

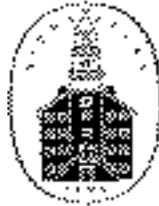
“Do Contenders Really Outspend Non-Contenders
in Major League Baseball?”

by

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July, 2002

MIDDLEBURY COLLEGE ECONOMICS DISCUSSION PAPER NO. 02-36



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JEL #: L83

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It is old sport to bemoan the depth of Steinbrenner's pockets, or the brazen nature of his shopping. The Yankees are who they are, and always have been.

Mike Lopresti,
Gannett News Service

Introduction

In recent years, a few teams, notably the New York Yankees and the Boston Red Sox of the American League (AL) and the Los Angeles Dodgers of the National League (NL), have become conspicuous for their extravagance, spending large sums of money to acquire arguably the best talent in baseball. The conventional wisdom is that contenders spend more, much more, than non-contenders do. A case in point is the 1997 Florida Marlins. Their sudden success that season was attributed to management's aggressive decision to commit resources to free agents during the previous offseason. When team salaries are adjusted for the number of games won, however, is there any difference in the average cost per win between contenders and non-contenders? High spenders tend to win more games than low spenders do. Yet, *both* the numerator and the denominator in

the ratio of team salaries to season wins will be larger (smaller) for high- (low-) spenders, leaving the ratio unchanged for most teams, contenders and non-contenders alike.

The Data

Payroll data are from various Web sites. Salary figures for 1992 through 1999 are from www.baseballstats.net. And, 2000 and 2001 team salary data are from www.cnnsi.com. All team payrolls have been adjusted for inflation. Final team standings are from annual editions of The Sporting News' *Baseball Guide* [1].

We define "Contenders" as teams that finished first in their division, finished five or fewer games behind the division winner, or earned the wild card berth in the divisional playoffs. All other teams are regarded to be "non-contenders". In 1994, each league was split into three divisions that brought one wild card team from each league into the first round of the playoffs. In August of that same year, a players' strike forced cancellation of the remainder of the season. Teams regarded as "division winners" for 1994 were leading their divisions at the time of the strike. "Wild card" teams for 1994 (Atlanta in the NL and Cleveland in the AL) had the highest winning percentage among second-place teams in each league. As a result of realignment, the Milwaukee Brewers, an AL team since 1970, moved from the AL Central Division to the NL Central Division in 1998

The Results

Table 1 summarizes the average cost per win (in 1992 dollars) for each league in each of ten years (1992 through 2001). In 1992, Los Angeles had the highest average salary per win, \$667463, and Cleveland's average, \$122676, was the lowest. Los

Angeles also had the highest average salary per win in the NL for the years 1998 through 2001. In 2001, Boston had the highest average salary per win in both leagues, \$1058452, and Minnesota's average, \$226943, was the lowest.

The average differences in cost per win for contenders and non-contenders in each league in each of two five-year periods (1992-1996 and 1997-2001) are reported in Table 2. Over the entire ten-year period, the difference is statistically discernible for both leagues combined ($p = .0052$). But, on closer examination, these differences are restricted to the AL from 1992-1996 ($p = .019$). Contenders and non-contenders in the AL spent (in all but one case) marginally more than their NL counterparts, but these differences are not statistically significant (at the .05 level). Finally, in a comparison of the five-year period 1992-1996 to the subsequent five-year period 1997-2001, cost per win (in real, inflation-adjusted dollars) has increased for both contenders and non-contenders in both leagues (at a .10 level of significance). The one notable difference is the higher cost per win among non-contenders in the National League.

Concluding Remarks

Despite assertions by owners that their teams are not profitable and that the game of baseball is headed for economic calamity, all teams (contenders and non-contenders alike) are spending marginally more per win now than they did five or ten years ago. American League contenders outspent non-contenders on a per win basis in the period 1992-1996, but there is surprisingly little difference in cost per win between contenders and non-contenders in the last five years. And, any future salary cap, payroll tax, or revenue-sharing between so-called large- and small-market clubs will likely reduce these differences even further.

If club costs per win in baseball are relatively constant for teams at the bottom of the standings as well as for teams at the top, then the supply curve of output (wins) suggested by our findings would be a horizontal line. Equilibrium output would therefore be demand-determined. Clearly, large-market clubs (with the wherewithal to purchase team quality) will produce the most output, that is, the best win records.

**Table 1. Cost Per Win (in 1992 dollars),
by League and by Year, 1992-2001**

<i>Year</i>	<i>Lowest Cost per Win</i>	<i>Highest Cost per Win</i>	<i>Average Cost per Win</i>
1992			
AL	\$ 122676 (Cleveland)	\$ 577242 (Boston)	\$ 369729
NL	184154 (Houston)	667463 (Los Angeles)	392351
1993			
AL	213242 (Cleveland)	560307 (Boston)	420622
NL	182026 (Montreal)	671822 (New York Mets)	354755
1994			
AL	454785 (Cleveland)	734470 (Detroit)	583214
NL	240142 (Montreal)	727420 (San Francisco)	497564
1995			
AL	363476 (Cleveland)	692675 (Toronto)	482241
NL	174761 (New York Mets)	513196 (Cincinnati)	380009
1996			
AL	130790 (Milwaukee)	597878 (New York Yankees)	367372
NL	175434 (Montreal)	497612 (Atlanta)	361238

**Table 1. Cost Per Win (in 1992 dollars),
by League and by Year, 1992-2001
(Continued)**

1997			
AL	174499 (Detroit)	596405 (New York Yankees)	416050
NL	128343 (Pittsburgh)	571465 (St. Louis)	388277
1998			
AL	254744 (Detroit)	782951 (Baltimore)	447506
NL	110141 (Montreal)	651323 (Los Angeles)	404783
1999			
AL	211796 (Minnesota)	814503 (Baltimore)	504323
NL	185947 (Montreal)	837810 (Los Angeles)	488019
2000			
AL	195057 (Minnesota)	896726 (Baltimore)	560044
NL	207003 (Florida)	834855 (Los Angeles)	568165
2001			
AL	226943 (Minnesota)	1058452 (Boston)	658892
NL	370086 (Florida)	1003898 (Los Angeles)	610588

**Table 2. Cost Per Win (in 1992 dollars),
Contenders v. Non-contenders, 1992-2001**

Years	Average Cost Per Win		<i>p</i> -value on difference
	Contenders	Non-contenders	
1992-1996			
AL	\$495477	\$419756	.019
NL	437116	380772	.13
Both leagues	468332	400059	.0052
1997-2001			
AL	579510	484938	.06
NL	512474	485700	.51
Both leagues	544652	485343	.065
1992-2001			
AL	538388	451997	.0046
NL	479710	435335	.12
Both leagues	509364	443364	.0016
	AL	NL	
1992-1996			
Contenders	495477	437116	.14
Non-contenders	419756	380772	.17
1997-2001			
Contenders	579510	512474	.16
Non-contenders	484938	485700	.99
1992-2001			
Contenders	538388	479710	.063
Non-contenders	451997	435335	.53
	Average Cost Per Win		
	1992-1996	1997-2001	
AL			
Contenders	495477	579510	.057
Non-contenders	419756	484938	.10
NL			
Contenders	437116	512474	.084
Non-contenders	380772	485700	.0025

Reference

1. *Baseball Guide*, St. Louis, Missouri: The Sporting News Publishing Co., 1993-2002 (various issues).