

Abstract: In the setting of Nippon Professional Baseball (NPB), this paper examines the effect of two different policies, creating more competitive labor markets and wage dispersion, on economic outcomes. While free agency, which ostensibly reduces monopsony power in the labor market, brings large increases in salary in most professional sports, we find that it does not do so in NPB. Moreover, different performance measures affect salary in MLB and NPB. We are able to examine the effect of wage dispersion on team success because rich baseball data allow us to hold team ability constant, which most previous studies have been unable to do. Thus, given ability, we show that wage dispersion in NPB has a positive impact both on the winning percentage and attendance of a team. Our results confirm previous results from NPB and contradict results from MLB, thus showing that that the institutional setting in which one implements a policy affects economic outcomes.