

Routledge

Hollywood Economics

How extreme uncertainty shapes the film industry

Arthur De Vany, University of California at Irvine, USA

'This book provides dramatic evidence that, in comparison with the film industry, normally uncertain markets are virtually sure things. Not even popular stars or large first-week audiences are valid predictors of a film's future success. The volume demonstrates what sophisticated analysis can and cannot reveal about an industry in which "no one knows anything." It will be extremely valuable to anyone with an intellectual, financial or other interest in the market for popular films and for anyone concerned with analysis of subjects characterized by extreme uncertainty. Nonspecialists should not be daunted by the demanding technical analysis for there is plenty that will readily be understandable and fascinating to any intelligent reader.'

William J. Baumol, Professor of Economics, New York University & Senior Research Economist at Princeton University, USA

'A heretical and wise perspective on the economics and consumer patterns of Hollywood. Provocative and eye opening for its depth and intelligent analysis.'

Thom Mount, Producer and former Universal Studios President



Just how risky is the Movie industry? Is screenwriter William Goldman's claim that "nobody knows anything" really true? Can a star and a big opening change a movie's risks and return? Do studio executives really earn their huge paychecks?

These and many other questions are answered in *Hollywood Economics*. The book uses powerful analytical models to uncover the wild uncertainty that shapes the industry. The centerpiece of the analysis is the unpredictable and often chaotic dynamic behaviour of motion picture audiences.

This unique and important book will be of interest to students and researchers involved in the economics of movies, industrial economics and business studies. The book will also be a real eye-opener for film writers, movie executives, finance and risk management professionals as well as more general movie fans.

Contents: Part 1. Box Office Champions, Chaotic Dynamics and Herding 1. Rank, Revenue and Survival 2. Dynamics and Contracting 3. The Breakdown of Herding **Part 2. "Wild" Uncertainty, Tough Decisions and False Beliefs** 4. Uncertainty and Stars 5. Does Hollywood Make Too Many R-rated Movies? 6. Openings, Legs and Blockbusters **Part 3. Judges, Lawyers and the Movies** 7. Motion Picture Antitrust 8. Paramount and the Stock Market 9. Stochastic Market Structure **Part 4. A Business of Extremes** 10. Profit and the Curse of the Superstar 11. Artists 12. Extreme Uncertainty Epilogue: Managing when "Nobody Knows Anything"

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'Screenwriter William Goldman is famous for having said that "nobody knows anything" about the economics of the entertainment industries. His claim is now proved wrong for the movie industry. Arthur De Vany's book makes it transparent. Even those who are not very familiar with the sophisticated statistical and econometric tools that he uses will understand the arguments, which are explained with great clarity and lucidity. De Vany's book will soon be among the very few classics on the entertainment industries.'

Victor Ginsburgh, Professor of Economics at Université libre de Bruxelles, Belgium

'With this book, the agnostic mantra of the motion picture industry "nobody knows anything" finally loses its legs. Somebody does know something, and it's Art De Vany. When the history of motion picture industry thought is written, this author and this book will have its unique place and special recognition in that story.'

Bruce Mallen, Ph.D., Director, The DeSantis Center, Dean, College of Business, Florida Atlantic University

