Financialized Hollywood: Institutional Investment, Venture Capital, and Private Equity in the Film and Television Industry

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Abstract:

The financial sector has a hidden, but dramatic effect on Hollywood: three institutional investors hold the largest investment stakes in nearly all major companies; corporate venture capital has arisen within every entertainment conglomerate; and private equity firms have enacted leveraged buyouts of companies in all sectors, including production, distribution, exhibition, talent agencies, audience measurement, trade press, and content catalogues. This article argues that "Financialized Hollywood" is a dangerous development; financial engineering strategies are extracting capital and reducing operational capacity, further depriving Hollywood of the diversity and heterogeneity it might provide the public sphere.

Keywords: finance, media industries, political economy, venture capital, media consolidation

After a breakdown in negotiations with the Association of Talent Agencies on April 12, 2019, the Writers Guild of America (WGA) took the unprecedented step of instructing its members to fire their agents. More than seven thousand writers—92 percent of the guild—dutifully fired their agent. At issue was the WGA's new Code of Conduct that prohibited agents from taking packaging fees (which they claim is a breach of fiduciary duty, as it incentivizes agencies to negotiate a lower fee for talent) or engaging in production (which they claim is a conflict of interest, as the agencies are again incentivized to lower fees). At the time of writing, seventy smaller agencies have signed on to the Code of Conduct. However, the big agencies—Creative Artists Agency (CAA), Endeavor (formerly William Morris Endeavor Entertainment), United Talent Agency (UTA), and International Creative Management (ICM)—have filed lawsuits against the WGA, signaling a drawn-out, costly legal battle that the WGA might not be able to wage against firms now backed by massive investment firms like Texas Pacific Group (TPG) and Silver Lake. Regardless of the outcome, the bold labor action of the WGA demonstrates that creative workers in Hollywood may be coming to terms with the impact of 'financialization,' defined here as the accelerated growth of the financial sector and its extractive logic, which relies on financial engineering rather than commodity production. The WGA report, "Agencies For Sale: Private Equity Investment and Soaring Agency Valuations," is a surprisingly scathing indictment of CAA and Endeavor, but the deep, destructive influence of the financial sector in Hollywood goes much deeper than just the talent agencies.[1]

Since the 1970s, the global economy has been reshaped by the rise of the financial industries; however, there has not been a corresponding transformation in the scholarly study of the financialization of the cutural industries. Various scholars assess the structural trends that have transformed the U.S. media industry by emphasizing the growth of corporations, integration, globalization, the concentration of ownership, digitization, networking, and deregulation.[2] This article's primary motive is to impress upon its readers the scale of the impact that the financial sector has had on the American film and television industries in the last twenty years and thus demonstrate that financialization belongs on that list of key structural trends. Janet Wasko did pioneering, underutilized work in this area over thirty-five years ago, but the topic has since been largely ignored, despite the need, as Micky Lee articulates, for the study of "financial institutions' direct intervention in media companies' management and restructuring."[3] "The new rulers of Hollywood—and of the global entertainment industry at large," film historian Thomas Schatz claims, detailing 'Conglomerate Hollywood,' are "not the studios but their parent companies, the media giants like Viacom (owner of Paramount Pictures), Sony (Columbia), Time Warner (Warner Bros.), and News Corp. (20th Century Fox)."[4] Jennifer Holt's *Empires of Entertainment* complements this historical narrative with the legal, regulatory, and political dimensions of how film and then broadcast and cable television became integrated in the 1980s and 1990s.[5] The following article picks up where these histories end and proposes that in "Financialized Hollywood," the media giants themselves are now beholden to the larger process of financialization.[6] The big conglomerates still dominate film and television production and distribution, but they are mere investment and profit-extraction opportunities for truly powerful firms such as Blackrock, Vanguard, Bain Capital, TPG, and Silver Lake, whose watchwords are highly-leveraged debt, labor efficiencies, and speculation.

A heightened awareness of the financial processes and ideologies that undergird the actions of media companies, executives, and practitioners is needed. Understanding Financialized Hollywood requires an analytic perspective attuned to the logic of financial capital, not just the multinational entertainment corporation. This article demonstrates the ascendancy of financial capital within Hollywood in six steps. First, it examines the broader concept of financialization and the role of passive institutional investment firms, which hold the largest stakes in nearly all Hollywood companies. Second, it documents the rise and influence of corporate venture capital within every entertainment conglomerate. Third, it analyzes the destructive effect of private equity, which has enacted leveraged buyouts of companies in all sectors of Hollywood, including production, distribution, exhibition, audience measurement, and trade press. Fourth and fifth, it focuses on talent agencies and content catalogues as particularly insidious cases of private equity extraction; and finally, it considers the role that this financial engineering is having in the further consolidation of Hollywood. Ultimately, this article argues that the financialization of the film and television industry is a dangerous development; financial engineering strategies are extracting capital and reducing operational capacity, further depriving Hollywood of the diversity and heterogeneity it might provide the public sphere.

Neoliberalism, Financialization, and Institutional Investment. "The only general point of agreement," David Harvey proclaims, in evaluating the discourse surrounding the advancement of capitalism, "is that something significant has changed in the way capitalism has been working since about 1970."[10] For Harvey, a key part of that change is the empowerment of finance capital in relation to the diminished nation state, resulting from loose monetary policy by the American and British governments, unmoored exchange rates, and the general breakdown of Fordism and Keynesianism in the early 1970s. This accelerated form of capitalism has come to be formalized under the term neoliberalism for Harvey and many others.[11] "Neoliberalism is a new stage of capitalism," according to Gérard Duménil and Dominique Lévy, "that emerged in the wake of the structural crisis of the 1970s. It expresses the strategy of the capitalist classes in alliance with upper management, specifically financial managers, intending to strengthen their hegemony and to expand it globally."[12] What separates neoliberalism from previous forms of capitalism is the concentration of power within financial institutions and the use of exotic financial instruments, such as derivatives and securitization, to exert control over the means of production.

Deregulation is an essential component of this shift. It is promoted wherever and whenever possible, especially for financial mechanisms, resulting in the protection of lenders, the opening of trade frontiers, the privatization of social protection and pensions, the curbing of inflationary pressures through monetary policies, and the dramatic rise of government and household debt. Media industry historians consider the deregulation of media ownership restrictions and the easing of antitrust concerns in the 1980s and 1990s, such as the Telecommunications Act of 1996, to be transformational events, but far less remarked upon is the corresponding deregulation of financial mechanisms that occurred during the same era. The U.S. removed capital controls in 1974, eased banking restrictions with the Depository Institutions Deregulation and Monetary Control Act of 1980 and the Garn-St. Germain Act of 1982, and repealed the Glass-Steagall Act in 1999, which allowed bank holding companies to own investment banks. These deregulations are an essential component to what Duménil and Lévy claim is the "return to financial hegemony" during the rise of neoliberalism, in which the upper fraction of the capitalist class has a nearly unbridled ability to shape the economy and society with impunity, as it did in the 1900s and 1910s.[13]

However, as a conceptual term, neoliberalism is somewhat vague; it can refer to political projects, ideologies, economic shifts, and other reconfigurations that have developed since 1970. According to Christian Garland and Stephen Harper, following Fredric Jameson, use of the term neoliberalism, rather than capitalism or class struggle, risks depicting recent shifts as mere aberrations in need of reform, which "precludes the structural critique of capitalism and its media institutions."[14] Financialization, on the other hand, is a less understood and more delimited concept; it refers solely to the expansion and increased power of the financial sector. Built gradually, starting from banks and insurance companies in the nineteenth century, financial institutions have come to form a networked framework of imposing scale: stock exchanges, mutual funds, pension funds, hedge funds, private equity firms, derivative markets, central banks, government-sponsored enterprises, and international institutions (such as the International Monetary Fund and the World Bank).

A multitude of financial instruments have been developed to facilitate transactions across this network, one of the most significant being dividends, which are portions of a company's profits that are periodically paid out to shareholders. During the postwar period, a considerable share of profits was retained by corporations for productive reinvestment; in the intervening years, dividends have soared, as have stock buybacks, when a company buys back its shares from the marketplace, inflating the value of the remaining stock. The result is that profits are mostly distributed among the investor class, while corporations curtail opportunities for reinvestment, including employee wages. Corporations are thus seen less as producers of goods and services and more as vehicles for speculative capital.

The rise of institutional investors is a striking case of this corporate speculation. Institutional investors—entities that pool capital, such as banks, insurance companies, pensions, hedge funds, endowments, and mutual funds—have gone from owning about 7 percent of the U.S. stock market in 1950, to 70-80 percent today, a remarkable demonstration of the era's financialization.[15] If counted collectively, the largest institutional investment firms—the "Big Three" of BlackRock, Vanguard, and State Street—are the largest owner of 88 percent of the companies listed on the Standard & Poor's 500 (an index of the 500 largest U.S. publicly traded companies determined by market capitalization), up from 25 percent in 2000.[16] Worse still, institutional investors simultaneously hold large blocks of competing firms within the same industry, known as "common ownership" or "horizontal shareholding," the rate of which has increased from less than 10 percent in 1980 to about 60 percent in 2010.[17] As a result, these companies are incentivized to keep prices high and wages low. Far from 'passive' investment vehicles, as they were designed, earning light regulation, institutional investors now actively engage in their investments by exercising the voting power of the shares owned by their funds. The Big Three utilize coordinated voting strategies and meet privately with management and board members in order to influence the direction of their investments.[18] Common ownership of airlines was discovered to have increased prices by as much as 5 percent, while common ownership of banks led to increases in fees and reductions in interest rates.[19] This common ownership pattern is visible across many industries; the largest owners of Apple and Microsoft, for example, are Vanguard and BlackRock, just as they are for drugstores CVS, Walgreens, and Rite Aid.

This pattern of common ownership by institutional investors is readily apparent in the media sector as well, as demonstrated in Table 1, where we can see a cross-section of just how much institutional investors dominate the cultural industries. The Big Three are right where you should expect them: they own the largest stakes in all rival companies, gravely harming competition. Vanguard, the largest provider of mutual funds and the inventor of the index fund, holding more than $5 trillion in assets under management, owns the largest stake in Disney, Comcast, Time Warner, Verizon, and AT&T, and the second largest stake in CBS and Netflix.[20] By this metric, nearly every popular film or television program should include a "brought to you

Table 1. Largest institutional shareholders in the largest publicly-traded media companies, March, 2018**.** Source: Company 13F Filings.

Company	Fund	% Ownership	Combined % of Big Three
Disney (DIS)	**Vanguard**	6.82%	17.01%
	Blackrock	5.99%	
	State Street	4.20%	
	State Farm	2.80%	
Comcast (CMCSA)	**Vanguard**	7.02%	17.80%
	Blackrock	6.96%	
	Capital World Investors	4.01%	
	State Street	3.82%	
Time Warner (TWX)	**Vanguard**	6.62%	16.36%
	Blackrock	5.90%	
	Dodge & Cox	4.05%	
	State Street	3.83%	
CBS (CBS)	Capital World Investors	11.20%	15.16%
	Vanguard	6.17%	
	Blackrock	5.43%	
	State Street	3.56%	
Netflix (NFLX)	Capital Research Global Investors	9.54%	12.98%
	Vanguard	6.80%	
	Blackrock	6.18%	
	Fidelity	5.76%	
Verizon (VZ)	**Vanguard**	7.29%	17.83%
	Blackrock	6.62%	
	State Street	3.92%	
	Capital Research Global Investors	3.49%	
AT&T (T)	**Vanguard**	7.25%	17.53%
	Blackrock	6.31%	
	State Street	3.97%	
	Newport Trust Company	3.27%	

by Vanguard" title card during its credit sequence. Blackrock and State Street aren't far behind, for the Big Three forms an interlocking group of ownership here as it does in many industries. This is most visible in the cases of Disney, Comcast, Time Warner, CBS, Verizon, and AT&T, as the Big Three own a combined 15-18 percent stake in each of them. Capital World and Capital Research Global Investors are each a subsidiary of the Los Angeles-based Capital Research and Management Company, which appears to have an outsized interest in its city's most famous industry.

Knowing that common ownership in other industries results in decreased competition and increased prices, we should expect the same in Hollywood, even though specific outcomes and effects on content are difficult to isolate. The propensity for joint ventures (e.g., Hulu, The CW, Epix, Movies Anywhere) and joint franchises (e.g., Harry Potter, Terminator, LEGO, James Bond, Lord of the Rings, The Hobbit, Spiderman) is the kind of outcome we can expect from common ownership. Another is that movie ticket prices continue to rise beyond inflation because of the increasingly onerous terms set by the major studios. For example, in order to screen *Star Wars: The Rise Of Skywalker* (J.J. Abrams, 2019), Disney required four-week engagements in the largest auditorium for a film rental of 65%.[21] Disney's market power may be the most immediate factor in that deal, but institutional investment also plays a long-term role. Much like climate change, in which any one extreme weather event is difficult to conclusively attribute to human-caused climate change, but the overall probability of extreme weather steadily rises, in Financialized Hollywood, the overall tendency toward consolidation, reduced operational capacity, and minimal competition increases within a climate of financialization and common ownership.

Corporate Venture Capital in Hollywood. The impact of institutional investment can be considered an *external* force of financialization acting on the cultural industries; corporate venture capital (CVC) is a corresponding *internal* force. CVC refers to minority equity investment in an entrepreneurial venture by an established corporation. The parent corporation (e.g., Comcast) operates a financial intermediary or corporate venture capital program (e.g. Comcast Ventures) which makes equity or equity-linked investments in early-stage, privately held companies (e.g., Vox Media). Originally created to allow customers to finance the purchase of consumer products manufactured by the industrial division, the financial arms of major corporations are now often growing faster than their manufacturing divisions. Their financial activities, products, and global scale have come to resemble investment banks and hedge funds more than those of their parent companies. Three short-lived waves of CVC occurred during the 1960s, 1980s, and 1990s, but the current wave appears to be both more pronounced and longer lasting, with corporate investors accounting for roughly 15 percent of all venture capital activity since 2000.[22] For large media companies, investment in tech start-ups through CVC has many functions: earning profits that do not need to be shared with talent, preventing new competition from gaining a foothold, and maintaining an oligopoly.

Independent venture capital funds are entirely driven by financial objectives, but corporate venture capital pursues strategic goals in addition to financial gains.[23] As massive corporations grow, they become less agile and able to respond to market changes; CVC allows them to engage in research and development (R&D) by proxy, acquiring resources and intellectual property from their ventures. Incorporating CVC into their innovation strategy allows big companies to gather information on new markets and technologies, monitor their growth, and enter them more easily. Identifying and assessing potential acquisition targets is another key function of CVC; the investment can even be made with an option to acquire the portfolio company if certain metrics are reached. CVC is also used by corporations to hedge their bets, ensuring that they are strategically placed in regards to emerging technologies, ready to act when the dominant design prevails.

As catalogued in Table 2, the media sector has been utilizing corporate venture capital heavily since 2000, in either a direct or indirect fashion. Traditional media parent companies have been making direct, focused venture capital investments in proven corporate entities, such as Disney’s $400 million stake in Vice Media and NBCUniversal’s $200 million stake in Buzzfeed. Meanwhile, these legacy media companies have also created semi-independent venture capital arms that make riskier bets with early-stage seed funding for companies in a variety of related sectors, such as virtual reality, streaming technologies, and digital publishing companies that reach underserved niche audiences. For example, traditional media companies have invested heavily in start-ups that appeal specifically to millennial and Gen-Z audiences, such as Bustle, Mic, Fusion, and HelloGiggles. The overall number of investment stakes by traditional media companies is vast, totaling over a thousand.

A lot of punditry suggests that Vice, Buzzfeed, and other new content companies are upending the traditional media hierarchy, but these new media companies are mere investment vehicles and R&D arms for traditional media. As investors, traditional media companies are entitled access to the latest digital developments and detailed reports about the preferences of young audiences. If any of these start-ups achieve success and prominent recognition, they become acquisition targets, such as Viacom’s purchase of Pluto TV, or lucrative paydays in the event of an initial public offering (IPO), such as Spotify. From radio to television to cable to VCRs and into the digital age, the Hollywood oligopoly has historically been able to coopt any

Table 2. Corporate venture capital arms of major media companies. Source: Crunchbase.

Venture Capital Arm	Year Est.	Investments	Select Investments
Comcast	2000	10	SnagFilms, Invite Media, MetaTV
Comcast Ventures	2007	207	Vox, Slack, FanDuel, Meerkat, Instacart
NBCUniversal	2007	20	Vice, Buzzfeed, Popsugar
Walt Disney	2000	12	Hulu, Jaunt, Vice, BAMTech
Steamboat Ventures	2000	107	GoPro, Photobucket, GameSalad, NetMovie
Disney Accelerator	2014	23	Littlstar, Twigtale, Naritiv
Shamrock Capital Advisors	2007	11	FanDuel, T3Media, Maple Media
News Corp	2000	20	Roku, Beyond Oblivion, AppNexus
21st Century Fox	2013	7	Vice, DraftKings, The Skimm
TimeWarner	2000	21	Hulu, Glu Mobile, Urban Entertainment
Time Warner Investments	2000	78	Mashable, Bustle, StubHub, Maker Studios
Sony Venture Capital	1998	21	Digilens, Transmeta, CDNow
Sony Music Entertainment	2000	7	Shazam, 360HipHop, Artistdirect
Universal Music Group	2000	30	Shazam, Meerkat, Merchbar, Pluto TV
Warner Music Group	2000	10	LANDR, Incoming Media, imeem, Lala
iHeartMedia	2015	2	Unified, Jelli
Bertelsmann	1999	26	Udacity, DramaFever, Musicbank
Bertelsmann Dig. Media Investments	2006	25	Mic, CrowdTwist, Visionary VR
Liberty Media	1999	19	SiriusXM, Tastemade, Sling Media
Liberty Global Ventures	2005	26	Mediamorph, Celeno, O3b Networks
CAA Ventures	2012	49	Rinse, Giphy, Patreon, CrowdRise, Medium
Discovery Communications	2010	9	DivvyCloud, FloSports, VS Media
Hearst	2000	21	Complex, Roku, Pandora, Refinery29
Hearst Ventures	1995	71	Buzzfeed, Pandora, XM Radio, Refinery29
Axel Springer	2013	13	Mic, Thrillist, Jaunt
Axel Springer Digital Ventures	2014	8	Business Insider, Blendle, Pocket
AOL Ventures	2010	43	MoviePass, SocialFlow, TastemakerX
Sky TV and Broadband	2012	23	iflix, Jaunt, Drone League Racing
Verizon Ventures	2000	68	VideoSurf, Beamr, School Yourself
The New York Times	1999	27	The Skimm, Atlas Obscura, The Street

new technological development and turn it into another revenue source; corporate venture capital is merely the latest, financialized chapter in this age-old story. However, an even larger dimension of financialization is also transforming the industry. To paraphrase the title of a popular book about the rise of "corporate raiders," there are "Barbarians at the Gate" of Hollywood.[24]

Private Equity in Hollywood. Another manner in which corporations are treated as speculative capital is through the actions of private equity firms. Previously known as leveraged buyout firms or "corporate raiders" during their rise in the 1980s, private equity (PE) firms, such as Bain Capital, Blackstone Group, Kohlberg Kravis Roberts & Co. (KKR), Texas Pacific Group (TPG), Thomas H. Lee Partners (THL), the Carlyle Group, and Apollo Management, are a specialized, high-risk type of investment fund that are subject to minimal regulatory oversight. Typically operating investment funds with five to ten year terms, PE firms raise enormous levels of debt against the assets of the target company (referred to as "leverage"), purchase the company, restructure and financially engineer the company to maximize efficiency, then sell the streamlined company or its assets at high profit margins. Since the turn of the century, in part due to expansionary monetary policy and favorable tax breaks, there has been a huge boom in PE deals, only temporarily slowed by the financial collapse. From 2002-2012, there were nearly 3,000 private equity firms in the U.S., which used $3.4 trillion of capital to make leveraged buyouts of almost 18,000 companies, employing roughly 7.5 million people.[25]

The modus operandi of private equity firms is succinctly summarized by Eileen Appelbaum and Rosemary Batt as "tak[ing] high risks using other people's money."[26] Though they only invest 1 to 2 percent of the equity in the private equity fund, the PE firms receive 20 percent of the profit if the rate of return achieves a certain threshold (usually 8 percent). To fund the rest of the acquisition, PE firms solicit investment from pension funds, endowments, sovereign wealth funds, and investment banks, while also raising debt in junk bond markets. With these massive funds (upwards of $20 billion), private equity firms extract value from their target companies through financial engineering: paying themselves dividends, exploiting tax and debt loopholes, selling assets for profit, going into and out of bankruptcy, and not honoring contracts, as well as various methods of lowering labor costs, such as laying off high-wage labor, reducing wages and benefits, intensifying workloads, and shifting to non-unionized workers. With little to lose if the company's debt drives it to eliminate labor or even file for bankruptcy, but much to gain if the investment can be exited from successfully, private equity is a textbook case of "moral hazard," as someone else bears the cost of their risks. Recent scholarly work in media production studies often focuses on the precarious conditions faced by workers in the cultural industries, often utilizing a "bottom-up" perspective, but it's worth complementing these considerations with the "top-down" perspective that labor conditions are often facilitated by abstract financial processes as well.[27]

Hollywood has faced instances of extractive financial engineering in the past, such as Kirk Kerkorian's pillaging of MGM in the 1970s and the corporate raiders that reconfigured Disney in the 1980s. However, there has been a pronounced escalation of these practices in the media sector in the past fifteen years. Elsewhere, I have marked the beginning of the financialization of the music industries with the purchase of Warner Music Group in 2004 by Bain Capital, THL Partners, Providence Equity Partners, and Edgar Bronfman.[28] That same year, MGM was the target of a leveraged buyout with one of the same private equity firms. As evidenced in Table 3, MGM was the first major buyout in the era of financialization, followed by

Table 3. Private equity buyouts and investment in Hollywood, 2004-2018. Source: *Wall Street Journal* and *Bloomberg Businessweek*.

Year	Target	Buyer/Partner/Investor	Cost/$ bn	Type	Medium
2004	MGM	Providence Equity Partners, TPG Capital, Sony, Quadrangle Group, DLJ Merchant Banking Partners	4.8	Leveraged Buyout	Film/TV
2004	Cinemark	Madison Dearborn Partners	1	Leveraged Buyout	Exhibition
2004	AMC theaters	J.P. Morgan Partners, Apollo Global Management	2	Leveraged Buyout	Exhibition
2004	Odeon & UCI Cinema	Terra Firma	1.2	Leveraged Buyout	Exhibition
2006	Nielsen Company	THL Partners, Blackstone Group, Carlyle Group, Kohlberg Kravis Roberts, Hellman & Friedman, AlpInvest Partners	9.7	Leveraged Buyout	Data
2007	Univision	TPG Capital, Providence Equity Partners, THL Partners, Madison Dearborn Partners, and Haim Saban	13.7	Leveraged Buyout	Film/TV
2007	Hulu	Providence Equity Partners	0.1	Investment	Film/TV
2008	Dreamworks	Reliance ADA Group	0.325	Investment	Film/TV
2008	The Weather Channel	Blackstone, Bain Capital, NBCU	3.5	Leveraged Buyout	Film/TV
2010	Miramax	Colony Capital	0.66	Leveraged Buyout	Film/TV
2010	AMC theaters	J.P. Morgan Partners, Apollo Global Management	---	IPO	Exhibition
2010	CAA	TPG Capital	0.165	Min. Stake	Talent
2011	Nielsen Company	THL Partners, Blackstone Group, Carlyle Group, Kohlberg Kravis Roberts, Hellman & Friedman, AlpInvest Partners	---	IPO	Data
2012	WME	Silver Lake	~0.250	Min. Stake	Talent
2012	Providence's share in Hulu	News Corp, Disney, NBCU	0.2	Exit	Film/TV
2013	WME	Silver Lake	0.5	Maj. Stake	Talent
2013	IMG	WME/Silver Lake	2.2	Acquisition	Talent
2014	CAA	TPG Capital	0.225	Maj. Stake	Talent
2016	UFC	WME/Silver Lake, KKR	4	Acquisition	Film/TV
2018	Wanda/AMC	Silver Lake	0.6	Investment	Exhibition

many others. Far from its halcyon days of *Gone with the Wind* (Victor Fleming, 1939) and *The Wizard of Oz* (Victor Fleming, 1939), MGM struggled for many years, losing $1.6 billion over just six years in the 1990s.[29] Seizing the opportunity to acquire a distressed asset, a consortium of investors purchased MGM for $4.85 billion in 2004, each getting a sizable stake: Providence Equity Partners (34 percent), TPG Capital (23 percent), Comcast (21 percent), Sony (14 percent), and DLJ Merchant Partners (8 percent). As with most PE deals, this one was highly leveraged, and MGM was saddled with $3.7 billion of debt.

On paper, MGM's assets looked promising: a 4,000+ film library, 43,000+ hours of television, and lucrative franchises like James Bond, Rocky, and Spider-Man. Sony hoped to exploit this content catalogue with cross-content synergies, while Comcast intended to populate its cable and on-demand channels. However, the DVD market had just begun to decline in 2004; the digital sales, rentals, and subscription market had yet to take off; and MGM was releasing few films of its own. Furthermore, the standard private equity playbook of mass layoffs backfired: "so many people were let go," according to *Variety*, "that MGM was no longer a viable operating company."[30] By 2010, the company was drowning in interest payments on its debt to the tune of $300 million a year and filed for bankruptcy in order to clear its debt. With a loan from JPMorgan Chase and two hedge funds, Anchorage Advisors and Highland Capital Management, it would reemerge the following week, but the original PE firms would lose out on their investment (as would any pension funds or endowments involved). The subsequent layoffs were, of course, severe.[31]

In 2007, during the height of the pre-crash private equity boom, an even larger leveraged buyout occurred with the $13.7 billion takeover of Univision, the Spanish-language broadcasting giant. As the owner of the largest media properties in the fastest-growing demographic segment of the U.S. media industry, Univision was a prime target. It attracted two consortiums, the first including PE giants KKR, Carlyle, and Blackstone, and the second, successful consortium consisting of Providence Equity Partners, TPG, THL, Madison Dearborn Partners, and Saban Capital Group.[32] The latter group leveraged their deal with a debt level twelve times Univision's annual cash flow, twice the norm of buyouts during that time.[33] Within two years, Univision was weighed down by nearly $11 billion in debt, forcing it to sell its music arm to Universal Music Group (strengthening Universal's monopolistic position in the music market) and to conduct multiple rounds of layoffs, including "periodic staff purges and management restructuring."[34] By 2017, Univision's capacity to produce compelling content was severely hampered, and it ceded almost half of its audience to rival Telemundo. Amidst declining advertising revenues, its PE firms are seeking to exit their investment by filing for an IPO in order to pay off its now-maturing $9 billion debt.

Another prominent media company acquired during the private equity boom, in 2006, was Nielsen, then the Dutch publishing company VNU NV, owner of Nielsen Media Research and venerable industry trade press publications *Adweek*, *The Hollywood Reporter*, and *Billboard*. Again, we can witness the private equity formula: a consortium of PE companies (in this case, KKR, THL, Blackstone, Carlyle, Hellman & Friedman, and AlpInvest Partners) acquires the company for an enormous price ($9.7 billion), saddles it with excessive debt (still $8.6 billion five years later), strips its assets (the iconic publications) for capital extraction, slashes its workforce (in a 4,000 person "restructuring"), and exits the investment with a profit achieved through financial engineering. In 2011, their return was estimated at 10 percent, far higher than typical investments over that time period.[35]

The fallout of this deal for Hollywood's trade press is another example of private equity impropriety. In 2009, the PE-managed Nielsen sold its suite of trade publications to another investment firm, Guggenheim Partners, which acquired the properties in partnership with Pluribus Capital, naming the new company e5 Global Media. The entity experienced more turmoil and cost-cutting, was renamed Prometheus Global Media, and was then subsumed under the Guggenheim Digital Media division. Guggenheim further built the library with more publishing assets, including *Backstage*, *Film Journal International*, and *Mediabistro*, before the entire catalogue of publications was spun out into its own company, Eldridge Industries. This hot-potato ownership, in which a media property bounces between multiple investment firms, each attempting to extract profit at the expense of labor, is not uncommon.

For example, Dick Clark Productions, the historic production company created in 1957 for its founder's radio show and subsequent television shows, which include *American Bandstand* (ABC, 1957–1987) and *The Dick Clark Show* (ABC, 1958–1960), continues to produce variety, event, and award shows to this day. Its contemporary management, however, is rocky, to say the least. In 2002, it attracted the interest of investment firms Mosaic Media, then Mandalay Entertainment in 2004, before being taken over by the private equity firm Red Zone Capital Management in 2007. It was then sold again to a partnership led by Guggenheim Partners in 2012. Following a failed deal with China's Wanda Group that valued the company at about $1 billion dollars, Dick Clark Productions joined the aforementioned Eldridge Industries in 2017. A year earlier, to strengthen its trade publication portfolio, Eldridge acquired SpinMedia, adding online publications tailored to specific music audiences—*Spin* (alternative rock), *Vibe* (R&B and hip hop), and *Stereogum* (indie)—creating a diverse stable of niche media content coverage. In 2018, Eldridge's media holdings, now spanning trade publications, Dick Clark Productions, Media Rights Capital (which will be discussed below), and a minority stake in the trendy film distributor A24, were merged into an entity called Valence Media. It is worth pausing to consider the consequences of all this private equity mismanagement and financial extraction for Hollywood's trade press. While *The Hollywood Reporter*, *Billboard*, and the others mentioned are now operated by Valence, a boutique investment firm, most of the rival trade press and entertainment publications (including *Variety, Deadline Hollywood, Indiewire,* and *Rolling Stone*) are owned by Penske Media Corporation, which is funded by Quadrangle Capital Partners, a private equity firm, and Third Point LLC, a hedge fund. As Hollywood and the music industry are ravaged by private equity extractions, its private equity based trade press is disincentivized to provide critical coverage of the devastation.

Silver Lake Partners and TPG Capital, Hollywood's Private Equity Shadow Studios. Following the financial crisis in 2008, many financial elites sought to take advantage of low interest rates and a landscape of distressed assets. Two private equity firms, Silver Lake Partners and TPG Capital, took a particular interest in Hollywood and over the subsequent years have assembled their own versions of film and television conglomerates. Hollywood's talent agencies were the primary targets, the first of which was TPG's investment in Creative Artists Agency, one of the industry's two most powerful agencies. In 2010, TPG spent about $165 million for a 35 percent stake in the company, then invested another $225 million in 2014 to give it a 53 percent stake.[36] Similarly, Silver Lake Partners acquired a 31 percent stake in William Morris Endeavor (WME), the industry's other dominant talent agency, for $200 million in 2012, then followed that with a $500 million investment in 2014 to give it the largest ownership stake. With Silver Lake's funding, WME acquired sports and media group International Management Group

(IMG) for $2.4 billion in 2013; the combined WME-IMG was now larger than its rival CAA in scale, with a market capitalization of roughly $5.6 billion.[37]Reflecting its conglomerate status, WME-IMG was reorganized into a holding company in October 2017 and renamed Endeavor, a callback to co-CEO Ari Emanuel's original company, Endeavor Talent Agency.

As we've seen, the first step in the private equity playbook is lowering overhead, and both CAA and Endeavor have been lowering costs by laying off several top-earning agents, cutting bonuses, and reducing expenses.[38] "Suddenly guys who had been there for fifteen, twenty years, who thought they were just going to be CAA lifers, were getting pushed out without a parachute," claims a rival agent.[39] Salaries and bonuses for top agents are nowhere near their previous heights, but those who have remained at CAA and Endeavor have been incentivized with bits of equity that could translate to big paydays, if and when the companies go public.

Even while cutting labor costs, Silver Lake and TPG have been spending freely in order to expand the scope of Endeavor and CAA's business. Typically, in order to avoid conflicts of interest, film and television union contracts forbid talent agencies from participating in media production; consequently, talent agencies have moved aggressively into content outside of just film and television. Endeavor has been the most aggressive on this front, with expansions into sports (acquiring IMG and Professional Bull Riders), digital (partnering with Turner on an eSports league), events (acquiring Donald Trump's Miss Universe Organization), fine art (partnering with Frieze, a contemporary art fair), and other agencies (acquiring the Wall Group and a stylist agency business as well as Global eSports Management). By 2016, Endeavor was ready to facilitate massive deals itself, with the acquisition of the professional mixed martial arts organization Ultimate Fighting Championship. The purchase cost $4 billion, financed by Silver Lake Partners, KKR, and MSD Capital.

Amidst this acquisition spree, the talent agencies also began to skirt around the prohibition against film and television production as early as 2009. Both CAA and Endeavor, through the proxy of their private equity owners, set up inscrutable financing arms. Endeavor owns a stake in the Raine Group, a merchant bank formed with the help of Ari Emanuel in 2009, which invests in digital, media, and entertainment companies, such as Vice. Through Raine, Endeavor invests in Media Rights Capital, previously-mentioned, Valence-owned, opaquely-named firm described as a “hybrid financier, rights-holder, and development pod.”[40] It has been involved in a number of films that primarily feature so many Endeavor clients (actors and directors) that it could hardly be a coincidence, including *Ted* (Seth MacFarlane, 2012), *Elysium* (Neill Blomkamp, 2013), *22 Jump Street* (Phil Lord and Chris Miller, 2014), and *Furious 7* (James Wan, 2015). Other investors in Media Rights Capital include Goldman Sachs, AT&T, advertising giant WPP, and the private equity firms ABRY Partners and Guggenheim Partners.

In 2015, Silver Lake Partners acquired Cast & Crew Entertainment Services for $700 million. This forty-year-old company provides many back-end accounting services to Hollywood productions, such as payroll processing, residuals processing, workers’ compensation services, health insurance, labor relations, production incentives, and production tax credit financing. The following year, Silver Lake acquired Cast & Crew’s main competitor, CAPS Payroll. Owning the combined data of two of the biggest payroll companies in Hollywood is an obvious strategic advantage, as the same company negotiates wages and residuals for its clients while having the historical and industry-wide data about those rates. Silver Lake has thus fashioned a new type of content business with financialized vertical integration. It now facilitates the talent (Endeavor), data (Cast & Crew and CAPS), financing and production (Media Rights Capital, Endeavor Content, IMG Original Content), exhibition (ownership stake of AMC Theatres), and investment portfolio (Raine, WME Ventures). Silver Lake's "shadow studio" is itemized in Table 4, along with TPG's.

Table 4. Silver Lake and TPG Capital's investments in the media sector which constitute vertically financialized 'shadow studios.' Source: *Wall Street Journal* and *Bloomberg Businessweek*.

	TPG Capital	**Silver Lake**
Talent Agency	CAA	Endeavor (WME-IMG)
Data		Cast & Crew
		CAPS Payroll
Content Production	STX	Media Rights Capital
	Univision	Miss Universe
	Funny or Die	UFC
	Platform One Media	Endeavor Content
	Vice Media	IMG Original Content
	wiip	
Exhibition		AMC Theatres
Investment Arms	Evolution Media Capital	Raine
	CAA Ventures	WME Ventures
	Creative Labs	

At TPG-owned CAA, there has been a similar financialized content production arm in STX Entertainment, a film and television studio created by film producer Robert Simonds and TPG managing partner Bill McGlashan in 2014. TPG and Hony Capital, a Chinese private equity firm, provided the initial investment, with subsequent funding coming from a number of wealthy investors and a variety of East Asian firms, including Huayi Bros. Media, China's largest private film company; Tencent, the Chinese tech giant; and PCCW, the Hong Kong telecom and media company. The publicized strategy is to develop, produce, and self-distribute a slate of eight to twelve films, targeting the star-driven, mid-range budget ($20-$80 million) movies for adult audiences that the traditional studios have neglected in favor of superhero franchises and children's animation. Another way to look at STX, however, is as a production arm of CAA, as both are owned by TPG.

Just as Silver Lake features its own Endeavor talent in its Media Rights Capital productions, TPG overwhelmingly features its own CAA talent in its STX productions. *The Gift* (Joel Edgerton, 2015), *Free State of Jones* (Gary Ross, 2016), *Bad Moms* (Jon Lucas and Scott Moore, 2016), and *The Circle* (James Ponsoldt, 2017) all feature above-the-line talent represented by CAA. STX negotiates its own distribution agreements directly with the big North American theater chains (i.e., AMC Theatres, Regal, and Cinemark), and its Chinese investors give it an advantage in being approved for release in their heavily-regulated and highly sought-after market. Silver Lake's attempt at fashioning its own content studio has thus far produced mostly underperforming film and television, relative to their budget, and though it relies on Showtime and Universal Home Entertainment for distribution in later release windows, its financialized vertical integration has managed to mostly avoid the big Hollywood conglomerates and represents a new approach to content production and distribution.

In recent years, the talent agencies have become bolder in flaunting the rules against production. Endeavor operates both IMG Original Content, which has more than fifty series and specials on its roster, as well as Endeavor Content, which has financed, packaged, or sold more than 100 films and TV shows since 2016, including Academy-Award winners *Arrival* (Denis Villeneuve, 2016), *La La Land* (Damien Chazelle, 2016), and *Manchester by the Sea* (Kenneth Lonergan, 2016), as well as the Emmy-winner *Killing Eve* (BBC, 2018-present). Known in industry jargon as "double-dipping," the involvement of talent agencies in production was expressly banned by the Screen Actors Guild (SAG) for nearly sixty years, but its legality has been in limbo since the "master franchise agreement" between SAG and the talent agencies expired in 2002. As mentioned, this flagrant conflict of interest has caused strife with the WGA, which began flagging the practice as early as March 2018, claiming that "agencies have little incentive to defend or improve quotes (writers' previous pay) because their compensation is not tied to the well-being of their client."[41]

The talent agencies can afford to be in open conflict with the WGA in part because film and television talent are no longer their sole focus. The expansion into other talent sectors such as sports, fashion, and fine art is one example of this diversification, while another is the move into corporate venture capital. CAA Ventures, for instance, invests in early-stage startup companies, including Uber (transportation networking), Meerkat (mobile live streaming), Funny or Die (comedy-focused website and production company), and WhoSay (social media services and branding for celebrities). Evolution Media, another investment subsidiary within CAA, also provides seed funding to startups with capital from TPG's fund, as well as negotiating and structuring over $37 billion of sports media deals since 2015.[42] Endeavor also has a pair of investment subsidiaries, the aforementioned Raine and WME Ventures, that offer access to an even broader network, including film, television, digital media, fashion, music, sports, brands, and events. Because they are housed within talent agencies owned by private equity firms, these corporate venture capital firms offer their investment companies not only seed capital but also unique and valuable consultation on navigating Hollywood's singular culture and connection to the agency's talent roster.

There is another finance-related and talent-adjacent entity that has increased its role within Hollywood, even more directly tied to "the 1 percent." At least as far back as Howard

Hughes, Hollywood has been a destination for the wealthy to spend their money in pursuit of fame and glamour. Financialized Hollywood is even more welcoming to this kind of patronage, with the added dimension of affluent heirs and heiresses spending their inheritance. The scope of boutique production and distribution companies funded by plutocratic patrons is outlined in Table 5, along with selections from their film and television roster. Blending “independently wealthy” with “independent film,” many of the films facilitated by billionaire boutiques are directed by auteurs, designed for awards, and marketed as “prestige.” Where is the financing from these films coming from? Idle capital earned by oil barons, shipping magnates, Wall Street vultures, and Silicon Valley tycoons.

If not for the spoiled children of the wealthy, it would be more difficult for aging legends such as Martin Scorsese and Terrence Malick, acclaimed auteurs such as Alfonso Cuarón and the Coen brothers, television innovators such as Sam Esmail and Cary Joji Fukunaga, as well as newer filmmakers like Yorgos Lanthimos and Lulu Wang to get their films financed. It is thus tempting to consider this instance of financial capital as benign, even charitable. However, this subservience to plutocracy has reached new, explicit levels in contemporary Hollywood, far beyond the constraints to create challenging work in Hollywood that filmmakers have always faced. Megan Ellison, daughter of Larry Ellison (founder of Oracle and one of the wealthiest men in the world), has used her massive inheritance to become the patron to filmmakers like Kathryn Bigelow, Paul Thomas Anderson, and Spike Jonze. The name of her company? Annapurna, the Hindu goddess of nourishment. As we are witnessing in many sectors, democracy can’t function merely on the benevolance and “trickle down” ideologies of the wealthy; filmmaking is no different. What does it mean that Hollywood is increasingly reliant on the whims and vanity of the one percent? In a time of extreme wealth inequality, Hollywood’s

Table 5. Boutique production/distribution companies funded by plutocratic patrons in Hollywood. Source: *Variety* and *The Hollywood Reporter*.

Year	Company	Plutocratic Patron	Films
2000	Anonymous Content	Laurene Powell Jobs, widow of Steve Jobs (Apple)	*Spotlight* (Tom McCarthy, 2015), *The Revenant* (Alejandro González Iñárritu, 2016), *Mr. Robot* (USA, 2015-2019), *True Detective* (HBO, 2014-present)
2004	Participant Media	Jeff Skoll (eBay)	*Good Night, and Good Luck* (George Clooney, 2005), *The Inconvenient Truth* (Davis Guggenheim, 2006), *Citizenfour* (Laura Poitras, 2014), *Roma* (Alfonso Cuarón, 2018)
2004	Sidney Kimmel Entertainment	Sidney Kimmel (Jones Apparel Group)	*The Lincoln Lawyer* (Brad Furman, 2011), *The Place Beyond the Pines* (Derek Cianfrance, 2013), *Hell or High Water* (David Mackenzie, 2016)
2005	Big Beach	Marc Turtletaub, son of Alan Turtletaub (The Money Store)	*Little Miss Sunshine* (Valerie Faris and Jonathan Dayton, 2006), *Away We Go* (Sam Mendes, 2009), *Safety Not Guaranteed* (Colin Trevorrow, 2012), *The Farewell* (Lulu Wang, 2019)
2009	Cross Creek Pictures	Timmy Thompson (oil tycoon)	*The Black Swan* (Darren Aronofsky, 2010), *The Ides of March* (George Clooney, 2011), *Hacksaw Ridge* (Mel Gibson, 2016)
2009	Faliro House Productions	Christos V. Konstantakopoulos, son of Vassilis C. Konstantakopoulos (shipping tycoon)	*Before Midnight* (Richard Linklater, 2013), *Only Lovers Left Alive* (Jim Jarmusch, 2014), *The Lobster* (Yorgos Lanthimos, 2016), *The Founder* (John Lee Hancock, 2016)
2010	Skydance Media	David Ellison, son of Larry Ellison (Oracle)	*True Grit* (Ethan Coen and Joel Coen, 2010), *Star Trek Into Darkness* (J.J. Abrams, 2013), *Mission Impossible - Rogue Nation* (Christopher McQuarrie, 2015)
2011	Waypoint Entertainment	Ken Kao, son of Min Kao (Garmin)	*Silence* (Martin Scorsese, 2016), *Knight of Cups* (Terrence Malick, 2016), *The Nice Guys* (Shane Black, 2016), *Song to Song* (Terrence Malick, 2017)
2011	Annapurna Pictures	Megan Ellison, daughter of Larry Ellison (Oracle)	*20th Century Women* (Mike Mills, 2016), *Foxcatcher* (Bennett Miller, 2015), *Her* (Spike Jonze, 2016), *American Hustle* (David O. Russell, 2013), *Zero Dark Thirty* (Kathryn Bigelow, 2012)
2012	Black Bear Pictures	Teddy Schwarzman, son of Stephen Schwarzman (Blackstone)	*The Imitation Game* (Morten Tyldum, 2014), *Gold* (Stephen Gaghan, 2016), *All is Lost* (J. C. Chandor, 2013), *Broken City* (Allen Hughes, 2013)
2012	RatPac Entertainment	James Packer, son of Kerry Packer (Australian media tycoon)	*Gravity* (Alfonso Cuarón, 2013), *The Lego Movie* (Chris Miller and Phil Lord, 2014), *Mad Max: Fury Road* (George Miller, 2015), *Batman v Superman* (Zack Snyder, 2016)
2013	Boies/Schiller Film Group	David Boies (lawyer/private equity)	*Gold* (Stephen Gaghan, 2016), *Jane Got a Gun* (Gavin O'Connor, 2016), *The Babysitter* (McG, 2017)
2014	Black Label Media	Molly Smith, daughter of Fred Smith (FedEx)	*La La Land* (Damien Chazelle, 2016), *Sicario* (Denis Villeneuve, 2015), *Breaking a Monster* (Luke Meyer, 2015)
2015	Primeridian Entertainment	Arcadiy Golubovich, son of Alexei Golubovich (Russian oil tycoon)	*Third Person* (Paul Haggis, 2014), *99 Homes* (Ramin Bahrani, 2015), *A Hologram for the King* (Tom Tykwer, 2016)

ability to comment on our crisis is immobilized by its dependence on that same disparity. Truly radical film and television that challenges capitalist oppression will require a non-plutocratic structure.

This is not to say that these billionaire boutiques are not producing any interesting film or television. In fact, Black Bear Pictures alone has produced progressive films like the agri-business critique *At Any Price* (Ramin Bahrani, 2013), the corporate-mining drama *Gold* (Stephen Gaghan, 2016), and the Barack Obama biography *Barry* (Vikram Gandhi, 2016). However, Black Bear was founded by Teddy Schwarzman with money from his father, Stephen Schwarzman, the co-founder of Blackstone, the private equity firm that holds approximately $550 billion in assets and was involved in the aforementioned buyouts of Univision and Nielsen, among countless others in the wider economy. Blackstone's landlord practices have been criticized by the United Nations for "wreaking havoc" in communities with "aggressive evictions" and "constant escalation of housing costs," contributing to the "financialization of housing."[43] Schwarzman also once remarked that Barack Obama's mere suggestion to raise the carried interest tax rate (key to private equity profit) was "like when Hitler invaded Poland in 1939."[44] In this case, following the money raises some uncomfortable questions regarding the culpability of 'indie' Hollywood's relationship with plutocracy. Are these films progressive? Or do they cynically exploit progressive themes for the further enrichment of their plutocratic patrons? Regardless of your position, the mere existence of these films is a fitting, paradoxical symbol of our gilded age.

Content Catalogues as Private Equity Investment Portfolio. Cultural producers "have to insure themselves against the risks of failure associated with cultural commodities," according to

French media theorist Bernard Miège, and "the construction of a catalogue [is] the only way to spread the risks."[46] For this reason, film libraries have always been a lucrative asset for the Hollywood system, a history Eric Hoyt dates back to the 1910's.[47] Unlike individual films, which are a risky venture, film libraries are a reliable, diversified asset with long-term profit potential, no matter the pedigree or built-in audience. Private equity, consequently, has looked upon Hollywood libraries as robust investment opportunities. Again, Bain Capital was the pioneer in this strategy, acquiring LIVE Entertainment, a home video distributor, back in 1997. Later named Artisan Entertainment, it grew its library from 2500 titles to 7000 through acquisitions of the rights of Hallmark Entertainment and Republic Entertainment, among others. (It also produced smash hits like *The Blair Witch Project* [Eduardo Sánchez and Daniel Myrick, 1999]). Artisan's CEO, Amir Malin, has since formed Qualia Capital, which manages and advises on intellectual property asset portfolios, funding acquisitions such as the Rysher Entertainment, Gaylord, and Pandora libraries, with the backing of Canyon Capital Partners. As mentioned previously, the MGM acquisition by Providence, TPG, and others in 2004 demonstrates the limits of this investment approach, as the timing of that deal—just as DVD sales were peaking but too early for streaming video's rise—resulted in bankruptcy. Other types of content portfolio investment that became popular during that period's easy credit have proven equally risky.

In the years prior to the Great Recession, Wall Street capital flooded into Hollywood. Whereas previously the studios typically relied on passive, revolving lines of credit from banks, funds were now designed for private equity firms, hedge funds, and investment banks to actively participate in financing smaller catalogues of films. An estimated $15 billion was pumped into "slate-financing," in which a series of films (upwards of twenty-five) were produced from the same pool of capital, thereby diversifying the risk and return.[48] Former venture capitalist turned film financier Ryan Kavanaugh excelled in arranging these investment funds. Gun Hill I, for example, was the name of a $600 million fund for eleven Sony films and nine Universal films in 2006; one year later, Gun Hill II raised another $700 million for another twenty films.[49] Both funds were backed by Deutsche Bank and performed disastorously for investors. By 2007, every major studio had lined up PE backers for at least one slate. Kimberly Owczarski has detailed the use of slate-financing by both Kavanaugh's Relativity Media and Legendary Pictures, considering the ways in which Wall Street finance allowed these minor studios the temporary ability to compete with the major studios.[50] With the former ending in corruption,two instances of bankruptcy, and a new group of investors attempting to resuscitate it, and the latter resulting in an acquisition by Chinese media giant Wanda, these two examples demonstrate the destructive and consolidating impact of Wall Street finance in Hollywood.

Another destructive example is the case of Steven Mnuchin, a former Goldman Sachs trader and hedge fund manager, who exploited the housing crisis and then used that money to enter Hollywood. The story begins with Mnuchin acquiring IndyMac, a mortgage lending bank that had failed in 2008 and was seized by the United States Federal Deposit Insurance Corporation (FDIC). With a group of investors, Mnuchin renamed IndyMac OneWest Bank and then aggressively foreclosed on homeowners for profit, earning the accusation of "widespread misconduct" by the state attorney general department for repeatedly breaking California's foreclosure laws and forging documents.[51] The investors put $1.5 billion into the bank and sold it for more than $3 billion five years later. Mnuchin then turned his vulture capitalist tendencies to Hollywood. His financing firm Dune Entertainment invested in a catalogue of more than seventy films with Fox starting in 2006, while another funding company, Rat-Pac Dune Entertainment, founded with producer-director Brett Ratner and billionaire James Packer in 2013, formed a seventy-five picture deal with Warner Bros. Mnuchin has profited handsomely from such megahits as *Avatar* (James Cameron, 2009), *The LEGO Movie* (Chris Miller and Phil Lord, 2014), *American Sniper* (Clint Eastwood, 2014), *Batman v Superman: Dawn of Justice* (Zack Snyder, 2016), and *Suicide Squad* (David Ayer, 2016), as well as, appropriately, *Wall Street: Money Never Sleeps* (Oliver Stone, 2010). As Secretary of the Treasury under President Donald Trump, Mnuchin has turned to a far larger transfer of capital to the wealthy, helping orchestrate the $1.9 trillion Tax Cuts and Jobs Act. By 2027, the bill will actually raise taxes on most Americans, while 82% of the benefits will go to the top 1 percent.[52]

Mnuchin fared better in Hollywood than most; despite their sophisticated risk-management strategies, many financiers suffer when they encounter “Hollywood accounting,” the dubious, byzantine math by which film-financing is engineered asymmetrically so that individual films rarely achieve profit on paper yet the distributors still earn massive fees. Furthermore, the films offered up to slate-financing deals are often the riskiest studios have; they prefer to finance their reliable films themselves, particularly their franchises, and retain the bulk of that revenue. Compounding this difficulty, the credit crunch forced many financiers to pull out of these slate-financing deals in 2007 and 2008 and sell their Hollywood assets at a discount of up to seventy percent.[53] Most of these deals were considered failures, with investors losing hundreds of millions of dollars. Of course, every failure in the finance market just means another opportunity for some other alignment of capital.

Content Partners, for instance, was more than happy to buy these distressed investments. A financial boutique that acquires intellectual property, founded by two financiers who had worked for talent agencies, Content Partners began in 2006 as a sort of payday loan firm for profit participation. They would offer actors, directors, and producers a lump sum of cash in exchange for the revenues associated with the long-term release windows of syndication, physical media sales, and streaming rights. Backed by JP Morgan, Carlyle, and other wealthy investors, Content Partners expanded into larger intellectual property assets, including the discounted slate-financing deals, as well as a 50 percent stake in CBS's lucrative *CSI* franchise (700+ episodes that are on the air in 200+ countries) for an estimated $400 million.[54] In 2017, Content Partners acquired Revolution Studios, which itself was a private equity-owned production company and intellectual property management firm, having acquired the libraries of Morgan Creek International, Cold Spring Pictures, and OK Films.[55] By 2019, the aggregated investment portfolio of Content Partners has reached 400 films and nearly 3000 hours of television.[57]

Unlike in 2004 when the MGM library proved overvalued, Content Partners' library is now proving a lucrative asset, easily exploitable in the gold-rush atmosphere of digital streaming distribution led by Netflix, Amazon, Hulu, Disney+, Apple TV+, HBO Max, CBS All Access, Peacock, and others. Diverse libraries are a crucial lure for attracting digital subscribers to streaming platforms; consequently, private equity firms have been securing them as much as possible. In 2010, Disney sought to unload Miramax's famed indie library of 700+ films, which consists of almost 300 Oscar nominees, including *Pulp Fiction* (Quentin Tarantino, 1994), *There Will Be Blood* (Paul Thomas Anderson, 2007), and *No Country for Old Men* (Ethan Coen and Joel Coen, 2007). Tom Barrack, CEO of private equity firm Colony Capital, along with investment from Tutor Perini, a construction magnate, acquired the library for nearly $700 million.[58] Colony Capital barely added any new productions to the library while they owned it;

nevertheless, they were able to sell it in 2016 to Qatar-based broadcaster BeIN Media Group and earn 3.5 times their equity investment, demonstrating the increasing value of content libraries.[59]

A series of smaller private equity library deals have taken place since the rise of streaming as well. In 2011, the PE firm Vista Equity Partners invested in MarVista Entertainment, a production, distribution, and acquisition company with 2,500 hours of film and television content. In 2015, the consortium Ambi Group, backed by PE firm Raven Capital Management, acquired the library of Exclusive Media Group, which contains approximately 400 titles, including *Cruel Intentions* (Roger Kumble, 1999), *Memento* (Christopher Nolan, 2000), *The Mexican* (Gore Verbinski, 2001), *Donnie Darko* (Richard Kelly, 2001), and *The Ides of March* (George Clooney, 2011). In order to add value to the library, a film fund was also established to finance and produce mid-level, star-driven films, similar to the previously mentioned STX.

These catalogues pale in comparison to the size and scope of the catalogues held by the major Hollywood studios. Warner Bros., for example, holds one of the most extensive film libraries, with rights to over 7,000 feature films that it monetizes across various release windows, including network television, cable, premium cable, OnDemand, DVD and Blu-ray, digital sales and rentals, and streaming platforms. A prolific producer of television since the 1950s, Warner Bros. owns 5,000 television programs, making for tens of thousands of episodes; combined with its film library, this amounts to 80,000 hours of programming.[60] The Warner Bros. catalogue, set to be utilized by HBO Max, was a key asset motivating AT&T's acquisition of Time Warner, now WarnerMedia. Conglomerates with a historical connection to one of the three major broadcast networks, meanwhile, have even larger television catalogues. Comcast, for instance, inherited NBCUniversal's catalogue, which includes the rights to 100,000 television episodes and 5,000 films that will fuel its Peacock streaming service.[61] The major film and television conglomerates are growing and consolidating their libraries as they transition into a streaming-based distribution system. The debt-financed work of private equity accelerates this consolidation.

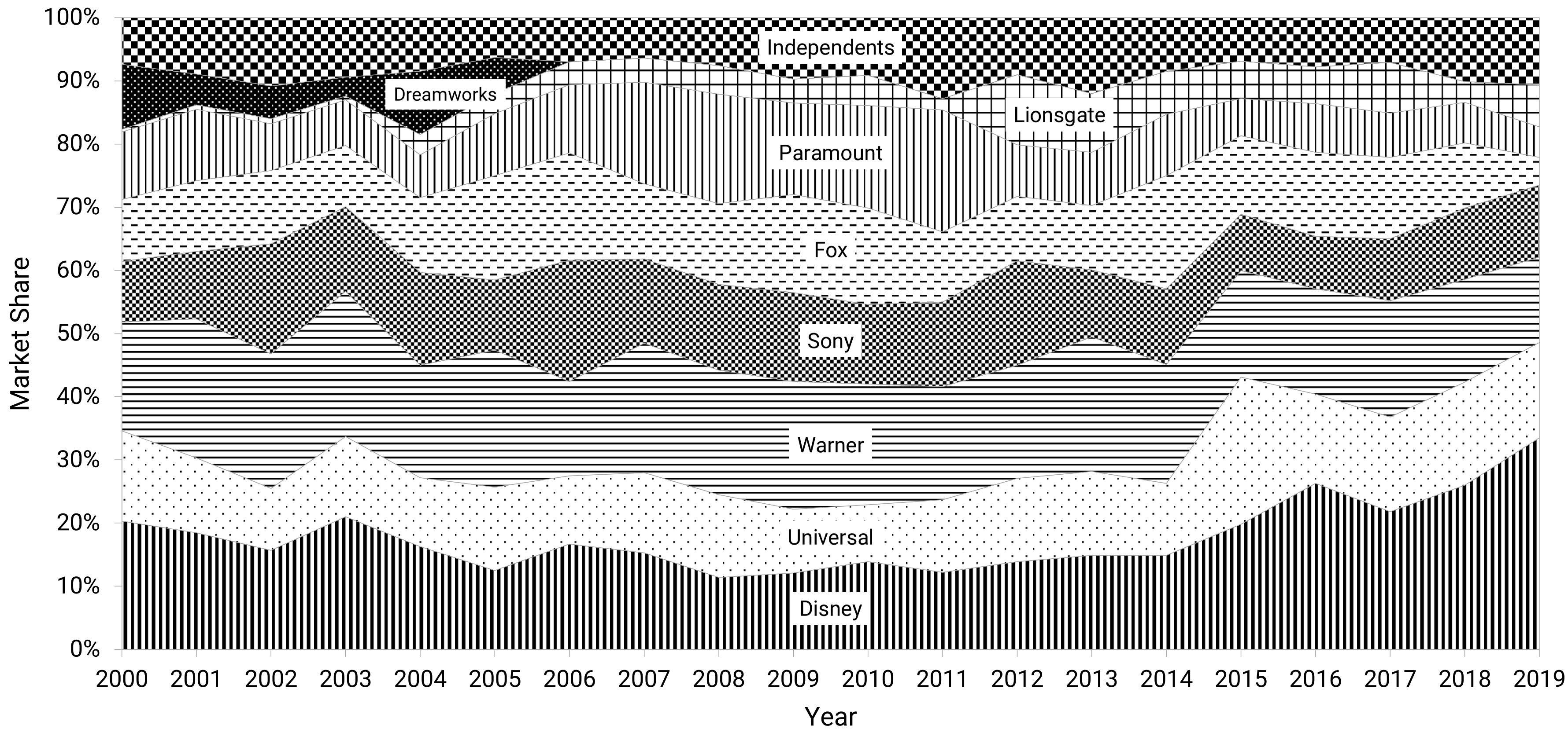
Financing Media Consolidation. The result of institutional investment, venture capital, private equity, and financial engineering in Hollywood is a surge in the consolidation that has been transforming the media sector since the 1970s. Financialization is facilitating an increase in scale in a global marketplace and permitting big media companies to take on massive debt to enact mergers and acquisitions, as seen in Table 6. Telecommunications companies have targeted content companies in order to expand beyond their traditional role as mere providers of network access , in such massive deals as Comcast's acquisition of NBCUniversal and AT&T's purchase of DirecTV and Time Warner. Content companies, meanwhile, have sought out sources of intellectual property in order to expand content catalogues, as the sector transitions to streaming technology in which viewers privilege access over ownership. Media industry historians have certainly written about mergers, acquisitions, and the broader issue of concentration of media ownership before, but we need to understand the increasingly financialized dimensions of this ownership better, especially its private equity aspects. The impact of PE's financial engineering on the cultural industries should not be underestimated; as Matthew Crain notes in an early look at this phenomenon, "private equity ownership exacerbates the ongoing evisceration of our media institutions."[62]

The concentration of ownership in Hollywood, hastened by the financial sector over the last fifteen years, is visible in the market share of total theatrical box office. Figure 1 is a

Table 6. Mergers and acquisitions in Hollywood and American telecommunications, 2004-2019. Source: *Wall Street Journal* and *Bloomberg Businessweek*.

Year	Target	Buyer/Partner/Investor	Cost/bn	Type	Medium
2004	Universal	General Electric/NBC	5.8	Merger	Film/TV
2005	AT&T	Southwestern Bell Corp	16	Merger	Telecom
2006	BellSouth Corp	AT&T	67	Acquisition	Telecom
2006	Pixar	Disney	7.4	Acquisition	Film/TV
2006	Adephia Cable	Comcast	5.6	Acquisition	Telecom
2009	NBCU	Comcast	37.3	Majority Stake	Film/TV
2009	Marvel	Disney	4.2	Acquisition	Film/TV
2012	AMC Theatres	Dalian Wanda Group	2.6	Acquisition	Exhibition
2012	Lucasfilm	Disney	4.1	Acquisition	Film/TV
2013	NBCU (GE's 49%)	Comcast	16.7	Acquisition	Film/TV
2013	Virgin Media	Liberty	16.3	Acquisition	Telecom
2014	DirecTV	AT&T	48.1	Acquisition	Telecom
2015	Time Warner Cable	Charter	78.7	Merger	Telecom
2015	Charter	Liberty Broadband	4.3	Investment	Telecom
2016	Yahoo	Verizon	4.8	Acquisition	Telecom
2016	Legendary	Dalian Wanda Group	3.5	Acquisition	Film/TV
2016	Dreamworks Animation	Comcast	3.8	Acquisition	Film/TV
2016	Starz	Lionsgate	4.4	Acquisition	Film/TV
2016	Odeon & UCI Cinemas	AMC Theatres	1.2	Acquisition	Exhibition
2016	Carmike Cinemas	AMC Theatres	1.1	Acquisition	Exhibition
2017	TimeWarner	AT&T	85.4	Acquisition	Film/TV
2018	Scripps	Discovery	14.6	Acquisition	Film/TV
2018	Regal	Cineworld	3.6	Acquisition	Exhibition
2019	Fox	Disney	52.4	Acquisition	Film/TV
2019	CBS	Viacom	30	Merger	Film/TV

Figure 1. Market Share of United States and Canada Box Office for Film Releases from 2004 to 2016. Data source: Box Office Mojo.



representation of this increased domination of the major studios in the financial era. The combined market share of all independent film distributors hovers between a mere 6 to 10 percent, while global blockbuster franchises propel Disney, Universal, and Warner Bros. to larger and larger shares. Since its acquisitions of Pixar, Lucasfilm, and Marvel, along with their lucrative intellectual properties, Disney has dramatically increased its market share; its acquisition of key Fox assets will see its market share approaching 40 percent and a clearly dominant position in the industry. The future imagined by David Mitchell in the novel *Cloud Atlas*, in which movies are just known as "disneys," might not be too far off.[63]

As it does elsewhere in the gilded economy, such consolidation results in stagnation, fewer jobs, reduced operational capacity, homogeneity, and higher prices. Total movie ticket sales are on a steady decline, though profits have been propped up by increasing ticket prices, particularly 3D surcharges, as well as continued expansion into global markets, especially China. Hollywood is not yet the oligopoly of three (Universal, Warner, Sony) that the recorded music industry has become, but if that industry's experience with private equity and financialization is any indication, further concentration and inequality in Hollywood is on the horizon.

Hollywood shares another parallel with the music industry in that a new streaming technology platform with considerable financial backing is transforming its distribution model. Just as Spotify is leading to a sea change in the economics and consumption patterns of recorded music, Netflix is pioneering a transition in the film and television industry. Unlike music, however, where the line between consumption (most streaming music listening occurs on Spotify, Apple Music, or Amazon Music) and catalogue production (most popular musicians are signed to Universal, Warner, or Sony) is fairly distinct, resulting in minimal competition or innovation, the film and television industry is much more unsettled and the lines between production, distribution, exhibition, and consumption much more blurred.[64] Netflix has moved aggressively into this precarious situation, transitioning from a DVD delivery service into a global streaming video platform, content producer, and the belle of Wall Street. Crossing the 100 million subscriber mark in 2017, Netflix shares rose 13,000 percent since its IPO in 2002, making for the second highest returns on the S&P 500 over the last fifteen years.[65] Originally seen by Hollywood as just another release window, Netflix has become something of a frenemy to the legacy conglomerates: a valuable destination to license its wares but also a threat to its dominance as Netflix moves into original content production. Hedging their bets, four of the major studios developed an important counterstrategy: their own streaming platform, Hulu.

With early investment from Providence Equity Partners, Hulu launched in 2007 and has grown into a formidable Netflix rival. Although it lacks Netflix's global footprint and has fewer subscribers, Hulu has quickly surpassed Netflix in an important long-term metric: catalogue size. In addition to next-day availability of television shows from four of the five major networks, Hulu secured exclusive deals with Comedy Central, AMC, Bravo, E!, A&E, FX, Syfy, USA, Fox Sports, PBS, Nickelodeon, and Epix. As Netflix moved into original programming, so did Hulu, with high-profile, award-winning series. By 2016, Hulu could boast a catalogue spanning more than 6,600 movies and nearly 3,600 television series, compared to Netflix's 4,500 and 2,400, respectively.[66] For Netflix, this catalogue tally represents a drop by over 50 percent, from a high of roughly 11,000 titles in 2012.[67] The company accounts for this drop by claiming it is focusing on original content production, but the reality is a proxy fight between traditional Hollywood, Netflix, and Wall Street.

Catalogue size, which reflects the economics of distribution and licensing, is just one of the battlefronts between legacy Hollywood companies and Netflix; data is another crucial vector.

Essential to Netflix's public image and branding strategy is the ability to mine its global consumption data to make content more appealing to target demographics and to fuel the personalized, algorithmic suggestions for users. But until Disney's recent purchase of Fox, leading to their majority ownership of Hulu, it was jointly owned by Disney, Fox, Comcast, and Time Warner. Though unacknowledged in the trade press, I confirmed with a Hulu executive in a personal conversation that each of its parent companies have access to its trove of data (a common feature of corporate venture capital relationships). With such an extensive catalogue that spans many formats and demographics, the granular consumer data generated by Hulu gave an important advantage to these four Hollywood conglomerates. It also bound them together in their cold war with Netflix.

Around 2015, legacy media company executives began to hint openly at a joint effort to limit Netflix's ascent. Time Warner CEO Jeff Bewkes argued against undercutting its own business "by having somebody else [Netflix] pay a fraction of the cost and create a better inventory on the various shows you yourself invented," while Discovery CEO David Zaslav proclaimed that "it's just not rational that… [we] have allowed [Netflix] to gain so much share and offer it without our brands."[68] FX president John Landgraf indicated a "concerted effort not to only sell to Netflix," and Fox CEO James Murdoch declared that "the business rules around how we sell to [Subscription-Video-On-Demand] providers is changing."[69] By this point, however, Netflix was expanding rapidly; its international expansion was in full force and its subscriber numbers and stock price climbed along with it.

This is not the first time legacy Hollywood companies have been challenged by new technology; in fact, Hollywood's history is one of initially resisting but eventually profiting off of every technological advancement, from synchronized sound to television syndication to home video formats and into the digital age. Disney+, HBO Max, and Peacock will soon join Hulu and CBS All Access (from the newly re-merged ViacomCBS) as legacy Hollywood moves belatedly but aggressively into direct-to-customer (D2C) streaming distribution. History would suggest that streaming technology will be merely one more entertainment format that the Hollywood conglomerates eventually dominate, except this time, the challengers are well-funded by a financial sector that is chasing dwindling investment opportunities in a hollowed-out economy. Looking for the next Facebook, Wall Street has rewarded Netflix's ability to rapidly grow its global subscriber base, ignoring its growing debt and comparative lack of earnings in the hopes of a future windfall. Amazon, similarly, received years of Wall Street investment despite a distinct lack of profits, using that coffer to increase scale and expand into a vast array of industries, including streaming media. According to JustWatch, a web service that aggregates what is available on each streaming service, Amazon Prime Video was offering nearly 25,000 films and television series in 2019, a catalogue that dwarfs both Hulu and Netflix. Along with Apple and Google, each a crucial interface for the digital consumption of film and television, this handful of tech stocks has come to be known as FAANG: Facebook, Amazon, Apple, Netflix, and Google. In March of 2019, these five companies together held a market capitalization of $3.1 trillion, a value bigger than the gross domestic product of all but four countries; only the U.S., China, Japan, and Germany are bigger than FAANG.[71] However, total net income for the FAANG companies in 2018 was only $93 billion, most of which came from Apple's lucrative iPhone sales, so the massive market capitalization of FAANG is an extreme form of investor speculation.[72] Wall Street is literally banking on a future in which these five companies dominate and monopolize their respective industries, producing far more income to justify their valuation. Will traditional Hollywood conglomerates become mere content suppliers to these bigger tech titans, or will they be able to compete for customers on their own terms? Unfortunately for us as citizens, the terms of this competition are not content, or culture, but mere financial extraction.

The Future of Financialized Hollywood. Caught up in this swirl of speculation, Hollywood faces an uncertain future. Its film industry is steady, but declining. The conglomerates have priced out most competition with ever-increasing budgets, global marketing campaigns, and the most well-known intellectual properties. Television, however, is in flux and subject to transformation. There is a confluence of trends moving in opposite directions that suggest, at best, a volatile, competitive market and, at worst, a bubble ready to burst. Both cable television channels and scripted television productions have dramatically expanded in the last decade, which FX President John Landgraf famously referred to as "Peak TV."[73] One might assume that if supply is being increased so acutely, demand must be growing as well, but "cord-cutting," in which pricey cable television subscriptions (averaging over a hundred dollars a month) are being exchanged for more affordable video-on-demand internet services (averaging ten dollars a month) or free, over-the-air broadcast television, continues to accelerate, reaching nearly 5% annual decline in 2019.[74]

The other key revenue source in the television ecosystem is advertising sales, which peaked in 2016 and are projected to decline at least 2 percent a year.[75] Advertising dollars are increasingly diverted away from traditional media formats such as television and newspapers and into Google and Facebook. This "digital duopoly" accounted for 75 percent of all new online ad spending in 2015—nearly 60 percent of the digital market—and surpassed the television advertising market in 2017.[76] Furthermore, overall employment in the broadcasting industries is declining while expenses are rising. With fewer cable subscriptions, declining advertising dollars, and increased expenses, one would expect the television industry to be facing “Valley TV” or “Nadir TV” rather than “Peak TV.” The only explanation is a speculative tidal wave funded by Wall Street, wherein investors are escalating production and distribution, hoping that they will have placed their bets on the right configuration of culture and content.

As one of the world’s most successful investors Warren Buffett once said, “you only find out who is swimming naked when the tide goes out.”[77] In this case, when the tide goes out, as it must in a bubble-driven economy, it will be the operating capacity, diversity, and talent of the U.S. film and television industries that are left vulnerable during the next recession. Media scholars need to understand the gravity of the problem that is “Financialized Hollywood” in order to advocate for its correction. “Resistance must know about financial regulation in order to demand it,” Gayatri Chakravorty Spivak recently proclaimed. “We must produce knowledge of these seemingly abstract globalized systems so that we can challenge the social violence of unregulated capitalism.”[78]

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