

Project Title: Salary Cap, Payroll Inequality and Competitive Advantage in MLB

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Primary Stakeholder: MLB League Office (Commissioner's Office & Competition Committee)

Problem and Decision: Would implementing a Salary Cap in MLB affect competitive advantage? How does excessive spending currently affect competitiveness in MLB? Do more valuable teams have an advantage? In this case, a good decision would be backed up by data and analysis that can be challenged but not disproven.

Data in One Line: Ostensen_John_CP4: one row per MLB team, aggregated outcomes from 2011–2025, covering 30 teams, with no additional filters.

- Row definition: One team's 15-year average payroll and total playoff games played
Time span: 2011–2025
- Scope: All MLB franchises with complete payroll and postseason data

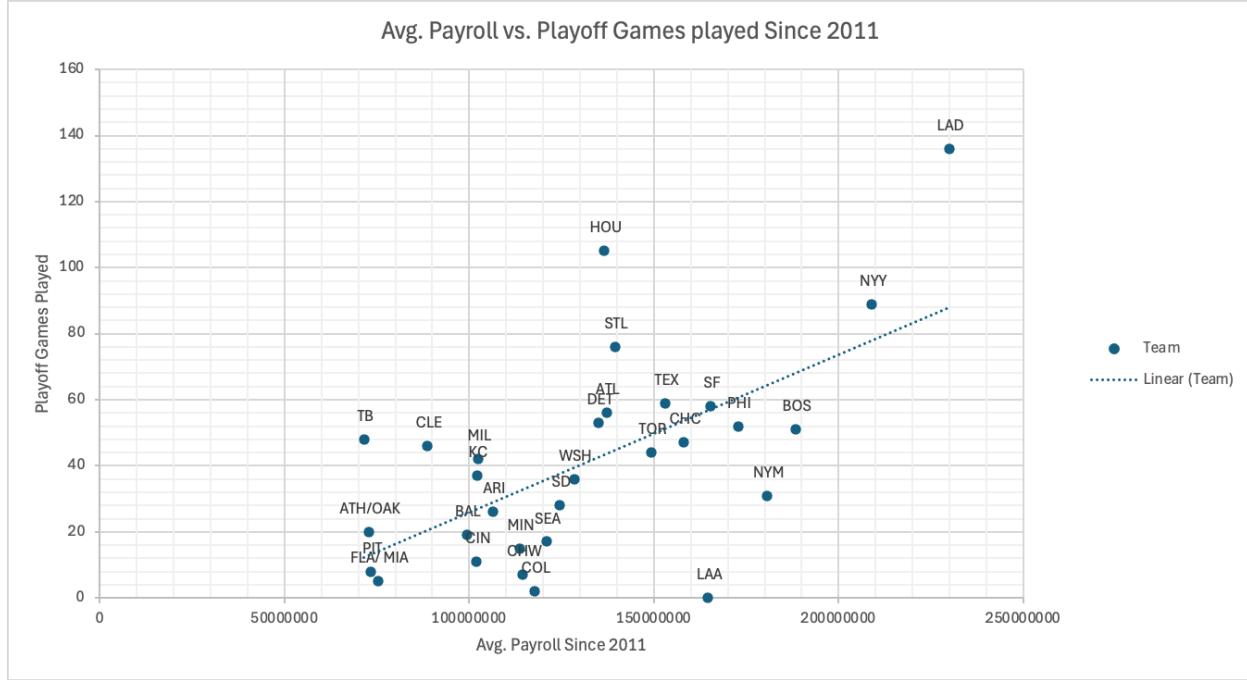
Approach in One Line: Simple linear regression using relative payroll to predict total playoff games played. Regression quantifies how much postseason success changes as payroll increases relative to the league average, isolating the spending effect while preserving interpretability.

Key Result: A team spending 100% above league-average payroll is predicted to play approximately 63 more playoff games over the 2011–2025 period. Payroll alone explains 38% of the variation in postseason success, a large effect in a sport influenced by injuries, randomness, and short playoff series. This can be considered large enough to materially affect competitive balance decisions.

- Analysis: More valuable teams have the ability to spend more money, giving these large market teams a competitive advantage with no Salary Cap implemented. If MLB were to implement a Salary Cap, we may see more competitive balance between large and small

market teams. However, a salary floor may also need to be implemented in order to incentivise smaller teams to spend money in free agency.

One Key Exhibit:



The above chart clearly depicts a trendline where, the more money a team spends, the more playoff appearances they will make.

Recommendation: MLB should formally evaluate the adoption of payroll controls (salary cap) beginning with the next collective bargaining cycle, as many believe a lockout will occur if nothing is done about payroll advantages. Success would be measured through a reduced variance between team payrolls, increased distribution of playoff appearances across markets, and improved postseason parity over subsequent seasons.

Risks & Limits:

- Payroll does not capture player development efficiency or front-office quality.
- Long-run averages may mask short-term inefficiencies or breakout seasons.