

Hollywood and The Rigging of Financial Markets

Betting on the Gross Profits of Upcoming Movies

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As if attacks from popparazzi and star-crazed fans weren't enough, Hollywood stars may soon have a literal price put on their heads by investors in the [Cantor Exchange](#), a real-money trading platform where people can bet on the gross profits of upcoming movies.

Sales of *The Dark Knight* [skyrocketed](#) after Heath Ledger died unexpectedly, and so did sales after the deaths of Michael Jackson, Elvis Presley and Marilyn Monroe. Will greed-driven investors now be laying in wait for the stars of movies they have sold short?

The Cantor Exchange (CE) is based on a virtual trading platform called the [Hollywood Stock Exchange](#) (HSX), a web-based, multiplayer simulation in which players buy and sell "shares" of actors, directors, upcoming films, and film-related options. The difference is that the HSX uses virtual money. CE will turn the game into a real casino using real dollars.

On April 21, Cantor Exchange reported that it had just received regulatory approval from the Commodity Futures Trading Commission (CFTC), which oversees futures exchanges. "This is a significant step forward in achieving our ultimate goal," it said in a [letter](#), "which is to launch a market in Domestic Box Office Receipt Contracts."

Contracts out on movies and movie stars — the Motion Picture Association of America (MPAA) apparently doesn't like the sound of it. The Cantor letter said that its tentative launch date of April 22 was being delayed because the MPAA and others "raised concerns about the economic purpose of this market and its usefulness as a hedging vehicle."

The legitimate hedgers, the moviemakers and equity holders with a real financial interest to protect, don't want it. But Cantor is pushing forward, because gambling has become big business, and there are vast sums of money to be made.

[Critics](#) are worried that the new exchange will turn Hollywood into another derivatives casino, vulnerable to insider trading. Even if short sellers aren't hiding behind bushes waiting to trip up the stars, the exchange could create bizarre incentives for moviemakers to manipulate and distort the market for their own products, perhaps intentionally sabotaging movies they know are losers.

In a "derivative" market, the investors' interest is "derived" from an underlying asset, but they don't have to own the asset to play. Like gamblers at a race track, they can bet without owning a horse. Derivatives have now become a \$610 trillion industry, about ten times the gross domestic product of all the countries of the world combined. This money is not going into real economic growth by contributing capital to businesses. It is just going into bets. Worse, half those bets are negative: the players want the thing to fail. Warren

Buffet called derivatives “financial weapons of mass destruction.” They can be used to sabotage not only businesses but whole economies, from the collapse of Japan’s stock market in 1987 to the Asian crisis of 1998 to the recent economic collapse of Greece.

Max Keiser, who founded CE’s virtual forerunner HSX, has firsthand knowledge of how the system can be gamed. When he was CEO of HSX from 1996-98, he says, he came under pressure from fellow board members to give in to studio heads who were offering cash and other inducements to manipulate the prices of projects, either up (to legitimize more marketing dollars) or down (to sabotage competing projects). “These guys, including my own board of directors,” he says, “could not tell the difference between marketing and market manipulation.”

Whether a movie’s stock price rises or falls is considered to be a predictor of the movie’s future success; but Keiser warns that in this new era of institutionalized market rigging, the prediction value of market pricing is largely a hoax. “The only difference between the new box office futures contracts being manipulated and blowing up,” he says, “and stocks in companies like Lehman Brothers being manipulated and blowing up, is that people losing their money can imagine getting screwed by Scarlett Johansson instead of Dick Fuld.”

Keiser predicts that his altered HSX computer technology, if approved by the CFTC for use in a real-money exchange, will produce an insider trader’s paradise, with Hollywood going the way of Enron and Lehman Brothers in two years or less.

“But this is what rigged market capitalism is all about,” he says. “It’s not economics really. It’s arson. They bet against a company or a country and then burn it down.”

Ellen Brown developed her research skills as an attorney practicing civil litigation in Los Angeles. In [Web of Debt](#), her latest of eleven books, she turns those skills to an analysis of the Federal Reserve and “the money trust.” She shows how this private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her websites are www.webofdebt.com, www.ellenbrown.com, and www.public-banking.com.

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