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Length of Contracts and the Effect on the Performance of MLB Players

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Poster Presentation P54

**LENGTH OF CONTRACTS AND THE EFFECT ON THE PERFORMANCE
OF MLB PLAYERS**

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The goal of any professional athlete is to receive a multi-year contract that guarantees them a salary for multiple years. However, a concern that fans, coaches and owners all share is that when a player receives a multi-year contract they may have a strong incentive to shirk. Shirking is when a player purposely does not perform to the best of his ability and may occur when a player has a guaranteed salary. The goal of this paper is to determine if a Major League Baseball player with a multi-year contract will show any pattern of shirking throughout the contract. Each of the fifty players has a four year contract and the theories of moral hazard and asymmetric information suggest that a player may shirk during the contract until the last year. Descriptive statistics and OLS regression results provide evidence that Major League Baseball players with four year contracts do not have a pattern of shirking. Job security, above market wages and monitoring may be the important concepts explaining why there is no evidence for shirking.