Introduction to Game Theory:
Marginal Contribution – A Case Study

Version 10/29/17
A Brief History of the Movie Business: The Stars are Born*

In the early days of cinema, leading actors and actresses were known by the name of the company they worked for:

Florence Lawrence and Mary Pickford were the “Biograph Girls”

In 1909, Carl Laemmle** launched his own production company (later Universal)

To compete with the established companies (which operated as a cartel), Laemmle hired Lawrence and Pickford away and promoted them as “stars”

By 1913 introductory credits routinely appeared on the screen

*This and following five slides draw heavily from Movies and Money, by David Puttnam, (Vintage Books, 2000), which is highly recommended reading

**His son, Carl Laemmle Jr., produced Dracula (1931) and Frankenstein (1931)
Can You Take the Star Out of the Picture?

With the arrival of talkies, Paramount opened a studio in Paris to make local-language versions of its films.

By the early 1930s, it was producing a film in up to twelve languages.

But audiences didn’t like films that featured unknown actors and actresses rather than their favorite stars.

(The answer was dubbing and subtitling)
The Studio System

With the growth of the business, the studios were able to take back control.

They realized that stars were created not born.

They had thousands of aspiring actors and actresses to choose from, and put those they chose under multi-year contracts.

This was the heyday of the studio system --- in the 1930s and early 1940s --- when directors and writers were also put under contract.
The End

But the established stars realized they had enormous power

They negotiated new contracts or renegotiated existing ones:

In 1950, the agent Lew Wasserman (MCA) helped Jimmy Stewart negotiate a percentage deal (and no salary) on a western called *Winchester 73*

Stewart became the highest-paid star, and similar deals for other stars followed

Marilyn Monroe was signed to Twentieth Century-Fox indefinitely for $50,000 a picture

In 1954, she went on strike and was suspended for contract violation *

The studio caved and gave her a better deal

Television: Jekyll or Hyde?

The studios saw the rise of TV in the 1950s as a serious competitive threat

Jack Warner decreed that no TV set be shown in any of his movies

MGM banned the use of the word “television” in their scripts

They responded by introducing Cinerama and CinemaScope

Wasserman realized that TV was a fresh venue for his clients and also saw that it was a potential partner --- in fact, customer --- for the studios

While the studios hesitated to supply the TV networks, he started buying up film libraries

Finally, in 1962, MCA bought Universal
The Show Goes On --- Or Not?

For *Mission: Impossible III*, Tom Cruise asked for more than his usual 20% of the “first-dollar gross” (gross box-office revenue from the first day of release)

Paramount responded that just to break even, it would need the movie to bring in $500 million, and put the movie on hold

Cruise and the studio came to a compromise

In 2006, Paramount ended its 14-year relationship with Cruise

References: “Sweetheart Star Deals Go Sour,” by Kate Kelly and Merissa Marr, wsj.com, 01/13/06; and “Fired or Quit, Tom Cruise Parts Ways With Studio,” by David Halbfinger and Geraldine Fabrikant, *The New York Times*, 08/23/06
You *Can* Take the Star Out of the Picture

“It’s the writing, stupid”

--Dick Wolf, creator and exec. producer of *Law & Order* *

“Dick Wolf never comments about casting changes during the season”

--Neil Schubert, spokesman for Universal Studios **

*Quoted in “TV on the Cheap,” by James Surowiecki, *The New Yorker*, 03/04/02; **quoted in “Sources: Orbach Leaving Law & Order,” *Road Runner News*, 03/27/04; this slide draws on “How Much is a TV Star Really Worth?” by Robert Schlaff, unpublished, Stern School of Business, 2004*
The Marginal Contribution of Steve Jobs
The Marginal Contribution of Jean Seberg

When an off-screen Preminger asked, “Do you want to be an actress?” Jean [Seberg], with an affecting clarity and directness, answered: “Very badly.” “Why haven’t you worn a cross?” Preminger inquired. “My family is too poor to afford one,” Jean replied, bowing her head. But after Preminger responded with a doubtful “Really?” she giggled. “Because I knew the other girls would be wearing them,” she admitted. *