Industry consolidation, immediately prior to the motion picture industry’s first crisis of retrenchment—the Great Depression.

Bibliographical Note

This article is based on a series of articles I wrote between 1976 and 1980. I refer the reader to the appropriate journal or book.


A complete set of my publications on the coming of sound can be found in Claudia Gorbman, “Bibliography on Sound in Film,” *Yale French Studies*, 60 (Winter 1980): 276–77. On other matters, persons should consult my earliest work, “The Coming of Sound to the American Cinema: The Transformation of an Industry,” Ph.D. dissertation, University of Wisconsin–Madison, 1975. It should be noted that for nearly all questions the dissertation serves as only a base for the later articles.

Economic Struggle and Hollywood Imperialism: Europe Converts to Sound

DOUGLAS GOMERY

The coming of sound to world cinema has precipitated many important studies of its aesthetic, social, and cultural effects. Surprisingly, there exists very little systematic analysis of the consequences of this technological change for international trade of motion pictures. Film distribution presents few problems within a single nation; international commerce is not nearly so simple. Examining prior work for trade among the United States, United Kingdom, France, and Germany, one finds three types of analysis. First, textbooks tell of world domination (and exploitation) by Hollywood, the success of film production in Britain in 1933, the disastrous effect of the world depression in France, and the rise of Hitler (and Goebbels) in Germany. No connections are made: the coming of sound simply happens. Recent work makes stronger claims. On the one hand, Thomas Guback examines the U.S. film industry’s expansion into and takeover of European markets after World War I. By 1925 Hollywood products accounted for 95 percent of British movie revenues and 70 percent of French. When the United States film industry exported sound films, it utilized this change to solidify its hegemony, and maintain its dominant position in the world until after World War II. In contrast, Robert Sklar argues that in the late 1920s European countries, particularly Britain, France, and Germany, began to repel Hollywood expansion with a moderate degree of success. The addition of sound helped these countries because of the problems of the troublesome conversion of films for different language audiences.

In this essay I shall argue that the full impact of the worldwide diffusion of sound cannot be understood in the simple terms Guback and Sklar suggest. We need an explicit theory of international exchange by which to structure our analysis. Marxist economics provides the most appropriate theoretical framework. Both Guback and Sklar (implicitly) utilize the neoclassical economic model: how did foreign quotas and tariffs disrupt free distribution of films? Combined with a dramatic narrative structure—how could a poor European country survive the onslaught of the Hollywood monop-
oly—their accounts make for compelling reading. Unfortunately their analyses gloss over complex issues and thus do not provide a systematic explanation of world exchange of motion pictures. The free-trade model ignores questions of imperialism and cartels; the Marxist model of international trade places expansion of trade to other countries at the core of the capitalist social formation. Marxist economists argue that during the late 1920s and early 1930s the United States moved from classical imperialism to a new category of international exploitation founded on the products of the second industrial revolution: steel, the internal combustion engine, and electricity—including motion pictures.4

For the coming of sound to Europe, the analysis must focus on the question of the nature of economic relations among advanced capitalist countries. One concept emerges as central: cartelization. During this period a small group of large powerful corporations in the United States, United Kingdom, France, and Germany sought dominance and consequently formed alliances to “control competition” on an international scale. Numerous pools, cartels, and trusts were formed. Such relationships were rarely static; each corporate giant sought to gain power from its rivals. Agreements would only last until one signatory felt strong enough to extract more surplus value. Cycles of truce . . . battle . . . truce . . . battle were common. Frequently the nation-state would assist resident corporations, using tariffs or quotas to gain temporary advantage.

Pivotal in this new imperialism was the multinational corporation. After World War I a monopolist corporation rarely operated in a single nation-state. During the 1920s United States corporations began large-scale expansion into European markets, especially into those countries most damaged by war. The so-called new technology—industries—usually associated with mass consumable products like automobiles or motion pictures—grew most rapidly. European corporations, the former imperialist powers, had to retreat and develop methods by which to respond to aggressive United States competitors.5

Hollywood’s multinational corporations (Warners, RKO, Fox, Paramount, Loew’s, Columbia, United Artists, Universal) began to export sound movies late in 1928. At that time there were few theaters wired for sound; conversion of cinemas in Europe lagged far behind the United States. By the end of 1929 only 18 percent of European theaters could present talkies while nearly half the cinemas in the United States could. In all cases the most deluxe picture palaces (super-cinemas) in the biggest cities were wired first. Then cinemas with less revenue-generating potential converted. Very small houses (100-200 seats) came last, some as late as 1935. United Kingdom exhibitors wired most quickly (22 percent in 1929; 63 percent by the close of 1930). German theater owners moved more slowly; the penetration rate did not top 60 percent until 1932. French exhibitors proved even more recalcitrant. Consequently the United Kingdom became Hollywood’s first important foreign market. Later, Hollywood would utilize experience gained in Great Britain to establish precedents which it would try to follow on the Continent. First, in conjunction with Western Electric and the Radio Corporation of America (RCA), the dominant U.S. suppliers of sound apparatus, the Hollywood monopolists gave preferential treatment to the owners of the deluxe (super) cinemas. Western Electric and RCA wired these theaters first; Hollywood provided the most popular talkies for exclusive first-runs. All technical problems of compatibility were easily eliminated. Native producers, importers, and owners of smaller cinemas simply had no choice but to acquiesce or lose the chance to capture a share of the surplus profits.6

However, Hollywood, RCA, and Western Electric could not utilize similar marketing strategies for the Continent because of language conversion difficulties. Initially, dubbing, subtitles, and native language narrators were tried—with little success. The most promising, dubbing, was fraught with technological limitations, and caused adverse audience reaction. Consequently the Hollywood monopolists began to produce foreign language versions of feature films and short subjects. In November 1929 Metro-Goldwyn-Mayer (MGM) took the lead by embarking on a two million dollar program to replicate, in at least three versions, nearly all of its feature films. With fully amortized sets, costumes, and scripts, additional versions rarely cost more than 30 percent of the original. MGM also filmed a few original foreign language films, usually based on previously successful silents. Early in 1930 Paramount established a huge studio at Joinville, six miles from Paris, to create foreign versions in five languages. By March 1930, this studio was in full operation, the equivalent of any lot in California. The other Holly

Yet within one year, Hollywood would realize it had grossly miscalculated. Foreign versions could not generate a profit. Even sharing expenses at Joinville did not keep costs below the break-even point. Dubbing had greatly improved and become far less expensive. Late in 1931 the Hol-
lywood monopolists, in order to minimize losses, turned completely to that alternative. The large revenues for MGM’s dubbed versions of *Min and Bill* (in Italian) and *Trader Horn* (in French) convinced all concerned. MGM ceased production of separate versions early in 1932; the other Hollywood monopolists soon followed. Paramount converted Joinville into Hollywood’s dubbing center for Europe. Special language versions had a short life (1930–31), and served only as the transition to the dubbing process, still in use today.⁹

As Hollywood worked to resolve its language conversion problem, a German cartel appeared to challenge the U.S. film industry’s domination of European markets. Three German inventors had developed an alternative sound-on-film method which became known as Tri-Ergon. They unsuccessfully tried to innovate their system into the German film industry between 1922 and 1926. However, in 1928, after realizing the threat of U.S. domination of world sound technology, the German government encouraged the formation of an alternative. The Tonbild Syndicate A.G. (Tobis), organized with German, Dutch, and Swiss money, acquired the Tri-Ergon patents and began to install sound equipment in German theaters. Simultaneously the two most important German electrical manufacturers, Siemens and Halske, and Allgemeine Elektrizitäts Gesellschaft (AEG) announced their own, jointly developed sound system. Quickly they formed Klangfilm. After some initial struggle, Tobis and Klangfilm agreed to unite against the anticipated U.S. “talkie-invasion.”¹⁰

Tobis-Klangfilm set up formal operations during the spring of 1929. In May 1929 Warner Bros. brought *The Singing Fool* to Berlin; Tobis-Klangfilm sued and stopped the premiere. In July 1929 an appeals court upheld Tobis-Klangfilm’s sole right to sound film patents within Germany: no U.S. films could be exhibited while the case continued to a higher court. Simultaneously Tobis-Klangfilm pressed for similar exclusivity in the United Kingdom and Switzerland. In reaction the Hollywood monopolists (represented by Will Hays) and Western Electric worked for an out-of-court settlement. The German company would not back down and thus in late 1929 Hollywood began to boycott the German market. Hays reasoned that German theater owners would not be anxious to forfaite the short-run profits they could expect from the new Hollywood talkies and would pressure Tobis-Klangfilm to agree to present films recorded on U.S. systems. In 1929 the Hollywood monopolists had used such a boycott quite successfully to force the French government to dilute a stiff quota law.¹¹

Hays underestimated Tobis-Klangfilm’s power. Within six months, with the support of the German government, Tobis-Klangfilm broke the Hollywood–Western Electric boycott. In fact Tobis-Klangfilm successfully secured (final) injunctions against Western Electric in Germany, Holland, Czechoslovakia, Hungary, Switzerland, and Austria. Equally as important, early in 1930 Warner Bros. and RKO broke with their fellow monopolists, and began to rent films to exhibitors in the disputed markets. Warners had little incentive to cooperate with Western Electric: the two were in the middle of a six-year arbitration struggle concerning Warners’ original contract. RCA had created RKO to provide a market for its sound equipment. Seizing on Western Electric’s foreign problems, RCA’s parent corporation, General Electric, acquired part-interest in AEG and thus became part-owner of Tobis-Klangfilm. Soon after RCA, RKO, and Tobis-Klangfilm initiated a cooperative agreement.¹²

The other Hollywood monopolists soon acquiesced. In mid-June 1930 representatives from Tobis-Klangfilm, Western Electric, RCA, and the U.S. film industry began to confer in Paris. An international cartel was the stated goal; the surplus profits were estimated to be a quarter of a billion dollars. Quickly all parties agreed to split up the world for patent rights and then charge film companies royalties for distribution within each territory. The negotiations lasted one month. On July 22, 1930, Western Electric, RCA, and Tobis-Klangfilm formed a loose cartel which divided the world into four territories. Tobis-Klangfilm secured exclusive rights for Europe and Scandinavia, while Western Electric and RCA obtained the United States, Canada, Australia, New Zealand, India, and the Soviet Union. For the valuable British market, royalties were split one-fourth for Tobis-Klangfilm, three-fourths for Western Electric and RCA. The rest of the world became open territory: no company held exclusive rights. All parties exchanged and pooled technical information. The royalty fees ranged from $500 to $5,000 per film, depending on how many countries were involved. The diffusion of sound seemed to be complete, the economic struggle over.¹³

In fact, the Hollywood monopolists never formally ratified the “Paris Agreement.” Shortly after the conference, Germany instituted stiffer quota regulations. In protest Hollywood leaders refused to sign the pact, but would continue to make all necessary royalty payments. Western Electric, RCA, Tobis-Klangfilm, and the Hollywood monopolists began meeting informally to negotiate a final settlement. Finally in February 1932 they held a second Paris conference. French representatives also attended and bitterly complained because under the 1930 accord they had to pay Western Electric one fee to rent equipment and Tobis-Klangfilm a second fee for the right to distribute the same film in their own country. Other disputes surfaced and the cartel fractured. It endured a mere eighteen months.¹⁴

Consequently, patent disputes erupted in Europe and throughout the rest of the world. A typical challenge came in Denmark. In 1929 the dominant Danish producer, Nordisk, had acquired the rights to the Peterson-Poulson sound system. Eventually these patents became part of the
German group. With the world sound cartel in disarray, Nordisk began to reassert its exclusive rights for Denmark. First Nordisk petitioned a Danish court for the right to collect royalties for all foreign films presented in Denmark which were not recorded using the Peterson-Poulson system. In October 1933, the Danish Court ruled for Nordisk and issued an injunction preventing the exhibition of any film in Denmark unless it had been recorded (or rerecorded) on the Peterson-Poulson system. Quickly Nordisk instituted similar suits in Norway, Sweden, and Finland. Immediately tripartite negotiations opened among Western Electric, the Hollywood monopolists, and Nordisk. Tobis-Klangfilm ceded all rights. In November 1934, the Hollywood monopolists signed an agreement with Nordisk for Denmark. Because of court rulings, Hollywood had to agree to yet another pact for Sweden. Nordisk lost its suits in Norway and Finland.14

As Hollywood negotiated more and more individual compacts, Tobis-Klangfilm, Western Electric, and RCA lost a larger and larger percentage of the royalties guaranteed under the 1930 Paris Agreement. Consequently Tobis-Klangfilm pressured for a modified cartel. During 1935 in Europe and the United States, representatives from Western Electric, RCA, Tobis-Klangfilm, the Hollywood monopolists, and several European film industries met and negotiated a second “Paris Agreement.” The producers settled all past royalty claims, and secured lower rates for the future. The agreement was signed on March 18, 1936, and would last longer than its predecessor, nearly three years. The outbreak of World War II made any cartel impossible.15

In sum, the second Paris Agreement and the complete conversion of cinemas signaled the end of the diffusion of sound for Europe. Evaluating its impact for United States, French, German, and British relations proves quite difficult. Language conversion problems did provide foreign countries a temporary advantage. When dubbing became universal, the advantage swung back to Hollywood. Patent warfare helped the United States and Germany. Throughout the ebb and flow of this economic struggle, U.S. and German firms dictated the terms of exchange; the British and French were simply exploited. Thus it is not surprising that, by 1936, the Germans had recaptured a major share of their own market from Hollywood. But so did the French and British! The Germans had reduced Hollywood’s share (compared to 1929, pre-Depression levels) by 36 percent, the French by 24 percent, and the British by 20 percent. One is tempted to side with Sklar and find that the coming of sound caused the Germans, principally because of patent hegemony, to be able to ward off Hollywood’s domination of German screen time. But this explanation cannot account for the success of the French and British. For too long the coming of sound to Europe has been treated as a single, isolated variable. I argue we must turn to other factors to help explain the reduction of Hollywood’s power. Without a complete understanding of variations in economic exchange throughout the period of the coming of sound, we can never fully understand its impact.16

To keep this present analysis within manageable bounds, I will consider only the two additional factors which we should include in any new analysis: the effect of the state and the relative impact of the world depression. By 1928, Britain, France, and Germany all had state restrictions regarding the exhibition of foreign films within their respective countries. In France, the Quota Commission required that for every “French” film produced, seven U.S. films could come into France. German and British laws were stronger. The Germans required “import permits” and with year-to-year modification kept their numbers at levels lower than what Hollywood desired. The British law required that United Kingdom exhibitors and distributors reserve a certain portion of their business for British pictures. The Cinematograph Film Act of 1927 established initial minimums of 7½ percent for distributors and 5 percent for exhibitors. These lower bounds increased annually until both reached 20 percent for 1936. There was limited cooperative action. In 1930 the French and German film interests and governments agreed to drop quota restrictions for exchange between those two countries.17

This is how government control stood as Hollywood began to export its sound films. As with the late 1920s, the French government continued its passive stance during the early 1930s. Its quota law expired in October 1931 and, under much pressure from the U.S. film industry, the French government did not renew the law. U.S. talkies flowed into France with no impediments. After one year a revised law was passed (August 1933) which controlled the number of dubbed films which could be exhibited. Modeled on the successful German law, the French [ruling] initially set the number (140) much lower than what Hollywood desired (about 200). The effect was lost, however, because the government permitted so many loopholes. French cinema owners, assisted by the Hays office and the U.S. State Department, successfully lobbied for loose enforcement. By 1936, when the market consisted entirely of sound films, the U.S. film industry was able to export to France about 85 percent of what they would have desired had there been no quota. Thus, all other things being equal, the law helped abate U.S. domination by about 15 percent. The British quota law also had a marginal ef-
fect. Like France, the internal struggle lay between British exhibitors who wanted more of the popular U.S. films and native producers who pushed for tighter control. Neither side gained, the law would not be rewritten until the original act expired in 1938. Gradually, however, throughout the 1930s the British did recapture 20 percent of the screen time lost to Hollywood during the prior decade.\(^1\)

Germany proved the most successful against Hollywood. Each year Germany instituted a new quota, each equal to or stiffer than its predecessor. Early in 1933 Hitler took power and pushed for strong involvement in cinema but would not nationalize the film industry until 1942. In fact, just prior to the Nazi seizure of power, it seemed likely that U.S. film interests had succeeded in pressuring for a weaker quota law for 1933. The Nazis reaffirmed the strong traditional quotas and even added special provisions: all dubbing had to be done in Germany and the Minister of Propaganda, Joseph Goebbels, could refuse the showing of any foreign films with anti-Nazi themes. Even stricter censorship came in 1934. With the complete diffusion of sound in 1936, the Nazi government was gradually reducing the presentation of non-German motion pictures to zero. Franco-German “free-trade” lapsed in 1936.\(^1\)

State action enabled Germany and France, and Britain to a lesser degree, to combat U.S. movie imperialism. So did the worldwide depression. This century’s most severe economic crisis provided France, Germany, and Britain a distinct comparative advantage—in both the short and long run. As the depression spread throughout the world, exchange rates of foreign countries began to fluctuate significantly, usually against the U.S. corporations and in favor of their European counterparts. European governments either froze the currency holdings of foreign traders or used (diluted) currency exchange rates to assist native industries at the expense of foreign corporations. Thus, in real dollars Hollywood extracted from its overseas operations smaller and smaller revenues, despite the popularity of the early talkies. The U.S. government finally adjusted exchange rates in 1934, but not before U.S. multinational corporations suffered large losses abroad.\(^2\)

Equally as important—in the longer run—was the relative effect of the Great Depression in the four countries of concern here. Germany and the United States experienced severe decline. Between 1929 and 1932 U.S. national income fell 38 percent, industrial production nearly 50 percent. Comparisons between nations are difficult, but by economists’ best estimates Germany’s slide matched that of the United States while the United Kingdom declined only half as much, and France three-quarters as much. I shall assume these gross declines matched those for relative consumer purchasing power, and thus potential cinema revenues. In fact, the available (albeit crude) cinema attendance data indicate such logic is acceptable; for example, U.S. attendance declined 35 percent. There also existed a significant difference in terms of recovery: strongest in Britain (24 percent above 1929 levels by 1937), next in Germany (17 percent above), and the United States (3 percent above). In contrast, in 1937 France remained 18 percent below 1929 levels. The French economy did not decline as severely as that of the United States or Germany, but it never did regain previous levels of economic activity during the coming of sound. Germany and the United Kingdom surged back strongly. The U.S. economy simply returned to pre-depression levels.\(^2\)

For cinema exhibition there were three very different reactions for the Germans, French, and British. Specifically in Germany the downturn for cinema attendance came in 1930. Numerous cinemas closed. In response, the Nazi government banned double features, in order to place the most popular films in the maximum number of theaters, and initiated an embargo on construction of new theaters. Attendance began to creep up in 1934 and rose dramatically in 1936. In France cinema attendance remained strong until 1933, declined severely for two years, and then stagnated at that lower level. During the Depression the United Kingdom experienced an increase in movieloan. New cinemas opened; in 1932, at the nadir of the economic crisis, 150 new theaters were built, including several picture palaces. With rapid and strong recovery of the national economy, the British film industry grew stronger while Hollywood was weakest. The French made small gains until 1933; the Germans dissipated. Across the sea, U.S. movie admissions plunged; three of the Hollywood monopolists went bankrupt and had to be reorganized by the federal government: Paramount, Fox, and RKO. In 1936 Hollywood did regain its power and the potential strength to surge forward in foreign markets. Throughout the early 1930s, despite its patent position, Hollywood saw exports decline. In 1936 foreign revenues began to increase again, but not in the stronger European countries, only in weaker markets such as France and Latin America.\(^2\)

In sum, the impact of the coming of sound to Europe cannot be properly separated from questions of the power of the state and the relative effect of the world economic depression. Guback and Sklar pose limited questions. Instead we should analyze the introduction of sound as part of a complete system of world film exchange. This article has suggested how such a study might begin. I have purposely excluded—for the sake of brevity—questions of production and industry structure, conduct, and finance for each separate country. Quite simply, we have much to learn, and should carefully reexamine the commonplace conclusions which dot our histories of the coming of sound.
Notes

1. I examine these particular countries because in economic terms they were the largest. This paper is a work-in-progress, the beginning of a larger study of the economic history of world cinema. In the future I shall examine Eastern and Third World countries. Moreover, this study lacks primary documents from the United Kingdom, France, Germany, and so on; all conclusions for the present must be taken as only tentative.


Film Style and Technology
in the Thirties: Sound

BARRY SALT

Now that some interest has arisen in the history of the influence of film technology on the forms of films, there has been an unfortunate tendency to exaggerate its importance, whereas in truth it appears that, as far as the more interesting aspect of movies are concerned, technology acts more as a loose pressure on what is done rather than a rigid constraint. For instance, one can connect the move toward faster cutting in the middle thirties with the introduction of “rubber numbering” (or “edge numbering”) of the cutting copies of the sound and picture tracks, but an opposite tendency toward longer takes, which began at the end of the thirties, seems to be independent of any of the technical developments of the period. And a complex train of events involving aspects of sound recording and film stock development relate to the rise of background projection and total studio shooting that so distinguishes the later thirties from the early thirties.

So in this article these matters, and also other aspects of the general movement of the formal stylistic features in the mainstream cinema of the thirties, are considered in relation to the technological developments of the period. The emphasis is strongly on American practice, but the state of European developments is mentioned from time to time. The analytical approach to film style used here has already been demonstrated more fully in some respects in Film Quarterly, Vol. 28, No. 1, and since then extended somewhat, and the general attitude taken is that it is impossible to establish what is interesting about a particular film unless one knows the norms holding in general for other films of the same kind made at the same time and place. Ignoring this principle has led people to describe features of particular films as remarkable, when they are in fact quite commonplace in the context of their period, and although this error is much more common with early cinema, one instance in connection with sound editing can be mentioned here.

At the beginning of the thirties editors were beginning to realize the importance of what might be called the “dialogue cutting point” for making weak (i.e., smooth, unnoticeable) cuts when cutting from one speaker to another in a scene. In general the weakest cut from a speaker to the shot of his listener, who is about to reply in the succeeding shot, will be made while