

## Evaluation of Movie Production in Iran (First 6 Months of 2007)

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**Abstract:** One of the outstanding features of economic development is the growth and development of public communication's tools and the influential role of these devices in social, political, economic and cultural life of nations which they have reached to their objectives. The presenting of movie as a communication tools has such role today. Structural problems and difficulties of society in its cultural sector have drawn attention minds more than other sectors. effort in recognizing problems and difficulties of structural cultural and looking for solution to remove these problems by using capacities and resources perfectly and also extending these capacities and resources mean while it is necessary to strengthen demand and consumption of cultural products. Iranian filmmaking has reached to main advance. Aspects of content, context and technique especially after revolution in recent years Iranian making has reached to film and high position in the world. Proper enjoyment of public from this cultural product needs to ground which it's the most evident is the diversity and severally of cinema products. The number of cinemas' saloons, chairs and the rate of their usage in Iran. This issue is related to economic explanation of film producers and distributor's institutes and the revenue of producing factors. Current thesis has considered the possibility study of this subject. The result of this research indicates that the producing of movie has not economic explanation in Iran. Hence, it is necessary to support financially to strengthen this industry by Government.

**Key words:** Culture economics, cinema, economic development, movie supply, cost benefit

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### INTRODUCTION

Culture economic is one of the new and applied branches of economics. During the decades that have passed since its creation, culture economics has international scientific journals and has a college degree at prestigious universities. Culture economic, like other applied branches of economics is seeking to use the principles, concepts and theories of economics issues related to production, distribution, consumption and exchange of cultural goods and services analyzed and explained. Therefore, that activity can improve the economic management of cultural, scientific solutions to provide practitioners and policy makers. Culture economic look at artwork as an "economic goods", art and culture if they are disguised form of institutional found a job. Goods and cultural services while directly with concepts, values, norms and ideologies and leisure dealing, growth and development of human life are found. The idea, science, art and literature are not created spontaneously. It also requires the production of investment is planned and organized (Trosbi, 1994).

In Iranian cinema, especially after the Islamic Revolution significant progress has achieved. Therefore, that in recent years Iranian cinema has achieved an established position in the world. But as a document of the Third Plan for Economic, Social and Cultural Islamic

Republic of Iran, in the chapter "Arts and Culture" states, such as "door not been inclusive development, cultural development suffered". It seems that Iranian society in recent decades removed from static situation and has entered a phase called transition. The features of the transition phase are imbalances, relatively deep crisis and tensions that often are hidden and in certain circumstances arise. In this study, using cost-benefit analysis assesses the economic feasibility of the supply of films in Iran (Sadrabadi, 2006).

The question that arises here is whether the interests of film production can cover its costs? In other words, at the micro level, the supply of films from the perspective of the private sector and on the basis of commercial profitability is justified or not?

**Theoretical foundations:** It can be said available evidence show that the income elasticity of cultural goods products is luxury goods. In other words, relatively small fluctuations in income levels, lead to strong change demand for cultural products (Plan and Budget Organization, 1999). However, other aspects of cultural goods which are non-recurring demand is concerned, these are super-luxuries. At high levels of income, demand for cultural goods is relatively high (Plan and Budget Organization, 1999). However, because of the large income, the composition of demand is always

changing. Variability in demand not only between different types of commodities but also between different commodities can be seen.

In other words, without repeating the demand not only lead to the diversity of demand for cultural goods such as television programs, films, tapes, musical scores, visiting museums and the like but also causes the demand for all kinds of goods between this or that type of movie, this or that type of music and the like are also changed. Economic production of cultural products should not as a separate phenomenon but as a response to a variety of manufacturers and suppliers of demand, that certainly makes very risky profitability cultural production, studied (Plan and Budget Organization, 1974). If the risks that threaten producers is the type of production problems in the cultural sector, appropriate responses to certain and history behaviors found. In the new economic system, much of what the experts called full-line forcing (Robert and Williams, 1993). The sale of a product to the buyer is subject to purchase other products. More often breakfast cereals sold with a unique gift. Hotels have their satellites. Sometimes shaving devices with a free razor and low-cost cameras sold in packages containing a roll of film. However, it seems that the prevalence of this phenomenon is nowhere like the cultural sector. Since the shape of the work with full commitment to its technical meaning is different, they can be referred to binding contracts of the order (Sohrabian, 1974).

Film manufacturers everywhere method (reserve series) used their production. According to this method, cinema operators will be required to purchase the right to use a number of videos at once and are not allowed to choose from among a set (cultural industries, 2011). Collections have different shapes. Should take advantage of a number of films bought for a certain time or buys a rating of two or more original videos related to each other to be displayed each time. Group of theater, opera and symphony orchestra work hard to associates season tickets to each other. There are many more examples, however, they all aim to stabilize the demand is variable binding contract. In fact, it can be said that the production of many cultural products from the Template (sample) takes place. Propose, production of all products from a standard sample (homogeneous) is not given, but to ask interesting idea that in case of success of a film, books, etc., this product template and a number of other examples for the production of such products (films, books and like) will come. The success of any product indicates the products can be pattern used to produce other.

The diversity of demand for cultural products is associated with two factors. The inherent characteristics of cultural products that make frequent use of them is boring and technically causing a rapid reduction side uses. In addition, high income or wealth that allows

people to surrender their interest in diversity (Karbalai, 2005). Satisfy diversity sense that local cultural products quickly emptied of content and the disappearance of this content is exacerbated by the demand for variety and change. Set of all the products that can be called culture is not homogeneous. Therefore, it is the culture of consumption of durable goods and the service sector due to distinguish this product. This distinction is based on the fact that consumers of their capital (radio, television, video tapes, phonograph, camera and so on) for equipment, tools and equipment they use and to help produce other products, a stream of services called products of cultural production that is consumed. Research into the production and use of products not address cultural capital but also the economy generates streaming services (real cultural products) will be addressed. One of the most basic aspects of cultural goods from the consumer perspective is that most of them are disposable and virtually none of them can be used multiple times. For example, someone reading the newspaper again this morning, listening to the radio program yesterday, or view the TV program and watch a movie premiere last night spending is not interested in before. It seems that the distinction between a classic or long-lasting work of art a work of art is less and less fame and the classic work is more repeatable. Diversity, difference, dissimilarity, gaps on the topic of cultural goods is an inherent property. It seems that this is one of the main causes intense communication with leisure and cultural goods or merely entertainment of the people. For non-repetition of these products, flexible demand for cultural products for all prices per person, in a range will be very low. Therefore, more flexibility will be shown by the market functions, thus changing the size of the market will be goods. Because price fluctuations over the compliance with these changes. Figure 1 illustrates this well.

As can be seen if the ticket price is  $P_1$  and  $Q_1$  applicants will have to watch the film. If ticket prices will rise (due to the non-replacement of cultural products, i.e., non-repeat of a movie) can hardly dissuade viewers from watching the film.

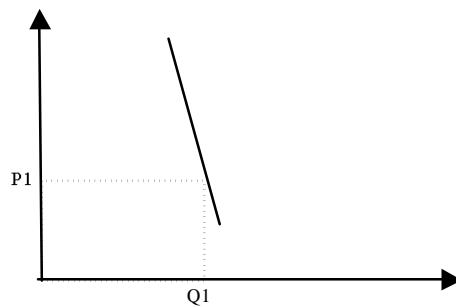


Fig. 1: The demand cultural  $Q_1$  products (Q)

**Literature review:** Most branches have developed applications in the second half of this century. Economic newest branch of applied economics recognize and boomed in the late eighties. The origin of functional economies can be seen emanating from one of the following scenarios: social demand and request of economists to analyze the issue from an economic standpoint, for example analysis of subsidies and state aid given to the theater, holding music or publishing books.

Entertainment economists in testing, proving or showing economic theory in pristine areas such as analysis public subsidies to art in the framework of welfare economic Background and History of culture economic suggests that the creation and development of this branch of the application of both is high.

John Kenneth Galbraith in 1959 published an article in which he discussed the conflict between economics and art. (He examined artist's economic situation and the importance of appropriate design to increase America's exports of manufactured goods).

Lionel Rabitz same year in the UK, analyze the economic role of government in supporting the arts and public financing of museums and galleries. Rabitz studies about art subsidies were followed until they became part of the traditional welfare economics (Girard, 1972).

Basic tasks of Baumol, Bowen and Maklab in the 1960s by the great economists such as Bloch, Becker, Stigler and Peacock followed and the cause was research groups around the world. However, in fact, a pioneer in the field should be (William Baumol) and (William Bowen), who with the publication of Performing Arts Book, in 1966, showed the economic contradiction. How can conventional economic tools to plan and discuss other areas of the economy. Baumol and Bowen's pioneering work on the live show (concerts, theater) multiple achievements for the economy (the economy of live show) to study government policies (subsidies legitimacy and effectiveness) and the subject of management (assessment and identify management practices, cultural institutions) followed. Baumol's achievements on the one hand economic analysis may live show and on the other, the economic base of legitimacy and the limits of government intervention have provided cultural institutions. Baumol and Bowen showed the impossibility of achieving greater efficiency without harming the quality of the increased costs of events (live show) than other sectors of the economy.

Stigler and Cho study published in 1977 in the Journal of AEF is the starting point for numerous research studies about the characteristics of cultural consumption. To test the new theory of the consumer in a position that apparently went consumer behavior is the achievements of traditional microeconomics. One of the hypotheses in

microeconomic theory, stability, taste and the marginal utility of consumption is declining. In this situation, we are facing cultural demand that consequently the amount of experience and the amount of the costs increased. Topic that is incompatible with microeconomic theory. This contradiction through the introduction of human capital in the analysis of cultural consumption that distinguish between components (final consumption) and (investment) makes it possible, is removable. Investment reduce the cost of future costs and thus to mediate between cultural costs and other costs through changes in relative prices ends in favor of the first batch (Menge, 1962).

**Supply of films in iran:** According to the latest Statistics of General Administration monitors and display in 1974 in the whole country in 440 cinemas. Of these 119 cinemas in Tehran and the rest of the 321 cinemas in cities was located. Thus, it is observed that about 27% were located in Tehran cinemas. However, after 34 years in 2007 we were faced with a reduction in the number of cinemas in Tehran, there are 79 cinemas in Tehran and in other cities 401 cinema are working and well it appears that there is a kind of unbalanced cinemas across the country. In terms of having a cinema in Ilam province with one cinema which is also located in the provincial capital, is weakest position compared to other provinces. In 2007, after Tehran which has 79 cinemas, Khorasan Razavi province with 35 cinemas, Mazandaran with 30 cinemas, Fars and Khuzestan provinces each with 27 cinemas hold next orders and North Khorasan province with two cinema has the lowest cinema in the country (Appendix 1-3).

According to municipal statistics the number of tickets sold in 1973 in cinema in Tehran was 42530000 numbers given that Tehran cinemas capacity is 89,854 seats it turns out that over the years, an average a cinema seat 475 times is used. This indicates that the average daily all cinemas in Tehran have failed within a year, at full capacity show two Showtimes of movies (To make cinema an average of two Showtime pay to view movies at least any seat 700 times used). If this calculation results in other cities do the same on earth. For example, in the 206 cinemas in major cities in Iran in 1973 81,271000 tickets have been sold. Moreover, given that the capacity of a full Showtime of the cinema is 161,335 seats per year so any seats of the cinema per year, has been used 503 times and so over the years have failed even cinema in huge cities fully cannot use the potentials of both Showtime (Paris and Houthakker, 1971).

As shown in Appendix 3 shows from 1991-2005 the number of viewers has declined continuously, as the number of viewers was in 1991 totaled 65,961,064. Numerical equivalent reached 15,136,862 in 2005, shows a decline of 77%.

Despite the sharp decline in the number of viewers sales to cinemas during the 106258623000-14503860190 above the figure reached and >6 times that this represents a sharp increase in ticket prices of cinema.

### COST-BENEFIT ANALYSIS

Cost-benefit analysis of an investment project, evaluation of all financial and social cost of projects and calculate all revenue and economic benefits over the life of the project investment. One way to evaluate projects, which in practice is widely used is the head to head analysis. The formula for calculating the amount generated in the head to head for the following:

$$BEP(C) = \frac{TFC}{TR - TVC} \cdot p; BEP(S) = \frac{TFC}{p - \frac{TVC}{S}}$$

In the above equation, TFC fixed costs, BEP (S), the amount of sales head to head point, (C) BEP capacity utilization in the head to head, P selling price per unit and TR sales and TVC those costs that varies with an increase in sales or production. The above equation is the following result:

- Head to head point is not desirable. Project against price and sale is vulnerable
- Head to head point directly correlates with fixed costs and inversely related with variable costs
- Head to head point difference between the selling price and average variable cost is inversely related

The following assumptions were considered in the head-to-head analysis:

- Cost of production is a function of the volume of production and sales
- Volume of production is equal to sold
- Fixed operating costs for any volume of production remains constant and variable costs the production volume changes. As a result, the total cost of production relative to production volume changes
- Selling price per unit remains constant. Thus, sales revenue is a linear function of sales prices and quantities sold. The above conditions may not exist in practice. Therefore, head to head analysis is consequently affected. Thus, analysis of the head-to-head should only be considered as a complementary tool in the evaluation of projects

**Cost and revenue production and supply of films in 2007:** Tiny revenues and cost of producing a film as follows:

- Costs incurred in the production of movie
- Author (5,000,000 Toman)
- Director (12,000,000 Toman)
- Actors (15,000,000 Toman first role “Super Star” lower role 10,000,000 Toman)
- Production and Logistics
- Production Manager (Toman) 10,000,000 = 4 months × 2,500,000 Toman
- Procurement Manager (Toman) 4,500,000 = 3 month × 1,500,000 Toman
- Procurement Assistant (Toman) 4,800,000 = 3 month × 2 n × 800,000 Toman) Services and working scenes of \$ 350,000

#### Makeup:

- Enforcer (Toman) = 2 × 1,500,000 3,000,000 Toman
- Design 3,500,000 Toman
- Scene and clothing group
- Scene and clothing design 6,000,000 Toman
- Performers (Toman) 3 months × 1,750,000 = 5,250,000 Toman
- Bearing (Toman) 2 months × 300,000 Toman = 600,000 months

#### Filming group:

- Director of Filming (Toman) 2 months × 7,000,000 = 14,000,000 Toman
- Cinematographer (Toman) 7,000,000 Toman = 2 × 3500,000 months
- Assistant (Toman) 2 × 2 months × 1,200,000 = 4,800,000
- Technical Officer (Toman) 1 × 2 months × 650,000 = 1,300,000 Toman
- Artisans (depending on the type of film and subject of the film is) an average of 4,000,000 Toman

#### Director group:

- A) First Assistant 4,000,000 Toman
- Planner Toman 4,000,000
- Second Assistant 1,750,000 Toman
- secretaries scene 1,350,000 Toman
- Sound Recording Group
- Sound Recorder 5,000,000 Toman
- Assistant sound recorder 1,500,000 Toman for a film
- Sound and Mix (Toman) 6,000,000 = 1 × 6,000,000 Toman
- Music Group 7,000,000 Toman (for a movie)
- Editor an average of 8,000,000 Toman
- Location of 8,000,000 Toman
- In Tehran, there is no accommodation costs
- Outside the capital and cities 50 person (constant forces, 2 bedroom)
- The residence time of filming for a movie about 45 days

- (Toman)  $22,500,000 = 2 \text{ turns food} \times 50 \text{ people} \times 75 \text{ days} \times 3,000 \text{ Toman}$
- Transportation
- (Toman)  $9,450,000 = 75 \text{ days} \times 3 \text{ cars} \times 42,000 \text{ Toman}$  (rental vehicle)
- Rental filming equipment 10,000,000 Toman
- Raw materials (Toman)  $9,100,000 = 130 \text{ Ring} \times 70,000 \text{ Toman}$
- Laboratory services 10,000,000 Toman
- Image and sound 3,000,000 Toman
- Total cost: 249,875,000 Toman (COST)

**Revenues from production of films:**

- The average sales of 350 million Toman at the time of a movie is displayed (Box office)
- Some oil regions 3,000,000 Toman paid to the owner of the film
- Video buy, an average of 4,500,000 Toman
- Buy to TV, an average of 15,000,000 Toman
- Sales to Iran Air, 4,000,000 Toman

**Earnings calculated:**

- 300 million Toman = 1,000 (average cinema ticket price)  $\times 300,000 \text{ people} = B$
- 15,000,000 Toman = 5% (tax)  $\times 300,000,000 \text{ Toman}$
- (Income after deduction of tax) of 285 million Toman = 15,000,000-300,000,000 Toman
- (Income equally between the film and cinema owners) 142,500,000 Toman =  $2 \div 285,000,000 \text{ Toman}$
- 14,250,000 Toman = 10% (Broadcasting Office)  $\times 142,500,000 \text{ Toman}$
- (Box-office income) 128,250,000 Toman = 14,250,000-142,500,000 Toman
- 226,250,000 Toman = 128,250,000 + 4,500,000 + 4,000,000
- (Total revenue) (Box office) (Oil region) (video) (Airlines)

**Cost-benefit analysis supply film in iran:** In fact, cost-benefit ratio is the profitability indicator of the project. For economic feasibility of investment, projects of interest (B) the cost (C) are calculated. This ratio can be expressed as follows. The ratio is equal to the amount states minimum justifiable investment. The ratio is smaller than an expression of the fact that the project does not have the economic justification. According to calculations done on the benefits and costs, production of films in Iran above ratio described.

**CONCLUSION**

It is observed that in Iran's interests at the expense of the production of films (average) is about 0.9

which represents a number  $< 1$ . Thus, as one would expect of production and supply of economic justification is not a film in Iran. You can reduce the price of movie tickets to watch the film drew more viewers. Of course, this depends on the elasticity of demand for movie viewing that if the elasticity of demand is inelastic for film cinema and ticket price reduction policy will increase the losses.

**SUGGESTIONS**

It seems that due to the positive effect of cultural production and distribution of films in the country, the logical solution is to compensate for losses through the following noteworthy.

Payment of subsidies by the government while institutions engaged in cultural affairs, such as sound and film coverage of the cinema, film criticism and feedback from the audience and introduced the cinema in earnest and sustained action.

Raising cultural costs in total household expenditure but regardless of the situation demand to go to the movies, statistical data related to urban population and age composition of the population and its future development suggests that existing supply does not meet the potential demand of the country.

**APPENDIX**

Appendix 1: Geographical distribution of country's cinemas in 1974

Rank	Province name	No. of cinema	No. of seats
1	Tehran	119	89854
2	Mazandaran	42	26020
3	Khorasan	35	25385
4	Khuzestan	33	24902
5	Gillan	32	19795
6	East Azarbaijan	24	15759
7	Fars	23	21438
8	Markazi	22	14381
9	Western Azerbaijan	16	14790
10	Isfahan	15	11425
11	Kermanshah	12	7541
12	Kerman	11	7650
13	Kordestan	8	3592
14	Lorestan	8	6140
15	Hamedan	8	4788
16	Semnan and Baluchistan	5	2493
17	Bushehr	5	3100
18	Zanjan	4	2138
19	Coastal	4	1908
20	Yazd	4	2240
21	Chaharmahal	4	3904
22	Bakhtiari	3	2100
23	Kohkiluyeh and	2	1080
24	Boyerahmad	1	530
	Illam		
Total		440	312953

Planning Organization, Statistical Center of Iran, Art and culture Ministry, General Administration monitors and display, statistics cinemas in the country, 1974

Appendix 2: Geographical distribution of country's cinema in 1974

Ranks	Province name	No. of cinema	No. of seats
1	Tehran	91	40298
2	Khorasan Razavi	35	13966
3	Mazandaran	30	13632
4	Khuzestan	27	13012
5	Fars	27	16203
6	East Azarbaijan	26	12129
7	Gillan	26	12966
8	Esfahan	24	12150
9	Western Azerbaijan	20	11566
10	Kerman	18	7730
11	Yazd	15	5713
12	Lorestan	14	7855
13	Sistan and Baluchestan	11	3720
14	Kermanshah	11	6975
15	Golestan	10	6263
16	Hamedan	10	4401
17	Semnan	9	3960
18	Hormozgan	9	4379
19	Ardabil	8	2768
20	Markazi	8	3721
21	Bushehr	7	1540
22	Chaharmahal va Bakhtiari	7	1718
23	Zarjan	7	2976
24	Kordestan	7	2930
25	Qazvin	6	2650
26	Kohgiluyeh Boyer	5	2110
27	Qom	4	1744
28	Illam	3	1044
29	Southern Khorasan	3	1210
30	North Khorasan	2	875
Total		480	222204

Appendix 3: Comparison of district country in cinema

Comparison of the viewer and sales of movie cinemas during the years 1991-2005	No. of viewers person	Sale/Retail
Year		
1991	6.6E+07	1.5E+10
1992	5.4E+07	1.6E+10
1993	5.5E+07	2.4E+10
1994	5.6E+07	2.8E+10
1995	5.2E+07	3.3E+10
1996	4.5E+07	4.4E+10
1997	4E+07	5E+10
1998	3.1E+07	6E+10
1999	3.4E+07	8.2E+10
2000	3.3E+07	9.5E+10
2001	2.2E+07	8.4E+10
2002	1.8E+07	8.4E+10
2003	1.3E+07	7E+10
2004	1.7E+07	1E+11
2005	1.5E+07	1.1E+11

Ministry of Culture and Islamic Guidance, Directorate General of Monitoring and Evaluation, Department of Film, 2007

According to the share of sales cinemas awarded for municipal charges (5%) and terms of the materials 153, 154 and 159 of the Third Economic bill, Social and Cultural Islamic Republic of Iran seems city councils and municipalities can take effective measures in the following areas.

In the first phase of the construction of movie theaters in the towns are lacking in action. It is recommended that the cinema halls with low capacity and has more than one theater to be built. The measures to be taken to facilitate legal sector investment in this area is predicted to be brought to public awareness.

To prepare build and cinema, through the coordination of the Department of Culture, Education, City councils and municipalities of the film in theaters in the cities with the use of mobile phones is necessary.

The field of art and cinema owners is expected to invest part of their income in the same activity. The investment in the first place could improve the existing hall and in the next phase of the new hall is in the same place or in new locations.

For further use of existing capacity can be used in certain hours and days for certain groups (such as students, students, teachers and youth) are considered substantial discounts.

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