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Economic Scene: Seven Lessons From Super Bowl Tickets.

By ALAN B. KRUEGER

ou can learn a lot about economics just by studying the price of Super Bowl tickets. Here is what I learned from attending Super Bowl XXXV with my father, Norman, and conducting a small survey with the help of four interviewers.

LESSON 1 If the price is set artificially low, there will be excess demand. The face value listed on most Super Bowl tickets this year was \$325. This price was much too low to balance demand with the limited supply.

The National Football League held a lottery for 500 pairs of tickets and was flooded with 36,000 applicants — the odds of being admitted to Princeton are better. On game day, hundreds of frustrated fans displayed "Ticket Wanted" signs and offered \$1,500 and up for tickets outside the stadium.



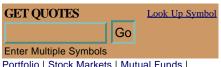
The Associated Press

Hundreds of fans in Tampa, Fla., were pleading for tickets on Super Bowl Sunday.

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LESSON 2 If the price is set artificially low, a secondary market will develop. The secondary market in ey.com/tho

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1 of 3 2/1/01 3:13 PM this case involves scalpers, licensed ticket brokers and online auctions. About half the states regulate the resale of sports tickets in some way. Still, tickets are often resold. A week before the Super Bowl, tickets on Yahoo Auctions traded for \$1,500 to \$3,500.

To economists, scalping creates value, as Steven Happel and Marianne Jennings of Arizona State eloquently argue in the Cato Journal. Although people sometimes make mistakes, those who voluntarily buy and sell tickets do so only because they feel they benefit from the transaction. Scalpers facilitate such trades. Fans seem to agree: two-thirds of the 316 fans we surveyed said ticket scalping should be legal.

LESSON 3 Ticket prices in the secondary market vary widely. One fan we spoke to paid a scalper \$1,000 while another paid \$3,500 for tickets in the same section of the upper deck. Even tickets in Web auctions sold for varying prices on the same day.

This phenomenon has been observed in many auctions. For example, Orley Ashenfelter, a Princeton economist, found that identical lots of wine sell for lower prices in later rounds of an auction.

At the Super Bowl, however, the supply of tickets dried up a few days before kickoff. The fear of this happening might explain why prices often decline in auctions: those who want something the most buy early in case it will not be available later, and pay a premium to avoid the risk.

LESSON 4 The N.F.L. could increase short-term profit by charging more, but probably at the expense of long-term profit. In view of the excess demand, many economists wonder why the league does not charge more for tickets. Although the face value of Super Bowl tickets has increased — almost quadrupling since 1987, adjusted for inflation — tickets on the secondary market still sell for \$1,000 to \$4,000 more than the list price. By charging a market price, the N.F.L. could increase revenue by perhaps \$150 million.

Ticket prices are set by the N.F.L. commissioner's office and a group of team owners. The league keeps 25 percent of tickets, which it distributes to the media, advertisers and others; the rest go to the teams and host city to distribute, usually by lottery to season-ticket holders.

Why doesn't the N.F.L. charge more? Greg Aiello, the league's vice president for public relations, said it tries to set a "fair, reasonable price" to maintain an "ongoing relationship with fans and business associates." The N.F.L. does not want only rich aristocrats to attend the Super Bowl.

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