

## Proposal: Sports Analytics Semester Project

### Salary Cap in MLB

This memo proposes an analysis of the current state of competitive advantage for large market teams in Major League Baseball. The memo will outline the impact of implementing a potential salary cap for MLB, as it is the only major US sports league that does not currently have a hard salary cap in place. It will also analyze the impact that implementing salary caps has had in other leagues, as well as the impact that the luxury tax has had on MLB since its implementation. Finally, this memo will provide details and potential data to be used in order to determine if implementing a salary cap in MLB would be a positive or negative decision, and who the decision to implement a salary cap may affect.

To analyze the state of competitive advantage in MLB for large market teams, it is important to first determine which teams are considered to be located in a large market. To do this, we can look at two sets of data: 2025 payroll & franchise value. These two sets of data will be able to determine which teams have the most money to spend and which teams are spending the most money, which, in turn, would potentially allow them to gain competitive advantage over small market teams. Once the top 10 largest market teams and bottom 10 smallest market teams are determined, the next step would be to look at some further performance statistics: winning percentage since 2000, and all-time World Series titles. These team statistics would clearly determine if larger market teams are consistently winning more than smaller market teams.

After this preliminary research is completed, it is important to determine the impact of salary caps in other US professional leagues. In each respective league (NFL, NBA, & NHL), we will look at championships won by large market teams before the introduction of salary caps, as

well as the championships won by large market teams after the introduction of salary caps. With this analysis, we will see if there was any real impact on competitive advantage with the implementation of a salary cap. We can also potentially look at the team data in MLB after the luxury tax was introduced, which penalizes teams for spending more, but does not prevent it.

The implementation of a salary cap in MLB would mainly impact the teams and players. Large market teams would likely be against it, as it is widely thought that implementing a salary cap would reduce large market competitive advantage. Meanwhile, smaller markets would support the salary cap, as it would hypothetically even the playing field. For the players themselves, the MLBPA has been outspoken about being against a salary cap, as this would mean that players would be forced to be paid less, especially since MLB tends to have higher salaries than any other US sport. In the upcoming weeks, I will be collecting this data mentioned above in order to determine the real impact of a salary cap and the impact it would have on competitive advantage for large market teams.