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Michael S. Wartenbe

Florida International University, mwart001@fiu.edu

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Corporations, Associations and the State: The International Subsidy System for Film

Abstract

Rather than increasing competition in the market and decreasing government spending, neoliberalism has driven states to compete by appealing to transnational corporations. Direct subsidization to attract investment has become one of the most egregious normalizations of this process, and Hollywood and the film industry have become some of the most active participants to this system. Indeed to have a functioning film industry, government subsidies are essential, commonly paying out up to a third of the production costs. Per employee these are some of the highest subsidy rates of any industry, and with most of the world participating, they offer little long-term benefit to anyone besides the most global Hollywood studios. Rather, this creates greater dependency on the Major film studios by local government, workers, and small production companies to attract large production spending, but end up supporting an ever expanding system of subsidization.

Keywords

Film Industry, Neoliberalism, Subsidies, Corporations, Associations

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Today there is the normalization and expectation that film production undertaken by multinational media corporations based in Hollywood (and hereafter referred to as the Majors or Studios) will be subsidized by some level of government--local, national, or foreign. Subsidization of production costs--literally paying for a portion of the filming costs--is so pervasive today that most studios, and especially the multinational Majors that dominate the global industry, require it when choosing a location. Even the countries that have a history of film and cultural protectionism have adopted this strategy to attract Blockbuster productions for the sake of jobs and investment from the Majors. While this follows standard trends in market concentration in many industries, film production is especially notable due to its flexibility in production. That film productions are temporary, commonly shot on location, and consequently mobile, means production Studios do not need to permanently maintain crew, studios, and equipment in all locations they shoot. As a result, Studios have maximized their flexibility in shooting on varied and diverse locations, both within the U.S. and abroad. This results in Studios maximizing choices regarding where to shoot films. Thanks to this and their political, market, and financial power, the film industry has long established a pervasive and international system of countries competing for film investment through subsidies. I will refer to this as *The International Subsidization System*.

Film subsidization has a long history, but since the 2000s this International Subsidization System reformed itself as a core component of Hollywood production. Under the common neoliberal defense to gain “jobs and competitiveness,” numerous provinces, states, and countries have joined in subsidizing film production in order to attract this very mobile industry. For film and other industries this has generated a “race to the bottom” where competition no longer exists simply on natural qualities (such as the most appropriate shooting location for film or studio infrastructure), or even regulation competition (such as wage and safety provisions), but has swung in favor of supply side factors so that the choice of production location is heavily determined by direct cash transfers provided to the requisite film or media corporation. Naturally this has resulted in an advanced form of race to the bottom, where, in combination with downward pressure for wages, unionization, and regulation, states are participating in financing production with no direct return on investment. The Majors claim that subsidization will bring employment, local production spending, and production infrastructure that is often advertised as contributing to a self-sustaining local industry. However, as will be seen, with the number of governments participating in film subsidization, the returns on government investment have mostly proved elusive.

There has been much debate over the efficacy of corporate subsidization before the particularities of film subsidization are considered. Thom (2016, pp. 1) shows that “...some evaluations find positive (Wu, 2008; Zhang, 2015) or mixed effects (Langer, 2001; Wilder & Rubin, 1996), others provide no evidence of positive long-term impacts (Peters & Fisher, 2004; Prillaman & Meier, 2014; Taylor, 2012).” Others argue that subsidization has little effect on location choice for production (Lynch, 1996) and is thus simply paying for production that already exists. At best, positive outcomes from incentives and subsidies tend to be fleeting, either as the market catches up to the adjustment (Thom, 2016), or as competing programs crowd out initial gains of early adopters (Thom and An, 2017). The mobility and temporality of these projects, as well as the expanse of the subsidization scheme, means film subsidization should be one of the least useful industries to subsidize. Despite this, or perhaps because of this fact, the leading industry lobby, the Motion Picture Association of America (MPAA), has actively supported the cultivation of this system due to the direct benefits such subsidization provides to their corporate members. As such, in 2011 film subsidies took up nearly 2% of total subsidies within the US. While seemingly small, when compared to the largest subsidized industry of auto manufacturing at \$5 billion, in 2012 the cost per employee was \$12,465 for Film Production while “only” \$6,745 for Auto Manufacturing.¹

Runaway production

This direct subsidization of industries is uniquely high in film due to the mobility of production. While film production may conjure up images of artificial sets and warehouses, location shooting has long been central to the industry and was a major reason for choosing Hollywood as a primary location due to the varied ecology of California. Because the end product could easily be distributed across the country, there was little necessity to stay in New York, the original film capital. In fact, to be a film production company and distributor, ownership of a physical studio is not always necessary, such as United Artists, which was a production house “Studio” with no actual studio. Rather than directly own a studio backlot, the company would produce films and rent studios as needed. Without this overhead, producers are easily able to choose between locations and studios based on their needs. This particularly flexible and mobile aspect of film production led to its own industry term of “runaway production”. While good from a studio’s point of view, the derogatory nature of “runaway” was developed from the perspective of critics who saw production, investment, and jobs unjustly leaving Los Angeles. More

¹ See Story, Fehr, and Watkins (2016) for subsidy amounts and U.S. Bureau of Labor Statistics and U.S. Census Bureau (2015) for employment numbers.

generally, this attests to the inherent flightiness of such temporary and mobile projects, which grew under neoliberal capitalism as flexible production became normalized.

This project-based and temporary nature of film has a large impact on transforming run-away production into an industry wide norm (Thom and An, 2017), but the nature of film production also plays a major role. Because of clear segmentation of production, one film can easily be done in multiple locations. This includes not only the actual filming, but also with pre- and post-production, which has even fewer locational requirements. With computer graphics and the use of green screens, many of the artists and film workers do not even need to be in the same location. This manner of production has itself helped solidify the labor delineation with the film industry, between “above-the-line” and “below-the-line” labor. The former includes the higher paid jobs, such as producer, writer, director and actors, while the latter refers to more physical jobs such as technicians, grips, set artists, and stagehands.

In relation to the supply chain hierarchy, these labor categories can be considered “higher value-added” and “lower value-added,” but also relates the mobility of production. Much of the creative, above-the-line work can be done anywhere, and the few who need to be on location, such as directors or leading actors, can be flown in to location. Below-the-line labor is more replaceable and not transported with production. As a result, runaway production tends to benefit above-the-line who travel with production, while below-the-line become more dependent on the mobile production attraction. In the end, this has helped solidify labor groups, including unions, in working with the MPAA and other associations to expand film subsidies, usually for their short-term benefits, but ultimately for the longer term and larger benefit to non-replaceable talent--such as famous actors and names used for advertisement--but especially for the leading Major Studios.

Runaway productions greatly helped the Major Studios combat costs and labor power concentrating in Hollywood. Even during the peak of the Studio Era, where film and theater concentration was at its highest, there were infamous clashes with unions representing numerous sectors of Hollywood production. The focal point of these Union-Studio battles in the 1940s (Spaner, 2012). Most notably was the Black Friday battle, which started with picket lines led by the Conference of Studio Unions, which shut down productions at Major Studios, such as Warner Bros. While many were injured in the fight, many more were arrested and fired. Despite initial concessions on wages, the Major Studios still retained much concentrated power and state support; ultimately the Conference of Studio Unions was disbanded and incorporated into the much more malleable International

Alliance of Theatrical Stage Employees. While the Majors retained their monopolistic hold on all sectors of film distribution, production, and exhibition they had more ability to placate or end any strong unions. However, as that power faded in the decades following the Paramount Decree, the 1948 antitrust suit that ended film studios from owning and monopolizing theaters, the Majors increasingly focused on international markets. This was done both to recoup their revenue beyond the growing competition of indie studios, but also to lower production costs and their dependence on Hollywood labor.

It is thus with the Paramount Decree that Runaway production became an institution for the Majors, as well as a tool for retaining control after losing theater investments (Scott, 2002; Christopherson and Storper, 1986). With the loss of assured exhibition for all films, the so-called “Fordist” production of the Studio era necessarily ended. No longer would production be churned out like a factory, with overlapping sets, actors, and plots. Without control over exhibition, the large, integrated, factory-like studios became a larger liability for the Majors. The Decree, as a result, helped bring about what Christopherson and Storper (1986) calls Flexible Specialization. This term refers to the creation of a specific and particular product, as opposed to mass production of general products, with the means to quickly change or refocus effort and equipment, usually done through a network of smaller producers. Film was especially conducive to this manner of production, especially as the Mass production of the Studio Era gave way to an increasing reliance on mobile production.² Much like other transnationalized industries, the Majors could use studios, labor, and locations around the world in a replaceable fashion, thus developing the network of smaller producers needed for Flexible Specialization. Not owning studios or permanent employees in these varied locations allows the Majors to quickly shift location and change productions, while the ownership of Intellectual Property and ability to finance Blockbusters allows the generation of specific and unique products. It was then up to the disposable locations to attract these productions through skills, infrastructure, and subsidization. The start of this Subsidization System had its strongest expression in

² It was likely that the monopolized production and exhibition of the Studio Era itself was resulting in the particular style of product and consumption. However, as broadcast television was increasingly competing with theaters the days of mass production for film were likely already numbered. The Spectacle of the big screen, along with selling points such as “cinerama”, “cinemascope”, and early on the use of sound, would no longer be enough to get customers out of the house once they had a television. As a result, specialization of film itself was increasingly necessary to draw a crowd that was becoming content with cheaper television production, resulting in increased budgets and greater need to reduce costs. See Crafton (1999) for a history of the early role of technical innovation in film and Seabury (1926) for a history of Major Studio control prior to runaway production.

runaway production leaving Hollywood for the Canadian West Coast, still relatively nearby.

International Subsidies: Canada and Europe

As Davis and Kaye (2002) reveal, Canadian theaters have always been dominated by the larger market to the South, to a degree that the Canadian market has been integrated enough to be considered as part of the “domestic market” by the MPAA. Canadian films generally makes up 5-10% of the “Domestic” revenue box office, of which Hollywood films “account for approximately 90 percent.” (Davis and Kaye, 2002). By the 21st century, Foreign (American) productions in Canada even made up 85% of Canadian film *exports* (Davis and Kaye, 2002; CFTPA 2008). While Montreal and Toronto hold their own in film production, both in foreign and domestic productions, it is Vancouver on the less populated West Coast that receives half of production spending (Davis and Kaye, 2002). While this is part due to geography and proximity to Hollywood, the politics of International Runaway Production along with the subsequent Subsidization System, is the largest factor.

Prior to the 1990s, Canada, much like other states, was weary of Hollywood and thus focused their film subsidization schemes on protecting culture and promoting domestic art. In the 1960s much of Canadian film production came from the more populated East Coast, resulting in British Columbia on the West lagging behind both in media consumption and production, resulting in an underdeveloped cultural industry. As such, as Hollywood increasingly looked toward foreign productions as a means to lower budget cost and circumvent local unions, British Columbia saw the opportunity largely in terms of “regional industrial development” and a means to “a way to attract immigrants, capital investment, and tourists” (Gasher, 2002). As such, unlike other programs that were at least initially directed toward domestic production and culture, the British Columbia subsidy scheme was specifically designed to target mobile Hollywood productions and develop a local industry out of that relationship (Gasher, 2002). As much of the Canadian media consumption in British Columbia came from the East Coast the likelihood of developing a fully independent local industry was already low and thus the larger and closer Studios of Hollywood had more to offer.

Initially as Vancouver began to take larger shares of film production in Canada, national subsidies continued to focus on developing and protecting cultural industries, with much of these funds going to the more developed media industry on the East Coast. These cultural protections continued into the 1990s, including

cultural exceptions being a large part of Canadian goals during NAFTA negotiations. Much of Europe was facing similar conflicts with Hollywood, both over cultural concerns as well as keeping subsidies to domestic studios rather than Hollywood. However, it was the active and direct solicitation of Hollywood Majors by British Columbia's subsidization scheme that shaped how governments would attract Runaway Production in the future. By the late 1990s state-to-state competition for Hollywood productions began to take shape. This is concurrent with Canadian national film subsidies shifting from focusing on cultural to economic indicators, tacitly opening up these funds to foreign productions. EU film subsidies also began to downplay cultural concerns to the advancement of immediate and short-term concerns, as did individual US states who began to rely on subsidization to compete for jobs and growth in their local industries. By the 21st century, an entrenched International Subsidization Scheme had been developed, based entirely on neoliberal logic of open markets, transnational production, and supply-side support, to the disproportionate benefit of the Multinationals of the MPAA.

Europe

The European film industries followed a fairly similar experience to Canada. Though not included in the "Domestic Market" as Canada is, Western Europe saw early dominance from Hollywood. However, while European subsidies would sometimes reach Hollywood productions, the goal in attraction of Runaway Production, as pioneered by British Columbia, only reached Europe once the International Subsidy system was already in full swing. Many Western European states initially had a more robust domestic film industry to protect, with more independence compared to Canada. As a result there had consistently been stronger political support to attempt to rebuild a competitive industry. This was especially true following WWII, when Hollywood was very much dominant across the Atlantic. In perhaps an early demonstration of the transnationalism that neoliberalism would soon bring, the mixture of protectionism, subsidies of European industries, and reliance and dependence on American products and firms, actually helped lead to Europe eventually joining the Subsidy System.

The fragility of the economies in Europe following the war left many industries with the precarious situation of needing immediate goods while also needing to rebuild competitive industries. For film, even for countries like France as an inventor of the medium and especially concerned with culture and language, this meant a relatively wide opening for American films for European consumers, whose demand could not yet be met domestically. With this vulnerability and dependence, there were few ways for these states to combat the power of

Hollywood. These included direct protection of domestic film production that conflicted with the post-war trade system; subsidization of domestic film, initially around cultural products; limitations on the repatriation of profits by foreign producers, to force local investment in production; and integration of local production into the Hollywood system, to attempt to move up the hierarchy rather than exit it.

This interaction of means of production, which ended up feeding the industry hierarchy rather than opposing it, can best be seen in the operations of the British film industry and development, which has always been more closely integrated with the American industry. While London participated in similar means to revamp their film industry following the war, they also were more accepting of integrating their industry into the larger and more global American multinationals. As early as the 1950s, Britain set up a subsidy scheme known as “Eady Pool of Funds”. This was a tax on movies, which would then be given as a rebate to film productions that were considered “British” (Lev, 2003. p. 153). However, due to American financing and runaway production many of the subsidies went to American productions or co-productions with American financing (the latter has become an increasingly important and growing trend in today’s system). The “Eady Pool “was of decisive importance in persuading U.S. producers to shift operations from Hollywood to London” (Bernstein, 1960, Quoted in Lev, 2003, pp. 153). Even the measures stopping Hollywood from repatriating profits back to America ended up supporting transnational productions, as the capital stuck in European countries were used to fund productions there, helping to blur their nationality and thus their access to these early subsidies.

As Britain saw economic success with its willingness to integrate into Hollywood’s international system, as well as supporting the Hollywood system politically and economically, other states began to open up to such competition as well. “France and Italy had similar, but less generous, subsidy programs. Though the original intent had been to support national film producers, Great Britain, Italy, and France were willing to subsidize Hollywood film companies as well in order to stimulate film industry investment and employment” (Lev, 2003, pp. 153). As these production markets increasingly become infiltrated by Hollywood, by 1960 40% of “...movies financed by Hollywood majors were shot overseas.” (Monaco, 2003, pp. 14). Most of this was in the UK with two-thirds of their films having Hollywood financing. However, Italy and France, known for strong cultural protectionism, were integrated into the production as well, with 3 out of every 10 French productions having Hollywood financing (Monaco, 2003). In 1962, Hollywood got \$5 million in subsidies from Britain, Italy, and France alone (Monaco, 2003, pp. 12).

Expansion of Subsidies: American States

Despite Europe inadvertently subsidizing some Hollywood productions, the early adopters of the model to attract runaway productions were still British Columbia, with American states following soon after--a process which helped to further consolidate the International Subsidization System. This exponential expansion can be seen in the chart below. This immediate adoption of subsidies by other states was likely a result of relative success in attracting Major productions for the early subsidizers, such as British Columbia. However, the early successes were heavily due to the lack of competition from other locations. As other governments developed their own subsidies to attract production, these benefits eroded while the expectation to fund production continued. Even existing film centers, such as California and New York, adopted subsidizing local productions, and themselves have allocated some of the largest funds to stop production from leaving. Others, such as Florida, Georgia, and Louisiana, like many of the newer countries to the International Subsidy System, were attempting to create a new local film industry, ostensibly one that would eventually be self-sustaining, presumably on the assumption that their own subsidies would be able to sustain localized benefits despite rising competition.

Number of Incentive Programs and Funds³

Year	Number of U.S. States with Film Incentive Programs	Incentive Amounts Offered
1999 & earlier	4	\$2 million
2000	4	\$3 million
2001	4	\$1 million
2002	5	\$1 million
2003	5	\$2 million

³ See McDonald (2011) for 1999- 2011 figures and Bishop-Henchman (2016) for the 2012 figure.

2004	9	\$68 million
2005	15	\$129 million
2006	24	\$369 million
2007	33	\$489 million
2008	35	\$807 million
2009	40	\$1.247 billion
2010	40	\$1.396 billion
2011	37	\$1.299 billion
2012	40	\$1.4 billion

Louisiana was one of the first states to adopt film subsidies to develop a local production industry. Having an already established a cultural and tourism industry, as well as a temperate climate to allow shooting year-round, Louisiana became a sensible choice for film production. But their entry into subsidy competition was as much about attempting to attract existing production away from other locations, as it was of creating new production. This was followed by a New Mexico scheme, which became part of the first wave of developing a competitive subsidization among US states (Thom, 2016). Although these schemes had the intent, much as the British Columbia scheme pioneered, to focus on economic benefits opposed to the classic subsidies for culture, they had not reached the financial extent and broad-participation that made up a fully competitive system until the 2000s (See amount offered between 2003 and 2004). As Tannenwald (2010, pp. 3) reveals:

Until 2002 state film subsidies were limited in scope. A few states offered film producers small credits against income taxes, deductions from taxable income for losses incurred in production, or loan guarantees. Other

subsidies were confined to the provision of public services at no cost (for example, police details, ready access to public lands, assistance in identifying locations, and expedited permitting), or exemption from sales tax on purchases of goods from local vendors and from hotel and lodging taxes for employees working on an in-state movie shoot. These subsidies may or may not have been the best possible use of funds, but they were low-cost and therefore relatively harmless.

Preston, in elaborating further on this first, more limited phase of subsidization during the 1990s and early 2000s and specifically using Louisiana as a case study, wrote that “For the first ten years of its existence [started in 1992], Louisiana’s program underperformed (Grand 2006, 792-793), and any film production that had been lured away from Los Angeles or New York typically went to Vancouver, British Columbia.” (Preston, 2013). By the late 1990s competitive subsidization began to be seen as essential for maintaining a decent film industry, driving many other states to compete with their own subsidies. By 1997, the Canadian government began remodeling their national film subsidies around their perceived economic interest, taking their cues from the early success of British Columbia and Vancouver. Likewise, Hawaii (in 1997), Missouri (in 1999) and Oklahoma (in 2001) developed their own systems, and Louisiana and New Mexico once again followed the Canadian model and substantially expanded their subsidies in 2002 (Thom and An, 2017).

While the number of competing subsidies expanded across North America, and later internationally, the subsidies expanded also in amount of funds and in how they were offered. Away from the indirect subsidies described by Tannenwald for early schemes, subsidies have since developed into direct cash transfers. The varied and indirect subsidies include those for housing, finding skilled workers, or even location scouting, but the more sought-after and costly subsidies have been tax credits. These subsidies can be divided between transferable tax credits and refundable tax credits (Thom, 2016). Transferable tax credits are tax waivers offered to a production company for a set amount, usually a percentage of production costs, which can then be sold to another party for a discount on the waiver amount. Thus, the purchaser receives a discount on their potential tax payment, while the producers receive immediate cash to offset production costs. While transferable credits offered immediate cash, refundable credits offer a direct transfer of cash to the producer for the full amount of the credit (McDonald, 2011). These aggressive and large subsidies have, according to Thom, had modest impacts. Employment was most affected by transferable credits, while wages were most affected by refundable credits, but for both affects the benefits were short-term. To view the extent of the long-term problems, dependence, and entrenchment of the

corporate oligopoly it will help to examine some case studies of US states, followed by an analysis of the global subsidy system. Here I will examine three of the larger domestic subsidy schemes--one to retain and recoup production (California), one that failed and ended (Florida), and one with strong and continuous expansion (Georgia).

Florida

Florida is an interesting case in examining its subsidy program due to the extent, length, and relative large-scale size of their program, which was later discontinued. Florida was one of the possible locations for the first movie moguls, as Jacksonville was scouted along with Hollywood due to its climate. Florida also possesses relatively strong production in Orlando and Miami, both as an on-site location for production as well as a location for Spanish-language television. As a Southern and “right to work” state, Florida also holds weak unions, which according to neoliberal proponents (including the MPAA itself) should make it a front runner for a successful development of film infrastructure. As such, compared to many of the other participants in production attraction and subsidization, Florida should have been one of the stronger candidates for successful development of a strong local film industry. The fact it did not have success will help illustrate both the inherent problems and limitations of subsidies, as well as the contradictions in a competitive subsidy system, whereby permanent subsidies become necessary.

Florida started its initial film incentive program in 1993, following soon after the Louisiana program. And, much like Louisiana, this early Florida program was missing the direct cash transfers described above, only offering the smaller incentives that were common at the time. This still had the goal of attracting mobile film production, but had a much smaller impact, both in budget and effect. Initially this incentive program was developed under the Florida Entertainment Commission, but it was reshaped into a specific office, The Office of Film and Entertainment (OFE) in 1999, within The Department of Economic Opportunity (Wilcox and Krassner, 2014). The transition into the OFE occurred with the general normalization of expanding subsidies, along with the inclusion of direct cash subsidies, again following along other expanding models in North America. Despite Florida still getting a relatively early start, already at its founding in 1999, the OFE had received a budget expected to grow year upon year, which would be necessary to compete with a sizable number of subsidy programs.

As with other subsidy schemes, to legitimize the program as not simply corporate welfare but as jumpstarting local industry, the original legislation authorizing the program had a mix of language emphasizing the creation of

production infrastructure and attracting production from other regions. It is interesting to note that the OFE website today has a much stronger emphasis in attracting production from other regions, rather than generating new production in Florida. Like other schemes, the proponents of this excessive spending also emphasize the indirect multiplier of film tourism, an easy target for the economy of Florida. Once again the influence of the Major studios and the MPAA are evident in the drafting and implementation of the film subsidization programs. The MPAA is a member of local film associations, in particular Film Florida, which, like lobbying projects in other states, publishes the purported economic benefits of subsidies, with a special emphasis on tourism, due to the indirect and thus unfalsifiable connection--more tourism becomes an anticipated outgrowth of locating film production in the host state. News organizations and lobbying groups reference these MPAA reports when providing data pertaining to the efficacy of subsidies.

As the budgets for competitive subsidies ballooned in the first decade of the 2000s, by 2010 the Florida Legislature passed The Entertainment Industry Economic Development Act, which allocated \$242 Million to the OFE to incentivize and attract film production to Florida. This budget was designed to cover a five-year period, after which it could be supplemented with more subsidization. This, however, led to failure and the eventual dissolution of the subsidy budget for two reasons. One, although high in total, spread over 5 years, this would have been relatively small compared to the leading subsidizing states, such as Georgia and California. As such, Florida was likely hedging its location and natural attraction, but having a smaller than average budget within a race to the bottom would likely have been unsuccessful, given the pattern of other half-supported programs in South Dakota and Indiana, which did little in the way of generating an independently sustainable local industry (Thom, 2016).

However, the program in Florida was not terminated due to tepid responses to a smaller than average budget, or after the number of programs diluted the success of early adopters. Rather the end to the program came relatively quickly as the money dried up due to the lack of a spending cap per project--an outcome which reveals the propensity toward corruption and lack of accountability inherent to such programs (Thom and An, 2017). Without a cap, the cash ran out "nearly immediately" due to the money being made available on a first-come-first-serve basis (Walser, 2016). Cash was given out to any production that qualified, rather than based on an analysis of cost and benefits to measure whether or not such spending produced lasting infrastructure or recurring production. In subsequent years supplemental additions were given to the budget, but without a fundamental

change these too were quickly depleted in the same manner. By 2013 no supplements were added, and the Florida subsidy system was out of funds.

The limited effects and quick depletion of film subsidy programs in Florida have been criticized for a loss of jobs and production in the state. Interest groups, including “Enterprise Florida,” the state’s economic development arm that incentivizes companies, and “Visit Florida,” the state’s tourism marketing arm, had advocated recreating a subsidy system to retain possible production, utilizing the rhetoric of defending Florida jobs (Irwin, Oct 20, 2017). Two leading groups in this effort are Film Florida and COMPASS Florida. Film Florida is a lobbying group, representing numerous groups including film schools, local producers or associations, and even Universal Studios. Film Florida is very much the local component to the MPAA, and acts to promote local legitimacy for the maintenance and expansion of a film subsidy system in the state. Like in other states, Film Florida has been a participant in commissioning favorable reports with which to lobby politicians and provide the public with positive figures pertaining to the film subsidy program. Film Florida also works in partnership with the OFE, but has also pushed for taking over the subsidy fund as a public-private partnership, citing lack of marketing skills by state agencies (Film Florida, 2013). COMPASS Florida is likewise representative of related film unions as well as small businesses.

To keep up with the ever-increasing subsidies among competing states (especially neighboring Georgia), the suggestion was for \$1 Billion in subsidies (Hanks, January 29, 2014). As of now, the trade and labor organizations have put forward a more modest proposal for a “Florida Motion Picture Capital Corporation.” Rather than offer subsidies through cash transfers, the “Capital Corporation” would operate as a “more traditional investment mode” and theoretically make money, though where initial funds would come from are unclear (Irwin, October 20, 2017). However, in step with criticisms of corporate welfare, greater emphasis is placed on allocating resources based on “...which projects create the greatest number of high-wage jobs...” (Taddeo, 2018). In the meantime, local municipalities have started to get in on subsidies with Miami-Dade creating a \$100,000 local subsidy program (Hanks, July 19, 2017). Miami has emerged as a focal point for the Florida film subsidy system, as South Florida had received 78% of program funds by 2013 (Hanks, January 29, 2014).

Georgia

As some states see little hope in competing with innumerable locations and massive subsidies (North Dakota) or have otherwise ended their subsidy system with failure (Florida), Georgia is commonly held up by proponents of the system

as an example of success, with a relatively strong production industry in an unlikely state, concentrated around the capital of Atlanta. In recent years Georgia has found itself in competition for the leading destination of production for the highest grossing films, along with California, New York, and international (and strongly subsidized) locations of Canada and the UK. However, unsurprisingly, it finds itself with one of the highest budgets for its subsidy program, trailing only New York. Having spent multiple billions over the life of its program, Georgia can attribute its “success” to entering this inevitable “next tier” of cash transfers. Thus, while Georgia may compete with residual strength (but still large subsidies) of California, and the giant subsidies of New York, it does so without caps to spending, without emphasis on independent productions and new projects that California emphasizes, and without a focus on local labor.

With loose requirements from producers and some of the highest and most friendly incentives, Georgia is able to match the leading domestic locations of California and New York, and then surpass them through cheaper labor and locations (especially compared to New York which can partially explain their high budget). Georgia is also commonly seen as being the leading competitor for “southern” locations, beating out Louisiana, and likely one of the reasons for Florida to drop out of the subsidy race. The movie *Live By Night* is a great example, being set in Ybor City, Florida, yet being shot in Brunswick, Georgia thanks for the 30% tax credit offered (Irwin, October 20, 2017). Other Florida-based directors has discussed moving future productions to neighboring states such as Georgia and Alabama, either from a necessity to compete in a low production cost environment or to also generate further pressure toward an expanded incentive program (Boedeker, November 30, 2014).

While the success of Georgia is heavily a result of attracting existing production, it also reveals other problems with such schemes. Georgia has faced a shortage of film crews (McWhirter and Schwartzel, 2015). Despite offering no subsidy cap on salary, as well as offering incentives to non-resident workers, specifically to attract production as opposed to generating it, the state has found it difficult to retain such mobile labor and investments. Due to these limitations, the large Georgia program has been in the crosshairs of the same organizations that helped end the Florida program, including libertarian Koch groups. Georgia has, instead, doubled-down, increasing their budget, thanks to overstated claims of economic benefits from the program, usually from reports again commissioned by MPAA and local partners. These reports have been utilized to prolong and expand such programs by greatly overstating their benefits for the state using an outdated and fairly arbitrary multiplier to calculate program impacts. The multiplier effect (the compounding effect of incentive money being put into the local economy)

itself becomes overstated by using a very optimistic assumption of how much money from film production stays in Georgia. In fact, much of the subsidized costs are not permanent nor are they limited to local labor. “Georgia’s 30% credit is not only more generous than that of most states, including California’s; it also allows producers to count salaries of directors and actors in addition to below-the-line crew as part of their qualified expenses, as long as the payment is for work performed within the state.” (Johnson, 2015)

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Georgia’s Entertainment Industry Investment Act provides a 20 percent tax credit for companies that spend \$500,000 or more on production and post-production in Georgia, either in a single production or on multiple projects. The state grants an additional 10 percent tax credit if the finished project includes a promotional logo provided by the state. If a company has little or no Georgia tax liability, it can transfer or sell its tax credits.

Why Georgia?

Georgia functions as one of the top three production destinations in the country. The economic impact of entertainment industry projects handled by the Georgia Film, Music & Digital Entertainment Office in FY 2015 equals \$6 billion. The 248 feature film and television productions that shot in Georgia represent \$1.7 billion in spending during that fiscal period.

Check out the forms and dig into the details.

Your production incentives contact at the Georgia Film and Television Production Office is Alison Fibben. Please email or call Alison at afibben@georgia.org or (404) 962-4050.

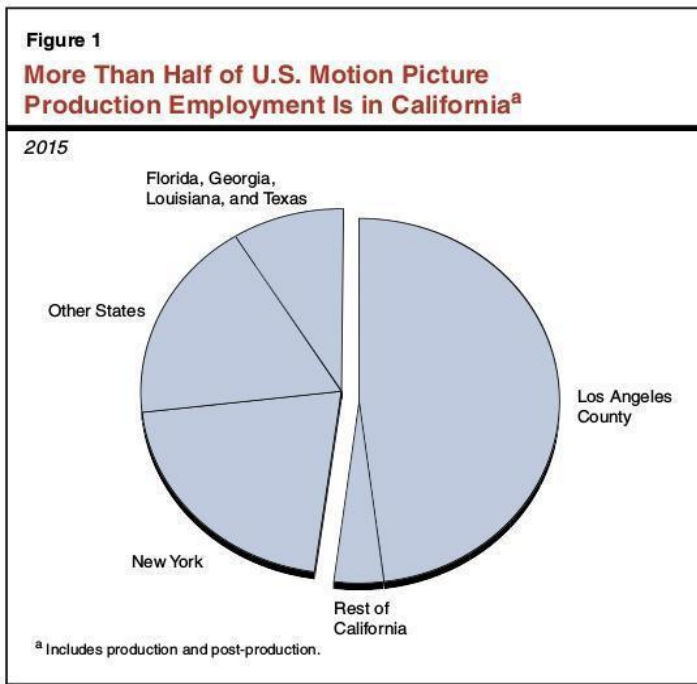
Georgia conditions: Georgia advertisement of benefits:

- 20 percent base transferable tax credit
- 10 percent Georgia Entertainment Promotion (GEP) uplift can be earned by including an embedded Georgia logo on approved projects and a link to ExploreGeorgia.org/Film on the promotional website
- \$500,000 minimum spend to qualify
- No limits or caps on Georgia spend, no sunset clause
- Both resident and non-resident workers’ payrolls and FICA, SUI, FUI qualify
- No salary cap on individuals paid by 1099, personal service contract or loan out. Payments made to a loan out company will require six percent Georgia income tax withheld
- Production expenditures must be made in Georgia to qualify from a Georgia vendor
- Travel and insurance qualify if purchased through a Georgia agency or company
- Original music scoring eligible for projects produced in Georgia qualify
- Post-production of Georgia filmed movies and television projects qualify if post done in Georgia
- Development costs, promotion, marketing, license fees and story right fees do not qualify

California

Unlike Florida and Georgia, California has been much more reactionary in response to the subsidy system. For much longer local producers and unions have been complaining of investment flight and the loss of jobs and wages. The earlier experience for Californian film workers, along with L.A. being the “home” location of the Majors, makes it an especially important case study. California may have not been the originator of the subsidy system (Canada and Louisiana) but it was an early exercise for the MPAA to learn how to increase dependency within the industry, generate industry control on the supply-side as well as through labor flexibility, and to use the Hollywood location to reinforce the Majors’ position in the industry hierarchy. “The industry trade group quarterbacked the campaign to stop “runaway production.” The MPAA rounded up a broad coalition, including chambers of commerce, labor groups, and cities up and down the state. Offering a bonus for productions outside Los Angeles helped win over Northern California lawmakers, who have traditionally opposed tax giveaways to a Southern California industry” (Maddaus, 2014).

Employment by state:⁴



⁴ Weatherford (2016)

The Majors are not only the major utilizers of mobile productions and subsidies, but also a leading voice in expanding those subsidies. Rather than assisting in the development and expansion of local film production industries in California, the systemic nature of subsidies, all supported by the MPAA, end up canceling each other out and largely operates to further the transnationalization objectives of the Major Studios. As seen in the previous figure, labeled “Employment by State,” California, and in particular L.A., continues to be the largest production center for film. As with all subsidy schemes, it has been suggested that one-third of the subsidized productions would have remained in California anyway, weakening the case for subsidization as a necessary contribution for retaining film industry investment and jobs in the state (Bishop-Henchman, 2016).

Although California has long been experiencing the process of “runaway” film production, the state had been relatively slow in participating in the subsidy system. This was likely due to the already existing local infrastructure and supply networks for the industry. Because of the obvious narrow benefits of such types of subsidies, the need to legitimize both infrastructure and temporariness seen in other states did not quite work in California. It is only with the entrenchment of the subsidy system in other states, did California come late in 2009 toward a more full-blown participant in the International Subsidization system, which has expanded in recent years as California has become one of the leading domestic state subsidizers.

It was in 2009 that the political and economic power of the Majors in California bore institutional fruit, with the creation of a \$100 million “Tax Credit Program 1.0” under the California Film Commission. This budget cap was expanded in 2015 to \$330 million (with program 2.0), making California one of the leading participants in competitive subsidies. Like the suggested “Film Corporation” in Florida, Program 2.0 has a large focus on project selection based on jobs, and with a more diverse project allocation, with 40% devoted to TV Series, Pilots, and Television Movies; 35% to Non-independent Films (read: Majors); 20% to Relocating TV Series; and 5% to Independent Films. The strong emphasis on TV series (60%) means production that provides more stable and permanent jobs, but also is connected to the majors and owners of the distribution-channels for such production (Maddaus, 2014). The fact that 20% of funds are specifically allocated to relocation of TV series also reveals the growing focus on relocation for such programs, rather than the creation of production that would not otherwise have existed.

McDonald (2011) argues for a national subsidy system, as the state subsidy system, which again are some of the leading subsidizers in the world, does not

create new production, and rather results in a race-to-the-bottom subsidization of existing production. While this would help reduce the race to the bottom domestically, the Majors would still have options to exploit the international system, and location choice would continue to operate on merit second and cash transfers first. The largest to lose out would be local indie producers and labor, unless they themselves are mobile. Such a national system would benefit Hollywood and California, and disrupt existing dispersed production infrastructure, such as from Georgia, while the Majors would continue to benefit as the international subsidy competition would continue.

Largest Box Office Revenue Film Production locations⁵

TABLE 2:

NUMBER OF TOP 100 DOMESTIC FILMS PRODUCED BY LOCATION

PRODUCTION CENTER	2016	2015	2014	2013
Georgia	17	13	8	9
UK	16	15	12	9
Canada	13	11	7	16
California	12	14	21	16
Louisiana	6	9	6	15
New York	6	7	12	4
Massachusetts	5	3	2	4
Australia	4	1	2	2
New Mexico	3	2	1	2
France	2	1	3	2
Florida	2	0	1	1
New Zealand	1	1	1	2
Malta	2	0	0	1
Michigan	1	0	2	1
Italy	2	0	0	0
Oregon	1	0	0	0
Pennsylvania	1	6	1	1
Rhode Island	1	0	0	0
Japan	1	0	0	0
Hungary	2	2	0	0
Hawaii	1	1	0	0
Connecticut	1	1	0	0

⁵ (McDonald, 2016)

International

Some countries such as France, whether due to cultural protectionism or relative size of the market, had been able to build domestic industries semi-independent of the Majors, even if they do participate in subsidies. Germany, however, is an especially interesting case, as it has a relatively strong industry, decent international reach from its movies, and a history of film and cultural protection comparable to France, if not quite as strong. Despite this, Germany developed a reputation of having its subsidy system, which had initially been developed to strengthen the domestic industry, exploited, especially by the Majors of Hollywood. With subsidies as high as 55% from federal and state (*Länder*) sources (Jansen, 2005) foreign producers accessed these “domestic” subsidies through co-production deals with domestic entities, much as was done earlier in Britain. While Germany has since cracked down on these “in name only” co-productions, the financing deals that helped the majors integrate and penetrate the European production markets, have become increasingly commonplace and continue to be a key component of the International Subsidy System.

Lara Croft: Tomb Raider provides an excellent example of utilizing multiple locations, pre-sales, subsidies, and partners to reduce risk on a strong budget. With a budget of \$94 million, according to Epstein (2005) the main production company, Paramount (Viacom), only paid in \$7 million, leaving \$84 million from other contributors, including state subsidies. Germany is a prime example of subsidy abuse by transnational corporations, as the conditions in its Film Funds did not reflect the social utility of either jobs for locals, protecting local culture, or developing a domestic film industry. Germany also had some of the largest subsidies: 250 Million Euros in 2005. Instead “German law simply requires that the film be produced by a German company that owns its copyright and shares in its future profits.” (Epstein, 2005). Paramount’s German partners were KFP Produktions GmbH & Co. KG, whose only credits on IMDB are *Tomb Raider* and licensing of *Tomb Raider* footage, and Tele München Fernseh Produktionsgesellschaft (TMG), which moved into domestic TV production after these film subsidy loopholes were cut.

The notoriety and ability for abuse of German subsidies were quickly integrated into the general operations of Hollywood. As Lindsey (2006) notes, “No wonder then that this source of funding was commonly referred to in the boardrooms of LA as ‘stupid German money’” (quoted in Cooke, 2007). As the Subsidy System was still developing in the early 2000s, the German exploitation was especially notable. This brought the German Chancellor's Grand Coalition to make “pulling the plug” on these funds one of their first actions in November 2005.

While some funds were cut with an ostensible goal toward “New German Cinema” rather than Hollywood productions through German entities, this process coincided with the entrenchment of commercially driven market subsidies. As such, while ostensibly new subsidy programs would focus on arthouse films and around director visions, they were designed for German and European films to compete commercially on an international scale (Cooke, 2007). With the EU being a driver toward commercial subsidization, and Germany retaining both national and state subsidy programs, this reliance on market-driven subsidies (as opposed to a cultural and art criteria) leads to a contradiction that does little to halt the race-to-the-bottom effect of subsidies. As Europe focuses on local commercial films they can still partner with the larger productions from Hollywood as the Majors focus more on globally targeted blockbusters.

As a result of Germany’s unique position relative to its smaller neighbors Germany has plans to expand its already large and numerous subsidy programs (Deutsche Welle, 2017). However, with the clear strength of Hollywood Majors and the international entrenchment of subsidy systems, this increase of subsidies is without the traditional focus of cultural concerns. As such, the results have been to entrench the oligopolistic position of the Majors by contributing to a two-tiered system with two characteristics: 1) European filmmakers are subsidized to compete on the “medium” level film market, as Hollywood increasingly focuses on the global blockbusters. This allows leading European producers to break through the idiosyncratic local market and increasingly compete internationally, essentially creating a second-tier mini-major status. 2) Continue to participate in attracting large investments from Hollywood blockbusters, thus sustaining the system and accepting a 2nd tier position in the oligopolistic hierarchy.

Efficacy and generation of the System Globally

As states began to openly compete for what was a finite amount of production spending and mobile projects, the efficacy and utilization of such schemes began to become questioned. While the debate is largely dispersed between cost of subsidies on the one hand and short-term versus long-term gains on the other, what is clear is that the Subsidization normalization during this period coalesced with the reconsolidation of the Film Industry into Mass Media Conglomerates and, as a result, a dramatic increase in both political and economic power of the MPAA cartel, which had a strong role in developing this system. Even within general neoliberal pressures to increase competitiveness and open markets, the dependency generated by the Majors and the MPAA put film in a unique position. As such, of the total \$80 billion of direct subsidizations to corporations

from Washington and US states in 2011, \$1.455 billion was for the film industry, making it one of the most subsidized industries. As mentioned, per job/employee film subsidization has been about 50% higher than the better known and heavily subsidized auto industry.

Looking at U.S. state subsidies Thom and An (2017) argue that the strongest reason for starting a subsidization program revolves around poor economic conditions as well as high unemployment. This is based around the intention to provide employment relief, even if the jobs are temporary, as well as help diversify the economy. Developing infrastructure for an eventual self-sustaining and attractive production market is commonly cited to defend subsidization schemes, both on the basis that they are only necessary temporarily but also provide long-term growth (Thom and An, 2017; Davis and Kaye, 2010). On a more short-term analysis is an examination of the Economic Multiplier effect of bringing in investment and labor. Even if temporary the defense lies in utilization of local hotels, restaurants, supplies, and workers, who, even if short-term and below-the-line, themselves feed into the local economy.

Some proponents even go so far as to claim the cost of the subsidies can be below the increased tax revenue from attracted investments, but perhaps one of the more interesting cited benefits of subsidies, and one pushed by the MPAA, especially for areas unlikely to develop a substantial local industry, is the promotion of “film tourism”. Also called “cultural tourism”, this is an attempt to expand the extent of economic multiplier of subsidies. Especially for locations that are already attractive for tourism, and for the same reasons attractive for location shooting, makes an easy target to hold up as a benefit of subsidized production. Louisiana, one of the states aggressively offering production subsidization, is a good example of this. A 2015 report funded by the MPAA and local association, Louisiana Film and Entertainment Association (LFEA), offered the large claim that film and television tourism (thanks to production credits) generated up to \$1.238 billion in personal income (HR&A, 2015). This is in comparison to the same report’s estimation that the credit brought \$1.039 billion of production spending, and a total of \$10 billion in tourist spending. This large claim comes from comparisons with *Lord of the Rings* tourism in New Zealand, however with an emphasis on such local TV productions as *Duck Dynasty* and *Swamp People*.

Beyond the grandiose claim of benefits is the important aspects of the creation of such reports and their purpose. The MPAA partners with numerous local associations and small producers (such as the LFEA in Louisiana) for both a local and broad-based coalition to lobbying local politicians. These reports, which are naturally exaggerated to the benefits of not only film production but direct

subsidization (and squarely contradict much academic conclusions), are developed in numerous markets, both domestic and international. While this can be seen as direct lobbying, or at worst regulatory capture and corruption in many cases, it also has a larger systemic benefit for the majors when examined holistically. First, is the clear race-to-the-bottom pressures to attract blockbuster production. Second, is that relation to local actors helping support such subsidization. Many local producers and labor groups, such as unions, support the Majors by working with the association in lobbying politicians, such as seen in the Louisiana report. The power relationship, beyond immediate dependence on Hollywood spending, is that these groups insist in reinforcing the structure of their dependence, as the MPAA develops such relationships in numerous competing locations. When these groups lobby local politicians, the coalition is legitimized by local interests, supported by the big money promotion by the Majors, and influenced by and reinforcing the norm of film subsidies as an economic solution. As Thom and An (2017) argue, politicians need to appear to be “doing something,” making this system of dependence and competition among governments, unions, and local independent producers a boon for the Multinational and mobile MPAA studios.

When examined holistically a group of workers, unions, producers, local associations, and politicians support the interests of the major Multinationals due to their own perceived dependence. These four levels of actors--workers, local producers, politicians, and the Majors--all assist in reinforcing one another through their own developed ecosystem. Local filmmakers get access to funds with and without working with larger studios. Film industry workers are forced to rely on temporary job projects or to face the need to migrate with the mobile projects to locations with stronger subsidies. Politicians receive funds for government subsidization and can then claim that they “did something” to help local industry. The Majors continue to use these political and economic coalitions to deliver the largest subsidies.

Local Incentives to a Neoliberal Subsidy System

The International Subsidy System at its core is a result of intermixing state and government interests with that of major corporations. In the need to attract investment, lower unemployment, and raise competitiveness, subsidization has become a central measure to participate in the system. While a Canadian province may have pioneered this particular manner of economic competition, the origin of the system itself returns to the home state of the MPAA. The support in the United States for concentrating industries and strengthening corporations was heavily tied to the growing trade deficit as well as increased competition from growing

economies around the world. For a time these newly empowered and transnationalized corporations retained American economic leadership in the neoliberal environment, but after thirty years we have the absurd result today of costly and artificial competitiveness.

As a result, the systemic race-to-the-bottom and the empowerment of leading corporations has a spiraling effect. Existing expectations, such as open markets and low regulation, increases dependence on attracting these corporations, which itself generates leverage to expand their profit-making expectations, such as protecting intellectual property rights alongside subsidization. As this dependence on transnational corporations grows, more actors see the necessity of competing in the system rather than restructuring it. In other words, as neoliberal capitalism has both centralized corporate power and opened up labor and regulatory competition in international markets, impacted actors have seen a decline in the means to combat the negative structural effects of capitalism in helping to reproduce their own precarity and disposability. Unions and labor organizations are likely the strongest example of this as many have flipped from criticizing corporate subsidies to supporting them as an attempt to ensure job access. Initially unions were some of the first to challenge the legality of subsidies. Film workers in California, who were the ones to coin the term Runaway Production, viewed subsidies in British Columbia as stealing production from Hollywood (Preston, 2013). Labor organizations even tried to use Special 301 provision to categorize subsidies as anti-free trade:

Industry workers have long been opposed to runaway production, considering it a form of outsourcing directly attacking their trades, crafts, jobs, and careers—or, more profoundly, their way of life. Coalitions of industry workers trying to end the negative consequences of runaway productions have had two viable options to consider in combating runaway production: (1) petitioning the United States Trade Representative (USTR) to determine the legality of foreign film incentives; or (2) lobbying for film incentives at the state, local, and federal levels. On September 4, 2007, a group called the Film and Television Action Committee (FTAC), a coalition composed of unions, municipalities and individuals whose livelihood and economic security depend on the film and television production industry, filed a petition with the USTR under Section 301 of the Trade Act of 1974.75 In its petition, FTAC argued that subsidies offered by Canada to lure production and filming of U.S.-produced television shows and motion pictures were “inconsistent with Canada’s obligations under the [World Trade Organization] Agreement on Subsidies and Countervailing Measures. McDonald (2011, pp.106)

The protections, laws, and rules that have become important tools for MNCs, including the US Special 301, ultimately failed in protecting union wages, benefits and jobs. The growth of dependence on attracting transnationals has contributed to a system that further entrenches corporate oligarchic power. As coalitions supporting the International Subsidy System have expanded to include labor, consumers and other constituents, most governments and politicians have taken the route of participation in the system. Through this participation there is little chance of reforming the clear contradictions in competing subsidies, as many of these states end up reinforcing the hierarchy and control of the Major Studios.

Even if interest groups or associations disagree, they tend to defer to the more powerful group, which in most cases in film is naturally the MPAA or one or more of its members, giving more influence in lobbying governments. The EU has played a leading part in driving market logic and pushing for neoliberal policies. Specifically, the early EU adopted American lobbying techniques to develop cohesive corporate-EU representation with the WTO (Schaffer, 2006). With the neoliberalization of the WTO itself, this corporate relationship and lobbying was naturally strengthened around more complex trade relations, much like the North American lobbying system (Young and Peterson, 2006). As corporate-state relationships became closer, and subsidization became required for the industry, the International Subsidy System has become global, as chart Leading Subsidies shows:

Leading International Subsidies⁶

Estonia	Up to 30% cash rebate for film productions.
Hungary	25% tax incentive on eligible expenses
Lithuania	Cash rebate of up to 20% of the budget
Macedonia	20% cash rebate on Macedonian production costs
Czech Republic	20% rebate on qualifying Czech spending; 66% rebate on international costs paid to foreign above-the-line cast and crew who pay withholding tax in the Czech Republic
Croatia	20% rebate on qualifying Croatian expenditure

⁶ (Buder, 2016)

Serbia	20% rebate on qualifying Serbian expenditure
Poland	Only Grants apparently
Ireland	32% tax credit on local Irish expenditures
UK	25% cash rebate and up to 80% tax relief
Belgium	The Belgian Tax Shelter allows the finance of up to 45% of Belgian-eligible expenses.
France	30% tax rebate on qualifying expenditures in France
Malta	25% cash rebate of eligible expenditure with an additional 2% if the production features Malta culturally
Italy	25% tax relief on qualifying expenditures
Austria	Cash rebate of 20% eligible production costs
Germany	In recent years, Germany has significantly slashed its federal film funding, from \$95 million to the current \$68 million. The DFFF offers a grant that covers 20% of German production costs with a maximum grant limit of \$4.5 million (and \$11 million in exceptional cases). Germany also has 17 regional film commissions to help with production logistics and funds.
Iceland	25% cash rebate on all eligible expenses
Norway	25% cash rebate on all eligible expenses
Singapore	In 2004, the Singapore Tourism Board introduced the "Film in Singapore Scheme," which promotes production in the country by subsidizing up to 50% of qualifying expenses incurred in Singapore, including local talent, production staff, and production services. Additionally, there are various grants available through the MDAS, including a "Production Assistance" grant that supports up to 40% of qualifying expenses.
Malaysia	30% cash rebate in qualifying local expenditure

Fiji	Film Fiji offers a whopping 47% tax rebate on production spend in the country.
Australia	Producer Offset (40% rebate on productions shot in Australia); PDV Offset (30% rebate on post-production work conducted in Australia, regardless of where the production was shot)
New Zealand	The New Zealand Screen Production Grant offers a 20% cash rebate to qualifying expenditures; you can also qualify for an additional 5% uplift if your project meets requirements proving it will boost the country's economy
Canada	Depending on the province, producers can access combined federal and provincial tax credits ranging from 32% to 70% of eligible labor, as well as tax incentives on local qualifying spend ranging from 20% to 30%.
Colombia	Two-tier cash rebate system provides 40% for film services (including services related to post-production, artistic, and technical services), and another 20% for film logistical services (including services provided for transport, accommodation, and food)
Trinidad & Tobago	Cash rebates up to 55% for expenditures on qualifying local labor and 35% on other local expenditures
Puerto Rico	40% production tax credit on all payments to Puerto Rico resident companies and individuals
Dominican Republic	25% transferable tax credit on all eligible expenditures including pre-production, production, and post-production
Panama	15% cash rebate
Abu Dhabi	30% cash rebate on production spend; no sales tax
South Africa	20% tax credit (production), 25% tax credit (post-production)

While Subsidy programs were clearly designed with local incentives in mind, the contradictions that come out of a competitive subsidization process are apparent in the growth of the power and privilege of a Mass Media Oligarchy. The chart above lists only the highest offers of film production subsidies around the

world, and therefore does not cover the entire scope of the subsidization system. For the Major Studios of the MPAA, the international subsidy system is both an effect and reinforcement of the global film oligopoly. With an international system of rules against classical protectionism, states have naturally moved into supporting the supply-side of production incentives, which is encouraged by rules codified within the WTO and within regional trade agreements. While one may expect subsidies to be the next anti-free trade topic for the WTO and trade agreements, that they reinforce the corporate power that participated in their development makes that unlikely.

Rather, the Mass Media Oligopoly are focused on using international trade negotiations to promote a continuous expansion of Intellectual Property Rights and Copyright protection. Unless the system is greatly restructured, states will continue to choose between subsidizing leading industries, or seeing them flee, especially for those that are most mobile. For the Major studios, who receive the bulk of subsidies, are the most globally mobile, and have international access to partnerships and distribution, this system helps reinforce both their economic and political leverage, but also in building a larger coalition of labor and smaller studios who in turn expand their systemic influence.

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