

The economics of the football transfer window

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transcript of the interview with Bernhard von Stengel

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

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, and there is lots of indication that the prices reflect the players' value very much. Just as you have a market, a physical market, where people come together and can 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, like when you buy 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, so 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 Poker, an act of brinkmanship, because if they have several buyers for a transfer, for example, they may try to get the maximum price, and if they wait to the last minute they hold out longer and thereby strengthen their bargaining position.