Motion Picture Association accuses author of film subsidy studies of academic malpractice

David M. Kall | Wednesday, September 28, 2016

Much has been made of a pair of studies authored by Assistant Professor Michael Thom of the University of Southern California, whose expertise lies in areas including public finance, social welfare, taxes, and regulatory policy.

The first, *Lights, Camera, but No Action? Tax and Economic Development Lessons From State Motion Picture Incentive Programs* (Lights, Camera), was published in July by the journal *The American Review of Public Administration*. It evaluates the impact of states' various tax incentives on labor and economic conditions, between 1998 through 2013. More than 40 states have utilized such programs to lure film and television productions out of California and New York, and into other jurisdictions, with unspectacular results.

According to *Lights, Camera*, sales and lodging tax waivers had no effect on any of four different economic indicators; transferable tax credits had a small, sustained effect on motion picture employment levels but no effect on wages; refundable tax credits had no effect on employment, and only a temporary effect on wages. Neither credit affected gross state product or motion picture industry concentration, nor did incentive spending have any influence.

The second study, *Fade to Black? Exploring Policy Enactment and Termination Through the Rise and Fall of State Tax Incentives for the Motion Picture Industry*, coauthored by Professor Thom and Brian An, and published by *American Politics Research* in early August, assessed the factors that led more than 45 states to enact, and some to later repeal, a collection of tax incentives aimed at facilitating job creation and economic diversification. The authors discovered that rising unemployment was part of what drove states to implement incentive programs, and falling unemployment lead some states to repeal theirs. National trends impacted the creation and repeal of incentive programs.

A mid August USC press release, *Lights, camera and no action: How state film subsidies fail*, summarized the studies by concluding that tax incentives ultimately fail to deliver the long-term economic benefits promised by industry lobbyists and lawmakers.

The press release pointed to the five states with the greatest cumulative investment in the motion picture tax credits, according to the research:

- New York, $2.6 billion (enacted 2004)
- Louisiana, $1.5 billion (enacted 2002)
- Connecticut, $614 million (enacted 2006)

- California, $582 million (enacted 2009)
- Georgia, $529 million (enacted 2005)

The five states that have spent the least:

- South Dakota, zero, (enacted 2006, repealed 2011)
- Idaho, zero, (enacted 2006, repealed 2014)
- Indiana, $200,000 (enacted 2008, repealed 2011)
- Montana, $900,000 (enacted 2005, repealed 2014)
- Maine, $1 million (enacted 2008, repealed 2011)

It highlighted a state that fell somewhere in between, New Mexico, the setting for the television shows “Breaking Bad” and “Better Call Saul,” to prove its point. The Land of Enchantment spent a cumulative $490 million on filmmaking incentives between 1998 and 2015, but generated just 14 cents per dollar spent. “After a state has invested tens of millions of dollars, no politician wants to acknowledge that the program is a waste of taxpayer money,” the *Fade to Black* authors opined.

The Motion Picture Association of America fights back

A month after USC published its press release, the Motion Picture Association of America (MPAA) issued its own statement refuting Professor Thom’s work, characterizing it as “false and misleading.” Among other things, MPAA asserted the following of Lights, Camera, but No Action?:

> “[T]he study contains a number of fundamental scientific flaws, including poor data selection and failure to account for different size programs across states, which render its conclusions invalid. The analysis suggests that if this paper had been reviewed by economists familiar with labor data and with production incentive programs, it would not have stood up to scrutiny and would not have been recommended for publication.
> ”

Guns still blazing, a senior executive with MPAA insisted that

> “[I]t is troubling and without excuse that such a false and misleading study, without statistical and intellectual foundation, would be recklessly promoted by an otherwise respected educational institution such as USC. It severely tarnishes the reputation of the university as well as the academic credentials of the author, USC assistant professor Michael Thom. This is academic malpractice, designed to make a provocative statement rather than offer sound policy analysis.
> ”

More specifically, the senior executive highlighted the following:

- The film and television industry supports 1.9 million U.S. jobs;
- Direct industry jobs generated $50 billion in wages;
- Direct industry jobs generated nearly 305,000 jobs in core businesses related to producing motion pictures and television shows;
- The average salary of these jobs is $92,000, which is 79 percent higher than the average salary nationwide;
- States and countries with strong production incentives report positive impacts on growth and employment, and studies have measured this impact.

In addition, the executive contended that Professor Thom’s study contains “several distinct inaccuracies and methodological problems,” such as the following:

- It looks at the wrong jobs data;
- Its baseline assumptions misunderstand how transferable film credits actually work;
- The analysis ignores how the size of a state’s film production incentive program could impact the amount of production, as well as correlations between program size and its potential impact on employment, wages, and other outcomes;
- The data does not account for changes in program size over time, or differences in the same type of incentives offered in multiple states;
- Treating all state film production incentive programs equivalently and ignoring the variability of

spending by programs (from state to state and from year to year) falsely equates programs that are very different in terms of size and potential impact.

Professor Thom defends himself

In response, Professor Thom told DeadlineHollywood that his research was peer reviewed, by two rounds of rigorous, double-blind review. “That means that several academic researchers who are experts in the field evaluated the data, analysis and methodology, and determined the study to be credible and the analysis valid for publication. This study further validates previous work by other academic researchers, think tanks and state government auditors.”

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