



Department
of Mathematics



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

September 2014: Prof Bernhard von Stengel interviewed by the BBC



On Monday 1 September 2014, Prof Bernhard von Stengel appeared on BBC Newsnight. He was interviewed as an expert, in front of the Emirates Stadium (home of Arsenal FC, who made a number of summer signings), on the "economics of the football transfer window". We followed up on Bernhard's experience in a brief interview, below.

What is the effect of the transfer window? We have asked Prof. von Stengel, a game theorist and expert on how you build working markets.

BvS:

A short transfer window will enable the participants in the market to compare their possible transactions in a short amount of time, and thereby find the right price for a player; there is lots of indication that the prices greatly reflect the players' value. Just as you have a market, a physical market, where people can come together and compare prices, a transfer window does this in a temporal sense, in a short timeframe.

But why does everyone wait for the last day of the transfer window to seal all their deals?

BvS:

I think there are several reasons at play here.

The first one is, as with when you purchase a house, there may be a chain of transactions, where you have to sell one player in order to get the money to get the second player, and every link in the chain has to work. That typically takes place on a single day, and the last day is a good candidate for these transactions to take place.

A second one is that people play a game of poker, an act of brinkmanship; with several potential buyers for a transfer, they can seek to realise the maximum price. Sellers can wait to the last minute, holding out to strengthen their bargaining position.