

DO LONG-TERM CONTRACTS ENCOURAGE SHIRKING IN MAJOR LEAGUE
BASEBALL?

A THESIS

Presented to

The Faculty of the Department of Economics and Business

The Colorado College

In Partial Fulfillment of the Requirements for the Degree

Bachelor of Arts

By

Caroline Burns

May 2017

DO LONG-TERM CONTRACTS ENCOURAGE SHIRKING IN MAJOR LEAGUE BASEBALL?

Caroline Burns

May 2017

Economics

Abstract

Major League Baseball is unique from other professional sports because players are guaranteed their base salaries regardless of their performance level. The league does not enforce a team or player salary cap, so player compensation is very high as teams outbid each other in order to attract the most talented players. The lack of incentives and high wages produces an environment for shirking and moral hazard. This risk only increases for players signed to long-term contracts and it would be expected that these players would see a drop in their level of play. The results show that the players with long-term contracts negatively affect team performance.

KEYWORDS: (Shirking, Moral Hazard, Sports)

JEL CODES: (Z20, J41)

ON MY HONOR, I HAVE NEITHER GIVEN NOR RECEIVED
UNAUTHORIZED AID ON THIS THESIS

Caroline Burns

Signature

TABLE OF CONTENTS

ABSTRACT

INTRODUCTION	1
LITERATURE REVIEW	5
BACKGROUND	9
ANALYSIS	15
CONCLUSION	20
REFERENCES	23
APPENDIX A	25

Introduction

Major League Baseball (MLB) is unique from other professional sports for two reasons. First, the league does not have a salary cap for players, so there is no limit to the amount a player can earn. Second, the players are guaranteed their base salaries, independent of their future performance level. Both of these terms benefit the players. Even if they do not play up to their contracts, they nonetheless earn their contract amount. This creates a problem for the team organizations in the MLB because not only are they paying a very high price for talent, but there is also no assurance that the teams will receive the expected level of play from the players.

Because of the lack of a salary cap, the best players in Major League Baseball sign lengthy contracts that can exceed \$200 million. This is a high price to pay for unguaranteed talent, yet baseball clubs continue to take this risk. To a certain degree, clubs must offer big contracts in order for their teams to stay competitive, because highly desired players will sign with the team that offers them the best deal. Team organizations, in order to acquire the best talent and out-bid other teams, therefore offer lengthy contracts and a high salary in hopes of enticing players to sign with their team and not a competitor. The high demand for talent and short supply of it, benefits the players and can allow for overvaluation of some players.

This salary assurance for the players creates an additional problem. First, when a player's contract ends, his worth, or the price of his talent, is determined by his recent years in the MLB, and specifically his level of play from the past season. This does not necessarily reflect how he will actually play in the coming seasons. Although this is the best way of gauging a player's future level of play, it is no guarantee. This causes some

players to be over-valued and, in some cases, under-valued. Players can easily be over-valued if they do not play as well as they did in the past seasons. Players that come off of a big year and sign a contract that is worth that level of play may find it difficult to keep this up, especially over an extended period of time given. Additionally, there is also always the risk of a player getting injured. An injured player is useless to his team when he cannot play, but nonetheless he will still get paid.

I hypothesize level of play to drop for a player that is in a long-term contract. If this hypothesis is significant, it will help teams make smarter choices when it comes to buying talent. Teams should consequently reevaluate the length of the contracts they offer. If the longer length of a contract decreases level of play because it eliminated incentives, it would be shrewd for teams to offer contracts for fewer years to maintain motivation in the players to play well. Teams are still competing against each other in acquiring players so salaries will still be competitive, but offering shorter termed contracts protects the teams from overpaying for talent. This also allows for teams to spend more on other players, which will ultimately make them more competitive.

The regulations in the MLB seem to favor the players. One of the most basic economic principles is the idea that people respond to incentives, but in the case of players with long-term contracts the incentives to continue a high level of play are unclear. Comparatively, players who have short-term contracts may have a higher motivation to play well because they are more concerned with getting resigned and impressing teams in the near future. Teams offer long term contracts to the best players because they expect these players to play well for a number of years. However, if a player is comfortable knowing he will be paid for a significant number of years, relative to the

length of a professional baseball player's career, and not concerned with impressing other teams, it is unclear if he will play to the best of his ability. In Major League Baseball, incentives can be identified as the desire to get re-signed, and therefore get paid. However, players with long-term contracts are not primarily concerned with resigning, and each year they get a sizable salary. With an absence of incentives, it is important to know if players maintain their level of play. For these reasons, it is important to determine if the length of a player's contract impacts his level of play.

Team organizations in major league baseball continuously take the risk and sign desirable players to lengthy contracts. However, it is uncertain if major league teams expect these highly sought after players to be worth that amount, or if teams pay more than what a player is worth in order to ensure he does not sign with an opposing team. The absence of a salary cap allows teams the opportunity to outbid one another for a player with no limit to how much they offer. Therefore, big contracts may be embellished to beat out the competition, and may not solely reflect the value of a player's expected talent. These desirable contracts entice a player to come play for a team, but the comfort of the contract reduces determination, focus, and drive in a player to maintain his level of play.

A regression model is used to determine if there is a significant relationship between the length of a professional baseball contract and level of play. The data will take the form of a panel dataset so that level of play can be analyzed for a player during these contracts.

Level of play will be quantified using pitching and team statistics. Other data that will help evaluate the players are the number of games played in a season, whether or not

a player was injured, and the salary earned for each given season. The specific pitching statistics are:

1. The length of the contract
2. The annual base salary
3. Total games won by the pitcher
4. Total games lost by the pitcher
5. ERA: the earned run average of the pitcher
6. Games played
7. Total innings pitched
8. Hits: totals hits opposing batters make off of the pitcher
9. Walks: total batters walked by the pitcher
10. Strikeouts: total batters struck out by the pitcher
11. AVG: the hitting average of the opposing batters
12. WHIP: the average number of walks and hits divided by innings pitched
13. GIDP: the number of players who have grounded into a double play
14. Total team wins
15. Total team loses
16. Playoff appearance: a dummy variable for if a pitcher's team made it to the post-season

Player salaries can be found online at *USA Today*, while the pitching and team statistics are compiled on the official major league baseball website. With this data, I expect to show level of play, as explained by pitching and team statistics, is negatively correlated with the length of a contract.

Literature Review

The literature concerning contract length and level of play in professional sports has produced mixed results, and therefore it is inconclusive whether contract length encourages shirking. It is well known that people respond to incentives particularly when the incentive is money (Prendergast, 1999), but when compensation is guaranteed regardless of performance level, the issue of moral hazard comes into play. Moral hazard can be defined as a decrease in performance or productivity after a lack of incentives (Rowell and Connelly, 2012). In major league baseball, there is constant risk of moral hazard because the players are paid before they perform.

The literature regarding moral hazard does not deny the presence of it in professional sports. Instead, it evaluates how to reduce the risk of it. Moral hazard is more potent in instances where performance is hard to evaluate (Holmstrom, 1982). If performance level is difficult to calculate, the risk of moral hazard increases because performance cannot be broken down and compared. If a more accurate judgment of performance can be assessed, moral hazard is less likely to occur (Holmstrom, 1979). In the case of the MLB moral hazard could be monitored by the batting and defensive statistics. Players are statistically analyzed every single game, which allows the coaches, managers, the fans, and the players themselves rank their level of play against every other player. However, Holmstrom (1979) notes it is unclear whether this scrutinizing of players has the same effects on moral hazard for long term contracts.

It has also been found that property rights can affect productivity levels. Predominately, the guarantee of pay changes productivity (Alchian and Demstet, 1972). Major league baseball players are guaranteed year or multiyear contracts, which in turn

increases the chance of shirking because their effort level is independent of their contract salary. Therefore, changes in level of effort must be related to contracts (Marburger, 2003). Even though Holmstrom (1979) concluded moral hazard decreases with the ability to scrutinize performance, the terms of major league baseball are conducive to an abundance of shirking. Statistical analysis of player performance and the contract conditions established in the MLB work against each other, which makes it unclear if shirking is popular, especially in the case of players with long-term contracts.

Player performance and length of contracts has been analyzed in multiple different professional sports leagues. A study of the German Bundesliga football league found that player performance increased in the last year of a contract (Feess et al. 2007) (Frick, 2007). However, a more recent article from Buraimo, Frick, and Hickfang (2015) used a large dataset of players from the German Bundesliga and found longer contract length was related to better player performance. The authors concluded these results must be due to the fact that teams are highly selective with who they offer long-term contracts to in order to avoid moral hazard. It should also be noted that player performance increases by 2%-3% in the last year of a contract (Frick, 2011).

Unlike the findings from the German Bundesliga, the literature on the shirking effect in the National Basketball Association (NBA) is consistent and supports the shirking theory. Berri and Krautmann (2006) modeled player productivity in terms of contracts, team and coach influences, games played, salary, and team wins and found players did decrease their performance after signing a contract. However, when Berri and Krautmann changed their model to better represent marginal productivity, the support for shirking decreases. Another study found that player performance increases for players in

the last year of their contract, but falls in the year after a contract is signed. Players improve their level of play when they need to get signed and convince coaches of their high skill, but once their jobs are secure performance falls (Stiroh, 2006). Stiroh also found team wins in a season is correlated to the number of players from that team in the last year of their contract; when more players on a particular team are trying to impress coaches to give them a new contract, the team will win more games.

The shirking theory has been applied to major league baseball numerous times due to the abundance of player statistics and, therefore the seemingly ease to quantify player performance. However, the diverse results from many studies have rendered this theory to be inconclusive in terms of the MLB. Kenneth Lehn (1982) found players' time on the disabled list increased after just signing a long-term contract. With the reassurance of a multi-year contract, players might not train and practice as hard, which leaves their bodies vulnerable to injury. In this study, a long-term contract was only defined as a contract that was greater than one year.

On the contrary, Krautmann (1990) analyzed if variance in level of play was due to shirking or if it was stochastic because of the high number of games in a season and multiple seasons played. He looked at 110 players with contracts of five or more years and found there was no evidence to support the shirking theory. Therefore, increases and decreases in player productivity were random. Krautmann defined level of play solely as players' slugging averages, which Scoggins (1993) argued in response to his article is not sufficient enough to determine the presence of shirking. Scoggins acknowledges Lehn's (1982) findings and added a variable to Krautmann's model that represented time spent on the disabled list. After doing so, the results proved to be significant, and shirking does

occur in players with long-term contracts in the MLB. This highlights the sensitivity the results have to how productivity is measured. Additionally, when level of play is defined as OPS, on-base percentage and slugging, the results concluded performance did not drop (Krautmann and Donley, 2009). The authors used a sample of 108 players that had signed a new contract in the 2005 and 2006 seasons. To obtain accurate results regarding the shirking theory in major league baseball, it is imperative that player productivity is accurately defined.

Background

Each professional baseball player signs his own contract with specific details regarding compensation, length of employment, and other accommodations, such as moving and living expenses, but every contract follows the same guidelines and regulations. Every contract has an annual base salary for the duration of the contract that is assured to the players. While this is not the only form of compensation for the players in the major leagues, it is the only type of compensation that is guaranteed.

In Major League Baseball (MLB), all players are required to have a contract with one of the 30 club teams. Players must have a Uniform Player's Contract with their respective club teams that sets standards for all players in the Major League. In the contract the specific player and the club are stated at the top, which is followed by the number of years this player is contracted to the club. While individual MLB player contracts are not public information, a blank Uniform Player's Contract is attached as appendix A. This contract has the player details removed and was obtained from the MLB trade rumors website. During those years, the player is required to participate in spring training, any exhibition games, the regular season, and any of the club's post-season opportunities. Each club plays a total of 162 games during the regular season, and these games are played in 178 - 183 days. Additionally, the amount of the base salary is defined, which is paid to the player on a semi-monthly basis for the duration of the contract length. The Uniform Player's Contract states this base salary "shall not be diminished by any such assignment, except for failure to report".

The player and the club have rights to get out of the contract, but these rights are contingent on specific circumstances. The player reserves the right to terminate his

contract under the condition that his club is defaulting on payments to this player. The club has the right to terminate a contract with a player if the player is not following the standards of good citizenship and sportsmanship set by the club, if he does not maintain a level of physical condition, if he fails to exhibit competitive skills, or if he refuses to let the club use his skills. If a club terminates a contract with a player, this player is entitled to a termination fee, and the other clubs have an opportunity to pick up the rest of this player's contract if the club thinks this player will add value to the club. A club must be absolutely certain that a player is no longer adding any value to the club because once a player is dropped he is now not only not part of the original club, but he is also playing against them if he is signed by another team.

Provided that base salaries are guaranteed as long as the player reports to his club, there are also firm regulations that monitor minimum player wage and seasonal salary reduction. As of 2016, the minimum base salary a player can earn is \$500,000 adjusted for the cost of living. The minimum major league player wage has increased in recent years as in 2012 it was only \$480,000 per season and in 2013 the minimum salary was \$490,000. There are also strict rules regarding salary reductions. When a player is signing a new contract, his salary cannot be reduced by more than 20% of his salary from the previous season or 30% of his salary from two seasons past. Both of these regulations protect the financial prospects of the player. If under the right conditions, a player does not think his current salary is an accurate reflection of his contribution to the club, he may apply for arbitration.

Arbitration is the process in which an individual player and his club submit to a third-party arbitration panel and amount of money they think accurately reflects the skills

and talent this player brings to the club. A player would apply for arbitration if he thinks his salary is undervaluing his talents. Players can apply for arbitration if they have been in the major leagues for at least three seasons and up to six seasons. An exception to this rule are players who have less than three years in the major leagues but at least two years, have played in at least 86 games, and are in the top 22% in years played for players in their second year of the major leagues. These players are referred to as “super two” players.

The arbitration process starts with the player giving a written notice and a salary figure to the Major League Baseball Association. The Major League Baseball Relations Department (LRD) then acquires a salary amount from the player’s respective club. Both salary figures should accurately represent the value the player brings to the club in the eyes of the player and the club. At this point a date is set for the arbitration hearing, however most players who file for arbitration never have their hearing. This is because in most cases the club and the player negotiate and come to a compromised salary for the player. If both parties reach an agreement before the hearing, the player can withdraw their request for a hearing. One reason cases seldom make it before the actual arbitration panel is because the club and the player split the costs of the hearing.

In the case that a player and a club cannot compromise, it will be taken before an arbitration panel. At the hearing, the club and the player exchange salary figures to the panel and have one hour to present their initial cases and justifications for valuing the player at their presented salary amount. The criteria for how to value the player are as follows: overall player performance, special leadership qualities, public appeal, consistency and length of career, comparative salaries for equal level of play, physical or

mental condition of the player, the club performance and standings, and game attendance. This is followed by 30 minute rebuttals and conclusions from both parties. The panel weighs both arguments and decides to either award the player the salary he proposed or the salary the club offered. There is no middle ground.

Arbitration is one way for players early in their careers get a raise if they have earned it, but there are also other ways for a player to earn more money. In general, a player's total salary is their base salary plus any signing bonuses plus a buyout for first club plus any earned bonuses. A signing bonus is an amount of money a club offers to a player for signing with their team. A club would offer a bonus to a highly coveted player who might have contract offers from multiple different teams. This is a way of enticing a player to sign with their club over any other. The bonus can be paid to the player over the duration of the years of the contract. If a player is bought out of their contract from their club, this is called a buyout. Each player's buyout clause option is individually determined. It ranges from either the rest of their seasonal base salary or some portion of this salary. The buyout option requires the club to pay the player the arranged percentage of their salary throughout the remaining years this player had left on his contract. If this player is signed by another team, the player will continue to receive his buyout payments in addition to his salary. There are many ways in which a player can earn bonuses through his performance or any awards received, but one of the most lucrative bonuses is the player's pool post season bonuses.

The player's pool is formed from the World Series, the two League Championship Series, the four Division Series and the two Wild Card games. The contributions to the pool are as follows. 60% of total gate receipts from the first four

World Series games and each League Championship Series are added to the pool along with 60% of total gate receipts from the first three games from each Division Series, and finally 50% of total gate receipts from each Wild Card games after deducting travel expenses for each visiting team. The pool is distributed by the World Series winning team receiving 36% of the pool and the losing team gets 24%. Next, both League Championship Series losing teams gets 12% of the pool, the four Division Series losing teams get 3.25% and the two Wild Card losing teams get 1.5% of the total pool. The player's pool is extremely lucrative and the 2016 player's pool totaled \$76,627,827.09. Each team receives their portion of the pool and can either issue full shares, partial shares, or cash rewards to the players. The 2016 World Series Champions, the Chicago Cubs, total earnings from the player's pool was \$27,586,017.75 and a full share totaled \$368,871.59. Comparatively, the teams that lost in the Wild Card, the Baltimore Orioles and the New York Mets, earned \$1,149,417.41 as 1.5% of the pool, respectively. The player's pool provides an enormous incentive for the players to not only reach the post-season, but to thrive in it as well. As a player, the possibility of earning \$368,871.59 just as a salary bonus for winning the World Series can be a forceful incentive.

This post-season player pool encourages and gives players a monetary incentive to work harder and win their games. However, there is no pool for the regular season and players must be motivated from their contracts. It is the job of the club team to entice each player in their contracts with an appealing base salary and length of employment in order for the players to want to push themselves and play at their best ability. This salary is independent of future level of play, so the contract details must hope to be attractive enough to fuel personal motivation from the players. Eligible players can appeal and

protest for their salaries to better reflect their contribution to their respective teams, but this only replaces the annual base salary. It is possible for individual players to have incentive clauses in their contracts, but this is not public information. For these reasons, it is necessary to analyze if base salaries are enough to encourage players to maintain a level of play, or if it allows them to slack off.

Analysis

To conclude if performance is affected by contract length, the null hypothesis must be rejected. The null hypothesis states the length of a player's contract does not influence the performance of the player. If the null hypothesis can be rejected, the alternate hypothesis is accepted.

The dataset consists of 48 starting pitchers and their contracts over the 2015 season. Since contracts are not uniform in length, some players have only four years and others are signed to their contracts for up to seven years. Pitching and team statistics are taken from each season covered by the contract that overlaps with the 2015 season. Contracts range from 2011 to the 2021 season. Major League Baseball had only concluded up to the 2016 season at the time this data was collected, so some players have not fulfilled the full length of their contracts. While there are only 48 pitchers selected for this study, there are a total of 248 observations because every player is observed each year of his contract in order to determine if level of play decreases. Contract lengths and annual base salary amounts are taken from USA Today while pitching and team statistics were collected from the official Major League Baseball website. The variables used to evaluate performance levels for players for each year of their contracts are as follows.

1. Team wins
2. GIDP
3. Hits
4. Innings pitched
5. Annual base salary
6. Games played
7. Loses

The equation used to analyze the relationship between contract length and performance levels is as follows.

$$\text{Contract length} = \beta_0 + \beta_1 \text{ TEAM WINS} + \beta_2 \text{ LN(GIDP)} + \beta_3 \text{ HITS} + \beta_4 \text{ INNINGS PITCHED} + \beta_5 \text{ GAMES PLAYED} + \beta_6 \text{ LOSES} + \beta_7 \text{ LN(ANNUAL SALARY)}$$

The player statistics meant to quantify the performance level of each player are LN(GIDP), innings pitched, games played, and loses. The GIDP statistic is logged in order to give this variable a normal distribution. GIDP is a statistic the counts how many players a pitcher gets to ground into a double play. Teams wins are included to calculate the non-statistical affect each player has on their respective teams. For example, if a player brings leadership skills or experience to the team, this should be reflected in the overall performance of the team, i.e. the total number of wins from each season.

The results show that there does appear to be a significant relationship between the previously stated variables and contract length. The R² value is 0.3484, which is a relatively good value. The R² number explains what percentage of the data fits the model. The F- value, which tests if the variables are jointly significant, is F(7, 142)= 10.85. This is not a large number, but it does indicate there is joint significance.

R ² value	0.3484
F value	10.85

Looking at the individual variables, all are significantly related to contract length at the 95% confidence level except for loses and games played. These two variables also are the only variables without a highly significant t-value. The t-values for games played and loses are 1.54 and -1.58, respectively. This indicates that games played and loses individually are not as significant as the other variables with regards to contract length.

Variable Name	P Value	T Value
Team Wins	0.034	-2.14
GIDP	0.006	-2.79
Hits	0.012	-2.55
Innings Pitched	0.000	3.91
Annual Base Salary	0.000	4.24
Games Played	0.127	1.54
Loses	0.141	-1.48

The coefficient values denote if each variable is positively or negatively related and to what degree. One of the strongest variables related to contract length is the statistic for players who ground into a double play. This variable is negatively related, which means when contract length increases by a unit, the number of players the pitcher gets to ground into a double play decreases by 0.3774977. This is evidence of player performance dropping. The number of team wins is also negatively correlated with the length of a player's contract indicating that as individual pitchers contract lengths increase, the number of team wins will decrease. Team loses will also increase if a team has multiple pitchers with lengthy contracts.

The other negatively correlated variables are hits and loses, however the number of games a pitcher loses is not individually significant at the 95% confidence level meaning the coefficient value of -0.41225 is not as substantial as the other variables. Nonetheless, the negative coefficient signifies the number of games a pitcher loses and the number of hits players get off a pitcher decrease with the increase of contract length.

The coefficient value for hits, -0.0096386, is the smallest value in the regression and therefore has the lowest change when contract length changes.

The remaining variables, innings pitched, games played and salary, are positively correlated with contract length and the coefficient values are 0.0129999, 0.0256832, and 0.4445369, respectively. However, these variables are less revealing about the impact length has on player performance. Intuitively, this is because as the length of a pitcher's contract increases, he therefore will have played and pitched more games than a pitcher who has fewer years on his contract.

Initially, more pitching and team statistics were included in the regression, but these were dropped due either to insignificant p-values or multicollinearity. The dropped statistics were wins, ERA, walks, strike outs, AVG (total hits allowed by the pitcher divided by the total number of at-bats faced), WHIP (total walks and hits allowed by the pitcher divided by the total innings pitched), team loses, and the dummy variable for if the team had a playoff appearance or not. Team loses was dropped after testing for multicollinearity because it was too closely correlated with team wins. The variance inflation factor, VIF, for team wins and losses were 1423.26 and 1421.92, respectively and the mean VIF was 360.02. Once team loses was dropped, the mean VIF dropped to 5.14 indicating the multicollinearity had been eliminated.

After running the corresponding tests, there does not appear to be any omitted variables or heteroscedasticity. The omitted variable test produced a p-value of 0.5443, which is greater than 0.05. The hettest revealed no presence of heteroscedasticity as the χ^2 value was at 0.2768. In conclusion, this regression indicates there is a connection

between contract length and a decrease in level of play. This will have greater effects on teams with more pitchers under long-term contracts.

Conclusion

The results proved to be significant. Level of play drops with the increase in contract length. The most notably significant pitching statistic was players who grounded into a double play, as this statistic has the largest change in reaction to an increase in contract length. It decreases when contracts increase, meaning pitchers are less effective with long term contracts. Another notable statistic was team wins, which is also negatively correlated with contracts. The longer the contracts are for pitchers, the fewer games a team will win.

These results can be used by each club team in determining the length of contracts for pitchers individually and collectively. Since level of plays drops for pitchers, teams are paying a higher price for the talent than the talent ends up being worth. While baseball is an individualistic sport, it nonetheless remains a team sport with the goal of winning the World Series. Therefore, it would be in the best interest of the club to reallocate the money spent on signing pitchers to lengthy and expensive contracts to other players that could contribute to the success of the team.

One explanation for overpaying for pitching talent is the teams are paying more to eliminate the competition. There is an abundance of baseball players, but only a set number of professional teams. It is a player's market with no limits. Therefore, club teams may pay above the market value of the pitcher's talent just to guarantee this player does not sign with another team. If a team does not offer a high enough salary, this means not only does the club not get the new talent to play for them, but this player is also pitching against them now. The high price for talent may be a repercussion of the market for professional pitchers.

When a team is looking at signing an individual pitcher to a long-term contract these drops in wins and performance could appear risk worthy, but if a team has multiple pitchers on long-term contracts then these effects will only increase. For example, the San Francisco Giants during the 2016 season had four pitchers under contracts at least 5 years in length. Not only does each of their performance level drop as a result of their long contracts, but additionally all four of these pitchers are contributing to fewer team wins during the regular season.

Some limitations from the analysis are as follows. Since each pitcher individually signs their own contracts, some players had incomplete contracts at the time of this analysis. Therefore, some pitchers didn't have any statistics yet for one, two, or even three years of their contracts. In a few cases for pitchers who had seven-year contracts, there were only three completed seasons and four remaining on their contracts post the 2016 season. Given that these players haven't played out their contracts yet, it is difficult to analyze if they shirked during their contracts.

Another limitation is all Major League Baseball contracts are not public information. While the total and annual salaries for players can be obtained, the details in the contracts remain private. This absence of information could affect the results of this analysis because each player may or may not have incentive clauses in their contracts to motivate the players to perform at their best and refrain from shirking.

An area of further research would be to analyze the presence of shirking in players other than pitchers. Players could be broken down by positions, and batting and fielding statistics can be used to measure performance in relation to contract length.

Another possibility would be to group players based on age in order to conclude if rookies or veterans have a higher tendency to shirk.

References

1. Anonymous (2016). *MLB Salaries*. Retrieved from <http://www.usatoday.com/sports/mlb/salaries/>
2. Anonymous 2016 Postseason Shares Announced 2016
3. Anonymous 2012-2016 Basic Agreement
4. Anonymous (2016). *Player Statistics*. http://mlb.mlb.com/stats/sortable.jsp#elem=%5Bobject+Object%5D&tab_level=child&click_text=Sortable+Player+hitting&game_type='R'&season=2016&season_type=ANY&league_code='MLB'§ionType=sp&statType=hitting&page=1&ts=1481227668072
5. Alchian, A., & Demsetz, H. (1972). Production, Information Costs, and Economic Organization. *The American Economic Review*, 62(5), 777-795. Retrieved from <http://0-www.jstor.org.tiger.coloradocollege.edu/stable/1815199>
6. Berri, D. and Krautmann, A. (2006). Shirking on the court: testing for the incentive effects of guaranteed pay. *Economic Inquiry*, 44, pp. 536–46.
7. Buraimo, B., Frick, B. and Hickfang, M. (2015). The Economics of Long-Term Contracts In The Footballers' Labour Market
8. Dierkes, Tim. (2011). Major League Baseball Uniform Player's Contract
9. Feess, E., Frick, B. and Muehlheusser, G., (2007). Contract duration and player performance: empirical evidence from German soccer.
10. Frick, B. (2007). The football players' labour market: empirical evidence from the major European Leagues. *Scottish Journal of Political Economy*, 54, pp. 422–46.
11. Frick, B. (2011). Performance, salaries and contract length: empirical evidence from German soccer. *International Journal of Sport Finance*, 6, pp. 87–118.
12. Holmstrom, B. (1982). Moral Hazard in Teams. *The Bell Journal of Economics*, 13(2), 324-340. doi:10.2307/3003457
13. Hölmstrom, B. (1979). Moral Hazard and Observability. *The Bell Journal of Economics*, 10(1), 74-91. doi:10.2307/3003320
14. Krautmann, A. (1993). Shirking or Stochastic Productivity in Major League Baseball: Reply. *Southern Economic Journal*, 60(1), 241-243. doi:10.2307/1059948

15. Krautmann, A. (1990). Shirking or Stochastic Productivity in Major League Baseball? *Southern Economic Journal*, 56(4), 961-968. doi:10.2307/1059884
16. Krautmann, A. and Donley, T. (2009). Shirking in major league baseball. *Journal of Sports Economics*, 10, pp. 292-304.
17. Lehn, K. (1982). Property Rights, Risk Sharing, and Player Disability in Major League Baseball. *The Journal of Law & Economics*, 25(2), 343-366. Retrieved from <http://0-www.jstor.org.tiger.coloradocollege.edu/stable/725263>
18. Marburger, Daniel. Does the Assignment of Property Rights Encourage or Discourage Shirking? Evidence From Major League Baseball 2003
19. Maxcy, J., Fort, R. and Krautmann, A. (2002). The effectiveness of incentive mechanisms in Major League Baseball. *Journal of Sports Economics*, 3, pp. 246-55.
20. Prendergast, C. (1999). The Provision of Incentives in Firms. *Journal of Economic Literature*, 37(1), 7-63. Retrieved from <http://0-www.jstor.org.tiger.coloradocollege.edu/stable/2564725>
21. Rowell, D., & Connelly, L. (2012). A History of the Term "Moral Hazard" *The Journal of Risk and Insurance*, 79(4), 1051-1075. Retrieved from <http://0-www.jstor.org.tiger.coloradocollege.edu/stable/23354958>
22. Scoggins, J. (1993). Shirking or Stochastic Productivity in Major League Baseball: Comment. *Southern Economic Journal*, 60(1), 239-240. doi:10.2307/1059947
23. Stiroh, K. (2007). Playing for keeps: pay and performance in the NBA. *Economic Inquiry*, 45, pp. 145-61.

Appendix A

**MAJOR LEAGUE
UNIFORM PLAYER'S CONTRACT**

Parties

Between _____, herein called the Club,

and _____

of _____, herein called the Player.

Recital

The Club is, along with other Major League Clubs, signatory to the Major League Constitution and has subscribed to the Major League Rules.

Agreement

In consideration of the facts above recited and of the promises of each to the other, the parties agree as follows:

Employment

1. The Club hereby employs the Player to render, and the Player agrees to render, skilled services as a baseball player during the year(s) See **Special Covenants** including the Club's training season, the Club's exhibition games, the Club's playing season, the Division Series, the League Championship Series and the World Series (or any other official series in which the Club may participate and in any receipts of which the Player may be entitled to share).

Payment

2. For performance of the Player's services and promises hereunder the Club will pay the Player the sum of See **Special Covenants** in semimonthly installments after the commencement of the championship season(s) covered by this contract except as the schedule of payments may be modified by a special covenant. Payment shall be made on the day the amount becomes due, regardless of whether the Club is "home" or "abroad." If a monthly rate of payment is stipulated above, it shall begin with the commencement of the championship season (or such subsequent date as the Player's services may commence) and end with the termination of the championship season and shall be payable in semi-monthly installments as above provided.

Nothing herein shall interfere with the right of the Club and the Player by special covenant herein to mutually agree upon a method of payment whereby part of the Player's salary for the above year can be deferred to subsequent years.

If the Player is in the service of the Club for part of the championship season only, he shall receive such proportion of the sum above mentioned, as the number of days of his actual employment in the championship season bears to the number of days in the championship season. Notwithstanding the rate of payment stipulated above, the minimum rate of payment to the Player for each day of service on a Major League Club shall be at the applicable rate set forth in Article VI(B)(1) of the Basic Agreement between the Thirty Major League Clubs and the Major League Baseball Players Association, effective December 20, 2006 ("Basic Agreement"). The minimum rate of payment for Minor League service for all Players (a) signing a second Major League contract (not covering the same season as any such Player's initial Major League contract) or a subsequent Major League contract, or (b) having at least one day of Major League service, shall be at the applicable rate set forth in Article VI(B)(2) of the Basic Agreement. The minimum rate of payment for Minor League service for all Players signing a first Major League contract who are not covered by Article VI(B)(2) of the Basic Agreement shall be at the applicable rate set forth in Article VI(B)(3) of the Basic Agreement.

Payment to the Player at the rate stipulated above shall be continued throughout any period in which a Player is required to attend a regularly scheduled military encampment of the Reserve of the Armed Forces or of the National Guard during the championship season.

Loyalty

3.(a) The Player agrees to perform his services hereunder diligently and faithfully, to keep himself in first-class physical condition and to obey the Club's training rules, and pledges himself to the American public and to the Club to conform to high standards of personal conduct, fair play and good sportsmanship.

Baseball Promotion

3.(b) In addition to his services in connection with the actual playing of baseball, the Player agrees to cooperate with the Club and participate in any and all reasonable promotional activities of the Club and Major League Baseball, which, in the opinion of the Club, will promote the welfare of the Club or professional baseball, and to observe and comply with all reasonable requirements of the Club respecting conduct and service of its team and its players, at all times whether on or off the field.

Pictures and Public Appearances

3.(c) The Player agrees that his picture may be taken for still photographs, motion pictures or television at such times as the Club may designate and agrees that all rights in such pictures shall belong to the Club and may be used by the Club for publicity purposes in any manner it desires. The Player further agrees that during the playing season he will not make public appearances, participate in radio or television programs or permit his picture to be taken or write or sponsor newspaper or magazine articles or sponsor commercial products without the written consent of the Club, which shall not be withheld except in the reasonable interests of the Club or professional baseball.

PLAYER REPRESENTATIONS

Ability

4.(a) The Player represents and agrees that he has exceptional and unique skill and ability as a baseball player; that his services to be rendered hereunder are of a special, unusual and extraordinary character which gives them peculiar value which cannot be reasonably or adequately compensated for in damages at law, and that the Player's breach of this contract will cause the Club great and irreparable injury and damage. The Player agrees that, in addition to other remedies, the Club shall be entitled to injunctive and other equitable relief to prevent a breach of this contract by the Player, including, among others, the right to enjoin the Player from playing baseball for any other person or organization during the term of his contract.

Condition

4.(b) The Player represents that he has no physical or mental defects known to him and unknown to the appropriate representative of the Club which would prevent or impair performance of his services.

Interest in Club

4.(c) The Player represents that he does not, directly or indirectly, own stock or have any financial interest in the ownership or earnings of any Major League Club, except as hereinafter expressly set forth, and covenants that he will not hereafter, while connected with any Major League Club, acquire or hold any such stock or interest except in accordance with Major League Rule 20(e).

Service

5.(a) The Player agrees that, while under contract, and prior to expiration of the Club's right to renew this contract, he will not play baseball otherwise than for the Club, except that the Player may participate in post-season games under the conditions prescribed in the Major League Rules. Major League Rule 18(b) is set forth herein.

Other Sports

5.(b) The Player and the Club recognize and agree that the Player's participation in certain other sports may impair or destroy his ability and skill as a baseball player. Accordingly, the Player agrees that he will not engage in professional boxing or wrestling; and that, except with the written consent of the Club, he will not engage in skiing, auto racing, motorcycle racing, sky diving, or in any game or exhibition of football, soccer, professional league basketball, ice hockey or other sport involving a substantial risk of personal injury.

Assignment

6.(a) The Player agrees that his contract may be assigned by the Club (and reassigned by any assignee Club) to any other Club in accordance with the Major League Rules. The Club and the Player may, without obtaining special approval, agree by special covenant to limit or eliminate the right of the Club to assign this contract.

Medical Information

6.(b) The Player agrees:

(1) that the Club's physician and any other physician or medical professional consulted by the Player pursuant to Regulation 2 of this contract or Article XIII(D) of the Basic Agreement may furnish to the Club all relevant medical information relating to the Player. Except as permitted by Article XIII(G) of the Basic Agreement, which is incorporated herein by reference, the Club is prohibited from re-disclosing any such information without the express written consent of the Player. The Club's physician shall be the custodian of the medical records furnished to a Club pursuant to this Paragraph 6(b). The Club's trainers shall have access to all such records provided to the Club.

(2) that, should the Club contemplate an assignment of this contract to another Club or Clubs, the Club's physician

may furnish to the physicians and officials of such other Club or Clubs all relevant medical information relating to the Player; provided, however, that said physicians and officials are prohibited from re-disclosing any such information without the express written consent of the Player. In addition, within thirty (30) days from the receipt of the Player's medical information, the physicians and officials of the Club which requested the medical information will return any and all documents received to the Player's Club, and will not keep copies of any documents it received or any other records indicating the substance of the medical information transmitted. If the Player's UPC is assigned before the information is returned in accordance with this subparagraph (2), the assignee Club may retain the information. A Player may, at the time that he is no longer under reserve to the Club or on December 1 or every other year, whichever is earlier, request that the Club notify him of the Clubs to which his medical information was provided pursuant to this Paragraph 6(b)(2).

No Salary Reduction

6.(c) The amount stated in paragraph 2 and in special covenants hereof which is payable to the Player for the period stated in paragraph 1 hereof shall not be diminished by any such assignment, except for failure to report as provided in the next subparagraph (d).

Reporting

6.(d) The Player shall report to the assignee Club promptly (as provided in the Regulations) upon receipt of written notice from the Club of the assignment of this contract. If the Player fails to so report, he shall not be entitled to any payment for the period from the date he receives written notice of assignment until he reports to the assignee Club.

Obligations of Assignor and Assignee Clubs

6.(e) Upon and after such assignment, all rights and obligations of the assignor Club hereunder shall become the rights and obligations of the assignee Club; provided, however, that

(1) The assignee Club shall be liable to the Player for payments accruing only from the date of assignment and shall not be liable (but the assignor Club shall remain liable) for payments accrued prior to that date.

(2) If at any time the assignee is a Major League Club, it shall be liable to pay the Player at the full rate stipulated in paragraph 2 hereof for the remainder of the period stated in paragraph 1 hereof and all prior assignors and assignees shall be relieved of liability for any payment for such period.

(3) Unless the assignor and assignee Clubs agree otherwise, if the assignee Club is a Minor League Baseball Club, the assignee Club shall be liable only to pay the Player at the rate usually paid by said assignee Club to other Players of similar skill and ability in its classification and the assignor Club shall be liable to pay the difference for the remainder of the period stated in paragraph 1 hereof between an amount computed at the rate stipulated in paragraph 2 hereof and the amount so payable by the assignee Club.

(4) If performance and/or award bonuses are included as Special Covenants hereunder and an assignment is made during the championship season, the responsibility for such bonuses shall be as follows:

(i) All performance and/or award bonuses earned prior to the assignment shall be the responsibility of the assignor Club;

(ii) The responsibility for any and all performance bonuses earned after the assignment shall be prorated between the assignor and assignee Clubs in proportion to the total number of relevant events attained during the season with each Club involved; and
(iii) The responsibility for any and all award bonuses earned after the assignment shall be the full and exclusive responsibility of the Club for whom the Player was performing services at the end of the championship season. For purposes of this paragraph, an award bonus for election or selection to the All-Star Game shall be deemed to be earned on the day of the announcement of the election or selection, an award bonus for performance over the championship season shall be deemed earned on the last day of the championship season and an award bonus for performance in the post-season shall be deemed earned on the day of the announcement of the award.

Moving Allowances

6.(f) The Player shall be entitled to moving allowances under the circumstances and in the amounts set forth in Articles VII(F) and VIII of the Basic Agreement.

"Club"

6.(g) All references in other paragraphs of this contract to "the Club" shall be deemed to mean and include any assignee of this contract.

TERMINATION

By Player

7.(a) The Player may terminate this contract, upon written notice to the Club, if the Club shall default in the payments to the Player provided for in paragraph 2 hereof or shall fail to perform any other obligation agreed to be performed by the Club hereunder and if the Club shall fail to remedy such default within ten (10) days after the receipt by the Club of written notice of such default. The Player may also terminate this contract as provided in subparagraph (d)(4) of this paragraph 7. (See Article XV(I) of the Basic Agreement.)

By Club

7.(b) The Club may terminate this contract upon written notice to the Player (but only after requesting and obtaining waivers of this contract from all other Major League Clubs) if the Player shall at any time:

(1) fail, refuse or neglect to conform his personal conduct to the standards of good citizenship and good sportsmanship or to keep himself in first-class physical condition or to obey the Club's training rules; or

(2) fail, in the opinion of the Club's management, to exhibit sufficient skill or competitive ability to qualify or continue as a member of the Club's team; or

(3) fail, refuse or neglect to render his services hereunder or in any other manner materially breach this contract.

7.(c) If this contract is terminated by the Club, the Player shall be entitled to termination pay under the circumstances and in the amounts set forth in Article IX of the Basic Agreement. In addition, the Player shall be entitled to receive an amount equal to the reasonable travelling expenses of the Player, including first-class jet air fare and meals en route, to his home city.

Procedure

7.(d) If the Club proposes to terminate this contract in accordance with subparagraph (b) of this paragraph 7, the procedure shall be as follows:

(1) The Club shall request waivers from all other Major League Clubs. Such waivers shall be good for two (2) business days only. Such waiver request must state that it is for the purpose of terminating this contract and it may not be withdrawn.

(2) Upon receipt of waiver request, any other Major League Club may claim assignment of this contract at a waiver price of \$1.00, the priority of claims to be determined in accordance with the Major League Rules.

(3) If this contract is so claimed, the Club shall, promptly and before any assignment, notify the Player that it had requested waivers for the purpose of terminating this contract and that the contract had been claimed.

(4) Within five (5) days after receipt of notice of such claim, the Player shall be entitled, by written notice to the Club, to terminate this contract on the date of his notice of termination. If the Player fails to so notify the Club, this contract shall be assigned to the claiming Club.

(5) If the contract is not claimed, the Club shall promptly deliver written notice of termination to the Player at the expiration of the waiver period.

7.(e) Upon any termination of this contract by the Player, all obligations of both Parties hereunder shall cease on the date of termination, except the obligation of the Club to pay the Player's compensation to said date.

Regulations

8. The Player accepts as part of this contract the Regulations set forth herein.

Rules

9.(a) The Club and the Player agree to accept, abide by and comply with all provisions of the Major League Constitution, and the Major League Rules, or other rules or regulations in effect on the date of this Uniform Player's Contract, which are not inconsistent with the provisions of this contract or the provisions of any agreement between the Major League Clubs and the Major League Baseball Players Association, provided that the Club, together with the other Major League Clubs and Minor League Baseball, reserves the right to modify, supplement or repeal any provision of said Constitution, Major League Rules or other rules and regulations in a manner not inconsistent with this contract or the provisions of any then existing agreement between the Major League Clubs and the Major League Baseball Players Association.

Disputes

9.(b) All disputes between the Player and the Club which are covered by the Grievance Procedure as set forth in the Basic Agreement shall be resolved in accordance with such Grievance Procedure.

Publication

9.(c) The Club, the Vice President, On-Field Operations and the Commissioner, or any of them, may make public the findings, decision and record of any inquiry, investigation or hearing held or conducted, including in such record all evidence or information given, received, or obtained in connection therewith.

Renewal

10.(a) Unless the Player has exercised his right to become a free agent as set forth in the Basic Agreement, the Club may retain reservation rights over the Player by instructing the Office of the Commissioner to tender to the Player a contract for the term of the next year by including the Player on the Central Tender Letter that the Office of the Commissioner submits to the Players Association on or before December 12 (or if a Sunday, then on or before December 11) in the year of the last playing season covered by this contract. (See Article XX(A) of and Attachments 9 and 12 to the Basic Agreement.) If prior to the March 1 next succeeding said December 12, the Player and the Club have not agreed upon the terms of such contract, then on or before ten (10) days after said March 1, the Club shall have the right by written notice to the Player at his address

following his signature hereto, or if none be given, then at his last address of record with the Club, to renew this contract for the period of one year on the same terms, except that the amount payable to the Player shall be such as the Club shall fix in said notice; provided, however, that said amount, if fixed by a Major League Club, shall be in an amount payable at a rate not less than as specified in Article VI, Section D, of the Basic Agreement. Subject to the Player's rights as set forth in the Basic Agreement, the Club may renew this contract from year to year.

10.(b) The Club's right to renew this contract, as provided in subparagraph (a) of this paragraph 10, and the promise of the Player not to play otherwise than with the Club have been taken into consideration in determining the amount payable under paragraph 2 hereof.

Governmental Regulation-National Emergency

11. This contract is subject to federal or state legislation, regulations, executive or other official orders or other governmental action, now or hereafter in effect respecting military, naval, air or other governmental service, which may directly or indirectly affect the Player, Club or the League and subject also to the right of the Commissioner to suspend the operation of this contract during any national emergency during which Major League Baseball is not played.

Commissioner

12. The term "Commissioner" wherever used in this contract shall be deemed to mean the Commissioner designated under the Major League Constitution, or in the case of a vacancy in the office of Commissioner, the Executive Council or such other body or person or persons as shall be designated in the Major League Constitution to exercise the powers and duties of the Commissioner during such vacancy.

Supplemental Agreements

The Club and the Player covenant that this contract, the Basic Agreement, the Agreement Re Major League Baseball Players Benefit Plan effective April 1, 2007 and Major League Baseball's Joint Drug Prevention and Treatment Program and applicable supplements thereto fully set forth all understandings and agreements between them, and agree that no other understandings or agreements, whether heretofore or hereafter made, shall be valid, recognizable, or of any effect whatsoever, unless expressly set forth in a new or supplemental contract executed by the Player and the Club (acting by its President or such other officer as shall have been thereunto duly authorized by the President or Board of Directors as evidenced by a certificate filed of record with the Commissioner) and complying with the Major League Rules.

Special Covenants

I. Term

This Contract shall cover the following Championship Seasons:
2011

II. Compensation and Payment Schedule

Minor League Salary

In accordance with Paragraph 2 of the Uniform Player's Contract and subject to the Minimum Salary Requirements of the Basic Agreement, for each day of service while in the Minor Leagues, Player shall be paid at the following Annual rate(s):

Year	AAA	AA	A	Full Season A	Short A	Rookie Advanced	Rookie
2011	\$67,300	\$67,300	\$67,300	\$67,300	\$67,300	\$67,300	\$67,300

Major League Salary

In accordance with Paragraph 2 of the Uniform Player's Contract, for each day of service while in the Major Leagues, Club shall pay the Player a salary (less applicable withholding taxes and other normal payroll deductions and any other amounts required by law to be withheld), at a rate and for the season(s) indicated below in the following manner:

Year	Salary
2011	\$414,000

III. Additional Special Covenants

Payroll Deduction

The Club and Player agree as follows:

The Player authorizes the Club to make deductions from his salary to reimburse the Club for:

- (a) any hotel charge over and above the room charge that the Player neglects to pay when checking out of the hotel (Player is required to pay all personal items when checking out of hotel and will be assessed a \$100.00 administrative fee per hotel checkout for unpaid charges);
- (b) any monies advanced to the Player by the Club;
- (c) any other items, not specified herein which might be paid for by the Club on behalf of the Player.

Initial:

Player Club

REGULATIONS

1. The Club's playing season for each year covered by this contract and all renewals hereof shall be as fixed by the Office of the Commissioner.

2. The Player, when requested by the Club, must submit to a complete physical examination at the expense of the Club, and if necessary to treatment by a regular physician or dentist in good standing. Upon refusal of the Player to submit to a complete medical or dental examination, the Club may consider such refusal a violation of this regulation and may take such action as it deems advisable under Regulation 5 of this contract. Disability directly resulting from injury sustained in the course and within the scope of his employment under this contract shall not impair the right of the Player to receive his full salary for the period of such disability or for the season in which the injury was sustained (whichever period is shorter), together with the reasonable medical and hospital expenses incurred by reason of the injury and during the term of this contract or for a period of up to two years from the date of initial treatment for such injury, whichever period is longer, but only upon the express prerequisite conditions that (a) written notice of such injury, including the time, place, cause and nature of the injury, is served upon and received by the Club within twenty days of the sustaining of said injury and (b) the Club shall have the right to designate the doctors and hospitals furnishing such medical and hospital services. Failure to give such notice shall not impair the rights of the Player, as herein set forth, if the Club has actual knowledge of such injury. All workmen's compensation payments received by the Player as compensation for loss of income for a specific period during which the Club is paying him in full, shall be paid over by the Player to the Club. Any other disability may be ground for suspending or terminating this contract.

3. The Club will furnish the Player with two complete uniforms, exclusive of shoes, unless the Club requires the Player to wear nonstandard shoes in which case the Club will furnish the shoes. The uniforms will be surrendered by the Player to the Club at the end of the season or upon termination of this contract.

4. The Player shall be entitled to expense allowances under the circumstances and in the amounts set forth in Article VII of the Basic Agreement.

5. For violation by the Player of any regulation or other provision of this contract, the Club may impose a reasonable fine and deduct the amount thereof from the Player's salary or may suspend the Player without salary for a period not exceeding thirty days or both. Written notice of the fine or suspension or both and the reason therefor shall in every case be given to the Player and the Players Association. (See Article XII of the Basic Agreement.)

6. In order to enable the Player to fit himself for his duties under this contract, the Club may require the Player to report for practice at such places as the Club may designate and to participate in such exhibition contests as may be arranged by the Club, without any

other compensation than that herein elsewhere provided, for a period beginning not earlier than thirty-three (33) days prior to the start of the championship season; provided, however, that the Club may invite players to report at an earlier date on a voluntary basis in accordance with Article XIV of the Basic Agreement. The Club will pay the necessary traveling expenses, including the first-class jet air fare and meals en route of the Player from his home city to the training place of the Club, whether he be ordered to go there directly or by way of the home city of the Club. In the event of the failure of the Player to report for practice or to participate in the exhibition games, as required and provided for, he shall be required to get into playing condition to the satisfaction of the Club's team manager, and at the Player's own expense, before his salary shall commence.

7. In case of assignment of this contract, the Player shall report promptly to the assignee Club within 72 hours from the date he receives written notice from the Club of such assignment, if the Player is then not more than 1,600 miles by most direct available railroad route from the assignee Club, plus an additional 24 hours for each additional 800 miles.

Post-Season Exhibition Games. Major League Rule 18(b) provides:

(b) EXHIBITION GAMES. No player shall participate in any exhibition game during the period between the close of the Major League championship season and the following training season, except that, with the consent of the player's Club and permission of the Commissioner, a player may participate in exhibition games for a period of not less than 30 days, such period to be designated annually by the Commissioner. Players who participate in barnstorming during this period cannot engage in any Winter League activities.

Player conduct, on and off the field, in connection with such postseason exhibition games shall be subject to the discipline of the Commissioner. The Commissioner shall not approve of more than three players of any one Club on the same team. The Commissioner shall not approve of more than three players from the joint membership of the World Series participants playing in the same game.

No player shall participate in any exhibition game with or against any team which, during the current season or within one year, has had any ineligible player or which is or has been during the current season or within one year, managed and controlled by an ineligible player or by any person who has listed an ineligible player under an assumed name or who otherwise has violated, or attempted to violate, any exhibition game contract; or with or against any team which, during said season or within one year, has played against teams containing such ineligible players, or so managed or controlled. Any player who participates in such a game in violation of this Rule 18 shall be fined not less than \$50 nor more than \$500, except that in no event shall such fine be less than the consideration received by such player for participating in such game.

PRINTED IN U.S.A.

REVISED AS OF DECEMBER 2006

LIFE INSURANCE NOTICE AND CONSENT FORM

1. Your Club intends to insure your life under a life insurance policy (the "Policy"). The purpose of the Policy is to offset amounts that the Club may pay under your Uniform Player's Contract ("Player Contract") in the event of your death.
 2. The maximum amount of life insurance coverage for which you may be insured at the time the Policy is issued will be equal to the sum of:
 - The Major League salary provided under your Player Contract, up to one million dollars (\$1,000,000) *and* (if applicable)
 - Seventy-five percent (75%) of the amount by which the Major League salary provided under your Player Contract exceeds one million dollars (\$1,000,000.00).
- In no event will the amount for which your life is insured under the Policy ever exceed a maximum limit of thirty million dollars (\$30,000,000.00). The amount of coverage that your Club purchases under the Policy may be reduced under certain circumstances in order to reflect (if applicable) other insurance coverage on your life. The amount of insurance coverage that your Club purchases under the Policy will decrease over time as the amount owed under your Player Contract is paid to you.
3. Your Club may purchase insurance coverage on you under the Policy before you and your Club sign your Player Contract. Your Club will do so only when and if there is an agreement in principle with you as to the terms of your Player Contract and such terms have been reported to, and confirmed by, the Office of the Commissioner of Baseball and the Major League Baseball Players Association.
 4. The Policy and this consent form will be valid for the length of your Player Contract. Each time you enter into a new or revised Player Contract, a new Policy will be purchased and you will be asked to sign a new consent form.
 5. Your Club will be the sole beneficiary of any life insurance proceeds payable under the Policy in the event of your death.

Consent of Employee for Life Insurance Coverage

By signing below, I agree to, consent to, and understand the following:

- A. I may be insured under the Policy up to a maximum face amount equal to the sum of:
 - The Major League salary provided under my Player Contract, up to one million dollars (\$1,000,000), *and* (if applicable)
 - Seventy-five percent (75%) of the amount by which the Major League salary provided under my Player Contract exceeds one million dollars (\$1,000,000.00).
- B. The amount for which my life is insured under the Policy will never exceed a maximum limit of thirty million dollars (\$30,000,000.00). The amount of coverage may be reduced under certain circumstances in order to reflect (if applicable) other insurance coverage on my life. The amount of insurance coverage will decrease over time as the amount owed under my Player Contract is paid to me.
- C. My Club (or a Trust established by my Club and other Major League Baseball clubs) will be the owner of the Policy. My Club will be the beneficiary of the Policy.
- D. Neither my heirs nor I will receive any rights or benefits, including the payment of a death benefit, under the Policy. The death benefit under the Policy will be payable to my Club. This consent has no effect on any other life insurance policies I hold or that any other person holds on my life.

Proposed Insured (please complete)

Name (First, Middle Initial, Last) _____

Date of Birth: _____

(Home address: street/city/state/zip) _____

Print Name of Insured

Date