

“When is a Monopoly not a Monopolist?
A Case-Study on Ticketmaster”

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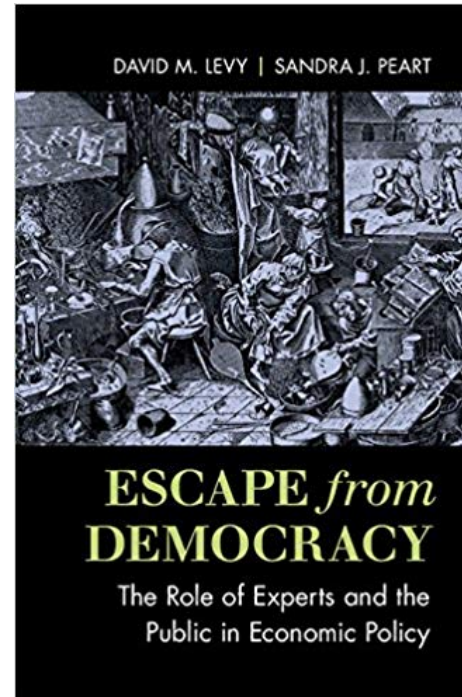
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Motivation for Research:

- 1) Interest in cultural economics
- 2) Part of analytical egalitarianism research project

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Motivation for
research (cont.)



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Analytical lens is two recent papers on competition theory and practice:

1) James R. Rogers 2018. Monopoly Isn't Always What We Think It Is. *Law & Liberty*, available: <https://www.lawliberty.org/2018/11/30/monopoly-isnt-always-what-we-think-it-is/>.

2) Andrew P. Vassallo 2017. Can One (Ever) Accurately Define Markets? *Journal of Competition Law & Economics* 13(2): 261-280.

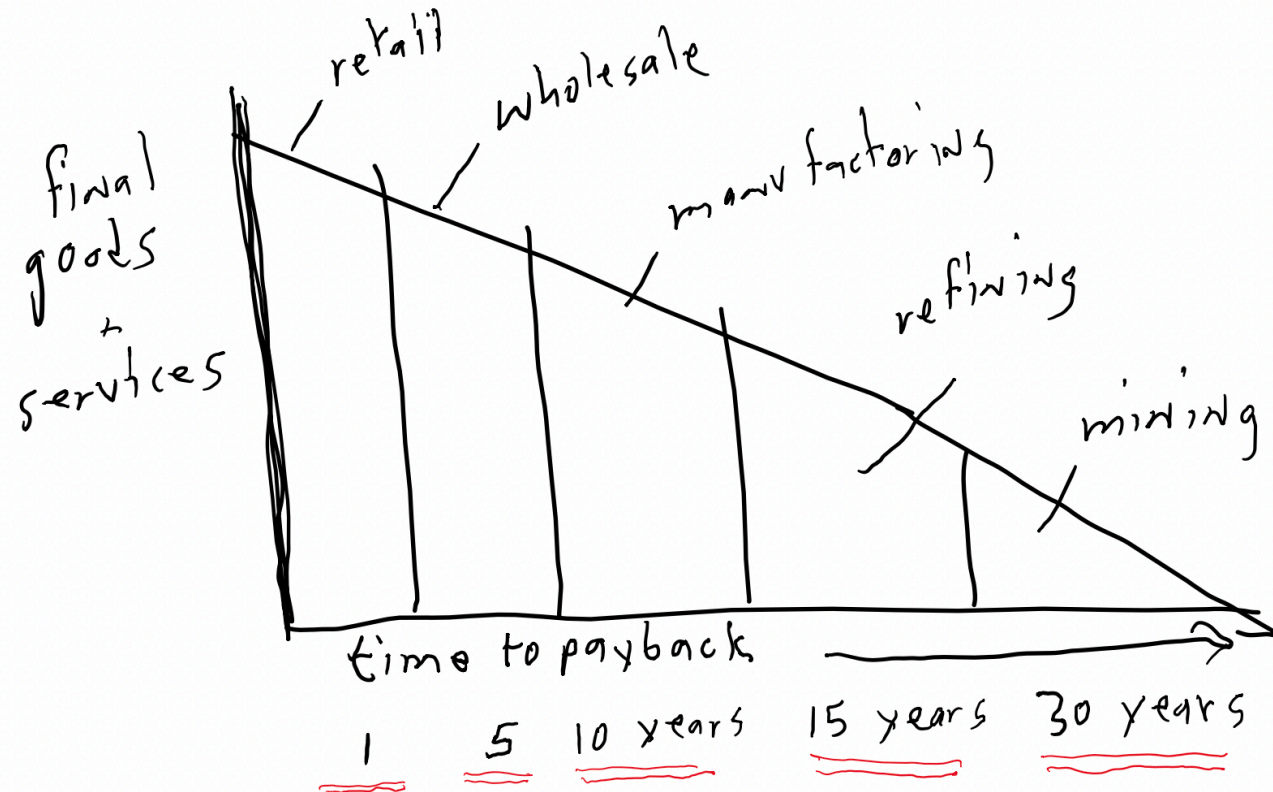
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We use Austrian capital theory to understand the stages of production in the economy, by which we can understand the ‘measurement’ problem in market definitions for regulatory purposes.

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Figure One: Stylized-Fact Capital Structure in an Economy

A note on Bork
1993 *Antitrust
Paradox*
on horizontal
versus
vertical integration



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Figure Two: Updated Stages-of-Production for the ‘New Economy’



Note: the new internet (app) economy is ‘creative destruction’

Information costs approach zero

This is disruptive to vested interests

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How market is measured [per pre-analytical visions by regulators] helps determine the findings of the regulatory research (Vassallo 2017 *Journal of Competition Law and Economics*)

Regulators need to be seen as regulating to ensure job security (Wildavsky 1964 *Politics of the Budgetary Process*), therefore regulatory determinations in general find that regulatory ‘action’ is required to protect consumer

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Sold out concerts might be seen as requiring ‘regulation’ to protect the consumer

Alternatively, a sold-out concert may represent the market efficiently allocating resources through supply and demand interactions

Obstructed View:
What's Blocking New Yorkers from Getting Tickets



From the Office of:
New York State Attorney General
Eric T. Schneiderman

The economics of superstars shows that supply is limited and brings ‘above normal’ returns

Can regulatory ‘knowledge’ and intervention change this market dynamic?

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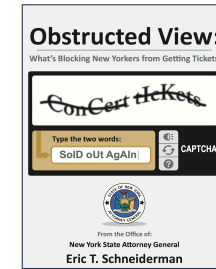
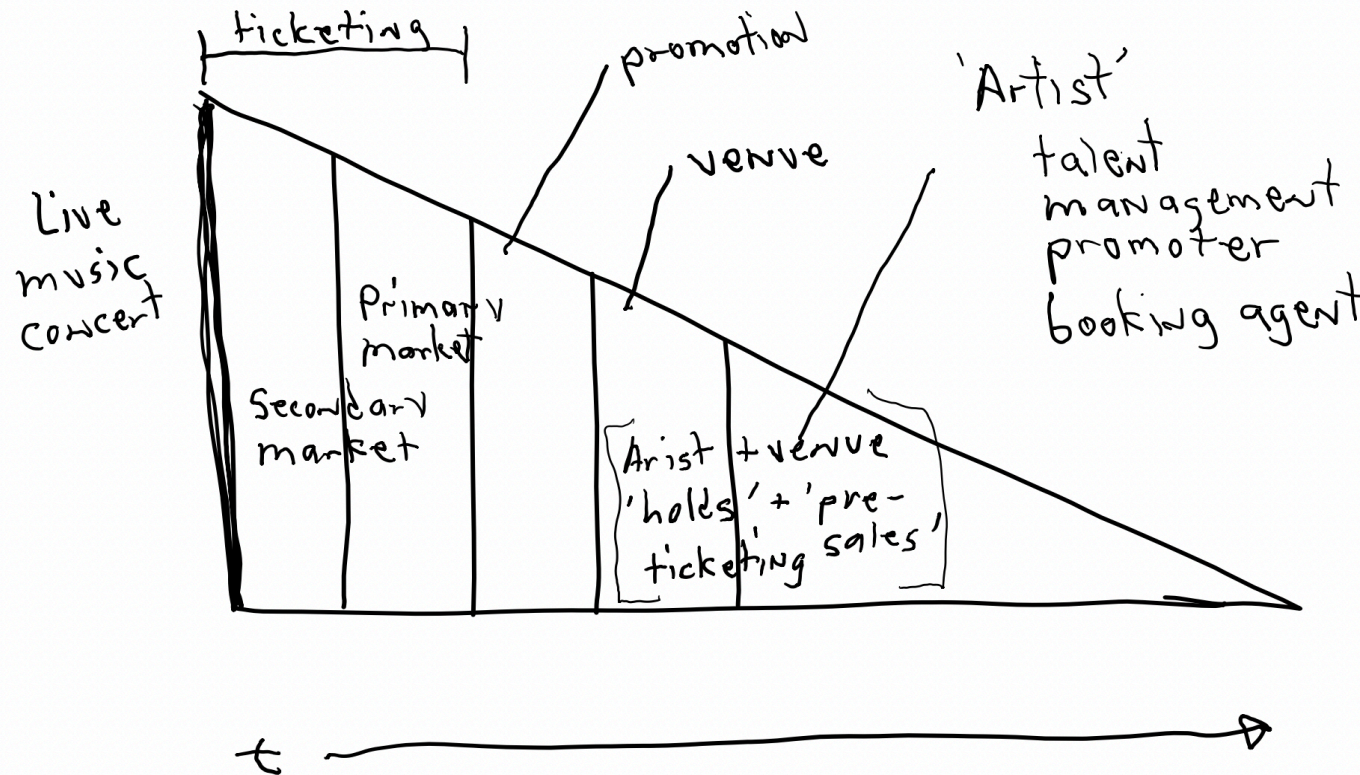


Figure Three: Orthodox Stages-of-Production in Live Music Industry



NY State AG (2016) finds that ticket distribution along the stages of production for pre-“Primary Market” sales limits supply and creates ‘shortages’.

Whereas the entrepreneurial view in the risky concert-industry is that pre-primary market tickets creates incentive compatibility along the stages of production. Holds and presales are a risk-sharing substitute for cash in contracts, reducing transactions costs.

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Alan B. Krueger 2005 ‘The Economics of Real Superstars: The Market for Rock Concerts in the Material World,’ *Journal of Labor Economics*

Mainstream canon on live concert industrial organization research

Market measurement decisions at the margin can determine analytical results (Vassallo 2017 *Journal of Competition Law and Economics*)

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Krueger 2005 defines their market under study are those venues,

- a) which house more than 2,000 in audience number
- a) and/or those venues who report their results to *Pollstar*

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Report focuses on 10 popular concerts (2102-13) where over 50% of the tickets were set-aside before primary market sales, with various combination of four superstar artists:

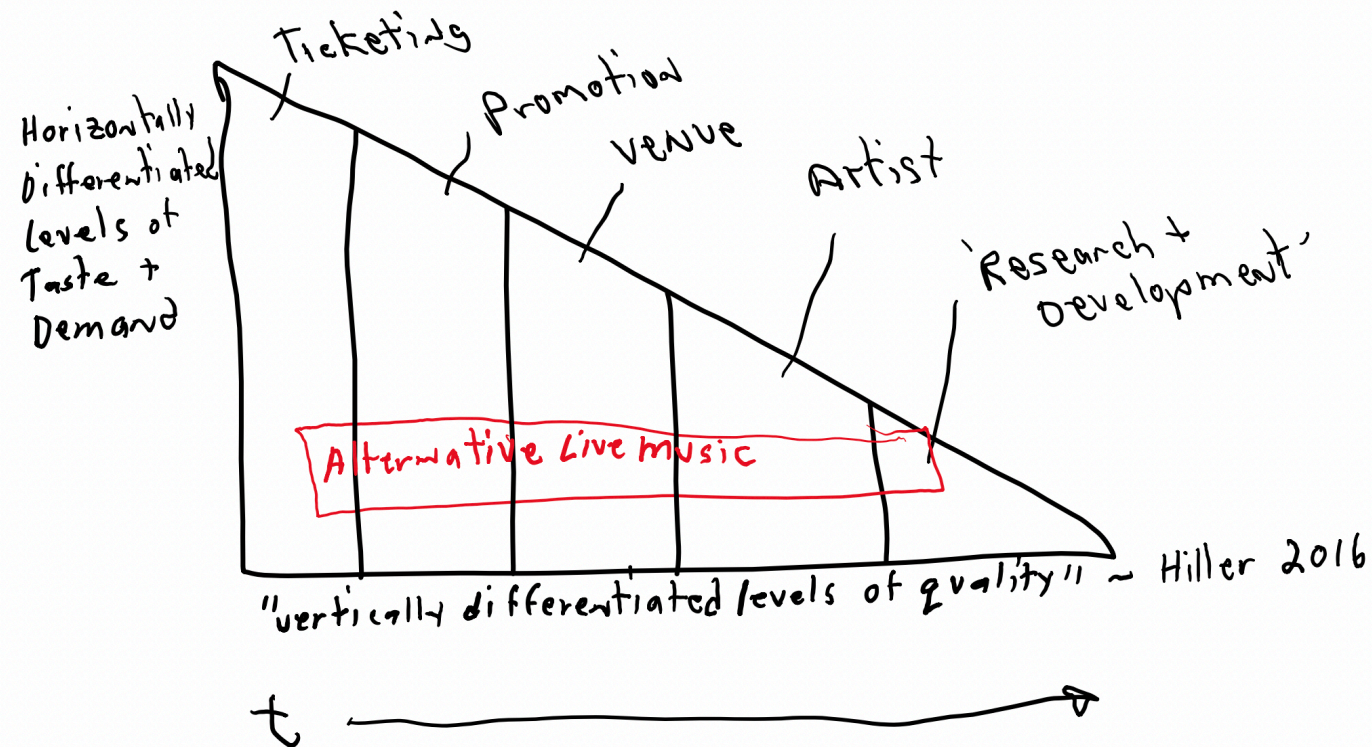
Fleetwood Mac, Coldplay & Jay-Z (2x), Steely Dan (4x), Jay-Z & Justin Timberlake (2x)

Live Nation (Ticketmaster) is the host for these 10 concerts. Might this be a form of extortion through measurement? Is TM a cash cow for regulators? How do state-subsidized sports stadiums as concert venues fit into the regulatory calculus?

Do enforcement costs outweigh any potential benefits for ‘regulatory action’ in this ‘market’?

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Figure Four: Heterodox Approach to Concert Stages-of-Production



With the heterodox method, do conventional ideas of 'monopoly' hold?

From Rogers 2018 we learn that only those sectors and firms protected from competition by fiat can be positively-determined as monopolistic

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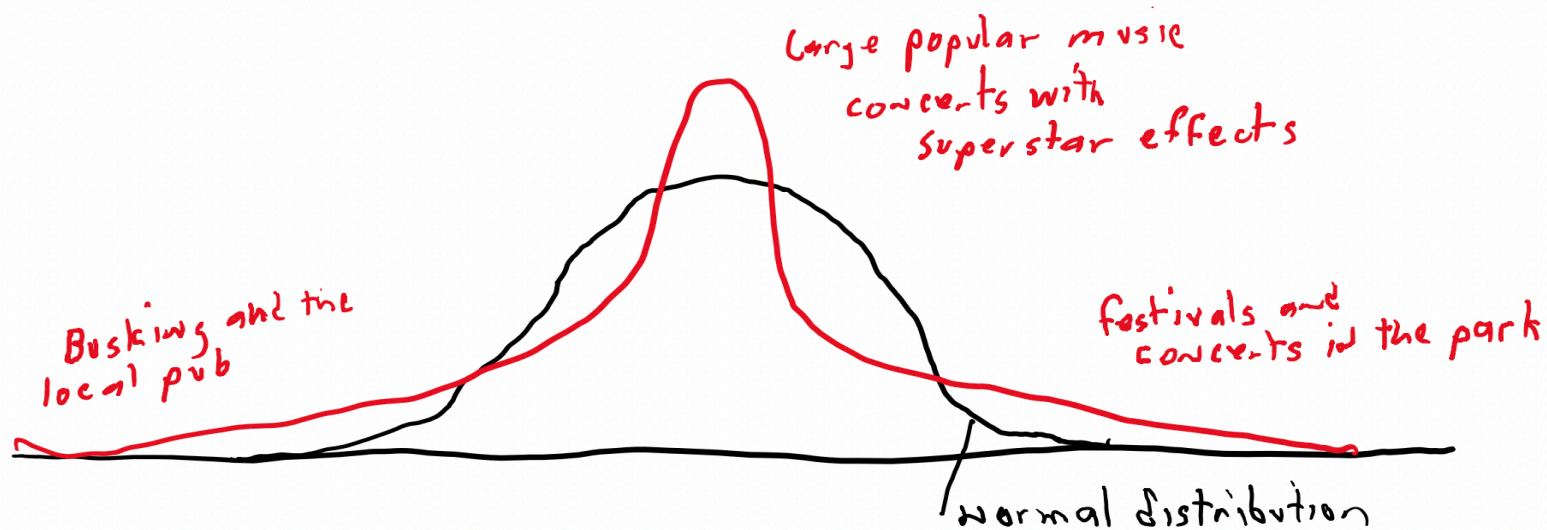
Chris Anderson 2006 *The Long Tail: Why the Future of Business is Selling Less of More*

Describes the ‘wide-tail’ of the new economy and necessity of understanding dynamic environment of industrial organization

Helps to create skepticism regarding potential of static measurement without error in regulation

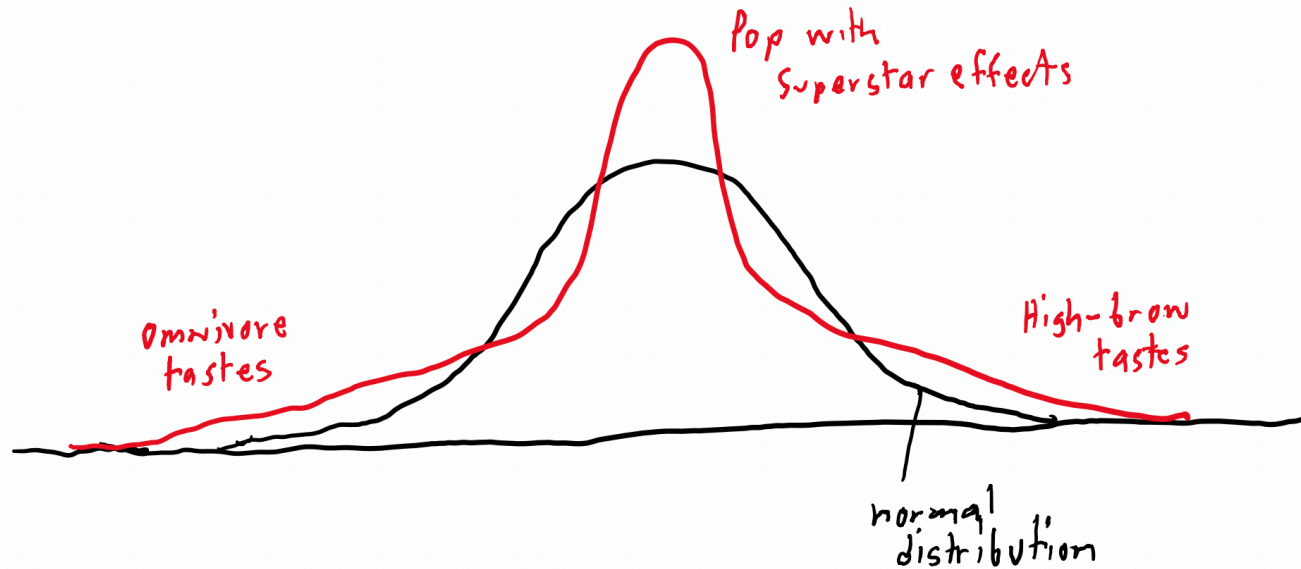
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Figure 5b: Wide-Tail in the Vertical Stages-of-Production for Live Music



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Figure 5c: Wide-Tail in Horizontal Tastes for Music



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Lindsey and Teles 2017 *The Captured Economy: How the Powerful Enrich Themselves, Slow Down Growth, and Increase Inequality* (Oxford)

Tells the story of rent-seeking and regulatory-capture in many if not most important industries | sectors in the USA. The live music industry is not part of their study

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Lindsey and Teles 2017 *The Captured Economy*. Examples of regulatory capture and ‘crony-capitalism’ (from index):

ABA, ADA, AMA, bailouts, collective bargaining, copyright, deposit insurance, distressed areas, education, environmentalism, Export-Import Bank, Federal Housing Administration, Federal Reserve System financialization, financial sector, Freddie Mac, government, IMF, Jones Act, land-use regulation, malpractice, mortgage lending, minimum wage, occupational licensing, tariffs, taxation, unionization, zoning

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Conclusion:

We have attempted to show that regulatory economics is a discretionary practice which may have negative results for an inclusionary economy, due to rent-seeking and barriers-to-entry

The example of ‘Ticketmaster’ is used as an illustrative analogical case, regulation may not be necessary as long as wide-tail distributions and competition theory are understood

We hope that many of the critiques contained here against an over-reliance on ‘experts’ might resonant for those interested in larger general principles

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Thank you.