Outside the Lines

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A Different Kind of Yankee Record Book

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The discovery of a unique set of financial records for the New York Yankees covering the period of ownership by Jacob Rupert and his heirs allows for a fascinating behind-the-scenes look at how a Major League Baseball franchise was financed. The records include daily cash books, ledgers and journals detailing the team's finances.

Among the interesting tidbits to be found in the records include the amount the Yankees spent to hire detectives to trail their players and report on their nocturnal activities, travel costs, fines, and the annual

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Connie Mack Breaks Up the A's Again

by
James Ray

For all of the reasons that Connie Mack is revered in baseball history – from his unequaled fifty-three year tenure as a big league manager to his notoriously genteel manners and formal attire in the dugout and on the field – he is perhaps remembered most by serious fans of the game as the man who dismantled two of the greatest teams in baseball history.

The first, a team that won four American League pennants and three World Series titles in just five years, fell apart after the 1914 season when several key players jumped to the new rival Federal League, where owners were paying better salaries to proven stars.

Mack responded to the crisis by selling off his remaining stars rather than carry a big payroll for a team that couldn't draw at the gate. He told reporters, "If the

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Arbitration Wrap-up – 2008

by Bill Gilbert

In 2008, 112 players were involved in the arbitration process, the largest number since 1993. Before players and clubs exchanged figures on January 15, sixty four of these players had agreed to contracts with their clubs. Of the remaining 48 players, only eight players actually went to an arbitration hearing.

With 6 of the 8 decisions going to the clubs, it was the 12^{th} straight year that the majority of the decisions went in favor of the clubs. Since the first hearings were held in 1974, the clubs have won on 279 occa-

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Babe Ruth: Better than the Dow Jones

by
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The decision by the New York Yankees to purchase one George Herman Ruth, a strapping young lad with a flair for the dramatic, and long, hit, is in retrospect one of the greatest deals ever consummated. Even when it was announced in January 1920, before Ruth would earn the nickname "Sultan of Swat" and devastate every known power record of the time, it was considered a great deal for the Yankees. Until now, however, there has been no attempt to determine exactly ***how*** good a deal it was.

This note will use the financial records of the New York Yankees for the 1920s to estimate the actual return the Yankees earned on their investment – and

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Arbitration Wrap-Up — 2008 (Continued from page 1)

sions and the players have prevailed 205 times.

There are two situations where arbitration can come into play. By far the most common is the one involving players, under control of their clubs, with 3 to 6 years of major league service (MLS), plus the 17% most senior MLS-2 players, referred to as "super twos". Of the 112 players in the arbitration process this year, 109 were in this category.

Player	Club	Player Filing ($ 000)	Club Filing ($ 000)	Winner
Felipe Lopez	WAS	5,200	4,900	Club
Chien-Ming Wang	NYY	4,600	4,000	Club
Brian Fuentes	COL	6,500	5,050	Club
Jose Valverde	HOU	6,200	4,700	Club
Mark Loretta	HOU	4,900	2,750	Club
Ryan Howard	PHA	10,000	7,000	Player
Francisco Rodriguez	LAA	12,500	10,000	Club
Oliver Perez	NYM	6,500	4,725	Player

The other situation involves free agents. When a player with 6 or more years of major league service files for free agency, his club has the option of offering arbitration. A club must offer arbitration in order to get compensation in the form of draft picks if the player signs with another club. If the player accepts arbitration, he is no longer considered a free agent and he becomes bound to that club. If a player refuses arbitration, as most players do, he is a free agent who can sign with any club including the one he played for last year.

The three free agents who accepted arbitration this year were Michael Barrett of San Diego, Andy Pettitte of the New York Yankees and Mark Loretta of Houston. Barrett and Pettitte quickly reached contract agreements with their clubs. However, Loretta's case went to a hearing on February 18, only the second time since 1991 that a potential free agent went to a hearing.

The arbitration process is designed to promote a settlement at a salary in line with that of other players with comparable performance and service time. With one exception, the results this year continue to indicate that the process is working as intended. Players eligible for arbitration for the first time receive a large increase in salary since they have no leverage in their pre-arbitration years when their salaries are under control of the clubs. Players who have been through the process before also generally receive salary increases depending on their performance in the preceding year.

Players that settle prior to hearings are sometimes able to negotiate multi-year contracts that buy out future arbitration or free agency years. They are also frequently able to include performance bonuses, based on playing time, and awards bonuses in their contracts.

The big winner in the arbitration process this year was Justin Morneau of Minnesota who signed a 6-year contract for $80 million, buying out his remaining two years of arbitration and three years of free agency.

Among first time arbitration-eligible players, Robinson Cano of the Yankees landed the biggest contract ($30 million for 4 years).

Ryan Howard (a super-two) of the Philadelphia Phillies presumably resisted the Phillies efforts to sign him to a multi-year contract and took the team to an arbitration hearing where he was awarded the $10 million he requested rather than the $7 million filed by

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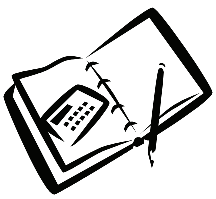
laundry bill for player uniforms. Among the more substantial pieces of information contained in the records is complete payroll information, annual profit and loss statements, and the financial details concerning the cost and revenues associated with the construction of Yankee Stadium.

The Provenance of the Yankee Ledgers

Sometimes it's better to be lucky than smart. I had the good fortune to stumble across these books in the summer of 2000 while I was at the Hall of Fame doing some research on baseball player labor markets, which involved studying individual player contracts. I was disappointed in my efforts, since the library did not have enough contracts for me to complete my study.



As I was bemoaning my bad luck, a helpful staffer at the library remembered that there was a box of some books with lots of numbers in them. He seemed to remember that they contained financial information of some kind, and thought they might be of some help. Ten minutes later he produced two of what turned out to be about 70 such books. The collection consisted of a set of account books for the New York Yankees covering the years 1913 to 1943 in varying degrees of detail and completeness for each year. It was, and is to this day, the largest known set of financial records of a MLB team available to the public.

The books were brought to Cooperstown in 1974 by Clifford Kachline, who at the time was the Hall of Fame's historian, a position which he held from 1969-82. Kachline had received a call from an associate working for the Yankees. He was informed that the team was looking to do some housecleaning in preparation for the upcoming renovation of Yankee Stadium. New owner George Steinbrenner was not eager to pay relocation and storage costs for unneeded material. Kachline was invited to come to Yankee Stadium to review some of the records that were on the disposal list to see if the Hall of Fame might want them. He recognized the importance of the material and agreed to accept it for the Hall.

The financial records represent a golden opportunity to study the business side of professional baseball – an opportunity that is not generally available in the close and secretive industry that is Major League Baseball. That value was not always known, however. In fact, from the time they were brought to the Hall of Fame until the summer of 2000, they lay largely ignored in the Hall of Fame's library. Until the summer of 2002, they were not even fully catalogued. No description of their contents was available and they were not arranged in any meaningful way. They were organized by a series of orange numbered tags on the spine of the books – tags that to this day remain a mystery to the librarians.

Historical Background

The New York Yankees had an inauspicious beginning. The team was moved from Baltimore in 1903 and sold to two local owners, William Devery and Frank Farrell. Devery and Farrell were not astute businessmen, but were well-connected politically. This turned out to be their only redeeming virtue as owners of the team. During the decade they owned the Yankees, they did not exactly distinguish themselves either on the field or in the front office.

New York Yankees president Frank Farrell presents loving cup to Yankees manager Harry Wolverton as Red Sox and Yankees players look on at Hilltop park, New York, April 11, 1912
George Grantham Bain Collection , Library of Congress,
LC-B2- 2389-14[P&P];LC-DIG-ggbain-10333

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Devery and Farrell sold the franchise after the 1914 season for a reported $460,000. The new owners of the Yankees were a pair of well-heeled local businessmen – Colonel Tillinghast L'Hommedieu Huston and Colonel Jacob Ruppert. Equally as important as their wealth was their business acumen. Ruppert had been raised in the brewery business, and Huston was a successful engineer. Both men had an interest in baseball, and an interest in making money as well.
At the time of sale, the franchise was virtually bankrupt. Newspapers reported that the Yankees had only earned a profit once in the previous decade. Primary information from the ledgers from 1913 and 1914 suggests that the profits were not quite that bad, but the franchise was in a sorry state. The Yankees earned a profit of almost $22,000 in 1913 but followed that with a loss of nearly $96,000 the next year. Yankee attendance varied widely during the decade of the Devery-Farrell ownership, ranging from 211,808 in 1903 to 501,700 in 1909, so it seems likely that they earned a profit more than once in ten years (see Table 1).

Table 1
Yankee Attendance and Performance During the Devery-Farrell Years

Year	Wins	Loses	Win %	GB	Attendance
1903	72	62	53.7	17	211,808
1904	92	59	60.9	1.5	438,919
1905	71	78	47.7	21.5	309,100
1906	90	61	59.6	3	434,700
1907	70	78	47.3	21	350,020
1908	51	103	33.1	39.5	305,500
1909	74	77	49.0	23.5	501,700
1910	88	63	58.3	14.5	355,857
1911	76	76	50.0	25.5	302,444
1912	50	102	32.9	55	242,194
1913	57	94	37.7	38	357,551
1914	70	84	45.5	30	359,477

Sources: Total Baseball, Baseball Reference.com

The lack of financial success under Devery and Farrell was no accident. The team contended for a pennant in two of its first three years, but thereafter never came within 20 games of the winner. The last three years were particularly dismal as the Yankees averaged 41 game behind while finishing in eighth, seventh and sixth place.

Ruppert and Huston made money with the Yankees by spending money wisely. Player purchases were modest in the lean years (1915-1919) but accelerated in the twenties. Their two most famous investments were the purchase of Babe Ruth from the Boston Red Sox, and the construction of Yankee Stadium. The former transaction was completed in January of 1920 for a total of $100,000 in the form of five $20,000 promissory notes, payable at 6% annually over the next two years. The latter was completed in the early spring of 1923 for a total cost of $3.1 million.

The colonels saw that the management team had the resources to compete. No dividends were paid to the owners during the first decade of their ownership. During the early years the owners lent money to the team so it had the necessary resources to grow. The lending relationship was additional evidence of the business atmosphere. Ruppert lent money to the Yankees each of the first four years of his ownership. The team eventually repaid all of it at six percent interest.

Neither Ruppert nor Huston collected a salary until July 15, 1919 when the team was profitable. The decision on their part to collect a salary at this time was another good business decision because the sixteenth amendment legalizing income taxes and World War I tax rates made it more profitable to transfer money to the owners via salary rather than dividend. Rupert and Huston were drawing salaries of $1,400 per month. Ed Barrow, the lesser known employee the Yankees brought over from Boston, and the acknowledged baseball brains of the operation, was paid a salary of $20,000 per year. This amount was topped only by Babe Ruth and eventually Lou Gehrig

The Yankees had been playing in the shadow of the Giants since their arrival in town. Now that men with sufficient funds owned the team, the Yankees made the necessary moves toward profitability. They began by improving the playing talent, resulting in a more competitive team, which in turn generated greater fan interest and paid attendance. After the Colonels bought the team, they improved in the standings from

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Table 2
Yankee Attendance and Performance During the Ruppert-Huston Years

Year	Wins	Losses	Win %	GB	Attendance
1915	69	83	0.454	32.5	256,035
1916	80	74	0.519	11	469,211
1917	71	82	0.464	28.5	330,294
1918	60	63	0.488	13.5	282,047
1919	80	59	0.576	7.5	619,164
1920	95	59	0.617	3	1,289,422
1921	98	55	0.641	-	1,230,696
1922	94	60	0.610	-	1,026,134
1923	98	54	0.645	-	1,007,066
1924	89	63	0.586	2	1,053,533
1925	69	85	0.448	28.5	697,267
1926	91	63	0.591	-	1,027,675
1927	110	44	0.714	-	1,164,015
1928	101	53	0.656	-	1,072,132
1929	88	66	0.571	18	960,148
1930	86	68	0.558	16	1,169,230
1931	94	59	0.614	13.5	912,437
1932	107	47	0.695	-	962,320
1933	91	59	0.607	7	728,014
1934	94	60	0.610	7	854,682
1935	89	60	0.597	3	657,508
1936	102	51	0.667	-	976,913
1937	102	52	0.662	-	998,148
1938	99	53	0.651	-	970,916
1939	106	45	0.702	-	859,785

Sources: Total Baseball, Baseball Reference.com

6th place in 1914 to consecutive third place finishes in 1919 and 1920, followed by three straight trips to the World Series. Table 2 summarizes the Yankees' success.

A Peek Inside the Ledgers

What makes these records so important is their rarity. Because MLB teams are private corporations that are not publicly traded they have no obligation to reveal their financial records. As a result, obtaining financial data at any level of detail or with any degree of certainty is not possible. While the operation of MLB franchises during the 1920s and 30s certainly differed from the operation of modern day franchises, the former can still provide us with a revealing look at the way franchises operated, their profitability, and a base for comparison with contemporary teams.

The financial ledgers contain a lot of what one would expect from such a beast: routine accounting of monthly bills for such standard items as salaries, office rent, utilities, and postage, as well as occasional purchases of stationery, baseballs and office furniture. On the revenue side there were lots of entries covering ticket sales, advertising revenue, concession sales and, after 1923, rental of Yankee stadium. There were also the occasional items that stood out on the page for historical reasons (the $100,000 entry for the purchase of Babe Ruth), or because they seemed odd or unusual for a baseball team.

One unexpected cost item uncovered by studying the books was the length and expense the team went to in order to keep tabs on their players. The Yankees regularly employed the Burns Detective Agency to provide security services for the team's home games. It turns out that they also hired the agency to do a little bit of undercover work. Under account 217, labeled "Investigating Players," the team recorded regular payments. The most intriguing entry for this account was made in October of 1922 when the team paid Burns $259.50 to cover the cost of the "Ruth matter." Unfortunately, no specific details are available to say exactly which "Ruth matter" was being paid for, but 1922 provided plenty of opportunities upon which to speculate.

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Ruth began the 1922 season with a 30 day suspension, a result of his having thumbed his nose the previous fall at baseball's prohibition on World Series participants joining barnstorming tours after the series. He had also engaged the services of Christy Walsh as his agent. During his lackluster 1922 season[1] he was suspended four times for a total of 44 games, displayed erratic behavior and failed to control his volatile temper, the source of his suspensions. His home life changed as well. He and his first wife Helen were experiencing marital difficulties, not the least of which involved the birth of his daughter Dorothy, widely suspected to be the child from one of Ruth's many adulterous affairs.

So there were plenty of potential "matters" for detectives to pursue. Most likely enough to keep an entire fleet busy around the clock.

Several instances of unusual compensation cropped up in the biweekly salary payment entries. In November of 1939 the Yankees paid $300 to William and Mary College for payment of tuition for Vic Raschi for the 1939-40 academic year. In 1921 Mrs. Annie Bodie, wife of reserve outfielder Frank "Ping" Bodie, received a check for $150 each pay period - approximately one-third of Frank's salary. Apparently Frank couldn't be relied upon to see to it that his wife received enough money to run the household. In 1922 the team purchased four separate life insurance policies from three different companies for Babe Ruth. There is no indication as to whether the team or Ruth's wife was the beneficiary, but the Yankees were set back a total of $1,850 for the policies.

Sometimes the salary entry stood out not in the way it was paid, but in the way it was *not* paid. One particular example was the May 1937 entry noting a payment of $260 to Dr. G. F. Oberrander with a note to charge the amount against the salary of one Joseph DiMaggio. This was not a baseball related injury, because there is no evidence to suggest that players were routinely charged for their medical care. A check of the New York Times during the spring of 1937 reveals that DiMaggio had his tonsils and adenoids removed

Jacob Ruppert, New York Governor Al Smith & wife at opening day of Yankee Stadium, 4/18/23
George Grantham Bain Collection , Library of Congress, LC-B2- 5973-2[P&P]; LC-DIG-ggbain-35762.

on April 16, 1937 by Oberrander, Ruppert's personal physician. While it was nice of Ruppert to recommend his personal physician for DiMaggio, he didn't pick up the tab. A quick check of the records shows that DiMaggio's salary was indeed docked for medical expenses. DiMaggio was, however, paid his salary during the two weeks he was out of the lineup.

Interesting patterns sometimes emerged when analyzing the data. For example, players were issued their uniforms at the beginning of the season, and then had their pay docked for a $30 deposit, to be refunded when said uniforms were returned in October. A day or two before a player was to be released the Yankees would issue a refund of the uniform deposit. Therefore, one of the worst things that could happen to a player was to be handed a check for $30. Inevitably the next thing he was handed was a train ticket out of town.

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[1] A lackluster season for Ruth is a career year for most players. In 1922 Ruth batted .315 with 35 homeruns and 99 RBI in 110 games.

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Ticket prices rose rapidly as the fortunes of the team rose. In 1915 a season box sold for $300. Twenty years and seven pennants later, that same box would set you back a shade over $900 – and that was in the midst of the depression. Of course the cost of putting that higher quality team on the field was going up as well. The total Yankee payroll more than doubled over that same twenty year period from $116,000 to $260,000.

In 1915 the team bought a round trip steamer ticket from Manhattan to Savannah, GA, for a young scribe named Fred Lieb to accompany the team to spring training. He must have pleased Ruppert and Huston with his stories, because he was eventually hired as their official scorer, earning $1,000 per season, which was more than the average player was making in some of those years. Lieb, of course, would go on to become an accomplished author and reporter, eventually honored by the Hall of Fame with the J.G. Taylor Spink Award in 1972.

In December of 1921, almost two years to the day after the famous Ruth purchase, the Yankees and Red Sox hooked up in another $100,000 deal. This one, while not nearly as famous (or infamous, depending on your rooting allegiance), was a much larger deal. The Yankees sent the cash along with team captain Roger Peckinpaugh, Jack Quinn, Rip Collins and Bill Piercy to Boston for Everett Scott, Joe Bush and Sam Jones.

Conclusion

The Yankee ledgers tell us nothing new about batting averages, winning percentages or fielding averages. They don't reveal anything about pitching rotations or late inning strategies, and they certainly aren't as exciting as a game winning hit. Yet in their own way, they are as important to the game as any of these. Baseball is now, and always has been, a business. The Yankee ledgers allow us to view this grand old game from another vantage point, adding yet another piece to the tapestry of America's national pastime.

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players were going to cash in and leave me to hold the bag, there was nothing for me to do but to cash in too," Mack said. Although his words must have struck some loyal Athletics' fans as cold and heartless, they reflected Mack's broader fiscally conservative philosophy of running the team. It was something he had to do.

Connie Mack's Business Was Baseball

Unlike some of his competitors, like beer baron Jacob Ruppert in New York or chewing gum magnate Phillip Wrigley in Chicago, the only money that Mack ever made came from baseball, and it was never that much. Sometimes he took losses for three or four straight years and, on occasion, he went deeply into debt with local banks just to keep the team afloat.

As a result, Mack ran the team to win, but hopefully not for too many years in a row. Too much success meant demands by players for higher salaries. Higher salaries meant higher costs, and there was no guarantee that attendance would increase. In fact, Mack believed that, if the team was too good, it would mean fewer fans at the gate. He once said that it was more profitable to have a team get off to a hot start, then ultimately finish fourth. "A team like that will draw well enough during the first part of the season to show a profit for the year, and you don't have to give the players raises when they don't win."

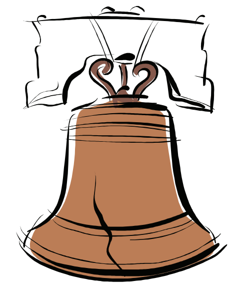
It was this type of businessman's mentality, coupled with a worldwide economic crisis, which caused Connie Mack to break up his second great Philadelphia Athletics dynasty.

The Rise of Mack's Second Great Dynasty

After the team's collapse in 1915, Mack struggled to build another winner in Philadelphia. The team finished in the cellar from 1915 though 1921 and only made it out of the second division in 1925. But by the late 1920s, Mack had finally assembled a core of talented young players that looked poised to challenge the New York Yankees for supremacy in the American League.

In 1927, the Athletics won 91 games, but still finished 19 games behind a Yankees Murderer's Row team. By 1928, however, they won 98 games and cut the difference to just two and a half games.

The team finally broke through in 1929 and finally wrestled the pennant from New York. The Athletics won 104 games, lost only 46, and crushed the Yankees in the standings by eighteen games. Their 21-year old first baseman, Jimmie Foxx, had the first of many monster years at the plate, hitting .354 with 33 home runs and 118 RBI. Catcher Mickey Cochrane hit .331, drove in 95 runs and played his usual superb defense behind the plate. Outfielder Al Simmons put up Hornsby-like numbers, batting .365 with 34 homers and 157 RBI. Simmons was joined in the outfield by Bing Miller, who hit .331, and Mule Haas, a productive hitter who batted .313 and scored 115 runs. Of these five players who were the meat of Philadelphia's potent offense, only Miller was older than 27.



But it may have been the team's pitching staff that held even more promise. Robert "Lefty" Grove won 20 games against 6 losses and won his second ERA title. Big George Earnshaw won 24 games, and Rube Walberg won 18. Bill Shores and Eddie Rommel stood out in the bullpen, and the entire staff had the best ERA in the American League. Like the offensive stars, the team's brightest pitchers were all still young. Shores was the youngest at 25 and Walberg the oldest at just 32 years old.

The Athletics demolished the Cubs in the World Series, four games to one. Foxx hit .350 with two home runs and 5 RBI. Simmons hit .300, and also hit two homers. Cochrane hit .400, and the pitching staff posted an ERA of 2.40 for the Series.

As Mack had hoped, the team's success on the field translated into profits from the gate. In just two years, attendance at Shibe Park jumped from 605,000 to almost 840,000. The franchise also earned big extra dollars from the World Series games, where ticket

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prices jumped from the usual $1.00 for box seats to over $5.00 per game. For the first time in a while, things were looking good for the Tall Tactician, both on the field and in the ledger books.

The Great Depression Hits the Game Hard

Then came October 24, 1929, when the stock market began its historic five day collapse in which the Dow Jones Industrial Average plunged almost forty percent. Total losses exceeded $30 billion, an amount that was more than times the entire annual federal budget. Market investors were of course the first to feel the hit, but in time, the effects of the crash soon radiated through the larger national economy.

By the time the 1930 season got underway, employment in Philadelphia was down. But things in the City of Brotherly Love weren't nearly as dire as in other parts of Pennsylvania, or in the hardest hit rural areas of the country. But despite the economic slump, Athletics' fans seemed to have enough money to continue coming to the ball park. Mack's team drew over 721,000 fans, which was second best attendance in the American League. Because of the increased revenues over the prior few years, Mack increased his own pay to $50,000 a year. That made him the highest manager, but of course, Mack also had the risk of ownership that none of his dugout brethren shared.

The team won 102 games and beat the Washington Senators by eight games. Foxx and Simmons had historic seasons, each driving in more than 155 runs. Mickey Cochrane continued his stellar play behind the plate and hit .357. In a season dominated by hitting, Lefty Grove went 28-5 with a league-leading ERA of 2.54. George Earnshaw won 22 games. They went on to beat a very tough St. Louis Cardinals team in a six-game World Series.

Although attendance was down from the prior year and some salaries were up (including Simmons, who held out until opening day for a $30,000 deal), the World Series money made the season profitable once again for Mack.

But when work layoffs continued, and wages dropped, Philadelphians began to cut down on their spending, especially on recreational costs like going to baseball games. In 1931, the Athletics won 107 games, and lost only 45. They won their third consecutive American League pennant. Simmons batted .390. Lefty Grove won 31 games and only lost 4. Foxx drove in 120 runs. There was a lot worth seeing that season at Shibe Park.

Nevertheless, because of the economy, attendance in 1931 fell by more than 100,000 fans. While some (including Mack on occasion) blamed the dwindling gate receipts to the team's insurmountable lead during the second half of the season, the larger problem was becoming clearer by the day. When a man has just lost his job, coming to the ballpark to watch a team that was not in a pennant race was no longer an option.

The crisis even hit the game's ticket brokers and scalpers, who had been able to sell World Series tickets the year before for $50 for a strip of three. Now, they were going for less than half that price, if they were even sold. The Athletics failed to make it three World Series championships in a row when they lost a seven game classic to the St. Louis Cardinals. But they were about to face bigger problems than just a World Series defeat.

The problems caused to Connie Mack by falling revenues were exacerbated by his team's payroll, which had grown to almost $400,000, the highest in baseball in 1931. As the gate receipts that funded these relatively big contracts began to dwindle, Mack borrowed from local banks to meet payroll requirements, hoping the economy would turn around and attendance would increase. Neither thing happened. In 1932, the Depression worsened, and attendance at Shibe Park dropped to 405,000. In just three years, gate receipts had been more than cut in half, and Connie Mack's profits had turned into losses; losses that were covered by loans secured by the team's assets.

The team was still good on the field, however. They won 94 games and finished second to the resurgent Yankees. Simmons had another great year, knocking in 151 runs and batting .322. Jimmie Foxx won the Triple Crown and almost matched Babe Ruth's home run record, falling just two short with 58 for the season. Mickey Cochrane hit 23 home runs and had 112

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Connie Mack *(Continued from page 9)*

RBI. Lefty Grove, George Earnshaw and Rube Walberg won 61 games among them. Although they didn't win the pennant, the team's core players were obviously all still well within their primes.

But when the season ended, the banks descended upon Mack, demanding that he make loan payments or they would foreclose on the team's assets. Mack decided that he had to trade a few of his good players for cash. On September 28, 1932, just three days after the season ended, Mack sold Al Simmons, Jimmy Dykes and Mule Haas to the Chicago White Sox for $100,000. In a press conference announcing the trade, Mack acknowledged that he had made the deal for purely financial reasons. "We went into debt heavily last year. We had one of the highest salaried clubs in the league, including the Yankees, and our attendance figures were well below those of last year."

Mack blamed himself, saying that he considered himself a failure for not being able to win on the field and maintain a balanced budget. "And that failure forced me to sell those players. Any man who can't make both ends meet must be a failure. And I didn't meet both ends for the A's." The sale of Simmons, Haas and Dykes brought in $150,000. [1] Mack hoped that it would be enough to keep his club afloat long enough for the economy to rebound.

Mack's Financial Woes Continue

But by 1933, unemployment in Philadelphia had jumped to over 15%, which was more than triple what it had been in the city in the late 1920s. Attendance continued to decline. Despite putting a fine team on the field that went 79-72, the Athletics played mostly to thin crowds and on occasion, nearly empty stadiums. Attendance fell again, to a miserably low 297,000 fans.

Upon looking at his books and after hearing from panicky bank examiners, Mack knew that half-measures were no longer going to cut it. The banks who'd lent Mack money to operate his team in the season were often the victims of panics and rushes, angry, fearful depositors demanding withdrawal of all of their money. To avoid collapse, the banks needed to call loans from borrowers in order to pay depositors. It was a mess.

The way Mack saw it, he could either sell off more players or give up the whole franchise. He was now 70, too old to start over for another team or in another business. Plus, he was Connie Mack. He hadn't worked for anyone but himself for almost 40 years. The only option was to gut the team, save the franchise, plan to rebuild, and hope for an end to the Depression.

So, on December 13, 1933, Mack sold off five more players. Lefty Grove, who led the American League with 24 wins in 1933, went to the Boston Red Sox with Rube Walberg and Max Bishop in return for $175,000. The same day, Mack traded catcher Mickey Cochrane to the Detroit Tigers for another hundred grand. Also gone was George Earnshaw, for whom the White Sox shelled out a cool $25,000. All tolled, Mack collected $300,000 on that day, but forever lost the core of his dynasty.

Mack acknowledged the deals were driven solely by the pressure he was getting from Philadelphia banks, who were threatening to seize control of the team and sell it off to pay Mack's bills. The fire sale saved the franchise but decimated the team. Only Jimmie Foxx remained from the once great core that made up the dynasty. He agreed to a below market contract despite coming off a five year run where he'd averaged .340, 42 HR, and 141 RBI.

The 1934 season wasn't pretty. The A's fell from third place to fifth. Insult was added to injury when Mickey Cochrane led the 1934 Tigers to the American League pennant as the team's catcher and manager. He also won the League's Most Valuable Player Award. Simmons also had a good year in '34, hitting .344 with 18 home runs, and 104 RBI.

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[1]Some sources say $100,000. I here rely on the White Sox's website. http://chicago.whitesox.mlb.com/cws/history/significant_dates.jsp

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1935 was the end of the road. Philadelphia finished in dead last. Meanwhile, Cochrane led the Tigers to the World Series this time. Grove won 20 games and had the lowest ERA in baseball. Simmons had an off year, but his 13 home runs and 69 RBI would have been second best on that year's A's team. The A's drew just 233,000 fans to Shibe Park, or about 3,000 per game. Mack decided to throw the whole damn thing out. He traded Jimmie Foxx to Boston, and the last member of one of the finest teams in baseball history was now in a Red Sox uniform.

The Athletics lost 100 games in 1936. For the rest of his managing career, which ended in 1950, Connie Mack never again fielded a winner. Philadelphia finished in last place nine of Mack's last fifteen seasons. Meanwhile, the stars he dealt went to have productive seasons for years after they left Philadelphia. Foxx had great seasons until 1941, including his 50 home run, 175 RBI season in 1938. Lefty Grove won four more ERA titles for the Red Sox. As referred to above, Cochrane won an MVP in 1934 and a World Series title in 1935. Al Simmons had three more 100-RBI seasons between 1933 and 1936, and continued to be productive until 1938.

It is therefore conceivable that if Mack had the wherewithal to hold this group together, they could have remained competitive in the American League for at least another three or four years, and may even have won one or two more World Series titles.

<u>Sources</u>:

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"A 1944 Tribute to Connie Mack by Bob Warrington," Philadelphia Athletics Historical Society @ www.philadelphiaathletics.org

Babe Ruth (Continued from page 1)

then compare that return to other potential investments. Economists refer to such a comparison as an opportunity cost. That is, what would Jacob Ruppert have earned had he invested $100,000 in the stock market in January of 1920 instead of purchasing Babe Ruth? How would his investment have fared over the next fifteen years relative to what he earned on the Ruth deal?

The Ruth Purchase

The deal that brought Ruth to the Yankees is well steeped in baseball lore and literature. The facts as they are gathered from contemporary newspaper accounts report a sale price ranging from $100,000 to $150,000. In addition, there are varying reports of Red Sox owner Harry Frazee receiving a loan in the amount of $300,000 as part of the deal. The facts, as far as we can establish them from the Yankee's financial records, are that Ruth was purchased from the Red Sox for the then record amount of $100,000. The price was paid in four installments of $25,000. The initial payment was made in December of 1920, shortly before the deal was announced, with three more payments made by the issuance of promissory notes in the amount of $25,000 at 6% annual interest. These promissory notes were payable annually on November 1st beginning in 1920. The total cost to the Yankees of the Ruth purchase, including interest payments (and not accounting for inflation) was $108,750.

The issue of the $300,000 loan is another kettle of fish altogether. The Yankee records make no mention of any loan from the team to Frazee, nor of the Yankees ever holding a mortgage on the Red Sox or Fenway Park (often reported as the security with which the loan was obtained). The loan could have been a private arrangement between Frazee and Jacob Ruppert, one of the Yankee owners at the time. If this was the case, that would explain why it does not appear on the Yankee books.

The calculation of the Yankee's earnings on the Ruth purchase that I make will ignore the reported loan for two reasons. First, it was not made by the team. If it was made at all, it was a private transaction, therefore it should not enter into the calculation of team finances. Second, even if a loan did take place, and there is evidence to suggest that it did, it does not have any bearing on the value of the Ruth deal unless it was made at a below-market rate of interest. At present it is not possible to verify the exact terms of the loan.

Documents which reportedly detail the loan agreement between Frazee and Ruppert were sold to an anonymous buyer at a Sotheby's auction in 2004. Attempts to contact the buyer have so far proved unsuccessful.

When they purchased Ruth from the Red Sox the Yankees inherited the remaining two years of Ruth's three year, $10,000 per annum contract. Fearing that Ruth might threaten to hold out, the Yankees negotiated with the Red Sox to have the Sox pay half of any salary increase or bonus the Yankees offered to Ruth for the duration of the two years of his contract, up to $5000 per year. Indeed, the Yankees and Ruth agreed

to raise his salary to $15,000 per year for the remaining two years on his Red Sox contract, plus a bonus of $5000 each year. As a result the Yankees only had to pay $15,000 per year through 1921, three-quarter's of Ruth's total compensation, while the Red Sox had to pay the remaining $5000 of his contract each of those years – talk about rubbing salt in a guy's wounds!

The Yankees were not always that savvy about making deals however. They did let Ruth talk them into a contract clause for 1921 which paid him $50 per homerun. Of course 1921 was the year Babe shattered the record by blasting 59 round-trippers. The $2950 the Yankees paid him that year was just a hair less than 20% of his salary. It was the largest performance bonus the Yankees paid during the Ruppert years and

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Babe Ruth *(Continued from page 12)*

the last time Ruth ever had a performance clause in his Yankee contract.

Ruth as a Financial Investment

So how good a financial investment was Babe Ruth? Table 1 details Ruth's annual compensation and the Yankee earnings attributed to the presence of Ruth. Note that Ruth's actual compensation in most years differed from his contracted salary. The presence of frequent bonus clauses was the primary reason for this difference, but a regular series of fines levied on the Babe by the Yankee brass accounted for several instances in which Ruth actually earned less than his contract stipulated. The years from 1924-26 were particularly tough for the Babe, especially 1925, when he received nearly $10,000 less than his contracted $52,000 salary. Part of Babe's problem that year was a season-opening suspension, which limited him to 98 games, by far his lowest total as a Yankee. Another contributing factor to Ruth's sizeable fines during that three year period was the appearance of a temperance clause in his contract. From 1922 through 1926 Ruth's contract prohibited him from drinking or staying out late during the baseball season. Even a cursory read through any of the Ruth biographies fails to indicate that Ruth abided by this restriction with any regularity. The Yankees kept close tabs on Ruth, even going so far one season as to hire a detective to keep an eye on him.

More often than not, however, Ruth earned more than his contracted salary. This was due to the frequent bonuses and World Series shares he earned. Sometimes Ruth was paid a signing bonus, and several times he received a bonus in the form of a percentage of the gate for his participation in exhibition games.

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Table 1

Annual Yankee Earnings Due to the Babe Ruth Purchase

Year	Ruth's contracted salary	Cost of Ruth net of bonuses and fines	Estimated earnings due to Ruth	Net profit (loss) for Yankees	Notes
1920	$15,000	$18,570	$152,880	$130,060	Red Sox pay $5000 of Ruth's salary
1921	$15,000	$39,638	$229,374	$186,736	Home run bonus. Red Sox pay $5000 of Ruth's salary
1922	$52,000	$54,104	$89,947	$33,093	Clause inserted in Ruth's contract forbidding him to drink intoxicating liquors or stay out later than 1:00 a.m. during playing season. This clause remained in his contract through 1926.
1923	$52,000	$52,669	$86,425	$33,756	
1924	$52,000	$47,758	$74,993	$27,235	
1925	$52,000	$42,622	$12,500	$(30,122)	
1926	$52,000	$49,605	$79,606	$30,001	
1927	$70,000	$76,191	$202,916	$126,725	
1928	$70,000	$70,000	$187,095	$117,095	
1929	$70,000	$70,000	$81,852	$11,852	
1930	$80,000	$84,098	$117,185	$33,087	Ruth's salary is higher than U.S. president Herbert Hoover. He had a better year than the president.
1931	$80,000	$79,192	$75,852	$(3,340)	
1932	$75,000	$77,184	$112,255	$35,071	Ruth gets 25% of net receipts of all exhibition games in which he participates from 1932-34.
1933	$52,000	$42,029	$48,164	$6,135	
1934	$35,000	$35,711	$62,638	$26,927	
Total	$822,000	$839,371	$1,613,682	$664,561	

Babe Ruth *(Continued from page 13)*

Ruth was the major draw for Yankee exhibition games, and in order to maximize the benefit of that attraction, the Yankees gave Ruth great incentive to participate in those games. By the end of his career, though he was past his prime as a player, he was still a major gate attraction and the Yankees paid him 25% of the net proceeds from exhibition games in which he played. During the Ruth era the team's revenues from exhibition games exploded. Prior to 1920, the most the Yankees ever made from exhibition games was $3800 in 1916. From 1920-34 they never earned less than $12,000 and seven teams took in $20,000 or more, topping $35,000 in 1921.

Ruth's highest earning year for the Yankees was 1930 when he netted more than $84,000 in salary, bonuses and exhibition game receipts. Relative to his salary however, Ruth's biggest year was 1921 when he earned more than 250% of his $15,000 salary through a combination of a signing bonus, a homerun bonus, and receipts from exhibition games. 1921, of course, was a pretty good year for Ruth. His 1921 performance is still the all-time high for extra base hits, runs created and total bases, and it ranks in the top five all-time for runs scored, slugging and OPS as well. He hit an amazing 12% of the total homeruns in the league, personally out-homering five other teams. Besides home runs, he also led the league in on base percentage, slugging, OPS, runs scored, total bases, RBIs, walks and runs created. He firmly established himself as the undisputed gate attraction in the game, and as we shall see, a goldmine for the Yankees.

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Table 2

Return to Investment in Babe Ruth

Year	Increased home gate revenue	Increased exhibition game earnings	Increased road receipts	Net World Series receipts	Increased concession earnings	Total Earnings	Net cost of Ruth including interest payments	Percentage return on purchase price
1920	$93,526	$19,320	$39,385		$649	$152,880	$22,820	130.1%
1921	$93,605	$32,606	$31,921	$70,376	$865	$229,374	$42,638	186.7%
1922	$27,907	$15,251	$33,951	$12,529	$309	$89,947	$56,854	33.1%
1923	$30,755	$20,865	$30,805		$4,000	$86,425	$52,669	33.8%
1924	$23,962	$21,200	$27,014		$2,817	$74,993	$47,758	27.2%
1925	$(4,798)	$13,134	$4,863		$(699)	$12,500	$42,622	-30.1%
1926	$26,991	$20,614	$27,980		$4,021	$79,606	$49,605	30.0%
1927	$70,487	$23,701	$38,940	$59,796	$9,991	$202,916	$76,191	126.7%
1928	$53,715	$26,082	$41,083	$56,902	$9,313	$187,095	$70,000	117.1%
1929	$19,709	$14,883	$44,585		$2,675	$81,852	$70,000	11.9%
1930	$67,494	$9,642	$28,239	$2,993	$8,817	$117,185	$84,098	33.1%
1931	$24,948	$14,285	$33,269		$3,350	$75,852	$79,192	-3.3%
1932	$49,493	$15,211	$42,419		$5,131	$112,255	$77,184	35.1%
1933	$8,450	$10,862	$27,856		$996	$48,164	$42,029	6.1%
1934	$17,084	$13,213	$30,202		$2,138	$62,638	$35,711	26.9%
Total	$338,371	$270,869	$482,512	$202,596	$46,432	$1,613,682	$849,371	

Babe Ruth (Continued from page 14)

Profiting from the Babe

The net profits to the Yankees from their investment in Ruth are found in Table 1 with the details presented in Table 2 (previous page). The Yankees managed to lose money on Ruth twice: in 1925 and toward the end of his career in 1931, when he earned $80,000. He was still a prodigious hitter at age 36, but not the dominant force he had been earlier in his career, and arguably not even the biggest star on the team. It didn't help that the Yankees finished a distant second to the powerful Philadelphia Athletics that year, contributing to a fall off in attendance of more than 20%.

Babe was generally a money-maker for the Yankees. During his career, they earned a cool $664,000 in profit on Ruth ($9.6 million in today's dollars). This return is calculated by summing the total increase in revenues due to the Babe and subtracting his annual salary, bonus payments, the original purchase price, and interest payments.

Let's take a look at how the financial return on Ruth is calculated. I look at four basic sources of income the Yankees earned and how Babe Ruth likely impacted those. They are gate receipts, both home and road, receipts from exhibition games, concession sales, and net World Series earnings. Focusing on these four categories likely underestimates the true financial impact of Ruth because it ignores revenue the team earned on miscellaneous accounts such as advertising, which were likely to have been boosted by Ruth's presence.

Research on the economics of superstars has established that marquee players can have an impact on attendance, both home and road, of as much as 50%. For this study I use an estimate from the lower end of that range and assume that Ruth was responsible for only 25% of the increased attendance both at home and on the road. Recognizing that attendance in general for all American League teams was on the rise during much of the 1920s, I first adjusted Yankee home attendance by the league average and only applied the "Ruth superstar" factor to the increase in Yankee attendance above and beyond the league wide average. An example will serve to clarify this approach. In 1920 the Yankees drew 1,289,422 fans, an increase of 670,258 from 1919. The rest of the American League averaged an increase of 108,543. When calculating the impact of Babe Ruth, I give him credit for 25% of the increase in attendance beyond average league attendance (561,715 = 670,258 – 108,543). Therefore, I credit him with increasing Yankee attendance by just over 140,000 fans. Road receipts and concession sales are handled in a similar manner.

Exhibition games are weighted more heavily toward Ruth. In this calculation he is credited with the entire increase in exhibition receipts which, given the dramatic increase after his arrival, does not seem unreasonable. At any rate, they are small relative to the impact of gate receipts. Net World Series receipts,

Babe Ruth, at opening of Yankee Stadium
George Grantham Bain Collection , Library of Congress, LC-B2- 5973-8[P&P];LC-DIG-ggbain-35768.

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Babe Ruth (Continued from page 15)

which are total team revenues less expenses, including player shares, are also credited totally to Ruth. Again, Ruth's impact on the quality of the Yankee team is undeniable, and the total value of those receipts is small enough that I consider this a reasonable assumption.

Calculating an Opportunity Cost

Returning to the question posed at the beginning of this article: how does this compare to other possible investments? What if Ruppert had invested his money more conservatively, say by purchasing AAA rated corporate bonds? These are the most highly rated corporate bonds and are very low risk. If Ruppert had wisely invested his $100,000 in bonds instead of purchasing Ruth he would have had $205,000 and change by the end of 1934, Ruth's last season in a Yankee uniform. The stock market, because it fared so poorly during the recession of 1921-22 and during the early years of the Great Depression, would have netted him only $17,000 after 15 years.

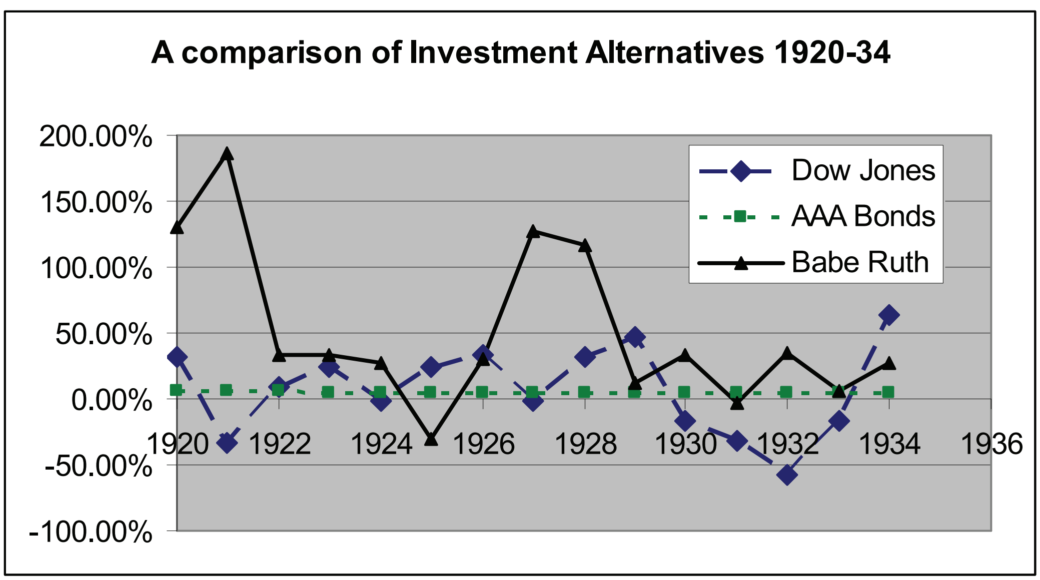
The stock market, as measured by the annual gain in the Dow Jones Industrial Average, outperformed Ruth only four times during his Yankee career. One of those years (1925) the Yankees lost money on Ruth. The other year they lost money on Ruth, 1931, the stock market lost even more. The Dow Jones out gained Ruth by just under three percentage points in 1926, when Ruth rebounded and earned a 30% return for the Yankees. The other two years the stock market out gained Ruth were 1929, when the market returned 46%, it's biggest gain in more than a decade, and 1934, Ruth's swan song with the Yankees. The bond market, which never lost money, out performed Ruth only during the two years he actually cost the Yankees money.

The stock market would have fared much better had the period of consideration been limited to the roaring 1920s. From 1920-29 an investment in the stock market would have earned 250%. And if the investment had been made in 1922, bypassing the recession, it would have more than tripled an investor's funds. They didn't call them the roaring twenties for nothing. But nothing roared as loud as the Babe during the decade – he earned the Yankees a return on their investment of more 600% from 1920-29.

Over the course of his career, the total return earned by the Yankees on their investment in Babe Ruth was 764%. Because of its volatility, the stock market returned a net gain of only 17% during the period. Bonds did much better at 205%, but still fell far short of Ruth. It turns out that Babe Ruth was indeed a wise investment for the Yankees. It would have been difficult for Jacob Ruppert to find any other investment that could have done nearly as well.

The End of an Era

Despite the riches the Yankees were earning from Ruth, Yankee GM Ed Barrow wasn't particularly appreciative of the Babe. In a letter addressed to sportswriter F.C. Lane in March of 1933, Barrow complained that Ruth "is greatly overpaid." Adding that he hoped "the Colonel will stand pat on his offer of $50,000 and call the big fellow's bluff about retiring." The Colonel did not stand pat, eventually offering Ruth $52,000 plus 25% of the net receipts from exhibition games, though ultimately only paying him $42,000. It was not one of



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Babe Ruth *(Continued from page 16)*

the Babe's better years, though he did return a small profit of about $6000 for the Colonel's investment. This was certainly better than Ruppert could have done with stocks, which lost 17% that year. The $6000 return also outperformed the bond market that year by just over one percent.
Ruth rebounded handsomely for the Yankees the next year, his final season in New York, returning the Yankees nearly $27,000 in net profits. This was at a much reduced salary of $35,000 however, a hefty $40,000 less than he made a mere two years earlier. The Yankees, because they were able to reduce Ruth's salary toward the end of his career, were able to ride him for a couple of final years of profitable employment before finally shipping him off.

When he was ingloriously dispatched to the Braves in time for the 1935 season the Yankees received nothing in return. Their records indicate that he was sold to the Braves without monetary consideration. It was indeed a quiet ending to the greatest financial investment ever made in baseball – even better than investing in the stock market during the roaring 1920s.

Arbitration Wrap-Up — 2008 *(Continued from page 2)*

Philadelphia. It was by far the highest figure ever paid to a first-time eligible player. To win his case, Howard's agent, Casey Close, had to convince the arbitration panel that Howard's special accomplishments allowed the relevance of his salary to players without regard to service. Within 30 seconds of his presentation, he was comparing Howard to Babe Ruth and other notable sluggers from the past. He apparently sold his case even though Howard was not selected to the All-Star team in 2007 when his production declined and he set a new major league record by striking out 199 times.

Arbitrators, like chicks, dig the long ball.

Bill Gilbert (billcgilbert@sbcglobal.net) has 16 years experience working with Tal Smith Enterprises on salary arbitration cases.

Business of Baseball Committee at SABR 38

The Business of Baseball Committee will hold its annual meeting at SABR 38 in Cleveland on Saturday, June 28, from 4:00 p.m. to 5:00 p.m. We look forward to seeing you there.

Editor's Note

This is the Spring 2008 issue of Outside the Lines. You may have noticed that there was no Winter 2008 issue.

Outside the Lines relies on submissions from the membership. We are always looking for high quality research in the business of baseball. That subject covers a big territory and we have covered much of it. The mid-20th Century American League focus of this issue is purely accidental.

If you are working on a subject which comes under the rubric of the business of baseball, please consider sharing those results with us. Contact me at jruoff@bellsouth.net. If you need editing or other help, we're happy to provide it.

John Ruoff, Editor

Business of Baseball Committee

The Business of Baseball Committee co-chairs are Gary Gillette (GGillette@247Baseball.com) and John Ruoff (jruoff@bellsouth.net). Ruoff edits *Outside The Lines*. Stuart Shea (s.shea@comcast.net) is the committee vice-chair.

The committee's website is at http:\\www.businessofbaseball.com. Ken Cherven is our webmaster, while Brian Borawski will serve as editor of the site.

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.

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