

# THE CHRONIC CRISIS OF BRITISH CINEMA

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FRANÇOIS Truffaut has been much derided for his remark that between the words England and Cinema there is a contradiction. Some have dismissed this as an expression of French cultural arrogance, yet there's a certain truth in it, which was articulated by a French government official in a report dating from 1982 that remains entirely vigilant today: 'The lesson of these last twenty years in Europe', he said, 'is clear: there can be no national cinema without a policy of aid to the national cinema. This is true for France, Italy, Germany... The example of Great Britain (which made the opposite choice), is very instructive in this respect: a film industry survives, but British cinema has practically disappeared.'<sup>1</sup>

This seems to me a judgement the French have every right to make – since their so-called cultural arrogance, seen from another angle, is just the good husbandry of cultural affairs, which gives France the healthiest of all European national film industries. In 1997, the year New Labour came to power, British films accounted for less than 10% of their own home market. The figure for French films in France the same year was more than 34%. Year on year these figures go up and down in both countries, but the French is always much greater than the British.

There are of course at best of times certain difficulties with what is meant by a national cinema, a concept no less slippery than national culture or national identity, especially in a world where globalisation places ideas of national anything in question. But this is an old conundrum, and cinema has a habit of throwing it into relief. Why do we think of Joseph Losey as coming to Britain and making English films and Stanley Kubrick as coming and making American ones? However, it's not aesthetic conundrums in themselves which concern me here today, but their relation to questions of policy: the issue of nationality has practical implications when aid and support for production depend on its definition.

Almost all appeals to 'policy', wrote Colin McCabe a few years ago, like its semantic cousin 'management', 'are appeals away from a reality which is too various and too demanding'.<sup>2</sup> It is precisely for this reason that we need a little deconstruction, or at least interrogation, of what 'film policy' includes and excludes, and the way in which the language of policy – like that of management – makes certain things unthinkable, eliminating them from possible consideration because it deems them bureaucratically irrelevant. In Britain, it seems, this kind of mentality, when confronted with the awkward conundrums of nationality, finds the easiest thing to do is discount them on the grounds that such judgements are cultural and subjective. British political discourse has never been happy with an interventionist approach towards cultural affairs, always preferring what Keynes in the 1940s, in creating the Arts Council, defined as 'the arm's length principle': that government should not administer cultural affairs directly, in order to be free of any possible charge of party political interference, but should delegate the responsibility to what we now call quangos. This same principle of non-interference explains the reluctance of government in the early days of cinema to answer calls for censorship with legislation, preferring instead the self-regulation of the industry through the creation of the British Board of Film Censors on the eve of the First World War – the first such quango in the domain of cinema.

Nowadays, films are regarded as British, according to government guidelines, regardless of theme, setting, or stars, but provided the production company is registered in Europe, the majority of the shoot takes place in Britain, and a large chunk of the payroll is spent in Britain. This clearly produces anomalous results. For example, *Judge Dredd* counts as British not because it has a British director and is based on a British comic strip but because it

was shot in London – although the star was American and so was the production. But *The English Patient* does not, because it did too much of its post-production work abroad to qualify.<sup>3</sup> However, one might also ask if *The English Patient* is British anyway. The producer was American, and the hefty \$27m budget came from the American company Miramax. The stars were British and so was the director, Anthony Minghella, but the author of the prize-winning novel it was based on, Michael Ondaatje, was born in Sri Lanka and then lived in Canada. Is this not then an international picture, configured according an international cultural market? A variant of what is known as ‘mid-Atlantic’, neither one thing nor the other? Whereas *Judge Dredd* is an example of what the industry calls ‘runaway’ production, Hollywood going abroad to take advantage of lower labour costs, tax breaks, and in some countries, exotic locations.

A film's Britishness, says a journalist investigating the state of the film industry in 1999, is ‘a much-chewed over issue’, because so much national self-esteem is tied up with the big successes.<sup>4</sup> Then what happens to our national self-esteem in a case like Peter Cattaneo's *The Full Monty* (1997), touted as the most successful British movie ever? A British feature film with a British story by a British writer made by a British Director in Britain using British actors and locations, this low-budget comedy about a plucky bunch of unemployed men in a northern town trying to overcome the consequences of the heartlessness of free-market capitalism, was financed by a subsidiary of Rupert Murdoch's 20th Century Fox, and its enormous profits were therefore simply ploughed back into Hollywood. (As the great film critic Pauline Kael once remarked, when you write the history of cinema, you're really writing social satire.)

National self-esteem, however, is not why these things matter. What matters is not the successes but the failures. Or to put it another way, the state of health at the base of the industry, whether there's a regular pattern of production and steady investment, with reasonably secure employment and renovation of the workforce; because otherwise any successes are flukes, which is no basis for policy. This is why it has become necessary to question whether the Film Council is on the right lines or not when its Chairman, Alan Parker, says 'We have to stop defining success by how well British films perform in Milton Keynes'. Parker's logic is that successful British films like *Notting Hill* make 85% of their revenues outside the UK, so we need to 'abandon forever the "little England" vision of a UK film industry comprised of small British film companies delivering parochial British films.' But there's something askew in this argument, on at least two counts.

Firstly, which are the films he means to call parochial? Obviously not *The Full Monty*, which broke all records in the USA even though they didn't know where Sheffield is. He can't be speaking about Ken Loach, for whom he's declared his admiration, since Loach is a director much appreciated abroad. And not presumably about Mike Leigh, who is also recognised abroad as one of the great originals of British cinema. And I presume he can't be talking about Michael Winterbottom's *In This World* which has just won the Golden Bear at the Berlin Film Festival, or Peter Mullan's *The Magdalene Sisters*, which won at Venice last year. So what exactly is he talking about?

Secondly, too many of these supposedly parochial films don't get anywhere near Milton Keynes, because they often don't get distributed at all. Since lottery funding began in 1995, production has increased but so has the number of films the distributors decline to release, thereby denying them any chance to succeed. One hundred films were made in the UK in 1999; 27 still had no distribution deal in place by July 2001. Another count a year later included 83 new films, but only 24 of them with a release date. It's jumping the gun to suppose, like Evening Standard film critic Alexander Walker railing over the wastage of lottery funds, that they can't be any good. This is not a normal situation, it isn't found in other

European countries, and it is not, as he suggests, because films are being made without securing a distribution deal first. If this were a sine qua non, then many proven films would not have been made.

This situation also runs counter to what might be expected when cinema audiences have been growing and the number of screens has increased. There are now more than 2,500 screens in the country, 2½ times the number in 1987 – and thereby, we are always told, the audience has more variety from which to choose. Except that it patently isn't true. The multiplexes are dominated by Hollywood, and they're swamped by the blockbusters. According to one estimate, out of 30-40 films on release in Britain at any one time, 90% of box-office goes to the top three, the next four take 9%, and the remaining 25 scramble for the last 1%. Parker is certainly aware of these figures, but for all his emphasis on the problem of distribution, he doesn't come clean about it. The real situation is this. On the one hand, lottery funding saved UK film production from finally disappearing altogether. On the other, all the major distributors in Britain, who control access to the multiplexes, are American, and obviously have their own quite un-British agenda. The two things don't join up.



THERE is a conundrum here which was foregrounded ten years ago, in the final stages of the GATT, before it was replaced by the WTO: that while we speak of national cinemas, they are always predicated on an international level. Cinema is a universal medium, but as Adorno said of music, without being Esperanto – hence the emergence of national cinemas which speak in their own idiom. However, it is the global pattern of film distribution, hugely dominated by the Hollywood majors who now have 85% of the world movie audience, which determines the fate of national cinemas, which can only flourish even on a small scale when given some form of financial support or economic stimulus. (The case of Brazil over the last fifteen years shows what happens when this is taken away, and the industry collapses, and then put back again, and it revives.)

In these circumstances, the national cinema question inevitably becomes a defence of national identity in the face of cultural hegemony from abroad, an assertion of the right of national cultural self-determination, even sovereignty: the virtual sovereignty of the cinema screen as a national asset and a public commons; because a film is always more than a commodity, but an act of aesthetic communication, which is not consumed materially but received symbolically. I am happy to agree about this with David Puttnam, writing recently about his worries for the growing split between mainstream cinema and any perceptible reality: 'The appeal of the movies is universal. Their stars provide a mirror in which we can see a heightened reflection of our own lives. Their stories can open a window through which we can better understand the dreams of others. Cinema reflects or damages our sense of identity, and that's true of both individuals and nations.'<sup>5</sup> If this matters, then the argument follows that films should not be treated as an ordinary commodity subject to the standard rules of international trade, designed to disallow protectionism, but as the French have argued, they deserve the status of 'cultural exception', with preferential systems of support to protect them. (Perhaps Hollywood really doesn't see this, they don't 'get it' – as they would say – because they consider their cinema as universal rather than national; but then this only compounds the problem.)

Even considered as a commodity, in fact, the film has certain peculiarities which remove it from the realm of classical economics. On the one hand, cinema shares certain

features with the performing arts – collective consumption by an audience gathered in a special place. On the other hand, the film is like the book in being a mass produced durable object which can therefore be consumed in different places simultaneously, although only with the arrival of the video cassette, in a form that you could buy and take away to ingest in private. Films are also like books in another respect: you can't predict their success, and failures are always more numerous – but a lot more costly. The book publisher traditionally followed the double principle of using successes to subsidise failures, and then building up a back list of best sellers to keep turnover and profits high. Cinema for many decades had only the former option. As a new branch of the culture industry, it had no tradition, and its rapid technical development prevented any such thing as a backlist, which only entered the industry's purview when the arrival of video, and the expansion of television, put new life into old films sitting on the shelves. The idea that old films had a *cultural* value arose outside the industry, with the creation of the cinémathèques, not by the industry but by cinephiles who had grown up with cinema and breathed its history; and the concept of national cinema as a cultural formation was born largely through their efforts.

The distinctive feature of film production is of course the cost, which is vastly greater than writing books, although you can easily make a feature film for the cost of producing a West End musical (as Derek Jarman, for one, repeatedly demonstrated). But this is only true at the low-budget end of the scale, and Hollywood functions at the opposite end, with inflated budgets which regularly leave the studios in deficit at the end of the year; a deficit which they count on being cancelled by the next blockbuster, but only on condition they keep producing them. So budgets continue upwards, leaving low-budget production to the so-called independent sector which then provides the studios with new talent to poach.

According to industry lore, only one or two in every ten films made reaps a profit. Recent estimates suggest that even in Hollywood, seven out of ten pictures fail to recoup their costs from theatrical exhibition, and thus depend on the so-called secondary markets of television and video. If this is now a general rule everywhere, the problem remains that the relation between budgets and markets is not transparent; films still have to pass through distributors in order to get exhibited. In 1996, the average UK film production budget was £3m, compared to £23.4m in the United States, but even low budgets like this are too much if you can't get more than half a dozen prints into circulation, and this is all that is possible without the multiplexes. Even if you believe the exhibitors' habitual claim that they'll show anything that makes them money, they don't have the choice – and therefore nor does the audience – because distribution is structured to exclude the 'small' film. The distributor pays the print and advertising costs, and the less popular a film, the higher the proportion of the box office that stays with the exhibitor. The problem is circular. Without sufficient publicity, the film is unlikely to capture a big audience. Without being likely to capture a big audience, distributors are reluctant to invest in sufficient publicity or even handle the film at all. And when they do, the release might be limited to eight or ten prints, compared to a Hollywood blockbuster with hundreds; which means they're unlikely to recoup their costs, because you can't do that if you don't get into the multiplexes; and if you haven't got decent exposure in the cinemas, you won't get a lot from selling on to television and video either.

This situation is doubtless exacerbated by using Lottery funds to make films without prior distribution agreements, but I repeat this is not the root of the problem. It isn't just the market, either, because this is a market which is distorted by an imbalance of interests. Production, distribution and exhibition are out of sync with each other, and the injection of public funds has had counter-intentional effects. And since it is very difficult to imagine

anyone would have designed such a counter-productive system deliberately, the question arises, what went wrong?



I LEAVE you in suspense for a moment, and cut back to 1997, when New Labour came to power trumpeting an inane idea known as Cool Britannia, which saw Britain's creative industries – music, fashion, film – as the source of a new optimism. Taking over the National Heritage department, which he renamed Culture, Media and Sport, Chris Smith spoke a new language of cultural egalitarianism, in which Noel Gallagher of Oasis and the classical composer George Benjamin were 'both musicians of the first rank'. As for cinema, 'we have recognised', he said, 'a very simple fact about movie-making: that it is *both* a cultural and an economic activity.'<sup>6</sup> The implication of this formulation is significant: this is not the way it was seen previously. Still, it took three years before a new body was set up, the Film Council, charged with delivering a unified and coherent strategy for the industry.

A quintessential example of New Labour thinking, the declared policy of the Film Council, encouraged by the run of successful films which peaked with *The Full Monty*, is 'to use public money to make better, more popular and more profitable films in real partnership with the private sector'.<sup>7</sup> The overall aim, they add, is 'well-targeted assistance rather than scattergun subsidy' – as if these were the only alternatives. I shall argue that there are others. In the purview which lies behind the Council's strategy, which considers the market before the product, cinema has a potential international reach that offers the promise of huge returns on investment, in proportions possibly unattainable by any other legitimate means. *The Full Monty* cost around \$3m to make, and took more than \$250m in all formats worldwide in the space of about a year. Now if this potential is always something of a gamble, since there is no known formula for producing such successes, then it might seem appropriate that the preferred source of public funding for film production in Britain of late has been precisely the National Lottery. Unfortunately this is more than a bad joke, but the bait which has been set in the trap of a government policy which is based on a profound and tendentious philistinism. But this, as I shall show, is nothing new.

Two things more might be said about *The Full Monty*. First, it is indeed a very British film in every sense other than economic ownership. Culturally and aesthetically it belongs recognisably to a tradition of cheeky North of England humour which goes back to the films of George Formby and Gracie Fields in the 1930s. An essential aspect of such any such local tradition in any country you like is that it is *not* predicated on international reception in a world market: it must be conceived – and budgeted – as nearly as possible on the basis of the home market alone. It is the principle behind traditions like the *chanchada* in Brazil, for instance, while the most spectacular example is undoubtedly Bollywood, which has made India's film industry, in terms of the number of films produced, the largest in the world. The added complication compared to the 30s is that the market nowadays includes television and the various video formats, but the principle remains the same. What happens when it's violated is illustrated by the collapse last year (2002) of C4's film production operation Film Four, two years after doing a deal with Warner Brothers to make seven films with budgets of £13m-plus. This may not seem much compared with Hollywood's regular spend of \$50m upwards but for example, it is more than seven times the £1.7m budget of *Trainspotting* (Danny Boyle, 1996). The former policy of low-budget production not only ensured that losses were limited (not for C4 who always got their money's worth, but the film's other

backers) but it had the benefit of allowing new teams of film-makers to experiment with new subjects and styles, adding considerable diversity to the landscape of British film culture. The new strategy took budgets beyond the point where expectations could be met.<sup>8</sup>

Secondly, *The Full Monty*, or *Four Weddings and a Funeral* or *Trainspotting* or *The Crying Game* – these are not at all exceptions, but rather a type of phenomenon which has occurred regularly enough to become a constant lure for ambitious producers, in fact ever since the success in the American market of Alexander Korda's *Private Life of Henry VIII* in 1933 (who thereby invented the heritage movie). A major factor in this phenomenon is the same as the reason why, conversely, British cinema is at a greater disadvantage in the face of Hollywood than other European cinemas: Britain pays heavily for its shared language, which has also allowed Hollywood films to compete with domestic cinema more easily than in other linguistic markets. And worse: it has exposed the British film industry to heavy penetration by American interests. Interests to which no British government has ever dared stand up – except once, in 1947, when difficult as this is to believe, a Labour Government took on Hollywood by imposing a huge import duty on foreign films.

Another flashback, then, to a moment when cinema-going was very much greater than it is today, when films are watched far more on television and video. In 2001, there were over 155m admissions in the UK (almost 3m per week). In 1946, the year when the highest ever number of admissions was recorded, the figure was 1,635m (more than 10 times as much, over 31m per week). Just as now it was mostly American movies they went to see, which already then occupied 80% of screen time. Britain was Hollywood's largest single overseas market, and the Hollywood distributors were taking around £70m per year out of the country in profits on their British film operations. Although this only represented around 4% of the UK's dollar expenditure, when 1947 brought the country a balance of payments crisis and the government became desperate to reduce the dollar gap, Clement Attlee's Chancellor of the Exchequer, Hugh Dalton, imposed an *ad valorem* duty of 75% on imported films. The Americans reacted immediately. The very next day the Motion Picture Association of America (MPAA) announced an embargo on the export of new films to Britain, and the entire British film industry was thrown into crisis. In the midst of this crisis, a simmering feud between Dalton and Atlee was resolved by Dalton's resignation. Atlee replaced him as Chancellor with Stafford Cripps, and to replace Cripps at the Board of Trade, and thus inherit the problem, he appointed the young Harold Wilson, who soon found himself, in his first ministerial experience, negotiating a climb-down with Hollywood. Good training, no doubt, for a future prime minister.

The episode reveals, first of all, a serious miscalculation about the nexus between cinema and the state on the other side of the Atlantic, since Britain at that time had an outstanding loan from Washington, where the MPAA had a powerful lobby; yet Board of Trade officials, arguing that the British market was too important to the Americans, advised that such a duty would not provoke a boycott;<sup>9</sup> which means they were perfectly aware a boycott was possible – that's how the Americans operated and they knew it).

Secondly, it points to a significant aporia in the nexus of cinema and state back home in Britain, a kind of tendentious ignorance or wilful refusal to understand what cinema is about and how it really behaves, and what you have to do to protect your own industry. Seen from this angle, it is symptomatic that 'Dalton's Duty' brushed aside the objection that an import duty on films was impractical, because how was the customs office to assess the value of a film before it had been exhibited?<sup>10</sup> In other words, they had the evidence that film did not behave like an ordinary commodity but didn't draw the proper conclusions. Which makes it equally symptomatic that film came under the aegis of the Board of Trade to start with, to

which it was first assigned by Stanley Baldwin in 1925, and which Paul Foot described, in his political biography of Wilson, as 'by history and tradition the most bureaucratic and least sensitive of Government departments'.<sup>11</sup>

It is not as if the politicians were ignorant of the vicissitudes of the film industry, especially Wilson's mentor Stafford Cripps. Allow me another flashback, to 1939, when Cripps was in court in his professional capacity as barrister representing Westminster Bank who were suing a firm of insurance underwriters for the loss of £3m in film production. Someone had dreamt up a new scheme for raising production funds by going to insurance underwriters, who knew nothing of the intricacies of film finance, for securities on films which didn't yet exist on which to obtain bank loans. The films involved had all flopped (or hadn't even been made) and the bank had applied to the underwriters for the recovery of their investment. The case was settled out of court, but not before Cripps had taken the opportunity to attack the government that had permitted such a system, and even considered it a perfectly good way of financing films.

These forgotten episodes – and others like them – point to structural weakness in the British film industry, the systemic result of a dependency on Hollywood which goes back to the 1920s, if not earlier, which remains with us today, and lies at the root of what can only be called the chronic crisis of British cinema. A dependency which, to be sure, is part of a bigger story about the cultural inter-relations of the twentieth century across the globe, and their transformation, in which cinema occupies a key position, and which therefore has ramifications beyond the immediate purpose I have in recounting this history here. For one thing, while we concentrate on cinema, we need to remember that this history is complicated by television, which arrives half way through and confuses the equations, being itself both a consumer and producer of films. Nevertheless, it is state policy, I shall argue, which has allowed domestic film production to be relegated to secondary status by American domination of distribution, and this is not inevitable.



It cannot be said that the British State was unaware how American domination of the cinema worked. It was clear enough to the Moyne Committee, which reported for the Board of Trade in 1936. In America, they explained, because of its size, the producer was 'able to recover the whole or a high proportion of the costs of making the film by exhibiting it in his own market. The receipts in this country and elsewhere represent, therefore, apart from the cost of...prints and...distribution, additional profits.'<sup>12</sup> This enabled them to undercut foreign producers in their own markets, of which Britain was then the most important. These 'additional profits', or in Marxist economics, surplus profits, were of course exactly what attracted New York finance capital to the film industry, thereby redoubling Hollywood's advantage.

When American companies began establishing their own distribution offices in Britain just before WWI, they already had 60% of the market. From the start, they used the peculiarities of the film as commodity, which they seem to have understood instinctively, to gain advantage. As Thomas Guback explained in his classic study of the international film trade, it is one of these peculiarities that virtually the entire costs go into making the first copy, and the cost of every further print is entirely marginal. In other words, the film becomes an infinitely exportable commodity whose export doesn't deprive the domestic market. Speaking as an American, he adds ironically, 'We can have our film and foreigners



can have it too'.<sup>13</sup> Driving the advantage home was easy. Exploiting the exhibitors' need for a regular supply, the American distributors turned to the sales techniques of the chain store and forced the exhibitors to buy in bulk, pushing domestic production off the screens. As in the title of a chapter in an American book on the film industry published in 1926, 'Block Booking, a Producer's Sales Method Which Restrains Trade'.<sup>14</sup> There was also 'blind booking': films were included unseen – in some cases, even unmade, but which the parent studio in the United States had already contracted for production. These methods resulted in the advance booking of screen time for months ahead, with disastrous effects on home production.

The British film director Adrian Brunel recalled what happened in his autobiography.<sup>15</sup> The independent producer found his films taking up to 18 months to reach the screen, while all the time paying interest on the capital borrowed in order to produce the film. These conditions simply forced them out of business. The crisis broke in full in November 1924, which went down in British film history as 'Black November': every single British studio was dark; not a single foot of film was exposed. Ironically at the same time, the trade was promoting a special British Cinema Week to show off its wares.<sup>16</sup>

The 1927 Cinematograph Act, intended to deal with this situation, followed the example of other European countries similarly suffering American invasion of their screens, and sought to protect the industry by means of quotas, but it was bungled. It turned out ineffectual when American companies resorted to making what were quickly dubbed 'quota quickies', to be used as fillers in order to comply with legislation. The result was the opposite of what was intended. In 1936, the Moyne Committee reported receiving confidential evidence that 'foreign interests' were using means designed to 'prevent a further expansion of the output of British films' and indeed trying to extend their control over production and exhibition as well as distribution.<sup>17</sup> Later it emerged that this evidence came from Alexander Korda, whose company had just made a deal with United Artists to secure distribution of his films in America. Whatever Korda told them, he was anxious, says one account, 'that it was not made public that he had given evidence against UA'S interests'.<sup>18</sup> Korda's deal was again entirely indicative. The big British players were caught up in a relationship of unequal interdependence with the Hollywood majors, a symbiosis amounting to collusion, with deleterious effects on production at home. For two reasons: because it reinforced American predominance, and at the same time inflated domestic budgets in the search for the elusive success in the American market.

A year after the Moyne Report, an editorial in the independent magazine *World Film News* put it in terms which echo down the decades:

The American drive to obliterate every vestige of a native British film industry is succeeding admirably. Cynics are comparing the situation with the Italian conquest of Abyssinia, and there are indeed certain resemblances. The Americans, with their impressive supply of Hollywood pictures, have the necessary tank power to put native exhibitors at their mercy. They are using it remorselessly. With their large financial powers, they have been able to set up their own American production units here. By giving all their orders for Quota films – not unnaturally – to their own units, they have turned the independent British producer into a humble applicant at their factory gate. . . . So far as films go, we are now a colonial people.<sup>19</sup>



HOLLYWOOD pictures have the necessary tank power to put native exhibitors at their mercy. This is where the weakness lies, and the Board of Trade was appraised of it when they set up another committee in 1944 expressly to advise on steps needed to check the development of monopoly in the film industry, the monopoly in question being that of distribution. 'It has been made clear to us', said the Palache Report, 'that, save in quite exceptional cases, a booking by one of the three major circuits . . . is indispensable for successful exploitation of a British feature film in the United Kingdom'.<sup>20</sup> The same as today with the multiplexes. The domination of large circuits tied in with the Hollywood majors tended to discriminate against British independent producers: 'When the exhibition circuits themselves are also controlled by an interest which controls competing production, and which has long term arrangements in addition to distribute American feature films, the independent producer must assume that the best dates and locations will be reserved by the circuits for the associated producers and the American companies.'<sup>21</sup> Palache made a case against the combines for their exercise of monopolistic powers, and recommended a film finance corporation with its own distributor – there was even some talk of need for a third exhibition circuit. These ideas were still current when Wilson turned his attention to the film industry following the debacle of 'Dalton's Duty', but they find only limited expression in the system he proceeded to put in place, consisting of three main planks – quotas, a box office levy, and a film production bank – which lasted until Thatcher dismantled it at the start of the 80s when none of it worked any more.

Wilson started aggressively by raising the quota from 30% to 45%, a startling increase that infuriated the Americans and was sabotaged by the non-co-operation of Rank, the country's biggest producer, forcing Wilson to bring it back down a year later. By the 1970s it was no longer being enforced, and Thatcher abolished it in 1983.

The second plank, the Eady Levy, named after the civil servant who devised it, was a parafiscal measure of the same kind that France and Italy introduced to help their film industries recover after WWII, a box office levy applied to all films shown, foreign and domestic, but dispensed for the benefit of domestic producers only. With one fatal difference: Eady money went back to producers in proportion to box-office take, with no ceiling. As Alexander Walker bluntly put it in 1974, 'One had to be successful to qualify. If one was, one didn't need it. If one wasn't, one didn't get it.'<sup>22</sup>

Parafiscal measures are a form of tax designed to redress imbalances in the market. Naturally anathema to neoliberals who see this as a form of subsidy or protectionism, Thatcher abolished the Eady Levy a year after getting rid of the quota.

Wilson's last plank, the National Film Finance Corporation (NFFC) was established in 1948, but handicapped from the start both by insufficiently generous funds and the lack of its own distribution agency. Forced to operate on commercial lines in order to get distribution guarantees, by the time it was most needed, when the industry was close to collapse in the 70s, it was effectively bankrupt. Thatcher simply privatised it, turning it into British Screen Finance Consortium.

Wilson's measures succeeded in sustaining British film production in the 50s but failed to protect it from further penetration by American interests. When the House of Lords debated the question of American finance in the British film industry in 1966, Ted Willis, President of the Writers' Guild, spelt out the link between the legislation and American domination. Wilson's three planks of policy were

intended to help British film production, and were mainly directed to the task of preventing our own native film industry from being swallowed up and dominated by the immensely powerful American industry. . . . By a strange paradox, most of our film legislation has had an effect which is the precise opposite of its intentions. Far from giving

British film producers greater independence and finance, it has weakened them. And far from preventing American domination of the British film industry, American domination was never so complete and overwhelming as it is today.<sup>23</sup>

The PEP Report of 1952 had considered that the purely commercial advantage of booking American films had a powerful effect in ‘prejudicing British exhibitors against British films’,<sup>24</sup> hence making things even more difficult for British producers – and that was in relatively good times. In the early 60s, many of the key films of the British new wave were funded by American companies prepared to take risks on low budget ventures to supply their own buoyant art house circuits. With US finance reaching 80-90% of production funding, the result, when the Americans withdrew their finance at the end of the decade in response to an industry crisis at home, was the British film industry’s collapse. It had barely begun to recover when it collapsed again. In 1984, three years after *Chariots of Fire* won the Oscars and Colin Welland declared ‘The British are coming’, Chancellor Norman Lamont declared his confidence in film industry’s ability to prosper without government assistance, citing the record of the three main production companies, Thorn EMI, Virgin, and especially David Puttnam’s Goldcrest. Less than two years later, all had withdrawn from production, and Goldcrest had gone bankrupt. It was only low budget pictures financed by Channel Four which kept the entire industry from going under.



THE same situations keep recurring. Independent producers go out of business because their films aren’t reaching the screens. The results of legislation are the opposite of what was intended. An unexpected success temporarily boosts the industry, only for it to collapse back into depression. The evidence repeatedly points to the distributors’ control over exhibition, the restricted screen space their methods allow for independent production, the limitation in the number and source of the films which the public is offered – contrary to the free market claim that the public gets to see what it wants to pay to see.

Here we should insert another quick montage of flashbacks, starting in 1964, when the industry was referred to the Monopolies Commission, who found a monopoly which operated against the public interest but couldn’t agree recommendations for intervention. Then forwards to 1983, when the same thing happens again: the Monopolies and Mergers Commission finds against both Rank and EMI and their associated distributors, but the government does nothing. And then 1994, when again the Monopolies and Mergers Commission finds evidence of both a monopoly of scale in the case of MGM Cinemas, and a ‘complex monopoly’ among the main distributors and exhibitors.

To explain why none of these findings ever led to effective measures, we could insert a little piece of reconstruction. The year is 1990 and the scene is 10 Downing Street. Things have come to a head with a fall in the number of films produced the previous year to a mere thirty, and Thatcher herself is chairing a one-day seminar on the future of the British film industry. There is much talk of the potential of Europe, coproduction, and the upcoming audio-visual programme of the European Community, and a couple of working parties are set up. When news of this seminar reaches America, according to a tale told by people in the know, Jack Valenti, president of the MPAA, picks up the phone and calls her to warn her not to introduce any measures that might reduce the number of American imports on the UK market.<sup>25</sup>

It is clear then. Four times over fifty years official government reports concluded that the distribution and exhibition of films in Britain was monopolistic. As one scholar wrote twenty years ago, the kind of measures 'which might have permanently solved the problem by reducing the United States' share of the market' involve radical changes in distribution and exhibition practices.<sup>26</sup> And this has never been attempted.

Instead, as it became more and more difficult to recoup the cost of feature films domestically, film makers looked abroad for finance and the emphasis of policy makers gravitated towards encouraging inward investment, without regard to awkward questions about nationality. The result? In the words of a despairing Richard Attenborough in 1993, one of the country's leading directors, protesting that there was no industry left: 'Each British film is made totally independently. They're totally individually financed, they're all one-offs. But it's the worst possible way to make movies. Two out of ten films make money, two of ten films break even. It's the *worst possible way*.'<sup>27</sup>

Then New Labour arrives, and sets up another film policy review. This review dealt with the Minister's declarations about the cultural value of cinema by recommending the separation of cultural and economic factors in any definition of what counts as a British film, because taking cultural considerations into account would detract from the primary objective of tax incentives. It suggested that a cultural definition is best left to matters of 'marketing and PR activities'.<sup>28</sup> As if the only value left in being 'British' was the benefit of a brand name.

We are back where we started. And what has our work in the archives uncovered?

Let me summarise. First, and contrary to common sense, we have found that because of the peculiarities of film as a commodity, which leads to the overweening dominance of the distributors, there is no natural identity of interests between the different sectors of the industry. Second, that government policy has never helped to join them up. And third, that underpinning this failure is a mental block over the cultural properties of this strange commodity, which stands in stark contrast to the example of our closest neighbours, the French.

The French system was explained to the House of Commons National Heritage Committee in 1995 when after months of deliberations and trips abroad to Hollywood and Ireland they finally invited someone over from France, at the insistence of the Directors' Guild. Another flashback, then. Gabriel Auer, representing the French Society of Directors (Société des Réalisateur de Film), explains that despite the general decline in European production since the 70s, French films have managed to maintain a steady 30-35% share of the national market, compared to the rest of Europe where national films account for levels between 4-12%. France produces about 140-150 films a year, more than a quarter of them first features, by means of a complex system of aid to cinema which has continually evolved since its inception in 1948. The system comprises a tax on cinema seats (combined with reduced VAT); a TV levy; bank guarantees to producers; and a tax on blank videotapes (which has yielded increasing receipts over the last few years). The resulting funds are distributed to French producers, distributors and exhibitors through both automatic and selective funding – the latter according to cultural criteria.

The discussion which followed the French director's evidence is interesting only as an example of how a mental block turns into defensive antipathy towards cultural claims for the cinema. The MPs had difficulty understanding that the French system is not a socialist plot, but was evolved by a succession of governments in negotiation with the industry and television, and that it doesn't involve public funding, it takes nothing out of the national

budget but consists in money which goes from the consumer into a fund that is then paid into the industry, not for profit but for reinvestment. And crucially, it supports exhibition and distribution as well as production.<sup>29</sup> Chris Smith had said cinema was both cultural and economic. The Committee decided that the British film industry would only be able to compete when it adopted the Irish solution of tax breaks.

It all depends what you mean by competition. Spending on production in Britain has been growing – in 1992 it was £98m, last year it was £433m. But out of the 115 films included in this count, only 42 were domestic productions, down from 51 the previous year. Steve Norris of the British Film Commission (the Film Council's international arm) is correct that this reflects 'the increasingly international nature of the film industry' but he apparently doesn't see the connections between the various bullet points on the Commission's web page, which inform us that the USA is the largest inward investor, that spending on UK productions has fallen, and as he himself points out, "both inward investment and domestic production... show a clear trend towards fewer films with bigger budgets".<sup>30</sup> In my book, this is extremely unhealthy, both economically and culturally.

The connections are not just economic. This is a situation which confuses film-makers and audiences alike partly because no-one quite knows what it means to be British anymore. I say this non-judgementally – I can't say that I know what it is either – but it looks like the Frenchman was right: we have a film industry, but a British cinema is another matter. In cultural terms, this is no longer the issue, but whether we have a cinema that succumbs to the multiplex culture or retains its independence, its own sense of place and belonging.



MY last flashback: back again to 1993, but this time Paris, where French film people led by stars like Gerard Depardieu, demonstrate in support of their government's stand at the GATT talks. In Britain, the media treats the dispute as a clash between France and Washington, 'Columbia v. Zola' according to a headline in *The Economist*.<sup>31</sup> There is little appreciation in the press reports that Britain faces the same problems, indeed that exactly what the French fear is the fate that has overtaken the British film industry: its delivery into the hands and agenda of the cultural imperialists of Hollywood and Washington.

It was not French chauvinism which almost derailed the GATT, but something much more fundamental, although ironically it took a right-wing French Prime Minister to explain, as Edouard Balladur told the foreign press, that France was under attack for linking the issue of international trade with the question of what kind of Europe we wanted: a big market which will progressively melt into a vast free-trade zone dominated by American software and Japanese hardware, or a community with a strong identity of its own, and an international cultural presence?<sup>32</sup>

The US, objecting to the protectionism of the European directive on 'Television Without Frontiers' – meaning without internal frontiers within Europe – demanded liberalisation of the whole audiovisual sector. Europe, led by the French, campaigned for the cultural exception, whereby cultural objectives would give the audiovisual sector permanent protection. In the end, rather than see the entire round of talks failing, the Americans had to agree to disagree.

The issue has not been resolved. Europe gained protection for the audiovisual sector, but only on a temporary basis. The cultural exception remains a concept still to be realised, but it hasn't gone away, and we can jump forwards to earlier this year, still in Paris, which

two months ago hosted a meeting of 35 countries keen to campaign for the concept of cultural exception, and to promote the adoption of a global convention on cultural diversity by UNESCO as a way to remove culture from world trade negotiations. Again it takes a right-wing French politician, this time President Chirac, to articulate the situation clearly and simply. According to a report in the *New York Times*, he warned the delegates that with the opening of a new round of international trade negotiations, 'the champions of unlimited trade liberalization are once again lining up against those who believe that creative works cannot be reduced to the rank of ordinary merchandise.'<sup>33</sup>

If it's odd for an English academic left critic to find himself agreeing with Chirac, nevertheless, I'm beginning to get used to it. But then it's also a sign of our unhappy times that his counterpart in Washington is given to making speeches which seem to have been written by the scriptwriters of the old-fashioned Western, and that Washington goes to Hollywood to brainstorm scenarios of the things that terrorists might do. In short, times in which the interests of Hollywood are more clearly than ever aligned with the American military-industrial complex, and the hegemony of both is tied up with an imperialist war.

Meanwhile, and to conclude, the problem with the cinema and what we get the chance to see is exacerbated by growing concentration in the exhibition sector. In 1988, multiplex venues accounted for only 10% of the UK screens. Ten years later, over 50%, three-quarters of them owned by only five companies – and more than half by just three. The problem is of course much bigger than the national cinema question, because it isn't only British films which aren't being seen on British screens. It is also the films of other countries and cultures which are being denied us, at the same time that official policy talks up the ideas of multiculturalism and cultural diversity which are indeed the social realities of the postcolonial world.

A report commissioned by the Film Council from professional consultants recommended a method of support similar to the part of the French system that reduces the risks for distributors in taking on low-earning films, and the best sign that the Council is beginning to understand what's at stake is the recent announcement of a new fund to provide grants to distributors for print and advertising costs for what they now term 'specialised films'.<sup>34</sup> On the other hand, last week we had the announcement that the BFI's programme unit, which helps to arrange distribution and supplies films to around 160 regional cinemas and film societies, is being moved to the Film Council, although how this will happen is yet to be divulged – an announcement which has prompted an expression of concern from the British Federation of Film Societies, because according to the Federation's director, it raises doubts over the nature of the Council's commitment to what he calls 'cultural cinema'.<sup>35</sup>

'Specialised films' or 'cultural cinema' – the terms are equally problematic. They both reproduce a highly unequal division of the cinema audience which operates in favour of Hollywood, and hives off practically everything else to keep it away from the multiplex mainstream. When these other films are in fact the ones we really need, because they're the films that are capable, with their other perspectives on the world, of opening our eyes.



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<sup>1</sup> Quoted in Armand Mattelart, 'European film policy and the response to Hollywood', in John Hill and Pamela Church Gibson, eds., *The Oxford Guide to Film Studies*, Oxford University Press, 1998, p.480.

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- 2 Colin McCabe, 'A Post-National European Cinema: A consideration of Derek Jarman's *The Tempest* and *Edward II* in Andrew Higson, ed., *Dissolving Views: Key Writings on British Cinema*, Cassell, 1996, p.192.
- 3 Cf. Toby Miller, 'The Film Industry and the Government: 'Endless Mr Beans and Mr Bonds'?', in Robert Murphy, ed., *British Cinema of the 90s*, BFI, 2000, p.39.
- 4 Andrew Pulver, 'Bard to worse at the multiplex', *The Guardian*, 5.2.99.
- 5 David Puttnam, 'Dreams and reality', *The Guardian*, 26.3.02.
- 6 Chris Smith, *Creative Britain*, Faber and Faber, 1998, p.86.
- 7 Film Council, 'Towards a Sustainable UK Film Industry', <http://www.filmcouncil.org.uk/>
- 8 The argument about budgets was rehearsed in the independent journal *Documentary News Letter* in 1944: 'The trouble is of course that the issues keep on getting confused. Everyone is agreed that we need a truly national film industry, and need equally a share in the world's screen time. The methods of achieving this, however, are the source of the conflict. The danger of domination by United States interests is clear enough. But on the other hand you have big interests associated especially with the names of Rank and Korda, who claim that we must make films costing from a quarter to half a million and break into world markets on production values comparable to those of Hollywood. On the other hand there are the smaller independent groups at Ealing and Elstree, who would limit expenditure from fifty to a hundred thousand, in the expectation of gearing their economies to home cinemas, breaking into the world market on merit, as specifically British products but not depending at any rate for some time on receipts from overseas.' *Documentary News Letter*, no.2, 1944, p.14, quoted in Margaret Dickinson, 'The State and the Consolidation of Monopoly', in James Curran and Vincent Porter, Eds., *British Cinema History*. London, Weidenfeld and Nicolson, 1983, p.83.
- 9 See Margaret Dickinson and Sarah Street, *Cinema and State, The Film Industry and the British Government 1927-84*, BFI, 1985
- 10 *ibid.*
- 11 Paul Foot, *The Politics of Harold Wilson*, Penguin, 1968, p.73.
- 12 *Moyne Report*, 1936, para 17.
- 13 Thomas H. Guback, *The International Film Industry*, Indiana University Press, 1969 (Bloomington, Indiana University Press, 1969), pp. 7-8.
- 14 William Marston Seabury, *The Public and the Motion Picture Industry*, Macmillan, 1926 New York: Macmillan, 1926.
- 15 Adrian Brunel, *Nice Work*, Forbes Robertson, 1949 (London, Forbes Robertson, 1949).
- 16 This crisis was clearly correlated with the state of affairs in distribution. In the same year, 84% of all films distributed in Britain were handled by only fourteen companies; 44% of these films came from the United States, and the proportion was growing. One third of the market was controlled by the three largest companies, which were all American. One American magnate was reported to have said early in 1923 that they would eventually oust the British renters and British producers would be forced to distribute films through American firms – if, he might well have added, there were any British producers still left. See the PEP Report, *The British Film Industry*, PEP (Political and Economic Planning), 1952, Chapter 3.
- 17 *Report of a Committee appointed by the Board of Trade to consider the position of British films*, HMSO, 1936, Cmd. 5320, p.11, para.25.
- 18 Dickinson and Street. *op.cit.*, pp.56-7.
- 19 *World Film News*, November 1937, quoted in Dickinson and Street, 1985, p.58.
- 20 Board of Trade, *Tendencies to Monopoly in the Cinematograph Industry*, Report of a Committee appointed by the Cinematograph Films Council, Chairman Albert Palache, HMSO, 1944, para.60.
- 21 *Ibid.*, para.81.
- 22 Alexander Walker, *Hollywood, England, The British Film Industry in the 60s*, Michael Joseph, 1973, p.460-1. He continues that for the independent British film producer this was a 'Catch-22': 'Successful

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- American companies with tied relationships to the cinema circuits were in better shape to profit from the levy than their wholly British counterparts. So not only was the home market inadequate to give milk to keep the local producers happy, but also its very cream went to keep the foreigners fat.'
- 23 Quoted Dickinson and Street. op.cit., p.239.
- 24 PEP Report, 1952, p. 38.
- 25 Private communication.
- 26 Margaret Dickinson, 'The State and the Consolidation of Monopoly', in James Curran and Vincent Porter, Eds., *British Cinema History*. London, Weidenfeld and Nicolson, 1983, p75.
- 27 Reported in The Guardian, 20.2.93
- 28 *A Bigger Picture: The Report of the Film Policy Review Group*, Department of Culture, Media and Sport, 1998, p.23.
- 29 See Michael Chanan, 'Is Britain Ready for Europe?', *Vertigo*, (First series), No.5, Autumn/Winter 1995, p.13.
- 30 'New Film Council analysis shows inward investment up, domestic spending down, fewer films shooting in uk but co-productions flourishing', British Film Commission, <<http://www.britfilmcom.co.uk/news/index.cfm?page=news&newsid=12>>. The figure of £433m excludes co-productions shot abroad.
- 31 The Economist, 16 Oct 1993, which also reported that the two big films of the moment were Spielberg's *Jurassic Park* and Claude Bern's *Germinal*, starring Depardieu.
- 32 See Michael Chanan, 'What was GATT about?', *Vertigo*, (First series), No.3, Spring 1994, p.58.
- 33 Alan Riding, 'Filmmakers Seek Protection From U.S. Dominance', New York Times, 4.2.03.
- 34 Film Council, Specialised Exhibition and Distribution Strategy, KPMG, January 2002, <<http://www.filmcouncil.org.uk/filmindustry/?p=SEDStrategy>> ; and 'Low-budget films get £1m boost', BBC News, 19.2.03, <<http://news.bbc.co.uk/1/hi/entertainment/film/2863549.stm>>, and Film Council press release, <<http://www.filmcouncil.org.uk/news/?p=1048024636125&qs=&st=>>>.
- 35 'Fears for access to 'quality cinema'', BBC News, 2.4.03, <<http://news.bbc.co.uk/1/hi/entertainment/film/2909679.stm>>