
Why the New York Yankees Signed Johnny Damon

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Summary. In this paper, we apply the Analytic Hierarchy Process (AHP) to analyze why the New York Yankees signed Johnny Damon for \$52 million over the next four years.

Key words: Analytic Hierarchy Process (AHP); decision-making; baseball.

1 Introduction

In the mid 1990s, Saul Gass and I introduced the teaching of the Analytic Hierarchy Process (AHP) in some MBA and undergraduate classes in the R. H. Smith School of Business at the University of Maryland. Based on our experiences, we wrote two papers on the teaching of the AHP [3], [4]. In [3], we discussed the basic topics covered in our courses and, in [4], we presented some advanced and, hopefully, interesting AHP homework exercises that we developed for these courses. Two fundamental references on AHP are [5] and [6].

For the past 10 years, I have been interested in the use of AHP in making decisions in Major League Baseball (MLB). Eddie Epstein, Director of Baseball Operations, and I developed an AHP model for ranking the players that the San Diego Padres should keep as a prelude to the 1997 Major League Baseball expansion draft [2]. The rankings were completed about two months before the expansion draft was held and were very close to the final ranking that the Padres used in the expansion draft.

In [1], I developed a model for ranking the available free agents after the conclusion of the 1998 baseball season. This paper was presented at the ISAHP meeting in Kobe, Japan in 1999. I have also been a serious fantasy baseball player since 1992. I finished 5th out of 12 in the 2004 LABR-AL sponsored by the Sports Weekly and USA Today (six regular guys like me competed against six fantasy baseball experts). I also wrote several articles for Rotoworld.com on fantasy baseball in 2005 and am writing a few columns for Rototimes.com this year (these articles are coauthored with Cameron Bennett).

Saul and I grew up in Massachusetts and have followed the Red Sox for many years. I thought that analyzing the Johnny Damon situation using the AHP would be of relevance for this book, given that Saul and I have coauthored two papers on AHP.

One of the most interesting situations in the 2005 off-season hot stove league in MLB was the decision on the team that would sign Johnny Damon, a free agent center fielder who played for the Boston Red Sox from 2001-2005. Any team other than the Red Sox who signed Damon would have to give the Red Sox two players in the 2006 draft of high school and college players. Boston would receive no other compensation.

Both the Yankees and the Red Sox needed a center fielder for the 2006 season, and Johnny Damon was the best free agent center fielder available. The Yankees had Bernie Williams and Bubba Crosby on their roster before signing Damon. Bernie Williams had played for the Yankees since 1991. Since Williams's hitting and defense have diminished the last three years, the Yankees were not comfortable having him as their full-time center fielder in 2006. The Yankees declared Crosby their starting center fielder in November 2005, but the general opinion was that Crosby or a Crosby/Williams combination was not good enough for the Yankees. On the other hand, the Red Sox had no center fielder other than Damon.

The Yankees could have solved their problem by trading for a center fielder but had few players in their minor league system that could be used in a trade. The Yankees refused to trade Robinson Cano (2b) and Chien-Ming Wang (starting pitcher) in any trade. These players were attractive to other teams, because they played well at the major league level in 2005, were young, and had low salaries.

As such, the Yankees had to resort to signing a free agent to seriously upgrade their center field situation. Any free agent other than Damon would marginally upgrade the Yankees center field position, would probably be expensive, and this player would not perform at Damon's level. The Yankees could trade some players other than Cano and Wang to get a center fielder. This player would be of reasonable ability but probably have some risk attached to him.

In this paper, we use AHP to model the Yankees' decision-making process in signing Johnny Damon. We believe this decision was made in the latter part of November, 2005 or early part of December, 2005, and that the Yankee management (George Steinbrenner, Owner, and Brian Cashman, General Manager) were key to making this decision. Damon signed with the Yankees on December 23, 2005.

MLB's luxury tax complicates the decision on expending the money to sign a free agent as expensive as Damon. A luxury tax is imposed on a team if a team's total salary for the season exceeds a threshold set by MLB and the MLB players union. Ronald Blum, a baseball writer for the Associated Press, reported the following in a December 21, 2005 article.

The Yankees owe \$34,053,787 in luxury taxes for 2005. The Yankees paid \$25,964,060 in luxury tax in 2004 and \$3,148,962 in 2003. Boston paid \$4,156,476 in luxury tax in 2005 and \$3,148,962 in 2004. The Yankees exceeded the payroll threshold for the third time in 2005. Under the labor contract that began after the 2002 season, the Yankees were taxed at a 40 percent rate on their salary to players exceeding \$128 million. Boston topped the \$128 million threshold for the second time in 2005. Boston's luxury tax was 30 percent of their salary in 2005. Both teams will be taxed at the 40% level in 2006. In addition to their luxury taxes, New York and Boston paid over \$30 million in revenue sharing in 2005.