HOLLYWOOD VERTICAL INTEGRATION
The Studio System

Vertical integration of the film industry was *the* key component of the Hollywood studio system (late 1920’s- late 1950’s).

The major studios realized they could maximize their profits by controlling each stage of a film's life: production (making the film), distribution (getting the film out to people), and exhibition (owning first-run theaters in major cities).

EXIBITION

⇧

DISTRIBUTION

⇧

PRODUCTION

Five studios, "The Big Five," worked to achieve vertical integration through the late 1940s, owning large production studios, distribution houses, and theater chains.

In addition, these studios set the exact terms of films' release dates and patterns, and operated the best movie palaces in the nation.

Warner Bros.
Paramount
20th Century Fox
Loew's (MGM)
and RKO (Radio-Keith-Orpheum)

formed this exclusive club. "The Little Three" studios--

Universal,
Columbia
and United Artists—

also made pictures, but each lacked one of the crucial elements of vertical integration. Together these eight companies operated as a mature **oligopoly,** essentially controlling the entire market.

They also controlled the terms under which you could see their films. Prestige or A-level films utilized studio stars and lavish production values, and then could only be seen initially in studio-owned, first-run theaters. When the studios released these films to theaters they didn't own, they forced those owners to buy A-pictures in combination with a number of, often mediocre, B-pictures (no stars, bargain-basement genre pictures) and shorts, a practice called **"block booking."** Moreover, the studios often made the exhibitors buy the films blind, not allowing them to see what they were getting before they got it.

BLOCK BOOKING = forced sales of “A” Pictures with unseen “B” picture

The End of Hollywood's Golden Age In 1948, struggling independent movie producers and exhibitors finally triumphed in their battle against the big studios' monopolistic behavior. In the **United States vs Paramount** federal decree of that year, the studios were ordered to give up their theaters in what is commonly referred to as "divestiture:" opening the market to smaller producers.

This, coupled with the advent of television in the 1950s, seriously compromised the studio system's power and profits. Hence, 1930 and 1948 are generally considered bookends to Hollywood's Golden Age, the period when these eight companies secured 95 percent of all film rentals and close to 70 percent of all box-office receipts.

The Studio System

Some have compared the Hollywood studio system to a factory, and it is useful to remember that studios were out to make money first and art second. Their product output in **1937 surged to over 500 feature films**. By the **1980s, this figure dropped to an average of 100 films per year**.

During the Golden Age, the studios were remarkably consistent and stable enterprises, due in large part to long-term management heads--the infamous "movie moguls" who ruled their kingdoms with iron fists. At MGM, Warner Bros. and Columbia, the same fabled immigrant showmen ran their studios for decades. Power, then, was definitely situated with the **studio heads**.

The rise of the studio system also hinges on the treatment of stars, who were constructed and exploited to suit a studio's image and schedule. Actors and actresses were contract players bound up in seven-year contracts to a single studio, and the studio generally held all the options. Stars could be loaned out to other production companies at any time. Studios could also force bad roles on actors, and control the minutiae of stars' images with their mammoth in-house publicity departments.