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The economic condition of cinema in Latin America

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Note (2000): In twenty odd years since this essay was written, there have naturally been a number of changes in some of the conditions under discussion. The change in circumstances, however, only confirms the basic thesis here, namely, that of the economic dependency of cinema in Latin America, which indeed has only become more acute.

THE intention of this essay is not to provide a guided tour to the film industries of Latin America today, or a comprehensive survey of any kind. Its purpose is to understand the problem. For, like everywhere else, the film industry in Latin America is costly, suffers disproportionate risks, it is insecure. These problems, which are found in the film industries of the metropolis too, take on special features in the countries of the Third World. To understand the economics of cinema at all, it is necessary to understand the history and mode of operation of the culture industry of which it is a part. To understand the economics of cinema in a Third World continent like Latin America, it is necessary to understand that facet of the culture industry which may be properly termed 'cultural imperialism'.

We know that cultural imperialism is not just a phenomenon of the contemporary world. Before the flooding of the market with the products of the transnational entertainments corporations, there was the colonisation of literary taste, for example, the whole process described by the Peruvian José Carlos Mariátegui in the last of his epochal *Siete ensayos de interpretación de la realidad Peruana (Seven Essays of Interpretation of Peruvian Reality)* of 1928. Cultural imperialism lies in the way in which these historical processes are consciously wielded by the imperialist power. As Joseph Klapper of CBS told the US House of Representatives Committee on Foreign Affairs in 1967, 'The broadcasting of popular music is not likely to have any immediate effect on the audience's political attitude, but this kind of communication nevertheless provides a sort of entryway of Western ideas and Western concepts, even though these concepts may not be explicitly and completely stated at any one particular moment in the communication. [1]

The process started with the arrival of the *conquistadores*. As Alejo Carpentier explains in the opening lines of his great historical study of music in Cuba:

The degree of riches, vigour and power of resistance of the civilisations which the *conquistadores* discovered in the New World always determined, one way or another, the greater or lesser activity of the European invader in the construction of architectural works and musical indoctrination. When the peoples to be subjugated were already sufficiently strong, intelligent and industrious enough to build a Tenochtitlán or conceive a fortress of Allanta, the Christian bricklayer and chorister went into action with the greatest diligence, with the mission of the men of war scarcely fulfilled. Once the battle of bodies was over, there began the battle of the symbol. [2]

The power of the symbol, make no mistake, is a material power, for though intangible and subject to ambiguity, it has the durability of generations. It operates frequently in the guise of myths, including the modern myths which take on their paradigmatic forms in the movies, in the genres of the western, the gangster movie, the thriller, the romance, the stories of rags-to-riches and all the rest. It is possible that the situation of the Hollywood film industry gave it special insight into the ideological needs of imperialism. In any event, as the film-makers mastered the new narrative art, it and they were pressed into telling tales which, in order to fulfill the function of a modern mythology, suppressed, as Roland Barthes has put it, the memory of their fabrication and origins. The control of this symbolising, mythologising faculty, has been as much the object of the Hollywood monopolies as its economic functions, however unconscious and disguised by ideological rationalisations. (For in Hollywood, as the critic Paul Mayesburg has somewhere said, conscience doth make heroes of them all.)

In 1945, the US Department of Commerce publication *Industrial Reference Service* (later *World Trade in Commodities*) reported on the development of a new market in Cuba:

The market potentialities for the sale to amateur users in Cuba of United States motion-picture cameras and projectors are fair. It is estimated that upon termination of the war about \$3,500 worth of 16mm sound projectors and \$2,400 worth of silent 16mm projectors can be sold. Sales of 8mm motion-picture cameras are expected to be somewhat higher. [3]

This was the last paragraph in a detailed report that examined prospects for the sale of various kinds of equipment in both the theatrical and the non-theatrical markets. Non-theatrical users included schools, the army and navy, commercial users and amateurs. The expected sales were not particularly large, even allowing for the higher value of the dollar at the time. Yet apart from the fact that capitalists are miserly and like to count every prospective penny, Cuba had been of interest to the United States for some time as a kind of offshore testing laboratory for trying out new technologies and techniques in the fields of media and communication.

Back in the mid- 1920s, Cuba, together with Puerto Rico, was the birthplace of the now massive communications corporation ITT—the same ITT that offered \$ 1m to the CIA to 'destabilise' the Popular Unity Government in Chile at the beginning of the 1970s. ITT was set up by the sugar brokers Sosthenes and Hernand Behn after they acquired a tiny Puerto Rican telephone business in settlement of a bad debt. The company was then built up on the success of the underwater cable link they laid between Havana and Miami. [4] At the same time, radio arrived. The first transmissions in Cuba took place in 1922. One of the first stations was owned by the proprietors of a newspaper, *Diario de la Marina*. Cuba quickly became one of Latin America's most intensely developed broadcasting markets. By 1939 it had no less than eighty-eight radio stations and about 150,000 receivers. Mexico, by comparison, though many times larger, had only 100 stations and no more than 300,000 receivers. Argentina had about 1. 1m receivers, but only about fifty stations. This gave Argentina the best ratio of sets to inhabitants in Latin America, approximately 1:12, but the Cuba ratio, 1:30, was better than the Mexican, 1:64. The ratio in the USA at the same time was 1:3.5 and in Europe between 1:6 and 1:11. [5]

Local capital found entry into certain parts of the culture industry, while other areas remained the prerogative of foreign capital, because of what we nowadays think of as

the problem of software, and the opportunities which this provided. Because of language and national musical idioms and tastes, local entertainment capital had the advantage in the market for radio and records. These two media—which are intimately linked—were also cheaper to enter and to operate than film production after its earliest years. Two Cuban commentators mention that after the collapse of international sugar prices in 1920, two of the pioneers of the Cuban Film business, Santos y Artega, only survived by returning to their earlier activity as circus proprietors, and that after this, local capital preferred to look to the new activity of radio. [6] As for records, early technology was almost artisanal and easily permitted small-scale local production, and remained so for longer than film. What the advent of electrical recording in 1925 did was to give the North American companies new ways of moving in on the Latin American market, but their control was still necessarily indirect. They built factories for the manufacture of records made by local musicians and produced by local companies who knew the market, and used radio stations both as their aural shopwindow and to discover new talent. These media are different from both telephones and cables and from electricity, which in Cuba at the time of the revolution, were 90 per cent in the hands of US companies who owned and controlled them directly, while in the entertainments sector a large part of the infrastructure belonged to local capital. Throughout Latin America, foreign and transnational companies hold considerable and direct interests in energy, while they control the culture industries often indirectly and without necessarily being involved in local production.

Electricity is a universal energy source requiring powerful and expensive generators as well as a guaranteed constant fuel supply; telephones and cables are first and foremost instruments of communication for commercial and industrial intelligence and traffic, both nationally and internationally. The telephone combines this with the appeal of a luxury item for personal use by the same class that uses it commercially and in government and administration, but its general availability in developing countries, like that of electricity, is always restricted. The entertainments media, in contrast, are primarily directed to the exploitation of something called consumer leisure time, across the widest possible social spectrum. They aim in developing countries to include the people who don't have electricity and telephones in their homes—or didn't. Nowadays, the shanty towns which encircle the cities often do have electricity, and hence television, though they still lack not only telephones but also a water supply and drainage system.

Every communications technology and each entertainments medium manifests its own peculiarities and idiosyncrasies as a commodity, which vary with the precise conditions of the environment in which they are installed. The telephone everywhere accelerated, increased and extended commercial intercourse; but in Cuba it also served to let North American companies run their Cuban operations not as fully-fledged overseas offices but like local branches. It made it unnecessary for them to hold large stocks of raw materials or spare parts when they could get on the telephone and have them rapidly shipped or flown in from mainland depots when they were needed. The same methods are nowadays employed by transnational corporations throughout the world on the much larger scale made possible by computerisation, satellite communication, and jet air transport. The advantages are not only economic: the corporations are also in this way lifted beyond the control of the countries in which their various branches are situated. Even in its simpler form twenty-five years ago in

Cuba, the system confronted the revolutionaries with difficult problems when the companies were easily able to operate an embargo on supplies in the attempt to destabilise the new government. But it is also very easy for the major cinema distributors to control supply. There is a history of embargoes they have laid against different countries every time one of them tries to erect barriers against them in order to protect or succour a national film industry.

The problem of creating a national film industry has existed since the beginning and to analyse the early development of cinema in Latin America is the best way to tease out what it really consists in. To begin with, early exhibition was substantially an activity of *comicos de la legua* (itinerant showmen) just like everywhere else. In most Latin American countries, however, the geographical spread of film was largely restricted to the reach of the railways and not far beyond. Along the railway lines, a regular supply of new films from the capital city encouraged permanent cinemas. There was a limited hinterland where travelling showmen found places to set up in, like barns and yards, but transport and surface communications throughout Latin America were underdeveloped and there were vast remote areas which they never visited at all.

In any case, rural populations in Latin America offered very little scope for making money out of them. There is no reason to suppose that peasant communities would not have been just as receptive to films as urban workers, only they existed beyond the cash nexus and were economically marginal. (Their labour was still largely extracted by the quasi-feudal means inherited and evolved from the Spanish Conquest; there were a few exceptions in places like Cuba where there was a rural proletariat).

The spread of cinema in Latin America was largely due to the intensity of foreign exploitation, principally that of the US, but it was accomplished through intermediaries. The emerging pattern of exploitation in the film industry did not require that the dominating country actually own the cinemas, it was enough for them to dominate the mentality of the economically dependent 'tribe' of creole capitalists. In all Latin American countries, the cinemas came to be owned by the commercial classes, the same local business people who also set up the multitude of small commercial radio stations which spread throughout the continent during the 1930s, following the model of exploitation developed north of the Rio Grande.

Film, a new invention, became a major branch of what the Frankfurt sociologists in the 1930s, Adorno and the others, identified as the culture industry, financed by entertainment capital. This industry is characteristically imperialistic, dominated by North American interests and closely linked with the electrical industry. Even at the beginning, when the technology was still primitive, the expressive means still poor, the infant film business in each country was nonetheless only able to satisfy demand with difficulty, and through the international character which its trading patterns even then revealed, cinema showed itself a child of late capitalism and the giant electric companies in which Lenin saw the paradigmatic form of economic imperialism. So explosively did film catch on that rates of growth were unprecedented, and for several years there was no country able to produce enough for its own home market.

If the colonisers of Hollywood were able to turn these conditions to their especial advantage, this is because they were the first to obtain the backing of finance capital. They were late starters. Their entry into international competition was constrained during cinema's first twenty years or so by the ravages of the Motion Pictures Patents War, in which the companies battled viciously against each other to establish ownership of the industry's patents. But the Patents War over, the process upon which the North American film business then entered rapidly altered the prospects of creole capital more rapidly and radically than it affected the big European film companies. The companies in Europe had been seriously weakened by the war but they still had an industrial base and national roots. In the countries of the imperialised periphery these conditions were entirely absent, and the local operators either left the business or rapidly gravitated into exhibition. Distribution concentrated on a small number of companies, principally North American subsidiaries. Production was left to a few adventurers, children of the bourgeoisie with a little money to spare and the fancy to make a movie, or those who found the backing of *caballos blancos* ('white horses'), as the theatrical backers known in England as 'angels' are called in Latin America.

A key moment in early cinema history had been when the dealers shifted from selling films to exhibitors to renting them instead. This change-over laid the basis for subsequent market domination by the North American distributors. They became the majors because they had understood that control of distribution was the dominant position in the industry. As the film economist Peter Bachlin has explained:

The distributor takes over the risks of purchasing the films while the exhibitor only has to rent them; the distributor's mediation improves economic conditions for the exhibitor by allowing a more rapid change of programmes. For the producers, this development signals a growth in the market, with films able to reach consumers more rapidly and in greater number, whilst also constituting a kind of sales guarantee for their films. In general, the distributor buys the prints of one or more films from one or more producers and rents them to numerous exhibitors; in the process he's able to extract a sum considerably greater than his costs. [7]

The balance of power thus shifts to the distributor. But since cinemas in the capitalist system exist to provide not films for audiences, but audiences for films, so exhibitors in turn serve for fodder for the distributors and the producers they are in league with.

The 1920s, in the North American film industry, became the period in which dealers-turned-distributors learnt the tricks of the trade and battled for control of the exhibition market with the emerging Hollywood studios, who were trying to extend their own control over the industry. It was the period when the peculiarities of the film as a commodity first clearly emerged. The film is consumed *in situ*, not through the physical exchange of the object but by an act of symbolic exchange, the exchange of its impression. William Marston Seabury, a North American film lawyer, explained that 'In the picture industry the public may be regarded as the ultimate consumer but in reality the public consumes nothing. It pays an admission price at a theatre from which it takes away nothing but a mental impression of whatever it has been permitted to see. [8] Correspondingly, the exchange value of the film is realised not through physical exchange of the object itself, but through gate money, the price of admission, in this way manifesting its affinity with other forms of cultural production and entertainment. But if it does not need to pass physically into the hands of the

consumer, nor does the film need to pass into the legal ownership of the exhibitor. He need only rent it.

By this means, the exhibitor becomes the prey of the ways the distributors find to manipulate the conditions of rental. 'Block booking' and 'blind booking', for example, in which they force exhibitors to take pictures they do not want and sometimes have not seen in order to get the ones they do want. Nonetheless, Seabury insists that film is entirely different from the commercial operation of the chain stores with which people began to compare the cinema. Bachlin is in agreement with this. It is, he says, 'of great importance for the forms of concentration and monopoly which arise within the industry. The principles of price fixing and ways of dominating the market will be different from those which relate to products which involve only a single act of purchase by the consumer, that is to say, products which disappear from the market in one transaction. [9] In Europe, the North American distributors found resistance to their various malpractices, and European countries during the 1920s progressively erected legal barriers to protect their own film industries, with varying degrees of success. They were barriers of which it was practically impossible to conceive in developing countries. Even had governments had the will, what should they try to protect? The only Latin American country which ever tried it until Cuba, was Mexico, in the early 1920s, in revolutionary anger at the offensive representation of their country in the Hollywood picture.

The US majors had begun to move in on Cuba while World War I was in progress:

Paramount was first, in 1917. By 1926, Cuba represented 1.25 per cent of US foreign distribution, according to the tables published in the *Film Year Book*. It is small in comparison with Europe, where Britain commanded a huge 40 per cent and Germany came a distant second with 10 per cent, although several European markets were much smaller than Cuba: Switzerland, Holland, Czechoslovakia and Poland were only 1 per cent each, while Yugoslavia, Romania, Bulgaria, Turkey and Greece represented 1 per cent between them. In Latin America, Brazil had 2.5 per cent, Mexico 2, Panama and Central America 0.75, and Argentina, Uruguay, Paraguay, Chile, Peru, Bolivia and Ecuador, 6 per cent between them. None of this made it easier for local producers. The director of a Cuban film of 1925 commented that if the film failed commercially even though the public had applauded it, this was because of the foreign distribution companies who were anxious to prevent the development of Cuban film production. [11] 'Foreign' is a euphemism for North American.

How did the distributors achieve this kind of market dominance, from which they could dictate their will? They engaged not only in the malpractices already mentioned. Seabury quotes an independent exhibitor in the US commenting upon the variants of the rental system, complaining that they were designed to provide the distributor with a guarantee plus a percentage, which makes the percentage 'excess profit'. But the bigger the surplus profit, the more investment you can attract. The industry leaders knew this perfectly well. According to one spokesman, discussing before an audience at the Harvard Business School in 1926 the question of 'how we are trying to lessen sales resistance in those countries that want to build up their own industries':

We are trying to do that by internationalising this art, by drawing on old countries for the best talent that they possess in the way of artists, directors and technicians, and bringing these people over to our country, by drawing on their literary talents, taking their choicest stories and producing them in our own way, and sending them back into the countries where they are famous. In doing that, however, we must always keep in mind the revenue end of it. Out of every dollar received, about 75 cents still comes out of America and only 25 cents out of all the foreign countries combined. Therefore you must have in mind a picture that will first bring in that very necessary 75 cents and that secondly will please the other 25 per cent that you want to please. If you please the 25 per cent of foreigners to the detriment of your home market, you can see what happens. Of course, the profit is in that last 25 per cent. [12]

Or rather, the surplus profit. This is cardinal, because it is not ordinary but surplus profits that attract investment capital, and this is ultimately how Hollywood came to dominate world cinema. They gleaned a surplus profit from the market which gave them the backing of Wall Street, the most substantial and modern kind of investment capital in the world at that time. The result was that the North American film industry underwent in the 1920s a rapid process of vertical integration, in which not only did the production studios and the distributors combine, but they began to acquire their own cinemas. This was to combat the formation of circuits among independent exhibitors where booking arrangements were pooled in retaliation against the methods of the renters. But abroad in Latin America the distributors faced no such organised resistance, since the exhibitors had neither the capital resources nor the bargaining power to fight, and the distributors therefore had no need to acquire cinemas to break the exhibitors' backs and bully them into submission. They acquired no more than a handful in each country, to serve as showcases. When foreign-owned cinemas were taken over in the Cuban nationalisations on 14 October 1960, there were no more than eleven of them.

The film as a commodity has another peculiarity, which has been observed by the North American economist, Thomas Guback. He points out that the cost of making prints for distribution is an extremely small fraction of the total costs of production, what the industry call the 'negative costs', the costs of getting to the finished negative of the complete film from which the prints are made. Indeed this proportion has grown progressively smaller over the course of the history of cinema, as production budgets have grown larger and larger. It means that films can be exported without having to divert the product away from the home market (whereas with many commodities, especially in developing countries, the home market must be deprived in order to be able to export). In Guback's words, 'The cost of an extra copy is the price of the raw stock, duplicating and processing—incremental costs ... a motion picture is a commodity one can duplicate indefinitely without substantially adding to the cost of the first unit produced. ... a given film tends to be an infinitely exportable commodity; prints exported do not affect domestic supplies nor the revenue resulting from domestic exhibition. ... We can have our film and foreigners can have it too.'

When you add that the United States soon developed into the largest internal film market in the world at the time, it is clear why it was irresistible. Because it was so big, US producers were able to recover negative costs on the home market alone, and the distributors were therefore able to supply the foreign market at discount prices that undercut foreign producers in their own territories. They also undercut European competitors.

Guback does not quite get things right, however. He has an empirical approach which is misleading over the shape of Hollywood's foreign policy. He somehow thinks that the overseas offensive of the US film industry dates only from after World War II, when the contraction of the cinema audience following the introduction of television made foreign revenue increasingly necessary for profitability. He claims that before that, 'American films were sold abroad but the resulting revenue hardly compared to what the domestic market yielded.' This is true, it was 25 per cent. He added that 'Foreign revenue was simply an additional increment, extra profit upon which the American film companies did not depend.' But we saw that they depended on it for surplus profit. His conclusion is that 'The foreign market did not warrant enough attention to force Hollywood to modify significantly the content of its films to suit tastes abroad, nor to induce the film companies to maintain elaborate overseas organisations.' [14] This is what is misleading: they did not have to. Their methods were those extolled in the *Washington Posts* declaration at the beginning of the century about wanting the territories acquired from the defeated Spanish 'because they will one day become purchasers at our bargain basements.'

With the coming of sound also came a development which, were Guback right, would be rather strange: Hollywood began making films in Spanish. The first was actually an independent production by a successful Cuban actor, René Cardon, with the title *Sombras habaÑeras* ('Shadows of Havana'). But then the big Hollywood companies got involved and spent two or three years making Spanish-language versions of regular Hollywood movies. They were not dubbed, for this was beyond the technical means which the talkies started with. They were remakes in Spanish, with Spanish-speaking actors and a Spanish-speaking director, but otherwise exactly the same. *The Big House*, directed by George Hill in 1930 with Wallace Beery and John Gilbert, became *El presidio*, with Juan de Landa and Tito Davison; Tod Browning's 1931 *Dracula* with Bela Lugosi was remade under the same title with Carlos Villarfas and Lupita Tovar; and there were many others., [15] They just went in and took over the sets and the shooting script and did exactly the same thing, only in Spanish.

These films didn't make money directly. They were essentially a sales device for selling the talkies, for goading Latin American exhibitors to convert to sound. The talkies represented a major investment by the US film industry, with an intricate history of competition between the studios, which was undertaken in the face of the threat of falling audiences. It was an investment which Hollywood needed to recoup as fast as possible. It was essential that exhibitors abroad were rapidly induced to spend the money necessary to convert their cinemas, otherwise the 25 per cent surplus profit from the foreign market would begin to drain away. In the case of Britain, William Fox was smart enough to persuade the Gaumont circuit into it by arranging for £80m for the purpose to be subscribed by banks in the City of London. A very large part of that was the purchase of equipment from the United States. This kind of finance was much more difficult to achieve in Latin America, but the fact that here too the cinemas were owned by local capital—though there were very few significant circuits—served their purposes. Making Spanish-language films and putting them into their showcases served to bully the local cinema owners to find the means or risk going under. They made these films for this purpose as a loss-leader, and it ceased as soon as the techniques of re-recording were brought to the point, in the mid- 1930s, that allowed the original production to be dubbed into any foreign language required.

These are the techniques by which the US film majors acquired global dominance over the cinema, and, although modern developments have altered the relationship between cinema and the rest of the culture industry, the result remains a distortion in the infrastructure throughout Latin America which impedes the development of local production.

Of course, the precise nature of the problem varies from country to country, which broadly speaking fall into three groups. The first comprises the three largest countries, Mexico, Argentina and Brazil, where the size of the home market allowed indigenous industries to function. These industries are unstable. They have flourished only at intermittent intervals, and have required increasing support and privileges from the state in order to survive. The other two groups are, on the one hand, countries of the second order in size, where one could imagine a small film industry being able to function under equitable conditions but it needs decisive state action to get one off the ground; and, on the other, the smallest countries, where everything would seem to be against the idea.

The most successful attempt within the first group to provide state aid is the example of Brazil and Embrafilme. In Brazil itself, Embrafilme has often been the subject of intense debate, and its history deserves to be studied in detail. Suffice it here to say that it was set up after the military came to power in 1964 as a state film agency mainly intended, at the beginning, as an agency for promotion and distribution of Brazilian films abroad, part of the effort of the Brazilian military to create a positive image internationally. Its internal role evolved over a period of time as its funds increased, and it developed systems for subsidising distribution and subscribing advances for production. Naturally, it also served as a censorship agency. It clearly functions much more efficiently and successfully than in Mexico, where the industry has been substantially nationalised and the state even owns the principal exhibition circuits, but under an unwieldy system of government administration subject to systematic corruption and the personal favours of the country's president. It remains true in Brazil, however, that more than half the annual production rate of about 100 features are still the most cheaply made commercial product of the *pornoanchada* (roughly, porno-musical) industry of São Paulo.

Of the second group, the two most important examples were the efforts made by Salvador Allende's Popular Unity government in Chile, and the Venezuelan case, which includes the novel feature of direct subsidies to film authors—in effect the directors—rather than producers. Here too, systematic study of these operations is needed. [16] But the most interesting example, because the most unexpected, comes from the third group.

In 1958, an article appeared in the Havana journal *Carteles* entitled 'The possibilities of a film industry in Cuba: considerations'. [17] The central question which the article raised was 'Is the home market sufficient to sustain a film industry?' The author, Oscar Pino Santos, began his answer by pointing out that the average Cuban expenditure at the cinema over the years 1948—57 was 0.7 per cent of the national income, as against 0.5 per cent in the United States. (His figures differ from those covering the same period given in 1960 by Francisco Mota, from which an even higher average expenditure of 0.9 per cent can be derived. [18] There were fifteen people for every cinema seat in Cuba, which had no film production of its own to

speak of, while in Mexico and Brazil, with substantial industries producing, in their best years, as many as a hundred features a year, there were eighteen and twenty-five respectively. The fact was, said Pino Santos, that the Cuban market simply wasn't big enough, even if they did spend more on cinema than in the Mecca of the north. The total average income for a film exhibited in Cuba he estimated at some 26,000 pesos. Out of this sum, for a Cuban film, about 15,600 pesos went to the distributor, about 6,300 to the producer, and the rest to the exhibitor. Was it possible to make films on this little money? No way.

Again the figures which Mota gives are a bit different, but he is talking about imported films, for which, he reported, the royalty was said to be 40 per cent, although only half this sum actually left the country after various deductions. (In 1954. *Variety* reported that a new tax threatened the US film industry in Cuba, a 20 per cent levy on top of the existing 3 per cent they had previously always managed to avoid. The article mentioned that Cuba rated as a 3 million dollar market for the US companies., [19] Pino Santos's figures gave the exhibitors' share at 16 per cent; Mora estimated 20 per cent to the exhibitors. But even this difference isn't material. The point was that unless a very much higher sum—double or even more—went back to the producer, not even a cheaply made film could recoup its cost. Even the 33 per cent which the commission established by Prio effectively granted against losses was insufficient. It could only really serve as a subsidy to attract foreign, mainly Mexican, co-production.

What chances then for the project of the Cuban revolutionaries in 1959 to establish a film institute to create a national film industry? What cheek they had, if they thought they could really create a film industry that wouldn't need constant and enormous subsidy! Could a developing country afford such luxuries? The answer is that this line of reasoning only applies under capitalist conditions: conditions in which the middlemen, the distributors, and the retailers, the exhibitors, rake off the profits before anything gets back to the producer. The provisions that were made in the decree by which the Cuban film institute ICAIC (Instituto Cubano de Arte y Industria Cinematográficos) was set up, envisioned and empowered it to intervene in order to alter these conditions, not only as a production house but also is both distributor and exhibitor, knowing that unless they indeed were altered, films produced in Cuba would never stand a chance—the same provisions that have now been made in Nicaragua, too.

Of course ICAIC has needed subsidy. Not, however, because they don't make enough money at the Cuban box office. They do so sometimes very rapidly. In 1977, *El brigadista* attracted 2 million people, almost half the population of Havana, in the space of its first six-week run in seven cinemas; *Retrato de Teresa* attracted 250,000 in only two weeks. Time and again, their own films have made more than enough money at the box office to cover the costs of production—except for one thing: the problem of foreign exchange. The exclusion of Cuban films from many parts of the foreign market prevents them earning enough freely exchangeable currency entirely to cover the inevitable foreign costs of the enterprise. Two, above all: the costs of purchasing films for distribution, and, in order to make their own, those of the industry's most monopolised resource: film stock, of which there are no more than half a dozen manufacturing companies in the world. Some of the foreign exchange ICAIC needs is saved by trade agreements with socialist countries which supply about

40 per cent of the new films distributed annually; and by the expedient of purchasing film stock for distribution copies of their own films from East Germany. They would prefer to shoot their films on Eastmancolor, which the US blockade makes it difficult and expensive for them to obtain, so they generally shoot instead on Fuji, but this still requires foreign exchange.

ICAIC, for much of its existence, has been financed according to what socialist economic planning calls the system of central budgeting. Profitability plays no role in this system in the evaluation of the enterprise, which instead receives a pre-arranged sum; and in which any net income is returned to the treasury from which central budgeting funds are allocated. In recent years ICAIC's annual production budget has stood at 7 million pesos. In other words, its entire production programme, which has averaged out around three or four feature-length movies every year, more than forty documentaries, a dozen or so cartoons and the weekly newsreel, all this is accomplished on less than the cost of a single big-budget movie in Hollywood, or under half the cost of quite a few individual blockbusters.

Since the peculiarities of the film industry also apply within socialist economies, ICAIC's financial system includes special arrangements. Apart from the *cinemateca* and a small circuit of first-run houses of its own, the commercial cinemas are run, since the instigation of the system of Popular Power in the mid- 1970s, by the local administrations, which also run such things as shops and petrol stations. Box office earnings pay for running the cinemas and for renting the films from ICAIC's distribution wing. The net takings go back to the central bank.

The system could be improved, but has clearly shown that it works. Internally, the costs of production are recovered from the home market successfully enough. Two other factors contribute to keeping production costs down, both of them the fruits of the Revolution in the relations of production. One is that the economics of the star system no longer exert any influence. Since the Revolution has established control over inflation and rationalised salaries and wages, there is no longer pressure to keep putting up the pay of actors and the specialised technical personnel—a major factor in the constantly increasing costs of production in the capitalist film industries. At the same time, the plan for ICAIC to become a fully equipped production house envisaged and accomplished the elimination of the different individual companies which buy and sell each other their services and facilities in every capitalist film industry, each one raking off its own profit in the process. Under such a system again the costs tend upwards, production is risky, employment uncertain. In ICAIC today, where about a thousand people are employed in production, such uncertainty, which was always worse in Cuba because production was underdeveloped and fragile, has become a thing of the past.

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