

Transnational Cinemas

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# Hollywood's foreign earnings during the 1930s

## ABSTRACT

*This work examines the importance of foreign markets to Hollywood during the 1930s. The work is empirical in nature and draws upon a financial data set (including foreign revenue streams) of all feature films released by the MGM, RKO and Warner Bros. studios during the decade. The work concludes that the idea that Hollywood garnered its profits from overseas, while meeting production costs at home, is too simplistic. An investigation of the 1790 film budgets found in the data set indicates that the most successful films overseas were big budget films that needed to be highly popular with domestic audiences if they were to be profitable. In developing this analysis, the idea of Hollywood producing films designed specifically for overseas markets is rejected.*

## KEYWORDS

Hollywood  
1930s  
foreign revenues  
film budgets  
profits  
strategy

It is widely understood that foreign earnings were important to Hollywood from the interwar period onwards. Robert Sklar made the standard argument when he wrote:

In practice, during the interwar years, American pictures as a whole did no better than break even at the domestic box office. But with production

1. See Bakker (2008: 320) for a more recent statement to the same effect.

2. The present authors have previously demonstrated that as a general rule big budget films throughout the 1930s failed to cover their costs in the domestic market (Sedgwick and Pokorny 2005).

costs already covered, every ticket sold outside the United States, less overseas distribution costs, produced profit.

(Sklar 1975: 216)<sup>1</sup>

The focus of this statement is on the domestic market, with foreign earnings cast as a necessary extra. However, such a perspective is limited because it fails to highlight the importance of the dynamic nature of the competitive advantage given to Hollywood by the enhanced revenue flows derived from overseas markets. As Gerben Bakker has so convincingly demonstrated, the ability of Hollywood to escalate its budgets during the 1910s allowed it to win what he terms the 'quality race' against European producers (Bakker 2008: chapter 6). And by the late 1910s, the worldwide reach of Hollywood's operations (Thompson 1985: 69) produced additional revenue flows that gave its studios further scope to increase budgets, the strategic impetus for which came primarily from competition between them.

This article uses micro-data to investigate Hollywood's foreign earnings, revisiting the studio ledgers uncovered by Mark Glancy (the Eddie Mannix ledger, for MGM releases, and the William Schaefer ledger, for Warner Bros. releases) and Richard Jewell (the C.J. Trevlin ledger, for RKO releases). In these ledgers the domestic and foreign earnings of all three studios' releases over the 1929–1930 to 1941–1942 seasons are listed (Glancy 1992, 1995; Jewell 1994). Its methods are thus both empirical and quantitative, and treat a movie's economic performance as the unit of analysis in both the domestic and the foreign markets. Evidence is presented to show that Hollywood treated foreign markets not separately from, but as extensions to, the home market, with big budget films needing to do well in both to make profits.<sup>2</sup> This is a significantly different conclusion from that suggested by the rule of thumb metric suggested by Sklar, which perceives foreign markets as the source of profits. Hence, Glancy's observation:

Beginning in the 1930s, the studios had realised that 'British' films could bring extraordinary British earnings, while of course true, is not the whole story – the point being that such films also generated extraordinarily high home market earnings, without which, of course, they would not have been made.

(Glancy 1999: 26)

As alluded to above, the institutional means by which Hollywood made its films available to the world during the late 1910s and 1920s were first researched in depth by Kristin Thompson. Clearly, a growing export market for Hollywood required a 'foreign policy' that protected, and furthered, its interests. Drawing upon State Department, MPPDA and other trade archives, and trade journals, Ian Jarvie and Ruth Vasey separately have given scholars a firm basis for understanding the operation of Hollywood's relations with the State Department, foreign governments, and foreign industry bodies during the studio period (Jarvie 1992; Vasey 1997). The contribution made here is much more modest, but nevertheless important: namely, Hollywood may have many aspects to it, but one of those aspects is that the films it produced and distributed were commodities – they were put onto the market by capitalist businesses in the pursuit of profits as part of a general system of production and exchange. In investigating the performance of films as commodities in various micro-contexts at particular junctures in time, it is possible to come to a more informed understanding of the macro-contexts which for instance

required a 'foreign policy'. The data set at our disposal only differentiates between North American (i.e., USA and Canada) and foreign markets, which is a weakness, although contemporary evidence is presented of the relative size of the latter. Nevertheless, this brief article represents a start in the process of measuring the impact of Hollywood as a transnational force.

The article is structured as follows: the first section describes the data set and outlines broad time-series trends, while the second examines the relative earnings of particular films in domestic and international markets. The relationship between budget size and domestic and foreign earnings is the subject of the third section, followed by a conclusion.

## THE DATA

The three studio ledgers list the rental incomes (revenues net of the exhibitor's take) of films released by them, by annual release 'season', which is defined (by the studios) as the twelve-month period between 1 September and 31 August. Because RKO first started trading in the 1929 season, the 1930s has been conceived of as a long decade spanning the 1929–30 and 1941–42 seasons. The MGM and RKO ledgers contain film reports listing costs of production, domestic earnings, foreign earnings and profits. Distribution costs can be deduced by subtracting production costs plus profits from total revenues. The position with Warner Bros. is more difficult because profits were not listed in the ledger. To estimate profits we first estimated distribution costs, which we did by using the relationship between profits, costs and rentals for the films found in the MGM and RKO ledgers.<sup>3</sup>

The significance of Glancy and Jewell's respective publications is that, prior to the discovery of the studio ledgers, knowledge of the performance of particular films in the market place during the 1930s could be gauged only by the weekly returns of first-run cinemas in cities across the United States, reported in the trade magazines *Motion Picture Herald* and *Variety*. In accounting for net foreign earnings, the ledgers are uniquely valuable. Partial corroboration of the magnitudes found in the MGM, RKO and Warner Bros. ledgers is given by Mae Huettig in her authoritative, and frequently referenced, contemporary account of film industry structure during the 1930s (Table 1 and Table 2 in Huettig 1944: 296). This indicates that in all three cases rental incomes in 1939 were within 5 per cent of the aggregate revenues reported in the ledgers for that year.<sup>4</sup>

One of the consequences of the catastrophic downturn in economic activity between 1929 and 1933 in the United States – commonly known the Great Depression – was that the general level of prices fell.<sup>5</sup> The effect of deflation is to increase what can be bought with a unit of currency. During the years 1929 to 1933 prices fell by over a quarter, which means that in 1933 a dollar purchased approximately 25 per cent more goods than it did in 1929. Historians need to be careful when analysing variables expressed in monetary terms during periods when prices change rapidly, since the measure of value itself is changing rapidly. The normal procedure for rectifying this problem is to adopt a single year as a standard (constant-price, or reference-value year) and express all (current year) monetary values for all years in the time series as if they had been generated in that standard year. Hence, if we know that prices in 1933 were only 75 per cent of what they had been in 1929, then to express 1933 values in 1929 prices requires that 1933 values be reflatd by 100/75 (1.33), which means that the revenues or costs of a film released in 1933 should be multiplied by 1.33 in order

3. The procedure for doing this can be found in the Appendix of Pokorny and Sedgwick (2010).
4. Unfortunately, these tables are not sourced, although they are likely to have been derived from the Census of Production conducted by the Department of Commerce. As well as the 'major' five and 'minor' three studios, Huettig also lists data for the Republic and Monogram studios.
5. See Balio (1993: ch.2) for an account of Hollywood during the Great Depression; Kennedy (1999) for a political and social history of the Great Depression; and Temin (2000) for an economic historian's account of the Great Depression.

6. Because the financial year traverses two film-season years unequally, the year in which two thirds of the months fall has been used for price index purposes. Hence the year 1929–30 has been indexed as if all films were released in 1930.
7. Lary May has long argued that attendance rose during the 1930s, albeit from a much lower level than that reported officially. See May (2000), Figure 2, p. 290. The authors are grateful to Professor May for his helpful correspondence on this subject.

to reflect purchasing power equivalence with films released in 1929. Because the data used in this paper take the form of a time series across 13 annual seasons, all values have been adjusted to 1929 Consumer Price Index (CPI) values. Taking 1929 as 100, CPI values for the period are 97.5 for 1930; 88.9 for 1931; 79.7 for 1932; 75.6 for 1933; 78.2 for 1934; 80.1 for 1935; 80.9 for 1936; 83.8 for 1937; 82.3 for 1938; 81.1 for 1939; 81.9 for 1940; and 86.0 for 1941.<sup>6</sup>

Table 1 shows that when prices are expressed in constant 1929 US dollars, the three studios in combination experienced growing revenues during the 13-year period, with domestic rentals and foreign rentals rising by 30 per cent and 83 per cent respectively – barely falling at all, even at the nadir of the Depression. The growth of domestic rental income shown here is in keeping with the decennial Bureau of Census data which when converted to 1929 US dollars, show that total domestic rental income rose by 31 per cent during the decade 1929 to 1939, with the combined MGM-RKO-Warner Bros. share rising from 33 to 35 per cent.<sup>7</sup>

The most startling aspect of Table 1 is the growth of foreign rental earnings over the period. They increased significantly as a proportion of total rental income, in a step process that saw the ratio rise by just over 32 per cent between 1931 and 1932, from over \$27 million to over \$41million, rising thereafter, so that foreign rental earnings in 1941 were nearly twice what

Season (1)	Films (2)	Domestic rentals (3)	Foreign rentals (4)	Total rentals (5)	Total production costs (6)	Total profits (7)	Domestic rentals as a propor- tion of total rentals (8)	Foreign rentals as a proportion of total rentals (9)
1929–30	156	74,823	30,009	104,832	47,873	16,138	0.71	0.29
1930–31	139	69,895	27,684	97,579	56,416	1,777	0.72	0.28
1931–32	145	69,400	27,660	97,060	56,685	3,873	0.72	0.28
1932–33	141	70,022	41,664	111,687	52,052	19,165	0.63	0.37
1933–34	132	68,900	40,861	109,761	53,366	15,520	0.63	0.37
1934–35	135	77,652	47,566	125,217	57,424	20,559	0.62	0.38
1935–36	146	88,538	53,685	142,222	62,927	27,428	0.62	0.38
1936–37	132	81,123	43,027	124,150	68,218	10,992	0.65	0.35
1937–38	139	91,461	49,736	141,197	80,863	5,454	0.65	0.35
1938–39	141	98,088	48,248	146,336	78,090	15,454	0.67	0.33
1939–40	138	103,868	53,503	157,371	91,753	8,751	0.66	0.34
1940–41	128	94,358	49,452	143,810	67,413	24,795	0.66	0.34
1941–42	118	97,665	52,143	149,808	68,514	29,071	0.65	0.35
Total	1,790	1,085,792	565,239	1,651,031	841,594	198,976		

Sources: Eddie Mannix, William Schaefer and C.J. Trevlin ledgers; Department of Commerce.

Note: Profits are derived by subtracting production and distribution costs from the domestic and foreign rentals earned by the studios for each of the films that they released.

*Table 1: Rental Earnings, Costs of production and Profits of MGM, RKO and Warner Bros. Studios, 1929–41 (in 1929 \$000s).*

they had been in 1931. This leap in foreign earnings was probably triggered by the United Kingdom (along with Australia and New Zealand), leaving the Gold Standard at that time, causing the British Pound to devalue by over 20 per cent against the US Dollar between 1931 and 1932, which in turn led to exhibitors in these territories paying Hollywood distributors significantly more dollars than they had expended previously to rent their movies. The effect of the step increase was that in that one year, the contribution of foreign to total incomes rose from 28 per cent to 37 per cent.<sup>8</sup> Thereafter the proportion fell back a few percentage points, as domestic earnings picked up and the British Pound returned to earlier levels against the dollar.<sup>9</sup>

In Table 1 profits have been calculated by deducting the sum of production and distribution costs (not listed) from the sum of domestic and foreign rental income. It is apparent that in each of the thirteen years in the time-series foreign revenues exceed profits, suggesting that in the absence of foreign markets production budgets would have had to be lower. By disaggregating the data to individual film titles, and attributing distribution costs on the basis of the ratio of domestic to foreign rental earnings,<sup>10</sup> the calculation can be made that of the 1,790 films in the data set, 587 (32.8 per cent) would have been profitable had they been distributed in the home market only, with one film breaking even, and the remaining 1202 (67.2 per cent) dependent on foreign earnings for their profitability. Of these, 600 (49.9 per cent, or 33.5 per cent of the data set total) films failed to break even. Hence, once the analysis is conducted at a disaggregated level, it is clear that the importance of foreign earnings to Hollywood profitability is more complex than has been supposed hitherto.

## FOREIGN MARKET POSSIBILITIES

Department of Commerce data reported in the trade journal *Variety* in 1934 provide a strong indication of the geographical pattern of these foreign earnings, reporting the 'film rental potential on an outstanding picture' in 52 countries outside the United States – 'an outstanding picture' being defined as a film earning over \$2 million abroad with only half that sum generated in the US. Drawing information from 36,936 separate foreign cinema accounts, the article reports that the rental earning potential for such a film in foreign markets was nearly twice that of the domestic market, reported by *Variety* as \$1,350,000.<sup>11</sup> Table 2 lists the 52 territories ranked by their potential rental income attributed to each, which taken together sum to \$2,242,875.

Although Hollywood's reach was global, it is clear that overseas demand was concentrated in a small number of territories. Outside of tiny Bermuda, the United Kingdom and Australasia (Australia and New Zealand) manifest the highest level of consumption per capita of the 'outstanding' Hollywood product (column 7), together constituting 34 per cent of the total market. Between them, the ten largest territories comprise 86 per cent of the market. The Western European countries in this list are to the fore, with France, Germany, and Italy important markets for the Hollywood distributors.

It is interesting to note that while the article in *Variety* claims that 'outstanding productions' generate foreign earnings that are twice those of US domestic revenues, Table 1 shows that, on average, Hollywood releases generated twice as much income from the *home* market. The implication here is that although Hollywood distributors were a powerful commercial and political presence in foreign markets, films that conformed to *Variety's* criterion of 'outstanding' were indeed a rare phenomenon.

8. See the excellent discussion in the literature on this subject in Vasey (1997: 231-2, note 7).
9. £1 = \$4.86 in 1929, \$4.86 in 1930, \$4.54 in 1931; \$3.51 in 1932; \$4.24 in 1933; \$5.04 in 1934; \$4.90 in 1935; \$4.97 in 1936; \$4.94 in 1937; \$4.89 in 1938; \$4.43 in 1939; \$3.83 in 1940; and \$4.03 in 1941. Source: Officer and Williamson (2008).
10. Hence a film earning \$1 million in the home market and \$1 million in the overseas markets would attribute 0.5 of the distribution costs to the home market and 0.5 to the foreign market.
11. *Variety*, 6 November 1934. In the article, the number of cinemas is given as 38,936, but our re-calculation of these figures shows that the total is as given in the text.

<b>Country</b>	<b>Population (1)</b>	<b>No. of Theaters (3)</b>	<b>Gross Revenue Possibilities (\$US) (4)</b>	<b>Proportion of Total gross Revenue Possibilities (5)</b>	<b>No of theaters per 1,000 inhabitants (6)</b>	<b>Gross Revenue Possibilities per million inhabitants (\$US) (7)</b>	<b>Gross Revenue Possibilities per theater (\$US) (8)</b>
United Kingdom	46,159,445	4,950	675,000	0.30	107	14.62	136
France	41,834,923	3,900	350,000	0.16	93	8.37	90
Germany	64,600,000	4,000	300,000	0.13	62	4.64	75
Italy	41,145,041	2,500	225,000	0.10	61	5.47	90
Czecho-Slovakia	14,726,158	2,024	90,000	0.04	137	6.11	44
Spain-Portugal	29,421,706	2,850	85,000	0.04	97	2.89	30
Australasia	7,960,886	1,385	80,000	0.04	174	10.05	58
Argentina	18,835,727	1,985	45,000	0.02	105	2.39	23
Japan	91,793,681	1,669	40,000	0.02	18	0.44	24
China	462,387,000	250	37,000	0.02	1	0.08	148
Brazil	40,272,650	1,125	30,000	0.01	28	0.74	27
Belgium	8,129,405	650	25,000	0.01	80	3.08	38
Hungary	8,683,740	633	20,000	0.01	73	2.30	32
India	351,500,000	675	17,000	0.01	2	0.05	25
Sweden	6,141,571	1,100	15,000	0.01	179	2.44	14
Austria	6,726,113	850	15,000	0.01	126	2.23	18
Poland	31,927,773	752	15,000	0.01	24	0.47	20
South Africa	8,250,000	360	15,000	0.01	44	1.82	42
Switzerland	4,082,511	310	15,000	0.01	76	3.67	48
Philippines	12,082,366	300	12,500	0.01	25	1.03	42
Roumania	18,176,757	350	10,000	0.00	19	0.55	29
Holland	7,832,175	255	10,000	0.00	33	1.28	39
Panama/Jamaica/ Central America	6,379,478	164	10,000	0.00	26	1.57	61
Dutch East Indies <sup>a</sup>	60,731,025	108	8,000	0.00	2	0.13	74
Egypt	14,493,000	89	8,000	0.00	6	0.55	90
Straights Settlement	1,112,850	45	8,000	0.00	40	7.19	178
Cuba	3,717,767	400	7,800	0.00	108	2.10	20
Siam	11,940,000	19	7,500	0.00	2	0.63	395
Mexico	16,527,766	701	7,000	0.00	42	0.42	10
Norway	2,809,564	220	6,500	0.00	78	2.31	30
Porto Rico	2,668,335	121	6,500	0.00	45	2.44	54
Denmark	2,550,656	300	5,000	0.00	118	1.96	17
Greece	6,315,000	100	5,000	0.00	16	0.79	50
Jugo-Slavia	13,930,918	338	4,000	0.00	24	0.29	12
Baltic States	5,410,033	275	4,000	0.00	51	0.74	15
Finland	3,634,040	200	4,000	0.00	55	1.10	20
Bulgaria	5,944,000	109	4,000	0.00	18	0.67	37
Peru	6,237,000	100	4,000	0.00	16	0.64	40
Turkey	13,660,275	80	3,000	0.00	6	0.22	38

*Continued*

Columbia	7,851,000	385	2,500	0.00	49	0.32	6
Venezuela	3,250,000	134	2,250	0.00	41	0.69	17
Indo-China	20,351,000	50	2,250	0.00	2	0.11	45
Trinidad	905,468	22	2,000	0.00	24	2.21	91
Bermuda	27,789	9	1,500	0.00	324	53.98	167
Bolivia	3,014,069	25	1,000	0.00	8	0.33	40
Ecuador	2,500,000	22	1,000	0.00	9	0.40	45
Persia	10,000,000	30	800	0.00	3	0.08	27
Iraq	3,300,000	9	600	0.00	3	0.18	67
Haiti	2,550,699	8	175	0.00	3	0.07	22

Source: Variety, 6 November 1934.

Table 2: Hollywood Foreign Market Possibilities.

To investigate this claim further, Figure 1 represents a scatter of the domestic and foreign earnings of MGM, RKO and Warner Bros. films released in the 1933–1934 season – the source year of the data presented in Table 2. The upward sloping thin line through the origin is a line of equality between domestic and foreign revenue. As is apparent, the bulk of the observations show domestic earnings to be greater than foreign earnings. Indeed, of the 135 films released by the three studios in the 1933–1934 season, only seven generate foreign earnings that are higher than domestic: all of which were produced by MGM, and two of which – *Queen Christina* (Rouben Mamoulian, 1933); *The Painted Veil* (Richard Boleslawski, 1934) star Greta Garbo. At the other end of the scale, ten films, most of which were produced by RKO, had ratios of

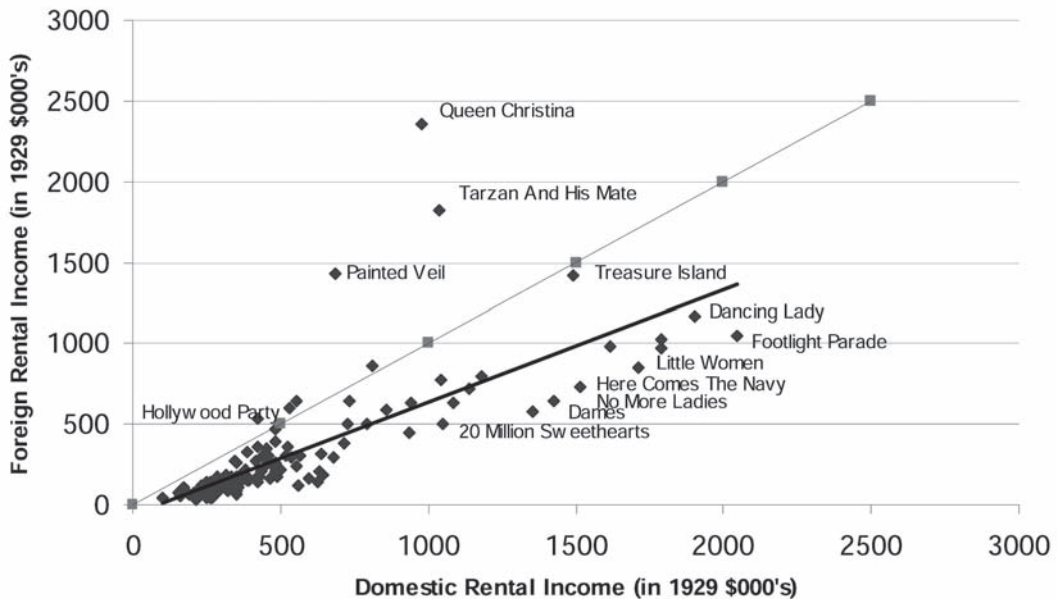


Figure 1: Scatter of domestic and foreign rental income of the 135 films released in the North American market by MGM, RKO and Warner Bros. in the 1933–1934 season.

Film	Studio	Production cost (in 1929 \$000's)	Domestic rentals (in 1929 \$000's)	Foreign rentals (in 1929 \$000's)	Ratio of domestic to foreign rentals
<b>Films with very low domestic to foreign rental earnings</b>					
<i>Queen Christina</i>	MGM	1,463	981	2,357	0.42
<i>Painted Veil</i>	MGM	1,211	688	1,432	0.48
<i>Tarzan And His Mate</i>	MGM	1,645	1,037	1,826	0.57
<i>Hollywood Party</i>	MGM	1,192	422	536	0.79
<i>Prizefighter And The Lady</i>	MGM	872	552	641	0.86
<i>Mystery Of Mr X</i>	MGM	359	531	598	0.89
<i>Eskimo</i>	MGM	1,196	813	864	0.94
<b>Films with very high domestic to foreign rental earnings</b>					
<i>Their Big Moment</i>	RKO	225	229	55	4.16
<i>Spitfire</i>	RKO	285	629	143	4.39
<i>Down To Their Last Yacht</i>	RKO	426	254	55	4.63
<i>Strictly Dynamite</i>	RKO	318	283	60	4.70
<i>Ann Vickers</i>	RKO	387	559	115	4.86
<i>We're Rich Again</i>	RKO	198	253	49	5.21
<i>The Chief</i>	MGM	642	266	49	5.47
<i>Meanest Gal In Town</i>	RKO	229	262	47	5.54
<i>College Coach</i>	WB	285	350	63	5.59
<i>Bachelor Bait</i>	RKO	153	215	35	6.22

Table 3: MGM, RKO and Warner Bros. films with extreme values of ratios of domestic to foreign revenues, released during the 1933–1934 season.

12. RKO was declared bankrupt in 1933, and before then had been producing films with declining average production costs. See Gomery (2005) and Jewell (1994).

domestic to foreign rentals greater than four-to-one.<sup>12</sup> These films are presented in Table 3.

The thicker upward sloping line in Figure 1 represents the trend line and indicates that higher foreign earnings are correlated strongly with higher domestic earnings: in general, films that were more popular with US audiences tended also to be popular in foreign markets.

It is also noticeable in Table 3 that those films that generated higher revenues in foreign markets than in the US market had, on average, higher production budgets than the films that generated relatively low foreign earnings. Indeed, a model in which the foreign earnings of all the films in the 1933–1934 data set are specified as dependent on domestic earnings and production costs is highly significant statistically, generating a coefficient of determination  $R^2$  of 0.76. This suggests that on average high budget movies were not only likely to have had a stronger attraction for foreign audiences than more cheaply made films, but were also generally popular with domestic audiences, who were also attracted to high production values. Clearly, as investment vehicles, it was important for big budget films to perform well in foreign markets. Interestingly, the films found below the trend line (and named in Figure 1) all

have idiosyncratic American settings, which domestic audiences presumably found appealing, but did not resonate as strongly with foreign audiences.

Of the films released during the 1933–1934 season, only *Queen Christina* approximates *Variety's* 2:1 ratio criterion of an 'outstanding picture' defined above. Extending this analysis to the 1929–1941 data set, only 80 (4.5 per cent) of the 1790 films generated higher earnings in foreign markets – these were films that did not break-even in the domestic market, and which were thus dependent on the foreign market for profits. However, being a top foreign earnings film did not necessarily imply that foreign exceeded domestic rentals. Table 4 lists the thirty highest foreign earning films over the long decade.<sup>13</sup> It is noticeable that the pattern observed in Figure 1 repeats itself in that these films were more costly – only three of the thirty films cost less than 1 million dollars to make, with a mean production cost of \$1,859,000, compared to the population mean of \$471,000. Yet, these films were also very popular with domestic audiences, with *Queen Christina* the only film in the list to attract a rental income of less than \$1 million, especially noteworthy when compared to the population mean of \$597,000.

Over the thirteen-year period only four films approximated the *Variety* criterion of 'outstanding film' – *Queen Christina* (1934), *The Merry Widow* (Ernst Lubitsch, 1934), *The Painted Veil* (1934) and *Conquest* (Clarence Brown, 1937).<sup>14</sup> *Camille* (George Cukor, 1936), *The Charge of the Light Brigade* (Michael Curtiz, 1936), *The Great Waltz* (Julien Duvivier, 1938), *Tarzan And His Mate* (Cedric Gibbons, 1934), *Tarzan The Ape Man* (W.S. Van Dyke, 1932), *Anna Karenina* (Clarence Brown, 1935), and *Captain Blood* (Michael Curtiz, 1935) all earned significantly more in foreign markets than in the domestic market. This list of eleven films is notable for including five films starring Greta Garbo, all set in an earlier European context (a sixth, 'modern dress' episodic film, *Grand Hotel* (Edmund Goulding, 1932), in which Garbo was the top-billed member of an 'all star' cast, is found in the top thirty listing in Table 4); two costume films starring Errol Flynn (a third film, *The Adventures of Robin Hood* [Michael Curtiz, William Keighley, 1938], is found in the top thirty listing); and two Tarzan films (which elevated the Olympic five-gold-medal swimmer Johnny Weissmuller to stardom) set in mythical British colonial Africa, starring Maureen O'Sullivan as Tarzan's partner in the jungle. Operettas also feature prominently in the top thirty listing, with Jeanette MacDonald starring in *The Merry Widow* (1934), *Maytime* (Robert Z. Leonard, 1937), *Rose Marie* (W.S. Van Dyke, 1936), and *The Firefly* (Robert Z. Leonard, 1937). MacDonald also starred in *San Francisco* (W.S. Van Dyke, 1936), alongside Clark Gable.

Richard Maltby has depicted film audiences as bundles of differentiated tastes – what he terms 'taste publics' – implying that, in understanding this, Hollywood was in a position to design particular products for particular audiences. He writes:

Rather than Hollywood maintaining a view of the audience as an undifferentiated mass, the industry sought to provide a range of products that would appeal to different fractions of the audience, and to include a set of ingredients that, between them, would appeal to the entire range of different audience fractions.

(Maltby 1999: 25)<sup>15</sup>

The information presented in Figure 1 and Tables 3 and 4 suggests just such an observation – that market demand for films was highly differentiated, even

13. Five of the films listed in the RKO ledger were made in Britain: three Herbert Wilcox Productions – *The Rat* (1937), *Victoria The Great* (1937), and *Sixty Glorious Years* (1938); a British RKO film *Dangerous Moonlight* (1941); and *Escape* (1930) produced by Associated Talking Pictures. A sixth film, *Di Que Me Quieres* (1939), was a Spanish language musical, set mainly in New York nightclubs, produced in 1938 at the Eastern Service Studios, Inc., Astoria, NY, by William Rowland Productions. [*Di Que Me Quieres* information from AFI Catalog online.]
14. Although it had a ratio of domestic to foreign earnings of 0.48, *The Painted Veil* earned somewhat less in both markets than the other films listed in the Top 30, and hence does not appear in Table 4.
15. For further discussion of audience preferences in the US home market see Glancy and Sedgwick (2007); and Sedgwick and Pokorny (2010 – forthcoming).

<b>Film</b>	<b>Studio</b>	<b>Production cost (in 1929 \$000's)</b>	<b>Domestic rentals (in 1929 \$000's)</b>	<b>Foreign rentals (in 1929 \$000's)</b>	<b>Ratio of domestic to foreign rentals</b>
<i>Snow White</i>	RKO	1808	4855	4678	1.04
<i>Mrs Miniver</i>	MGM	1413	5634	3701	1.52
<i>San Francisco</i>	MGM	1607	3545	2973	1.19
<i>Mutiny On The Bounty</i>	MGM	2378	2809	2759	1.02
<i>Adventures Of Robin Hood</i>	WB	2470	2343	2495	0.94
<i>Queen Christina</i>	MGM	1463	981	2357	0.42
<i>Rose Marie</i>	MGM	1082	2095	2250	0.93
<i>Trader Horn</i>	MGM	1487	1847	2197	0.84
<i>Merry Widow</i>	MGM	2004	1075	2181	0.49
<i>May time</i>	MGM	2537	2605	2175	1.20
<i>Camille</i>	MGM	1837	1426	2087	0.68
<i>Citadel</i>	MGM	1248	1217	1986	0.61
<i>Hunchback Of Notre Dame</i>	RKO	2230	1868	1984	0.94
<i>Charge Of The Light Brigade</i>	WB	1330	1454	1928	0.75
<i>Pinocchio</i>	RKO	3175	2031	1923	1.06
<i>Goodbye Mr Chips</i>	MGM	1296	2117	1893	1.12
<i>The Great Ziegfeld</i>	MGM	2605	3686	1890	1.95
<i>The Good Earth</i>	MGM	3360	2389	1856	1.29
<i>Great Waltz</i>	MGM	2787	1132	1855	0.61
<i>Tarzan And His Mate</i>	MGM	1645	1037	1826	0.57
<i>Grand Hotel</i>	MGM	926	1634	1798	0.91
<i>Tarzan The Ape Man</i>	MGM	828	1395	1792	0.78
<i>Test Pilot</i>	MGM	2067	2954	1789	1.65
<i>Anna Karenina</i>	MGM	1424	1069	1779	0.60
<i>Yank At Oxford</i>	MGM	1670	1569	1756	0.89
<i>Top Hat</i>	RKO	753	2203	1755	1.25
<i>Firefly</i>	MGM	1817	1512	1738	0.87
<i>Captain Blood</i>	WB	1242	1357	1733	0.78
<i>Captain Courageous</i>	MGM	1963	2014	1724	1.17
<i>Conquest</i>	MGM	3320	887	1714	0.52

Table 4: The top 30 MGM, RKO and Warner Bros. films, ranked by foreign rental earnings (in 1929 \$000s), released during the 1929–1941 seasons.

for expensive films from the same genre, produced by the same studio. For instance, the MGM musicals *The Merry Widow* and *The Great Ziegfeld* (Robert Z. Leonard, 1936) both of which cost over 2 million dollars (in 1929 prices) to make, appealed more strongly to different audience segments – *The Merry Widow* to foreign audiences, *The Great Ziegfeld* to American audiences. Yet, both contributed to the stream of revenues from which film budgets in the following season were at least partly derived. Furthermore, a comparison of *The Merry Widow* and *Maytime* shows that films from the same sub-genre, produced by the same studio, and featuring the same star can produce startlingly different results – in this case in the home market, in which *Maytime* generated two and half times more rental income. In this there may be an element of surprise – that is, that *Maytime* performed surprisingly well in the home market. This means that we need to be careful when typecasting films as ‘foreign-appeal’ and conceiving of taste publics as possessing distinct, unchanging boundaries, which audiences were committed to. Audiences in their irreducible quest for novelty were prepared to take risks and the prospect of disconfirmation of expectations was an ever present element in their choices. This sense of adventure and gain led them to transcend genre and star boundaries. Accordingly, it might be more accurate to argue that taste publics built up around particular films and that second-guessing what audiences might like was an essential feature of the risk environment in which the producers operated.

16. See Pokorny and Sedgwick (2005) for a previous use of these budgetary categories.

## FOREIGN EARNINGS ACROSS BUDGET CATEGORIES

An interesting observation that emerges from this research is the extent to which the films belonging to different budget categories contribute to: (1) total foreign earnings, and (2) the total earnings (domestic plus foreign rentals) of films in each of those categories. Tables 3 and 4, in combination with the associated R<sup>2</sup> statistic presented in the discussion, indicate a strong positive link between production budgets and foreign earnings. To investigate this matter further, three production budget classes have been created – high budget films whose production costs are equal to or greater than 150 per cent of the annual population mean-budget; low budget films whose production costs are less than 75 per cent of the annual population mean; and medium budget films whose production costs fall in-between.<sup>16</sup>

While Table 5 lists the numbers of films that fall into each category, as well as the annual production mean-budget of the films released, Figure 2 depicts the contribution to foreign earnings made by films from each class. This shows that big budget films become increasingly important as a source of foreign income during the course of the decade, rising from 36 per cent to 56 per cent (albeit as the proportion of high budget films to all films also increases). Yet interestingly, when expressed as a proportion of the total rental earnings generated by high budget films, foreign revenues actually decline from a peak of 46 per cent in the 1933–1934 season to 37 per cent by the end of the period. The reason for this apparent disparity can be found in the final column of Table 4 of the top thirty foreign earning films, in which the ratio of domestic to foreign revenue varies widely: among big budget films, there are some high-earning foreign films that earn much higher domestic revenues. From this we can infer that during the course of the 1930s, while becoming the most important source of foreign earnings, big budget films also became increasingly attractive to domestic audiences.

Table 5 shows a marked decline in the number of medium budget films released over the period, matched by a fall in their contribution to foreign

Season	Mean production budget	Low budget films	Medium budget films	High budget films	Total
1929-30	307	73	55	28	156
1930-31	406	53	68	18	139
1931-32	391	50	76	19	145
1932-33	369	62	55	24	141
1933-34	404	63	50	19	132
1934-35	425	70	38	27	135
1935-36	431	83	35	28	146
1936-37	517	77	31	24	132
1937-38	582	77	32	30	139
1938-39	554	77	36	28	141
1939-40	665	73	35	30	138
1940-41	527	65	31	32	128
1941-42	581	58	32	28	118
Total		881	574	335	1790

Table 5: Mean production budget (in 1929 \$000s) and numbers of films in each budgetary class produced by MGM, RKO and Warner Bros., 1929-1930 to 1941-1942.

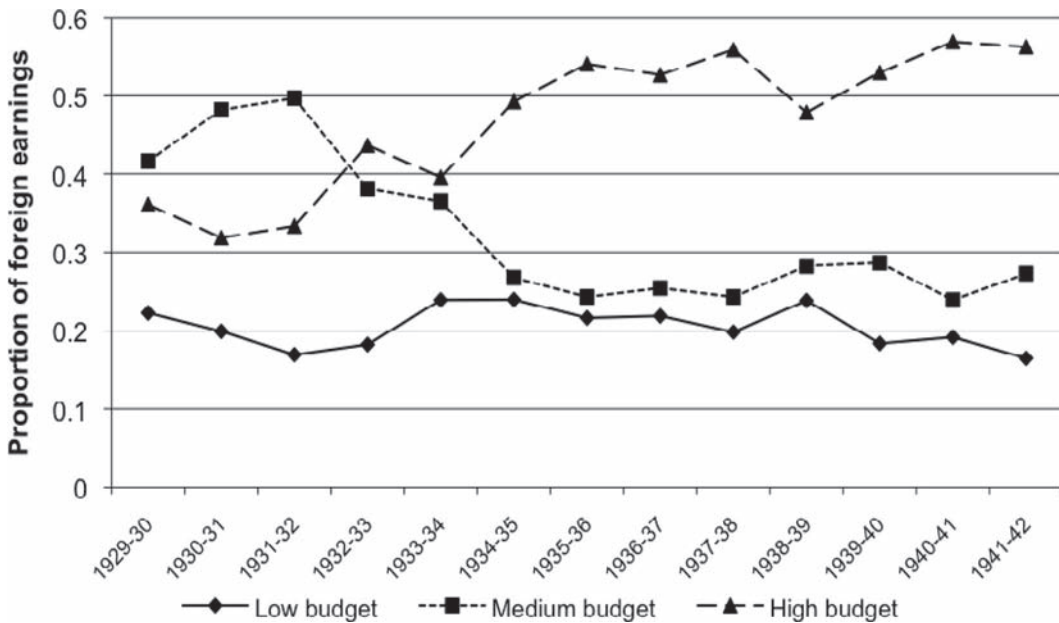


Figure 2: Foreign revenue proportions by budget category of the films released by MGM, RKO and Warner Bros., 1929-1930 to 1941-1942.

earnings. This is apparent in Figure 2 from the 1931–1932 season onwards, while the contribution made to foreign earnings by low budget films remained largely unchanged during the 1930s, lying just above or just below the 20 per cent mark.

## CONCLUSION

It is widely believed that during the studio period some film genres (costume dramas) and film stars (Greta Garbo) performed better in foreign markets than in the North American market. However, rather than confirming such stars and genres as a distinctive facet of Hollywood's overseas production strategy, as might be suggested by Maltby's 'concept of taste publics', the evidence presented in this article indicates that big budget production per se (i.e., regardless of particular genres or 'exotic' stars) was predicated upon high levels of foreign market demand. Figure 2 shows that big budget films accounted for an increasing proportion of foreign earnings, climbing to well over 50 per cent by the end of the decade. And even in the face of political-protectionist trade restrictions in the European market, the proportion of revenues generated overseas stabilized at over a third by the end of the decade (Table 1). These films offered audiences everywhere state of the art production values allied with continuous innovation in form and content as new lineages of films emerge and older ones recede (Sedgwick 2000: 155–79). Driven by a competitive process that hinged upon consumer preference, production budgets, as is shown in Table 5, rose during the 1930s as the strategic focus of the major Hollywood studios moved irrevocably towards the production of 'hits'. Indeed, this should be seen as part of the escalation of production costs that Bakker refers to in the 1910s: an escalation which in truth continued unabated through the interwar period, the post war period, and beyond to the present day.

As the authors have sought to demonstrate in a number of referenced publications, in the 1930s this strategy was highly risky, with the big budget films, although highly popular, regularly losing money – a strategy that was made possible only by the solid box-office performance of middle budget films in both home and overseas markets. Clearly, foreign revenues were a critically important element, without which production budgets would have necessarily been lower. But so too was success in the domestic market.

Sklar's observation that the Hollywood studios earned their profits from overseas markets overestimates the contribution made by foreign earnings and by implication, underestimates that made by the domestic market in generating profit. It also fails to recognize that the contribution of the home market to profits increased substantially with the cost of production. The real points here are that there was really no such thing as 'foreign market films' and that the concept of an 'outstanding production with international appeal' criterion proposed in *Variety* was a misnomer. As stated earlier, of the 1790 films in the sample data set only 80 films earned more in foreign markets than at home.

Economics was never far from the thoughts of the studio heads. Hence, the transnational nature of Hollywood's operations, conceived of in terms of the distribution networks it established and the foreign policy it developed to protect these, should be seen as the strategic response to the search for additional income streams that could justify increasing production budgets, and thereby further entrench Hollywood's international market dominance.

With this, foreign markets added new levels of complexity and differentiation to the audience mix that Hollywood had to cater for. The fact that some films did relatively better in foreign markets than at home is an indication of differences in tastes for those particular films and of the ability of distribution systems to adjust flexibly to them. But the fact that the vast majority (95.5 per cent) of films released over this period generated higher incomes in the home market, coupled to the fact that big budget films needed to be successful both at home and overseas, is the empirical context in which Hollywood studios worked during this era.

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