

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

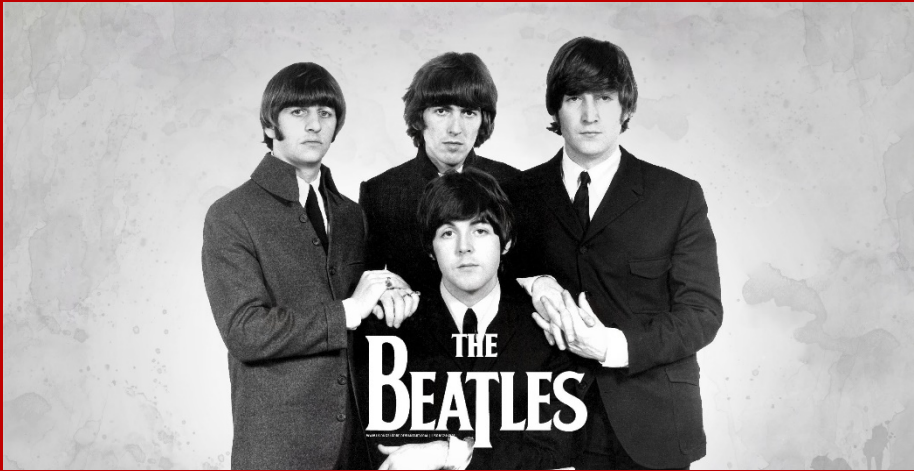


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Beatles were the most influential popular music act in the 20th century



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

- 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)



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





Economics of Sgt. Pepper

- **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)**

Hours spent recording and editing Beatles albums



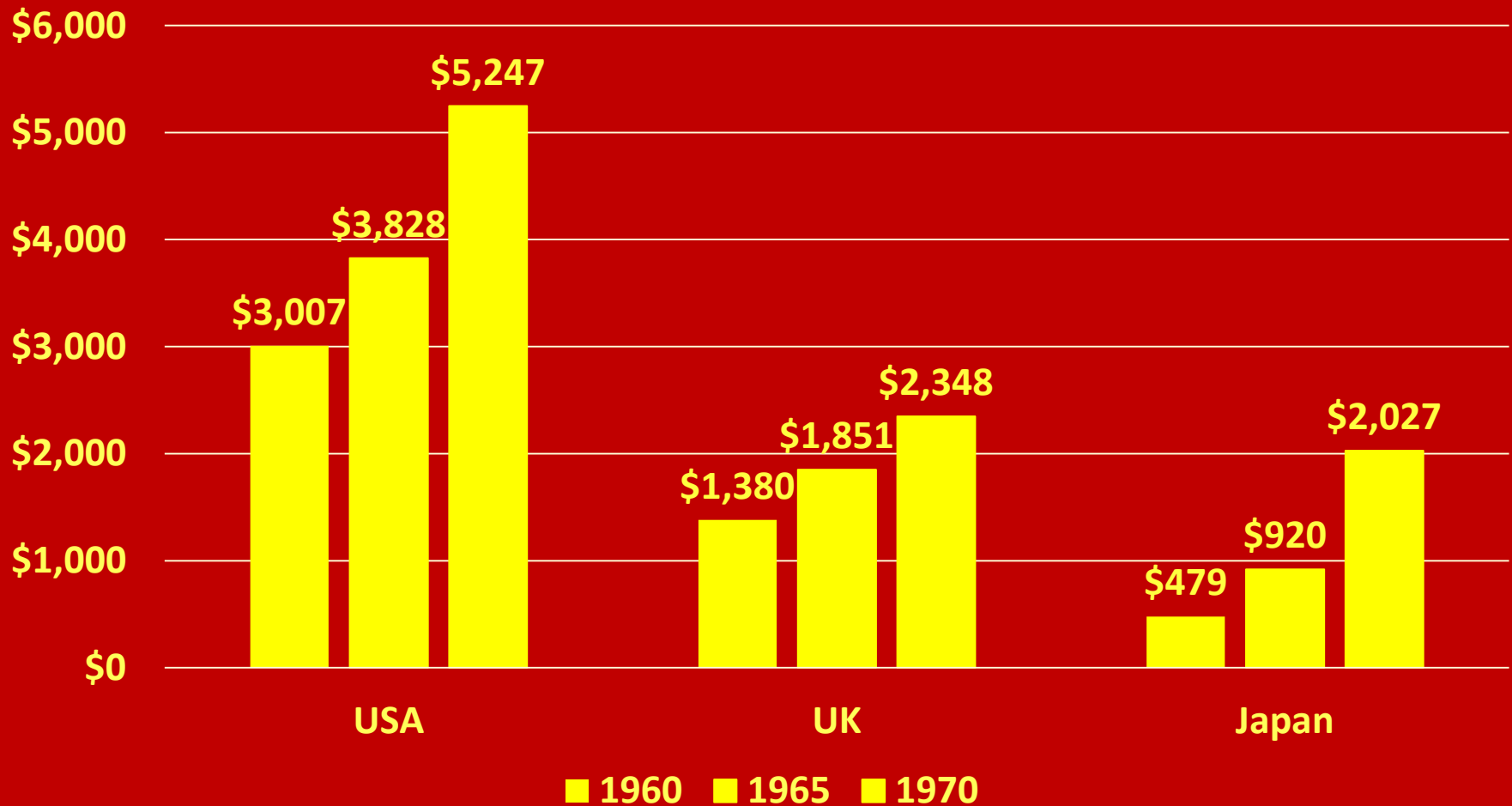


What enabled this effort?

- **Beatles were the top selling/grossing act in the world**
- **Stopped touring in 1966 at the end of their tour of Japan & Philipines**
- **Individual Beatles were independently wealthy**
- **Studio had bank and a bankable act**



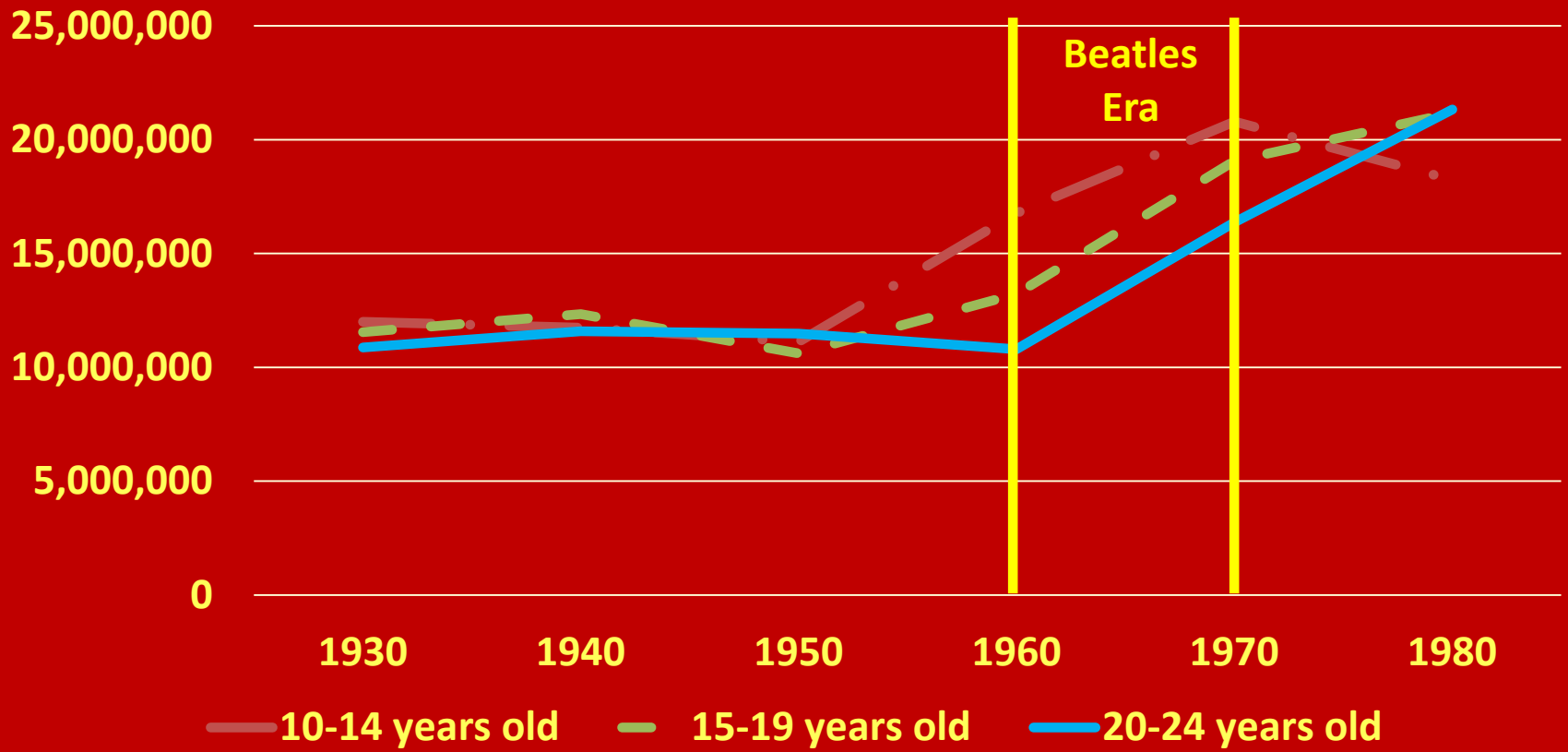
Per Capita GDP (current US\$)





Growth in Youth Population

U.S. Teenage Population Growth

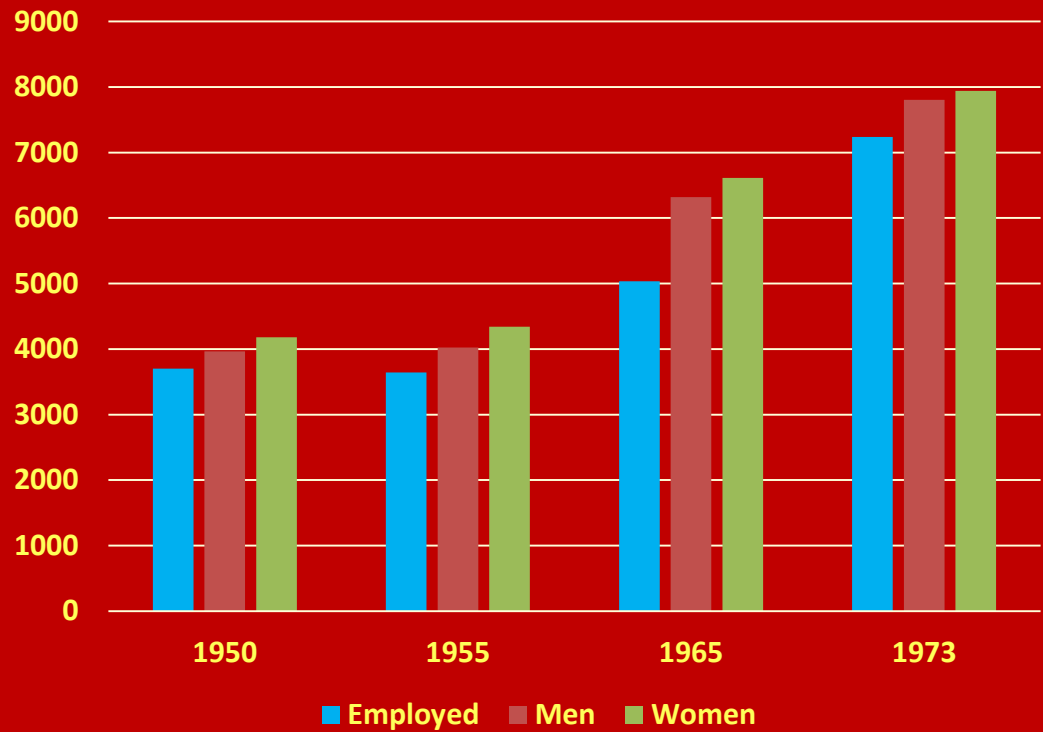




Teenage workforce was growing

- 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

U.S. Teenage Employment (16-19 yrs old)





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***