

# BIBLICAL ECONOMICS TODAY

Vol. XIII, No. 2

©Gary North, 1991

Feb./March 1991

## ENVY AND ENTERTAINMENT

by Gary North

*Wrath is cruel, and anger is outrageous; but who is able to stand before envy? (Prov. 27:4).*

Envy. We do not use the word properly in our day. It is assumed to mean either **jealousy** or **congratulations**. "I really envy you," the friend says as a way of offering congratulations. But friends do not envy each other. Envy is one of the most deeply rooted sins there is. It cannot be placated.

Jealousy is the sin of covetousness. The person says, "You have what I want. I intend to take it from you." Envy is far more insidious. "You have what I want. I can't get it from you. Yet I resent the fact that you have it. I'd rather see it destroyed, so that no one can have it." The jealous man can be placated. He can be bought off. The envious man cannot be placated short of absolute equality of all aspects of life — an impossibility in a world of hierarchy.

A good example of envy in the Bible is the case of the Philistines who filled Isaac's wells with dirt.

Then Isaac sowed in that land, and received in the same year an hundredfold: and the LORD blessed him. And the man waxed great, and went forward, and grew until he became very great: For he had possession of flocks, and possession of herds, and great store of servants: and the Philistines envied him. For all the wells which his father's servants had digged in the days of Abraham his father, the Philistines had stopped them, and filled them with earth (Gen. 26:12-15).

The stopped wells did the Philistines no good. It was not that they stole the wells. They merely kept Isaac from enjoying their use. No one was made richer; Isaac was made poorer. In fact, everyone was made poorer; the productivity that the wells might have provided was lost to everyone. This is the heart and soul of envy.

So pervasive is envy today that it extends into every nook and cranny of society. People vote in terms of envy. They pass laws in terms of envy. There is no aspect of the society that is regarded as too unimportant for envy to become the ruling passion. To prove this, I will single out a particular industry that we all agree is anything but life and death: entertainment.

### Scalping the Scalpers

"Scalpers." What a terrible-sounding word. It almost rivals "scab." In each case, the detractors have singled out an important function in a free market society. The "scab" is anyone who is willing to work for a businessman for less than a labor-union member is willing to accept. A "scalper" is anyone who wants to bear the uncertainties of the market for entertainment tickets. Every so often, especially the night of the regional "big game," we see a television interview on the evening news. The interviewer goes to the

scene of the Big Event and starts asking people about ticket availability. Invariably, he approaches someone who complains about "all the scalpers who are ripping off the public." Once in a while, he may even get a "scalper" to discuss his business. Another, less familiar aspect of the scalping business also gets reported occasionally. The local T.V. announcer interviews some scalpers; he finds tickets "going begging." Big news. Man bites dog. Market bites scalpers. Justice reigns. The bad guys finish last.

Why the hostility to scalpers? What is it about scalpers that makes people so angry? Why is "buying low and selling high" so reprehensible when amusement tickets are concerned? After all, we are not talking about life and death. We are talking about "State vs. Tech." We are talking about the price of having one's ear drums blown out at a rock concert.

### Bad Vibrations

The *Los Angeles Times* published a series on ticket scalping in April of 1976. The introductory paragraphs of the April 8 article reveal the general attitude toward scalping ("Hard Day's Night at the Box Office").

There wasn't a single advertisement preceding the recent sale of tickets for Paul McCartney and Wings' two upcoming Los Angeles concerts, but some 1,500 people were in line when the Forum's box office opened. And while only brief items in that day's newspapers announced the sale, every seat in the 18,500-seat arena was gone in less than five hours.

Box-office smashes like that may make a lot of people associated with the coming McCartney tour happy, but they make a lot of other people quite angry. So many fans are competing for so few spots to major rock concerts that selling tickets on a first-come, first-served basis is no easy task. Instead, determining just who's first and serving him or her has become a complicated and controversial affair.

Concertgoers, backed by legislators and law-enforcement officials, are concerned about how tickets are sold and, often, resold. Some complain, for example, that by the time they hear that tickets are going on sale, the event is sold out. Others complain of waiting in line all night or longer to wind up with only fair seats. And nobody likes it when \$9 or \$10 prime tickets for sold-out concerts emerge at licensed ticket brokers for \$20, \$30 or more.

Let us examine some of the details of this critical analysis. (The author went on to consider in greater detail the actual sales of tickets in Los Angeles, so the article was not totally hostile to "scalping.")

First, Mr. McCartney and the promoters were displaying eminently good sense in not spending a small fortune

on advertising when word-of-mouth advertising was sufficient. They could bank on his fame as a former Beatle to draw the crowds to the Forum. No one would suggest that it would have been wise for him to spend money to jam up the box office with extra thousands of ticket buyers who were bound to be disappointed.

The fact is, at least 1,500 people had heard in time to take steps to insure their presence at the Great Event. Or at least, they insured the legal right to attend; if they decided to sell this property right to someone else, then that legal title was transferred. Each ticket was a **property right to a seat** at the Forum.

It was true that "so many fans are competing for so few spots," that selling tickets on a "first come, first served basis is no easy task." From one viewpoint, it is also no sensible task. Why sell tickets that way? Why not hold an auction?

### Competition

No one wants to suggest that the fans are in competition with Mr. McCartney. Mr. McCartney is the seller of his services. He no doubt delegated the task of selling legal access to his performance to other profit-seeking entrepreneurs, who guaranteed him and Wings a specific price, plus (perhaps) a percentage of the gate. But the public does not perceive the **initial** setter as a competitor with the public. The public sees the fans as competing against each other.

This is the proper perception. **Sellers compete against sellers.** Mr. McCartney was not, I feel certain, the only performer scheduled to appear in Los Angeles that night, or that week, or whatever period of time that affected the spending preferences of amusement-seekers in Southern California. Likewise, **buyers compete against buyers.** All those fans lining up in single file were acknowledging the reality of the competition. The seller (Mr. McCartney) was not in competition with buyers (fans).

Concertgoers may well be concerned with how the tickets are sold and resold. But why should legislators be concerned? No doubt, some people **did** complain that by the time they heard about the concert, it was sold out. **Information is not a zero price commodity.** It travels along peculiar paths. No doubt others did complain about standing in line all night and only receiving mediocre seats. Mr. McCartney is a popular fellow. Is this blameworthy?

### Complaints about Price

What people were complaining about was this: **at zero price**, not all those who wished to see Mr. McCartney perform in a public auditorium could squeeze into the auditorium. But they did not want to admit this openly. So they complained about the price. Some complained by not attending. Others complained about having spent (the proper word) so much time waiting in line. They forfeited time, plus a few dollars, and got second-rate seats. Problem: there were not enough first-rate seats to go around. Any seat was a good seat in the eyes of those who wanted to go but who chose not to stand in line, and who then paid scalpers a higher price.

True, nobody likes to pay \$30 for a \$9 ticket. But, then again, nobody who is willing to pay \$30 for a \$9 ticket is happy when nobody will sell him the \$9 ticket for \$9. What is it that people like least? Paying \$30 or missing the concert?

Why organize sales of tickets on a "first come, first served" basis? Why not organize sales some other way? The article showed how devious the distribution was. Thousands of tickets are set aside in the entertainment industry for friends of promoters, or disc jockeys, or others connected to the industry. The public is not aware of these sales (for the tickets eventually get sold, says the reporter). The public may know that college athletes at major univer-

sities are paid off in tickets each week, which are sold for cash, but that's only "innocent graft." Besides, they go to cheer these athletes, so who cares if athletes get a piece of the action? The seller, in this case, is the performer, and for some reason, nobody ever regards the seller as an enemy of the attendee, when sports or entertainment is the market in question.

Boxing has ringside seats. Sports teams have "season tickets," where rich people, or entrepreneurial fans who expect a losing team to start winning next season, can "stake their claim" to the "mother lode," namely, the best seats in the house. The public expects the best seats to be taken by others. The yelling starts when the **second-best seats** go on sale. (Note: the wealthy buyers are not envied — **social distance**.)

### The Risk Factor

How are competitors channeled? How do profit-seeking entrepreneurs get the best return on their investments? By buying low and selling high. By seeing a factor of production which is presently being underbid in the producer goods market, buying it at this low price, and then selling later into an enthusiastic final market. But there is risk involved (more properly, unpredictable uncertainty). No one can be sure that the crowd will show up. (In the case of rock concerts, no one can be sure that the entertainers will show up.) People bear uncertainty. They pay their money and they take their choice. People buy low, **hoping** to sell high. There are no guarantees.

Why not charge \$30 at the box office for those seats that everyone is willing to pay \$30 for? Why sell \$30 seats for \$9? After all, in the final analysis, they were not \$9 seats; they were \$30 seats. They were \$30 seats that sold for \$9 **originally**, just as much as they were \$9 seats that sold for \$30 **finally**. Somewhere in between "originally" and "finally," there was a lot of **uncertainty**.

"In the final analysis": what a loaded phrase. In the final analysis, meaning the night of the performance, there was more demand for \$9 tickets than supply of \$9 tickets. So tickets traded at prices higher than \$9. There were more buyers at \$9 than sellers at \$9. Buyers were competing against buyers the night of the performance. There was, however, one difference: the competing buyers were no longer standing in line to buy. They had entered the quiet auction market for tickets. (It had to be quiet, since it was officially illegal.) Cash had replaced the line.

### Lining Up

There is some peculiar mystique about forming a line. All over the world, people dutifully line up. They line up in grade school, they line up at the Post Office, they line up to buy tickets. They certainly line up to spend ration coupons in socialist nations. In fact, a balloonist who lost his way in Europe could find out whether he was over a socialist nation or a free nation simply by looking down and checking the length and number of lines. People also line up to get out of socialist nations, in order to escape into nations that substitute other forms of economic competition. **We line up when someone is charging below-market prices.**

The concertgoers, on the night of the Great Event, know that all tickets are sold out. There is no reason to stand in line any longer. So they substitute a different form of economic competition. They offer \$30 for \$9 tickets, meaning tickets bought for \$9 **before** the Great Event had sold out. These were tickets that cost \$9 **plus 15 hours in line**. They were "\$9 and 15-hour" tickets. They were "word of mouth information before the crowd shows up" tickets. Now demand is different.

For most people, \$30 is a lot less expensive than 15 hours in a line overnight. Whose time is worth under \$2

an hour (\$30, minus \$9—\$21 for 15 hours)? Those who value their time more than they value \$30 can exercise their preference in a voluntary transaction. Why do legislators try to ban such transactions? Why do voters demand that legislators pass laws against scalpers? Why is it considered legitimate to **spend hours** to buy a ticket, but not to **spend money** above the listed purchase price? Why are initial sellers the friends of the public, and secondary sellers the enemies of the public welfare? If Mr. McCartney is not the public's enemy, and the box office is not, then why is the scalper seen as the public's enemy?

### Motivated by Envy

I will offer my suggestion: Because we are a nation of incipient socialists who are motivated by **envy**. We want those who are **close to us socially and economically**, and who prosper (perhaps) temporarily, to be deprived of their benefits.

We worry about someone receiving \$30 for his \$9 ticket, but not at all about Mr. McCartney receiving tens of thousands for three hours of work. We are outraged at the scalper. **He** has exploited the public.

What is the difference? The **social distance** between us and Mr. McCartney. The awe and even reverence we show for Mr. McCartney's talents as a performer place him beyond envy. (Also, he has a British accent, making us feel terribly inferior, thereby increasing his social distance.) But that scalper who makes someone pay 30 whole depreciating dollars—**there** is a man to be squashed!

We stand in line to see Mr. McCartney. He has put us in our place. But the scalper has no right to put anyone in his place. He is a **secondary** seller, indicating his social proximity to us. He seeks to deprive us of our funds, unlike the performer, who deprived the scalper of **his** funds. When standing in line is seen as a legitimate way to gain access to any event as a **primary consumer**, but asking someone else to pay money above the listed purchase price is seen as exploitation by a **secondary seller**, then the ideology of socialism has done its work. When men refuse to acknowledge that they are unwilling (or unable) to pay the price to become primary consumers—i.e., people who will stand in line overnight—and resent it when a primary consumer asks the secondary consumer to pay a premium for his own procrastination, or his unwillingness to stand in line, or his late access to the news about the Great Event, or his impulse-buying attitude, then the free market economy is in trouble.

### Middlemen

The late-night T.V. ad blares the message: "Yes, we can offer you these fabulous prices because **we have eliminated the middleman**. We sell direct to the consumer, and we can pass along these bargains to you."

What a fabulous opportunity! At last, we can buy direct from the producer. No more having to shell out our hard-earned money for middlemen. After all, what do middlemen ever do except stand around in the middle? At last, some inventive seller has found a way to eliminate the middleman. And it only took 6,000 years!

There are producers. There are buyers. Where did the middlemen get into the act? Why should we pay anything to them? Aren't they economic exploiters? Why should business tolerate middlemen? These are questions implicitly asked by those who despise scalpers.

All right, there are producers. They made a decision to buy low and sell higher. They entered the market for producer goods—raw materials, labor services, capital equipment, land, buildings, and so on—and bought up what they then believed were underpriced goods. They now are sitting on top of a pile of merchandise. How do

they get the highest return?

The tried and true method is to sell it to non-producers (retail sales people) who in turn will market the finished products to the final consumers. They take over the economic burden of predicting an uncertain future. The producer wants out. He takes his money and runs.

Occasionally, some producer decides to "sell direct to the consumer." Fine. Who rents the warehouse space? Who insures against fire and theft? Who decides how much to spend on advertising, and in which media? Who tries to predict the final purchase prices that the buyers will be willing and able to pay in the future? Who rents the showroom space? Who dreams up the credit terms, locates the creditor, and convinces the buyer that "now is the time to buy"? Who, in short, enters the market in between **originally** and **finally**? Someone has to bear these expenses. Someone has to be compensated for bearing these uncertainties. Something "in the final analysis" has to lure people into the uncertainty-filled marketplace to pick up this burden. That person is the **middleman**. He is also called the entrepreneur, or the speculator. And, in the case of tickets, he is called a scalper.

### The Box Office Dilemma

The box office sells at a specific price. Sometimes the people who own the box office are not sure what to charge. They want to fill the arena, so that everyone who wants to get in can do so, with nobody waiting outside, and not a single seat empty. That is accurate forecasting. That is the way to make money. And that is what nobody can do all of the time, or even some of the time, if the arena is large enough. A perfectly priced set of tickets will "clear the market": a packed arena, and nobody left in line.

So the owners of the box office, or the Ticketron outlet, or whoever is the primary seller to the primary buyer, decides on a price. The tickets get sold, let us say. The market then determines what the proper price should be in the moments before the performance. Sometimes the price was set too high. Sometimes it was set too low. The middlemen lose, or they win. The middlemen bear the burdens of uncertainty.

Why are the original sellers so foolish? Why did those who had the right to hire the services of Mr. McCartney in April of 1976—to become the **first middlemen** in the distribution of Mr. McCartney's services—not charge \$30 per ticket right from the start? Why did they pass on the \$21 (or whatever it was) per seat profit to **secondary middlemen**? Why did they give up 18,500 times \$21? Were they fools? Why were they, as professional middlemen involved in the entertainment business, such poor forecasters? If they are so smart, why are there scalpers?

### Seeking a Scapegoat

I have put this question to people associated with box offices, and I have never had a convincing answer. They are hiding something. I believe that they are hiding something very specific: **the fear of envy**. They do not want to become "middlemen"—"gouging" middlemen—in the eyes of local ticket buyers. They do not want to face the wrath of buyers at the auction, when buyers shout and claw to get access to the tickets. They want to be as unobtrusive as possible, collecting their percentage. They do not want to be seen as "enemies of the fans."

It is also possible that they do not want to have to guarantee an even larger fee to the performer, since the performer will know in advance the price of the tickets. If the box office man takes too great a risk, and then cannot sell the tickets (rain, emergency, or whatever), he loses a fortune.

Another possibility: the performer is also guilt-ridden and envy-avoiding, and he fears being labeled an enemy

of the fans. They will blame him if he asks \$30 per ticket, so he demands that ticket price be kept low, meaning **initially** low.

Thus, the brunt of the envy burden is borne by the scalper, who performs a fundamental function in society, namely, **envy-absorption**. If the scalper is to fulfill his role, the box office managers, performers, and ticket buyers need to establish scalping as immoral, illegal, and against the public interest. They all agree that there should be a law against this wantonly antisocial act. As the sociologist Kai Erikson notes, following a line of thought in the writings of Emile Durkheim, one of the founders of sociology: "... the term 'deviance' refers to conduct which the people of a group consider so dangerous or embarrassing or irritating that they bring special sanctions to bear against the persons who exhibit it. . . . The only way an observer can tell whether or not a given style of behavior is deviant, then, is to learn something about the standards of the audience that responds to it." (Kai T. Erikson, *Wayward Puritans: A Study in the Sociology of Deviance* [New York: John Wiley & Sons, 1966], p. 6.)

By establishing by law the **deviance** of scalping, those who would otherwise be faced with the problem of envy pass it along to another group, whose economic self-interest in profiting from the price spread is greater than their fear of envy. In short, scalpers exist primarily because of economic uncertainty and widespread envy.

### The Price of Envy

The hostility of the public against scalpers is indicative of almost universal hostility to entrepreneurship in general. There is an unstated assumption in the minds of people that profits that come strictly from the successful prediction of the future demands of consumers, and from one's willingness to enter capital markets as a preliminary buyer, are immoral profits. We are still caught in the Marxist web of the exploitation theory. We still act as though profits from anything except physical labor are "unearned profits."

The scalper is probably the least harmful "exploiter" in the world. He makes his profits from the purchase and sale of tickets to entertainment events. Ironically, the few profits any scalper can make, and the envy he receives from those who are helped by his actions (late-comers who would not be able to get in if someone else had not had the foresight and courage to buy up tickets), are the direct result of Americans' unwillingness to stand in line. The very feature of socialism that is so repulsive to Americans — long lines — is encouraged by the potential envy shown toward box office managements, who become fearful of successfully forecasting future consumer demand. The auction market for tickets is one of the most resisted auction markets in America, yet those who resist the auction process are also repelled by lines. **Below-market pricing creates lines.**

Scalping is not that critical to the daily lives of most Americans. We seldom attend sold-out performances. We are too busy watching television. What we expect when we do schedule a night on the town is a price structure rather close to television's pricing — without the ads, of course — and time spent in getting a ticket not much longer than the time spent in switching on the T.V. set. When we find that others just like us have also waited until the last minute to show up, and the underpriced tickets are all gone, we vent our wrath on the scalpers. They are, in ef-

fect, professional wrath-receivers, people who take the heat of envy off of the timid shoulders of performers and box office managers.

If we all appreciated the economic service scalpers perform, the market for scalping would dry up rapidly. If there were no wrath, no envy, and no complaints about high prices — **complaints really against all of our competitors** who are also trying to buy tickets to the Great Event — then performers and box office managers would get into the market and begin to "sell directly to the public." They would bear more of the burdens of middlemen. (Of course, they might announce that "We can sell you tickets at low, low prices because we have **eliminated** the middleman.") We would get professionals who ought to be the best forecasters of consumer tastes in entertainment to enter the forecasting market. We would see a better fit between the price **originally** charged and the **final** size of the audience. There would be less waste. There would be far shorter lines. And there might even be more advertising, thereby allowing those of us who are always the last to hear about anything, to find out in time to get on board. But if the scalpers are going to make all the profits, why should the performers or box office managers advertise? Conclusion: **with less envy, there would be better information available to the general public.** Of course, such information is not free. We would all pay for it in the purchase price of the ticket. But isn't that better than avoiding the advertising costs by not hearing about the opportunity in time? We will pay the scalper anyway. Or miss the event.

Men resent the fact that they are willing to pay "outrageous" prices for sports events and entertainment, meaning live entertainment, one-night-only entertainment. They resent the fact that people get some profits as secondary middlemen who cater to their "base" desires. The very rich — performers, Forum owners, and Sol Hurok — are entitled to their profits, but not people sufficiently like ourselves to bring out our envy, yet sufficiently unlike us to stand in line all night, or go out immediately to buy some extra tickets. Such people are our sworn enemies, so we wind up paying more for our base desires than we otherwise might have paid, had the Forum or Ticketron been uninhibited by fear of the public's envy to charge "all the market will bear" right from the beginning.

### Conclusion

Do we resent the fact that we never hear about the Big Event in time? In time to do what? Stand in line? But we probably choose not to stand in line. If prices are set below the market's true monetary price, we still will miss the Big Event, unless we pay the scalpers their due. Hearing about the Big Event earlier cannot do us any good if monetary prices are set below market. Why not encourage higher monetary pricing for the initial sale — the price stamped on the tickets — and thereby encourage the seller to advertise heavily to all of us who hate to stand in lines, and who are **ready to pay** for our preference? If we are not ready to pay higher monetary prices, why should we be resentful about not hearing in time? Time has its price.

In an age of envy, the scalpers will get their due. We live in an age of envy.<sup>1</sup> No economic resource is free, including the indulgence of our propensity toward envy. The scalpers let us indulge ourselves . . . at a price.

1. Gary North, *Successful Investing in an Age of Envy* (Sheridan, Indiana: Steadman Press, 1981).