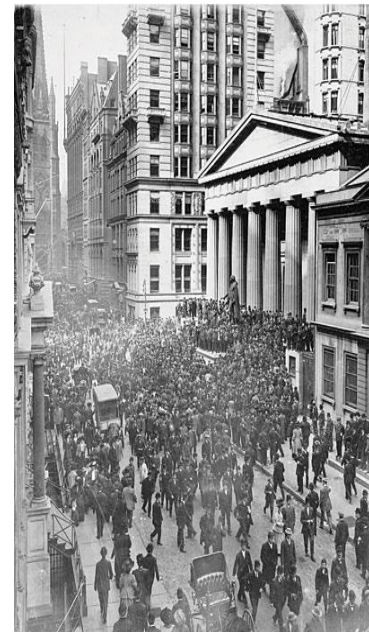


The Crash of 1929 and the Great Depression 1929-1939



By 1929 Universal Studios was already in serious trouble. They had lost Irving Thalberg and Lon Chaney years before and in 1928 their attempt to repeat the successes of *The Hunchback of Notre Dame* and *The Phantom of The Opera* ended in the failure of *The Man Who Laughs*. Also, Universal and all the studios were also under financial pressure because they were spending huge sums of money to convert the studios to sound.

As if all of this were not enough, in September of 1929 the New York stock exchange began to crash. Over the next three years the market lost 83% of its value. In turn the crash triggered The Great Depression (1929-1939) which was to follow and which would spread across the entire world. As the stock market continued to crash, the panic increased which in turn caused the market to crash even more. It was as if the New York stock exchange were the heart of the world financial system and it was having a heart attack. The result was that money suddenly became very scarce. Factories, shops and businesses shut down and when that happened unemployment soared to record heights and social unrest began to spread (yes, it is very similar to what we are experiencing right now with the corona virus crisis). How did all this effect Hollywood?



From about 1909 to 1929 the film industry was so profitable that almost anyone who could make movies could make money. All you needed were the resources to set up a studio and you could make money. Banks and investors were eager to lend money to Hollywood because the industry was so profitable. The American film industry rapidly grew to become the largest in the world, far larger than the film industries of France, England or Germany. The studios paid their investors handsomely and they also paid the presidents of the studios and the movie stars huge salaries. During these profitable times there was no need for studios to keep a lot of cash on hand because it was so easy to borrow the money from investors and banks. However, when the crash hit in 1929 investors lost



confidence in the stock market as a whole and the stock prices of Hollywood studios also fell dramatically. Moreover, because of the banking crisis the studios could no longer borrow from the banks. Many of the smaller studios which had managed to survive the transition from silent film to sound now went bankrupt and even the largest studios were suddenly in serious trouble. Of the eight largest studios in 1929, Universal was the fourth largest and it was in the most financial

trouble of all of them. Unless Universal could produce a hit movie on a small investment they would be done. How could they do this? That is where our story takes us in the next lessons.