The Beatles and Economics: How Capitalism Enabled St. Pepper to Play

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Beatles were the most influential popular music act in the 20th century

- Best selling band in history (800 million albums sold)
- Most number 1 hits on Billboard’s Hot 100 (20)
- Rock & Roll Hall of Fame
  - Group (1988)
  - John (1994)
  - Paul (1999)
  - George (2004)
  - Ringo (2015)

- Founded in Liverpool, England
- Active 1960-1970
  - Effectively disbanded in 1968
- Members were not formally trained on their instruments
The Beatles

1964

1967
The Beatles: A Black Swan event?

• A Black Swan event is
  – Disruptive
  – Fundamentally reshapes an industry/economy
  – Cannot be forecast

• Can economics explain the rise of the Beatles? Could their rise and influence have been predicted?

• *Sgt. Pepper’s Lonely Hearts Club Band*
Sgt. Pepper’s Lonely Hearts Club Band

- Released in 1967
- 32 million copies sold
- Watershed album for music
  - *Rolling Stone* magazine: “most important rock & roll album ever made”
- Threshold album for the Beatles
  - Largely experimental music but includes a diverse range of music
Inputs (11/66 to 4/67)

Compared to previous albums:
- 30 x hours in recording and editing
- 60 x the cost to the studio

Five months in the studio (400 hours)
What enabled this effort?

- Beatles were the top selling/grossing act in the world
- Stopped touring in 1966 at the end of their tour of Japan & Philippines
- Individual Beatles were independently wealthy
- Studio had bank and a bankable act
Per Capita GDP (current US$)

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>1965</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>$3,828</td>
<td>$5,247</td>
<td>$3,007</td>
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<tr>
<td>UK</td>
<td>$1,380</td>
<td>$1,851</td>
<td>$2,348</td>
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<td>Japan</td>
<td>$479</td>
<td>$920</td>
<td>$2,027</td>
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</tbody>
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Staley, Capitalism and Sgt. Pepper
Growth in Youth Population

U.S. Teenage Population Growth

- 10-14 years old
- 15-19 years old
- 20-24 years old

Beatles Era
Teenage workforce was growing

• Teenage male labor force participation:
  • 1955: 58.9%
  • 1965: 50.4%
  • 1973: 59.8%

• Teenage female labor force participation:
  • 1955: 39.7%
  • 1965: 38.0%
  • 1973: 47.8%

• Discretionary income was increasing as the Beatles peaked creatively
Conclusions

- Wealth creation was central to the growth of popular music
  - Funnel resources into growing and emergent niches (e.g., rock music)
- Monetizing this wealth was crucial to creating the space for the Beatles to exercise their creativity
  - Growth mindset
  - Not all bands had similar mindsets
- Conclusion: Free-market capitalism was a necessary but not sufficient condition for the production and success of *Sgt. Pepper’s Lonely Hearts Club Band*