

League Level Decision Making: Revenue Sharing

Objectives. MLB owners during the 1994 strike tried to impose a new revenue sharing policy without approval of the players' union. The owners claimed that the exchange of money between individual owners was not a collective bargaining issue because it did not concern player pay, number of jobs, working conditions, or any number of issues with which they normally must negotiate with the union. The analysis sought to determine the effect on player pay and the number of jobs of a unilateral decision by League owners to implement a revenue sharing policy.

Challenges & Methodologies. The U.S. District Court was faced with determining whether the players would be negatively impacted by a change in league structure, among other things. This was complicated by the fact that there are not many comparable situations or precedents in sports, or elsewhere.

An economic model of MLB was developed and an analysis of the impact of revenue sharing on player pay was undertaken. The proper data were gathered and the model was tested using advanced econometric techniques.

Outcomes. The Court sided with the findings in the analysis, and agreed that there would be a negative effect on player salaries from an increase in revenue sharing amongst the owners. The Judge forced the owners and players to come to an agreement. Years later when MLB was able to institute a stronger revenue sharing policy, player salaries have stagnated instead of growing at the high rates prior to the revenue sharing policy.