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QTM 220

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NBA Contract Analysis Prospectus.

**Introduction:**

For our project, we plan to replicate and update Casey Fox’s *NBA Contracts and Recency Bias: An Investigation into Irrationality in Performance Pay Markets* (2015) using contract data between the 2006-7 and 2011-12 seasons and between the 2012-13 and 2014-15. Because the 2011 Collective Bargaining Agreement changed total contract values, we separated the replication and the update. Fox (2015) found a significant positive relationship between contract year performance and the value and duration of the player’s new contract. Fox (2015) found that a player’s past three years of performance positively and significantly predicted future performance.

**Data Overview:**

Dependent variables: 1) Future Win Share per 48 Minutes 2) Natural Log of Average Yearly Contract Value 3) Natural Log of Contract Duration. 4) Natural Log of Total Contract Value.

Key Independent Variables: Win share per 48 minutes during the contract year, one year prior to contract year, and two years prior to contract year

Control Variables: Age. Dummy variable for playing Center. Minutes Played for the contract year and two seasons prior.

**Research Strategy:**

In this project, we remove the “Absent” dummy variable used by Fox in his analysis. We also replace the natural log of win share metric with win share per 48 minutes. We also use updated data to extend Fox’s analysis and look at the possible impact of the new 2011 CBA.

**Preliminary Analysis:**

We gathered data for all the necessary variables from basketball-reference.com and spotrac.com as did Fox. We ran all regressions as previously mentioned, both replicating and updating Fox’s analysis as seen in Table 5 and Table 8.