

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



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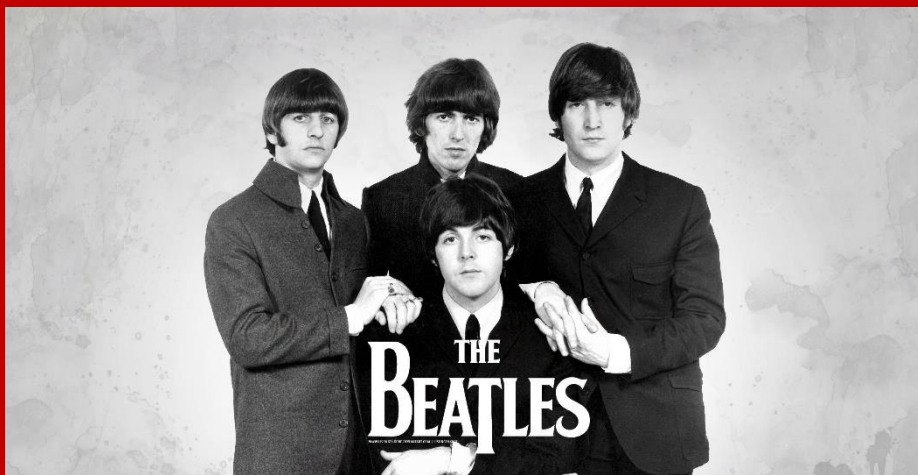
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Prepared for 43<sup>rd</sup> Annual Conference of the Association of Private Enterprise  
Education, April 2, 2018, Las Vegas, Nevada.



# Beatles were the most influential popular music act in the 20<sup>th</sup> 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?**
- **What does their story tell us about economics**
- ***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



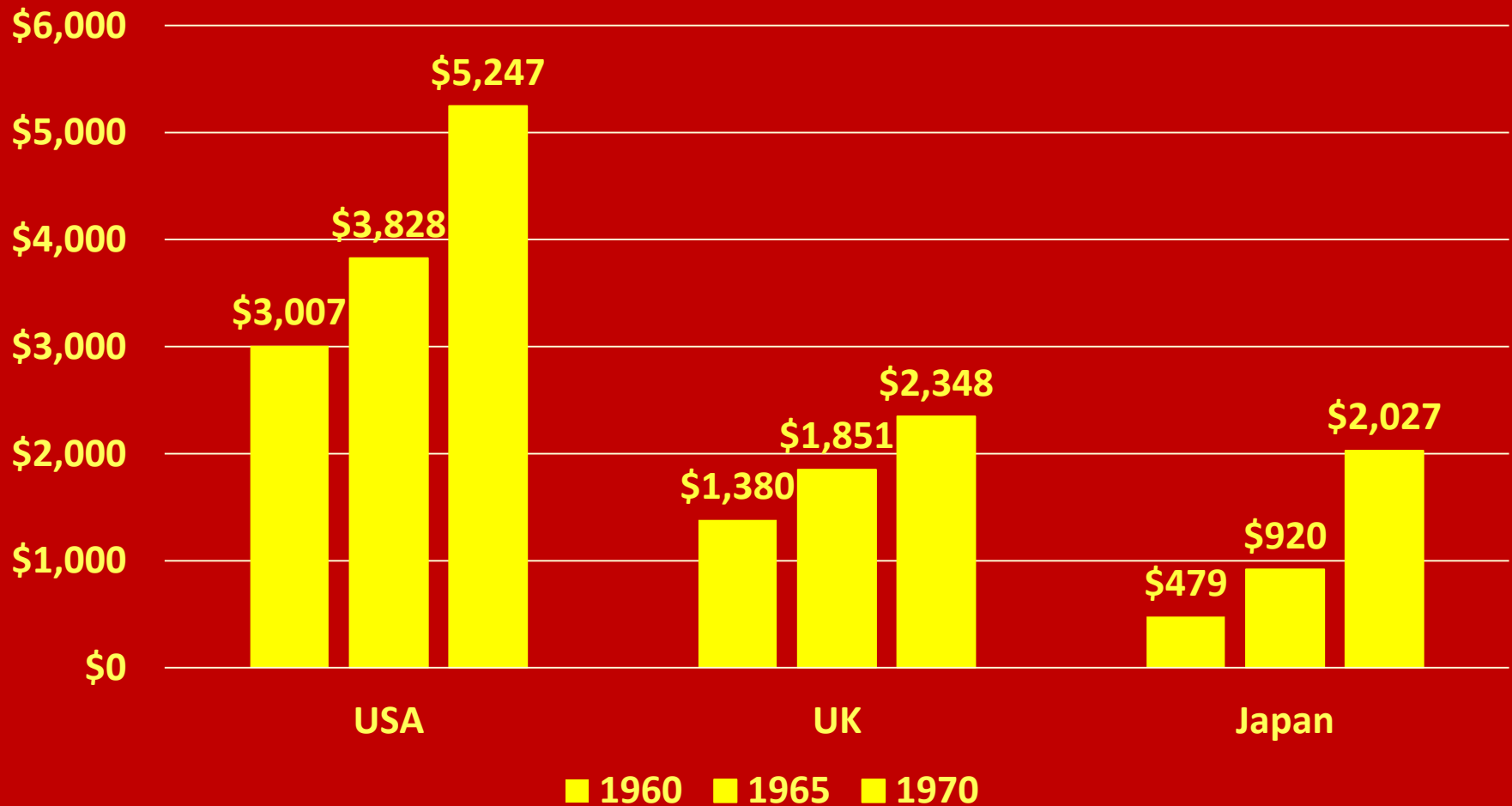


# What enabled this effort?

- **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\$)

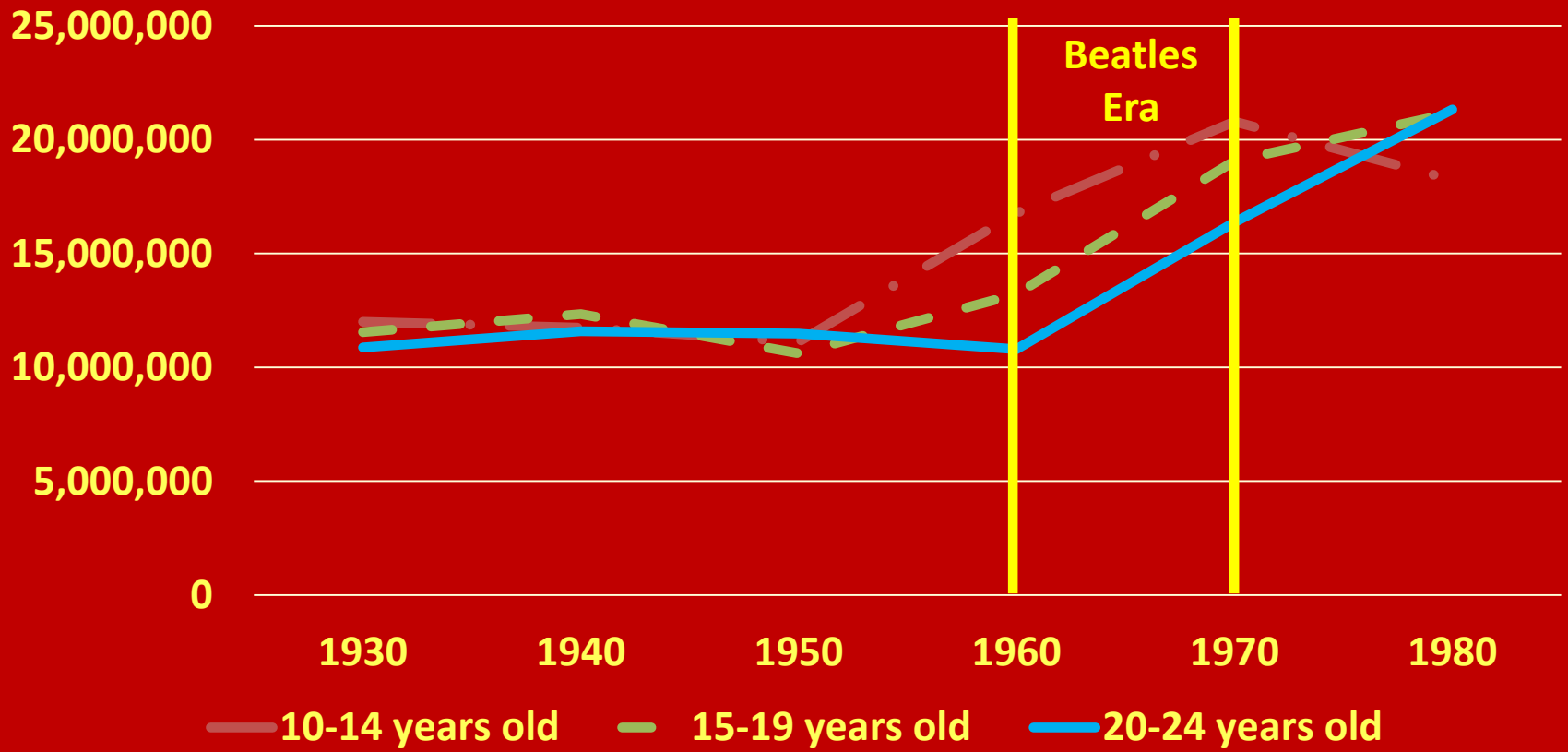






# Growth in Youth Population

## U.S. Teenage Population Growth

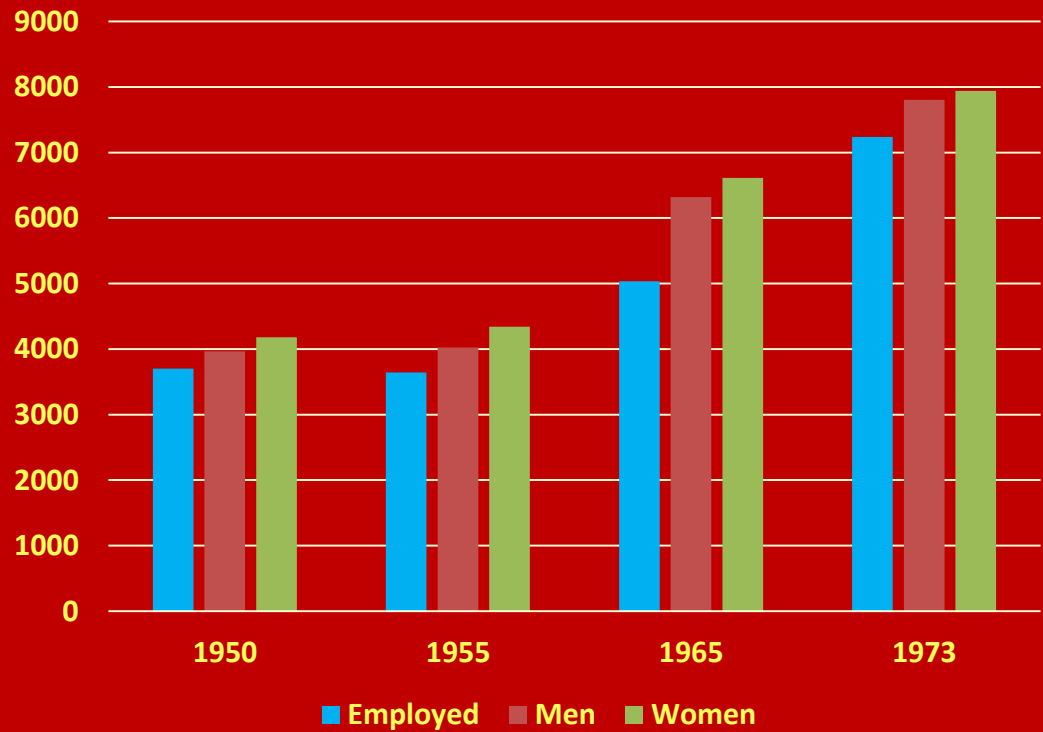




# Teenage workforce was growing

- 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)





# The Beatles and Economics

- **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****



# Implications for Economic Education

- ***Sgt. Pepper's* and the rise of the Beatles spotlight several important economic concepts**
  - Opportunity costs
  - Continuous innovation
  - Wealth creation
  - Consumers as market drivers
  - Markets as facilitators for niche markets
  - Artistic versus commercial entrepreneurship
  - Organic feedback loops between consumers *and* suppliers in a dynamic free market