Almost Hollywood, Nearly New Orleans

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Newspaper coverage of the film industry has been based largely on economic research and reports generated by firms cozy with the benefactors of the tax incentives. In Louisiana, Loren C. Scott and Associates has prepared a yearly assessment of the regional tax credit policies for the Louisiana Department of Economic Development, which administers the program. A consultant for energy, oil, and gas and a number of large banks, the economist Dr. Scott has favored tax breaks, opposes labor unions, and warns against all forms of government regulation as a general economic principle. Yet his group’s last economic analysis of the film tax-credit program received a lukewarm reception from the LFEA and the MPAA for underestimating the positive effects of the incentives. They, in turn, issued a counter-report with their own figures. From there, newspapers balanced the findings of these reports as a narrow debate between dueling econometric formulas. The larger questions about film economy policy are left in the hands of the technocrats.

How should we as citizens understand this “inside baseball” of film policy? While this book is largely a cultural analysis of a regional film economy, it is not so difficult to read through the various editions of the policy and its optimistic analyses. Without even knowing the ways the projections are calculated, citizens can decode the variety of expert-driven reports and their assumptions with just a few rhetorical tools.

To exemplify, I offer my own close reading of a 2013 report by Scott and Associates, “The Economic Impact of Louisiana’s Entertainment Tax Credit Programs,” which touts the slew of entertainment tax-credit programs for clearly resulting in “increased business sales and jobs for Louisiana residents” up through 2012. The devilishness of the statement is clearly in the details, particularly in how we define sales and jobs and then how these outputs compare to the state’s basic expenditures. Even as many aspects of the policy have changed how the numbers will add up for 2016–17, the basic assumptions around how the state defines business sales and film jobs are the foundation upon which all the other calculations rest.
Beginning with business sales, the state certified approximately $717.2 million in film-production spending in Louisiana by Hollywood studios in 2012. Another $18 million or so was certified for building Louisiana film infrastructure, though this was most likely not initiated by studios. The first figure, though, is taken as the baseline for business sales, since the certification is to verify that the studios spent that money in state. However, money spent in state does not mean that the business itself is Louisiana based. Indeed spending on hotel chains and airline companies may originate in state, but the profit margins flow outward to corporate headquarters elsewhere. Fees associated with bonds and financing are also included as business sales, though arguably most people would associate fees with a negative penalty on studios, and not a positive sale. To this figure of $717.2 million, the report’s authors add another $316.9 million in indirect business sales. Indirect sales are estimates of how many business sales might be related to a direct sale in film production. For example, if a film crew stays in a hotel and the hotel has to hire more staff or supplies, these would be considered positive business sales for the film economy.

The report uses a literary metaphor to justify its fuzzy math: “When the rock [of direct spending] hits the pond, it will send ripple effects all the way to the edge of the pond. These ripples are what economists refer to as indirect or multiplier effects of the entertainment spending.” This is a rather elegant image for what critics say is, in reality, “no science, and it may be stretching things to call it an art.” Using an input/output table developed by the U.S. Bureau of Labor Statistics, the multipliers for film production are fundamentally grounded in a common interest between state film commissions and the film industry to promote regional economic impacts. For Louisiana, this art of the multipliers allows the state to estimate that film production resulted in just over $1 billion in business sales in 2012. If the report’s authors wanted to give a more accurate picture of business sales, it would take the direct certified sales, subtract any spending on businesses not based in Louisiana, and then subtract the tax credits that, in effect, gave the money back to the studios. In 2012, this rebate was $218.4 million, bringing the direct business sales down to less than $500 million to begin with. While this figure implies that for every $1 the state spends, film studios spend about $2 in state, this impact is far smaller than that of other industries, especially those that would rely entirely on Louisiana-based resources, whether that is lumber or labor.

As for the second term in that pairing, labor, the jobs impact in the report has to be qualified with the precious notion of what is a job. I would hazard that most people, when presented with numbers of jobs, imagine regular employment, either in a stable position or in an actual place. Neither of these assumptions applies to the “jobs” cited in the report by Scott. Film jobs are contract work, most referring to employment for a limited time, anywhere from three months to only a day. A single worker may then occupy up to ten jobs in a given calendar year. To illustrate a correlative jobs number in New Orleans would mean counting the number of music jobs created by clubs by counting the aggregate total of musicians who play in gigs each night for a year. The temporary nature of the industry’s presence in state means that the average film worker must piece together various jobs over the course of a year, frequently working second or third jobs that can ensure more stable sources of income. In the United States, film jobs are most sustainable in regions where other core entertainment industries are located, namely Southern California and New York City.

With this considerable caveat in mind, the report claims that the film industry created 5,976 jobs directly, along with another 8,329 indirectly, in 2012. Together, these jobs were
said to generate $717.9 million in household earnings. The direct jobs are simply the total number of workers that were qualified to receive a tax credit as a hire, regardless of whether the hire was a Louisiana resident. The indirect jobs were figured using another estimate based on census data for all jobs that could be associated with film production. These occupations include miners, farmers, and real estate agents; the latter, coincidentally, had the most jobs added to their ranks in 2012—828 realtors were presumed to be employed thanks to film-production multipliers. The aggregate earnings of the indirect jobs were similarly based on the total of average wages in those professions. Hence, the film industry was reported to be responsible for 1,152 extra health-care workers, such as paramedics and nurses, who make relatively good earnings ($46.3 million), but also for 581 extra food servers making relatively poor earnings ($10 million). In both cases, however, the correlation with film production is largely imagined—based on the idea that film workers are somehow different from other workers in the economy. Most tellingly, the report asserts that film production's economic impacts need to include these indirect estimates, because

When workers in the industry receive their paychecks, they will then take that money and spend some of it at grocery stores, car dealerships, clothing stores, theaters, etc., in the state. This creates new incomes for people in those sectors, and they will go spend their earnings at grocery stores, car dealerships, clothing stores, theaters, etc., and the cycle keeps repeating.

By this definition, every worker would have a multiplier effect, and some workers would have far bigger ripples than the film worker. To wit, the report cites only the direct employment and earnings figures for workers in Louisiana's paper industry and transportation-equipment manufacturing sectors; both dwarf the direct figures for film production, and the jobs in those sectors are presumably more regular for the individuals employed in them. All of this begs the question why the state goes to such trouble to obscure the economic impacts of the film-production tax credit with so many uncertain numbers and dubious calculations. The answer to this question is not only economic, but also cultural. The final calculation that is a key to the report is the average wage supposedly earned by workers affected by the film industry. This figure, which averages the aggregate earnings of each sector directly and indirectly employed by the film industry, comes to $51,239 annually, a figure that seems to tower over the average earnings of most Louisianians. From this, we see the class conceit about creative workers: they earn more and thus spend more. Their consumption will drive an economy associated with overpriced loft living, bourgeois services, and conspicuous spending habits. Unfortunately, even this number is a fiction. The average-wage calculation includes the highest-paid individuals in film production, such as starring actors and actresses, directors, and producers. The fact that those few individuals who earn millions per film project (and who largely do not live in Louisiana) cannot be disaggregated from the payrolls for these calculations should remind residents, first, that their labor also earns the studio at least a 30 percent tax credit; and, second, that these privileged few workers offset the annual wages of the thousands below them who work for minimum wage. The wage realities of the masses of workers affected by the film industry are thus completely invisible in the state's rosy assessment.