



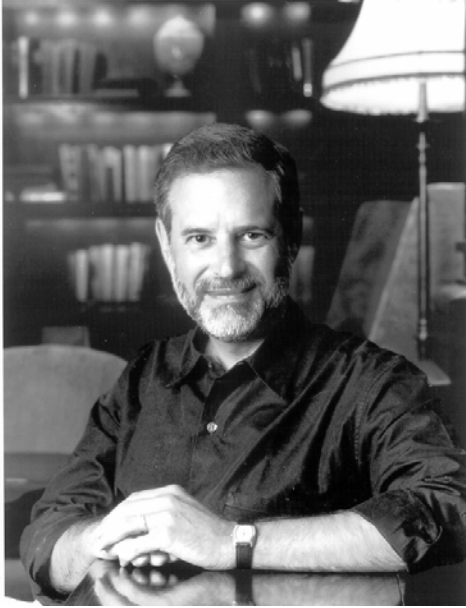
*Risky Business:  
The Split Between Paramount and  
Tom Cruise*

By Neal Gabler

*New York Times* Op-Ed  
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Exploring Implications of the Convergence of Entertainment, Commerce, and Society

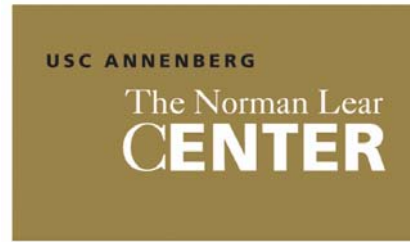


### **Neal Gabler**

Neal Gabler, senior fellow at the USC Annenberg Norman Lear Center, is an author, cultural historian and film critic. His first book, *An Empire of Their Own: How the Jews Invented Hollywood*, won the *Los Angeles Times* Book Prize and the Theatre Library Association Award. His second book, *Winchell: Gossip, Power and the Culture of Celebrity* was named non-fiction book of the year by *Time* magazine. His most recent book is *Life the Movie: How Entertainment Conquered Reality*, and he is currently at work on a biography of Walt Disney.

Gabler has contributed to numerous publications including *The New York Times*, the *Los Angeles Times*, *Esquire*, *New York Magazine*, *Vogue*, *American Heritage*, *The New Republic*, *Us* and *Playboy*. He has appeared on many television programs including *The Today Show*, *The CBS Morning News*, *The News Hour*, *Entertainment Tonight*, *Charlie Rose* and *Good Morning America*. Gabler also hosted *Sneak Previews* for PBS and is a regularly scheduled panelist on the weekly cable show *Fox News Watch*.

Gabler has held fellowships from the Freedom Forum Media Studies Center and the Guggenheim Foundation. He has served as the chief nonfiction judge of the National Book Awards and judged the *Los Angeles Times* Book Prizes. Gabler has taught at the University of Michigan and at Pennsylvania State University, and graduated summa cum laude from the University of Michigan. He holds advanced degrees in film and American culture.



### ***The Norman Lear Center***

Founded in January 2000, the Norman Lear Center is a multidisciplinary research and public policy center exploring implications of the convergence of entertainment, commerce and society. On campus, from its base in the USC Annenberg School for Communication, the Lear Center builds bridges between schools and disciplines whose faculty study aspects of entertainment, media and culture. Beyond campus, it bridges the gap between the entertainment industry and academia, and between them and the public. Through scholarship and research; through its fellows, conferences, public events and publications; and in its attempts to illuminate and repair the world, the Lear Center works to be at the forefront of discussion and practice in the field.

## *Risky Business*

This, industry insiders feared, was Hollywood's own Fort Sumter.

By Neal Gabler

Aug. 25, 2006 | When Paramount Pictures publicly and acrimoniously terminated its 14-year relationship with Tom Cruise's production company on Tuesday, it seemed to be the studio moguls' long-simmering declaration of war against their pricey stars.



**Stars have always provided wattage to the movies.**



Paramount's announcement came after a series of skirmishes between studios and stars: the cancellation of one Jim Carrey film and the postponement of another on the verge of production; the public rebuke by the chief of Morgan Creek, James G. Robinson, of Lindsay Lohan after excessive partying caused her to miss work; and the studios' letting lapse at least a half-dozen production deals with stars.

According to The Los Angeles Times, talent agents and executives alike were pondering whether relations between the studios and the stars had "sunk to a new low." Perhaps so, but the dichotomy between studio-dominated films and star-dominated ones has always been something of a false division.

From the early 1910's, when audiences first began to identify actors on screen and then demand to see their favorites, stars have always provided wattage to the movies, and every studio was reliant on them. Consequently, it has never been a matter of whether a studio could

operate without stars; it has always been a matter of whether the studio or the star held the greater power. This battle has largely defined the industry.



**The star has been the best way of shortening the odds against failure.**



In the golden days of the studio system in the 30's and 40's, stars were essentially indentured servants — albeit well-remunerated ones — who took straight salaries, had little control over the films they made, and were bound by unconscionably long contracts.

It wasn't until the stars' Emancipation Proclamation in the mid-1940's, when Olivia de Havilland challenged her studio contract in court and won, that the balance of power began to shift.

In the early 50's, the old studio system collapsed entirely under the double blows of declining audiences lost to television and an antitrust suit that forced film companies to divest themselves of the theaters they owned. A power vacuum opened, which the stars happily filled.

The legendary agent Lew Wasserman engineered a profit participation deal for his client Jimmy Stewart in 1950 that gave him half of the studio's take from his films; at the same time, stars like Burt Lancaster were forming their own production companies, trading their movies for financing. From the hapless film executives' perspective, the inmates had finally taken over the asylum.

The talent have been running the asylum ever since, and the studios have had little choice but to let them. With hundreds of millions of dollars now riding on each picture, the star has been the best way of shortening the odds against failure.

Indeed, as Hollywood has relied increasingly on the first weekend grosses, stars have accrued even more power. Stars who can open pictures — that is, attract fans before even word-of-mouth has had a chance to operate — have become a precious commodity. This is how Mr. Cruise, maybe the best opener ever, became the highest-paid star in history.

But the conventional wisdom that big stars make big profits for the studios has been under attack recently. Wracked by the growing uncertainty of the market as audiences pursued other entertainment options and by oscillating grosses that unaccountably rise and dip, studio heads have been flummoxed.

Studios have, for years, thrown money at stars with salaries escalating to more than \$20 million a picture — and that doesn't even include stars' participation in a movie's gross, or cushy production deals, like Mr. Cruise's, which was said to be costing Paramount \$10 million a year.



**As Mr. Redstone saw it, Mr. Cruise overplayed his hand, both financially and personally.**



With all the money spent on stars, not to mention exorbitant production budgets, the profit margins for the studios have grown thinner and thinner. It was only a matter of time before executives would come to question whether this arrangement was worth it.

For Mr. Cruise, it didn't help that he exhibited his oddball behavior just when the economics of stardom seemed most uncertain. Sumner Redstone, the head of Paramount's parent company, estimated that Mr. Cruise's falling popularity cost Paramount up to \$150 million on "Mission: Impossible III." As Mr. Redstone saw it, Mr. Cruise overplayed his hand, both financially and personally.

Still, this isn't only a Tom Cruise problem. In disengaging from Mr. Cruise, Mr. Redstone issued a warning to other puffed-up stars with inflated salaries and demands. After decades of studios threatening to draw the line, Paramount actually had the chutzpah to do it. Everyone is now on notice: The moguls want their power back.

But if this is the empire striking back, one wonders if it is a bold stroke or a foolhardy miscalculation.

Paramount's salvo against its biggest star may be an attempt to bring some financial sanity to the old asylum. But it's also another sign of just how badly the film industry has lost its bearings in this new media environment, where the once-reliable teenage audience is suddenly less reliable; video games and the Internet are making the inroads into movies that TV once did; and DVD sales, which once seemed like the studios' salvation, are plummeting.



**Everyone is now on notice: The moguls want their power back.**



The stars, for their part, have helped create an untenable economic situation. But even though Mr. Redstone wants to bring them to heel, he is devaluing the movies' greatest asset, and opening a breach the studios alone can't fill. The fear in Hollywood is that Mr. Redstone may be smashing the star-driven model without putting anything in its place but financial responsibility, and audiences don't line up to see financial responsibility.

Of course, Hollywood is accustomed to prophecies of doom. The difference this time is that everyone — stars and executives alike — seems clueless. The asylum is out of control and no one knows what to do about it.