10-30-2007

Maybe It's Pitching

Follow this and additional works at: https://ecommons.udayton.edu/news_rls

Recommended Citation

https://ecommons.udayton.edu/news_rls/2011

This News Article is brought to you for free and open access by the Marketing and Communications at eCommons. It has been accepted for inclusion in News Releases by an authorized administrator of eCommons. For more information, please contact frice1@udayton.edu, mschlangen1@udayton.edu.
A study by two University of Dayton sports economics researchers published in Contemporary Economic Policy found that large-market Major League Baseball teams can’t reliably parlay their increased revenue into wins.

Elizabeth Gustafson and the late Larry Hadley found that each additional million people in a team’s market area leads to just 0.23 to 1.12 additional wins a season.

"If you are in a bigger city, you should be able to draw more fans and strike bigger media deals," said Gustafson, interim dean of UD’s School of Business Administration. "A potentially larger revenue response to increased success, as well as a desire to win, will lead teams to spend more on payrolls, trying to buy wins. We found that, in the short run, spending more on payroll doesn’t lead to much more winning."

For example, handicapping the American League East standings based on population, the New York Yankees would start the season with, at most, about a 3.5-game lead on the Boston Red Sox, a 6.5-game lead on Toronto, a 7.5-game lead on Baltimore and a 9-game lead on Tampa Bay. Boston won the division, followed by New York, Toronto, Baltimore and Tampa Bay.

Teams sharing a market area evenly split the population for the purpose of the study. The study also took into account Major League Baseball’s revenue-sharing agreement.

"We looked into this because of the thought that ‘it's all about market size and the little guys don't have a chance,’” Gustafson said. "Population isn't as important to winning as a lot of people think. Only 54 percent of winning percentage is explained by payroll. The rest is because of other random factors. You can't reliably buy wins."

Only two of the divisions, the American League West and the National League Central, were won by the team from the largest market.

The Milwaukee Brewers, the smallest market according to the study, led the National League Central for most of the season. The Cleveland Indians, the eighth-smallest market according to the study, won the American League Central.

The Texas Rangers, in the nation’s fourth-largest market, finished in the cellar of the American League West. The Los Angeles Dodgers, in the nation’s second-largest market, finished next-to-last in the National League West.

The study also found that teams that have a losing season are likely to increase spending more than teams coming off a winning season. As Gustafson puts it, "They will try harder to buy wins."

Gustafson said another study by Andrew Zimbalist, Stephen Hall and Stefan Szymanski showed there is a stronger relationship between average payroll and average winning percentage during a 10-year period.