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Recommended Citation

Rehman, Sharaf, "Hollywood That Once Was" (2020). Communication Faculty Publications and Presentations. 6.
https://scholarworks.utrgv.edu/com_fac/6

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Hollywood That Once Was

Sharaf Rehman

Abstract

Every great empire came to an end. Every media industry saw its “golden age” – some experienced more than one. So was the case with the film industry in Hollywood which has become a state of mind rather than a tangible entity. The American film industry remains the biggest in the world in terms of its box-office revenue, but not so in output or the number of movie admissions. India and China beat the U.S. The former in the number of productions and the later in the audience size. In some ways, Hollywood still dominates the world market, but there was a time (1930 - 1950) when American films, their stars dominated the screens the world over. This paper looks at the socio-economic factors that brought the dominance of Hollywood to its end.

Keywords: History of Hollywood, Post WWII European Protectionism, The Paramount Decree, The Hollywood Ten, American Suburbia, Popularity of Television

Introduction

During the mid-1960s, if one went to any American suburban mall one would have been treated to a Cineplex – a complex with several small movie theaters showing different films. Before the start of any of the movies, there would have been a number of advertisements for products and services and trailers for the films that were soon expected to be shown at the Cineplex. There were new movies every week. Any afternoon or evening, young couples, families with children, and flocks of teen-agers would have been lining up to buy their tickets.

One heard of costly movies\(^1\) such as West Side Story (1961), How the West was Won (1962), The Longest Day (1962), My Fair Lady (1964), Cleopatra (1963), Doctor Zhivago (1965), The Sound of Music (1965), and other commercial hits such as Splendor in the Grass (1961), Guess Who’s Coming to Dinner? (1967), In the Heat of the Night (1967), and Bonnie

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\(^1\) West Side Story (1961) was budgeted at $6 million; How the West Was Won (1962), $14.5 million; The Longest Day (1962), $7.75 million; Cleopatra (1963), $31.1 million; My Fair Lady (1964), $17 million; Doctor Zhivago (1965), $11 million; The Sound of Music (1965), 8.2 million.
and Clyde (1967). One heard that Cleopatra ran for two years at the Dominion Theater in London; The Sound of Music played for more than three years at the same theater.²

One would have never suspected that Hollywood, the capital of global entertainment was in financial trouble and the studios such as M.G.M, RKO, and Warner Bros. were dying a slow death. Robert Wise who directed West Side Story and The Sound of Music – two colossal hits was unable to rework his magic in Star! (1968) that had cost $14.4 to produce; Rex Harrison’s My Fair Lady had set records at the box office, however, no matter how good an animal doctor, he was unable to save the Twentieth Century Fox Studio³ that had invested $17 million in Doctor Doolittle (1967). One after another, the big-budgeted and over-produced studio productions failed to recover their costs and the studios were forced to drop the contracts of their actors, directors, producers and other key personnel. What brought Hollywood to its knees?

Julius Caesar was killed not by one, but many.

Historically, there were at least five factors that brought the Studio System to its end. These were:-

- After WWII, the European governments instated quotas and restrictions on showing American films. This resulted in a loss of foreign markets and revenue.
- The U.S. Supreme Court ruled against Paramount Studio forcing the studios to divorce themselves from one of the three activities – production, distribution, exhibition. This forced the studios to sell off their movie theaters. Thus they were no longer required to produce as many films as they previously did.
- The House-Un-American Activities hearings led by Senator McCarthy that resulted in a Blacklist. Many artists were unable to find work in Hollywood due to their previous association with the Communist Party.
- America moved to the suburbs and away from the cities where the movie theaters were located. The move to the suburbs forced the movie theaters to shut down.

² The Sound of Music ran at the Dominion Theater from 29th March 1965 to 31st June 1968.
• The popularity of television in the late 1940s. Families stayed home, watched the new box, and went to the movies less frequently.

This paper explores these five developments and their impact on Hollywood.

**Loss of International Markets**

During the early 1920s, American films dominated the film screens in Europe to such an extent that the local industries were bare able to stay afloat. Germany was the first European nation to put barriers, in 1925, against American film. France and England followed shortly thereafter (Guback, 1969, 16). These three were among the largest European markets for Hollywood. The protective measures fell by the wayside during WW II as most European movie industries were shut down as all efforts were directed toward the war effort. At the conclusion of WW II, nothing suited Hollywood better than the haunted studios and production facilities in Europe. Despite the Marshall Plan, the European nations, with their own literary and cultural traditions, were not about to sit still and accept Hollywood’s versions of art, culture, and literature.

At the close of the war, the protective measures and restrictions returned with a vengeance.

Protection of the local industries came in two forms – the quota system and taxation. Many European countries introduced a quota system on the number of foreign films (read as American films) that could be locally shown. This restriction came in two variations: the number of films that could be imported, and the percentage of screen time that could be allocated to showing foreign films.5

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4 The Marshall Plan (officially the European Recovery Program, ERP) was an American initiative passed in 1948 to rebuild Western Europe, in which the United States gave over $12 billion (nearly $100 billion in 2018 US dollars) in economic assistance to several European economies after the end of World War II. Great Britain, France, Italy and Germany were the major beneficiaries of the Marshall Plan.

5 Not all European countries kept careful records of film imports or license issued. Different accounting methods were used to count imports in terms of the ones that were dubbed and subtitled. Co-productions, in some case were counted for all countries involved, and some instances, only for the country where the production originated. However, the author does not to make country-wise comparisons. The aim is to demonstrate a steady decline in the screen time of the American films and the decline in production in Hollywood. To that purpose, the tables are in harmony.
The second restriction was a tax or import duty levied on the value or the earning potential of an imported film. In August 1947, Great Britain imposed a 75 percent duty on American films. At that time, the American film studios and producers were taking out $60 million annually out of Great Britain (Guback, 1969, 18). Immediately, the Motion Picture Export Association of America (MPEA), i.e., the studios hit back by declaring a total suspension of exporting films to the UK. The embargo remained in place for seven months. Finally, the UK revoked the import duty replacing it by putting a limit of $17 million that could be taken out in a given year. The remaining $43 million in earnings were frozen and could only be used as investments in British productions, advertising, and acquisition of real estate such as studios. These frozen funds could not be used to buy movie theaters.

The French imposed similar freezes in 1948 that resulted in $10 million frozen annually in France. The French also limited American imports to 121 films per year. The Marshal Plan aimed to aid the struggling economies in Europe, and to keep the rising from the left, the USSR, at bay, saw American films as propaganda for American values. The indirect suggestion to the recipient European governments was: If you accept our dollars, you accept our films.

At the end of WWII, Italy, another major beneficiary of the Marshal Plan did not have any kind of quota either on the number of imports or screen time. As a result, the Italian market was saturated and dominated by Hollywood product, making it difficult for the local, low-budget, production to compete (de Pirro, 1955, xii).
Italy imposed an import fee under the Andreotti Act on every foreign film brought in by a distributor – a fee that was to be deposited with a semi-official bank: Banca Nazionale del Lavoro from which the local production companies could borrow money from this bank at a low-interest rate to finance local productions. The distributors/importers who paid the import duty were allowed to have their deposits returned after a period of ten years, however, the distributors weren’t paid any interest on their deposits. In so doing, the Italians created an interest-free pool to support the local film industry. Some have argued that it was such protectionism that killed the Italian-neorealism cinema (Huaco, 1965).

To make things worse, in 1949, the Italians introduced a screen-time quota system requiring every movie theater to show Italian films for a minimum of 80 days of a year. In 1951, the Italians decided that only 225 American films could be imported in a given year by the eight studios\(^6\), and an additional 60 American titles could be imported by the Italian distributors, i.e., a total of 305 films (Guback, 1969, 26). By the year 1962, Italy saw no need

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\(^6\) The eight studios were: Columbia, M.G.M., Paramount, Republic, R.K.O., Twentieth Century-Fox, United Artists, and Universal.
for quotas on American imports. Hollywood was no longer producing 300 films in a year. Italy, once again, became a free market for American, British, and French producers.

![Table 12.2 - American Films in Europe - Italy](image)

Source: Ministerio de Informacion y Turismo

Francisco Franco who had risen to power during the Spanish Civil War with the help of Nazi Germany and Fascist Italy had isolated Spain from the rest of the world forming an Autarky. He ruled from 1935 to 1975 as its totalitarian dictator. Ironically, during the Cold War, Franco was one of Europe's foremost anti-communist leaders, a leaning that endeared him to the United States. During the early 1950s, Franco shifted from an authoritarian posture to a limited pluralism, a move that allowed Spain to join United Nations in 1955 (Payne, 1987), and opened itself to the rest of the world. But not to Hollywood. Spain protected its local industry by (1), limiting the number of American imports to 68 dubbed and 12 subtitled films, (2) and by implementing a system that required distributors to market Spanish films before they could be granted a license to import a foreign film, (3) by adding extra taxes to imports that were dubbed or in CinemaScope, and (4) by demanding that the U.S. distributors should import and exhibit Spanish films in the United States. Of these four protections, the first three were no different than the demands by the UK, France, and Italy. The demand for reciprocity was unacceptable to the MPEA. The result was that Hollywood sent no films to

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7 Autarky is an economic systems where a country survive or continue its activities without external assistance or international trade. Ideologically, such a “closed economy” is as the antonym of “open economy”.

Spain from 1955 to 1958. During this strike, the local distributors took control of distribution and many if the American film companies franchised to the Spanish operators.

By the time the negotiations resumed in March 1958, Hollywood was a much weaker player than its heyday. The new terms offered by Spain were much worse than the ones before Hollywood’s boycott. However, while American movies accounted only for about 33 percent of the titles shown in Spain; these generated 66 percent of the box office. Most of which either went to the local distributors or remained “frozen” in Spain.

![Table 12.3 - American Films in Europe - Spain](image)

*Source: Ministerio de Informacion y Turismo*

West Germany neither imposed any taxes or quotas on American imports. The local film industry in Berlin would have welcomed some help in the way of quotas and screen time restrictions. However, since the British, the French, the Russians, and the Americans wanted access and control, and the Americans were actively supporting the “reconstruction” of Germany, a quota on American films would not have been in the best national interest for Germany. Despite American and European competition, the German film industry made a remarkable recovery and regained its position among other major film industries.
The United States has never exercised any official barriers, neither in the form of import duty nor screen quotas on films from anywhere in the world. The reason America has remained a difficult market is partially based on the fact that the American moviegoers never had to cultivate the practice of reading the subtitles. Consequently, with rare exceptions, only British imports have been successful with American audiences.

At the end of WWII, American films were a threat to the local industries in Europe. Hence, the restrictions and protectionist policies were justifiable. However, within ten years of the end of the war, Hollywood’s output declined dramatically from 383 films in 1950 to 154 in 1960, and to 153 in 1965. By the mid1960s, Hollywood was no longer a threat. There was no longer a need for a quota. For the most part, by the late 1960s, the restrictions were redundant and a thing of the past.

The Paramount Decision

Source: Spitzenorganisation der Filmwirtschaft

Table 12.4 - American Films in Europe - Germany
Hollywood’s European markets were lost, but that’s not what killed the studios. There were enemies within that had begun plotting as early as 1928 – a year after the release of the first talking picture, *The Jazz Singer* (1927), and a year before the first Academy Awards in 1929.

Between the 1920s and the 1950s, Hollywood studios built thousands of ornate movie palaces in cities across the United States. Warner Bros., Paramount, RKO, MGM, and others competed to build the biggest and grandest cinematic cathedrals to showcase their big-budget blockbusters as well as their “B” movies. In this vertically integrated era of filmmaking, when the studios controlled the production, distribution, and exhibition of movies, owning such palaces made good business sense. The theaters were a guarantee that the movies will have access to the theaters and the audience.

The Federal Trade Commission brought an antitrust lawsuit against Famous Players-Lasky Corporation and nine other studios in 1928. Jesse Lasky and Adolf Zukor, the key founders of Paramount Pictures were the ones who had filed a similar case against Edison and his Patents company. In 1930, the court ruled against the studios. Since the country was going through the Great Depression, the studios struck a deal with President Franklin D. Roosevelt and continued functioning as the monopolies that they were. In 1938, the Federal government brought new charges against seven major studios: Paramount, Universal, MGM, Twentieth Century-Fox, Warner Bros., Columbia, and RKO. The federal lawyers argued that the studios either controlled nearly all the movie theaters in the country or had independent theater owners under contract to show a block of films that studios wanted to show. This was monopolistic and a restriction for the smaller companies. The government wanted the studios to either abolish “block booking” or let go of their distribution operations.

The case was tried in New York in 1940. The studio lawyers negotiated with the prosecuting attorneys and agreed to “limit” block booking. The compromise didn’t sit too well with some of the major independent film producers of the time including Samuel Goldwyn, David O. Selznick, Walt Disney, Charlie Chaplin, Mary Pickford and Orson Welles who formed the Society of Independent Motion Picture Producers (SIMPP) and appealed the “New York Compromise”, taking the case to the U.S. Supreme Court.
The case, *United States v. Paramount Pictures, Inc.*, charged the studios with vertical integration — a practice of controlling production, distribution, and exhibition of motion pictures. On May 3rd, 1948, the U.S. Supreme Court ruled that Paramount and other studios were in violation of antitrust law. The studios were forced to divorce themselves from one of the three arms of the business – production, distribution, exhibition. The studios opted to let go of their theaters. For the independent producers, it meant they could finally have access to the movie screens and the actors that used to be under contract to the studios. For the Hollywood studio system, the ruling spelled disaster.

**The Red Scare**

The United States defeated two enemies – Japan and Germany and gained a new one, the Soviet Union. The short-lived coalition between the U.S. and the U.S.S.R. was only a marriage of convenience. In 1949, the Russians surprised the world by detonating its first atomic device, marking the end of the United States’ supremacy as the sole atomic power and the beginning of the Cold War. The Americans were not only nervous about the Soviet entry into the atomic race but were also suspicious about the speed at which the USSR was able to acquire the know-how and technology so quickly.

It was soon discovered that the Soviet spies in the US atomic program had passed secrets to Russia. This raised a new paranoia in the United States that came to be known as the “Red Scare”. People feared that Russian spies could be active throughout the country in the American education system and the entertainment industries — the two areas capable of impacting the minds of the learners and the audiences. During the anti-Communist frenzy of the 1950s, institutions such as The University of Vermont, Reed College, University of Michigan, and Temple University terminated the services of several of their professors believed to be communist sympathizers (Daubenmier, 1990). Lionel Lewis (1989) who found 126 similar instances at 57 institutions.

Republican Senator Joseph McCarthy (1908-1957) battered Hollywood under the House Un-American Activities Committee (HUAC), which was established to investigate the influence of individuals suspected of Communist ties. McCarthy as assisted by none other but

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8 In the late 1940s and early 1950s, a highly-publicized espionage trial concluded in the conviction of several leading scientists and government figures of espionage, resulting in the 1953 execution of scientist Julius Rosenberg and his wife Ethel for passing information about the atomic bomb to Russia.
a first-term U.S. representative from California named Richard Nixon. HUAC subpoenaed the alleged subversives, among them, were writers, actors, studio executives, and directors. subpoenaed and asked to identify Communists in the industry.

The “friendly witnesses” provided the names, those who did not cooperate were blacklisted. Ten of the subpoenaed writers/directors went to prison. Some were sent to prison; others went in exile. All told, there were more than 300 names on the blacklist. These individuals were no longer employable at the studios. Some worked under assumed names, many saw their career come to a halt. The brain-drain on Hollywood that was forced by the blacklist deprived the film industry of some of its most creative talent. Among the artists who found their careers derailed by the blacklist were Charlie Chaplin, John Garfield, Orson Welles, Lena Horne, Lee Grant, Jules Dassin, Dalton Trumbo, Edward Dmytryk, Arthur Miller, Dashiell Hammett, Irwin Shaw, and Leonard Bernstein.

McCarthy's allegations shocked the nation and put him in the spotlight. He held hearings in the Senate, relying on insinuations and rumor, he attempted to charge members of the State Department of communist ties. In his zeal, McCarthy campaigned against supposed communists, liberal Democrats, and homosexuals. He was never able to produce any real evidence against anyone, but even those powerful enough to stop him were intimidated by him. "I will not get in the gutter with that guy," President Eisenhower reportedly said of McCarthy (Kennedy & Cohen, 2013). In 1954, McCarthy initiated hearings against the US Army. The hearings were televised, and the public could see McCarthy's increasingly erratic behavior and reliance on guilt-by-association rather than facts or evidence. In December 1954 the US Senate voted to end the hearings. At the time, the head of the Federal Bureau of Narcotics, Harry J. Anslinger, was aware of McCarthy’s addiction to morphine. Anslinger arranged for McCarthy to have access to morphine in secret from a pharmacy in Washington, DC. The morphine was paid for by the Federal Bureau of Narcotics, right up to McCarthy's death (Hari, 2015). It was reported that McCarthy suffered from cirrhosis of the liver and was frequently hospitalized for alcoholism (Rovere, 1959). McCarthy died on May 2, 1957, at the

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9 Some of the friendly witness were Ronald Reagan, Walt Disney, Budd Schulberg, and Elia Kazan. Initially, director, Edward Dmytryk had refused to give names. He was sent to prison for six months. Dmytryk, at a later hearing provided the HUAC committee a list of 26 names – the longest list by any of the “friendly witnesses.”

10 The Hollywood Ten who refused to cooperate and were sent to prison were: Alvah Bessie, screenwriter, Herbert Biberman, screenwriter and director, Lester Cole, screenwriter, Edward Dmytryk, director, Ring Lardner Jr., screenwriter, John Howard Lawson, screenwriter, Albert Maltz, screenwriter, Samuel Ornitz, screenwriter, Adrian Scott, producer and screenwriter, and Dalton Trumbo, screenwriter.
age of 48. His death certificate listed the cause of death as "Hepatitis, acute". A Democrat, William Proxmire, won McCarthy's seat on August 27, 1957, and served for 32 years. Proxmire described McCarthy as "a disgrace to Wisconsin, to the Senate and to America" (Nichols, 2007). The term “McCarthyism” to describe the practice of making unsubstantiated accusations prevails to this day.

'Et tu, Brute?' Or Suburbanization of America

While the protectionist policies of the European allies resulted in a loss of foreign movie audiences, the returning American soldiers served an indirect blow to Hollywood. During the WWII years, the U.S. government hired a contractor, William Levitt, to quickly build military housing. Levitt developed a method of mass production to building homes. He divided the building process into 27 steps. He hired 27 teams of construction workers to mass-produce houses. Each team was trained to perform one task, e.g., the foundation, the frame, plumbing, and roofing, etc. The teams moved from one house to the next installing their specialized work to each unit. Once Levitt perfected the process, he was able to complete 36 houses per day. In a matter of four years, Levitt built 17,447 houses (Peltz, 1988).

At the end of 1946, the war was over. The Great Depression was long gone, and the United States began to experience new affluence. On their return in 1947, the GIs were eager to start families. Housing was in short supply and the American Dream seemed out of reach for the middle-class families and the veterans. Many GIs and their young families either lived with relatives or in cramped city apartments.

Levitt had acquired farmland on Long Island, New York. Applying his mass-production approach, Levitt built small, affordable homes. These were two-bedroom, one-bathroom homes with a small backyard. The Veterans Administration and the Federal Housing Administration (FHA) made low-interest loans to the returning G.I.s enabling them to purchase their own homes rather than rent in the city. The new towns were dubbed as Levittown where homes were sold for $6990. Initially, these homes were only available to World War II veterans. Sensing the success of the initial projects, Levitt started building other Levittowns in Pennsylvania, New Jersey, Puerto Rico, and Maryland and offered them to other citizens.
Thousands of returning veterans moved their families from the cities to the suburbs. The American Dream of owning a home was within reach – in the new suburban communities. Soon, schools and shopping malls were added to the new suburbs and small movie theaters were built inside suburban shopping malls. The big movie theaters in the cities, no longer profitable, were sold off or renovated for other businesses. The suburbanization served the coup de grace to the grand old theaters located in downtown areas. At that time, nobody really gave a second thought about the historical value or the potential contributions the old Movie Palaces could make to the arts or society. They were simply buildings that not only lost money for their owners but were also costing a lot to maintain. It only made good business sense to sell the property for other purposes, which almost always meant tearing them down.

The old downtown movie palaces also faced competition from the theaters that were popping up in the suburbs but also from a new kind of theater that would become another great American icon, the Drive-In Theater. While Drive-In Theaters began prior to World War II, the post-war boom brought in a new golden age for the automobile and the love of the car sparked a unique fusion of car and cinema. The Drive-in was popular with families that could pay a single-car admission for a carload of adults and kids. While the parents watched the film, the kids could often go and play at a playground located behind the large parking ground. Young couples loved to go to drive-ins for the privacy inside their automobiles. America's love affair with the drive-in was, however, short-lived. Just like the downtown movie palaces, the land value of the Drive-ins became prime real estate and a lot of them were torn down for building more lucrative businesses such as housed or shopping malls.

**Television**

Today, the movies and television are so intricately intertwined that it’s hard to imagine these two as adversaries. At first, the movie industry saw television as an annoyance; soon it became a threat. Unlike any other medium, television gained exponential acceptance. In 1946, the year WWII ended, the Americans bought a total of 6,500 television sets. Within three short years, in 1949, there were 4 million television homes. Things got even more dramatic during the next decade as there was a ten-fold increase in American homes with at least one television set. By 1959, there were 41 million televisions in American homes (Hoover, 2017). Initially, the studios fought TV by banning their movie stars from appearing on it, however, before too long, Paramount studio was producing television serials. While
newsreels continued to be made into the 1960s, they were a thing of the past by the mid-1950s; TV news broadcasts meant people could get the latest news in their homes and much faster whereas the news presented on a newsreel was at least one to two weeks old when it was shown in the theaters.

Television changed how people watched movies. In the last two decades, the Internet has changed how people access news, information, and entertainment. In this regard, the Internet has affected all mass media. In the end, what one has is a love-hate relationship between movies and television and an association that has survived 70-years long marriage of convenience. A subject too large for the scope of this paper.

References


11 The seven mass media in their chronological order are the newspapers, magazines, movies, recorded music industry, movies, radio, and television.


