

# ENLARGING SCOPE OF THE SCREEN



Annual Report

To the Motion Picture Producers  
and Distributors of America, Inc.

By WILL H. HAYS, *President*

March 27, 1939

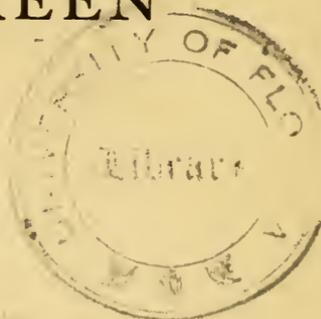
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28 West 44th Street, New York City



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REPORT OF THE PRESIDENT  
TO THE  
MOTION PICTURE PRODUCERS  
AND DISTRIBUTORS OF AMERICA, INC.  
MARCH 27, 1939

WHILE the barometer of the box-office went up and down with picture appeal and entertainment continued to be the commodity which the public supported, the past year has been notable for the rising tide of discussion as to the social function of the screen. In a period of great tension in world affairs, the conflict of opinion, however, as between those who would preserve the motion picture theatre as a center of popular recreation and those who would emphasize the social import of the art was more often apparent than real. The increasing number of pictures produced by the industry which treat honestly and dramatically many current themes proves that there is nothing incompatible between the best interests of the box-office and the kind of entertainment that raises the level of audience appreciation, whatever the subject treated.

None the less, the discussion that proceeds is the greatest possible tribute to the progress of the screen. For it is proof of the fact that an entertainment art for the millions has risen to such high estate that the best which the living theatre has been able to produce or which other artistry can create is now demanded from the films. It is not so long ago that thrilling action

for its own sake was considered satisfying 'movie'; that the custard pie was the symbol of hilarity and amusement from the screen; that the chase was sure-fire entertainment technique; that boy-meets-girl supplied all the drama that a motion picture audience apparently demanded.

Whatever may have been the merits or demerits of each picture from an artistic standpoint, today competent critics, in and out of the industry, are able to point to a succession of pictures which dramatized present-day social conditions, which exposed slum areas in many of our great cities, which placed in true perspective the problems of medicine and medical care, which dealt with issues of war and peace, which treated of crime and crime-breeding, which showed human beings struggling for individuality against the forces of an increasingly complex civilization, which discussed the values of our present-day democracy and emphasized the traditions that have made this nation great, which exposed racketeering, which treated of the problems of adolescence and which dealt with other themes notable for their educational value.

More pertinent, perhaps, than that an increasing number of such pictures are being produced by the industry, is the fact that some of these films proved not merely satisfactory, but outstanding entertainment and all were primarily artistic achievements, not partisan tracts.

It is inevitable in an art to which many are called but few are chosen, that there will be those who cry out there is no room on the screen for their ideas, their artistry or their talents; that controversial subjects are taboo or that they cannot express their creative instincts within the limits of the moral code established and enforced by the industry. These are matters for pictures, not words, to answer. The fact that the screen has handled successfully themes of contemporary thought in dramatic and vivid form and presented the subject matter as splendid enter-

tainment, rather than propaganda, proves how much it can do today, and how much more it can do tomorrow. Indeed, the experiments in public interest and public acceptance made by those producers who have expended millions of dollars during past months to advance motion picture entertainment into new high ground have blazed the way for further progress.

In considering the problem of better entertainment—a problem that should *always* face the screen—it is to the credit of the organized industry that it has cooperated with community leadership, from the very inception of this Association, to create the demand which the industry itself must meet.

The better-picture movement was inaugurated with the help of important public groups of nation-wide followings, which cooperated with the industry to help raise public demand in order to justify the supply of pictures of the better kind.

In this respect the industry itself invited the challenge which producers, writers, directors and artists must accept in order to raise ever higher the standards of the screen. That is why today so many demands are focused on the industry and why our studios must answer with the greatest possible variety of entertainment for a universal public.

The result is a potential market for film entertainment that includes the public at large, not a mere movie audience—a market of 130,000,000 critics in the United States alone—quick to turn thumbs down on pictures which are not good of their kind.

### *Leadership Opinion*

An informal meeting in New York was held early this year with present and former group leaders, some of them original members of the Public Relations Committee initiated for the industry in 1922, and representative of the opinion of leading educational institutions, religious and civic groups, social service,

welfare, women's club and youth organizations. It is interesting to note that the discussions sounded the same note that marked the beginning of the educational activities of the organized motion picture industry seventeen years ago—*that together we must work now as always for a rising standard of motion picture quality, and the fullest possible public support for pictures of this character.*

In essence the observations and suggestions at this meeting called

(1) For the continuance and increase of those themes and treatments which have made the American motion picture a true product of democracy, by emphasizing in popular entertainment mankind's long struggle for freedom and the hopes and aspirations of free men everywhere.

(2) For the proper emphasis on our own screens of the theme of Americanism, by pictures that present the strongest measure of hope in their portrayal of stories of success attained through initiative, through perseverance and sacrifice, and through the triumph of man's spirit over material obstacles.

(3) For pictures, treated with realism drawn from life, of the problems of the average man and woman among the rank and file of the people. This is already reflected in the increasing number of successful entertainment films, presented in simple terms and without exaggeration, that show the every-day processes of American family life with their portrayals of character that give fresh courage to countless millions.

(4) For pictures, including shorts and travelogues, which dramatize the home life and habits, the customs and the cultures of all nations and races; for pictures that deal with the great figures of all nations, treated with sympathy and fidelity to historical fact. American pictures serve a world audience. They are universal coinage which must be kept sound and undebased.

(5) For pictures that will meet to an even larger extent our entertainment responsibilities to our sister Americas, and at the same time help to erase misunderstanding by portraying their history, ideals and cultural patterns and thus draw our peoples together.

(6) For the fullest possible opportunity for the newsreels to continue to give the vivid recording of big events and also to enlarge upon the background and significance of the news.

(7) For the continuance and development of the short-subject field, particularly of those pictures which re-create for the present generation the great events and stirring scenes of our nation's history.

### *Larger Scope*

It was inevitable that the scope of screen entertainment would be greatly enlarged with improved dramatic technique and higher standards of appreciation to a point where the screen would become more and more socially and educationally important. Actual experience has proven that artistry can treat on the screen any subject within the boundaries of good taste and sound morals under the Motion Picture Production Code. And any means *any*—even those subjects that serve the important purpose of complete relaxation, that shout no message, point no moral or teach no lesson.

*Snow White and the Seven Dwarfs*, the first cartoon feature picture, was a unique adventure in motion picture enterprise. Its tremendous production cost demanded the utmost financial courage. It has grossed new records at the world's box-offices, with the end not yet in sight. Yet the fact remains that no *isms* whatever were discussed in the film and that the millions who hailed it did not seem to miss its lack of social significance. It seems there are still a number of eudemonists left in the world.

## *Family Pictures*

One of the truly significant box-office demonstrations in the past year, was the growing popularity of family entertainment films. It is interesting to note that the essence of these pictures was their topical, human and commonplace treatment of the day-by-day problems of the average American family.

The emphasis during past months on the significance and values of free institutions as themes of motion picture entertainment, in short subjects as well as feature films, promises to continue during the forthcoming season. Very pertinent is the fact that the current patriotic shorts were educational subjects which proved to be much more than mere appendages of the entertainment program. The talents of some of the best writers, directors and players in the industry were used in the production of such subjects.

Another trend is that heroes and patriots of South America will be dramatized in important productions. Features and short subjects will deal with such themes as the Monroe Doctrine and the careers of such figures as Simon Bolivar and San Martin. Many of these pictures will be done in color.

## *Motion Picture Exhibits*

The panorama of American history as already dramatized in feature and other productions previously released will be reflected in the motion picture exhibits at the World's Fair in New York as well as at the Golden Gate Exposition in San Francisco. More than 17,000 titles were considered in the process of selecting from approximately 2,000,000 feet of film important episodes of American history, as advised by Dr. James T. Shotwell, eminent American historian.

The work has proved a vast task of research and it is a satisfaction to note the wealth of material found in our motion

picture vaults—the story of the Mayas and the Aztecs; the Indians of the north; the adventure of Columbus; the coming of the Colonists; the French and Indian Wars; the Boston Tea Party; the Continental Congress; the Constitutional Convention; Daniel Boone and the conquest of the wilderness; the Louisiana Purchase; the War of 1812; the Oregon and Santa Fe Trails; Civil War scenes; the settlement of the Great Plains; the story of the struggle for religious and political freedom; the story of invention and the million-handed industry built upon it. The stories of Drake and his exploration that just missed the Golden Gate, and the Lewis and Clark Expedition still wait to be made.

There could be no finer mark of enterprise on the part of American producers than that they had covered so nearly all of the great moments of our history in their product.

### *Production Code Administration*

The total number of feature-length pictures approved by the Association, in the calendar year 1938, was 594. Of this number, 364 were produced by members of the Association and 230 by non-members; of this 230, foreign companies produced 54 and non-member domestic companies produced 176. Forty-nine of the total were re-issues.

The total number of short-subject films, approved during 1938, was 833.

### *Comparative Total Number of Pictures Approved*

1933	1934	1935	1936	1937	1938
486	501	1748*	1594‡	1462**	1427‡‡

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\* Includes 412 re-issues

‡ Includes 161 re-issues

\*\* Includes 63 re-issues

‡‡ Includes 50 re-issues

Following is a detailed statement of the general activities during the year under review :

Total number of books, synopses, plays and stories read..	544‡
Number of scripts read (including changes).....	2879
Number of pictures reviewed.....	1539*
Number of consultations.....	1491
Number of opinions written, dealing with stories, scripts, pictures, etc. ....	5922

‡ Includes short subjects.

\* Includes a number of pictures reviewed more than once.

The following table is interesting as indicating source material for the 545 feature-length pictures produced during the year :

	Total	% of Whole
From original screen stories.....	316	58.0
From stage plays .....	30	5.5
From novels .....	140	25.7
From biographies .....	2	.3
From short stories (including magazine)..	54	10.0
Miscellaneous .....	3*	.5
	<hr/> 545	<hr/> 100.0

\* 2 comic strips; 1 newspaper serial.

### *Advertising Code Administration*

At no time during the past year was there a single serious violation of the Advertising Code and none of a nature to merit any substantial condemnation. The advertising of some of the few films produced outside the services of the Association comprised the only instances of deliberate poor taste in motion picture advertising that were evident during this period.

There was a slight increase in the number of still pictures rejected during the year. This may be explained, in part, by the growth of more daring feminine fashions, necessarily emphasized by photography. Another factor has been the candid-camera craze playing up gore and horror whenever possible.

Interesting to note is the fact that of the 434 campaigns including advertisements, publicity stories, newspaper art, lobby displays, outdoor posters and exploitation ideas submitted to the Advertising Code Administration, 62 of such campaigns were those of companies not members of the Motion Picture Producers and Distributors of America.

Deletions and changes were ordered and made while press books were in proof form and no press book had to be rejected after completion. Thus the effectiveness of self-regulation saved much time and expense.

Summary of submission in 1938:

Stills (West Coast).....	99,627
Stills (East Coast).....	3,730
Publicity stories .....	15,044
Advertisements .....	9,830
Exploitation ideas .....	9,388
Miscellaneous accessories .....	6,252
Posters .....	1,937
Trailers .....	747

*Community Service*

The activities of the Association in respect to community contacts and cooperation with those interested in promoting the better-picture movement included miscellaneous interviews with more than 20,000 individuals; assistance to community leaders in their efforts to improve the quality of audience appreciation; ex-

ploitation through community channels of particularly important current pictures from the social standpoint; information on movie subjects furnished to many writers of books and magazine articles; and many other projects.

There has been a marked increase of interest on the part of schools, libraries and other public groups in this work. It is to be noted that in a survey made less than three years ago under the direction of the United States Commissioner of Education, only 14 colleges and universities reported offering regular courses in motion pictures. Today, at least 53 major institutions of learning have either added or are planning to install in the near future such courses, with more than 200 offering partial instruction in connection with other departmental work. In New York City alone motion picture courses are being offered in seven colleges and universities. In Hollywood during the past year over 600 individual teachers called on the Association for information as to current pictures with reference to educational and art-appreciation studies.

A total of 30 additional Study Guides based on feature pictures produced by member companies were prepared in 1938 and have been greatly in demand. These books continued to prove of much value to educational groups interested in promoting photoplay appreciation and focused attention on exceptional pictures. When this project was originated, it was believed that eventually it would be self-sustaining because of its value to member companies. It has taken nearly five years to accomplish such a result. In the earlier years a great deal of patience and supervision was required, with considerable financial expenditure on the part of the Association.

What our work in this field was intended to accomplish is well illustrated by the resolutions adopted by the International Council of Women held in Edinburgh last year. The deliberations of the Cinema Committee of that organization were crystal-

lized in resolutions which cited as the main objective of their motion picture discussions for the next triennial meeting—*The Education of Public Taste*. This is to be carried on through conferences, previews, awards and other methods.

From Hollywood, our own regular service which stresses motion picture appreciation by discussing the educational and other features of individual film productions has now been extended to cover 300 local broadcasting stations, whose services tie in with many local community interests.

Moreover, through the progress of this work the National Federation of Music Clubs has been added to the list of previewers, following their approval of what the screen has done to advance interest in music.

### *Motion Pictures in Education*

The year has witnessed substantial progress in the educational projects described in my reports published in 1937 and 1938. These projects have been continued in cooperation with educational leaders who recognize the pedagogic value of motion pictures produced originally for entertainment. This joint activity by educators and the motion picture industry began with the cooperation between our Association and the National Education Association in 1922.

*Character Education Films:* With the cooperation of our companies, the Commission on Human Relations of the Progressive Education Association has continued to produce human relations short subjects in the form of excerpts from existing non-current photoplays. On December 31, fifty-four of these short subjects had been adapted from 37 photoplays. By July 1, 1939, the Commission expects to have completed 75 human relations short subjects.

The general studies made by the Commission prior to this experiment indicate that an American youth passing from child-

hood through adolescence to adult development has to adapt himself to some 175 difficult human relations situations. These transitions are imposed on him or required of him by the culture into which he is born. It is an educational responsibility to aid him in making these adaptations. It is an educational opportunity to give him an understanding of why the adaptations are required. From the social welfare standpoint, it is of the highest importance that these responsibilities be fulfilled during the course of formal education in the schools.

Out of these 175 critical situations, it is believed that approximately 100 can best be approached and understood through the film-discussion method which was developed by the Committee on Social Values in Motion Pictures using our Secrets of Success Series, and has been further extended by the Commission on Human Relations.

The Commission has presented demonstration discussions with students before educational conventions, teachers' institutes and parent-teacher associations in about fifty of the principal cities of the country. The laboratory evaluation of the short subjects has been proceeding steadily in twenty or more school systems. Stenographic records of each discussion are forwarded to a central committee and checked with the results secured from similar experiences in other areas.

It is the Commission's purpose to publish within the next few months in tentative form the teachers' materials developed by this evaluation, a monograph now in preparation reporting changes in attitude discovered through the evaluation process and a monograph presenting film discussion as a technique peculiarly fitted to serve present-day educational needs. I recommend that the company members comply with the request of the Committee that our present cooperation be continued in order that the experiment may go forward on a somewhat wider scale for two years beyond July 1, 1939.

*Use of Non-Current Short Subjects in Classrooms:* The Advisory Committee on the Use of Motion Pictures in Education has continued the development of its plan for the use of non-current theatrical material for educational purposes. With the cooperation of our companies, additional short subjects that have become available since 1937 are in process of being reviewed by this Committee for the purpose of determining their pedagogic value. A catalogue of these selected films is now in preparation. It will contain brief appraisals showing the educational usefulness of each subject and its place in the school curriculum.

Presently the Committee will supplement its report, which was laid before you in October 1937, by proposing a detailed plan for making non-current theatrical short subjects available to schools for classroom instruction. This plan will fully safeguard the interest of exhibitors and will avoid injustice to the present producers of classroom films.

### *Newsreels*

During 1938 American newsreels in their world-wide services added to the headlines of history by recording the vital events of the year wherever they occurred.

American cameramen were foremost with films depicting the struggle and ruthlessness of the undeclared war in China, the horror of bombings in Spain and front line and behind-the-scenes pictures of the contending forces, and the tragic events in Central Europe that resulted in the collapse of governments and streaming lines of refugees. Through our newsreels all shared in the triumph of a young American who encircled the globe and all saw the devastation of the worst storm ever experienced by New England.

These were the banner headlines in addition to the changing panorama of the new in science, in fashions, sports and other events brought to the theatre public by our newsreel services.

## *Hollywood*

From Hollywood, the film capital of the world, spreads an antenna of news coverage—press, radio and other media—that reaches into every land. There are more than 350 accredited American and foreign correspondents in this center of motion picture production. Too, because of the importance of the art and the industry, bankers, industrialists, artists, educators, business men, civic and religious leaders, and other representatives of groups and committees who come to Hollywood constantly require information for their studies and surveys.

Serious students have found little, indeed, to sensationalize about a community of men and women whose work demands the utmost concentration upon their art if they are to win public applause and retain public favor. But such a community is libeled by false impressions given of the life and manners of the creative personnel of the picture industry.

Drawing, as Hollywood does, a great throng of people who come in the vague hope of some association with the movies, it is unfortunate that if such people get into difficulties they are described as "movie artists." While a vast majority are anxious to portray the reality rather than the fiction of Hollywood life, there are still instances of a type of publicity that is completely out of line with the facts and is exceedingly harmful to the industry.

The fact of the matter is that there are few communities in the United States in which members display greater civic or patriotic consciousness, where a larger proportion is represented in worthwhile social movements, or where a greater number contribute more generously of their time, money and effort to help the needy. Some of the activities, for instance, in which leading stars are engaged include hospital aid, the financing of

working girls' clubs, orphanages, homes for the aged, aid for refugees from Europe, as well as actual service and money contributions to many other projects of community welfare.

These creative personalities in all branches are solid citizens, home owners and taxpayers—an integral part of their communities of which they are proud and to which they have contributed much.

From the cultural standpoint, too, it is notable that within the past year, producers, artists, directors and others have received honorary degrees from universities, recognition from other educational groups and patriotic organizations, and citations and orders from foreign governments.

In religious interest, Hollywood supports four Baptist and five Roman Catholic churches, four Churches of Christ-Scientist, four Congregational, five Episcopal, two Evangelical, four Lutheran and seven Methodist churches, four Jewish synagogues, five Presbyterian and numerous Unitarian, Nazarene, Unity, Spiritualist and other churches. And Hollywood is a community of 125,000 people of which the great majority are either employed in motion picture studios or some allied line.

There can be no shutters to the glass house which is Hollywood, but any misrepresentation may well be corrected by enlarged services of authentic information which will satisfy news needs, develop the best possible press relations and project Hollywood as it is.

### *Relief and Security*

Always the entertainment industry has been active and generous in the virtue of charity and especially so in the cases of those of its own people, who through illness or misfortune have required aid. The efforts of those who in 1938 raised \$268,266.19 for the Motion Picture Relief Fund are deserving

of the highest appreciation. Yet so wide and varied is the field to be covered and so numerous the demands, that it is evident that expectation of securing annually the money needed to carry on this work must be based on a system actuarially sound. This means an exhaustive study of the entire subject of relief and security in the industry with all the complexities involved. This is being undertaken with the cooperation of those who are so effectively carrying on the current service.

### *Other West Coast Activities*

Through the Call Bureau maintained by the Association of Motion Picture Producers, approximately 5,200 requests for artists and bit players were sent out during the year to those who had registered with the Bureau. From these calls more than 2,400 artists received one or more weekly engagements. In addition, the Bureau continued to issue weekly lists of all available contract players to producers, supervisors, casting directors and assistants, in the effort to serve the needs of production as well as of employment.

Notwithstanding the decreased opportunities for work as extras, the pressure of unemployment during the past year taxed more than ever the facilities of the Central Casting Corporation maintained by the industry. Whereas in 1934 incoming telephone calls from extras seeking work amounted to 7,600 per day and could be handled by three operators, last year the calls exceeded an average of 18,000 per day and required the services of seven telephone operators to handle.

Next to its importance to aviation and shipping, it is probable that weather service is most important to the economics of motion picture production. During the past year, the weather service operated by a staff of the California Institute of Technology at Pasadena has further demonstrated the fact that such reports

made possible substantial savings to motion picture studios. During the year more than 6,000 requests for weather information from the industry were serviced. These reports varied from detailed information covering a few hours to a general outlook on the weather covering a month or more. The increased use of color in picture production has made more essential than ever the best possible forecast of photographic conditions.

### *Studio Relations*

As an art-industry, above all we must strive continually to develop and maintain the best possible relations among and with the talent groups whose expression is on the screen. The process of making pictures is a creative process. The producer, the director, the actor, the writer and the technician are creative workers.

Lack of harmony, misunderstanding or other unsatisfactory conditions that may affect this process are quickly reflected in the entertainment product which supports the artistic and business structure of the industry.

The current efforts to consummate the fullest understandings among and with all branches, therefore, deserve every possible cooperation. Not only is it important that the fairest standards and methods be agreed upon and maintained, but that the interested parties truly accept them as the fairest. Upon the faithful and earnest execution of such understandings will success be determined with all that it implies to the welfare of the industry and to the entertainment service of the public.

### *Technical Developments*

Perhaps the most outstanding factor during the year in this field was the development and marketing of new panchromatic negatives which greatly increased speed of photography.

There was also some progress in the field of better lighting, and a number of accessories were brought out during the year, all of which added to the general improvement in technique and in production quality.

### *Conservation*

The continued effective fire prevention work illustrates the value of our system of self-regulation. During the year no fires occurred in film exchanges in the United States operated by distributing companies which are members of this Association. Although the motion picture exchanges of the country examine, store and ship more than 27,000 miles of motion picture film daily, no film was destroyed by fire in exchanges.

Because of the discontinuance of Film Boards of Trade during the latter part of 1937, it was necessary to devise ways and means of carrying on conservation activities in the thirty-one film distributing centers located in the United States. An entirely new system was developed and put into effect January 1, 1938.

During the year the Conservation Department examined and recorded more than 5,100 monthly inspection reports and the Director of Conservation personally inspected 168 exchanges located in fourteen different territories.

### *Campaign for Increased Attendance*

The campaign in the summer of 1938 for greater theatre attendance during the Fall season proved a splendid example of cooperation among all elements in the industry. Producers, distributors and exhibitors met on a common platform of industry promotion to center attention on the better pictures of the season, recognizing that it was the common denominator of better entertainment that drew people to the theatres. It received full newspaper and trade press support.

## *Foreign*

The significance of America's leadership in motion picture production was never clearer than today.

From the standpoint of government, it is evident that American pictures distributed abroad are a great factor in building goodwill and understanding of our way of life and the hope that is in democracy for free men everywhere. That the industry is responsive to our national policy of goodwill and neighborliness is apparent from the pictures made or planned on themes of interest to all the countries of the American continent. This is all the finer in that it represents a bona fide extension of entertainment theme, and not propaganda.

This is the contribution made by an industry, operating entirely on private capital, without government subsidy, protective quotas, or barriers against the competition of pictures produced in any other country. On the other hand, it is recognized that other governments—some for the announced reasons of nationalism and propaganda—have spared no effort in developing, protecting and nourishing economically and otherwise the motion picture industries of their own lands. Foreign quotas, kontingents, subsidies, prohibitions, decrees, exchange control and censorships form an ever higher barrier to the distribution of American pictures abroad.

From the standpoint of American trade and industry, it is inevitable that our great entertainment films should be the messengers of our foreign trade in every field where they are exhibited. Obviously the backgrounds of our pictures present in the most vivid form the best products and services of American life. Public interest has an important stake, therefore, in the maintenance of foreign markets for the American motion picture industry.

Even more important than this, perhaps, is the fact that through the exhibition of American pictures on the screens of

the world, our country maintains a great communications service to many peoples with whom we wish to be at peace. Government-controlled news services may misrepresent our democratic ideals. Government or controlled broadcasting may bleat out distortions of our policies, but American pictures, even when censored by foreign agencies, necessarily carry their own refutations of the alleged failures of our ideals, our policies, our efforts and our system. In this lies our continuing responsibility for the production and distribution of such films abroad as will give a balanced picture of American life.

The leadership of American pictures on the world screen, is not due to the deliberate or accidental production of an occasional hit picture. We have no monopoly on artistry. Whatever strains and stresses still need to be corrected, our industry's strong position in world trade is due to the inherent strength of its economic structure, its ability to respond quickly to changes in public taste, its willingness to experiment with pictures in advance of the box-office demand, and the high investment deliberately made for the production of top ranking pictures.

In many foreign countries political censorship is the wasting disease of the film industry. Orders, taboos and restrictions are throttling the possibility of better domestic entertainment there.

Among the unfavorable factors that developed in the export field during the year was the distribution monopoly decreed by the Italian government. American companies that carried on distribution in the Italian market found themselves unable to abide by the provisions of that law. In addition, it is to be noted that today distributors' quotas for the showing of foreign pictures exist in the states of New South Wales and Victoria of the Commonwealth of Australia, New Zealand, Germany, England, Trinidad and Portugal, while France restricts the number of

pictures that can be imported and Japan has cancelled all importation of motion pictures until such time as a new law covering this commodity may be enacted. In many other countries of the world where there are exhibitor quotas our distribution is definitely affected.

Somewhat counter-balancing factors during the year were the increase of more than 3,700 theatres in 96 countries over the number that existed in 1937, and the benefits accruing to the industry from some of the reciprocal trade agreements negotiated by our Government. Nevertheless, there are no indications of the lessening of restrictions in the way of quotas, external or internal taxes, or exchange control.

It is interesting to note, however, that even in countries where every barrier—political, racial and financial—has been erected against American films, the reception of such pictures as are shown indicates that the censorship is of the government, not of the people.

### *Canada*

In Canada, as well as in overseas countries, the number of theatres is growing steadily and American pictures have had a most favorable reception during the past year. Canada has a critical theatre-going public and it is a satisfaction to note that 1938 has brought improved conditions for American pictures over 1937.

### *Industry Issues*

Developments during the year in the field of motion picture trade practices, which are quite outside the authority of this Association, indicate the possibility of constructive adjustments highly important to the future of the industry.

It may not be generally recognized that in the trade practice discussions undertaken by leaders of all branches of the industry the result being sought is a solution unique in the field of self-regulation.

The exceptional conditions are quite evident in an industry whose product in commerce is entertainment which of necessity must be exhibited in different stages of time or runs in order to return the cost of the picture and a reasonable profit, if possible. The impossibility of comparing movie entertainment with the normal products of commerce is made evident by the fact that in the last analysis it is the public that must determine the return for a film, for an entertainment production, regardless of the investment involved, is only as good as the public think it is. In a popular entertainment service like the movies the interest of producers must be synchronized not only with that of exhibitors, but with the interest of the public which must come first.

In all these problems the industry has dealt with government, not on the theory that it enjoys immunity as distinguished from other industries, but rather that its special significance and peculiarly difficult problems should be factors in reaching the proper solutions.

The objectives—economic, legal and artistic—must be to provide the people with good and necessary recreation at a moderate cost. For this purpose there is constantly being impressed upon the industry the importance of developing within itself those methods and relationships best calculated to enable it to produce the best pictures at proper cost and to market this entertainment service in the fairest and most efficient manner.

As to the trade practices raised for legal determination in the Government's suit in equity, the motion picture industry has welcomed any such constructive effort by the Department of

Justice as is indicated in the following statement of policy by the Department:

“The Department desires to encourage and not retard the development and orderly operation of the motion picture industry. It must act through litigation because it has no power to speak authoritatively or finally on any issue except through institution of judicial proceedings. However, though the form of its action be adversary, its substance permits and the policy of the Department encourages the fullest cooperation with the industry.”

In the meantime, responsible factors in the industry are to be commended, with all the difficulties involved, for initiating a series of conferences in which practical men of all branches are participating, looking toward a program which will eliminate many of the problems now current in distribution and exhibition. If such a program is achieved in the manner best serving the interests of both industry and public, the method will not be one of mere negative prohibition by court injunction, nor of inflexible statutes heedlessly imposed on the industry's trade structure.

The breadth of the undertaking is made evident by the participation of exhibitor leaders of some 20 regional or state associations represented in the Motion Picture Theatre Owners of America; some 15 regional or state associations represented in the Allied States Association; and 7 active regional associations not affiliated with either national association and located in New York, Iowa, Virginia, Colorado, Utah, West Virginia, and California.

### *Economic Studies*

Studies now being made of the economic structure of the industry indicate many problems which only future developments can resolve. It is not easy to measure the effect of what may be

done to, for, or by the motion picture industry on the permanent progress of the art, the demand for motion pictures or the attempts to meet it. The vital elements of this great entertainment structure cannot be easily destroyed.

However, the effect of violent, heedless changes on the *form* of the structure is quite a different matter. Pictures have no monopoly of entertainment service. What would be affected by such changes is an industry which, from the public standpoint, has furnished a vast and progressively better entertainment service to more than 80,000,000 people weekly in the United States; which has made the screen a more important arm of information and education year by year; which has produced more costly, elaborate and more successful entertainment as the industry has grown; and which has nevertheless kept the price of admissions down to a level which the poorest can afford. What would be affected is an industry that normally employs more than 280,000 people under wage and working conditions of the highest standards; that keeps 17,500 theatres in more than 9,000 cities and towns of this country in regular operation; that produces \$1,000,000,000 worth of business annually in local communities; that pays to the Federal government alone about \$100,000,000 a year in taxes; and that has given to America world leadership in a great and significant art-industry.

In its present form, the motion picture industry, from the theatre standpoint, is a great mass entertainment structure supported at the box-office by a universal audience. It is on that basis that great theatres justify their capital investment, protect hundreds of thousands of local investors and provide exceptional business incentive to the communities in which they are located.

At present, the motion picture industry, from the production standpoint, is an industry geared to the support of the existing theatre structure whose life-blood must come from the studios.

It is in the realm of theory, not fact, whether the great investments involved in making, distributing and exploiting progressively finer and more successful feature pictures could have been found if the risk had not been at least *partially* met by the fact of assured exhibition, at paying rentals, in theatres owned, controlled by, or affiliated with producers or distributors who accepted this risk. Today, even smaller communities in the United States are represented by large, modern, safe and luxurious film houses. These were brought into being by the competition of the de luxe theatres built by producer-exhibitor interests.

It is doubtful whether production which draws only on our theatres, rather than from a world market, could plan or produce a constantly growing list of pictures requiring the most popular stars, the ablest writers and the best directors; whether it could prosper financially or whether it could even survive. Some of our pictures secure as high as 60% of their gross from foreign fields.

What is indubitable is the fact, in countries where a production-distribution-exhibition structure comparable to ours does *not* exist, that domestic film industries remain milk-fed by government subsidies, quotas, kontingents and other protective measures, that producers are in constant financial difficulty, that there is a disastrous shift of talent from such fields, unstable business organizations and a cry for artificial barriers to meet the competition of American pictures.

It must be recognized, from the public standpoint, that *extraordinary*, not ordinary, pictures are necessary to maintain and step up public interest in movie entertainment, to justify the large public investments in theatres, to maintain employment at high wages, and to retain the prestige and leadership of American pictures abroad. The production of such "banner" films must be the result of a deliberate policy to produce the best possible entertainment. The continuous operation of 17,500 thea-

tres depends upon organized and continuous production in our studios, not upon hit-and-run speculative enterprise.

The Government's bill in equity to determine judicially certain trade practices and structural relations in the industry has stated the formula by which such progress is now obtained when it declares that today motion pictures of the finer type, featuring well known stars and having the greatest public appeal, are produced for the most part by the major companies who can do so because of their position in the industry, their financial power, equipment and organization, "which enables them to command the services of the finest stars, the most accomplished directors and the most skillful technicians, whose combined efforts must insure the production of successful pictures."

In a three-sided industry, consisting of production, distribution and exhibition, only short-sightedness could dictate the conclusion that any one factor could permanently benefit at the expense of the others. The industry must rise or fall through the cooperation or lack of it by all these interests, not through the division into air-tight groups each of which seeks an economic advantage over the others.

This is what thoughtful leaders in every branch of the industry—producers, distributors and exhibitors—strive to attain. It is through give and take, through honest and faithful cooperation and conciliation, that the industry must prosper and that the public will benefit.

WILL H. HAYS.







