

## Hollywood and the European Crisis.

By William Dieterle.

Faced with its first great crisis since gaining world supremacy during the last war, Hollywood is a melancholy place now that another conflict threatens to strip it of its throne. It has begun, at last, to toy with the idea of a Hitler-governed Europe of tomorrow, and its first reaction to a situation, as yet purely theoretical, is one of unmitigated gloom.

“What will happen to the motion picture industry if Hitler wins this war?” That is what all Hollywood is asking, and those who propose to answer agree in a common pessimism.

In the light of past events it is strange indeed to find such speculations in the cinema capital. When the war broke out last September, no place on earth could have given less serious reflection to the war’s potentialities than did Hollywood. The town’s bitter hatred of Hitler and all he represented was one of the few genuine things about it. Therefore, basing its assumption on a vast emotional bias, it predicted that a crushing Nazi defeat was but a matter of a few weeks. I wish that I might here be accused of overstatement, but I can not. That precisely was the town’s attitude. That, so far as Hollywood was concerned, ended the affair, except for time which would bring fulfillment to its prophecy.

And time marched on. The winter passed, and with the spring came the bright blue weather of May. Hitler struck on the Western front. The terror of the “Blitzkrieg” was born.

The ensuing headlines bewildered the entire world and horrified the most of it. But to say that Hollywood was puzzled by the news would in no sense express the town’s reactions. Hollywood was stunned. A blow in the head with an axe could not have put the town’s ill-prepared faculties in a more helpless condition. And when it recovered from its daze, Hollywood went hysterical. It borders now upon a panic which, with a slight impetus, could ripen overnight into catastrophic dimensions.

The hysteria is founded upon the claim that the back-bone of American industry is its foreign markets. At least, that is the only logical conclusion to be drawn from the bare facts of recent happenings. The studios are calling mass meetings of their employees, and from the tenor of the producers’ sentimental pleas one is led to

believe that without its foreign markets the motion picture industry in America can no longer operate with profit.

It is a new note for Hollywood, which, if anything, is usually overly optimistic; and as such, it has attracted the suspicions, rather than the sympathies, of the film industry's cynical critics. Several individuals have insisted in uncompromising terminology that the war scare is but a convenient device for the studio heads to use in coercing their labor. By painting the situation as dark as possible, claim these critics, the studio heads hope to convince their dissatisfied workers that they should be happy with what they have and not be trying to get more.

I do not agree with these contentions. Having been closely associated with Hollywood's motion picture industry for the past ten years, I think that I know the difference between its sham and sincerity. And I believe, in this instance, that the film heads are genuinely alarmed over the cataclysmic aspects this war has assumed. When they imply that a Hitler victory would ruin Hollywood, they mean it. They may be mistaken, but not insincere.

It does seem, however, that the conclusion, if justified, is a bit belated. Before an impending crisis, any careful merchant reorganizes his enterprise to meet all possible eventualities. Must we then suppose that Hollywood did not? Or, to bring the matter potently up to date, are we to believe that Hollywood can not?

There's no denying that its foreign markets is a potent item in the film industry. In normal times thirty-five percent of Hollywood's annual take came from foreign countries. Changed continental conditions have already cut to the heart of this snug source of income. Pleading for drastic cuts in R.K.O.'s allowance, George Schaeffer, the company's president, revealed that that studio alone had lost \$400,000 in foreign revenues during the last four months of 1939. That sum would have doubtless saved R.K.O. from ending its last fiscal year \$180,000 on the red side of the company ledgers. From this it can be imagined what Hollywood will suffer if it loses the entire European market, which is almost a certain eventuality if Hitler wins this war.

It is true that extreme optimists in the film industry are still looking at the situation through rose-colored glasses. They believe that Hitler, for purely economic reasons, can not afford to abandon American films entirely. They will be too important as commercial factors in stabilizing the financial structure of his new organization once the conflict has ended. There would be some glimmering of hope in this viewpoint if Hitler could regard the facts dispassionately. But this he can not.

The whole world knows that Hitler has a psychopathic penchant for revenge. One only has to recall what has happened to his critics in previous days to predict his attitude toward Hollywood, which more than any other group of people has attacked the dictator most virulently. With that vast enthusiasm for doing a thing up properly it has smeared the critic-hating chancellor from one end of creation to the other.

Not only did the town cold-shoulder his goodwill ambassador, Leni Riefenstahl, until she's still perhaps sneezing from that frosty reception, but it has, with a crusader's enthusiasm, strewn the screen with Anti-Nazi pictures until Job himself, if he were a Nazi, could not endure it. And Hitler, by a couple thousand light-years, is not Job. To believe that he would allow economic considerations to stand in the way of his wreaking a personal revenge upon those who have so bitterly assailed him is ludicrous.

Lest the industry should blame itself—and certainly it should not—for its treatment of the chancellor, let it remember Russia and what happened to its markets there. Immediately after coming into power Stalin banned American films, with but few exceptions, from the Soviet Union. Pictures produced by other countries fared no better. It is only since the Russo-German treaty that a few Nazi films have been admitted into Russia.

Both, Hitler and Stalin, openly express their bitter hatred of the American concept of life. Then for political reasons alone, why should Hitler tolerate films based upon a capitalistic philosophy in a Nazi-controlled Europe? The logical answer is that he will not.

Motion pictures are of no vital necessity to totalitarian countries. Furthermore, if Hitler decides that he needs films, he, unfortunately for Hollywood's last hope in case of a Nazi victory, is in a position to make them. In addition to his German facilities he will have control of the movie industries of a half-dozen countries. Already the French studios, which have turned out undoubtedly some of the finest films ever produced, are in his hands. The French industry has previously been handicapped only by the lack of funds and organization, both of which the Germans can provide.

Poland, Czechoslovakia, Holland, and Sweden, Italy, and Spain all turned out creditable films; and if Great Britain falls, all of the old Europe falls. The totalitarians will be in complete domination. It is my belief in such a case, that the various film centers of the continent may again resume their work, but under Nazi control. Competition will thus be eliminated. The studios will be bound together in a sort of pan-European film union. Pictures will be freely exchanged between the separate countries. The necessity for

Hollywood as far as Europe is concerned will have completely disappeared.

These facts are presented on the supposition that Hitler wins this war. Suppose he loses. An Allied victory will not, as Hollywood is prone to believe, bring back the fat European markets of former days. Regardless of the outcome, the war will have left its devastating mark upon the continent. The old Europe is definitely gone; the new one will have to be handled with extreme care.

It is logical to assume that films made for the American audience will no longer fit the psychology of a people embittered and saddened by the terrible hell they have been through. With completely open markets, Hollywood would have to produce for two entirely different audiences. That, according to Hollywood's viewpoint, could not be done with profit; only under the old system permitting it to market the same films in both Europe and America can the industry survive. Let's look at the facts underlying this contention.

There are in the world 67,030 motion picture theatres wired for sound. Of this number 35,963 are found in Europe, 19,032 in the United States, 6,568 in the Far East, 5,403 in Latin America, 1,246 in Canada, and 968 in Africa and the Near East. The European figure does not include some 30,000 theatres and "Workers Halls" in Russia, where pictures are shown without admission charges.

In 1938, the last of Hollywood's good years, sixty-five percent of the world's entire screen time was monopolized by American films. To this proportion Hollywood was at the service of a three billion dollar investment, which is the estimated value of the world's motion picture equipment. In return, according to Department of Commerce estimates, Hollywood could attribute from thirty-five to forty percent of its total gross to its foreign markets.

Europe was naturally its greatest source of foreign revenue. Film theatres in France grossed around a billion francs in 1938. Forty-five percent of the films shown were produced by Hollywood. Belgium used sixty percent American films. Italy, with a decree requiring the showing of one Italian film for every two foreign, exhibited about thirty American pictures; the remainder came from Germany as a friendly concession to the axis alliance.

Germany itself was not an entirely negligible market for Hollywood. In 1937 fifty-two American films were exhibited by the Nazi theatres as compared with ninety-six of German production. But evidently it was Hitler's intention to eliminate Hollywood's products. Even had the war not started, Germany's exhibition plans called for the use of not more than thirty American films in 1939. It is an

ironically odd fact that the United States, on the other hand, imported and exhibited last year eighty-five German films.

Hollywood's most important European market, however, was the United Kingdom, which spoke the language sound-tracked on American films. Of all the pictures shown in the British Isles in 1938, eighty-one percent came from Hollywood. In that year Great Britain did an estimated business of \$35,000,000 with Hollywood. With 5,300 theatres attended by an average weekly audience of 18,000,000 in normal times, the British exhibitors in 1939 grossed \$250,000,000, which is no small item in the world's annual motion picture income.

It should be pointed out, however, that before the war Hollywood was losing its grip upon the British market. England was becoming more self-sufficient in its own film production; quotas were hamstringing activities. Despite the \$35,000,000, Hollywood's business with the United Kingdom in 1938 represented a drop of fifty percent from a previous high. In that year the United Kingdom stood but fourth in importance among Hollywood's foreign markets. Brazil, Argentina, and Mexico all preceded it.

Optimists attribute this disastrous slash in the British market to the crisis which for years hung over England before the actual commencement of hostilities. They explain that the public's interest had been diverted from the theatre by the seriousness of the threatened conflict.

With the easing up of tension, argue the optimists, the British market would have resumed its former status. One can do no more now than speculate upon the soundness of this point of view. There's little need of discussing it today. Whatever possibilities it possessed ended with the outbreak of the war.

However, war or no war, world conditions are very unstable. There is nothing to indicate that they will be any different for many years to come. Civilization seems in the grip of gigantic birth-throes. Whether it is being born into death or into an abundant life is beside the point in this article. The fact is that it's suffering. And with pain comes suspicion and fear.

Under the stress we seek refuge in the strength of our national unities. More and more are individual countries attempting to insure the maintenance of national entity through the increase of economic self-sufficiency. It stands to reason then that they will be increasingly reluctant toward seeing their capital leave for foreign shores with a no more solid substance left in exchange than dubious entertainment.

Hollywood's heyday in foreign markets has passed. For the future the American motion picture industry would be more than

wise in considering only the business which the United States alone is capable of giving it. *Hic Rhodos, hic salta!* Whatever happens, Hollywood can at least depend upon its American market. Let's forget world markets for a moment and see what the United States has to offer its film industry.

At present there are 17,003 theatres operating in America, which last year served an average weekly attendance of 85,000,000 people, more than a third of world's entire audience. With proper methods this number may be increased. In the peak attendance year of 1930 America's cinema audience averaged 110,000,000 people weekly.

Twenty-three cents was the average admission paid last year. The film box-office grossed in the United States alone nearly one billion dollars, a stupendous figure that placed the motion picture business seventh in rank among the leading American industries.

Since approximately one-fourth of the box office dollar is allotted to film production, the studios, which last year spent an estimated \$165,000,000, received in return about \$250,000,000 from America alone. The difference, of course, was far from being net profit.

Beside its production expenses, the studio paid out \$46,000,000 on supplies and maintenance. A six percent interest on the original \$125,000,000 investment in studio materials would account for another \$7,500,000. State and Federal taxes sliced \$10,000,000 more from the gross income. So by subtracting these total expenditures estimates from the gross income, we can see that Hollywood's net profits from its American audience amounted to not over \$21,500,000.

To the average eye this is a sizeable sum, but not to Hollywood, which remembers that four of its eight major studios could cover that figure with their net earnings of the last year. A single company counted its net profits for the last fiscal year at \$9,841,530.61.

The drastic cut in figures is at the base of Hollywood's panicky outlook on the future. It sees the situation in terms of proportions, and not in terms of its ultimate possibilities. Thus once again it has jumped headlong into a conclusion that seems not justified.

Let's not forget that beside the United States, the industry still has access to the Orient and to Latin America. In the prime days Hollywood was too busy raking in its European gold to take either of these commercial fields very seriously. But Latin America alone has 5,400 theatres, seventy-six percent of whose entire screen fare is made up of American films.

It is true that both the Oriental and Latin American markets may go the way of the European ones. Japan already has rather stringent quota regulations, and production in Latin America is increasing yearly.

However, even if the entire foreign markets are eventually wiped out, I insist that Hollywood can maintain its functioning, and functioning with profit. Let it take a lesson from other American enterprises. Macy's, for instance, which caters to a purely American trade, has been able to offer the public quality products at moderate prices and still enjoy a reasonable income. Woolworth's, which could not, as Hollywood says it would be forced to do, decrease the quality of its goods, is continuing satisfactory operations regardless of the effects of world-conditions on its wide-spread foreign markets. And Hollywood will likewise be able to make money on readjusted budgets.

There will have to be reorganization in the studios, drastic reorganization. To get a clearer picture of the inner-financial workings of the studio, let's look at a breakdown of the production dollar, on which the budgets are determined. It is divided as follows:

Cast 25%; extras, bits, and characters 5%; director 10%; director's assistant 2%; cameraman and crew 1.5%; lights 2%; makeup, hair-dressers, and supplies 0.9%; teachers 0.2%; crew and labor 1.2%; story preparation 7%; story costs 5%; costumes and designers 0.2%; sets and art directors 12.5%; insurance 2%; stills and photographs 0.4%; cutters 1%; film negative 1%; tests 1.2%; sound negatives and engineering 3.1%; publicity, transportation, research, technical, miscellaneous 2%; indirect costs 15%.

One does not have to be a financial expert to see the disproportionate nature of these figures. Anyone can understand that budgets, based upon the given percentage allotments, can be enormously cut without harming the essential requirements of picture production. So if Hollywood claims that it can not make quality films on reduced expenditures, it should start an unbiased consideration of its possibilities. It will find that a newer and more economical system of operation is absolutely practical.

Besides, it is time for Hollywood to begin recognizing its responsibility to the millions of workers who, either directly or indirectly, depend upon it for a living. There is an estimated \$1,900,000,000 in film theatres in America. The owners of most of these are small-town people who ask no more than a modest living for their investments.

Around 300,000 people are in the actual employment of the industry. The exhibition field alone uses 255,000; an additional 13,000 work in the distributing departments; and the studios themselves have 30,000 individuals on their payrolls. Have the producers forgotten these people? If not their brothers keepers, it is a matter of good insurance to remember that their destinies are also interwoven

with that of the nation of which, regardless of future positions, they will always be a part. It is up to Hollywood to keep its share of the nation's employees drawing a paycheck.

There is still another factor which the industry must accept as its obligation. As a pure economic catalyst, so vital to prosperity in this country, Hollywood's importance can not be over-estimated. It touches the nation's pocket-book in devious ways. For instance, the newspapers and magazines of America depended upon the motion picture industry last year for \$77,000,000 of their paid advertisements.

The theatres of small towns are like small hearts in circulating and redistributing the money. Sixty-five percent of the cash taken in at the box-office is retained for use in the places where the theatres are located. It goes to pay the janitor, the coal bill, taxes, the ushers, the projectionist, insurance, advertisement in local papers, the girls that sell tickets, the real-estate agent, and the management.

Of the actual production money twenty-eight percent is spent among the people of Los Angeles and its environment. There is hardly an individual in that vast city of a million and a half population who is not affected economically by the motion picture industry. Last year the weekly payroll of the studios amounted to \$2,557,692.30.

Therefore, it is perilous to the economic stability of this country to assume that all of this will come to an end if Hitler wins this war. The industry still has its twenty years of experience in picture-making; it still has its enormous technical resources; it still has its vast abundance of creative manpower. And if the worst happens, it will still have the support of 85,000,000 people. What else, besides re-organization itself to meet circumstances, does Hollywood need?