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Maximum Revenue vs. Maximum Wins: The Paradox of Major League Baseball

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MAXIMUM REVENUE VS. MAXIMUM WINS: THE PARADOX OF MAJOR LEAGUE BASEBALL

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The world of sports has become a multi-billion dollar industry, with the game of baseball being no exception to this rule. Countless players make more than $1 million dollars annually and a handful of teams are spending at or above $100 million on player salaries alone. The obvious question to ask is what can you buy with $100 million dollars in the game of baseball?

Theoretically, the more money a team acquires, the more that team can afford to spend on players which in turn, should increase the success of the team. The goal of any team should be to maximize wins in an effort to advance to the playoffs, and ultimately, compete in the World Series for the championship trophy. Recent trends indicate that the highest revenue and payroll teams are necessarily winning the most amounts of games and advancing to the playoffs. However, empirical evidence suggests that a possible reason for this is that firms are paying for personnel in an effort to maximize revenue, not wins. Through review of literature, the reader comes to learn that spending money purely on offensive statistics is the not the most cost-effective way to run a baseball franchise, but it is the most profitable. Furthermore, empirical evidence suggests that an increase in firm revenues due to increases in player productivity is nullified by an increase through player salary.

Concluding, players have bargained accurately for their salary which means that players are paid their net worth, and that lower-revenue teams face an uphill climb to baseball superiority.