

# Moneyball vs. Millionaires: Examining the Need for a Salary Cap in Major League Baseball

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## Introduction

### The 2002 Oakland Athletics

The legendary 2011 film “Moneyball” tells the story of the 2002 Oakland Athletics, a team taken over by general manager Billy Beane who led them to a historic season, winning 103 games, winning their division, and making the playoffs. The reason that season was immortalized into a movie, however, was not simply because the team had a historically good season. The 2002 Oakland Athletics did something far more remarkable. They were not just able to win, but they did it as a small market team, with an incredibly low payroll, the third lowest in the league in 2002 (Retrosheet 2002).

The Athletics had seen periods of success in their franchise’s history, but struggled to end the 1990’s. The problems they faced during that time were not unique to the Athletics. Many teams around the league were struggling because they could not keep up with the “big guys”. The Athletics were and are considered a “small market” team. This means they are located in an area with a lower population, meaning they bring in less money as an organization, meaning they have less money to spend on good players. They simply could not keep up with “large market” teams like the Yankees and Red Sox, teams with far deeper pockets. In 2002 alone, the New York Yankees spent \$125 million on player salaries, the Boston Red Sox spend \$108 million, and the Athletics spend a measly \$40 million (Retrosheet 2002). In fact, many players would start with the Athletics and other small market teams, improve and become better ballplayers, then leave to the large market teams who could afford to pay them far more, essentially outbidding the smaller market teams.

The 2002 Oakland Athletics are a remarkable team because they were able to innovate and find value in players that did not cost nearly as much as the superstars New York and Boston were paying for. This was 20 years ago though, and now all teams use similar methods that were pioneered in that 2002 season. There is little value left to find out there on the smaller payrolls that these smaller market teams are given. This project is not about attempting to replicate what the 2002 Athletics were able to do. Instead, we will look at the system that forced them and all other small market teams to do more with less just to compete with large market teams. We will investigate the relationship between payroll and team success.

### The Competitive Balance Tax

To help decrease the gap between teams with deep pockets and teams without, most sports leagues in the United States have what is called a salary cap. This is as it sounds, an agreed upon limit on the amount teams can spend on player salaries. For example, the National Football league set its salary cap at \$224,800,000 for the 2023 season (OverTheCap 2023). Teams are not permitted to spend more than that amount on their players and spend a lot of time trying to maneuver contracts to stay under that figure. Player salaries are by far the largest expense any team has and this hard limit on that expense helps to balance the playing field and close the gap between large market and small market teams.

The MLB, however, does not have a salary cap. There is no limit on the amount of money teams can spend on player salaries. Instead, they have implemented a system called the “Competitive Balance Tax”(CBT)

	year	cbt
11	2013	\$178.00
12	2014	\$189.00
13	2015	\$189.00
14	2016	\$189.00
15	2017	\$195.00
16	2018	\$197.00
17	2019	\$206.00
18	2020	\$208.00
19	2021	\$210.00
20	2022	\$230.00

(“MLB’s Evolving Luxury Tax — Blogs.fangraphs.com”). An amount is agreed upon by the league, the CBT threshold, though teams are allowed to exceed this amount in their payroll. If they do exceed this amount, they are taxed at a rate proportional to the number of years they have been over this amount. This system has been in place since 2002 and the values for the CBT threshold over the years are as follows:

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## Warning in styling_latex_position_right(x, table_info, hold_position,
## table.envir): Position = right is only supported for longtable in LaTeX.
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## Data

year	cbt
2003	\$117.00
2004	\$120.50
2005	\$128.00
2006	\$136.50
2007	\$148.00
2008	\$155.00
2009	\$162.00
2010	\$170.00
2011	\$178.00
2012	\$178.00

## References

“MLB’s Evolving Luxury Tax — Blogs.fangraphs.com.” <https://blogs.fangraphs.com/mlbs-evolving-luxury-tax/>.  
OverTheCap. 2023. “Salary Cap Space.” <https://overthecap.com/salary-cap-space>.  
Retrosheet. 2002. “2002 Payroll.” [https://www.thebaseballcube.com/page.asp?PT=payroll\\_year&ID=2002](https://www.thebaseballcube.com/page.asp?PT=payroll_year&ID=2002).