



Taylor Hackford versus the Internet pirates

Feb. 17, 2012 | By [Matthew DeBord](#)

Directors Guild of America President [Taylor Hackford went on "The Patt Morrison Show"](#) on Wednesday to offer withering opposition to the opponents of [SOPA](#) and [PIPA](#), the two pieces of federal legislation that are intended to halt the scourge of online copyright piracy and, if you believe Hackford, preserve the gainful employment of many thousands of of entertainment industry workers who make far less money than he does (\$50,000 a year, on average).

You certainly can't begrudge Hackford his defense of the "artists" against the Internet ruffians. He's made some fine films, including "An Officer and a Gentleman" and "Ray" (we'll forgive him "Against All Odds" and the improbable ballet-tap Cold War mashup "White Nights"). He's on his second go-round as the DGA prez. That said, he could have done a better job of dealing with Patt's question during the segment about the Hollywood business model.

[As I've argued](#), the reason [Hollywood](#) and [Silicon Valley](#) can't get along is that their business models are completely opposed to each other. Unfortunately for Hollywood, Silicon Valley has the New on its side. People want easy access to content, and they would prefer that it cost as little as possible. Hollywood wants to control access to content and hopes to continue charging a premium.

Hackford makes the usual argument about rampant offshore piracy (which might not really be all that rampant, and in any case is already being adequately dealt with, *pace* the [Megaupload bust](#) last month) and says that there's nothing romantic about content thieves and that the opponents of SOPA/PIPA are doing more harm than good. Which distorts what the SOPA/PIPA opposition is really all about. The foes of the legislation fear a chilling effect on Internet entrepreneurship if startups are concerned that their websites can be shut down because they contain fragmented bits and pieces of copyrighted content. Outright stealing of whole blocks of content (e.g., copies of "Proof of Life") isn't something they're particularly interested in.

And why would they be? Taking Big Content from Hollywood and pouring it into a new digital vessel gives a lot credit to a business model that most tech people probably think is hopelessly broken. [Julian Sanchez of the libertarian Cato Institute](#) took a deep dive into these issues about a month ago and came up with a fairly decisive indictment:

[N]otwithstanding projections of a "long tail" effect resulting from lower search and distribution costs in the digital era, most entertainment industries continue to operate on a "tournament" or "lottery" model, where a few hits generate jackpot revenues, sufficient to make up for losses on the majority of new products. Unsurprisingly, the [most heavily pirated movies](#) each year tend to be the ones that are also highly successful at the box office and in DVD sales, with similar patterns in album downloads. In other words, bleeding revenue to piracy is going to be a problem to the extent that your product is a hit, in a market where the core uncertainty about this crucial fact (at the time when the decision whether to greenlight production is made) looms a lot larger than the marginal loss from illicit downloads if you *are* successful.

In other words, the Hollywood business model actually enables the very piracy that it opposes. It's pretty easy to figure out what to pirate if the industry you're pirating routinely puts all its eggs in one basket. If Hollywood followed a more diversified model, funding and producing a wider variety of entertainment products (especially movies), then the beneficiaries of the current lottery system might make less money, but the overall industry would provide less incentive to the content thieves.

To be sure, there's no shortage of posturing on both sides of this issue. It isn't all about Silicon Valley wanting the Internet to breathe free, and it isn't all about Hollywood making the (to it) righteous case that its hard, inspired work is being ripped off.

But what's troubling is how neither side seems willing to solve the other's problem. Hollywood's business model isn't going to last another 100 years — it might not even make it to the middle of the 21st century, so

aggressively is it being disrupted, and so hard it has become to finance the blockbuster mentality. But Silicon Valley can't expect to build another trillion dollars of value of free content. [Netflix](#) would be much better if it had better movies, sooner.

Silicon Valley has the innovation and Hollywood has the artistry. Rather than fighting, these two great California industries should be collaborating like crazy.