Bargain Baseball: How Small-Market Teams Compete with Bigger Brethren Through Economically-Minded Roster Composition

Since the first professional teams were organized in the 19th century, baseball has been a contest between teams on the field and off of it. Teams compete for the best players, with the market often dictating the cost of acquisition and a player's relative value. As a result, teams that lack the financial resources possessed by big-market franchises often face a natural disadvantage because they simply aren't on the same fiscal playing ground as their better-endowed opponents.

According to the MLB report put forth in July 2000, "there is a strong correlation between high payrolls and success on the field" (Levin et al. 4). As restated in the iconic baseball treatise *Moneyball,* "only the rich teams could afford the best players" (Lewis xii). The other major professional American sports (hockey, football and basketball) offset this imbalance through a salary cap system. No true salary cap exists in baseball, with the dual systems of the luxury tax and revenue sharing responsible for minimizing the economic marginalization of some franchises. The luxury tax, formally established in 2002's collective bargaining talks, affects teams spending over a defined limit by taxing them a minimum of 22.5%, whereas revenue sharing divvies up income amongst teams with significant payroll differences (DeMause, "Salary Cap"). In 2000, sharing of national broadcast and merchandise licensing revenue provided clubs with approximately $15 million annually (Costas 55). Today, the total amount of money transfered through the MLB revenue sharing agreement is closer to $400 million (Kepner B12).

However, this supposed equalizer does little to enhance the chances of losing squads, especially when documents surfaced showing that the Tampa Bay Rays, Florida Marlins and

Pittsburgh Pirates used monies received through the revenue sharing process to profit, hoarding the sums received (literally) at the expense of other clubs (Bradbury SP2). Whereas Tampa Bay and Florida posted winning seasons despite the illegitimate surplus of funds to be spent on player acquisition and development, Pittsburgh set a Major League record with eighteen consecutive losing seasons ("MLB Seeking"). The reason that these teams were able to succeed was not a result of frugality so much as a result of economically-minded roster composition.

Economically-minded roster composition is a result of an organizational approach to increasing wins while keeping costs low, often pairing a rich farm system with a solid core of veteran producers and carefully using sabermetric analytics in the decision-making process. To accomplish this, many small-market franchises emphasize player development alongside "sophisticated statistical analysis" (Lewis 292). Whereas teams with large financial reserves can compete for high-priced free agents, smaller teams are able to build farm systems around low-cost, high-ceiling players. When paired with the addition to the team of journeyman players and the occasional superstar, a franchise of modest resources is able to field a rather competitive team. This methodology contributed to the recent World Series runs of such franchises as the Colorado Rockies (who reached the Fall Classic in 2007), Tampa Bay Rays (2008) and Texas Rangers (2010).

This economically-minded roster composition is evident when the players on each of the aforementioned trios of teams are considered. Amongst the 2007 Rockies, 2008 Rays and 2010 Rangers, only the Rangers had acquired a player who had reached superstar status with another team (pitcher Cliff Lee). By fostering homegrown talent and using trades and free agency to acquire complementary players, each team managed to achieve excellent results while avoiding the "skewness in…the associated distributions of income," or, in layman's terms, the excessive salaries which superstars command (Rosen 845). The forced disallowance of salary outliers that small-market teams must accept causes them to (at least partially) evade the economic principle that "pay disparities steer resources" (Porter BU1) because they must meet payroll constraints in a market absent of regulation aside from the pseudo-soft cap created by the luxury tax and the Major League minimum salary.

A key example of a team midway through the process of reconstructing their roster in an economically-minded fashion is the Kansas City Royals. After the 2010 season, the Royals traded 2009 Cy Young Award winner Zach Greinke to the Milwaukee Brewers for shortstop Alcides Escobar and prospects Lorenzo Cain, Jake Odorizzi and Jeremy Jeffress (Sheehan 20). Both Odorizzi and Jeffress were former first-round draft picks, while Cain has already contributed in limited time at the Major League level. Although the Royals gave up their (then) premier starter, they gained the benefit of four low-cost players. This type of trade made sense from the Royals personnel side in large part because of their paltry $36 million payroll, a pittance compared to American League Central rivals Chicago ($127 million), Minnesota ($112 million) and Detroit ($105 million); by making the move, they received four low-cost players likely to provide the team with a solid return on investment (Nightengale and Boeck 1C). Furthermore, the Royals currently field a team consisting largely of young, organizationally-developed talent, many players on which were early round draft choices as a result of the futility of the team's seasons over the past decade. With the addition of role players and continued use of the farm system as a talent source, the Royals could potentially construct a strong economically-minded roster with the ability to contend in the near future.

However, Kansas City is far from Major League royalty right now. A team that recently completed the transition from pauper to powerhouse is the Tampa Bay Rays. Although the Tampa Bay payroll hovers around $41 million (roughly 20% of the $202 million payroll of their American League East rivals in New York and about a quarter of Boston's $161 million payroll), the team won the division in 2008 and 2010 (Barzilai et al. 12C).

The 2008 Rays won the American League pennant with a roster filled primarily with homegrown talent, including playoff heros B.J. Upton and David Price (then a rookie), 2008 Rookie of the Year Evan Longoria and perennial All-Star Carl Crawford. Also on the team were players like designated hitter Cliff Floyd, a veteran at the end of his career, with a low asking price but a strong clubhouse presence and the ability to post solid, if not stunning, numbers (Crasnick, "Rays' Run"). The average salary of a Ray in 2008 hovered around $1.75 million, approximately 38% lower than the league-wide average salary figure of $2.8 million (Freeman 10). A significant part of the team's ability to compete despite a low payroll was investment in young low-cost, high-ceiling players like the aforementioned Longoria, who made "relatively nothing" during the 2008 campaign, despite providing "an upgrade" at third base and contributing on offense (Lebow 7). By taking flyers on impact prospects and spending modestly on known free agent quantities like Floyd, the Rays were able to improve by making fiscally conscious decisions. Also vital to the team was manager Joe Maddon, who respected the objectivity of analytics while using his superior knowledge of the game to make subjective choices when necessary come gametime.

If there were a poster child for bargain baseball, however, it would be the 2002 Oakland Athletics. On a budget of $41 million, the squad won 103 games and the American League West

("2002 Oakland Athletics"). With this limited payroll, the second lowest in the majors, it was of the utmost importance for sabermetrics-loving general manger Billy Beane and his staff to make every dollar count in their pursuit of a postseason berth (Lewis 121). Profiled in Michael Lewis' book *Moneyball*, Beane's staff put together a playoff-caliber team for $6 million less than the cost of the book's film adaptation ("Moneyball 2011") and a fraction of the $126 million spent in 2002 by the league's wealthiest franchise, the New York Yankees (Lewis xi). The team's top-down approach and union of the front office and managerial visions ensured that a respect for sabermetrics, analytics and sports economics would be present at all levels of Oakland's decision making. Because the team's culture became defined by the statistical rationality that rules bargain baseball, Oakland's staff constructed a team that expertly mixed rising stars drafted by the team with the veterans necessary for clubhouse leadership, making certain that both types of players made objective sense for the team's system.

Of course, a large part of economically-minded roster composition is the method by which a team chooses the right players. Teams will generally consider both the somewhat subjective reports of scouts, the player's "fit" for the team and sabermetric analysis in making personnel decisions. This mix of the traditional and the new is vital; anything less would be a failure of organizational economics, as resource inefficiency would result from an incomplete use of the information at the disposal of the team's decision makers ("In Defense"). That being said, the difference between a successful low payroll franchise and one lagging behind is difficult to define, but often connected to a failure to consider the objectivity of baseball analytics, something ESPN writer Rob Neyer referenced at the 2010 MIT Sloan School Sports Analytics Conference, when he remarked that certain clubs "aren't with it" (qtd. in Gershenfeld 29).

As the popularity of sabermetrics grows and teams, especially those with limited financial resources, use analytics alongside traditional scouting to make roster decisions, it can be anticipated that the bargain baseball mentality will continue to evolve. Unless changes are made to the "anachronistic economic model" under which Major League Baseball operates, economically-minded roster composition is the only way for franchises with meager payrolls to succeed (Levin et al. 6).

Bargain baseball is more than a single-season rush to save money or cut costs; it is a strategic approach to a franchise's administration management taken by a club to achieve the best result at the lowest cost over multiple seasons. Teams that do not receive the benefit of significant attendance, a large media market or similar moneymakers must play bargain baseball to climb in the standings, because they lack the revenue streams of teams in media markets based in cities such as Boston, New York, Chicago and Los Angeles, teams who can generally afford to compete for the best free agents during any given offseason. Economically-minded roster composition, a vital part of bargain baseball, led to a slew of recent playoff runs by teams playing outside of major markets. When the financial benefits of a playoff run is considered, bonuses and the subsequent season's increase in ticket sales included, a team has a chance to transition to the next echelon of baseball, from a pauper to a powerhouse with increased capability to retain players for at least one season more.

As long as Major League Baseball continues to operate without a true salary cap and with massive variance between the largest and smallest payrolls, teams will play bargain baseball. Taking advantage of this strategy, however, is a choice consciously made by a team's front office and one that must be accepted throughout the organization for a team to succeed and maximize the productivity that the club gets out of the players on its payroll. The question is not which team will jump from the bottom of the league to the top in payroll, it is which team will jump from the bottom to the top of the standings come October.

With the success of teams following its principles, bargain baseball has officially made it to the mainstream, and it is here to stay.

Works Cited

Barzilai, Peter, Scott Boeck, Gabe Lacques, and Bob Nightengale, comps. "Baseball Salaries." *USA Today* 1 Apr. 2011: 12C. Print.

Baseball Reference. "2002 Oakland Athletics." *Baseball-Reference.com*. Sports Reference, 2011. Web. 28 May 2011. <http://www.baseball-reference.com/teams/OAK/2002.shtml>.

Bradbury, JC. "Encouraging the Poor to Stay Poor." *New York Times* 29 Apr. 2010: SP2. Print.

Costas, Bob. *Fair Ball: a Fan's Case for Baseball*. New York: Broadway, 2000. Print.

Crasnick, Jerry. "Rays' Improbable Run Rolls on into World Series." *ESPN.com*. ESPN, 19 Oct. 2008. Web. 27 May 2011. <http://sports.espn.go.com/mlb/playoffs2008/columns/story?columnist=crasnick_jerry&id=3652604>.

DeMause, Neil. "Does Baseball Need a Salary Cap?" *ESPN.com*. ESPN, 2006. Web. 27 May 2011. <http://sports.espn.go.com/espn/page2/story?page=betweenthenumbers/salarycap/060405>.

ESPN. "MLB Seeking Source of Finance Leaks." *ESPN.com*. ESPN, 24 Aug. 2010. Web. 28 May 2011. <http://sports.espn.go.com/mlb/news/story?id=5492093>.

Freeman, Eric. "Rays Don't Come Up Empty Handed." *Sports, Inc.* Spring 2009: 8+. Print.

Gershenfeld, Gabe. "Baseball Analytics." *Sports, Inc.* Spring 2010: 28-29. Print.

Goyne, Tom. "In Defense of Moneyball and Sabermetrics." Web log post. *Balls, Sticks & Stuff*. 15 Sept. 2004. Web. 28 May 2011. <http://www.ballssticksstuff.com/2004/09/in_defense_of_m.html>.

IMDB. "Moneyball (2011)." *The Internet Movie Database*. IMDb, 2011. Web. 28 May 2011. <http://www.imdb.com/title/tt1210166/>.

Kepner, Tyler. "Selig Finally Finds Peace as He Looks Toward Next Job." *New York Times* 21 Apr. 2011, New York ed.: B12. Print.

Lebow, Jeff. "A Lesson to MLB Managers: Defense Matters." *Sports, Inc.* Spring 2009: 6-8. Print.

Levin, Richard C., George J. Mitchell, Paul A. Volcker, and George F. Will. *The Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics.* Rep. Major League Baseball, 2000. *MLB.com.* Major League Baseball, July 2000. Web. 27 May 2011. <http://www.mlb.com/mlb/downloads/blue_ribbon.pdf>.

Lewis, Michael. *Moneyball: the Art of Winning an Unfair Game.* New York: W.W. Norton, 2004. Print.

Nightengale, Bob, and Scott Boeck. "AL Central Banks Three Big Payrolls." *USA Today* 1 Apr. 2011: 1C. Print.

Porter, Eduardo. "How Superstars' Pay Stifles Everyone Else." *New York Times* 26 Dec. 2010, New York ed.: BU1. Print.

Rosen, Sherwin. "The Economics of Superstars." *The American Economic Review* 71.5 (1981): 845-58. *JSTOR.* Web. 28 May 2011. <http://www.jstor.org/pss/1803469>.

Sheehan, Joe. "A Good Deal." *Sports Illustrated* 27 Dec. 2010: 20. Print.