

# **A Policy Analysis of Player Acquisition Rules in Major League Soccer**

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## **Aim**

This study provides a policy analysis of the player acquisition mechanisms utilized in Major League Soccer (MLS) in the United States. Specifically, this study focuses on three unique player acquisition policies that allow MLS clubs to spend beyond the league's hard salary cap to bring in more talented and marketable players. The three policy changes that are the subject of this study are the 2007 Designated Player Rule (DP Rule), the 2010 expansion of the DP Rule, and the 2015 creation of general allocation money (GAM) and targeted allocation money (TAM). The aim of this research is to estimate the on and off field impact of these three player acquisition policies. As such, three primary research questions are posed. 1) Are MLS teams using these roster policies to financially compensate to performing players in the league? 2) Has the implementation of these policies created a competitive advantage for teams with larger budgets? 3) Has the increased spending allowed for by these regulations correlated with an increase in spectator attendance?

## **Theoretical Background**

Since the league began play in 1996, MLS has utilized numerous roster management, game play, and financial management policies to ensure a conservative, long-term plan to grow a sustainable top division of professional soccer in the U.S. As with other North American professional sports, MLS adopted a hard salary cap and centralized mechanisms within the league to allocate players to team rosters and share league revenues to the owner-operators of individual league franchises. These policies were created to ensure MLS would avoid the fate of predecessor professional soccer leagues in the U.S. that folded after spending beyond the capacity of team revenues and owner wealth. These roster rules and regulations vary widely from the mechanisms used by European football clubs and the vast majority of other major footballing nations. Recently, the study of MLS from economic and financial perspectives has gained momentum. Specifically, the DP Rule and the superstar effect have been examined from an attendance demand perspective (Jewell, 2015; Jewell & Molina, 2005; Kuethe & Motamed, 2010; Warren & Ross, 2011). Additionally, MLS policy has been analyzed from a legal perspective following the ruling in *Fraser v. MLS* (Atherton, 1998 and Waxman, 2001). This study seeks to utilize the theoretical perspectives of sport economics to analyze MLS roster policy. Specifically, this study's research questions are informed by the literature on pay and performance, competitive balance, and attendance demand.

## **Research Design and Data Analysis**

Consistent with the study's primary research questions, three methods of analyses were conducted on player performance, player compensation, team performance, and spectator attendance data for ten MLS seasons (2007-2017). First, to analyze the quality of MLS rosters relative to the increased spending allowed for by the DP Rule and infusion of GAM and TAM, a series of linear regression models were developed that sought to predict player compensation as a function of a variety of player performance metrics at times before and after the passage of each policy. Second, the correlations between player compensation and points in the league standings, team wins, team playoff appearances, and MLS Cup championships was assessed to determine the impact of player spending on team success in MLS. Third, to analyze the impact of the roster management policies on spectator attendance

and gate revenue, the correlation between attendance and team spending was measured at time points before and after the passage of these regulations. Player performance data, team results, spectator attendance, and player salary information were collected from the official MLS website and the official MLS Players Union website.

### **Results and Discussion**

Results of this study indicate the DP Rule, GAM, and TAM have had a net positive effect on MLS in terms of player quality, but it is unclear if the impact on spectator attendance and thus gate revenues has justified the increased spending. First, it is clear that players who have been signed to the league as a result of the DP Rule or the use of GAM or TAM outperform other MLS players on a wide range of performance metrics. Second, while historically, greater levels of spending on team rosters has not correlated with team success, this trend is beginning to change with the recent increases in GAM and TAM available to teams. Third, greater levels of spending did not correlate with increased attendance on a year-to-year basis. This presentation will discuss in detail these three primary findings and provide recommendations as to the continued development of roster management policies and player spending in MLS.

### **References**

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