

Why the Movie Industry Is Fleeing California

Ah, Hollywood. The Mecca of filmmaking. Thousands of would-be actors, screenwriters, and directors flock to Los Angeles, California to fulfill their dreams of becoming a star because, after all, that's where movie-making happens. Everyone knows this.



And for close to a century, it was true. But today, Hollywood – the way we generally think of it – is fading away and going elsewhere. In fact, in 2017, [only ten of the top 100 movies](#) produced that year were made mostly in California.

It's no secret that the entire state of [California is experiencing a large and sustained out-flow](#) of residents, but [Los Angeles County, in particular, is showing the biggest losses](#). The question is why.

Why is the film industry abandoning its Mount Olympus?

A Hollywood Origin Story

Let's back up for a minute and look at how Hollywood (the term used to describe the mainstream film industry because, yes,

you're correct, Hollywood, originally Hollywoodland, came from the name of a specific neighborhood in Los Angeles) came to be in Los Angeles to begin with.

Back at the end of the 19th century, motion pictures were a very new technology, and a handful of people held almost all of the patents related to the filming and screening of said films. Chief among them was Thomas Edison.

History remembers Edison as an important inventor but not so much as a nice guy. That's probably a fair assessment, especially when it comes to early film-making technology.

Films at the tail-end of the 19th and beginning of the 20th century in America were made almost exclusively on the East Coast – New Jersey, mostly. Films were short, silent, and lacked much of the subtlety and nuance that modern moviegoers have come to expect from cinema. At the time, though, [they were cutting-edge and incredibly popular](#).

One could make a very good living running a show house or nickelodeon in any big city.

Right up until December 1908, that is.

That's when Edison spearheaded the creation of the Motion Picture Patents Company (MPPC), generally referred to as the Edison Trust. [It was comprised of the holders of all the significant patents](#) related to the production and screening of motion pictures, including Biograph, Vitagraph, American Mutoscope, Kodak, and others.

Edison was widely known for having strong opinions about what kinds of movies should be made, how long they should be, who should be credited in them, and what it should cost to show them. With the control of the patents he himself owned combined with the collective clout of the other members, the MPPC ruled the movie-making industry with an iron fist. They sued those who didn't comply with their dictates for patent

infringement, refused to sell them equipment and film, and, occasionally, sent hired hooligans to wreck up movie sets or show houses.

As Dan Lewis at [Mental Floss](#) writes,

In short, if you wanted to be in the movie business, you did so at the pleasure of Thomas Edison. And Edison (via the MPPC) was not one to back down. The Company took to the courts to prevent the unauthorized use of everything from cameras to projectors – and in many cases, the films themselves. According to Steven Bach in his book, [Final Cut](#), the MPPC even went to the extreme “solution” of hiring mob-affiliated thugs to enforce the patents extra-judiciously. Pay up – or else.

As you might imagine, some filmmakers chafed under such rigid constraints and looked for ways to escape Edison and his MPPC. Their solution? Head west.

After Arizona failed its audition, Los Angeles became the destination for aspiring filmmakers. In addition to being as far away as possible from New Jersey and the MPPC, [the tiny town boasted](#) a copious amount of sunny weather – critical to filmmakers in the days of extremely limited artificial lighting – as well as an abundance of cheap real estate and high-skill, low-cost labor.

The local government was pro-business. Should the MPPC actually manage to send a lawsuit that far away, the Mexican border was close enough to duck across until the process server gave up and went home. The geography was varied and beautiful.

After WWI broke out, Los Angeles became *the* movie-making hot-spot as American film production was sought out to replace the movies that were no longer being made in war-torn Europe. Hollywood's star was on the rise, and millions of people over

the decades decided to hitch their wagons to it.

Hollywood's Act II Problems

For most of the 20th century, it was good to be Hollywood. There was no shortage of money and talent coming in the door. But over time, things began to change. As film technology made big advancements like broadcast TV in the 1950s and home video in the 1980s, the various roles in the film industry in California also saw surges in unionization.

This led to the various roles on film sets to be increasingly tightly-defined and contractually protected. No one may step even an inch into someone else's lane.

Nick Bilton in [*Vanity Fair*](#) relates the "Raindrop Story" he heard from a Hollywood screenwriter:

The production was shooting a scene in the foyer of a law firm, which the lead rushed into from the rain to utter some line that this screenwriter had composed. After an early take, the director yelled "Cut," and this screenwriter, as is customary, ambled off to the side with the actor to offer a comment on his delivery. As they stood there chatting, the screenwriter noticed that a tiny droplet of rain remained on the actor's shoulder. Politely, as they spoke, he brushed it off. Then, seemingly out of nowhere, an employee from the production's wardrobe department rushed over to berate him. "That is not your job," she scolded. "That is my job."

The screenwriter was stunned. But he had also worked in Hollywood long enough to understand what she was really saying: quite literally, wiping rain off an actor's wardrobe was her job—a job that was well paid and protected by a union. And as with the other couple of hundred people on set, only she could perform it.

And it's not just unionized labor that's expensive in

California. Sticking with labor costs, [California has the second-highest minimum wage](#) in the country at \$13 an hour, though that's set to increase to \$15 an hour by 2022. And though there's still some back-and-forthing going on regarding the [notorious AB5 law](#), many businesses in the state are being told they need to hire their freelancers as (far more expensive) permanent employees.

Not only that, but [California's real estate and housing markets](#) are among the most expensive in the country, a trend that shows no real sign of improving. The state's zoning and building [regulations make innovation difficult](#). Special preferential political treatment of the California agriculture industry has led to [water rationing](#) for individuals during drought conditions.

In fact, drinking water isn't the only [beverage subject to regulation](#) in California. Furthermore, the state's 2019 kerfuffle with electricity provider [PG&E's rolling blackouts](#) for customers during high winds is also largely a problem created by the meddlesome state government.

Once all of these factors – and the above list is by no means comprehensive – are taken into account, [California has the highest poverty rate in the U.S.](#)

It isn't that filmmakers don't want to film in Los Angeles – they do. But all of these combined constraints significantly increase the total costs of filming and producing in California. Heck, [not even films set in Los Angeles are being shot in Los Angeles](#) these days.

So, take the barriers and high costs in California, combine it with fewer and fewer people going to the movies anymore, and the result is a shrinking profit margin for production studios. Something was bound to give.

Enter the Rivals, Stage Right

Around the mid-1990s, other states and countries saw a chance to entice production companies away from California and to bring their cool – and taxable – jobs with them. States like Louisiana and Georgia along with Canada began offering some pretty sweet [incentives](#) packages for filmmakers and production companies.

Some places offered subsidies (direct payments), but the lion's share of pretty much all of the financial incentive packages was tax breaks (a lower tax bill). Though those two kinds of incentives are often conflated, [they are not, in fact, the same thing](#).

And it worked. The state of [Georgia, the UK, and Canada all top California](#) when it comes to the number of films shot and produced there.

Why would production companies leave what has become their ancestral homeland for Georgia or Louisiana? The same reasons they went to California in the first place: to make more money.

Outside constraints – whether from tyrannical patent trolls like the Edison Trust, micromanaging union guidelines, or well-meaning but poorly-considered legislation – made making movies expensive enough that a reduction in production costs was enough to outweigh the hassle of relocating. It was true in 1909, and it was true in 1997. It remains true today.

Though the film industry is one of the most visible ones to ease its way out of California, it's by no means alone. The entire state is seeing residents of all kinds leaving. In 2018 alone, the state [saw a net loss](#) of about 190,000 residents. That's slightly [more than the entire population of Shreveport](#), Louisiana. According to a recent [UC Berkeley poll](#), about half of the people still living in California have considered

leaving. When asked why, 71 percent cited the high cost of housing and 51 percent said it was because of the high tax burden.

At the end of the day, filmmakers are just trying to make a living creating art. That's already a difficult path to navigate. It should surprise no one that when a smoother route opens up, a lot of people would choose it over the more difficult one.

And the same is true for every industry everywhere. Instead of making life more difficult and expensive by putting up barriers like high taxes, occupational licensing requirements, compulsory union membership, expensive building requirements, and so on that satisfy special interest requests without doing much to improve life for everyday people, California could just let individuals, businesses, and industries succeed or fail based on their own merits in the market. With fewer obstacles to overcome just to get started, individuals and their businesses would stand a much better chance of improving their lives.

For Hollywood, history is repeating itself. California used to be a safe haven for those looking to escape the control freaks of the Edison Trust. Now California itself is the control freak that entertainment entrepreneurs are fleeing as they seek refuge elsewhere. The exodus of talent (and tax dollars) from California won't stop until it restores the relative economic freedom that allowed Hollywood to become the entertainment capital of the world in the first place.

This article was originally published on FEE.org. Read the [original article](#).

—

Dear Readers,

Big Tech is suppressing our reach, refusing to let us advertise and squelching our ability to serve up a steady diet of truth and ideas. Help us fight back by [becoming a member](#) for just \$5 a month and then join the discussion on Parler [@CharlemagneInstitute](#)!

Image Credit:

Pixabay