

Murray Rothbard Meets Walt Disney: An Economic Analysis of Disney on Film

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Abstract^π

In 2023, The Walt Disney Company celebrated its centennial with the release of the animated film: *Wish*. Yet, what was supposed to be a monument of success for the most ubiquitous entertainment company in the world instead failed to break even at the box office, losing the studio approximately \$200 million. After the re-opening of movie theaters in 2020 following the COVID-19 pandemic, Disney would struggle to reproduce its former success at the box office, culminating in a dramatic decrease in stock price and the reinstatement of CEO Bob Iger. This paper will utilize the works and thought of economist Murray Rothbard to analyze and explain Disney's shortcomings at the box office from 2020-2023. In examining the history of Disney on film, this paper explores the entrepreneurial decisions which defined the company's past success and current failure. Additionally, this paper analyzes the role of consumers and the changes in the institutional environment post-COVID-19, drawing on the implications of Austrian Business Cycle Theory. Ultimately, this paper concludes that failures in entrepreneurship, ignorance of the consumer, and copious malinvestments form the basis of The Walt Disney Company's box office decline.

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I. “I Have a Bad Feeling About This.”¹

The Walt Disney company is perhaps the most well-known entertainment company in the world, with its beloved brands and characters providing entertainment to consumers for nearly a century. Walt Disney released *Snow White and the Seven Dwarves* in 1937 and just celebrated its centennial with the release of *Wish* (2023). However, much has changed in the 100 years since the company’s conception, with Disney straying further and further away from its ubiquity as a paragon of entertainment: bleeding money, critical failures, and a declining influence in American culture. Following the abysmal opening weekend for Disney’s recent release, *The Marvels* (2023), actress Iman Vellani noted that she was not concerned with the film’s box office performance; rather it was a concern for Disney CEO Bob Iger (Sharf 2023). Iger was reinstated in 2022 following the dismissal of his successor, Bob Chapek, amid a tumultuous few years of box office disappointments and streaming failures, hammered home by *The Marvels* record low opening weekend for a “Marvel Cinematic Universe” movie and record 78% drop-off on week 2 (Sharf 2023)². The “MCU” developed under Iger’s first term as CEO, successfully pioneering an inter-connected series of movies beginning with 2008’s *Iron Man* and culminating in the release of 2019’s *Avengers: Endgame*, netting them a total box office gross of \$21,418,924,805.³ However, this success soon dwindled, with releases like *Black Widow* (2021), *Shang-Chi and the Legend of the Ten Rings* (2021), *Eternals* (2021) and *Ant-Man and the Wasp: Quantumania* (2023) failing critically and commercially. Disney’s other major franchises and subsidiaries experienced a similar fate, with a majority of post-COVID-19 Disney Animation and Pixar films

¹ Luke Skywalker - *Star Wars: A New Hope* (1977).

² Chapek took over the reins of Disney in 2020 after Iger’s 15-year term.

³ All production budget and worldwide box office gross statistics are taken from <https://www.the-numbers.com/>, outside of *Snow White and the Seven Dwarves* (1937).

failing to even recoup their production costs, much like the 2023 live-action remake of *Haunted Mansion*.⁴ Similarly, Disney's acquisition of Lucasfilm for \$4 billion looked like a shrewd business decision when *Star Wars: The Force Awakens* grossed over \$2 billion in 2015, but the brand soon fell out with fans with each subsequent release earning less and less; *Solo: A Star Wars Story* (2018) became the first Star Wars movie to lose money, grinding future film plans to a halt. This company-wide decline was reflected in Disney's stock price falling 50% from its peak in 2021, before Iger was reinstated after Bob Chapek was unceremoniously dismissed from his duties. Various explanations have arisen to elucidate Disney's struggles in the film industry, whether it be the impact of the COVID-19 pandemic, oversaturation of the market, the reliance on existing franchises, declining quality, or pandering to social and political agendas. Bob Iger seemingly addressed some of these concerns throughout renewed meetings with investors, declaring the company would be scaling back its production to focus on quality over quantity; furthermore, he would look to "quiet the noise" in its ongoing culture war, referring to ideological battle between social conservatives and Disney's progressive stances (McClinlock and Huston 2023, Chmielewski 2023a). Yet, a careful examination of Disney's current state reveals its downfall was sewn prior to the pandemic, during Iger's first reign. Years of cheap credit, asset price inflation, and booming box office returns coupled with poor entrepreneurial decision-making and failing to satisfy consumers all played a contributing role in the Mouse House's deposition (Czitron 2023). Austrian economist Murray Rothbard, who notably predicted the rise of streaming markets 50 years before their rise to prominence, reveals through his extensive writings a valuable well of knowledge which can illuminate the tangled web of

⁴ *Lightyear* just barely recouped its production costs, grossing \$218,768,299 from a \$200,000,000 budget.

Disney's rapid fall from grace⁵. In fact, a Rothbardian analysis of the entrepreneurship, consumer sovereignty, and the application of Austrian Business Cycle Theory sheds light on how the world's largest entertainment company is seemingly failing at entertainment.

II. "Difficult To See. Always in Motion is the Future."⁶

Following Iger's re-appointment as CEO, Disney restructured its operations, with Alan Bergman presiding over "Disney Live Action, Walt Disney Animation Studios, Pixar Animation Studios, Marvel Studios, Lucasfilm, 20th Century Studios, and Searchlight Pictures, as well as Disney Music Group and Disney Theatrical Group" (The Walt Disney Company 2023). Within each brands, there is a further hierarchy reporting to Bergman, notably Marvel Studios president Kevin Feige and Lucasfilm president Kathleen Kennedy. The re-organization of Disney's internal operations, including the subdivisions within each brand, is reflective of the entrepreneurial nature of the firm. CEO Bob Iger serves as the "highest-level" manager but delegates some discretion over entrepreneurial decision-making to various Disney employees.⁷ Rothbard conforms to his fellow Austrians in placing emphasis on the importance of the entrepreneur and uncertainty of the future. An entrepreneur is, simply put, an economic actor who undertakes production in the present to satisfy anticipated consumer demand in a world of uncertainty.⁸ Entrepreneurs begin production with an idea, some concept or end to achieve. The capitalist-entrepreneur will engage in production by investing in land, labor, and capital goods in

⁵ "Pay-TV would mean that each program would search for its own market, and many specialized markets for specialized audiences would develop—just as highly lucrative specialized markets have developed in the magazine and book publishing fields. The quality of programs would be higher and the offerings far more diverse. In fact, the menace of potential pay-TV competition must be great for the networks to lobby for years to keep it suppressed. But, of course, in a truly free market, both forms of television, as well as cable-TV and other forms we cannot yet envision, could and would enter the competition" (Rothbard 2006, 122).

⁶ Yoda - *Star Wars: The Empire Strikes Back* (1980).

⁷ Iger himself is chosen by the board of directors as CEO to operate in the interest of the shareholders, who will put safeguards in place to ensure Iger doesn't squander the resources given to him by the shareholders.

⁸ Uncertainty not merely "risk."

the present to achieve this end (product) in the future, as all production takes time. Due to uncertainty, no future value or event can truly be known; rather, the future must be forecasted by the entrepreneur. The entrepreneur thus advances present money for factors of production based on speculation that the object of production will later be sold at a fruitful price. As such, the “quality of judgement and accuracy of forecast play an enormous role in the incomes acquired” (Rothbard 2009, 464). In examining both successes and failures of Disney’s ventures, careful attention must be paid to the entrepreneurial elements of production. In investing in factors of production, entrepreneurs who can transform those factors into a product earning a greater return than the going rate of interest, will earn a money profit (Rothbard 2009, 464).⁹ Therefore, wise entrepreneurial decision-making and correctly forecasting consumer demand in the face of uncertainty provides the basis for entrepreneurial profits. At the same time, if an entrepreneur makes poor judgments on the potential future revenue or misappraises factors of production, the entrepreneur will earn a loss. Disney is not merely a singular capitalist-entrepreneur as Rothbard outlines, but as a corporation still fulfills the same functions of entrepreneurial decision-making in the production process.

CEO Bob Iger is not the sole capitalist-entrepreneur that completes the entire production process, rather he has delegated authority and discretion to “managers,” and this is furthered throughout the hierarchy of the firm.¹⁰ The task of production for a film will be delegated to a “junior entrepreneur” within the firm.¹¹ The production process for any particular movie or series is then the result of an extensive network of individuals working in concert to produce some end

⁹ If the going rate of interest is 5% and the return generated by the entrepreneurial venture is only 3%, the entrepreneur has earned no profit as they lost out on the 5% return to their capital. (Rothbard 2009,466).

¹⁰ The CEO (through the shareholders; the capitalists) control how much authority is delegated and are thus, the “ultimate decision makers” (Klein 2010, 24).

¹¹ Legally, a corporation is an artificial person, whereas the capitalist-entrepreneur is the true decision-maker (i.e. a real person).

product.¹² These individuals who are given discretion over the production process will fulfill the functions of the entrepreneur, engaging in entrepreneurial appraisal of the factors of production and making decisions on what to invest resource into even if they may not be the “owners” of the factors as a capitalist-entrepreneur would be. Most often, this delegation is extended to the director of a film along with studio executives, namely producers and division-heads. Entrepreneurial decision-making takes place at each step of the film’s production process. This continues throughout the entire “production structure” of the movie, exemplified by the sizeable end credits scene of each Hollywood production.

In any firm, the resource-owning entrepreneur will place incentives and constraints upon the managers to whom they have delegated responsibility. For Disney’s film studios’ structure, this can involve executives placing restrictions on creatives and directors. The constraints placed on the directors or scriptwriters in the form of budget and creative control can significantly alter the final product. Working within constraints, directors will need to make decisions regarding how to allocate budgets, including what aspects of the production will be internalized or externalized. Questions regarding the usage of practical effects versus computer-generated-imagery, manufacturing sets or filming on location, the use of motion capture and green screen, casting, etc. are all common decisions that film studios must wrestle with. In short, there is no dearth of entrepreneurial appraisal and decision-making on any given production, especially in film. Meddlesome studio executives can produce equally incoherent and disorganized films as

¹² “Some of the bonus features in the Star Wars DVDs illustrate this perfectly. On the bonus disc that accompanies *Revenge of the Sith*, there’s a documentary about all of the people and processes that contributed to the production of a single minute of the lightsaber battle between Obi-Wan Kenobi and Anakin Skywalker. They had to deal with props, computer animation, costuming, and a dizzying array of other tasks that no one person knows how to do. Lucas’s artistic vision (realized with a few assists from Steven Spielberg, as the “making of” documentary shows) was only made possible by the divisions of labor and knowledge made possible by the market economy. *Revenge of the Sith* cost about \$113 million to make and grossed almost \$850 million worldwide. And yet not a single person in the world knows how to make a single minute of the movie from start to finish” (Carden 2010).

troublesome actors or unconstrained directors. To ensure a successful production, Disney's organizational structure will attempt to eliminate potential conflicts by ensuring efficient constraints are placed on individual entrepreneurial actors. Across Disney's major divisions, relatively fewer constraints initially encouraged ambition, innovation, and creativity. The level of innovation and creativity in combination with excellent entrepreneurial decisions are largely what precipitated Disney on film to reach such great heights, a reminder of the company's humble beginnings and rise to prominence.

The basic production process of a film (or a series on Disney+) begins with an idea, some sort of end goal that is going to be produced. The idea could be put forth by a studio executive, a director, a writer, a producer, or any other "creative."¹³ This developmental phase could realistically take any number of forms, ranging in detail and scope, but ultimately some sort of plan begins to take shape that will begin the production process. A budget will also be allocated for this planning phase, typically by whoever is financing the film, whether this be the studio directly, via a financial intermediary, or an outside investor (stockholder). This budget could be allocated upfront for the whole production or could be renegotiated as the production process progresses.¹⁴ Writers, directors, consultants, producers, showrunners, and other necessary positions important to the planning phase of the movie will be hired, subject to appraisal by the entrepreneur with delegated authority. Additionally, decisions regarding characters, setting, plot, themes, etc. from creatives will begin informing what is required for casting actors and physical production, along with requirements for casting directors, set designers, and continuity directors. Casting and set design will be conducted in concert with creatives to ensure the intended vision and direction comes to fruition (Smith 2022). The actual process of filming itself

¹³ Iger, or whomever he has delegated authority to, will make the decision to begin investing in the film.

¹⁴ An obvious example would be reshoots or other aspects of post-production that require additional funding.

requires its own land, labor, and capital goods. The land utilized for filming can either be an existing geographical location, a set built inside or outside the studio, or even “green-screened” in, with most modern movies utilizing a combination of all three. After wrapping filming, the editing and post-production process begins. This stage involves creatives working with editors and visual effects artists to piece the movie together and bring it in line with the director’s vision.¹⁵ After editing, the movie can then be subject to reshoots or reworks to rectify any pieces that are out of place before completion.¹⁶ This cursory overview of the production of cinematic content simply illustrates that every part of the production process requires a level of entrepreneurial decision-making. The final product is then distributed through movie theaters, with theaters splitting the revenue generated from ticket sales. Therefore, to successfully earn a profit at the box office, a modern film will typically need to gross 2 ½ x its production budget factoring in the revenue split and marketing costs.

A. “The Flower that Blooms in Adversity is the Most Rare and Beautiful of All.”¹⁷

Disney’s first foray into the entertainment industry rested on the shoulders of Walt Disney’s innovation in animation. Before Disney’s golden era of animation, its first animated film in 1937, *Snow White and the Seven Dwarves*, was quite literally a saving grace for the studio. The film was dubbed “Disney’s Folly” for its ambitious attempt to produce a never-before-seen fully animated motion picture, straying from Walt Disney’s typical releases of animated shorts. Walt Disney put his entire company on the line, skirting on the edge of bankruptcy and only reaching the finish line with a last-minute loan from Bank of America,

¹⁵ In this case the reader will be the consumer of my work, time will tell whether I have accurately forecasted consumer demand.

¹⁶ Test screenings are also a common form of gauging consumer reception before release to the public.

¹⁷ The Emperor – *Mulan* (1998).

pushing the production budget to roughly \$1.5 million (Thomas 139-140, 2012).¹⁸ Its release ushered in a new age in cinema, with the film garnering incredible support from critics and audiences, grossing a total of \$8 million (unadjusted) at a time when ticket prices were merely a quarter (Thomas 143-144, 2012).¹⁹ After 3 years of production, Walt Disney was rewarded for his entrepreneurial spirit, engaging in sound judgement by investing in some 700 artists and animators (among other factors) in the face of uncertainty and even mockery. Following the success of *Snow White*, Walt Disney's company would enter a period of relative successes, releasing numerous classics throughout the next few decades: *Bambi* (1942), *Cinderella* (1950), *Peter Pan* (1953), *The Jungle Book* (1967), and so many more. Disney's reign as an entertainment giant was cemented throughout the 50 years following the initial release of *Snow White and the Seven Dwarves*, providing quality family entertainment on film with its brilliant animation and beautifully crafted stories.

Under the visible hand of CEO Michael Eisner, Disney reinvigorated its suite of animated films following a slight creative and commercial downturn in the 1980's. Much like Walt Disney in the 1930's, the studio successfully combined beautiful hand-drawn animation with unique and well-crafted stories, earning a substantial amount at the box office. Over the next decade, Disney would release many of its most memorable films to-date, most of which would later be subject to live-action remakes: *The Little Mermaid* (1989), *Beauty and the Beast* (1991), *Alladin* (1992), *The Lion King* (1994), *Hercules* (1998), and *Mulan* (1999). These timeless classics hammered home Disney's success as an entertainment company, with the studio correctly forecasting audience demand for fun escapism, timeless stories, and uplifting themes. During this period of

¹⁸ The entrepreneur may of course invest their own savings, or others'.

¹⁹ Thomas notes that ticket prices for children were even lower, often in the range of a dime, highlighting the commercial success of the film. Accounting for inflation, this film stands as the highest grossing animated film of all time, thanks in part to re-releases (143, 2012).

renewed success, Disney even struck a favorable distribution arrangement with Pixar, an upstart company who began redefining the animation landscape in 1995 with fully computer-generated films.²⁰ However, Disney failed to follow in Pixar's footsteps instead pushing forward with traditionally animated films. The ambitious *Dinosaur* (2000), *The Emperor's New Groove* (2000), *Atlantis: The Lost Empire* (2001), and *Treasure Planet* (2002) all failed to meet expectations and suffered from failed entrepreneurial decision-making. Audiences began to be captivated by the introduction of CG-animated films, courtesy of Disney's friend Pixar; Disney, however, was still holding onto its traditional animation style. This slate of films also represented a stark departure from Disney's most popular classical stories, branching out into more generic adventure films and a renewed focus on humor which simply didn't land with audiences (Welkos 2000). Add in some poor marketing decisions and exceedingly high production budgets (mistakes in forecasting future revenue), and these films failed to meet commercial expectations even though they were critically well-received (Welkos 2000).²¹ While Disney Animation was suffering, Pixar had been steadily marching onward, and Disney was initially able to share in the success due to their distribution arrangement. However, this partnership would soon turn sour, with Disney CEO Michael Eisner and then Pixar executive Steve Jobs clashing over distribution terms and creative direction (Verrier and Eller 2004). Disney's animation division was struggling to maintain its consistency and appeal with audiences and the attempts to reinvigorate and diversify the brand in the early 2000's failed to achieve anything beyond minor, muted successes. With the writing on the wall for its own animation division and compromising the successful partnership with Pixar, Eisner would cede his position to Bob Iger. Iger would

²⁰ Pixar also worked with Disney to help polish their traditional animation in post-production using new animation technology (Snider 1995).

²¹ Many of Disney's films from this era were later revisited and are now largely "cult classics."

overhaul the company opting to make the decision to fully acquire Pixar, while Disney Animation soon shifted from traditional animation styles to the increasingly popular CG-animated films. While Disney Animation enjoyed a much more moderate success than Pixar over the following two decades, there was no lack of victories once the studio really found its footing with hits like *Wreck-It-Ralph* (2012), *Frozen* (2013), *Big Hero 6* (2014), *Zootopia* (2016) and *Moana* (2016). These films took off at the box office, with *Frozen*, *Frozen 2* (2018) and *Zootopia* even crossing the \$1 billion mark. However, much like Disney's renaissance era, what followed was another period of stagnancy and then ultimately, decline with *Raya and the Last Dragon* (2021), *Encanto* (2021), *Strange World* (2022), and *Wish* (2023) failing to turn a profit at the box office, suffering from similar issues of high production budgets and outdated forms of animation, along with its sister studio Pixar.

B. "To Infinity and Beyond!"²²

Disney acquired Pixar for \$7.6 billion in 2006, merging the two most celebrated animation studios to date. Iger praised the transaction, stating that:

The talented Pixar team has delivered outstanding animation coupled with compelling stories and enduring characters ... This investment significantly advances our strategic priorities, which include – first and foremost – delivering high-quality, compelling creative content to consumers. (The Walt Disney Company 2006).

Pixar began as an animation division of Lucasfilm, pioneering computer animation with ambitions to create a fully CG-film. In 1995, Pixar would go on to release the first film in one of the most successful franchises of all time: *Toy Story*, directed by John Lasseter.²³ Lasseter operated as a creative fountainhead and was responsible for imagination and innovation throughout his tenure at Pixar. Following the acquisition, Lasseter would become the "Chief

²² Buzz Lightyear - *Toy Story* (1995).

²³ With some help from Disney.

Creative Officer of the animation studios, as well as Principal Creative Advisor at Walt Disney Imagineering,” reporting directly to Iger (The Walt Disney Company 2006). Iger did not initially keep a tight leash on Pixar and allowed Lasseter and the creatives at Pixar to continue doing what they had for years: producing superb and cutting-edge original films.²⁴ Much as Disney had pioneered animated content during the 1990’s, Pixar exploded onto the scene with *Toy Story* in 1995 and never looked back. What followed was a meteoric rise which saw the release of *A Bug’s Life* (1998), *Toy Story 2* (1999), *Monsters, Inc.* (2001), *Finding Nemo* (2003), and *The Incredibles* (2004) before Disney’s acquisition in 2006. Pixar had recognized a gaping hole of potential in the market with the under-utilized medium of CG-animation, along with the development of new technology; from an entrepreneurial standpoint, there was a recognition of underpriced factors of production which could be transformed into a desirable product (Snider 1995). Much like Disney Animation, Pixar provided an innovative set of films, known for their impressive animation, passion, and universal messaging for parents and children alike. John Lasseter (and colleague Steve Jobs) glued the company together, with Lasseter executive-producing each film before and after the acquisition and even directing some of Pixar’s earlier titles including *Toy Story* and *Toy Story 2*. Iger’s strategy to grant extensive creative control and discretion to Lasseter and Pixar proved wildly successful. Pixar didn’t skip a beat and continued to be successful at the box office, through its continuous innovation and successfully forecasting consumer demand. *Cars* (2006), *Ratatouille* (2007), *WALL-E* (2008), and *Up* (2009) were all box office successes before finally breaking the \$1 billion threshold with *Toy Story 3* (2010).

What followed Pixar was a more moderated level of success, owing to a departure from their formula by placing greater emphasis on sequels, particularly evidenced by the

²⁴ This stems from Eisner’s hostility towards Pixar’s independence, which would be assured when Iger restored amicable relations.

underwhelming commercial and critical performance of both *Cars 2* (2011) and later *Cars 3* (2017). The studio was not disheartened, especially as other films such as *Monsters University* (2013) and *Inside Out* (2015) fared much better with audiences and at the box office. However, Pixar still had not forecasted perfectly, with *The Good Dinosaur* (2015) losing money at the box office, a first for the animation giants.²⁵ Pixar's magic was fading, but the cracks in the armor were largely covered by a string of commercially successful sequels and spin-offs, with *Finding Dory* (2016), the long-awaited *The Incredibles 2* (2018), and *Toy Story 4* (2019) each grossing over \$1 billion at the box office.

Pixar's waning success seemingly anticipated the eventual rapid decline with 2020's *Onward*. Pixar's creative freedom was always its greatest strength, producing compelling and original films with its beautiful approach to animation and complementary stories. Yet, Pixar began to delve into less original content and instead relied more heavily on its existing franchises. Pixar cofounder Ed Catmull referred to sequels as "a sort of creative bankruptcy," but believed they were a necessary evil to generate a consistent return to reinvest into original ideas; unfortunately, these sequels soon far outweighed the originals, and the originals which were produced never quite reached the heights of many of their classics. (Luckerson 2018). The declining quality of both sequels and originals, along with increasingly bloated budgets hurt prospects of box office success. For example, *Cars 2*'s poor audience reception soured the franchise and was the first misstep for Pixar.²⁶ *Cars 3* fared slightly better, but not enough to convincingly sway audiences or critics, failing to revitalize the franchise. This outcome was shared by nearly all of Pixar's sequels, outside of its universal praise for its *Toy Story* franchise;

²⁵ This is most likely attributed to lackluster marketing campaign and an unnecessarily high budget.

²⁶ *Cars 2* holds a mere 40% audience score on ratings website Rotten Tomatoes, while its predecessor holds an 80% approval rating.

yet, even *Toy Story 4* was not immune to criticism, as its mere existence seemingly undermined the satisfying conclusion in *Toy Story 3*.²⁷ The shift away from innovative original content, Pixar's specialization within the industry, guaranteed Disney a finite string of successful box office runs but compromised the initial vision, reputation, and sustainability of the studio. As an entrepreneur, Lasseter initially cultivated success by accurately forecasting consumer demand amidst uncertainty; however, this creative juggernaut was by no means infallible.²⁸ Whereas Pixar and Disney Animation pioneered compelling stories throughout the 2000's, their increasingly generic stories and animation were no longer groundbreaking, and other studios capitalized on this decline. *Spiderman: Into the Spideverse* (2018), *Invincible* (2021), *Arcane* (2021), *Puss In Boots: The Last Wish* (2022), and *Spiderman: Across the Spideverse* (2023) pushed the animation medium forward in Disney's absence, proving that there was still sufficient demand for animation, sequels, and franchise films; Disney had failed to properly forecast consumer demand, and the poor entrepreneurial decision-making regarding their sequels and originals contributed to their later box office struggles.

C. "With Great Power, Comes Great Responsibility"²⁹

While Disney acquired Marvel Studios in 2009 for approximately \$4 billion, the first few movies in the Marvel Cinematic Universe were distributed by Paramount Pictures, before Disney later acquired the rights to distribution (Palmeri and White, 2013). The key factor that remained consistent at Marvel Studios is current president and Chief Creative Officer Kevin Fiege. Marvel characters found relative success in the early 2000's with adaptations of *Spider-Man* and the *X-Men* franchises, but the rights to these characters were licensed out to *Sony* and *Fox*.³⁰ However,

²⁷ *The Incredibles 2* was particularly underwhelming, especially after a near 15-year wait.

²⁸ In 2019, Lasseter would leave the company following allegations of inappropriate behavior behind the scenes.

²⁹ Uncle Ben – *Spider-man* (2002).

³⁰ There were also some abject failures such as *Daredevil* (2003) and *Elektra* (2005).

Kevin Feige and the creatives at Marvel Studios had greater ambitions, planning to launch a shared universe with the characters Marvel did still hold the rights to: *The Avengers* (Russo, 2012). Initially, Marvel Studios obtained partial funding for releases tied to certain properties, notably Captain America, Nick Fury, and the Avengers, through a revolving line of credit with investment firm Merrill Lynch. Additionally, the studio secured a favorable distribution partnership with Paramount Pictures, where Marvel would “oversee the slate and [have] sole green light control (United States Securities and Exchange Commission, 2005). Disney’s later acquisition of Marvel would provide greater financial leverage and security for investment in the Marvel brand. To some extent, the greatest entrepreneurial decision Disney made during the initial phase of this acquisition was to allow Marvel Studios to keep its creative freedom; Iger’s leadership strategy fostered creativity and imagination in granting freedom to creatives rather than attempting to micromanage and constrain decision-making (Barnes 89, 2022). Kevin Feige retained his level of creative control and was able to see through his grand vision, exemplified by him keeping his post as studio head and later being promoted to Chief Creative Officer in 2019.

Launching with *Iron Man* in 2008, the Marvel Cinematic Universe represented a bold and innovative approach to filmmaking and storytelling in general. Hollywood was no stranger to comic book characters being adapted to the big screen, but *Iron Man* as the first entry into the Marvel Cinematic Universe provides a glimpse into several entrepreneurial decisions which laid the groundwork for the success of the Marvel brand under Disney. For Marvel, one its greatest entrepreneurial decisions would be the casting choice of Robert Downey Jr. as Tony Stark in 2008’s *Iron Man*. At the time, Downey’s casting decision was likely to raise some eyebrows following his trouble with the law for repeated drug use, including cocaine, marijuana, and heroin. Downey sobered up after eating a Whopper from Burger King which was so vile, he

began contemplating his life feeling as if he had hit his lowest point.³¹ Director Jon Favreau recognized Stark's character arc in the film echoed Robert Downey Jr.'s personal journey and that he was by all accounts the best creative choice for the film. Favreau had to fight with executives to approve the casting after initially being rejected, but ultimately won out (Eisenberg 2014). The studio's decision to cast Robert Downey Jr. represented an excellent entrepreneurial decision, with Favreau recognizing, like a Rothbardian entrepreneur, that Robert Downey Jr. was an underpriced factor of production (2009, 464). Yet, this details the appraisal of only one factor of production. The production of *Iron Man* was the result of a vast network of individual actors engaging in correct entrepreneurial appraisal over the use of the factors of production, and, of course, only covers one film.³²

Marvel's flourishing was aided by a string of successful entrepreneurial forecasting, with praise directed at Marvel for their casting and production value, but by no means was every aspect perfect. *The Incredible Hulk* (2008), the second entry into the blooming franchise failed to meet critical or commercial expectations. Behind the scenes, this movie served as a lesson for the studio and helped executives develop a thymological understanding for directing the future of the brand. *The Incredible Hulk* suffered from several production issues, but the most problematic was star Edward Norton. Norton had a relative reputation of demanding a significant amount of creative control, which Marvel Studios initially granted him. However, this quickly resulted in conflicts on set with Norton attempting to rewrite the script, insisting the movie be more tonally consistent with Christopher Nolan's *The Dark Knight*, which would be in direct competition at

³¹ This scene was ultimately referenced in *Iron Man* with Downey's character Tony Stark proclaiming "I've been in captivity for three months. ... I want an American cheeseburger."

³² Kevin Fiege explained that Marvel's innovative use of post-credits scene was also a way for audiences to see the extensive list of credits which details the immense effort and involvement in the production of just one movie (Sandwell 2020).

the box office with *The Incredible Hulk* (Meenan 2023). Norton ended up “[rewriting] credited writer Zak Penn’s script,” but his cut failed to impress the higher-ups at Marvel Studios (Meenan 2023). The resulting film failed to capture the charisma and character-work that *Iron Man* had successfully achieved, with a poor story, visual effects, and humor. Marvel Studios utilized this less-than-successful experience to implement a few changes to their production that would be both a blessing and curse for their success long-term. Edward Norton would be recast in the role and the visual effects for the hulk would be significantly enhanced by the time the character showed up again in 2012’s *The Avengers*.³³ Primarily, the studio opted to retain more creative control over its stories, which solidified adherence to Fiege’s vision, even if it meant a slight lack of creative control for individual directors and actors. This balancing act allowed Marvel to begin branching out its future titles with differing stories and genres while still operating within a fixed set of constraints: “*Thor: The Dark World* has Shakespearean overtones; *Ant-Man* is a heist film; *Captain America: The Winter Soldier* is a spy movie; *Guardians of the Galaxy* is a giddy space opera” (Harrison, Carlsen, and Škerlavaj, 2020). This “constrained creativity” would then be tightened or loosened depending on the project, with later titles like *Thor: Ragnarok* (2017) being a wild departure in tone and direction from its predecessors, while *Ant-Man and the Wasp* (2018) was more subdued in its creative flair.³⁴

Rothbard gives short shrift to the innovative function of the entrepreneur, noting that this function is separate from the primary function of the entrepreneur; however, he nonetheless

³³ As a personal preference, I much prefer Norton’s take on the character, and the darker tone which would be thrown out the window in later projects.

³⁴ While it’s impossible to highlight every successful entrepreneurial decision, standout highlights were the casting choices of stars Chris Evans, Scarlett Johansson, Chris Hemsworth, Tom Hiddleston, Chris Pratt, Tom Holland, Chadwick Boseman, just to name a few. Likewise, incredible judgement resulted in the unanticipated success of James Gunn’s *Guardians of the Galaxy*, with an incredibly humorous and heartfelt story featuring a band of obscure misfits.

maintains that innovation and creativity are entrepreneurial functions (Rothbard 2009, 493).³⁵ *Iron Man* and *The Incredible Hulk* represent two films that, while varying in individual success, were part of Marvel's efforts of innovation. While it has become a commonplace occurrence in various movies and television shows in the decade following, Marvel first experimented with the use of post-credit scenes to tie together its various projects into one continuity. Various movies and TV shows have used "tags", blooper reels, or stingers during and after the credits, but Marvel's mid and post-credits' scenes served a narrative function in the stories they were trying to tell, while also serving as a teaser for a future installment. By tying these films together, Marvel was able to generate excitement for its upcoming projects, rewarding audience members who had seen each film. This worked as both an incredible piece of marketing and a storytelling device to combine disparate projects. This innovative style of filmmaking, with *Iron Man* setting up Nick Fury's "Avengers Initiative" and *The Incredible Hulk* featuring Robert Downey Jr.'s Tony Stark, proved to be a wildly successful entrepreneurial decision. Marvel Studios focused its efforts on telling compelling stories within each film, but also told compelling stories *across* each film. In taking their time with films depicting characters' origins and using post-credits scenes to tease prospects of each film coming together, the Hollywood landscape would be changed forever by the release of 2012's *The Avengers*. *The Avengers* served as the narrative payoff to all previous films Marvel had released and with incredible consumer support marched all the way to \$1.5 billion at the box office. Marvel had struck gold with its innovative storytelling and filmmaking decision and continued to pioneer through each phase with hit after hit.

³⁵ The entrepreneur is primarily the undertaker of production.

Each movie acted as a separate chapter in a story, and Kevin Fiege's vision was incredibly successful with audiences, which was reflected at the box office. Movies following *The Avengers* would be granted budgets largely based on the importance to the overarching story, with cross-overs and pivotal events receiving relatively higher budgets: *Avengers: Age of Ultron* (2015), *Captain America: Civil War* (2016), *Avenger's Infinity War* (2018), and *Avengers: Endgame* all had budgets exceeding \$250 million, while films focusing on individual characters or smaller stories received commensurate budgets ranging from \$135-200 million, encouraging profitability. In general, Marvel was able to forecast consumer demand appropriately, recognizing the importance of laying a successful foundation and building upon their successes. Rather than playing their hand by releasing an *Avengers* film for each new release, they chose the harder, but more rewarding road of developing characters and stories over time. Kevin Fiege's vision for the "Infinity Saga" would ultimately end in 2019 with *Avengers: Endgame*, with the film grossing \$2.8 billion at the box office, becoming the highest grossing film of all time. This film was the culmination of the work of Marvel Studios; a success only possible with excellent entrepreneurial decision making and appraisal of factors of production.

The overarching narrative across Marvel Cinematic Universe was groundbreaking, but it came to a natural conclusion with *Avenger's Endgame*. Many of the selling points that defined Marvel's success were astonishingly absent from the content that followed *Avengers: Endgame*, alongside a host of new issues. The story picked up again in 2019 with *Spiderman: Far From Home*, but was no longer visibly connective; additionally an *Avengers* movie is not scheduled for release until 2026 with *Avengers: The Kang Dynasty*.³⁶ There was also a new focus on Disney+

³⁶ This is of course subject to change with Kang actor Jonathan Majors being dropped by the studio following a guilty verdict in his domestic abuse trial.

shows to connect with the movies, but this process was not streamlined and individual projects began relying far too heavily on others, requiring audiences to devote significantly more time to see every project with no payoffs. For example, *The Marvels* included elements from *Ms. Marvel* (2022), *Captain Marvel* (2019), *WandaVision* (2021), *Secret Invasion* (2023), and to a lesser extent *Guardians of the Galaxy* and Fox's *X-Men* franchise. The original distribution agreement between Marvel Studios and Paramount guaranteed two prime-time release dates and released at a steady pace. After the return of movie theaters, what followed was an onslaught of releases both in theaters and on Disney+. The Disney+ releases were also largely 6-episode series that ran for nearly 50 minutes, which was a taller ask to keep up with. The films also suffered from an issue of "homogeneity," with nearly every new MCU project relying on similar plot structures. The pace and consistency proved an initial success for Marvel, but after nearly 15 years, consumers craved something new; Marvel Studios had made a rare mistake in forecasting consumer demand. Production problems also plagued newer releases, with shoddy visual effects, poor writing, inconsistent tones, bland villains, and uninspired characters forming the foundation of the new "Multiverse Saga." While some of these issues were present in the original Infinity Saga, the overarching narrative and payoffs provided an incentive for audiences to continue watching. Yet, most disappointing of all, Marvel, had failed to replace their beloved characters and their beloved stories.

D. "Did You Ever Hear the Tragedy of Darth Plagueis the Wise?"³⁷

Disney acquired Lucasfilm in 2012 for approximately \$4 billion, just as it had Marvel a few years before. George Lucas gave the company his blessing and his own, hand-picked successor in Kathleen Kennedy, whom Disney employed as the Lucasfilm president and

³⁷ Chancellor Palpatine - *Star Wars: The Revenge of the Sith* (2005).

executive producer for all Lucasfilm franchises. Whereas Marvel and Pixar were acquired amidst a period of success, Lucasfilm was far from its best. The underwhelming critical and audience reception of George Lucas' prequel trilogy had to some extent tainted the legacy and prospects of the Star Wars brand. Undeterred, Disney attempted to capitalize on the lack of any Star Wars movies in almost a decade, as Iger noted the plan after the acquisition was to release a Star Wars movie every 2-3 years and utilize digital content to propel the brand forward (The Walt Disney Company 2012). In 2015, *Star Wars: The Force Awakens* was released as Disney's first of a new trilogy, earning a staggering \$2 billion. The first line of the movie, "this will begin to make things right," served as both a sly dig at the prequels, and a pat-on-the-back for Disney, with J.J. Abrams' reboot of the franchise ushering in a new age of Star Wars. *Star Wars: The Force Awakens* proved to be generally favorable to audiences and critics, with the special effects and visuals in particular receiving praise. Iger's decision seemingly proved successful, as there was significant demand for a new Star Wars movie and the entrepreneurial decision to acquire Lucasfilm for \$4 billion once again seemed like a success. However, the release of *Star Wars: The Last Jedi* would reveal the underlying cracks in Disney's foundation. While Disney's first entry received some criticism for its formulaic nature, hitting the same plot points and story beats from *Star Wars: A New Hope*, it provided a relatively safe and comfortable addition, especially considering George Lucas' prequel trilogy earned itself wide criticism itself. *Star Wars: The Last Jedi* on the other hand was generally well-received by critics, but incredibly divisive for fans. The original Star Wars trilogy pioneered by Lucas was largely successful due to key entrepreneurial decisions and recognizing consumer preferences. Lucas did not develop an overarching narrative, rather he crafted the story by gauging audience reception to the story and developing ideas as each movie entered production. Importantly, Lucas had surrounded himself

with other creatives to help oversee production and guide each movie into fruition. Lucas's (now ex-) wife, Marcia Lucas, famously edited much of the original trilogy and is credited with carving the material into a watchable product. Without Marcia, the world would see what George Lucas was capable of on his own: a disappointing, muddled, and confusing mess of a trilogy.³⁸ Disney poised itself to correct the mistakes of the prequel trilogy, but the production of the sequel trilogy was marred with arguably even greater entrepreneurial error. Director J.J. Abrams oversaw the production of *Star Wars: The Force Awakens*, which set up various characters and plot points for its sequels to develop. Yet, in developing the second entry into the trilogy, Disney failed to place meaningful constraints on Kennedy and Lucasfilm, and the decision to hire director Rian Johnson proved fatal. Johnson came in with a wildly different take on the franchise, going so far as to completely abandon Abrams's draft for a sequel along with major characters and plot points. *Star Wars: The Last Jedi* earned nearly half as much as its predecessor, ending closer to its sequel *Star Wars: The Rise of Skywalker* (2019). What made things worse is that J. J. Abrams was back in the hot seat for *Star Wars: The Rise of Skywalker* after the studio didn't move forward with an original draft by Colin Trevorrow. Abrams tried to course-correct the various changes that Johnson made, and the two films seemed to be almost at odds with one another. Disney thus ended up with a sequel trilogy that flatly contradicted its own continuity, consistently undermined character development, and failed to adequately meet consumer expectations. Marcia Lucas herself recognized the errors being made behind the scenes, and criticized many of the creative decisions, declaring that the studio had no idea what they were doing and failed to capture the essence of what made Star Wars great:

‘And they think it’s important to appeal to a woman’s audience, so now their main

³⁸ Harrison Ford was a known critic of the lackluster dialogue written by George Lucas.

character is this female, who's supposed to have Jedi powers, but we don't know how she got Jedi powers, or who she is. It sucks. The storylines are terrible. Just terrible. Awful. You can quote me...JJ Abrams, Kathy Kennedy — talk to me.' (Sharf 2021b)

The delegation of decision-making to Kennedy proved to be far less effective than the discretion afforded to Lasseter and Feige (Klein 2010, 85). Iger mentioned that as part of the acquisition they intended to release films every 2-3 years, but this idea grinded to a halt when *Solo: A Star Wars Story* bombed at the box office. The film was plagued with production issues of creative differences and extensive reshoots, with Kennedy believing the film to be a “learning lesson” for the studio (Bergeson 2022).³⁹ This failure caused a chain reaction and forced the studio to place a greater emphasis on producing quality films, as the brand itself was not the infallible box office draw Disney had thought. Thus, the giants of Disney Animation, Pixar, Marvel, and Star Wars which once stood alone as paragons of entertainment, began to fall from their mighty perch.

III. “I Don't Like Sand. It's Coarse and Rough and Irritating and it Gets Everywhere.”⁴⁰

While Disney's decisions made during the production process undoubtedly have an influence on the final product, it is the consumers that decide the fate of the box office. The relationship between the entrepreneurs and the consumer led to what Rothbard's predecessor, Ludwig Von Mises dubbed “consumer sovereignty”:

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that (Mises 1998, 270)

³⁹ Original directors Lord and Miller would leave the film due to creative differences and would go on to produce spectacular films in *The Lego Batman Movie* (2017) and *Spiderman: Into the Spiderverse* (2018).

⁴⁰ Anakin Skywalker - *Star Wars: Attack of the Clones* (2002).

The entrepreneurs are thus constrained by the consumers as to what production processes are profitable. Entrepreneurs who fail to satisfy the preferences of the consumers will earn losses. Disney, in producing films, must satisfy the preferences of the consumers, or risk losing at the box office. Rothbard adopts elements of the Misesian viewpoint, recognizing that the entrepreneur “has served the consumers better by anticipating where the factors are more valuable. For the greater value of the factors is due solely to their being more highly demanded by the consumers, i.e., being better able to satisfy the desires of the consumers” (Rothbard, 465). However, Rothbard builds upon the foundations Mises set out and provides two alternative theories which can further the analysis of Disney’s box office struggles.

The first of these improvements is the theory of demonstrated preference. Economics is fundamentally the study of human action: individuals applying means according to ideas to achieve ends; “Action is the result of choice among alternatives, and choice reflects values, that is, individual preferences among these alternatives” (Rothbard 1997, 1). Austrian economics differentiates itself from other schools of thought with its emphasis on individual valuation; Rothbard critiques traditional utility and welfare theories for their attempts to “measure” subjective value and intentions of individual actors. Instead, he puts forth the concept of demonstrated preference which recognizes that consumer preferences can only be deduced by actions: “From his action, we can deduce that he has acted so as to satisfy his most highly valued desires or preferences” (Rothbard 1997, 2). This theory’s implications for the box office are simply that consumers choosing what to patronize demonstrates their preference. Disney’s success in the production of films is subject to the whims of the consumers, but there is no perfect way to measure these preferences *ex ante*. It is the task of the entrepreneur to successfully

forecast consumer demand, and the consumers via their demonstrated preferences will reveal whether the entrepreneur was successful by rewarding entrepreneurs with profits.⁴¹

Additionally, Rothbard attempts to reconstruct the Misesian view of consumer sovereignty, instead adopting “individual sovereignty.” He explains that, in a free market, while the consumers determine what is and is not profitable, this does not mean that entrepreneurs are “compelled” to obey these wishes (Murphy 2018). Instead,

“the choice is purely an independent one by the producer; his dependence on the consumer is purely voluntary, the result of his own choice for the ‘maximization’ of utility, and it is a choice that he is free to revoke at any time. We have stressed many times that the pursuit of monetary return (the consequence of consumer demand) is engaged by the individual *only to the extent that other things are equal*. These other things are the individual producer’s psychic valuations, and they may counteract monetary influences (Rothbard 1998, 560).

For Disney, individual films may be released which are not entirely beholden to consumer preferences; rather, they may choose to engage in production processes which yield a lower rate of monetary return, but that confers some psychic benefit to the producer. A thorough analysis of Disney’s box office struggles will make use of both Rothbardian contributions.

A. “Help me Obi-Wan Kenobi, You’re My Only Hope.”⁴²

Due to the nature of demonstrated preference, it can be difficult to probe exactly what is causing consumers to no longer show up at the box office. However, there are a variety of explanations that a Rothbardian analysis can shed some light on. The COVID-19 pandemic obviously presented a unique challenge for Disney. Many of its projects near completion were now unable to be released in theaters and several of its projects had to be halted due to

⁴¹ It is of course worth mentioning that Disney does not operate as it would under a free market. Intellectual property laws, unions, subsidies, political favors, tax breaks, zoning laws, etc. prevent true competition so in reality, it is likely that under a free-market system Disney would actually be earning *less* at the box office. For example, there could be multiple movies or interpretations competing against Disney. Consumers who want new Star Wars content must (mostly) patronize Disney’s offerings.

⁴² Princess Leia - *Star Wars: A New Hope*.

government restrictions. The pathway forward for Disney was believed to be through its streaming service Disney+. At the time this made the most sense, for with movie theaters shutdown, this allowed them to continue releasing content and potentially earn some revenue back. The issue of course is that this now presented consumers with the option of watching movies in their home, which undoubtedly hurt future box office revenue.⁴³ Consumers were now presented the option of waiting for projects to come out on streaming services rather than seeing them in theaters.⁴⁴ Additionally, the landscape for media across the board had changed drastically than even just a few years before:

The markets for audiovisual content are subject to dynamic change. Where once ‘traditional’ (free-to-air, cable, satellite) television was dominating, i.e. linear audiovisual media services, displays nowadays strong growth of different types of video-on-demand, i.e. nonlinear audiovisual media services, including both PVoD like Amazon Prime and Netflix and AVoD like YouTube” (Budzinski and Lindstädt-Dreusicke 2019, 33).

Other related markets similarly expanded, with podcasts, YouTube, gaming, and other industries jumping on the entertainment bandwagon during the pandemic. Again, it is the consumers individual preferences which determine what is a substitute, and consumers were evidently able to find solace in the expansion of other forms of entertainment.⁴⁵ The other obvious issue, is that consumer preferences are not constant. Consumers are fickle and tastes and preferences change over time. The subjective preferences of the consumers determine what is profitable and what is not, but it also determines what is a substitute.⁴⁶ Disney enjoyed *relatively* less competition during its initial reign at the box office, with Disney Animation and Pixar eventually dominating

⁴³ In addition to films such as *Black Widow* and *Mulan* (2020), which were given either exclusive or simultaneous releases on Disney+. This also caused a contractual conflict with actress Scarlett Johansson due to the digital release, which likely ended up costing Disney a hefty chunk of change after being settled out of court.

⁴⁴ This presented another option even to traditional physical releases and digital ownership. Streaming services presented an even greater deal as they would be granted access to a gigantic library of content for a month, likely at a lower cost than the cost of a single new DVD.

⁴⁵ Inflation also rose significantly between 2018 and 2023, meaning consumers had less disposable income and depending on their preferences may have started economizing by shifting to cheaper forms of entertainment (US Inflation Calculator 2023).

⁴⁶ This could also include the increasing use of piracy.

the animation front. Rivals *DreamWorks* and *Illumination* released several successful films, but audiences still clearly demonstrated their preferences in supporting Disney.⁴⁷ Yet, during Disney's most successful decade of the 2010's, the allure of profits invited entry. Other studios began entering the market looking for a share of the Disney pie. Warner Bros. launched its own superhero franchise, the DC Extended Universe, in 2013, hoping to capture some of Marvel's success. The DC Extended Universe may have sunk like a lead balloon, but it was not alone in providing competition for Disney, as the quantity of movies produced nearly doubled from 2009 to 2019, and TV shows more than doubled in that same period (Czitron 2023).⁴⁸

Criticisms regarding the declining quality of movies also serve as a compatible explanation for the decline at the box office; if consumers perceive declining quality of Disney's movies, they may very well choose to patronize other products or not visit theaters at all. Bob Iger has already addressed quality concerns during meetings with investors, revealing that even he as a consumer was unsatisfied. Consumers have demonstrated their preferences that there are issues with Disney's products and are willing to patronize alternatives. However, one of the most contentious explanations for Disney's drop-off is the consumer perception that Disney has strayed from its universal themes and messages to promoting controversial political and social messaging.

B. "Socialism May Be A Charged Word, But We've Got A Lot To Learn From Them"⁴⁹

⁴⁷ Audiences could of course still support both and some likely did, but this is less feasible with the sheer number of competitors within the industry (and outside it) in 2023.

⁴⁸ This number would obviously fall significantly after 2020. That consumers still weren't willing to patronize Disney with only half the total film (from 2021-2023) releases compared to 2019 is telling of their perception of the company.

⁴⁹ Hank Pym - *Ant-Man and the Wasp: Quantumania*.

A common criticism levied particularly by conservative consumers against modern Disney films is the insertion of political and social agendas into their stories. Disney found themselves entangled in a battle with Florida Governor Ron DeSantis over the passage of a parental rights bill. DeSantis supported bill HB 1557, commonly known as the “Don’t Say Gay” bill, which prohibited discussions of gender identity and sexual orientation in classrooms (under 4th grade). After numerous employees staged walkouts protesting the bill, Disney eventually released a statement condemning the passing of the bill:

Florida’s HB 1557, also known as the ‘Don’t Say Gay’ bill, should never have passed and should never have been signed into law. Our goal as a company is for this law to be repealed by the legislature or struck down in the courts, and we remain committed to supporting the national and state organizations working to achieve that. We are dedicated to standing up for the rights and safety of LGBTQ+ members of the Disney family, as well as the LGBTQ+ community in Florida and across the country (The Walt Disney Company 2022a)

DeSantis countered by threatening to remove the grants of privilege Disney had been receiving for decades:

The special district, called Reedy Creek, was established in 1967 and allows the Disney corporation to function with no local government oversight on its San Francisco–sized property outside Orlando. The special status means Disney can issue tax-exempt bonds and build on the land without having to deal with any local government obstacles to development such as zoning laws (McMaken 2022).

DeSantis criticized Disney for its “woke” disposition, representative of the larger culture war which pitted conservatives against liberal ideologies. Disney’s films were increasingly under fire for catering to political and social agendas and moving away from merely telling compelling stories.⁵⁰ While it is difficult to parse out what exactly defines a “woke” movie, there are seemingly some universal complaints: (1) inclusion of LGBTQ+ characters and themes, (2) themes of female empowerment, often at the expense of male characters, (3) race or gender

⁵⁰ A better moniker for this style of writing would simply be “post-modern.”

swapping characters, (4) inclusion of or catering to particular political and economic beliefs, (5) the deconstruction of legacy characters to make room for more diverse characters.⁵¹ In terms of Disney's film distribution, perhaps the most blatant and earliest example comes from 2018's *Captain Marvel*, in which some audience members decried that the film arguably portrays males as inherently "toxic," and a burden to break free from. Despite receiving a favorable critic score, the film was blasted with negative reviews and currently stands at a 45% audience approval rating on Rotten Tomatoes.⁵² *Black Panther* (2018) focused on fictional nation of Wakanda, an advanced society free from the influence of white colonizers.⁵³ *Avengers: Endgame* featured a character openly discussing their homosexual relationship; additionally, the inexplicable inclusion of a scene featuring all the female characters during the climactic final act of the movie.⁵⁴ These inclusions likely had little if any substantial effect, however, as these films benefited from being included chronologically adjacent to the incredibly anticipated *Avengers: Infinity War* and *Avengers: Endgame*.⁵⁵

After *Avengers: Endgame*, *Eternals* featured the first openly gay live-action superhero in Phastos, played by Brian Tyree Henry. Despite the resurgence in film, Marvel's Disney+ releases would significantly amp up political and social messaging. Marvel's first major foray into streaming *WandaVision*, would raise some questionable ethical issues, with Wanda Maximoff

⁵¹ The advent of modern "woke" storytelling was largely anticipated by *The Legend of Korra* (2012), which exemplifies all these traits and serves as a sequel to perhaps the most celebrated cartoon of all time: *Avatar: The Last Airbender* (2005).

⁵² The film stirred up controversy at the time, but the outrage was relatively unwarranted, especially given the far more prominent offenses which would come later.

⁵³ Wakanda also seemingly excludes the poorer African nations that would most certainly benefit from said advanced technology.

⁵⁴ Even Marvel executives thought the scene was too pandering at the time, realizing it did nothing to enhance the narrative, even detracting from it (Sharf 2021a). From a logical standpoint it makes relatively little sense that all the female characters would be grouping up together during a large-scale battle.

⁵⁵ This would also help explain how *Captain Marvel* and *Black Panther* made \$1 billion at the box office, as it was certainly not due to their intrinsic quality.

holding an entire village of people hostage to live out her own fantasy, while character Monica Rambeau frames her eventual release of these innocent civilians as brave and sacrificial: “They will never know what you sacrificed for them.” *Falcon and the Winter Soldier* (2021) tackles racial tensions with a messy foray into political commentary. Sam Wilson refuses to brand the antagonistic “Flag-Smashers,” as terrorists despite the intentional bombings of innocent civilians and widespread theft. When confronting politicians about their privilege, Falcon (now Captain America) delivers the awe-inspiring line: “You’ve gotta do better Senator, you’ve gotta step up.” Of course, complex social, political, and economic issues can be solved by simply “doing better.” *She-Hulk: Attorney at Law* (2022) portrayed Jennifer Walters as needing no training to control her anger like her cousin, Bruce Banner, with the audience being given the following explanation:

I'm great at controlling my anger. I do it all the time. When I'm catcalled in the street, when incompetent men explain my own area of expertise to me. I do it pretty much every day because if I don't, I will get called emotional, or difficult, or might just literally get murdered.⁵⁶

Ant-Man and the Wasp: Quantumania reveals Ant-Man’s daughter’s escapades as a social and political activist, criticizing character Scott Lang for not actively solving the world’s pressing social issues; later in the film, Hank Pym utters the line: “Socialism may be a charged word, but we’ve got a lot to learn from them,” referring to an advanced subatomic society of ants. With the end of the Infinity Saga, many of the beloved characters said their farewell, especially as actors and actresses grew older. The solution of course, was to simply replace all the major heroes with (mostly) female counterparts lacking any of the depth or character development which the studio thrived on: Captain America bequeathed his shield to Sam Wilson, Black Widow passed the torch to Yelena Belova, Kate Bishop assumed the role of Hawkeye, Ironheart replaced the role of

⁵⁶ This is just one snippet, nearly this entire show is an affront to humanity.

Iron Man, Shuri assumed the Black Panther mantle, Cassie Lang is poised to supplant Ant-Man, and Thor's adopted daughter can usurp the role when she is ready. Rather than earning a connection with the audience like Tony Stark, Steve Rogers, and Black Widow, the audiences are simply *expected* to connect with new characters.

In the realm of Pixar films, *Onward* (2020) and *Lightyear* (2022) both depicted LGBTQ couples, along with Disney Animation's *Strange World* (2022) which featured an openly gay main character. Some of these films were promptly banned in international markets for such inclusions, which required editing to get them approved and released.⁵⁷ Even Disney's classic remakes have earned fans' ire for being "updated" to fit modern progressive ideologies, with the worst offender being Rachel Zegler's comments on the beloved Disney classic, *Snow White and the Seven Dwarves*. Zegler's diverse casting drew criticism initially for straying from the original Snow White whose skin was described as "white as snow."⁵⁸ In discussing the adaptation, she remarked that "it's no longer 1937" and the film would eschew the typical love story for a self-realized independent leader, and that prince charming's scenes may even get cut (Rosenblatt 2023). The Walt Disney Company itself was founded upon the success of *Snow White and the Seven Dwarves* which made Zegler's comments tone-deaf at best and inflammatory at worst (Jordan 2023). Zegler would later express gratitude for her opportunity along with reverence for the tale. Unsurprisingly, Disney recognized the calamitous PR disaster and realized publicly insulting the very fans they wanted in the theater was not an ingenious marketing decision (Jordan 2023). The swift audience backlash highlights overarching complaints launched against

⁵⁷ Disney has also faced backlash in the past for its censored releases, such as making John Boyega appear much smaller in Chinese posters for *Star Wars: The Force Awakens*.

⁵⁸ This also comes after the casting of Halle Bailey as Ariel drew backlash in *The Little Mermaid* (2023).

the Disney brand: catering to social and political agendas rather than consumer tastes and preferences.

Disney's Star Wars Trilogy was trashed for its main character, Rey, who was labeled as a "Mary Sue," a female prodigy who was deemed as flawless and lacking any sort of character growth or weaknesses.⁵⁹ *Star Wars: The Force Awakens* inexplicably sees Han Solo and Chewbacca returning to their old roots as smugglers, undermining their respective arcs from the original *Star Wars Trilogy*. *Star Wars: The Last Jedi* upset numerous fans for its feminist undertones, with hotshot Poe Dameron being repeatedly put in his place and told to blindly follow the orders issued by Vice-Admiral Holdo, his female superior. Rose Tico and Finn found themselves on a side mission filled with various critiques of capitalism, exploitation, and wealth. Much like Samuel L. Jackson's Nick Fury in *Secret Invasion* (2023), Star Wars legacy characters, which audiences hold near and dear to their hearts, saw their own accomplishments torn down to elevate newer characters.⁶⁰ Luke Skywalker, perhaps the most recognizable character in film history, was reduced to a broken old man who betrayed everything he once stood for, rotting alone on an island. The character assassination by Director Rian Johnson was so grave that even actor Mark Hamill expressed his discontent with the direction of his character. Kennedy's demolition of Lucasfilm continued with the appalling *Indiana Jones and the Dial of Destiny* which made only \$400 million back from a monstrous \$300 million production budget (2023).

Disney+ Star Wars content looked promising with the release of *The Mandalorian* in 2018, but outside of its first two seasons and the surprisingly engaging *Andor* (2022), Star Wars fans have had a rough couple of years. *The Book of Boba Fett* (2021) seemingly forgot who the

⁵⁹ Even Marcia Lucas took aim at this creative decision, for pandering is not a replacement for good storytelling.

⁶⁰ To be fair, Captain Marvel already did a pretty good job at destroying Nick Fury's character.

main character of their show was as The Mandalorian wiggled his way into taking up nearly 2 entire episodes of the 6-episode run. *Obi-Wan Kenobi* (2022) had the potential to reinvigorate the brand, with stars Ewan McGregor and Hayden Christensen reprising their respective roles as Obi-Wan Kenobi and Darth Vader/Anakin Skywalker. However, rather than a gripping story exploring the dynamic of some of media's most celebrated characters, audiences were instead delivered a poorly written, poorly directed, cheap-looking production. Much like *The Book of Boba Fett*, *Obi-Wan Kenobi*'s lack of focus stemmed from its insistence to shoehorn in Reva Sevander and a young Princess Leia. *The Mandalorian* season 3 began to undo the good work its previous seasons had set up with nonsensical storylines, poor visual effects, and the sidelining of The Mandalorian himself for the rise of Bo-Katan Kryze. *Ahsoka* (2023) followed suit with its borderline incoherent plot, baffling character decisions, and horrendous action sequences. Much like with Marvel, Disney runs the risk that these poorly received episodic series jeopardize audience perception of the brand and thus future box office performance. Likewise, Kathleen Kennedy's recent announcement that Star Wars would return to the big screen with a story centered around Daisy Ridley's Rey Skywalker certainly didn't alleviate any consumer concerns over the direction of the brand. Kennedy's insistence on female-oriented stories and characters simply didn't mesh with general audiences.

As Rothbard would recognize, whether there is truly some "objective" measure of what constitutes a woke movie, or whether an individual even cares about these issues, it is the individual consumer that ultimately decides. Any individual can change their preferences over time, perhaps some value the story or experience despite not enjoying particular creative choices. However, HB 1557 was introduced as a parental rights bill, and parents and kids are the core audience that Pixar and Disney Animation films are marketed to. Regardless of the reason, the

important point is that there *are* consumers whose preferences dictate that they will not support films with these inclusions which brings down box office numbers. The Rothbardian conception of demonstrated preference helps illustrate that consumers will demonstrate their preferences for not supporting films which do not fit their preferences. From Disney's point of view, there is some question over what the company's true intentions are: is this simply a case of failing to correctly forecast consumer preferences or is the company exercising individual sovereignty, willing to take losses at the box office for the psychic benefit of including these elements in their film? The answer seems to be a little of both.

Disney prides itself on its inclusivity, receiving a top score of "100 on the Human Rights Campaign Foundation's Corporate Equality" index for the 16th year in a row (The Walt Disney Company 2022b). The Human Rights Campaign is the largest national LGBTQ+ lobbying organization and its Corporate Social Responsibility (CSR) index ranks companies on the following metrics: (1) marketing or advertising to LGBTQ+ consumers, (2) philanthropic support of at least one LGBTQ+ organization or event and (3) demonstrated public support for LGBTQ+ equality under the law through local, state, or federal means (Crawley 2023).

BlackRock, one of the world's largest investment firms which owns a 6% stake in Disney, looks to the CSR score as part of investment decisions. Firms with a lower score or who fail to adequately support the political leanings of BlackRock are either threatened by the loss of their investments or external pressures that BlackRock can put on companies via advertising agencies or competitors (Crawley 2023). In this sense, BlackRock has a controlling stake in Disney affairs, and Disney has an incentive to please BlackRock or risk them pulling out of the company and blackmailing them with other investors and pulling advertisements. BlackRock CEO Larry Fink's famous letter in 2019 called for companies to be more active in engaging in Corporate

Social Responsibility, while Disney may very well have genuine political leanings. These two factors together could explain why Disney has been so active in forcing particular content into their films, especially *after* 2019. A recent study concluded that shareholders such as BlackRock “are driven by nonpecuniary motives”; rather than viewing these investments as more profitable in the long run, companies are exercising their individual sovereignty and voluntarily lower their monetary rates of return for a psychic benefit (Hong and Shore 19, 2023) For Disney to return to its former glory at the box office, it must begin to start appeasing consumers rather than pushing forth social and political agendas for psychic benefits. Investors have also started to fight back, with business tycoon Nelson Peltz launching an offensive to remove Iger and fight to bring the company back to its former glory; however, Iger has largely retained the trust of the shareholders. He vowed that the company will begin to focus on entertainment first, and eschewing from such messaging, but time will tell whether this becomes a reality.⁶¹

IV. “The Fleet’s Only Got 18 Hours of Fuel Left. We Gotta Hurry.”⁶²

One of Rothbard’s seminal works, *America’s Great Depression*, outlines the application of Austrian Business Cycle Theory to explain The Great Depression.⁶³ Likewise, the application of ABCT to the case of Disney can help further explain Disney’s troubles at the box office. ABCT places heavy emphasis on the role of the entrepreneur, the production structure, and the central bank. When the central bank expands the money supply, there is now a greater supply of loanable funds which pushes the interest rate below the natural rate determined solely by time preference.⁶⁴ Entrepreneurs who engage in economic calculation will now see that a variety of

⁶¹ Kathleen Kennedy’s hiring of Pakistani Feminist Sharmeen Obaid-Chinoy to direct the upcoming Star Wars films doesn’t bode well for Iger’s claim.

⁶² Finn - *Star Wars: The Last Jedi*.

⁶³ Hereafter, ABCT.

⁶⁴ As lower banks can create money on top of their reserves, the influx of reserves allows for an expansion of credit.

projects that were previously not profitable now are. This leads to an artificial widening and lengthening of the production structure, as entrepreneurs begin making malinvestments that are warped by a faulty rate of return. Initially this results in a boom as entrepreneurs are bidding away various factors of production, which results in price increases (for factors of production). However, this process is not sustainable as there was no real increase in land, labor, and capital goods, it merely *appeared* as if there was. Because consumer preferences have not changed, there is a drastic discoordination between consumer desires and what is being produced. Eventually the interest rate will begin to climb back to its natural rate determined by time preference (or when the federal reserve raises rates to combat the inflation it caused), which will reveal to entrepreneurs the malinvestments that were made. Overall, “entrepreneurs engage in malinvestments as they are misled by artificially low interest rates against rates of return, which results in a distortion of the production structure and a variety of unprofitable and wasteful ventures are revealed” (Sodini 77, 2023).

In 2020, The Federal Reserve reduced the target federal funds rate to near 0%, engaging in significant open market operations which flooded the market with excess funds (Federal Reserve Board 2023). This meant an artificially low interest rate against their rates of return, and the catalyst for malinvestments. Cheap credit provided by investors due to rising asset prices and plummeting interest rates on loans made it easier for Disney to finance its various projects, projects that under unhampered market conditions would likely not be possible (Czitron 2023). The number of Marvel products skyrocketed to over 20 releases between specials, series, and films since 2019; yet Marvel released only 21 films between *Iron Man* in 2008 and *Avengers: Endgame* in 2019.⁶⁵ Star Wars now saw the release of no less than 10 series on Disney+ with

⁶⁵ There was also *Agents of SHIELD* (2013-2020) as an episodic series. Marvel’s other shows were often licensed out or handled by other studios, such as *Daredevil* (2015-2018) by Netflix.

only 5 movies and 2 tv shows between 2015 and 2019 (accounting for three seasons of *The Mandalorian* which began in 2019). Pixar saw 6 releases in theaters (and on Disney+) between *Onward* in 2020 and *Elemental* in 2023, while Disney Animation was much more modest with 4 releases between *Raya and the Last Dragon* in 2021 and *Wish* in 2023. This of course only covers Disney's 4 major franchises, as Disney+ saw even more releases with content like *Mulan*, *Willow* (2022), *The Santa Clauses* (2022), *Goosebumps* (2023), and *Monsters at Work* (2021) just to name a few. However, it is important to distinguish ABCT is not an *over*-investment theory, but a *mal*-investment theory: "Since the supply of capital goods are diminished by over-consumption, overinvestment cannot conceivably occur" (Salerno 2009, 21). For example, Marvel had already steadily increased its output throughout the course of the Infinity Saga, all of which continued to be successful at the box office, meaning a mere *increase* in projects is not synonymous with failure. Due to the difficulty in parsing out malinvestments, perhaps the best method is recognizing the *ex-post* outcomes of the various projects released during this period.⁶⁶

One of the many complaints concerning recent live-action Disney releases for live-action movies especially was the shoddy-looking CGI, even after projects were delayed for polishing and reshoots. When framing Disney's production decisions considering ABCT, it becomes evident that Disney engaged in a variety of malinvestments. Bloated budgets can be explained by both forecasting errors regarding rates of return, but also the increased prices for factors of production. Visual effects and CG-artists were in demand by not just Disney, but also the rest of the film industry. COVID-19 restrictions incentivized the use of CGI and now bidding wars increased costs with a fracturing capital structure, which also explains why certain projects have been delayed, such as *Daredevil: Born Again*, *Thunderbolts*, *Agatha: Darkhold Diaries*, *Captain*

⁶⁶ The fact that any entrepreneur could conceivably believe *She-Hulk* would be profitable under normal market conditions, let alone distorted market conditions is simply inconceivable.

America: Brave New World, Blade, and of course Patty Jenkin's and Kevin Fiege's individual Star Wars film (Russo and Silva 2021, 30-31).⁶⁷

In effect, the institutional changes of both monetary expansion and COVID-19 restrictions provided the impetus for investments that would never be sustainable under normal conditions. So, when the dust settled and the Federal Reserve began raising rates in 2022, the revelation of malinvestments was inevitable:

the investments undertook when price signals were distorted - distorted meaning different from what they would be without those banks' interventions - which turn out to be unprofitable under the new undistorted conditions (or natural in Mises' words) are the so-called malinvestments" (Russo and Silva 2021, 25).

Due to the period of production for films and series, it is likely even more malinvestments will be revealed.⁶⁸

Furthermore, Disney's stock price hovered around the \$85 dollar mark in 2020, but soon reached a peak of nearly \$200. The expansion of the money supply, or inflation, increases the prices of assets which can partially explain Disney's swelling stock prices (and then subsequent contraction of the money supply and crashing stock price). When the federal reserve "makes money artificially cheap by devaluing the currency, what's an investor going to do? They're going to store money in the stock market, in big brand names like Disney" (Paige 2023).

Traditionally, CEOs are granted contracts with generous stock options to ensure their performance is for the long-term benefit of the company.⁶⁹ Iger's pay for 2023 consisted of \$1 million as a base salary, but nearly \$30 million in potential stock options (Delouya 2024).⁷⁰

Chapek, operating under a system arrangement, thus had an incentive to appease activists and

⁶⁷ It's also entirely likely that more malinvestments will be revealed throughout the next few years.

⁶⁸ Look at CEO David Zaslav's cancellation of malinvestments for Warner Bros.

⁶⁹ If they were to try and make decisions which benefit them in the short-term over the long term, the stock options would be worth less than producing true long-term growth.

⁷⁰ Former CEO Bob Chapek have had a similar compensation package.

stay employed as long as possible to maximize their returns (Paige 2023).⁷¹ With substantial backers like BlackRock and political activists, Disney found itself in a unique position of being granted access to inflated stock prices, cheap credit, and dispersed losses; simply put, “when there’s no penalty for failure, there’s no reason for success” (Paige 2023). Of course, this relies on the federal reserve continuing to pump excess money into the economy.

Following the rate hikes and (frankly unprecedented) monetary contraction by the Federal Reserve in 2022, the stock price dropped considerably to around \$100 and has remained as such for nearly a year. The films that Disney had invested \$150-300 million into, were failing to meet expectations, with some outright flopping; enter: the bust. Rothbard recognized that while painful, the liquidation process and the bust of the business cycle are necessary adjustments for the economy:

The "depression" is then seen as the necessary and healthy phase by which the market economy sloughs off and liquidates the unsound, uneconomic investments of the boom, and reestablishes those proportions between consumption and investment that are truly desired by the consumers. The depression is the painful but necessary process by which the free market sloughs off the excesses and errors of the boom and reestablishes the market economy in its function of efficient service to the mass of consumers. Since prices of factors of production have been bid too high in the boom, this means that prices of labor and goods in these capital goods industries must be allowed to fall until proper market relations are resumed (1978, 85).

Disney has entered its period of liquidation, as “The company took \$2.65 billion in impairment and restructuring charges in [Q3 2023], reflecting the cost of removing some content from its streaming services, terminating licensing agreements and \$210 million in severance payments to laid-off workers” (Chmielewski 2023).⁷² Now begins the process of rebuilding; with COVID-19

⁷¹ It may be a longshot, but this could potentially explain Chapek’s u-turn regarding his willingness to engage with activists and social causes.

⁷² This also includes employees in other divisions, such as the theme parks, and not specifically their film division. However, this further denotes the extensive malinvestment between 2019 and 2023 across the company, including the film division.

restrictions a thing of the past and the economy ever-so-slowly returning to normalcy, the ball is in Disney and Bob Iger's court.

V. "Everybody Wants a Happy Ending. Right? But It Doesn't Always Roll That Way."⁷³

Walt Disney would forever change the landscape of film with the release of 1937's *Snow White and the Seven Dwarves*. Pioneering the fields of animation and storytelling, Walt Disney's legacy would continue to live on as The Walt Disney Company would go on to produce some of the most memorable and celebrated films in history. Their success was "the result of creating and delivering something new that was valued highly, not only by Walt and his team, but most importantly by movie houses and movie-going consumers" (Linetsky 2019). However, despite owning some of the most successful studios and franchises the entertainment world has ever seen, the company finds itself on the brink of collapse. The advent of COVID-19 ravaged Disney's hopes in continuing from their record-breaking box office success in 2019; what was supposed to be a glorious return to the box office soon turned into a cataclysmic failure. Bob Iger was brought back to put out the fires spreading across the company, and he more than anyone else recognizes the need for change. Disney's innovation, creativity, and quality all succumbed to poor entrepreneurial decision-making behind the scenes. Likewise, Disney itself recognized its failings to reproduce the same compelling and entertaining content it had provided for nearly a century. Rather than focusing on quality entertainment and satisfying consumers, Disney dove head-first into a divisive political battle, ignoring the very consumers who support their very existence. Disney's yearly SEC filing admitted as such, noting that "consumers' perceptions of our position on matters of public interest, including our efforts to achieve certain of our

⁷³ Tony Stark - *Avengers: Endgame*.

environmental and social goals, often differ widely and present risks to our reputation and brands” (Turley 2023). Amidst a turbulent economic environment, the emergence of streaming markets and significant monetary expansion only served to exacerbate their troubles. Economist Murray Rothbard provides an indispensable framework with which to analyze this chaotic moment in Disney’s history. Engaging in a Rothbardian analysis, it is clear a series of poor entrepreneurial decision-making, ignorance of the consumer, and the implications of ABCT all contribute to a comprehensive explanation of Disney’s struggle at the box office. The legacy of Murray Rothbard, while not as well-known as Walt Disney’s, proves to be enduring in its own right, providing a valuable well of knowledge to elucidate how the magical kingdom had lost its magic. Iger’s commitment to focusing on quality, scaling back production, and abstaining from the culture war are all steps in the right direction, but ultimately time will tell whether Disney and Iger are able to bear the weight of their uncertain future.

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