobbit films, scheduled for release in 2011 and 2012. Despite his distance from the “front office,” however, the Warner-controlled New Line is likely to cut del Toro far less slack than Jackson enjoyed under Shaye. And although del Toro will report to an executive at New Line, he ultimately will be dealing with Time Warner CEO Jeff Bewkes and Warner Bros. president Alan Horn, who now control New Line and its leading asset, the Rings franchise, and who jointly decided to dismiss not only Shaye but also Bob Berney, the head of Picturehouse, who had been del Toro’s chief ally on Pan’s Labyrinth.

The Time Warner restructuring caught the industry off-guard but was scarcely surprising in the larger scheme of things. “The complete withdrawal of Time Warner from the increasingly dicey specialty game represents a significant moment in filmmom,” wrote Variety’s Dade Hayes and Dave McNary, suggesting that it made little sense to risk its heavy output of innovative films when franchise blockbusters had become such a safe bet—especially for Time Warner, which got into the indie-specialty division game relatively late and was doing so well with its franchise blockbusters (Hayes and McNary, “Picturehouse”). Responding to the restructuring, the Los Angeles Times’ Patrick Goldstein aptly described Warner Bros. as “totally clueless about the independent film business” but unmatched in the franchise arena: “Warner is Hollywood’s version of an ad agency—it markets tentpole brands such as ‘Batman,’ ‘Superman’ and ‘Ocean’s Thirteen’—no studio has managed a franchise better than the way Warner has handled ‘Harry Potter’.”

Warner is indeed Hollywood’s premier franchise factory, although it’s important to note that this hard-won industry status came by way of both breakthrough hits and equally significant misses, best exemplified perhaps by its two-decade run of Batman films. The 1989 Time-Warner merger and concurrent release of the franchise-spawning Batman marks a true industry watershed—a tipping point that sent both conglomeration and blockbuster filmmaking into another register. Batman became the definitive 1990s franchise, but for all the wrong reasons. Warner Bros. squandered that extraordinary asset by replacing the visionary director Tim Burton...
with the more “commercial” Joel Schumacher and opting for an audience-friendly treatment in the third and fourth installments, which derailed the series for nearly a decade. Warner regained its franchise footing with the Matrix and Harry Potter series, although it was Jackson’s dark and stylized treatment of the Rings trilogy that confirmed the Burton–Schumacher lesson and convinced the studio to replace Chris Columbus on the Potter series with more individualistic, innovative directors (Alfonso Cuarón, Mike Newell, and currently David Yates) to enhance the style and complexity of its signature franchise. In fact all of the “tentpole brands” that Goldstein lists are currently assigned to directors with indie-auteur credentials—including Christopher Nolan on Batman, Brian Singer on Superman, and Steven Soderbergh on the Ocean’s series—which clearly have been crucial to their success.

Del Toro continues that trend, and in a sense advances it in that like Nolan he was hired as a hyphenate writer-director—a rare role for studio franchise directors these years, which should give del Toro a greater degree of creative control and authorial responsibility. The enormous success of Nolan’s regeneration of the Batman series suggests that in the right creative hands, even a long-dormant franchise represents an eminently renewable resource. Whether this refutes Gresham’s Law of franchise filmmaking is an interesting question, since Nolan’s Batman series revival—or “rebooting,” in an apt industry term—is so distinct from the 1990s cycle. Indeed, the top global box-office hit of summer 2008 prior to the record-setting release of The Dark Night was the plodding fourth installment of Lucas and Spielberg’s Indiana Jones saga after a two-decade hiatus, which reinforced with a vengeance both the renewable-resource dimension and Gresham’s Law of franchise filmmaking.

The New Line episode also underscores the fact that under current industry conditions “major independent” is a contradiction in terms, and that it is now all but impossible for an independent to compete with the majors. Soaring production and global marketing costs, media consolidation, and conglomerate control now require even the most successful independents to either align themselves with one of the six major studios, as in the Paramount–DreamWorks and Disney–Pixar alliances, or to radically lower their sights, as in the case of Lionsgate, MGM, the Weinstein Company, and Miramax. The latter, downsized by Disney after the Weinsteins left in 2005, hit its stride in 2007 with the indie hits No Country for Old Men and There Will Be Blood, both co-produced with Paramount Vantage. Indications are that New Line will follow the same route as Miramax, reverting to indie subsidiary status and the kind of mid- to low-budget films that both companies produced in the 1990s before they began challenging the majors. That also would put New Line in much the same relationship with Warner Bros. that Vantage has with Paramount and Miramax with Disney, whereby the subsidiary enjoys reasonable autonomy in terms
of project development and production, but is under the sizable thumb of its major-studio counterpart in terms of marketing and distribution.

One final lesson of the Hobbit episode is that these corporate and business relationships involve human relationships as well, and that the complex play of personalities often plays a key role in the fate of these alliances. This includes not only top executives—Iger and Jobs in the Disney–Pixar alliance, for instance, or Bewkes and Shaye in the Warner–New Line contretemps—but also top filmmakers like Peter Jackson and Sam Raimi, who as franchise auteurs effectively become production executives as well. This dates back to Lucas and Star Wars, although the stakes have risen exponentially since then, to a point in fact where the Rings franchise and Peter Jackson were more important to Time Warner than New Line and Shaye.

It’s also worth noting that Warner Bros. president Alan Horn was co-founder of Castle Rock, a successful independent acquired by Time Warner along with New Line in the mid-1990s. While Horn clearly was able to adapt to TW’s conglomerate culture and to the radically changing arena of studio filmmaking, Shaye never abandoned his independent ethos and never came to terms with New Line’s corporate home or with the executives who controlled his company’s destiny.

conclusion

Time Warner’s decision to retain New Line as a brand and a distinct production unit indicates the conglomerate’s ongoing if weakening commitment to the movie industry’s now-entrenched Hollywood–Indiewood split. But the consolidation of marketing and distribution under Warner Bros. poses an obvious threat to New Line’s autonomy and also, on a deeper level, to the vital tension between the movie industry’s two dominant modes of production—the major studio and indie division operations—that has been the core quality and in many ways the saving grace of millennial Hollywood. This fundamental symbiosis is rapidly changing throughout the movie industry, due more than anything else to the enormous success of the studios’ franchise blockbusters. The Time Warner consolidation was the result of pressure from stockholders (and Wall Street) to increase efficiency, and the same sense of fiduciary responsibility—i.e., the basic obligation of a publicly held company to operate in the best interests of its stockholders—might induce any one of the conglomerates to maximize profits and minimize risk by concentrating only on high-yield blockbusters and shedding its indie film division as a luxury it cannot afford.

But the conglomerates are unlikely to slough off their indie divisions for two basic reasons. The first is that Hollywood like all cultural industries requires new talent and new ideas, which under current conditions are far more likely to emerge from the indie realm than the major studios. The second is that the indie film sector is sufficiently robust to be rationalized
on commercial as well as aesthetic grounds—at least for the conglomerate-owned indie divisions. This second point scarcely pertains to the genuine independents, however, which face extinction due to the conglomerates’ control of the marketplace and the daunting competition from their indie subsidiaries. Thus the three-tiered mode of film production and corresponding industry sectors that coalesced over the past decade are on the verge of radical reformulation, as the truly independent sector implodes and as the autonomy of the conglomerate-controlled indie sector is further compromised. The only recourse for true independents is to reinvent themselves, and in fact that opportunity for reinvention is at hand as digital technologies transform not only the delivery and the experience of media but the production and consumption of media content as well. Online social network sites and video sharing sites now engage over half the U.S. “youth market” on a daily basis—including the movie industry’s key demographic of young males, who are also driving the enormous growth of the videogame industry (with revenues of $18 billion in 2007, up 43 percent over 2006) (Fritz, “Videogame”). Meanwhile Internet use by adults tends to favor better educated, higher-income types, who also comprise the key market for indie films.

This is scarcely news to Hollywood, of course, which has been struggling for decades with the transition from old media to new. Predictably enough, the independents’ 2007 market collapse and subsequent Time Warner restructuring led to a series of appeals from various indie-film veterans, notably Warner Independent founder Mark Gill and Picturehouse president Bob Berney, to overhaul their market strategies with an eye to digital delivery (A. Thompson). But the independents have been remarkably slow to exploit new media technologies, which only exacerbates their problems—particularly as the major studios and their parent companies rush headlong into the uncharted realm of digital cinema, digital delivery, and media convergence. Sony remains the clear leader here, thanks to the strategic coordination of its film, computer entertainment, and consumer electronics divisions (Siklos). Sony’s Spider-Man franchise provides a case in point in terms of a movie-driven franchise, but this convergence is occurring on multiple fronts. Consider the recent launch of MGS4, “Metal Gear Solid 4: Guns of the Patriots,” the seventh installment in a blockbuster videogame franchise that is rife with “cinematics” and extended linear narrative sequences, and thus melds movies and videogames in a very different context. MGS4 was the first in the series developed exclusively for Sony’s PlayStation 3 (Blue-ray, HD) platform, and like the Spider-Man films was “bundled” with the PS3 (Schiesel). That enhanced sales of the console, although it kept the game from reaching the blockbuster stature of Halo 3, which generated $300 million in the U.S. alone during its first week on the market in September 2007, and Grand Theft Auto IV, another hyper-cinematic game that generated over $400 million in its opening week in
April 2008 (Fritz, “Halo”; “Blu-ray”). Meanwhile Sony is revamping its PS3 console to deliver Internet movie downloads, and is equipping its Bravia HD TV sets with an “Internet video link” to facilitate VOD (video on demand), which has long been the holy grail of the digital era (Stone).

This latter innovation involves a partnership with Amazon.com, whose new VOD service includes a library of 40,000 movie and TV series titles. Other new media powers like Microsoft, Google, and Apple are partnering with Conglomerate Hollywood as well, as the industry faces a wholesale transformation in the delivery and consumption of filmed entertainment. Thus if the old saw that whoever controls distribution controls the industry still applies, then the current media-and-entertainment power structure is in for even further realignment. Hollywood, still the world’s consummate content supplier, undoubtedly will survive yet another industry transformation. Whether “the movies” will survive as an art form, a distinct cultural commodity, and the driving force in the global entertainment machine is another question altogether—and one that sorely needs to be addressed. Just as filmmakers and distributors at all levels need to rethink their work and their industry in this age of global media, digital convergence, and conglomerate control, so also must film and media scholars.

note

1 The financial data throughout this essay, unless indicated otherwise, are culled from three principal sources: The Numbers, an online data service provided by Nash Information Services available at http://www.thenumbers.com/; Box Office Mojo, available online at http://www.boxofficemojo.com/; and the Motion Picture Association of America, whose annual reports on all phases of the film (and filmed entertainment) industry can be requested online at http://www.mpaa.org/researchStatistics.asp. There are scores of other movie-related data services and sources available, including annual box-office and production reports from Variety and The Hollywood Reporter, which have been consulted as well. But these three have proven to be the most consistent, comprehensive, and reliable.

works cited


