

With My Little Eyes:

The Outsider Men Who Dreamed and Built
Hollywood

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One of the joys in preparing a Kit Kat paper, which I may add is an experience of pleasure equally leavened with terror and anxiety, is the discovery of new understandings, new ways of looking at old things. Tonight's paper is a product of just that – pleasure, terror and anxiety made manageable by serendipitous discovery.

I started my journey where I suspect so many of us start, with a curiosity about a subject of great personal interest but significant ignorance – in my case, the money side of the film industry in America. I am a big movie fan and somewhat of a student of the art. I forced through a special film major in college amongst faculty many of whom still saw film as a low brow art form. I go to the movies regularly and have been a full-bore customer of Netflix from day one. I have even sent one of my offspring to Hollywood to live out my fantasy.

I found it quite intriguing when the recent writer's strike forced such a re-examination of how the industry worked and would work in the future. An industry which seemed to me monolithic in its power structure (Rupert Murdoch! Sony!) was being challenged by an entirely new form of competitors. YouTube and FaceBook, BitTorrent, words we had never even heard of in 2000, were threatening Paramount and MGM, names we have known for – well how long have we known those names? And how did they get all that power and control?

So that is where I started – not at Web 2.0, but at the birth. How did this industry begin? What master thinkers figured this out and made it work? Who invented Hollywood, the place and Hollywood, the concept? My particular serendipity was in coming to see how the character and motivations of a certain group of men converged with the particular dynamics of early 20th century America to create what may have been a uniquely fertile field and grow an industry like none other. That is what I want to address tonight – who were these men, and what about them, and their times, made this happen?

The answer to the question of who invented Hollywood is almost too simple. Hollywood was invented by a group of men who all happened to be Jewish, who were all born within 500 miles of each other in Eastern Europe, who all ended up living within 15 miles of each other in Los Angeles, and who were all driven by a desperate desire to fulfill the American Dream of success and assimilation in a new land.

Many of the Hollywood Jewish names are legend now, many are forgotten. There were the showmen, the exhibitors, such as Sidney Grauman whose Gramaun's Chinese and Egyptian theatres still stand today in Hollywood. And Samuel Rothafel, who practically invented the movie palace and who would roll over in his grave at the generic cineplexes we all suffer through today. Rothafel was known to his friends as Roxy – “Do you know what's playing at the Roxy? I'll tell you what's playing at the Roxy?” Hey, he gave Frank Loesser a rhyme for Biloxi!

There were the creative geniuses like Irving Thalberg, the boy producer who was known as “the prince of Hollywood,” the man who brought culture and class to the screen.

There were the first great actors and actresses, such as Asa Yoelson, whom we know as Al Jolson. Theodosia Goodman, or Theda Barrow, the vamp. Emmanuel Goldenberg, or Edward G. Robinson.

But in the end, it wasn't the movie theatre owners or the actors, or even the directors, who created this industry – it was the men who built the studios and the studio system. And that is where I really want to focus tonight, on how this group could build an industry which now seems so mainstream, so “American,” that it is almost impossible to realize that it could have only been created by outsiders. This is the story of how they molded their ambitions and fears into Hollywood movie studios that dominated an industry for half a century.

What proud American studios these first generation Jewish immigrants created. Paramount, with its majestic mountain range gracing the screen at the start of each film. MGM, with the roaring Leo the Lion, Columbia with liberty holding her torch to light the way. Universal with it's bold name emblazoned across the globe. And Twentieth Century Fox, its logo thrusting into the sky being swept by searchlights over a modern American skyline.

These great American studios were founded by men with names such as Adolph Zukor; Carl Laemmle; Harry Cohn; Sam, Harry and Jack Warner; William Fox; Jesse Lasky; and Louis B. Mayer.

What was it that drove these men? What did they have in common? Where did this drive come from?

First of all, they were not dewy-eyed optimists. Each had sampled success in business, and each had seen the brink of failure many times. They were toughened by experience but also knew enough of the fruits of success that they had developed a strong taste for it. They also understood that success - and failure - are fleeting. What better training for an industry and a town that celebrates you one day and buries you the next?

Adolph Zukor, the man who built the first great movie company in Paramount, set out for America from a small village in Hungary in 1889. He was sixteen and had \$40 sewn into his jacket, an orphan in search of a new start. Speaking no English when he arrived, he became an apprentice furrier in New York, and a few years later set out for Chicago to make his fortune, starting the Novelty Fur Company. He hit big right away, inventing a fox stole with the clasp in the fox' mouth (clearly in the days before PETA) and four years later was becoming a wealthy man. Yet an attempt to market a new fur cape nearly bankrupted him when beaver surpassed fur as the contemporary fashion statement, and it took him several years to work his way back out of debt. Years later, when his first film venture teetered on the brink of disaster, his business partner suggested bankruptcy and Zukor almost pummeled him. He would never give up.

A similar tale can be told about Harry Cohn, the founder of Columbia Pictures and the man famous for first proclaiming, "I don't get ulcers, I give them."

Or take Marcus Loew, who quit school at nine years old to start coloring maps at a publishing house, and was fired at 10 when he organized the workers to demand more pay. A year later, at 11, he started his own Lower East Side neighborhood newspaper which he ran successfully until he was forced out by an older partner. After seven years at a wholesale fur company (by now he was all of 18) he started a fur business of his own, which collapsed in the first year. He went to work as a salesman and paid back all his creditors - not one of these men ever filed bankruptcy - and then founded a golf cap company, which also failed in a year, leaving him with seven dollars in assets. It was only on his next attempt, making and selling velveteen capes no less, that Marcus Loew became a moderately successful businessman..

I also learned that the movie industry was not for weaklings. These studio founders were hard men, men who started out by the sweat of their own labor. In fact, there was not a college degree among them.

Louis B. Mayer is a good example. His father brought his family from Russia to St John, New Brunswick in 1888 when Louis was only three. By age 8, he was roaming the city collecting scrap metal for his father. When Louis was 12, his father pulled him out of school for good and sent him out alone across Canada to bid at auctions on salvage. At age 12! By age 14, he had formed his own scrap metal business in New Brunswick, employing over 200 men. At age 19, he left on his own for Boston and to appease his upper-class wife's family who didn't approve of the junk dealer, he bought a small movie house in Haverhill, Mass.

Another commonality: These men were not artists, or playwrights, or Broadway directors exploring a new medium. Each stumbled into film as a business, not as an artistic endeavor. As we will see later, they came to love the art, and their art was their means to become assimilated into America, but in the beginning it was a business opportunity each was particularly well-suited for. A chance encounter with the early movies triggered an aggressive drive in each. As Marcus Loew, he of the many failures, told an interviewer about his ambition:

Ambition? You must want a big success and then beat it into submission; you must be as ravenous to reach it as a wolf who licks his teeth behind a fleeing rabbit; you must be as mad to win as the man who, with one hand growing cold on the revolver in his pocket, with his other hand pushes his last gold piece on the "Double O" at Monte Carlo.

Yet as driven by ambition and the need for success as they were, they also had vision. Adolf Zukor was already enjoying a prosperous life as a furrier in New York when a cousin approached him for a loan. The year was 1903 and the cousin had just returned from the Pan-American Exposition in Buffalo where he spent considerable time in an exhibition featuring all of Thomas Edison's inventions – phonographs, light bulb, peep show Nickelodeons – and the cousin wanted to open an arcade like that. Zukor not only gave him the \$3000 loan, he took to hanging around the arcade and watching the patrons. He realized there was a lot of money to be made from the peep boxes, which were collecting the steadiest stream of coins. When he added short projected films to his arcades, he came to see the potential in this new medium, and sold his fur business.

It is here that Zukor fundamentally changed the movies. Up until this time, almost all films had been no longer 30 minutes, usually shorter, and had been treated as novelties – travelogues, newsreels, slapstick comedies. Zukor somehow sensed that for films to become permanent fixtures of the American entertainment landscape, they had to appeal to the middle classes, in a way imitating the middle class art forms of the novel and theatre, and abandoning the lower class penny arcade past. To do this, films had to be longer, classier, and had to be exhibited in better venues. Zukor entered into a partnership with his neighbor, the same Marcus Loew, who was by then building a chain of upscale theatres, and himself began a traveling sabbatical to Europe to discover how to make movies. Zukor returned with the rights to a French film, Queen Elizabeth, starting Sarah Bernhardt. Audiences of all sorts flocked to Loew’s new cinemas to see this movie and the modern feature film was essentially born.

Jesse Lasky’s entry into the film business was equally unexpected, and as visionary, and he really did discover Hollywood. Already a successful talent agent, Lasky had lost his shirt trying to create an American version of the Folies Bergere in New York in the early 1900s. While vacationing in Maine, his brother-in-law, a glove salesman named Samuel Goldfish (born Schmucl Gelbfisz , and later changed to Samuel Goldwyn) urged him to take a chance on this new industry. Lasky started a movie company with Goldfish and sent his best friend, the writer Cecil B. DeMille, to Arizona to film the first feature of the new Feature Plays Company, Inc. DeMille wired Lasky and Goldfish in New York:

“Flagstaff no good for our purpose. Have proceeded to California. Want authority to rent barn in place called Hollywood for \$75 a month.”

Lasky wired back:

“Authorize you to rent barn, but on a month-to-month basis only. Don’t make any long commitment.”

And thus was created The Squaw Man, the first Hollywood-made feature film; if it had better rail service, we might now be looking at a towering Flagstaff sign during the Academy Awards.

Finally, when we look at these men, we cannot ignore their Jewishness, or in their case, their lack thereof. Not a man that I have mentioned was a practicing Jew (except for a few on their deathbeds) and each one believed that the American Dream required all men to be the same – and there was no way they could be accepted until they were American and American only. So they

did everything they could to be “American” in their studios, in their films, and in their private lives. In some ways, their flights from their past and their drive to succeed required for them a departure from their religion, and their religious identity.

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It is probably clear from what I have said thus far that these men would likely have been successful in whatever endeavor they pursued. So finally we need to look at what made this particular industry so ripe for their picking?

First of all, America at the turn of the century was primed for a new form of entertainment and the movies were the perfect fit. A massive wave of immigrants had congregated in the major cities in both cultural and economic isolation. The traditional American forms of public entertainment, theatre and to a lesser extent vaudeville, were largely inaccessible for both language and cost reasons. As William Fox put it:

“A man who is married and earns only \$12 or \$15 a week can’t afford to pay \$2 for a seat in a theatre, can he? Well then, what does he do? I’ll tell you. He stands up at a bar until he is drunk, and then he goes home and fights with his wife. At least that’s what he used to do.”

For that reason alone, the first movie houses were situated in lower working class neighborhoods, often no more than renovated storefronts or workshops. No one understood this lesson better than people who came from those neighborhoods, and that’s how the Warner boys from Youngstown, Sam, Jack and Harry, got their start in the movie business.

Benjamin Warner had emigrated from Poland to Baltimore in 1883. A highly religious man, he ruled the family with a strict hand but never figured out how to make a living. His son Jack and Sam proved particularly rebellious against their father’s religious strictures and disgusted with his lack of financial acumen. Quitting school after fourth grade, Jack embarked on a sketchy course of touring in vaudeville as a boy soprano. The youngest son Sam first saw the possibility of movies when working at an arcade in Chicago. Returning to Youngstown, he somehow convinced his father to pawn the family horse so he could buy a used projector, which they set up first in a tent in their back yard, and then as a roaming film show. Wearying of traveling from town to town with their projector, Sam and Jack found a vacant second floor store room in New Castle, Pennsylvania, rented chairs from the local undertaker, and they were in business. New Castle’s newly arrived

immigrant steelworkers were just as hungry for entertainment as the folks on the lower east side of New York, and the Warner brothers were soon raking in the cash. In a short time they controlled the movie business in Pittsburgh. Only after running afoul of Mr. Edison's trust, and his goons (more on that in a moment), did the Warners move west, and decide to make their own films, first in St. Louis; by 1916, it was off to Hollywood.

Which brings me to the final factor in the outsiders' rise to power and prominence in the movie business – the ill-fated, and ill-directed, efforts of Thomas Edison to control the industry.

First, a brief comment on Edison. By the early 1900s, Thomas Edison was indeed "America's inventor." But behind a façade of the genial absent-minded professor, Edison was an incredible egotist, well known plagiarist and prolific litigator. Furthermore, he was willing to go to almost any end to discredit or eliminate a rival – look at his systematic destruction of Nicholas Tesla over the efficacy of AC vs. DC power. Edison had ostensibly invented the first motion picture process in 1891, which he quickly patented and then forgot about, licensing mostly for the arcade peep show machines. It was only when a Frenchman named Henry Lumiere radically improved the process and another Frenchman named Charles Pathé became the world's first mass film producer, that Edison got interested again in film. The reaction was typical for him – in 1908, he formed a company that claimed exclusive rights to license any and all film presentation in the United States. Thus was born the Motion Picture Patents Company, known to all simply as "the Trust." In partnership with the Eastman Kodak Company, the Trust insisted that all distribution and exhibition of films, and purchase of film equipment and film stock be licensed through the Trust, and Edison set about filing patent lawsuits to back him up. When the legal system didn't work, or was too slow, he also had a long-standing cadre of goons who were quite willing to destroy equipment and films. In a sense, he forced the independent entrepreneurs to go underground, or to flee westward out of his reach.

Edison's approach was wrong on so many counts. He didn't care about the medium of film at all. He had nothing but disdain for the rough content and the lower-class audience of his purported invention, sharing this view of the industry with his East Coast investment banker network. As Neal Gabler points out in *An Empire of their Own*, Edison and his cohorts entirely misinterpreted what was at stake.

They never seemed to understand that they were engaged in much more than an economic battle to determine who would control the profits of the nascent film industry; their battle was also generational, cultural, philosophical, and,

in some ways, religious. The Trust's members were primarily older, white Anglo-Saxon Protestants who had entered the film industry in its infancy by inventing, bankrolling or tinkering with movie hardware: cameras and projectors. The Independents on the other hand, were largely ethnics, Jews or Catholics, who had entered the business by opening and operating theaters.

Edison and his partners also totally misunderstood the business side of the movies, believing that the real revenue would come from selling cameras, projectors, and film, not from the actual film receipts themselves. In other words, Edison thought it was about hardware; the outsiders knew it was about the software.

But worst of all, Edison underestimated the will to survive of the men who had had a taste of what film could be. By forming the Trust and forcing these entrepreneurs to work together to free themselves, and by driving them to the West away from his reach and his goons, Thomas Edison did indeed, however inadvertently, birth the film industry as we know it today.

Carl Laemmle was the first to fight back. Originally believing he could cooperate with the Trust, Laemmle signed the license agreement but quickly realized that their stranglehold on film stock as well as equipment meant that he would never really be independent. Within three months of signing, Laemmle had already broken free, and most of the independent producers followed. Soon Laemmle's Independent Movie Company had survived 289 actions against it by the Trust and had won the first of its anti-trust lawsuits against Edison; by 1913, only five years after its founding, the Trust was essentially dead. In the meantime, Laemmle, former clothing salesman from Oshkosh by way of eastern Germany, had built the first real studio in Hollywood, 250 acres known as Universal City, and a new industry was spawned.

By 1915, the film industry was in bloom and the entrepreneurs were in control, although still tenuously. How would they cement their power and maintain this control? Through the studio system they created.

Three elements combined to create what became this studio system, a monopoly that went virtually unchallenged for 30 years of growth: first, there was the vertically integrated business model; second, the star system which controlled the production process; and finally, films that understood and played to the hopes, desires, fantasies and fears of the rising American middle class.

First, let's look briefly at the business model. Adolf Zukor was determined to make Paramount "the U.S. Steel of the entertainment business," which in his mind meant he needed to control the mines, the ships, the mills, the foundries, and the sales and delivery. In Hollywood, this meant the production, making of movies; the distribution, renting them; and the exhibition, the selling of tickets. Ironically, by the time the new moguls had become ensconced in early Hollywood, most of these men had gravitated away from the exhibition which they had been their start in the industry. But once Zukor, at Paramount, began buying up theatre chains at a rapid clip, Warner Bros., MGM and Fox joined in. By the end of their buying spree, some 80% of all first run theatres in the country were owned by five major studios. On top of this, the studios produced 70% of and distributed 95% of all feature films in the U.S. 70% of production, 95% of distribution, and 80% of exhibition? These moguls may have united to defeat Edison, but they understood what monopoly-like power could do for them.

Yet, to keep the power, the studios needed to gain absolute control over the making of movies, not just the scripts and the technical side, but also the talent.

Surprisingly, with apologies to Tom Cruise and Brangelina, movie stars have not always been a national obsession. It wasn't until 1909 that the first-ever profile of a film actor was published in a magazine. Probably by accident, Carl Laemmle exposed the power of movie stars and originated the "publicity stunt" that changed the business. Laemmle's audiences adored his lead actress, known only to them as "The Biograph Girl." Rumors, probably started by the studio, told of her death under a streetcar in St. Louis and the public was as crushed as she supposedly had been. Her subsequent "resurrection," accompanied by full-page newspaper ads, incited near riots when she reappeared at her film premiere in St. Louis. Her name was revealed to be Florence Lawrence and the public fawned over her; her successor, Mary Pickford, became the true "named" star.

The studio heads realized very quickly then that these stars had power over the public, and thus could be a serious threat to them and their need to control the factory. Thus was born the studio contract system, whereby actors were essentially "owned" by the studio and rented to others when needed. In exchange for this servitude, most of the actors were paid handsome salaries by the standards of the day, were made into national heroes by the publicity machines, and were protected from scandal and notoriety by the studio police.

The final element in the rise of the studios was the movies themselves, and it is here that the genius of the moguls pays off. For these were hands-on men who had learned to love the movies,

or at least learn how to exploit them as they built their businesses. No remote Wall Street financiers, they kept absolute control over every foot of film that came out of their studios, and thus the styles of these studios came actually to reflect them as men.

Nowhere was this more evident than at MGM, the domain of Louis B. Mayer. Mayer believed himself the quintessential proof of the American Dream. Claiming that his records had been lost when he immigrated, he appropriated the Fourth of July as his birthday. Each year, on Independence Day he would gather every single employee of MGM and their families for a command performance, a massive celebration of his adopted country and of himself. The films of MGM came to carry the flag just as vehemently, proclaiming Louis B.'s love of a mythical and totally optimistic America, starring the likes of Fred Astaire and Ginger Rogers, and the early Jimmy Stewart. Under its banner of "art for art's sake," the studio was the Tiffany of Hollywood, producing blockbusters like Ben Hur, and classy titles like The Great Ziegfeld, and Grand Hotel. The visionary, Louis B. Mayer, America's first ever million dollar executive, reigned like the MGM lion, from a white office, with white carpet, a white piano, four white telephones on his white wraparound desk, surrounded by white leather walls.

The Warner Brothers, on the other hand, believed that what people needed was a good story and the secret to success was to do it cheaply. No extravaganzas, their bread and butter films reflected their tough, underdog mentality, their Youngstown view - movies like The Public Enemy and Little Caesar with hard-boiled unglamorous stars like Cagney, Robinson and Bogart.

Adolf Zukor had always aspired to upper class artistic acceptance, and his Paramount films were sophisticated vehicles starring handsome and urbane types like Marlena Deitrich, Maurice Chevalier, Gary Cooper.

Harry Cohn at Columbia prided himself on his outsider status, along with his moral rectitude, and the films of his lead director, Frank Capra, reflected the common man triumphing over the establishment - It Happened One Night, Mr. Deeds Goes to Washington, Meet John Doe.

Whatever the subject, each studio mogul created a style and substance of his own, and the public loved it. By the mid-twenties, 75% of all Americans were going to the movies at least once a week. In 1927, Louis B. Mayer formed the lofty sounding Academy of Motion Picture Arts and Sciences, and invented the Oscars. The moguls were celebrated in Washington and the capitals of the world.

So how did the era of the moguls pass, with a happy Hollywood ending or as a Greek tragedy? In fact, a little of each. In 1938, the studios were hit by Roosevelt's trustbusters with a suit charging them with fixing distribution contracts and admission prices. A 1940 consent agreement allowed for a self-governance approach, but that changed nothing – the government was going to win when it pried the movie business out of the likes of Adolf Zukor's cold dead hands. Thus the anti-trust suit was reactivated, leading finally to the Supreme Court decision of 1948 forcing the studios to divest themselves of all theatres.

The stranglehold was broken, but by then most of the moguls were old men and gone from their studios. It only took television and the House Un-American Activities Committee to drive the final stake into the heart and open the door for corporate America to step in and begin the first steps of creating today's diversified multi-media corporations.

- William Fox' Twentieth Century Fox is owned by News Corp and Rupert Murdoch;
- Adolf Zukor's Paramount was purchased by conglomerate Gulf + Western and is now controlled by Sumner Redstone's Viacom;
- Louis B. Mayer and Marcus Loew's MGM was purchased by hotel magnate Kirk Kerkorian, who auctioned off the props and costumes and sold the studio grounds; what shell that remains of MGM is now largely owned by Sony;
- Harry Cohn's Columbia was purchased by Coca Cola – the ultimate indignity, the refreshment stand buying the studio! It is now owned by Sony.
- The Warner boy's studio was first bought by a parking lot company called Kinney and is now a part of Time-Warner.

So the studios are largely gone and the moguls lost to history. A unique confluence of men and the times created a combustible mix that exploded and changed the world. Neal Gabler's epitaph says it best:

And so the empires have crumbled. The mogul's names have faded. The estates are gone and the power and the panache and the fear. But what these men left behind is something powerful and mysterious. What remains is a

spell, a landscape of the mind . . . and a mythology that is part of our culture and consciousness. What remains is the America of our imaginations and theirs. Out of their desperation and dreams, they gave us America.

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