Outside the Lines

A publication of the Society for American Baseball Research Business of Baseball Committee

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Purchasing Pennants: The New York Yankees Then and Now

Part 1: Yankee revenues and expenses

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Introduction

The recent discovery of a unique set of financial records for the New York Yankees covering the period 1914-43 allows us to take a fascinating behind the scenes look at how an MLB franchise was financed. The records include daily cash books, ledgers and financial journals detailing the team's finances in great detail.

Among the interesting tidbits to be found in the records are the amount the Yankees spent to hire detectives to trail their players and report on their nocturnal activities, how much Mrs. Ruth spent for breakfast when accompanying her husband on the occasional road trip, and the annual laundry bill for player uniforms. Among the more substantial pieces of information contained in the records are detailed payroll information, annual profit and loss statements, and the financial details concerning the construction of Yankee stadium and its impact on the Yankee bottom line.

In this essay, I will touch on three aspects of these financial records: how the Yankees earned their income and spent their money, how they compensated their players, and the impact of those revenues and expenditures on their on-field performance. Due to space limitations, this essay has been broken into three parts and will be run in separate issues of *Outside the Lines*. The first installment focuses on the source and use of Yankee funds from 1914-43 era. In order to put these num-

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Annual Report 2005: Business of Baseball Committee

The Business of Baseball committee was founded by the late Doug Pappas in 1994. Our mission is to study Organized Baseball off the field: the economic, labor, legal and organizational side of the national pastime. We publish a quarterly newsletter, *Outside the Lines*.

This year saw a considerable shift after the passing of Doug Pappas last year. Gary Gillette and Maury Brown were selected as co-chairs of the committee while Don Coffin holds the vice-chair position. John Ruoff took over as the editor of *Outside the Lines*, as well as editor for other published

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Business of Baseball Committee Meeting at SABR 35 in Toronto

The Business of Baseball Committee will meet at 4:00 p.m. on Saturday, August 6, at the Toronto convention. We will talk about what we've been up to and where you want to take the committee.

INSIDE THIS ISSUE

MLB's 2004 Attendance Record Or "Let's Pat Ourselves On the Back About How Far We've Come and Ignore What Might Have Been"

By Gary Gillette

You've heard the news about how well the Grand Old Game is doing, haven't you? A fan can't turn on the TV or tune into a game on the radio without hearing someone parroting the company line: "Baseball is back, *all the way* back. And it's better'n ever! Attendance is at an all-time high!"

A serious baseball fan would have to be both deaf and dumb to be unaware of the hype and not get the message. Yet, something's not right in the state of Doubleday.

Despite the pride with which Major League Baseball announced setting an all-time attendance record after the 2004 season, per-game attendance was still 3.8 percent below its 1994 peak. Frankly, MLB's 2004 attendance record isn't all that impressive--it is merely an aggregate record made possible by expansion to 30 clubs in 1998. Furthermore, even with the attendance boosts provided by the new ballparks in San Diego and Philadelphia, only a cleverly designed late-season ticket giveaway pushed MLB over-the-top. That giveaway—neatly obscured by a PR smokescreen that would make the CIA PsyOps department proud, allowed what were essentially one million comp tickets to be counted as paid attendance.

Let's focus on attendance per game (technically, in MLB parlance, per opening) in 2004, the third-highest ever behind only 1993 and 1994. Again, that seems deceptively good. But without the disastrous labor war, MLB attendance would almost certainly have climbed substantially higher in the late 1990s, driven by a booming economy and a baker's dozen of posh new venues. The two highest per-game attendance figures were posted *before* most of the new "retro" ballparks opened. In 1994, there were only five new ballparks in MLB (counting the five-year-old SkyDome and the almost instantly obsolete Comiskey Park). Since then, 13 new or extensively renovated parks have opened.

Given the attendance boost that new ballparks typically provide, it is perfectly reasonable to assume that—absent the great strike—MLB attendance would have continued its upward march for throughout the 1990s and possibly into the first decade of the new century. After all, MLB had seen per-game attendance increases in eight of the 10 years preceding the strike. Thus, the 1994-to-2004 comparison substantially understates the lasting damage wrought by the 1994–95 strike—at least as measured by regular-season attendance.

The Three Great Ballpark-Building Booms

Major League Baseball has seen three great ballpark-building cycles since the dawn of the twentieth century: 1909–1923, 1962–1977, and 1989–present. Each changed the face of the game and helped bring about a lengthy period of higher attendance and greater prosperity.

The so-called "classic ballpark" era started with the opening of Shibe Park in 1909 and, before it ended with debut of The House That Ruth Built in 1923, 14 new ballparks had opened. Attendance increased a healthy 21.7 percent from 1908 to 1923, then increased *another* 16.8 percent in the seven years after the opening of Yankee Stadium before the Great Depression took its toll. Since per-game figures are not available, these historical comparisons are based on average attendance per club per season. *From 1908 to 1930, that was a whopping 42.2 percent.*

The so-called "superstadium era" dawned with the opening of what would later be called RFK Stadium in 1962. Before it ended 15 years later, 14 new generic, multipurpose ballparks had opened (counting Oakland-Alameda County Coliseum, which was opened for a football team two years earlier). Plus, storied Yankee Stadium was completely rebuilt. Average team attendance increased 41.8 percent from 1961 to 1977, then increased a further 11.1 percent through 1980, the last year before the first midseason strike. *Increase in per club attendance from 1961 to 1980: a huge 57.6 percent.*

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pieces within the committee.

The biggest news was the founding of a new committee Website. The new site, BusinessofBaseball.com, pulled a great deal of research material that Doug Pappas had been displaying on the his personal Website. Many other resources have also been added. In addition, the committee operates a listserv at businessofbaseball@yahoogroups.com

Since July 2004, the Business of Baseball committee has published eight interviews with important people within the business of baseball. Those interviews include Fred Claire, Bob Costas, Kevin Towers, Marvin Miller, Andrew Zimbalist, Janet Marie Smith, Bowie Kuhn and Buzzie Bavasi.

The committee Website now includes an extensive documents library with nearly 100 recent and historical documents pertaining to the business of baseball. We will see this library double by the end of 2005 with the addition of court documents from SABR's research library. To add to this, there is an extensive collection of data, suggested readings and a facilities section within the new site.

The committee will release on July 4 the long-awaited first version of its GM Project, which has compiled a complete, chronological list of all general managers in baseball history. A complete list of team owners and presidents has also been compiled and will be published later this summer.

A View from Japan *byYoshihiro Koda*

Interleague Play

Japanese baseball held its very first interleague games from May 6 to June 19. During those six weeks, each club played three games at home and three more on the road against each of the six clubs belonging to the other league.

The less popular Pacific League clubs have sought these games for a long time. But the Central League clubs had been resisting because they didn't like losing television revenues from home games against the Tokyo Giants. The rate for broadcasting Tokyo Giants games is \100million (US$940,000) per game. On the other hand, games without the Giants bring in some million yen only. Since the home team get all of television fees, the game against the Giants are much profitable.

Following last year's chaos when some owners had unsuccessfully tried to merge the two leagues, the Central League had reluctantly agreed to interleague play. With four of the six teams attracting lower attendance at interleague, that reluctance will continue. The Pacific League clubs, however, experienced higher attendance with the Central League opponents. A Sankei News Paper found 64% of fans welcoming the new style competition according.

For me, it was fun watching fresh match-ups. One of the contributors to that success is Bobby Valentine. He has been managing the Chiba Lotte Marines since last year. They led the 36 game series with a record of 24-11 with 1 draw game. That brought a \50million (US$470,000) prize. They have not won the league championship for 31 years and had poor attendance. But this year, they show more exciting performances on the field. Fans unfamiliar familiar with Pacific League clubs should be impressed. Since the Chiba Lotte Marines are doing it without any big name signings, the improvement is credited to Valentine's handling.

On the other hand, the Sankei News Paper poll found that 60% of fans said that they spent no more time watching baseball games on TV during interleague play. In recent years, television rates for the Giants' games are decreasing. They had always attracted more than 20% of viewers until a few years ago. But this year, some games have been watched by less than 10% of viewers. This is viewed as proving a lowered interest in baseball games among the Japanese people.

However, 4 of 10 people spending more time watching baseball game during interleague play is a positive. While the Giants are losing some viewers, others like Valentine's Marines are catching new fans. We are moving from viewership related principally to the Giants to each club having its own fans.

MLB's 2004 Attendance Record *(Continued from page 2)*

The modern building boom is often called the "retro ballpark" era, though "luxury-suite ballpark era" is probably as apt a description. Attendance per club increased 23.1 percent from 1988 to 1993, when the expansion Colorado Rockies drew a record 4.4 million in their inaugural season. Colorado's spectacular attendance in 1993–94 was partly due to playing in a 76,000-seat football stadium with tens of thousands of seats priced at $5 or less. Still, the Rox drew 3.9 million in each of their first two full seasons at much smaller, yet far more pricey, Coors Field in 1996–97. So the theoretical distortion due to Mile High Stadium's capacity capacity would shave less than one percentage point off of that 23 percent, *making it almost exactly the same as the 1908–23 increase.*

Extrapolating from the two earlier concurrent building and attendance booms, MLB attendance might have increased an *additional* 20–35 percentage points from the 1988 baseline before the cycle peaked, *if not for the strike.* If so, those figures would have been 16–32 percent higher than 2004's "record."

Ponder that for a while, and then see how impressive you think the 2004 attendance record really is.

MLB's Self-Described "Unprecedented Effort"/"Ticket Giveaway"

There were some very curious aspects about MLB's slick charitable tickets-for-kids initiative, announced on August 9, 2004. MLB can, of course, give away tickets to any charity at any time. *Complimentary tickets don't count toward paid attendance, however, but $1 tickets do.* Normally, "giving away" ridiculously cheap tickets to people who probably wouldn't otherwise attend a game is a mechanism used by new or struggling leagues in an attempt to boost attendance.

In recent years, the WNBA and WUSA have both engaged in such promotions. It didn't save the WUSA, and it is debatable what the lasting effect of the late-1990s WNBA cheap-tix promotions really was. The NBA and WNBA boasted that the new league had achieved a significant milestone quicker than any other professional sports league when per-game attendance exceeded 10,000 in the league's second season. Nevertheless, in the six years after that peak of 10,869, per-game attendance declined 21 percent to 8,589.

Why didn't MLB simply donate free tickets when it announced the program on August 9, instead of requiring that someone else make a minimum $1 donation per ticket before providing them to the Boys & Girls Clubs? No one has explained it, but that would have been about the time that MLB was trying to figure out whether they would actually set an all-time attendance mark.

Ameriquest's announcement that it was donating $1 million to purchase one million tickets to be given away was made on August 18, nine days after the MLB announcement. Is it possible that MLB's convoluted initial plan wasn't producing the desired results and wouldn't have given baseball the edge it needed to set the record? Once Ameriquest (an official sponsor of MLB) bought the ducats, they automatically counted towards 2004 attendance whether or not any kid actually used them. That's because MLB's announced "attendance" figures are actually tickets sold, not butts in the seats.

In the end, MLB broke the all-time attendance mark by less than 275,000 admissions—an amazing coincidence. On October 3, 2004 MLB issued a press release announcing the new record, including the odd mistake of saying that new record was 3.8 percent higher than the old record. It was really a piddling 0.38 percent higher, but 0.4 percent doesn't sound nearly so impressive, does it? Predictably, many newspapers ran the information from that erroneous release without doing the math and correcting the conveniently mistaken item.

If this charitable initiative was unrelated to an attempt to pad attendance totals and ensure that MLB would set the record, why wasn't it announced before the 2004 season or announced much earlier in the season? Perhaps before baseball-hungry kids got out of school in June? Did the executives in the commissioner's office and at Ameriquest have simultaneous epiphanies in August 2004, realizing that there are poor kids who can't afford to buy tickets to big-league baseball games?

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MLB's 2004 Attendance Record *(Continued from page 4)*

2005 Update

In late July, the *Washington Times* reported that 2005 attendance was up a bit less than 2 percent over the same point in 2004. Without the transfer of the Expos to D.C., MLB attendance would have been down from the previous year. No surprise there, as no new ballpark opened this year. Next year, the Cardinals will unveil their new ballpark, but it isn't going to boost attendance very much since the Redbirds are averaging almost 43,000 per game so far this season.

Oh, yes. On July 27, 2005, MLB announced another ticket giveaway along the lines of last year's initiative. What a surprise.

Gary Gillette is Co-Chair of the Business of Baseball Committee and the author of, among many baseball books, the forthcoming *Going, Going...Gone?: Baseball's Long Slump and How It Can Rally* due from Potomac Books in 2006.

The GM Project

The GM Project, thanks to a large number of SABR members, especially in recent months Business of Baseball committee Co-Chairs Gary Gillette, who researched and complied the bulk of the data and Maury Brown, who distilled the data for publication, is now ready for vetting and further research by members of the Business of Baseball Committee. You should shortly be receiving notice of a members-only place on the SABR.org website from which a copy in Excel spreadsheet format can be downloaded .

As with most projects that attempt to do something that has never been done before, much work remains to be done. There are the inevitable yet-to-be-found errors caused by transcription errors, editing mistakes, or simply bad source data.

Version 1 remains incomplete. Many of the start/end dates have only the year and need to have the day and month added. Many dates still need to be properly confirmed. Most of these can be found or confirmed in the pages of *The Sporting News* archives online via Paper of Record, but it will take dozens of hours to look everything up. It almost certainly lacks data on many interim/acting GMs that served only for a few days or weeks between the resignation/firing of one GM and the hiring of another.

Other editing tasks that need to be completed include:

- Standardization of names so records match up when sorted. Once the names have been standardized, unique ID codes need to be assigned to each GM.
- Adding club presidents and team owners responsible for player personnel and transactions before specific general manager positions were created.
- Adding biographical information. For most general managers who were not also major league players, managers, or umpires before the early 1980s, however, virtually no biographical data is available.

Once the remaining basics have been filled in and vetted, writing and adding capsule biographies for all GMs to the database would be invaluable. Existing biographies written by SABR's Biographical Project or found in standard reference sources like *Baseball: The Biographical Encyclopedia* can simply be referenced. For the large majority of GMs, though, biographical sketches (50-250 words) will need to be created *de novo*.

Purchasing Pennants *(Continued from page 1)*

bers in perspective I have compared them to some modern day equivalents. One must keep in mind however that most of the modern financial information that we have about MLB teams is estimated, not actually retrieved from team financial records. For the most part we do not have player contracts or team account books to confirm reported salaries and we have only estimates made by financial magazines or self-reported team revenue and cost data with which to estimate profits. The most reliable data we often have involves the costs of constructing new stadiums, which are usually financed by government entities and as such are required to make a full disclosure of the spending of public monies.

The result is that I will be comparing actual financial data with estimated data. In most cases I have maintained the reporting of the data as a direct comparison between the Yankees in the earlier era to the modern era Yankees. While I do not pretend that the Yankees are a representative MLB team from a financial perspective, doing so allows me to examine the behavior of a single franchise over time.

Two other caveats must be addressed when examining these figures. First, inflation took a considerable toll on the value of the dollar over the last ninety years. For this reason, care should be taken not to compare dollar amounts directly between the two eras. I have reported all dollar amounts as nominal dollars (unadjusted for inflation) because I am using them to illustrate relative changes over short periods of time. When I compare the financial records between the two eras, I do so by focusing on percentage shares of various categories of revenue and expenditure, thus avoiding the problem of inflation.

The second difference involves the way in which the MLB business has changed since 1914. Television and free agency are the two most prominent changes. There is no adjustment that can be made for these two events. Instead, we can observe how these changes have impacted the way in which an MLB team operates.

Throughout this series of essays I will compare two fifteen year periods, chosen for their availability of data. For the modern (Steinbrenner) Yankees, I will use the years 1990-2004 because it represents the longest consecutive number of years for which data are available for several categories of revenue and expense. For the early (Ruppert) Yankees I will use a similar 15 year period, this one running from 1915-29 - the first fifteen years of the Ruppert ownership.

The Yankee Account Books

A unique data set has been discovered in the National Baseball Library at the National Baseball Hall of Fame in Cooperstown, NY. The archives contain a set of account books for the New York Yankees for the years 1915-37. This corresponds almost perfectly to the ownership regime of Colonel Jacob Ruppert and, for a time, his co-owner, Colonel Tillinghast L'Hommedieu Huston.

These account books allow for a unique opportunity to look inside the financial operations of a MLB team. As previously mentioned, this level of detail and accuracy is not available to scholars of contemporary MLB financial studies. The archives consist of journals, cashbooks, and ledgers covering the operation of the Yankees and several of their minor league affiliates. While no single type of book is available in a continuous run for the entire period, enough information is available from various books to allow for the reconstruction of annual income statements for most of the period and year-end profits for every year.

No financial statements exist, so they have been recreated from the journals and ledgers. Income statements can be created from the year-end bookkeeping process called closing entries. Closing entries list all of the revenue and expense balances that are accumulated during the year. The closing entries transfer the revenue and expense balances into the owners' capital accounts and by eliminating the revenue and expense balances, lets the bookkeeper start fresh in the new year.

The available data are extremely detailed revenue and expense entries covering all aspects of the financial operation of the team. Entries as diverse as player salaries, fines, laundry costs, travel and lodging, medical expenses, and the purchase and sale of player con-

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Purchasing Pennants (Continued from page 6)

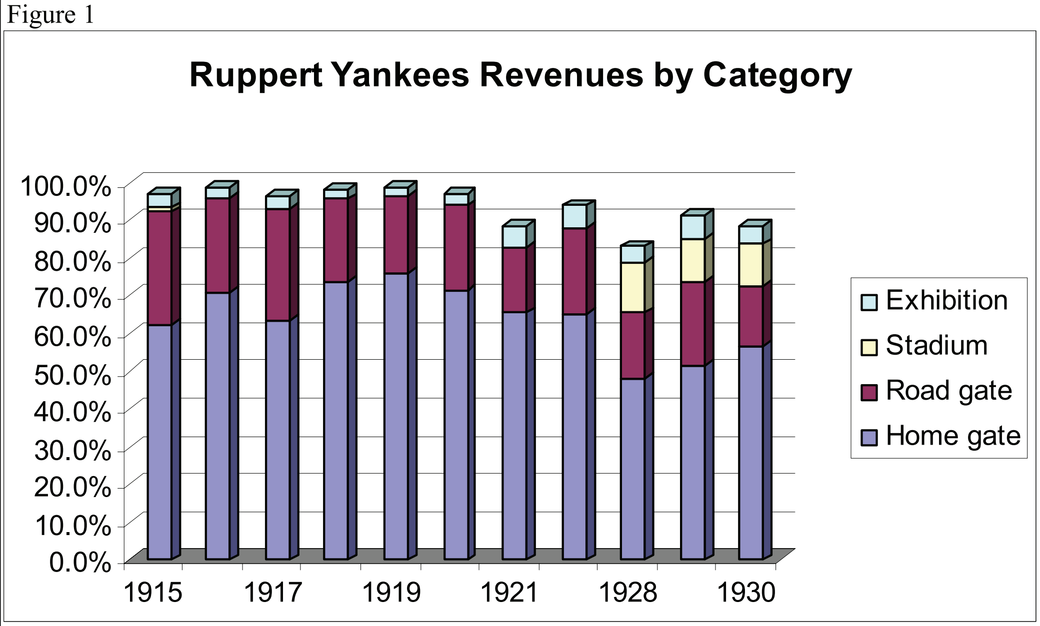
tracts are recorded. Revenue figures are also available by source, including ticket sales, concession sales, advertising, and rental of the stadium (after construction in 1923) to professional and college football teams, Negro League baseball teams and boxing promoters.

The level of detail varies across the years, depending on the type of account book surviving for each year. For example, while total revenue and cost figures are available for the entire period, breakdowns of where those revenues came from and how those costs were allocated are not available in the same level of detail for each year. For that reason, some of the reported statistics are not available for the entire run of the data set.

How the Yankees Earned Their Income

The first item of interest is the source of the income earned by the Yankees. As one would expect in the pre-television era, the vast majority of the Yankee income is from gate revenues. As the bottom panel of Table 1 (next page) indicates, the Yankees earned between 62 and 75% of their total revenues from home gate receipts until the opening of Yankee stadium in 1923.

Figure 1



While attendance remained high after the opening of the stadium, it was the advent of other lucrative sources of income that dropped the share of total revenues from the gate into the 40% range during the first few years after the stadium opened. By the early 1930s gate revenue once more became the predominant source of revenue, though barely hitting 60% in its best years.

Home gate receipts peaked in 1920 and 1921 at \$860,000 and \$870,000 respectively. 1920 was the debut of one George Herman Ruth in a Yankee uniform, and 1921 was the first ever World Series appearance for the Yankees. Interestingly, home receipts never reached that level again during the Ruppert era—even after the team moved to Yankee Stadium in 1923. Despite the larger capacity of Yankee Stadium (58,000 when it opened, compared to 43,000 for the Polo Grounds at the time), Yankee attendance would not reach its 1920 peak of 1,289,422 again until 1946, when they drew over two million for the first time.

After Yankee stadium opened, the team earned substantial revenues by renting it out for non-baseball events, such as college football and boxing and the occasional Negro League baseball game. Before the stadium opened, home and road receipts accounted for 92-96% of total revenues (Figure 1), except for their first two World Series years, 1921 and 1922, when World Series receipts accounted for 8% of 1921 receipts and close to 4% the next year.

Since they were renting the Polo Grounds, they did not earn much from concession sales. Concessions accounted for only three percent of total revenues in the best years (1915 and 1917) and frequently accounted for less than one percent. This changed dramatically with the opening of Yankee Stadium. From 1923 through 1937, the Yankees received a minimum of 6.5% of their revenue from concession sales, and as much as 9%.

The modern era Yankees depend much less on ticket sales for their revenue. During the period 1990-2004 gate receipts accounted for as much as 50% of total revenue only in 2003 and 2004, and the way these figures are reported, it is not clear that these gate receipts are accurate.

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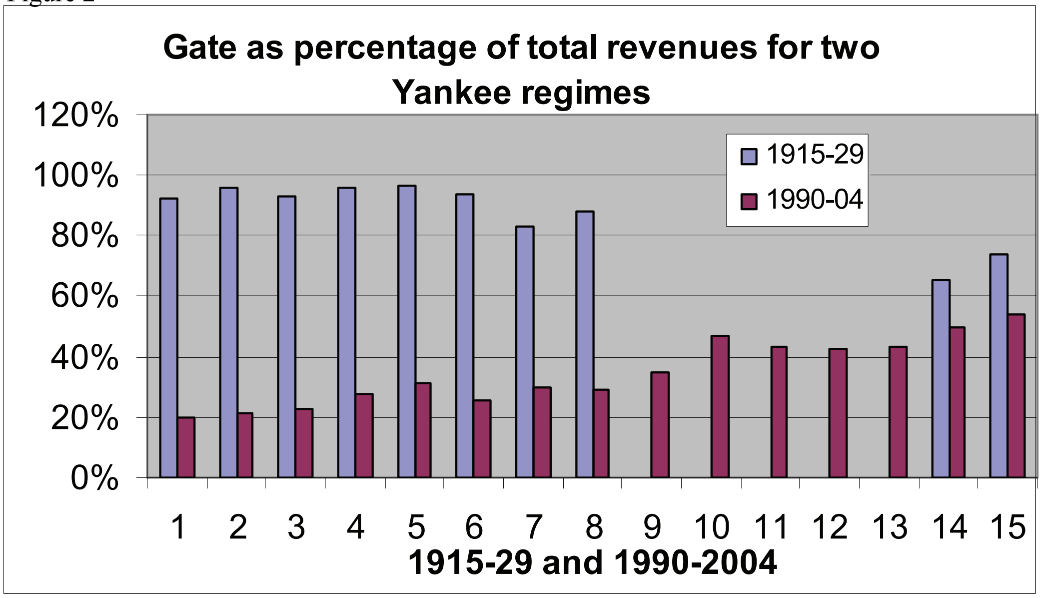
Table 1

**Relative Shares of Gate and Payroll to Total Revenue:
NY Yankees 1915-37 And 1990-2003
(Millions Of Dollars)**

Year	Gate	TR	Payroll	Gate/TR	Payroll/TR
1990	$ 19.80	$ 98.00	$ 20.60	20.2%	21.0%
1991	$ 19.40	$ 90.00	$ 32.00	21.6%	35.6%
1992	$ 21.20	$ 94.60	$ 43.50	22.4%	46.0%
1993	$ 30.10	$ 107.60	$ 54.20	28.0%	50.4%
1994	$ 22.50	$ 71.50	$ 37.10	31.5%	51.9%
1995	$ 24.70	$ 97.84	$ 50.50	25.2%	51.6%
1996	$ 42.60	$ 141.55	$ 63.00	30.1%	44.5%
1997	$ 41.98	$ 145.12	$ 69.57	28.9%	47.9%
1998	$ 60.60	$ 174.12	$ 63.20	34.8%	36.3%
1999	$ 76.79	$ 163.66	$ 83.61	46.9%	51.1%
2000	$ 83.70	$ 192.40	$ 104.70	43.5%	54.4%
2001	$ 98.00	$ 230.76	$ 109.80	42.5%	47.6%
2002	$ 96.00	$ 223.00	$ 141.00	43.0%	63.2%
2003	$ 119.00	$ 238.00	$ 187.00	50.0%	78.6%
2004	$ 143.00	$ 264.00	$ 197.00	54.2%	74.6%
Year	**Gate**	**TR**	**Payroll**	**Gate/TR**	**Payroll/TR**
1915	$ 0.12	$ 0.20	$ 0.12	62.1%	59.7%
1916	$ 0.23	$ 0.33	$ 0.11	71.0%	33.0%
1917	$ 0.16	$ 0.25	$ 0.12	63.6%	48.2%
1918	$ 0.14	$ 0.19	$ 0.07	73.4%	38.0%
1919	$ 0.34	$ 0.45	$ 0.11	75.8%	24.5%
1920	$ 0.86	$ 1.21	$ 0.15	71.3%	12.2%
1921	$ 0.87	$ 1.32	$ 0.21	65.3%	15.5%
1922	$ 0.72	$ 1.11	$ 0.24	65.1%	21.4%
1923	$ 0.69	$ 1.38	$ 0.25	50.4%	18.1%
1924	$ 0.73	$ 1.22	$ 0.25	59.8%	20.8%
1925	$ 0.48	$ 0.94	$ 0.26	51.0%	27.4%
1926	$ 0.71	$ 1.62	$ 0.26	43.8%	16.2%
1927	$ 0.80	$ 1.63	$ 0.34	49.3%	20.8%
1928	$ 0.73	$ 1.52	$ 0.35	48.2%	23.0%
1929	$ 0.67	$ 1.31	$ 0.37	51.3%	28.5%
1930	$ 0.79	$ 1.39	$ 0.32	56.7%	23.4%
1931	$ 0.61	$ 1.08	$ 0.34	56.7%	31.8%
1932	$ 0.64	$ 1.04	$ 0.36	62.2%	34.5%
1933	$ 0.49	$ 0.82	$ 0.23	59.2%	27.3%
1934	$ 0.57	$ 0.94	$ 0.26	61.2%	27.7%
1935	$ 0.44	$ 0.79	$ 0.26	56.1%	32.8%
1936	$ 0.65	$ 1.28	$ 0.26	51.2%	20.6%
1937	$ 0.67	$ 1.35	$ 0.31	49.6%	23.0%

Purchasing Pennants *(Continued from page 7)*

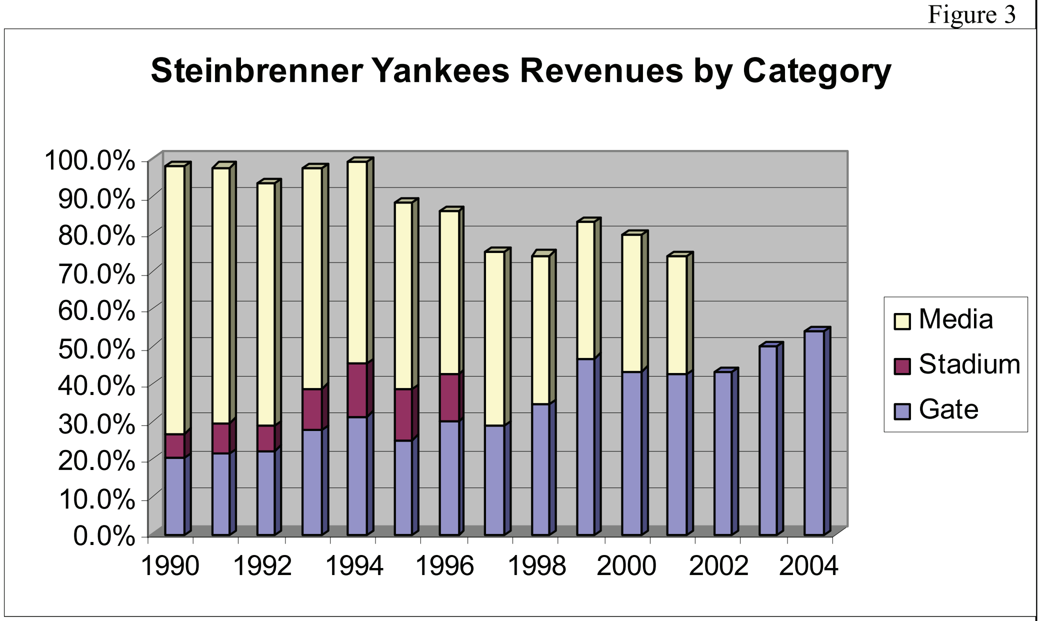
Figure 2



The most surprising figure here might be media revenue. It starts in 1990 at a level of $45 million, representing 70% of total income, and then decreases as a percentage of total revenue each year until 2000. The strike years of 1994 and 1995 are the only two years to represent a definitive decrease in media revenue, due, obviously, to the strike. There is also a decrease shown from 1998 to 1999, but this seems to be an error, as national media is listed as only $6 million for 1999. This represents a decrease of $9 million from 1998, and is $20 million below the level listed for 2000.

The problem with this data series is that beginning in 2000, the revenue sources are reported differently. Prior to 2000 stadium and gate revenue were reported separately. This may seem intuitive, but the problem occurs when comparing revenues over time because of the way luxury suite income is counted. Technically, it is stadium income, not gate revenue. It seems likely that some of these figures are being merged, perhaps even before 2000. Reported stadium income increased by over 200% from 1990-97, but then over the next two years dropped off by 17% from its 1997 high before separate reports of stadium income ceased to be made beginning in 2000. At the same time gate revenue increased from 1990-97 by 112%, increased by an additional 83% over the two years of declining reported stadium revenue, and nearly doubled again between 1999 and 2004 when stadium revenue was no longer separately reported. These patterns suggest that some of the reporting of stadium and gate revenue may have been merged. Figure 3 shows the breakout of modern Yankee revenues by three categories: media, gate and stadium income.

Figure 3



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Purchasing Pennants *(Continued from page 9)*

How the Yankees Spent Their Money

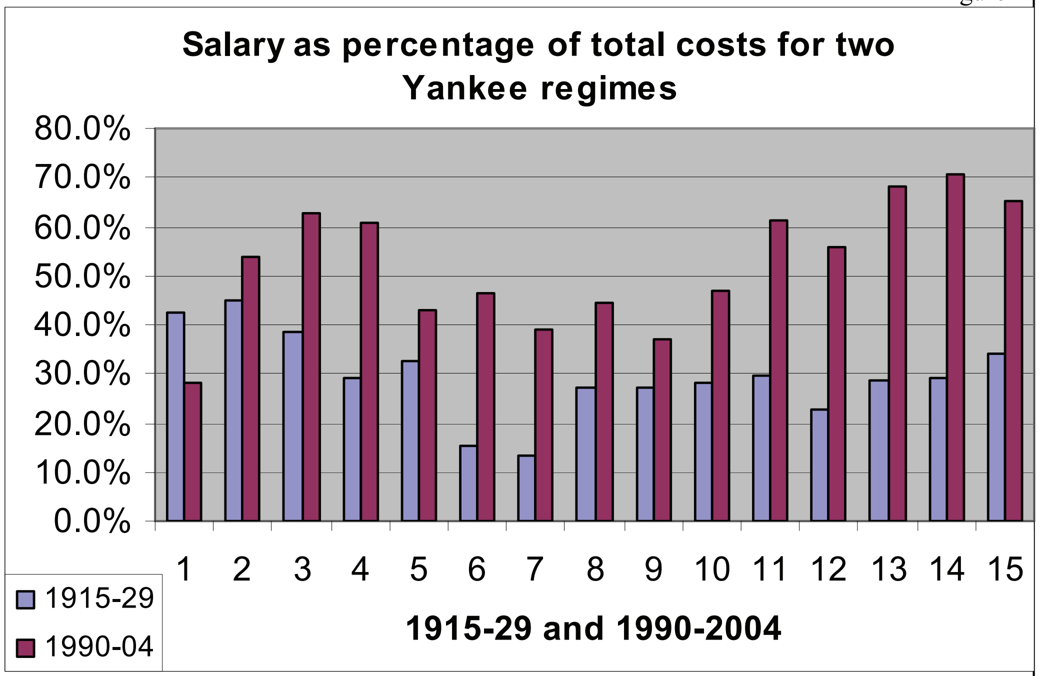
Much more detail is available about the expense side of the Yankee ledger in the Ruppert era than the modern era. We have information on expenditures for player salaries for both eras, and as expected, this is the major source of expenses for the team. This is the only extensive piece of information we have concerning expenses for the modern era team. For the early Yankees, we also know how much was spent on other significant categories, such as the front office, taxes, stadium rent, construction and maintenance.

Player salaries were the largest category of expenditures for each Yankee team during the entire period of study. Player salary over time, however, is very different for each team. When Ruppert bought the Yankees, player salaries accounted for 42.5% of total costs and rose slightly the following year. Beginning in 1917 however, player salaries as a percentage of total expenditures took a nosedive, falling to 38% and then 29% before recovering slightly to 33% in 1919. It was the last time they would exceed 30% of total expenses until they reached 34% in 1929.

The Steinbrenner Yankees, on the other hand, began the reporting period with their lowest salary as a percentage of total expenses at 28% in 1990. This quickly rose to 54% the following year and topped 60% in each of the next two years before falling to 43% in 1994 and then hovering between 37% and 47% for the next five years. This seems odd at first, considering that the Yankee payrolls during this period steadily increased from an artificially low $37 million in 1994 to $50 million the following year, into the $60 million range for three years, and then surpassing $80 million in 1999 before crossing the $100 million barrier in 2000.

This is deceiving because reported expenses make a dramatic leap between 1995 and 1996, increasing by nearly 50% from $108 million to $161 million. They remained in this neighborhood for the remainder of the reporting period, ranging from $156 million in 1997 to $178 million in 1999. It is difficult to pin down the source of these dramatic cost increases because of the paucity of data. We do have some detailed information for the period 1994-99, but the increase in costs is reported under the unhelpful category labeled "other expenses."

Figure 4

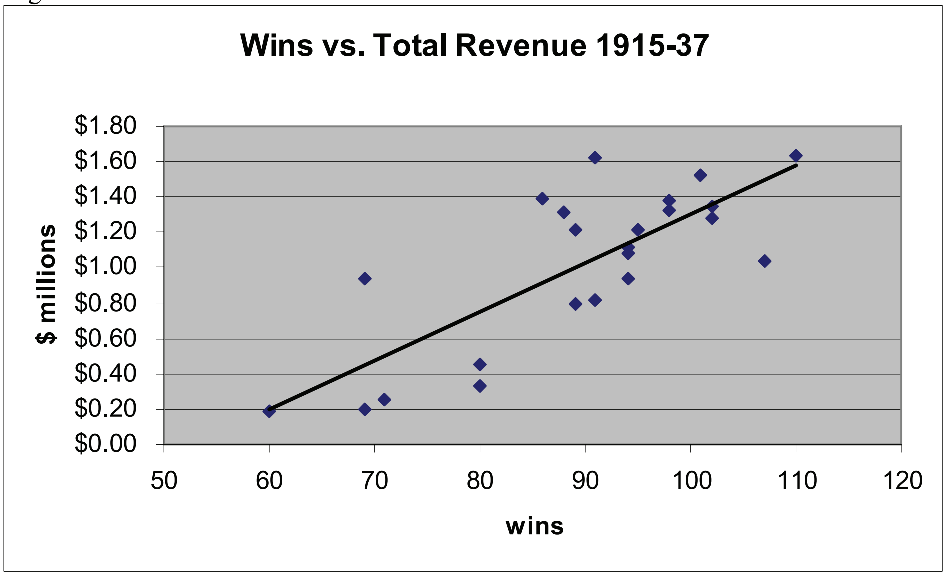


From 1995 to 1996 this category of expenses increases from $1 million to $32 million, before falling back to single digits until skyrocketing to $65 million in 2000. Revenue sharing is likely a culprit in this cost increase, but since it is not broken out, it is not certain where its impact lies. During this period of rapid cost escalation reported expenditures on general and administrative expenses more than quadruple from $7 million in 1994 to $31 million in 1999. Over this same period of time player development costs increase from $16 million to $18 million and then to just under $25 million for three years before falling back to $19 million in 1999. Stadium operating costs (including maintenance) triple from $7 million in 1994 to $20 million in 1998 and then fall to $17 million in 1999. Before 1994 and after 1999 the only expense detail available is player payroll and a few scattered instances of re-

(Continued on page 11)

Purchasing Pennants (Continued from page 10)

Figure 5



porting of "other expenses." This makes it difficult to tell exactly what leads to this dramatic increase in reported expenses for the Yankees.

It is worth noting that the dramatic leap in expenses occurs in the same year that a dramatic leap in income is reported. Income increased from $98 million in 1995 to $141 million in 1996, while expenses increased from $108 million to $160 million that same year. Both revenues and expenses remained in this much loftier neighborhood for the duration of the reporting period.

Conclusion

The more things change, the more they remain the same. Like the Yankees of today, the Yankees of yesteryear were a financial juggernaut. While today they earn substantial amounts from their media income, the Yankee gate is still important, as it always has been, and continues to be among the league leaders in annual attendance.

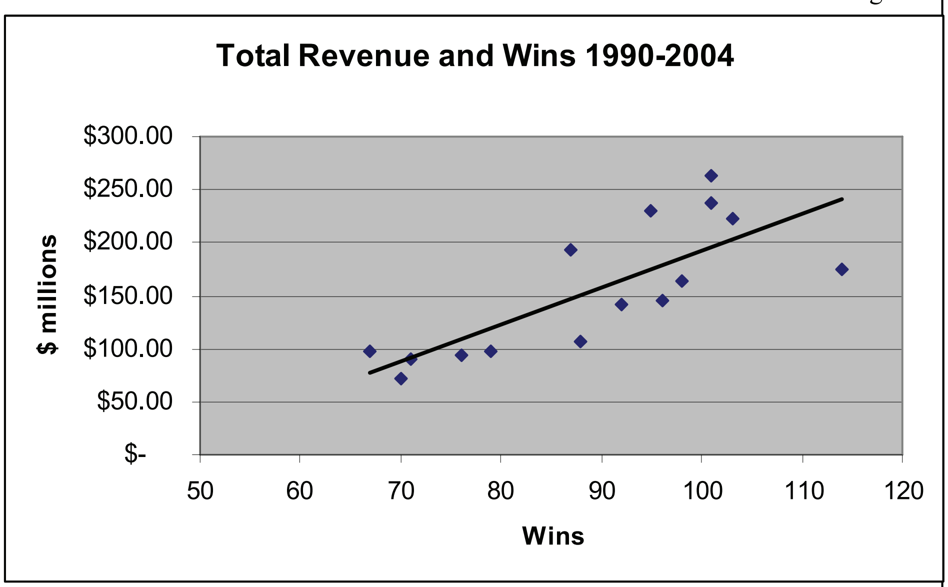
It is no surprise that the portion of Yankee income going to players has increased dramatically since the Ruppert era. Free agency has seen to that. Under Ruppert, Yankee players received 20-30% of the revenue, while the Steinbrenner era Yankee players typically received 50% of the total revenue, with that percentage climbing to 70% in the past couple of years. This, of course, is the magic of competitive markets. With teams bidding for the services of the best players, they have shown their willingness to share more of the revenue with the players.

Another important distinction is the role the stadium plays in team finances. In the early era the Yankees built and maintained their own stadium, turning it into a fantastic source of revenue that generated a profit, independent of baseball. Today, while the stadium is an important source of revenue, teams have managed to get somebody else to pay for it – namely the government.

This might be the most important financial improvement baseball owners have made over the past half century – convincing municipalities to shoulder the cost of stadiums without taking the revenues. It is an extraordinary accomplishment, one worthy of a research project all by itself.

Michael Haupert is Professor of Economics at the University of Wisconsin-LaCrosse. This is the first of a three-part series on Yankee economics. Part 2, *Player Salaries*, will appear in the Fall 2005 *OTL*. Part 3, *Player Performance*, will appear in the Winter 2006 *OTL*.

Figure 6



Business of Baseball Committee

The Business of Baseball Committee co-chairs are Gary Gillette (GGillette@247Baseball.com) and Maury Brown (maurybaseballcrazy@yahoo.com). Don Coffin (dcoffin@iun.edu) holds the vice-chair position. John Ruoff (jruoff@bellsouth.net) edits *Outside The Lines*.

The committee's website is at http:\\www.businessofbaseball.com. The Committee's discussion group, BusinessofBaseball, is on YahooGroups. If you are a member of the Committee and want to join, go to http://sports.groups.yahoo.com/group/BusinessofBaseball/ or send an e-mail to Business of Baseball-subscribe@yahoogroups.com.

Editor's Note

If you are tracking issues of *OTL*, you will note that you are missing a Spring 2005 number. You aren't actually missing any. We decided to synchronize the issue names with the calendar. Thus, rather than Spring 2005 coming out in August, this issue is Summer 2005.

Thank You to Our Contributors

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In This Issue: Purchasing Pennants: The New York Yankees Then and Now, Pt. 1