

The Esquire Review

SEPTEMBER 1983

MUSIC
MOVIES
VIDEO
BOOKS
& ART



ILLUSTRATIONS • BILL SANDERSON

The Man Who Ate Hollywood

by Randall Rothenberg

RECLINING STIFFLY ON THE COUCH IN HIS OFFICE IN NEW YORK'S TIME-LIFE BUILDING, THE PRINCE OF PAY TV IMPASSIVELY WATCHES A PRODUCER GO THROUGH THE MOTIONS.

"MICHAEL," ANNOUNCES THE PRODUCER, "I WANT TO INTRODUCE YOU TO A NEW concept in entertainment." The producer—heavyset, open-collar, salt-and-pepper beard—is a big shot with a history: he discovered Barbra Streisand and just produced a film with Richard Gere. His pitch, delivered as he paces the room, is laden with emotion. The prince's right hand supports his head. He looks tired, aloof. In front of him is a clay mug upon which are engraved the names D.W. Griffith, Cecil B. De Mille, Samuel Goldwyn, William Wyler, George Lucas, Woody Allen, Robert Altman, and Michael

Fuchs. The producer, if he's a typical Hollywood honcho, is probably thinking, "This arrogant son-of-a-bitch has my future in his hand." And the prince, maybe while he's listening, is dwelling on those days just six years ago when, as a recent émigré to HBO from the William Morris Agency, he'd say as his friends laughed: "Just wait. Home Box Office is the wave of the future."

For Michael Fuchs, the last name on the cup, the future has arrived very quickly. Stealthily—by dint of strategic planning and the resources of its parent company, Time Inc.—Home Box Office, just a decade ago a newly weaned subsidiary of Manhattan Cable Television, has become the

single most powerful entity in the entertainment business. Michael Fuchs, the thirty-seven-year-old president of the HBO Entertainment Group, cable television's master programmer, is cable's first mogul—and the most potent, feared, and hated man in Hollywood. "From where I sit in New York," Fuchs is said to have claimed in a widely believed, if apocryphal, story, "I will bring Hollywood to its knees."

HOME BOX OFFICE IS POTENT, AND it is prominent. A spate of early-summer publicity pointed out that the company is well on its way toward exerting a previously unheard-of amount of influence over the way Hollywood makes movies.

HBO president and chief executive officer Frank Biondi and HBO's executive VP in charge of film programming, Stephen Scheffer, have been cited as the powers that are. They count. But the real story is a phobia named Fuchs.

In L.A. the paranoia is palpable. One studio vice-president has made an appointment to discuss Fuchs and the rise of HBO, then abruptly canceled it. Paramount's chairman, the usually voluble Barry Diller, who has been quite vocal on the subject ("HBO has declared war on the studios... and if we don't stop them, they'll control all aspects of movie-making"), has "taken a philosophical turn," according to a Paramount spokesman, and shut his mouth. At another studio, a producer keeps me hanging for twenty minutes before he says, "I am very, very reluctant to talk to you," and then intones, "Greed, avarice, and hatefulness—you can't eliminate that from the Michael Fuchs story."

Hollywood has a problem with Michael Fuchs. "In Machiavellian terms, the last thing you want to do is alienate the prince, particularly if the prince is willful," the reluctant producer says. "And there is ample precedent for this prince to scream, 'Off with your head.'" Adds a cable television industry observer, "If HBO's famous for anything, they're famous for retribution. It's not 'Will they go after my ass?' It's 'When will they go after my ass?'"

The studios' dilemma has its foundation in the virtually unbridled power HBO wields, a power that is rooted—as power so often is—in money. Home Box Office is Time Inc.'s cash cow; its twelve million subscribers (an independent interpretation of a study by the august A.C. Nielsen Company places the number closer to eighteen million) pay an average of ten dollars a month for the privilege of viewing uncut, commercial-free, first-run feature films, concerts, comedy specials, and sporting events on their TV screens. In 1982, on revenues of \$440 million, HBO cleared \$100 million—ten times more than Showtime, its nearest rival. What is important as far as Hollywood is concerned is the fact that during the same time that HBO and the pay-cable market have grown, the major movie studios have experienced increasing difficulty in financing their productions. Pay TV has rapidly become the most important secondary market in filmdom, the safest, most available way for a distributor or producer to cover his downside risk. HBO's decision to buy a

film, and the amount it pays, can help a chancy product break even and a profitable movie become more profitable.

But there is an additional rub. The bigger HBO grows, the more programming it needs: like the carnivorous flower in *Little Shop of Horrors*, it keeps screaming, "Feed me! Feed me!" That should mean more work for the studios, but it doesn't. HBO is dealing increasingly with the increasingly independent independent-producers, purchasing exclusive pay-TV

UNLIKE HIS studio and network counterparts, Michael Fuchs is accountable to no man, and no rating. He writes the rules. So you deal with Fuchs or you don't deal at all.

rights and using its dominant position to lock up other ancillary rights before the movie even enters production—"prebuying," in cinematic lingo—and thus making the crucial decisions about which movies can get made. "Now, at the same time, they are your customer *and your competitor*," complains a top studio executive. "Every time there's a writer, producer, director around, there's HBO ready to prebuy, ready

to finance." In the process, the studios, which are little more than financing and distribution mechanisms anyway, are cut out of some of their most dependable markets and left only with the theatrical market, which, although it makes for hits, also has the greatest potential to get stuck with the misses. To make matters even worse, HBO has lately entered into powerful alliances that shake Hollywood by its studio-system roots: Tri-Star Pictures, a new studio that is a joint venture involving HBO, CBS, and the traitorous Columbia Pictures, will produce ten to fifteen films a year; separate exclusive arrangements with Columbia and Orion for which HBO provides 25 and 25-40 percent preproduction financing, respectively, should net them more than an additional eight pictures yearly. Silver Screen Partners, a limited partnership involving HBO and offered through E.F. Hutton, will probably produce ten more pix a year, all exclusive on Home Box Office. And there are tentative deals with MGM/UA, Embassy, New World, and Blake Edwards. This is all not to mention HBO's own slate of twenty-four "made-for-pay" movies. In short, HBO is committing more money to more films than any single studio. And Michael Fuchs is making the important decisions about where that money goes.

"He probably has the best job ever invented in the entertainment business," says Ed Bleier, executive vice-president of the Warner Bros. Television division and one of the few studio execs who will speak about Fuchs on the record. "First, it

has scope on an unprecedented scale. Michael is involved in movies like a Louis B. Mayer, in documentaries like a David Wolper, in comedy like a Norman Lear, in sports like a Boone Arledge. Second, the criteria for success in his job are very elastic." Which is to say that Michael Fuchs, unlike his counterparts at the networks, who live and die by the daily ratings, or his counterparts at the studios, who receive overnight reviews and box office figures, cannot lose. The HBO subscription system has so much "forgiveness" that the success and failure ramifications are indirect. The *only* thing that matters is how many subscribers "churn"—cancel their subscriptions. Very few do. Michael Fuchs is accountable to no man, no rating. He writes the rules. Either you deal with Fuchs or you don't deal at all.

MICHAEL FUCHS IS OVERDUE AT his meeting. The reason—always the same reason—is phone calls: Mike Medavoy of Orion Pictures, Victor Kaufman of Tri-Star, Silver Screen's Neil Braun, and Iris Dugow, who heads HBO's original-programming department in Los Angeles. Fuchs glances at his watch; its two faces tell him that it's 12:10 in L.A. and 3:10 in New York. Lunch is beginning on one coast, ending on the other.

Twelve people have assembled to try to decide what to call HBO's second made-for-pay movie, a star vehicle for Liz Taylor and Carol Burnett. It has been promoted as *Nobody Makes Me Cry*. But, says Fuchs, "it's too heavy. It needs to be lightened up a bit." He peruses a list of alternate titles. How about *Two on Their Own*? someone asks. "I'd like to play up the funnier, more aggressive side to it," responds Fuchs. The programming chief fears that his second "hybrid"—so-called because it costs more than an average TV movie but less than a theatrical release—will be perceived as a "women's film" and lose half its potential audience. *Two Friends, Only Friends, Just Friends* rise and fall. The group finally settles on *Between Friends*.

Back to the office. More calls. A concert star needs a private plane trip arranged, a nuisance that has eluded solution through the normal channels and finally landed on Fuchs's desk; he calls the star's manager and irons out the problem. "Part of what you do," explains Michael Fuchs, cupping the receiver, "is you rent yourself out to your corporation. You say, 'Come to me when you need me.'"

They often do; since the days when HBO had a staff of twelve, the ubiquitous programmer has operated as the company's lead horse in dealing with studios, producers, and talent. Even now, as part of the fifteen-hundred-strong organization's ruling triumvirate (just below Frank Biondi, and on a par with network group president Tony Cox), Fuchs keeps his hand in matters far afield—the better, say his



Michael Fuchs

IN THE TIME-LIFE BUILDING, ROCKEFELLER CENTER, NEW YORK

critics, to revel in the power and the glory.

The curious thing about HBO is that there was little of either until recently. Still, while Home Box Office's ascendancy has been sudden, it has not been accidental. In 1972-73 Time Inc. devised a strategic plan: as the corporation decided to cut its losses in publishing by closing *Life* magazine and to get out of video operations by selling its VHF television stations and reducing its control over its cable systems, it elected to concentrate on video software—that is, programming—by spinning off HBO, which until then had been a part of Time's Manhattan Cable as a separate unit. For the first three years the company floundered. But instead of doubting their premise—that software was the future—they decided that the time had come for HBO to move beyond the gentlemanly, WASPish back-

slapping that traditionally defined Time Inc. and adopt a more aggressive stance to test it right. The corporate engineers looked inside their organization and found a man named Austin Furst.

Knowledgeable observers with a sense of history describe the competitive HBO style as "the Austin Furst School of Human Relations." An imposing six-footer whose claim to fame had been the development of *People* magazine's subscription system, Furst accepted the task of pounding the studios into helping HBO turn a profit. It was Furst who initiated the prebuy strategy, Furst who browbeat the studios into accepting flat rates for films instead of per-subscriber fees, Furst who relentlessly drove down the prices paid for motion pictures. "Austin lived to negotiate," recalls David Meister, the senior vice-president

of Cinemax and an early member of Michael Fuchs's programming rat pack. "I am competitive. Michael is competitive. Austin is competitive beyond us. Austin lived to win."

An axiom of Hollywood's corporate culture is that the studios are more fearful of each other than they are of any outside party. Each one believed that if it didn't sell, the others would step in and take its share. One by one they acquiesced, allowing a dangerous precedent to be set. His purpose served, Furst moved upstairs to head Time-Life Films. And as he did he left a stylistic legacy for his colleague and successor, Michael Fuchs.

If Furst hadn't made his job that of HBO's bully, Fuchs probably would have done it himself. Although he hadn't distinguished himself during his brief stints as

an entertainment lawyer and as a business-affairs staffer at the William Morris Agency, he was notable for his cockiness. When the guy who brought Fuchs into the agency turned down an HBO offer but left Morris anyway, Fuchs—who was pointedly *not* offered his boss's job—called HBO to make his services available.

Smart, political, his receding dark hair and his spectacles giving him just enough gravity, Fuchs signed on as director of special programming and sports and insinuated himself into the HBO hierarchy. His taste—all-American-one-of-the-boys-adventure-romance-laughs—became Home Box Office's *métier*. By 1979 he had succeeded Austin Furst. The Big Event became his signature. On Location, the uncensored nightclub acts of Robin Williams, Redd Foxx, and others, was a Fuchs innovation, as were the concert acts of entertainers like Diana Ross and Bette Midler. An avid fight fan, Fuchs poured what limited money he had into bringing boxing to the home screen.

But movies remained the cake, a point Fuchs well understood. He referred to HBO's schedule as "aces and spaces"; the aces were the major films, the spaces everything between them. What constituted an ace? In Fuchs's mind, as HBO's wealth, dominance, and market share grew, it meant exclusivity.

Exclusivity meant a lot less money for the studios, but by then they were hooked. What HBO said went. Says a presumably impartial nonstudio source, "They say, 'Oh, you don't want to sell to me at that price? Good. *You'll never sell to us again.*' And they don't."

It's true. They don't. The 20th Century-Fox studio went head-to-head with Fuchs on *Breaking Away*, its surprise hit of 1979. Fuchs declared his offer to be final; Fox took him at his word and sold the film to NBC, which wanted it as a lead-in to its forthcoming series based on the movie.

Fox did not sell a thing to HBO for one full year. And when in 1982 Home Box Office tried to pass on Fox's *Star Wars*, the then-biggest-grossing flick of all time, rumors circulated that Michael Fuchs was trying to teach the studio a lesson. HBO did not buy the rights to *Star Wars* until October, six months *after* Fox had sewn up all the other secondary markets. It was classic brinkmanship. "Michael figured he could stand the heat [if he didn't buy it], and then he'd be able to stare down anyone in the industry in the future," explained an executive familiar with the proceedings. If it were up to Fuchs, believes the exec, HBO would not have blinked. "It was management that forced him to take the film," he said, adding with disgust, "They could have afforded not to take it." Adds an independent producer, "That's how big HBO is: they can afford to teach lessons."

They also taught a lesson to Paramount. The studio had an unofficial arrangement

with HBO to produce a Frank Sinatra special for airing on the cable service. Fuchs put a ceiling of \$1 million on the project and left for vacation. When he returned he discovered that a consortium of buyers had upped the offer to Paramount by another half million. Fuchs was unreachable; the studio went with it, and Paramount has never sold another piece of original programming to Home Box Office.

BACK IN HIS NEW YORK OFFICE, tanned and relaxed after leaving Cannes (work) for Morocco (vacation), Michael Fuchs belies the almost mythical persona concocted for him. He's been riding camels and sampling couscous for a week. "It's the longest period of time I've been away from a telephone since..." He doesn't finish the sentence, but the answer is, since the Paramount-Sinatra deal. The phone is his lifeline.

To most people Michael Fuchs is a disembodied voice. In person he is as forthright a man as the entertainment business has known. As quick as others in the industry are to claim credit, so he is to share it with his "family." Certainly the lack of personal contact with outsiders has helped give rise to the charge that Fuchs and his company are arrogant, but the problem is probably more institutional: one of HBO's film buyers describes his organization's philosophy vis-à-vis the studios as "Feed 'em, fight 'em, fuck 'em, and forget 'em." *Vindictive* is another word bandied about with frequency. "A lot of studio people have learned to be tough negotiators too, but once negotiations are over, you can break bread again," says a studio vice-president. "We've always gotten the feeling that it's taken personally at HBO. That it's a vendetta. Studios are suing each other all the time. You beat the shit out of the other guy, but then you go out drinking. HBO has no sense of how to get on with business and then go on to the next thing. Michael is the personification of that."

But Hollywood, in Fuchs's eyes, has a way of absolving itself of responsibility for actions he feels it encourages. "I was lied to," he says of the Sinatra situation. "I was furious about being lied to. People can say revenge, whatever, but lying is in a separate category in life. Maybe," he adds, "I've got some Sicilian blood in me."

It is only a joke, yet aggression is manifestly a part of his character. Warner Bros.' Ed Bleier says he is always telling him, "Michael, business is not tennis." But

in all Fuchs does, life reduces to sport and entertainment. It was Michael who introduced the concept of roasts to company outings: where the operations group would spend three hours preparing its sketches, the programming department would take twenty. "Why'd we spend so much time on it?" asks Cinemax's David Meister. "Because Michael wanted to win." Invariably, the roasts reflected Fuchs's sense of humor—sarcastic, cutting, at times caustic. "I learned I could afford one or two interchanges with Michael," says a former colleague. "He'd dump on me. I'd dump on him. He'd dump on me. I'd dump on him. He'd dump on me. And I'd take it. I'd let Michael get the last barb in. That last one would be a little too sharp, a little too much from a power position..."

Sic semper Hollywood. Business is business. "I want as many advantages as I can get," says Fuchs in defense. He has little patience for the studios' yelping. "If we could dictate prices, we'd probably be paying half of what we're paying now. I think the greatest PR character assassination campaign in history has been carried out against HBO... It is a psychological resentment and a traumatic hangover from having lost the business that makes HBO a constant whipping boy. I mean, you go out to California, and it's 'Oh—here come the Marines! Here come the Apaches! Here come the kamikazes!'"

"How much do I like it? I'm tired of it. How much can I tolerate it? I can tolerate it. I got a mouth on me, too. I can return

I WAS lied to," says Fuchs. "I was furious about being lied to. People can say revenge, whatever, but lying is in a separate category in life. Maybe I've got Sicilian blood in me."

the ball... How much do I stir it up, how much do I cultivate it?" Michael Fuchs smiles a grim smile. "I'm an excellent provocateur."

This is posturing. The plain truth is that Michael Fuchs is ambivalent about the caricature Hollywood draws of him. He clearly prides himself on the intelligent use of aggression, and yet the vindictive accusations cut. In conversation very direct, he slows down when the charge is advanced. "I

don't find that an attractive characteristic. I'm—I'm not real pleased to hear that."

"Genuinely hurt" is how one friend describes his reaction to the stories that circulate about him. Nevertheless, she professes no sympathy. "Is it necessary to be unethical? No," she says. "To be power hungry? No. Any company can survive the other way. Especially now they've got the market, you'd think they'd begin cooling off. But they're just as aggressive and arrogant and foolish as always."

HOLLYWOOD IS THE ORIGINAL town without pity. It's difficult to take too seriously the studios' complaints about HBO's monopolistic practices when Hollywood's history is rife with tricks of its own. And it is particularly tough to sympathize knowing that the studios have tried turning these tricks on Home Box Office, the most conspicuous example of which happened in 1980-81, just as Fuchs and HBO were easing off on their heavy-handed strategy. That year, Paramount, Universal, Fox, and Columbia, with the aid of Getty, announced the formation of Premiere, a pay-television network whose purpose was ostensibly to increase competition in the cable market for first-run films. The Justice Department filed an antitrust suit and the trial revealed anything but the pristine goal of free-market enhancement. Internal memoranda disclosed an active attempt to create a horizontal monopoly for the express purpose of drowning HBO. "Our goals are...to erode HBO's ever-increasing leverage and eliminate outside middlemen from our business," read one such Paramount memo.

The Premiere case, following closely upon the heels of a studio-instigated Justice Department investigation of HBO's vertical integration (it found no monopoly), is exemplary Hollywood behavior. As one

impartial cable-industry observer told me, "It's typical of the way the studios approach things: First they complain to the government. Then they try to restrain trade. Finally, they whine." Hollywood tried it again earlier this year when Paramount, Warner Bros., and MCA/Universal, along with American Express and Viacom, attempted to merge Showtime and the Movie Channel, HBO's only two competitors in the pay-cable market. Last June, however, the Justice Department cried oligopoly and told the five players it would file suit if they proceeded. For the time being, at least, HBO had won again.

Intrinsic to the Hollywood/HBO antipathy is a clash of corporate cultures. Time Inc. is a long-term strategist engaging in search-and-destroy missions in a town notorious for its lack of foresight. The studios hate Michael Fuchs because he does not play by Hollywood's rules. They have invented a system by which they can get up in the morning—having beaten each other the night before—and still play tennis together. "Which may be sadistic, too," muses one of Fuchs's West Coast critics. "So who's saying which is more sane? Maybe Michael's is just more honest." You lie to Michael Fuchs, he'll remember. It's a New Yorker's legitimate code of honor.

The irony is that while L.A. looks on

Michael Fuchs as "New York," using the words as a term of calumny, back home Fuchs is viewed as slightly more "show biz" than the Time Inc. style. And it is that very style that has eroded the studios' position in the entertainment industry, that has them quaking in fear over the end-of-the-system-as-we-know-it. Home Box Office, like the rest of its parent corporation, is famous for keeping its personnel content, focused on growth, and in the company forever. In Hollywood the favored game is musical chairs. "I don't know what *overly competitive* means in business," says Fuchs, summarizing management philosophy. "We've got a lot of young, ambitious people here who are trying to excel. Sometimes they may get too ambitious." But hey! So what if a few toes get crunched? The more ambitious, the more competitive, the better for business.

Home Box Office—Time Inc.—is Japan. The style of management, from the company roasts on up, is pure Theory Z. In Hollywood, remember, the paranoia is palpable. As goes Detroit, so, perhaps, goes Hollywood. "We're going to be," predicts the prince of pay TV, "the IBM of the communications age." And no one's laughing now.

RANDALL ROTHENBERG's last piece for *Esquire* was "Mr. Industrial Policy," in the May 1983 issue.

Hollywood & Vinyl / The Doctor's Office

TEXT: FIONA LEWIS & LYNNE GILER
ART: BILL MCKEARN

In which Chuck Newman, a novice Hollywood screenwriter, is struck down by an amber 1984 custom-made Mercedes. People, horrified by the spectacle, crowd around to inspect the dent. Chuck goes to the doctor's.



THE MAN WHO ATE HOLLYWOOD

ESQUIRE | SEPTEMBER 1983



Reprinted from the Esquire Archive

<https://classic.esquire.com/article/19830901149/print>

