

## Free Markets on Film: Hollywood and Capitalism

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A wonderful example of the power of capitalism to create markets, and to transform an existing undertaking while creating fabulous wealth in the process, is the rise of the American film industry. Today, Hollywood makes films that generate in excess of seven billion dollars at the primary box office alone, then earn additional monies from video tapes, television rights, and foreign distribution. Despite the protectionist and censorial policies of many nations, America's film industry easily dominates the world's film production and distribution industry, and those who produce and work in the film industry are extremely well-compensated for their efforts. Given this, one might

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expect - *a priori* - that the film industry would be one of the most effective educational instruments for promoting the free market. But one would, alas, be quite mistaken. For Hollywood, from its earliest time right through to the present, is a single economic point-of-view town, and that viewpoint is, generally, anti-capitalist.

Even so a few films which portray free enterprise either accurately, or at least with some affection and/or respect, sometimes in spite of the writers/directors' intentions. In this endeavor, I cannot be even close to exhaustive, nor will everyone agree with my choices and/or the reasons for those choices. I hope, however, that teachers of the principles of the market society will consider using some of these films in class to provoke discussion, or just to show students *something* that cuts against Hollywood's relentlessly anti-capitalist

*zeitgeist*. A movie can be a powerful propaganda weapon, influencing millions of people, and sometimes even public policy. Actors and actresses can be, and often are, very effective catalysts for particular political interests and agendas. Movies, in short, have continuing clout, sometimes decades after release. Using them in the classroom is something that I think might well be a mostly unexamined and, therefore, unused resource for economics teachers. And so, after reviewing the titles and plots of over 15,000 films, not to mention sitting through quite a few during my life, here are a few of my personal picks to get teachers started.

### **Period one: 1930 - 1950**

*Ninotchka* (1939)

Not really an examination of economic theory, this light-hearted satire of the differences between the old Soviet Union and the West, Paris in particular, remains not only entertaining but biting social satire as well. This no doubt results from Billy Wilder's collaboration on the screenplay, and who knew the actual deficiencies hiding behind Soviet propaganda better than those who fled it? This film contains as much anti-communist satire as Hollywood has ever released and a good deal more than it typically allows itself today. Greta Garbo is charming in her role as first a Bolshevik automaton, and then a woman in love and not just with Melvyn Douglas, but with any place other than Moscow! Several good lines about going into business from her Russian male sidekicks make this movie quite enjoyable, even today.

*The Fountainhead* (1943)

Speaking of Russian emigrates brings in Ayn Rand, a writer who has always been controversial, and this filming of one of her longer novels can be used to generate some interesting classroom discussions, e.g. 'Did Roark have the right to dynamite Cortlandt Homes?' or 'Did Dominique really want to be 'raped'?' Good luck controlling those discussions! The movie itself, while not as bad as its

general critical film reputation, does suffer from some wooden performances (especially Gary Cooper's) and sometimes painful over-acting by Patricia Neal. But the ideas about effort and reward, property rights, the individual versus the public, and free market economics *are there*, and that's more than viewers almost ever receive from a Hollywood production.

### 1951 - 1970

*Ace in the Hole* (1954 - aka: *The Big Carnival*)

A rather offbeat choice no doubt, but Billy Wilder's caustic picture of media manipulation and public corruption plays as powerfully today as it did when first released, with a knockout performance by Kirk Douglas. Several places in the film illustrate quite clearly many important economic truths, such as: (1) demand can be influenced by several things, some human-controlled and some not; (2) economic value is subjective and, therefore, subject to manipulation; (3) prices need to be free, as W. H. Hutt once put it, "to tell the truth, so as to allocate resources efficiently and prices have nothing to do, necessarily, with costs of production; and finally, (4) the labor theory of value does not in any way determine the monetary value of a person's efforts - notably the unethical efforts of Douglas's character; only the *market's demand for his services determines their monetary value and, indirectly, his remuneration*. Naturally, Wilder's primary purpose was not to educate audiences about these specific economic things and, were he alive, would be amazed that through his consistently sharp eye, trenchant writing, and cynical attitude they nonetheless shine through with pristine clarity. He, no doubt, was suggesting that it is the amorality of mass markets that produce the unhappy outcomes in his film. But was he right? That's still a great discussion question, especially in light of today's media excesses and this film's powerful moral core.

*Executive Suite* (1954)

What is a corporation? How is it managed? What ought to be its priorities? Is Milton Friedman right that in his view that a corporation's only responsibility is to maximize shareholder value? What is the role of work in people's lives? What responsibility, if any, does a firm have to its employees and its community? This movie explores these issues in an even-handed way and would provide a solid impetus to discussing these topics. (Remade in 1956 as *Patterns* with a harder-edged, more didactic script by Rod Sterling which is further left and preachier, which is why many critics prefer it.)

### 1971 - 1990

*Sometimes A Great Notion* (1971 - aka: *Never Give A Inch*)

Randians will find some solace in 1971's filming of 1960s novelist Ken Kessey's story about ultra-rugged individualists in the logging business in Oregon. In these pre-spotted owl days, the family of loggers depicted here have only the elements, their neighbors, the local union, and one another to overcome in their traditional task of cutting down the trees and then delivering them to the sawmill via the river. This film would be great to use in a discussion of what *individualism* and *business commitment* mean, and the huge personal costs people sometimes have to pay on both accounts.

*Wall Street* (1987)

There's no mistaking director Oliver Stone's leftism and general antipathy for free markets - except when they make him a fortune in the real world, of course - but, in spite of himself, and his silly pro-union/pro-government regulation platitudes, he has made a film that captures the hectic, crazy world of traders, brokers, people on the financial make, and their hangers-on and accomplices. Good points to discuss, using this movie, might be: what, *exactly*, does the main character do wrong, and what ought to be his punishment, if any? What is insider trading? Ought people to be protected from the antics of Gordon Greed is good? Gekko? (A wonderful turn by

Michael Douglas as a flawed, Radian-type rich manipulator...a day-trading Gail Wynand!) Or should it be *caveat emptor* all the way? And finally, who would you want investing your long-run pension funds: Michael Douglas or the good-old, ethical, investment establishment represented by Hal Holbrook's character who's constant pessimism about what is possible within an ethical market stands as some sort of remarkable contrast to the entire stock market outcomes of the past twenty years?

1991 -

*Other People's Money* (1991)

This small film is better than one would think, especially if you skip the romantic subplot that surrounds Larry the Liquidator's attempt to take over an old, established wire and cable firm in New England. An interesting debate takes place between Danny Divito (as our anti-hero Larry), and stalwart owner Gregory Peck (in the Hal Holbrook-*Wall Street* role that Hollywood always offers for contrast) about the *real value* of companies and, therefore, business itself. Divito's speech to stockholders is every bit as interesting and brutally true as Douglas's more famous "Greed is good..." oration in *Wall Street*. In the end, a likable effort, if a bit lightweight because the romantic subplot keeps getting in the way. (But at least there are no federal indictments at its conclusion!)

*Pirates of Silicon Valley* (1999 - TVM)

No one could make a boring movie out of the birth of Apple and Microsoft and, despite themselves, the producers of this television movie show some interesting aspects of modern entrepreneurship and large, corporate stupidity, demonstrating how small, broke, nimble visionaries can steal the farm from their larger and - on paper, at least - more powerful rivals. And that's the marketplace at work, is it not? Forget the message conveyed by the movie's title and some of the dialogue - that all the wealth created by these companies was "pirated," Apple stealing from Xerox while Microsoft stole from a small computer company, then from Apple itself. As Bill Gates says late in the movie to Steve Jobs: "Grow up!" (And despite itself, the movie shows that none of this stuff was stolen at all! It was all just given away - literally - by less acute interests than those who wound up with the copyrights and billions in new wealth.)

**And the winner is? The envelope, please!**

*None of the above!* The television documentary "The Building of the Golden Gate" would be my choice. Why? As the film shows,

without bias, that bridge was privately financed, the firms were entrepreneurially brilliant, the structure's architecture sweepingly magnificent. The workers were pushed hard, but were dedicated and hugely competent. Safety was, without any governmental bureaucratic oversight or public sector obsessing, a corporate-driven imperative. The bridge was completed ahead of schedule, *under budget*, and the number of worker accidents were well below pre-construction predictions. It stands today as a monument to American capitalism at its best, and if it did not stand there, California's Golden Gate would be just another boring body of water with a city sitting beside it. This splendid documentary is compelling on all counts, an almost Randian view of economic process and progress, well worth watching and then discussing. An obvious discussion question will no doubt be: ACould this bridge be built in the same place today? Or even at all?@ (Maybe. But don=t bet on it!)

