

Should MLB Implement Stricter Salary Rules?

By Charlie Aftel





Agenda

- Context of issue
- Reasons why people want more strict salary rules
- Why teams spend money differently
- Revenue differences between teams
- Do teams spend what they should on their payrolls?
- Should MLB implement stricter salary rules?



Background

- For decades, there has always been a wide variety of spending across teams in the MLB
 - **Depending on where teams were located across the country, such as in big markets or small markets, there has always been a clear spending difference**
- However, today the spending gap is growing wider, and fans and teams are noticing
 - **For every \$1.00 the teams in the bottom five in terms of payroll, teams in the top five spend \$4.80, a 1:4.8 ratio**
 - **This number is at an historical level. For example, just back in 2018, the ratio was 1:2.6**
- And this gap is only expected to widen more unless there are drastic changes either by teams or the league itself



Why Do Some Want Stricter Rules?

- From research, a team's success during and after the season is a result of how much they spend
 - Since 1998, teams in the top five in terms of payroll averaged about 89 wins per season compared to 74 wins to teams outside of the top five
 - And since 1998, 20 teams with a top 10 payroll have won the world series compared to 8 outside the top 10
- People today are noticing such a large discrepancy between teams' spending
 - The Dodgers spent \$515 million in 2025 on their payroll, more than the bottom five teams in terms of payroll combined
- There is a lack of enthusiasm for small-market teams
 - Big-market teams are the only ones nowadays adding top talent, and small-market teams are losing top talent every offseason



Reasons for Spending Differences

- **Wealth/willingness to spend of Owners:**
 - **“Rich” owners:** Four of the top five teams in payroll in 2026 have the some of the wealthiest owners in baseball who can keep putting money into their teams even if they do not take in a ton of revenue every year
 - **“Cheap” owners:** Owners of the Orioles, Pirates, and Guardians are generally considered to be “cheap” because they have large net worths or decent revenue streams from their teams, they do not spend as much as they could
- **Media deals:** Some teams have larger media deals, and hence larger revenues than other team:
 - The Dodgers have a local media deal worth \$334 million per year, while the Brewers make just \$35 million per year from their local media deal
 - This is different than in the NFL, for example, where media deals are equally distributed among teams



Revenue Differences Between Teams

Media deals are a big part of revenue differences, but there are also other aspects:

- **Market size:** A team in a big market, such as the Yankees or Dodgers, have access to more fans, sponsorships, and more valuable media deals than teams in mid-size and small markets
- **Tickets and merchandise:** Teams that are really good at selling tickets and merchandise draw in more revenue. This usually goes together with market size, but there are some exceptions, such as the St. Louis Cardinals
- **Players:** Some teams have really marketable players, such as Aaron Judge on the Yankees or Shohei Ohtani on the Dodgers, who already brought in enough money to offset his entire contract costs



Do Teams Spend Appropriately?

Does every MLB team spend around the same percentage of their revenue?

- Part of this answer can go back to the willingness of owners to spend
 - **The Dodgers made \$752 million in 2024 and spent \$549 million in 2025 on their total payroll, meaning they spent 73% of their revenue on their players**
 - **The Mets are similar to the Dodgers, spending about 90% of their revenue of their payroll in 2025**
 - **However, the Yankees, making \$728 million in revenue, spent only \$362 million on their total payroll, or about 50% of their revenue, making them a much more prudent team than others**
- The Dodgers and Mets are teams that prioritize putting their revenue towards their payroll, while a team such as the Yankees is more cautious



Do Teams Spend Appropriately?

While teams like the Yankees could probably spend more, other smaller market teams probably cannot put as much revenue into their payroll every year due to the expenses they have. They take in far less money every year and still have the same expenses as any other team

- From research, it takes about \$90-\$150 million a year to operate an MLB team, excluding payroll.
 - **Once a team like the Dodgers pay these expenses, they still have a tremendous amount of money to spend**
 - **But once a team like the Brewers pay these expenses, they have much less**
- While there are cheaper teams, there are some teams that simply cannot afford to put hundreds of millions of dollars into their payroll due to their revenue being much lower than other teams



Should There Be Stricter Rules?

I do not think there should be a traditional hard cap and floor like other leagues:

- There would be no way to make this fair for all teams due to revenue differences
- The MLBPA would strongly oppose this and could lead to a lockout

Instead, I think MLB needs to make the rules they have in place currently more fair for all teams and strictly impose these rules:

- The luxury tax needs to be very penative for teams, making going over the soft cap that is currently in place very consequential and costly
 - **This would make teams pick and choose where to spend their money, but also allow them to go over if they really want to**



Should There Be Stricter Rules?

- There needs to be a soft floor as well, with cheaper teams failing to meet the floor also suffering consequences, such as paying a fine or losing a draft pick
 - **This would stop the problem of teams not spending all that they could**
- The revenue sharing system needs to be more effective for small market teams
 - **The money should not be distributed equally, but rather distributed more to teams that truly need it and less to teams that do not**

In conclusion, MLB should make the rules they have now stricter, while adding a soft salary floor. Going over the salary cap and under the floor should be very consequential for teams. This would reduce spending gaps, create more parity, let teams spend more if they absolutely need to while forcing all teams to spend a respectable amount, and allows the players to be satisfied with the league.

Thank You!