Wall Street's Heel on the Prodigal Movies: Wall Street's Heel on the Prodigal Movies
By HELEN BULLITT LOWRY.
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"There was tearing of perpetual waves, while some of the stars grew so temperamental that they fired themselves."

By HELEN BULLITT LOWRY.

AND have you heard the news that's going round? "Wall Street has taken over the movies." "The Octopus has stretched out its greedy claws, seeking to devour the infant industry." That is the way certain motion-picture trade papers are expressing it in print (with photoengraving of octopus as illustration), and that is about how impassioned movie stars put it in interview form.

What is really happening is that a new-rich industry is trying very hard just now to break into financial society. One of its members has "broken in" as far as the Stock Exchange. Yet others have made the Curb market.

The final hour of profligate spending draws near—of million-dollar salaries and two-hundred-thousand-dollar sets. For the motion-picture-producing companies are putting their houses in order for the inspection of the bankers. These companies have incorporated and have issued stock, and now they are trying to interest the bankers in underwriting that stock. The banker is a conservative. Profligate spending does not look good to him on the payroll. The days of the movie romance are as surely over as the romance of the rush to the Yukon—when anybody could go out and dig him a gold nugget, drive in a stake and call it a mine.

The motion-picture industry has gone through its easy money period and has come down to earning its living by the economic rules that govern the rest of mortals. Realizing the situation, it has called in financial experts and financial doctors to tell it how the other half manages to live within its income. Tried business methods of tired business men will now replace the happy-go-lucky ways of the past. For the first time in their history pictures are being produced on the budget system.

Imagine the feelings of one financial expert in his first experience of budgeting a picture, when a cast of a hundred was gathered—expenses rolling relentlessly on—and some seventeen-year-old chit of a movie star sat and sulked all day and refused to act because her new dressing room had not an outside window. This incident would have been perfectly good form in movie circles, before the "Octopus" interested itself in the movies.

It was still good form in the Spring of 1920, when every motion-picture theatre, from Broadway's Capitol to the frame box on the one crooked street of some Arkansas "junction," was crowded beyond capacity. There was so much money coming in that exhibitor, producer, author, star and director could all be enriched beyond the dreams of income tax promoters—and yet enough remain to squander in unbusinesslike methods and in indulging the temperaments of stars and directors. In 1920 the juicy melon to be divided was $767,000,000, which had come in by the door of the box office delivery. What matter if some of the juice ran out on the ground!

Two causes send an industry knocking at the door of Wall Street. Both causes are responsible in this particular instance. The first cause is the need for further expansion. When an industry grows to enormous proportion (as, say, the railroad business of the country) no individual, and finally no corporation, can finance its future developments. Then bankers with imagination underwrite an issue of stock—and the public is invited to buy it. Otto H. Kahn was the first well-known New York banker to believe in the soundness and lasting qualities of this new industry and to take a hand in putting motion-picture stock on the New York Stock Exchange. That first launching of preferred stock came in the Fall of 1919, when the prosperity of the industry was at its height.

The second cause that brings an industry knocking is a hard year, and that hard year has come. Money is needed to tide things over. What more simple than to invite the public to buy stock until the public is disposed to buy movie tickets again? And so that stock is put on the Curb market, where they would trade in a dead cat if there were money in it. And, according to its success there and its soundness and its investigatability, will eventually work into the exclusive society of the Stock Exchange.

Instead of gobbling up the "infant industry" whole, hard-headed financiers are sitting back coldly and asking the applicants, "What have you got?" For bankers are ever wary of new business. It was thus when the oil business was new, and it was so when the automobile business came knocking. The bankers trained men to pick out the weak spots. Just now the motion-picture-producing industry is being put through the white-hot fire of scrutiny.

Far out in California, the perpetual waves of movie stars may well be standing on end at the new era of economy and retrenchment involved in reorganizing the industry. It is nothing less than a nation-wide upheaval of the methods that have developed in the past twelve years. For the consensus of financial experts seems to be that, while the industry itself is founded on a basic need of human nature, is permanent, and is susceptible of untold development, the business methods of the industry must be reformed.

Not that those loose methods did not get results—witness that seven hundred million dollars. But the results were got by breaking all the approved business rules. "It is barely a dozen years ago," says Mr. Kahn, "since the world awoke one morning to find on its doorstep a giant baby, the motion picture. The captains of finance and industry passed it by and turned up their nose at the foundling. It was plain men risen from the ranks who took it and nurtured it and used their their own scanty means and what little they could borrow to upbuild and develop it. And thus the moving-picture industry came into being."

These plain men risen from the ranks did not operate on a budget. They whittled out their accounts on the corner of an envelope. Nor did they foresee the disastrous results that would come from advertising and publicity agenting their stars at vast expense to themselves—until the public was trained to buy tickets by the star's name, and the stars themselves in their artificially-made courses came to believe their own publicity and to think that they really were the whole show. When Mary Pickford finally began to "produce her own," her former producer ruefully explained, "it became a question of handing the entire corporation over to Mary or of letting her go."

So precipitiously grew the business, too, that, some three years ago, there came an acute shortage of stars, of directors, and of scenario writers. Cut-throat competition set in. Stars began to talk in million-dollar salaries, as the producing companies wildly made bids against each other. Fifty thousand dollars a story became an almost ordinary price to authors—who came pouring out of Grubb Street, en masse, to handle money they hadn't even heard of before in all the history of printer's ink.

As for the directors, their temperaments did not demand just salaries. They wanted also a chance to put over a big scene that would make the revolving stage of the Hippodrome look like day before yesterday's flivver. Each wanted his name to pass down in picture annals as not less than Nero's—as another fellow that had burned down a city—this time especially erected to get burned at a cost of $200,000. This sort of directors' "artistic temperament" wouldn't let him work unless given his head. Like Achilles and the stars, he'd sit in his tent and sulk too.

As for the producers, they gloried in their economic shame—and advertised their extravagances for publicity purposes. Even when the hour of retrenchment is striking, one large producing concern is making the best of a bad bargain, and, in flaming electric lights, advertising the fact that its director ran away with it and has already expended more than a million dollars in the first two-thirds of the picture. Motion picture gossip also has it that this director has made his last picture!

These have been business methods that could weather only sunny days. For you must remember, points out one of those "financial experts," that the American motion-picture industry was really a first-class war baby. During seven years of its brief twelve of development foreign competition was cut off. The public was buying everything, not wisely, but too well. And, as with other war babies, rising costs of production made no difference, so long as the buck could eventually be passed to the buying public.

Overnight nickel shows became dime shows. The ten-cent show leaped, like bids at an auction, to 25 cents—from a quarter to fifty—and on to 75 cents. Soon the two-dollar show became no novelty to take care of the production that was labeled "spectacular" and had cost spectacular prices. The buying public serenely absorbed the raise and held its mouth open for more.

Now the ultimate consumer has struck, as any recent visitor to a motion picture show knows—as the ultimate consumer finally struck on the high price of clothing and on the high price of furniture. According to Babson's Industrial Outlook, the moving-picture industry is in for a period of readjustment to decreased theatre prices, to lower film rentals and to lower costs of production. If the exhibitor can't keep his patronage he'll drop to the fifty-cent seats. Some New York houses have already dropped.

And here's where those financial experts come in and those other hard-headed inspectors of the banking interests, who are saying, "Reorganization or bankruptcy." The Famous Players Corporation, which is the producing company listed on the Stock Exchange, has been able already to effect reductions in cost of production by the application of approved economic methods—and has already in special instances been able to meet the demand for a lower film rental.

One of these "approved economic methods" was not without its hazards. It consisted of a trip to the coast by the President of the corporation to dock the salaries of the stars, male and female. And there was tearing of perpetual waves, while some of the stars grew so temperamental that they straightway fired themselves. This was an eventuality that had been taken into account by the cold-blooded financial advisers. They were ready to accept a loss for the sake of a greater gain.

Indeed, never has such an opportunity been presented to the unarrived young things of the country to break into pictures as today. For the older generation of 19-year-old stars, not having gained its prominence exactly by brains, is usually able to understand only one side of the ledger in this matter of high finance, and has been thrown into a perfect orgy of temperament by the "Octopus" of Wall Street. Three heretofore unheard-of stars, for example, have already been raised to electric light ranks in one producing company "since Wall Street took up the movies"—Mae McEvoy, Agnes Ayres and Lila Lee. There'll be others, for the high-priced heads are falling.

Nor will the wave of economy be confined to those of the larger producing companies that are trying to get into the Stock Exchange. A competition has set in, considerably different from the old competition of bidding off each other's stars and authors. The competition now is to undercut each other with a nice cheap product to the exhibitor—which nevertheless shall retain the standard of quality established by each producer in his hour of profligate spending. Again it is a matter of adopting the new régime of business administration—or, else, in the words of the classicist, go bust.

It might be added that the industry could not have chosen a better time to begin reorganizing, since even theorists on economy can't laugh off the immutable law of supply and demand. With production going at quarter speed, it's a fine time to argue with the high-priced "help." At no other season, perhaps, could that Famous Players Corporation have suddenly begun paying $15,000 for the rights of a Broadway success, when just a year ago the established wage scale for plays was $50,000.

Falling, too, are the heads of relatives. The financial doctors called in for consultation have discovered that the industry is fairly honeycombed with relatives. Some heads have fallen, where a thirty or forty thousand dollar a year man has been coldly proved incompetent. Doomed, too, explains one such "doctor," is the practice of a star's soaring to stardom by a love affair with the director.

"There is no room for such items in a report to stockholders," he comments dryly, "nor for the failure of a picture because an unskilled actress had 'pull.' That phase of the motion-picture industry passes with the accurate reports and records that we keep on the progress of each picture over the country. If a picture is not 'going,' there is an inquisition to discover why."

As for the artistic influence upon the industry—well, this is certainly not a campaign to make the world safe for high-brow pictures, and any such effects one way or the other will be entirely accidental. Of those founders of the industry Mr. Kahn goes on to say:

"Being plain men, those who developed it understood the people, and, understanding the people, they catered to the healthy fundamental sentiment of the great mass."

That does not look as if there is going to be any esthetic uplift movement behind the high financing, and yet there is a belief among thoughtful motion-picture authorities that some uplift may come by directors having to use their brains instead of merely piling on dollars for the creating of new sensations.

The motion picture has suffered from the complaint of other new-rich, war-made millionaires—of being able to spend unlimited money on interior decorations and on exterior decorations without sufficient practice in how to spend the money to advantage. More ostentatious, expensive, ugly things can certainly be purchased with more money than can be purchased with less money. Nor is it the history of the world that art kept within restricted bounds loses in power. The Buddhas of China and the Madonnas of Spain

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bear witness that art digs deep when it is not allowed to sprawl unrestrained all over the place. Art will not totter, after all these years, merely because a financial expert fixes a cold eye on a bombastic director.

"Let you build a City of Babylon—not a chance! Wasn't there some fellow named Granville Barker that had little thingumabobs hanging around that would make people think of Babylon. Look him up in Young People's Book of Knowledge, and then you can bring him into your conversation. Do you think this is a World's Fair?"

The German pictures now being shown in this country belong to this new era of impressionistic effect without such huge expenditure. The era of economy is as world-wide as the war.

Certainly there will be less spectacular pictures of the kind that made Griffith famous. "Way Down East" has proved a money maker, but for weeks its fate hung in the balance with more than a million at stake. Stockholders prefer to spread out the risk. A conservative broker explains of Griffith stock: "I'd hesitate to advise it. The man's enormous pride in his work would make him take long risks for the sake of his reputation."

Creative Griffiths may still develop in this industry, but, like Ford of the automobile industry, they'll probably play a lone hand. The average of big money makers among films is something like one in five. Four pictures will fall flat. The fifth will prove a gusher—make up all the losses and then begin to pile up velvet. The banker who underwrites stock wants to know that there are a couple dozen of those groups of five running along simultaneously.

Such organizations as the Allied Artists are not expected ever to develop negotiable stock—where the dying of Chaplin, the rheumatism of Fairbanks or Pickford's elbows getting a little scrawny could send the stock down to nothing. Motion-picture stock has thus far proved skittish enough, even in a corporation that cannot die. The least rumor of German competition, of a studio being closed for the Summer, has driven the points down hectically. As for caring a hang whether the production is "artistic"—well, it simply isn't done on Wall Street. "Go ahead and do what you want—but, if you don't make money, God help you!" is the attitude of the Street.

Even such important changes as the weeding out of salaries and the reduction of salaries are not "orders" from higher up. The financial experts employed are recruited from banking quarters, but their present salaries are paid by the motion-picture corporations. And their business is to whip the business into condition where it will "interest" the financiers.

Thus enters the giant baby industry on the second lap of its journey—a journey suddenly grown staidly practical. The romance of the industry passed with 1920.

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