

Industry and Innovation >

Volume 14, 2007 - Issue 4: Hollywood and Beyond: Globalization Of The Film Industry

3,145 57

Views CrossRef citations to date Altmetric

0

RESEARCH PAPER

Finance, Policy and Industrial Dynamics— The Rise of Co-productions in the Film Industry

Norbert Morawetz, Jane Hardy, Colin Haslam & Keith Randle

Pages 421-443 | Published online: 10 Sep 2007

Cite this article <https://doi.org/10.1080/13662710701524072>

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

- Full Article
- Figures & data
- References
- Citations
- Metrics

We Care About Your Privacy

We and our 899 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

- Use precise geolocation data. Actively scan device

I Accept **Reject All** **Show Purpose**

Co-produc

Acknowledgements

The research for this article was undertaken with a small grant from the University of Hertfordshire. The authors would like to thank the editor and the two anonymous referees for the constructive and insightful comments during the review process.

Notes

1. Share of total national film production, in numbers of films produced.
2. It is important to distinguish between a co-production and a mere financial participation, in which the “financial partner” participates in the results of exploiting the audio-visual work, without being a co-owner of its constitutive elements (Enrich, [2005](#); see also Goettler and Leslie, [2005](#)).
3. This was seen recently when the UK terminated its bilateral co-production treaties with Germany, Italy and Norway in favour of the convention. The convention also allows the involvement of co-producers from non-signatory countries as a fourth co-producer (e.g. the USA), provided that their total contribution does not exceed 30 per cent of the total production cost of the film (UK Film Council, 2007).
4. Production reasons. (location)
5. It has my ally for a combina
6. Ta h 670 ed by the in Europe is Bros spent [2004](#)).
7. For a) and Moran ([1997](#)).



8. Gliberman ([1983](#): 77) has commented on the system that it “stands as a monument to irresponsible policy making and comes as close to being a pure taxpayer ‘rip-off’ as one is ever likely to find”.

9. The Film and Television Action Committee.

10. “Below the line” costs refer to the salaries of the non-starring cast members and the technical crew, as well as equipment, studio, travel and catering costs. In contrast to this “Above the line” costs are the costs for creative talent and producers.

11. In order to further reduce the risk for investors, film funds usually invest into a slate of films and not just in a single picture. In contrast to a simple financial stake, equity investors hold a full stake in a film project and are in turn entitled to participate in the exploration of rights associated with the film.

12. In Germany a failure to include such criteria led to the much reported financial drain of German tax money to fund Hollywood films. According to an independent German analyst, in 2004 four out of every five euros (78 per cent) raised through German media funds was channelled into North American-based productions, with only 10 per cent invested in productions in Germany and about 11 per cent in projects within Europe. The total amount of money German media funds raised from private investors was EUR 1.5 billion in 2004 and EUR 1.76 billion in 2003 (Blaney, [2005](#)).

13. “Doubling” of costs is a common practice in the movie—once via the studio and once via the investor. This is made under Section 182(b) of the Internal Revenue Code, which allows a tax credit of up to 25 per cent of the cost of production. The “Harmonization” of the credit is 15–25 per cent.

14. The “Harmonization” of the credit is a “transfer” of the credit from the studio to the investor. The credit is not freely traded in the market. The credit is not with tax credits, which are worth 580 billion dollars in total. The credit is a business practice. The credit is not this financial practice. The credit is famously



accusing private equity investors of asset-stripping and behaving like “swarms of locusts” (Jenkins, [2005](#)).

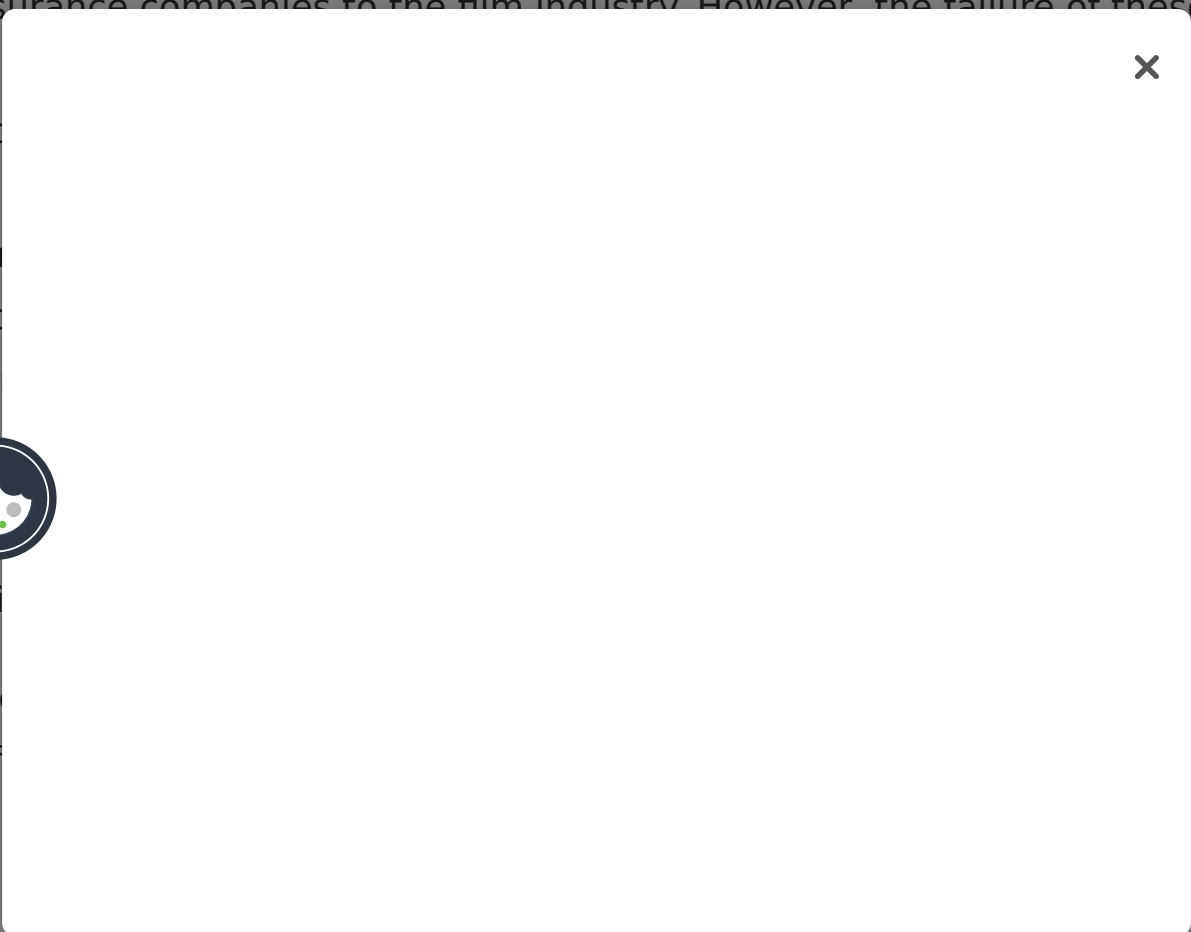
15. Rather than relying on a single top-or-flop project, equity funds and studios use a portfolio approach to film financing where risk is spread across a slate of films (White, [2005](#)).

16. In the early 1990s the studios diversified into independent film production through acquiring or building independent distribution companies. These “mini-majors” (e.g. New-Line Cinema, Miramax) significantly increased the scope of their spending in the following decade, to meet a growing demand for high budget independent motion pictures (Perren, [2001](#); Thompson, [2004](#)). The average negative cost of a mini-major peaked in 2003 at an average of \$46.9 million, a 154 per cent increase on production budgets since 1999. Films such as Martin Scorsese's \$100 million epics *Gangs of New York* (2002) or *The Aviator* (2004) reflect how profoundly the image of independent film was changed in this period (Grove, [2005](#)). This growth in the independent sector is in line with a steady expansion of overall studio production budgets that reached an average of \$63.8 million in 2003, compared with \$36.4 million in 1995, with marketing costs rising in the same period from \$17.7 million to \$39 million (MPA, [2006a](#)).

17. Insurance-backed securitization introduced institutional investors and in particular large insurance companies to the film industry. However, the failure of these companies to assess risk properly led to significant losses and made insurance a less attractive option for the industry. In 2008, the London-based insurer Aviva, once the largest backer of film financing, had to write off \$5 billion in film financing.

18. The major international studios deal with a

19. Selected film production companies are susceptible to



20. Looking at these figures, it appears that the government might as well fund the entire budget of films such as Harry Potter directly, which would at least entitle them to share the rights and the revenues.
21. Tax credits are usually payable on expenditure. However, as producers need the finance upfront, the tax credit is discounted with a financial intermediary or fund.
22. There has been a tremendous growth in private equity capital since 2003, with private equity funds raising more than \$225 billion in 2006 alone, and about \$580 billion in total since 2003 (Dow Jones Equity Analyst, 2006). This has happened alongside a similar strong growth in the hedge fund industry that has expanded from \$240 billion under management in 1998 to approximately \$1.4 trillion in 2006 (Russo, [2007](#)).

Related Research Data

[A Hybrid Agglomeration? The Development of a Satellite-Marshallian Industrial District in Vancouver's Film Industry](#)

Source: Urban Studies

[Building global knowledge pipelines: The role of temporary clusters](#)

Source:

The S

Source:

The C

Locat

Source:

The P

Source:

C

Source:

The v

of an

Source:

Germ

Source:

Holly

Source: Unknown Repository



The decline and fall of the European film industry: sunk costs, market size, and market structure, 1890-1927¹

Source: The Economic History Review

Flexible specialisation in Hollywood: a response to Aksoy and Robins

Source: Cambridge Journal of Economics

Modeling Movie Success When 'Nobody Knows Anything': Conditional Stable-Distribution Analysis Of Film Returns

Source: Journal of Cultural Economics

Technological Revolutions and Financial Capital

Source: Unknown Repository

Effects of rationing on the consumption behavior of Chinese urban households during 1981-1987

Source: Journal of Comparative Economics

Economic geography as dissenting institutionalism: the embeddedness, evolution and differentiation of regions

Source: Geografiska Annaler Series B Human Geography

The Cluster as Market Organisation

Source: Urban Studies

Flexible Specialization and Regional Industrial Agglomerations: The Case of the U.S. Motion Picture Industry

Source: Annals of the Association of American Geographers

Transforming the Danish Film Field Via 'Professionalization', Penetration and Integration

Source:

The M... European
Art C...

Source:

The s...

Source:

Clust... dge

cr...

S...

Cultu...

Source:

Schu...

Source:

Holly... arkets

Source:

The E...

Source: Journal of Economic Issues



The State of European Cinema

Source: Unknown Repository

Cofinancing to Manage Risk in the Motion Picture Industry

Source: Journal of Economics & Management Strategy

Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process

Source: The American Historical Review

The Economic Institutions of Capitalism. Firms, Markets, Relational Contracting

Source: Unknown Repository

Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages

Source: Foreign Affairs

Film Policy

Source: Unknown Repository

Understanding the Soft Budget Constraint

Source: Journal of Economic Literature

Resource-Constrained versus Demand-Constrained Systems

Source: Econometrica

sex, lies and marketing: Miramax and the Development of the Quality Indie Blockbuster

Source: Film Quarterly

The Global Export of Risk: Finance and the Film Business

Source: Competition & Change

Linkin



Relate



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

