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MARKETPLACE

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HEADLINE: Dr. Martin Kaplan of the Annenberg School of Communication on the business of entertainment.

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DAVID BRANCACCIO, anchor:

Should a company expected to do stern audits also be selling management consulting services to the same client? Should a Wall Street firm expected to issue clear-eyed grades on stocks also be selling investment banking advice to the companies behind those stocks? These are among the conflicts of interest that seem a little quaint out here in the epicenter of the entertainment industry, Hollywood.

Martin Kaplan, associate dean at the Annenberg School of Communication at the University of Southern California, is here to talk business of entertainment.

Dr. MARTIN KAPLAN (Professor, Annenberg School for Communication): I think most Americans have learned what the word 'oxymoron' means from Hollywood ethics. That's where these paradoxes first arose. Hollywood is rife with these issues and they go well beyond the kinds of stuff that Wall Street's looking at. Conflict of interest, for example, is a very ripe field. Look at the agencies and law firms in Hollywood. They represent everybody on every side of every negotiation and every dispute. They have in their file cabinets all the material that the other side in every issue is desperate to have. How in the world can they possibly compartmentalize their thinking in their negotiations?

BRANCACCIO: What accounts for that? Is it that this is a small town in some sense?

Dr. KAPLAN: Well, I think in the end it's because it still works. Somehow handshake deals do get honored. And as long as a kind of Wild West frontier Klondike mentality enables the industry to keep lumbering along, people are happy not to rock the boat.

BRANCACCIO: Hey, did you see that the health maintenance organizations have gotten a fancy Hollywood agent?

Dr. KAPLAN: Yes. They took a lead from the Saudis, who hired a \$10 million PR firm. But the HMOs have decided that it's the actual belly of the beast they want to be in, which is a brilliant move. If you look at the TV ratings, maybe three times as many people watch "ER" as watch the NBC evening news.

BRANCACCIO: What could an agent like William Morris do, though, for the HMOs?

Dr. KAPLAN: Well, imagine. You can cast a Ray Romano as the plucky cost-to-benefit analyst working at the HMO who denies a body scan to Brooke Shields so that Bill Cosby could get a heart transplant, all three clients of the agency. The odd thing, speaking of conflict of interest, is if you are a client of William Morris' on the talent side, what do you think when your friendly agent says, 'Hey, here's this fabulous part in which you finally get out there and protect those good old HMOs.'

BRANCACCIO: Forgive me for being naive, but in Hollywood it's not just about the body, the actor, it's also shopping projects back and forth and projects have ideas attached.

Dr. KAPLAN: Yes, indeed. And beyond that, the best prize of all is the package in which you not only represent the actors, but also the director, the producer, the idea. And if it's a television project, you also get a packaging fee which is, in some ways, a license to print money.

BRANCACCIO: Hey, Marty, before we go, you see this thing with Jon Stewart who does "The Daily Show," the fake newscast on Comedy Central?

Dr. KAPLAN: Yes. It's great. Viacom, which owns Paramount, which owns the Comedy Channel, is about to sell to CNN, which is owned by AOL Time Warner, the entertainment programming that Jon Stewart does. CNN has said this is the first entertainment news show that they're going to put on, which is hilarious, because after all, what are Larry King and Connie Chung? They do have entertainment value. And on the other hand, people get news from Jon Stewart. Surveys show time and again that more than half of young viewers believe they get important political news from Jay Leno and Jon Stewart and David Letterman. So the question is: Are the postmodern folks in Asia and Latin America going to be able to tell the difference between news as comedy and news as news since after all we in America don't seem to be too good at that, either?

BRANCACCIO: Marty, you're the associate dean at a fancy communications school. You're supposed to be harrumphing about the blurring of these lines of a comedian looking like a anchorman.

Dr. KAPLAN: Harrumph.

BRANCACCIO: Thank you very much. Martin Kaplan is also director of the Norman Lear Center at USC.