



Apr 16th, 9:00 AM - 10:00 AM

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

Adam Houser

Illinois Wesleyan University

Robert Leekley, Faculty Advisor

Illinois Wesleyan University

Follow this and additional works at: <http://digitalcommons.iwu.edu/jwprc>

Houser, Adam and Leekley, Faculty Advisor, Robert, "Maximum Revenue vs. Maximum Wins: The Paradox of Major League Baseball" (2005). *John Wesley Powell Student Research Conference*. 20.
<http://digitalcommons.iwu.edu/jwprc/2005/posters/20>

This Event is brought to you for free and open access by The Ames Library, the Andrew W. Mellon Center for Curricular and Faculty Development, the Office of the Provost and the Office of the President. It has been accepted for inclusion in Digital Commons @ IWU by the faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

Poster Presentation P33

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

Adam Houser and Robert Leekley*
Economics Department, Illinois Wesleyan University

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.