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### We Need Competition — Bring on the Salary Caps

Salary Caps can be defined as wage caps that limit the amount of money sports teams spend on players' salaries. Additionally, during a "free agency" period, a salary cap prevents wealthy teams from signing all the top players. This paper will analyze the impact of Salary Caps on competitive balance in the NBA and the NFL.

The competition in sports cannot be compared to the competition in other industries. Evidence shows that sports teams rely on their team members to make a profit (Lazic 1). The main reason people enjoy watching games is the uncertainty of the outcome; any team can win. Fans don't enjoy watching games between teams that have uneven talent levels. According to Couture, a competitive balance has a direct relation to sports attendance (9).

Before the 1984-85 season, the NBA was the first professional sports league to introduce a salary cap. The NFL followed suit before the 1994 season. However, the NBA salary cap is different from that adopted by the NFL. The NBA implemented a soft salary cap, which means teams can spend above the threshold under certain conditions. On the other hand, the NFL uses a hard salary cap that means teams can never go above the limit set for a particular year.

Fort and Quirk suggested that teams in large cities are more likely to draw more fans than those located in smaller towns; they will make more profits and hence, spend more on buying talent

(1270). Unfortunately, this will make teams in smaller cities to be disadvantaged. However, big city teams cannot spend more due to salary caps; hence competitive imbalances are reduced. Nevertheless, after Fort and Quirk examined the NBA and the NFL after following the Salary cap's implementation, it was not evident that competitive balance was improved (Fort and Quirk 1276). This might be because the NBA uses a soft cap, and there were still difficulties in enforcing the salary cap.

In his report on "Salary caps and competitive balance in the NBA," Couture uses a model with three types of data (Couture 26). These include; NBA statistics about productivity at the team level, Country of origin for every player, and a player's salary in a particular year. In his study, Couture examined how salary caps are used to promote healthy competition. One is that it prevents one team from having an advantage over other teams in a league just because they can afford more top players. Another reason is that it enables smaller franchises to remain competitive and grow their supporters or fan base. However, Couture (26) states that the salary cap is not binding for all players. For example, some players, most especially veteran players, don't necessarily prioritize money. Players like this can be willing to take low offers to improve their chances of winning.

In conclusion, Salary caps also help a league thrive since most teams have potential and attractive to fans. Team owners benefit from salary caps since they reduce their costs. Team owners can profit more since player salaries are minimized, and also talent competition is diminished—this helps to promote a competitive balance between teams in a league.

## Works cited

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