



# The Hollywood Economist: The Hidden Financial Reality Behind the Movies

*Edward Jay Epstein*

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**The Hollywood Economist: The Hidden Financial Reality Behind the Movies** Edward Jay Epstein  
In a *Freakonomics* meets Hollywood saga, veteran investigative reporter Edward Jay Epstein goes undercover to explore Hollywood's "invisible money machine," probing the dazzlingly complicated finances behind the hits and the flops, while he answers the surprisingly puzzling question: How do the studios make their money?

Along the way we also learn much about star system and what makes the business tick:

- + **What it costs to insure Nicole Kidman's right knee ...**
- + **How and why the studios harvest silver from old film prints ...**
- + **Why stars do—or don't do—their own stunts ...**
- + **Why Arnold Schwarzenegger is considered a contract genius ...**
- + **How Hollywood goes about doping outside investors and hedge fund managers ...**
- + **Why *Lara Croft: Tomb Raider* is considered a "masterpiece" of financing ...**

## The Hollywood Economist: The Hidden Financial Reality Behind the Movies Details

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## From Reader Review The Hollywood Economist: The Hidden Financial Reality Behind the Movies for online ebook

### Matt says

A few years ago I read an article in the Wall Street Journal explaining that many American blockbusters were set in Manhattan because the location was a familiar one to foreign audiences, who were becoming increasingly important in studios' revenues. I thought it was a fascinating piece on a rather under-reported aspect of the entertainment industry: the dynamics of the business itself. Edward Jay Epstein's *The Hollywood Economist* attempts to fill this knowledge void and describes the current state of the film industry and the economics driving it. Epstein has written about the film business for *The Wall Street Journal* (though I don't think he penned the aforementioned article about movie settings) and *The New Yorker* and his articles seem aimed to the curious moviegoing layman with a cursory understanding of business. *The Hollywood Economist*, which builds off of several of his pieces, is a quick and oftentimes entertaining read about the basic concepts of how the industry generally operates and (sometimes) makes its money.

The book is organized around several main areas, including film financing, the studio-theater dynamic, and talent contracts. Many segments of the book appear to be fleshed-out versions of previously-written pieces from the author, but I felt everything was well-organized and nothing felt very disjointed. While Epstein spends a good bit of time on some unsurprising and basic elements of the film business, like the generous subsidies offered by particular localities to attract film shoots and how risk-averse studios like to stick with franchises and sequels, there is plenty of material that will appeal to readers with a large amount of background knowledge as well. Some more startling revelations include how onerous ADA regulations which kicked in once a theater hit 300 seats led to the development of multiscreen cinemas and how studios would raise revenue through extracting and selling the silver from old film prints. I thought Epstein's breakdown of actor contracts, such as the plum deals secured by Tom Cruise for *Mission Impossible* and Arnold Schwarzenegger for *Terminator 3* were especially interesting and covered rather uncharted territory. I do wish Epstein mentioned whether such arrangements were par for the course for megastars like Cruise and Schwarzenegger or rarer anomalies. As a result of its article-y foundation, the book proceeds at a fast clip but I feel that Epstein elaborates enough on every main concept to do it justice. Even when he delves into topics such as film financing and contract legalese, Epstein maintains a nice balance between being informative and entertaining.

Epstein also offers some insightful analysis about the industry and its current trends. He notes that studios' reliance on foreign audiences has shut down many potential villains for screenwriters, as using former stock evildoers such as sinister Chinese and Russians is now commercial suicide. The book also provides a brief overview of premium cable channels and how their shift towards exclusive series such as *The Sopranos* and *The Wire* freed them from being beholden to studios for content. While the "expanding upon previously-written articles" makes some sections seem slightly antiquated (such as the first chapter that discusses the rather horrid 1998 *Godzilla* remake and other similarly-atrocious late 90's fare) the book was published in 2010 and Epstein's chapter on Netflix and the future of the business is enlightening and does not feel dated.

*The Hollywood Economist* is designed for a mass audience and Epstein doesn't employ any obscure economic or accounting jargon within its pages. As long as you have a cursory background understanding of business you will get a lot out of this book. I have found that most film industry books are "how-to" works geared towards aspiring directors or actors and I am thankful that Epstein aimed his book towards the general film-interested reader. Some sections drag a little bit and sometimes he touches upon some of the industry's more commonly-known elements, but the book is ultimately a quick, entertaining, and informative read.

### In Sum

A very readable account of how films are financed, talent is compensated, and basically how money is earned by the film business. The Hollywood Economist is worth a read if you have any curiosity about the innerworkings of this topic that is surprisingly underserved by the literary industry.

7/10

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### **J. Singleton says**

This is a good brief read if a bit short and lacking in visuals, which is ironic, since it's about the film industry. Being a writer myself, I was aware of a lot of these tricks that get movies made; nonetheless, seeing them all rolled into a single tome is helpful.

Epstein truly places himself as a top notch expert on film financing, if not necessarily film criticism, as he details the frequently bizarre ways modern movies get made, from indies to blockbusters. He does not allow the quality of the picture get in the way of his analysis--like so many studio execs, I imagine.

The lack of illustrations is unfortunate. If ever there was a time for some graphs and charts, it's in discussion of economic matters or business. Epstein shows his age by announcing you can watch a DVD on your iPod. Of course, you have to download a "digital copy" of the movie onto your mobile device; you generally can't watch a film directly on the little screen because discs are copy-protected.

What is eye-opening is that a movie such as "Lara Croft" costs essentially nothing to make. Gems such as these are why I choose to read this book, and you'll enjoy it too.

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### **Natalie says**

An in-depth examination of Hollywood financials. Slightly out-of-date, but a quick and educational read.

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### **Jenny says**

There aren't many books about how Hollywood or the filmmaking industry works that aren't told through the lens of an actor/actress writing his/her autobiography. Therefore, I appreciate Epstein's take and straightforward approach. This book is cut up into many short factual accounts - some just two pages long, others as a whole chapter of a book. It covers a wide range of interesting-to-know topics that any curious minded person would enjoy reading.

For example, here are some of the topics:

1. How do movie theaters make most of their money (most people know that it is through the high margins on selling food and not from ticket sales)?
2. How are the financial statements of films structured to ensure that investors are cheated out of any profit-sharing terms?
3. Why does Tom Cruise make so much damn money?
4. How do movie theaters determine how many seats to limit their screens to?

I found this book to be an entertaining and quick read. There's nothing else out there like it.



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### Josef Horký says

Zjistil jsem pár pro m? nových informací ve ?tená?sky p?itažlivé form?. N?které myšlenky se v textech nemile ?asto opakují (tvorba diváka), za což m?že p?vodní forma jednotlivých kapitol - coby ?lánk? v novinách, nicmén? pro cinefil? zajímavá v?c.

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### I\_ty\_toje says

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### Liam says

"In 1948, 65 percent of the population went to a movie house in an average week; in 2008, under 6 percent of the population went to see a movie in an average week." (53)

"A vice president at Paramount explained to me how these invisible maneuvers, including pre-sales abroad, can reduce the risk to practically zero. As an example, he cited Paramount's Lara Croft: Tomb Raider as a 'minor masterpiece' in the arcane art of studio financing. Although the official budget for this 2001 production was \$94 million and reported even higher in the press, the studio's outlay was only \$8.7 million." (102)

"[T]he movie-business is a fee-driven business. When viewed from the outside, movies, which are almost always set up as separate off-the-books entities, rarely, if ever, show a profit. Nevertheless, when viewed from the inside, they serve as vessels for collecting and dispensing billions of dollars in fees." (157)

"The studios simply followed their audiences home. To do this, they first repackaged the movies shown at theaters Pied Piper-style by making movies that visually appealed mainly to children and teenagers and then recycled them into home products, including DVDs, TV shows, games, and toys, which, in 2008, produced some 80 percent of their revenues." (165)

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## **Chad says**

Mandatory for basic cultural literacy.

"When studios found that they could no longer count on habitual moviegoers to fill theaters, they went in to the very risky business of creating tailor-made audiences for each and every movie they released. Like in an election campaign, the studios had to get people to turn out at the multiplexes on a specific date-- the opening weekend. The principal means of generating this audience is to buy ads on national television. For this strategy to work efficiently, the studios find a target audience that predictably clusters around programs on which they can afford to buy time. They then bombard this audience-- usually seven times in the preceding week to an opening-- with thirty-second eye-catching ads.

The studios zero in on teens not because they necessarily like them, or even because the teens buy buckets of popcorn, but because they are the only demographic group that can be easily motivated to leave their home. "

Tons of similar such basic information about how our culture actually gets made.

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## **brian says**

fascinating freakanomics take on the hollywood money machine, but lacking the proper heft... possibly due to the fact that much of the book is basically a reprinting and/or reworking of the author's previous book and published articles. despite that, it's a must read for hollywood folks.

although i hope to make enough money to snort many a rail of coke off many a stripper's tit and asscrack... the money + art equation is perennially icky. but y'gotta know about it. and y'also gotta know that despite all the vampiric blood-sucking greedy fatfucks out there, this kinda magic is still possible:

## Sashko Valyus says

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## Dave says

I don't like a lot of big Hollywood blockbuster movies, but I always enjoy reading the behind-the-scenes books about them. Love the Peter Biskind books and anything that talks about the real deals of such a sleazy business. This book focuses on the economic side and how it influences the big films that we heard about everywhere if we aren't seeing them ourselves.

The main revelation for me was that the box office numbers for these films doesn't really equate to much beyond being about to boast that a studio has "the #1 movie of the week!" Even films with huge opening weekends find it hard to make a profit as studio execs now believe it's almost impossible to make money that way these days. Rather the other markets are what will finally push the money along.

And along the way, the non-star talent gets screwed. Beyond their base compensation, most writers, producers and directors will never see money from their "points" due to creative contract work by movie business lawyers. Conversely, Tom Cruise and Arnold Schwarzenegger are described as "contract geniuses" for what they were able to pull off.

It all feels way too far from the 70s (in Biskind's "Easy Riders, Raging Bulls") when the directors were considered artists and had the power to try something new and groundbreaking. Sometimes it ended up sucking, but a lot of great films came out of that time. Now, the numbers are crunched everywhere, focus groups rule and certain demos are targeted. Theaters make most of their money off of fatty popcorn and sodas. Rarely can a movie be a hit if it doesn't target the male teen demo (not the female demo, because it's figured that they'll just follow the boys anyway). Films are green-lit based on how much foreign markets invest in licensing rights and other accountant/banker mumbo jumbo along the way. Mediocrity is rewarded. It makes me want to avoid it altogether and never go to the mainstream theaters again.

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## William says

Basically a collection of Edward Jay Epstein's columns of the same name for Slate and other publications, and it shows. I still thought it was a good read until, well, maybe when I saw a handful of Amazon reviewers lament it was largely a rehash of a 2003 book on the same subject (called "The Big Picture"). Okay. But I'm still giving it a slight "recommend" for anyone interested in the film industry today for a late chapter, "Are Indie Movies Dead?" The answer, it turns out is, kind of. I mean, yes. Maybe? I did finish this on a plane back from the Sundance Film Festival, where I saw a few indie movies all right. But as Epstein explains, truly independent films are rarer than ever. Foreign "pre-sales" financing is rarer than ever thanks to falling DVD sales, online file-sharing making it harder to recoup costs, the closure of several independent

distributors (New Line Cinema folded less than half a decade after releasing Oscar heavy "Return of the King") and a little thing called the 2008 global financial crisis. So what's left? A few indie distributors owned by the big studios and a handful of very brave souls. No one said hustling was easy.

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## **Damon says**

Fun, bite-sized book on the movie business. I love Edward's clear, pop cultural take on how the debt-based business runs, though some repetitive themes and too-brief chapters prevent it from being the definitive, deep tome it could have been.

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