Outside the Lines

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Chairman's Note

Don't forget to renew. If you haven't renewed your SABR membership for 2002, now is the time. Contact the SABR office: 812 Huron Rd. East, #719, Cleveland, OH 44115, E-mail info@sabr.org. For those who don't renew, this will your last issue of *Outside the Lines*.

Regular news updates to return next issue. There's not enough room in this issue to do justice to MLB's chaotic last three months, so watch for a super-sized set of news updates in the Spring issue.

MLB's Latest Unconvincing Financial Disclosures, by **Doug Pappas**

In connection with Commissioner Bud Selig's December 6 testimony before Congress, Major League Baseball released a set of financial data purporting to show losses of $518,966,000 on record revenue of $3,547,876,000. Not one of the 42 respondents to this year's Committee survey accepted Selig's claim that these numbers accurately and meaningfully depicted the true state of MLB's finances. Members of Congress were equally dismissive, with Rep. Maxine Waters reminding Selig that he was under oath.

Rep. Waters' reminder came as Selig was simultaneously insisting, "you have all the statements, all the numbers," and refusing to allow MLBPA representative Steve Fehr discuss the more detailed breakdown, including related-party transactions, provided to the MLBPA in confidence. And while he repeatedly cited last year's Blue Ribbon Panel report, Selig never explained why MLB had chosen to ignore its conclusion that contraction was unnecessary.

Even taken at face value, MLB's numbers don't support Selig's claims of a $519 million loss. Less than half this sum, $232 million, represents claimed operating losses. I've discussed these figures at length in a series of columns on baseballprospectus.com – in brief, the revenue figures are understated by at least the local value of superstation contracts; related-party transactions are taken at face value rather than valued at market value; and reported "local expenses" vary so widely as to compel the conclusion that the majority of clubs are either spectacularly inefficient or paying huge amounts of money to their top executives.

Another $112.5 million consists of interest expenses. As reported, these include the money YankeeNets used to acquire the NHL New Jersey Devils; the money Carl Pohlad, Disney and News Corp. "borrowed" from themselves to acquire the Twins, Angels and Dodgers, respectively; and Commissioner Selig's own masterful fiscal management of the Brewers, where he parlayed an asset costing $10.8 million in 1970 into one which 25 years later was so riddled with debt that it couldn't borrow the money to finance its own promised contribution to a new ballpark. More fundamentally, interest expenses represent a financing choice irrelevant to the clubs' operating performance, and should be ignored for purposes of evaluating the owners' cries of poverty.

"Non-operational charges such as amortization of debt" account for another $175,234,000. "Amortization of debt" is another term for the tax break which allows the purchaser of a major league team to attribute half the purchase price to the acquisition of player contracts, then write off the value of these contracts over five years. Since these writeoffs are used to offset the purchaser's other income and thereby reduce its tax liability, these "$175 million of losses" would be more accurately described as an economic *benefit* worth $60 million or more.

When viewed in context, the owners' 2001 numbers appear even less persuasive. MLB's own disclosures show that total revenues have risen 156% since 1995, the first year for which figures are available. Over that period, player salaries have increased by 113%, while other expenses have jumped 134%. If MLB were truly so unprofitable, why are these clearly controllable expenses rising even faster than the "uncontrollable" player salaries? Commissioner Selig has never even tried to answer that question.

Is Compensation for Losing Free Agents Working?, by **Bill Gilbert**

A player with six years of Major League service is eligible to declare free agency if he is not bound by a contract. The collective bargaining agreement with the Players Association provides for a team losing a player to free agency to receive compensation in the form of draft picks under certain conditions.

Each year, the Elias Sports Bureau ranks all major league players based on criteria agreed upon by MLB and the MLBPA. The rankings are based on performance over the most recent two seasons. Based on these rankings, the top players are classified as A players (top 30 %), B players (next 20 %) or C players (next 10 %). The remaining players are not given a classification.

A Club losing an A player to free agency receives compensation in the form of a first round draft pick from the team that signs the player (if the signing team is picking in the first half of the first round, they lose their second-rounder instead of their first-rounder), and also receives a supplemental or "sandwich pick" between the first and second rounds. A Club losing a B player also receives a first round pick from the signing team but does not receive a supplemental pick. A Club losing a C player receives a supplemental pick after the 2nd round.

There is, however, one qualifier. For a Club to receive draft picks as compensation, it must offer arbitration to the player. This means that if the free agent does not sign elsewhere and he accepts arbitration, he remains the property of his original Club and if he and the Club are not able to negotiate a contract, his salary will be determined at an arbitration hearing.

After the 2001 season, 135 players filed for free agency. Of this group, only 35 were offered arbitration. Thus, 100 players were cut loose from their former Clubs without the Club receiving any compensation in the form of draft picks.

What's going on here? Why would Clubs give up their free agents without the hope of any compensation? One reason is that the Club couldn't afford the risk that the player wouldn't sign elsewhere and the Club's budget would not have room if they were forced to take the player back. However, this wouldn't seem to be the case for players like Kenny Lofton, Aaron Sele, Reggie Sanders, John Burkett, Eric Young, Ricky Gutierrez, Moises Alou, Pedro Astacio, Mike Williams, Terry Adams and Jeff Shaw who were not offered arbitration even though they were virtually certain to sign with another team.

The answer must be that many Clubs losing players to free agency don't want additional first round draft choices. Thirteen Clubs did not offer arbitration to any of their free agents. Why not? It appears that many Clubs have determined that acquiring additional players in the first round of the amateur draft is not an efficient means of acquiring players. The bonuses required to sign unproven first round players have become prohibitive and General Managers can do without the additional hassle of having to deal with agents like Scott Boras. Clubs are not allowed to trade draft choices which means that a Club must budget roughly another million dollars for each additional first round draft choice they acquire.

Of particular interest this year is the diametrically opposite position taken by the Oakland A's and Houston Astros, two Clubs that have earned the reputation of achieving success by using their resources wisely. Oakland offered arbitration to Type A free agents, Jason Giambi, Jason Isringhausen and Johnny Damon, who have all signed with other teams and to Ron Gant, a type B free agent who refused arbitration and who is still unsigned. On the other hand, the Astros did not offer arbitration to any of their 13 free agents, including Type A free agents, Moises Alou, Pedro Astacio and Mike Williams, Type B free agents, Vinny Castilla and Tony Eusebio and Type C free agent, Mike Jackson.

The Astros will receive no compensation for the loss of their free agents. The As will receive three additional first round picks and three supplemental picks after the first round for the loss of their 3 Type A free agents and will likely get another first round pick when Gant signs with another Club. To sign the first round draft choices will require about $7 million for unproven players who, if they make it at all, will not arrive in the major leagues until after the current crop of young stars, Tim Hudson, Mark Mulder, Barry Zito, Eric Chavez and Miguel Tejada will have sufficient service time to become free agents themselves. This suggests that there is a case for using the $7 million to strengthen the team now to take advantage of the fleeting window of opportunity characteristic of low revenue teams.

Which approach will turn out to be the best? We won't know for several years. It will be interesting to see which model other teams follow in the years to come. There appears to be a clear trend toward not offering arbitration in order to avoid receiving additional draft picks as compensation. This was not the intent in the bargaining agreement and may be an issue to be addressed if there is ever a new agreement.

Seventh Annual SABR Business of Baseball Committee Survey

This year's topic was "Offseason Developments." The survey was E-mailed to every member at the most recent E-mail address I have. If you didn't receive it, please send me your current E-mail address.

Thanks to all who participated: **Leon Battista, Gene Carney, Frank Cunliffe, Bill Dunstone, Bill Felber, Scott Fischthal, Steve Gietschier, Bill Gilbert, Ken Goldman, John Gottko, Michael Grandel, Jahn Hakes, Chris Hand, Ted Hathaway, Mike Haupert, John Heer, R.J. Lesch, Ethan Lewis, John Lewis, John Matthew, John McMurray, Jim Meier, Rod Nelson, Mark Pankin, Doug Pappas, Dayn Perry, Christian Ruzich, Joe Sheehan, Richard Sheehan, Bill Slankard, Brad Sullivan, Harry Swanson, Peter Topkis, Ted Turocy, Jerry Wachs,** and **Mike Webber.**

1. On November 6, 2001, the owners voted to eliminate two unspecified teams. The likeliest targets were later identified as Montreal and Minnesota. A year from now, what will the map of Major League Baseball look like?

A. Status quo: 30 teams, including Montreal and Minnesota - **9 votes**
B. 30 teams, with Montreal moved to Washington, DC/northern Virginia and Minnesota staying put - **25 votes**
C. 28 teams, with Montreal and Minnesota contracted and one club switching leagues to maintain an even number of teams in each - **1 vote**
D. 28 teams, with Montreal and Minnesota contracted and no other clubs switching leagues - **1 vote**
E. 28 teams, with Montreal and another team (specify which) contracted - **0 votes**
F. 26 teams, with four teams (specify which) contracted - **0 votes**
G. Other (specify) **1 vote:**

Scott Fischthal: "A. There is a good possibility that we'll see an attempt to contract Montreal and Florida, but I doubt that will happen before the 2003 season."

Steve Gietschier: "B. Traditionalists must, I think, be willing to admit that not all baseball markets necessarily remain baseball markets forever. Montreal might have been a good idea at one time, but it no longer is. (Why that's so is another question.) Actually, though, I think it's high time for MLB to explore the single most lucrative market available, northern New Jersey. This area supports two NFL teams, an NHL team and an NBA team (of sorts). It could support a baseball team. And by the way, moving a small-revenue team to northern New Jersey would also affect the revenue of the Yankees and the Mets, thereby adjusting the scale at its upper end. Kill two birds with one stone."

Ken Goldman: "B. This whole charade is nothing more than a cynical way to move toward relocation, while trying to gain the upper hand with the MLBPA."

Richard Sheehan: "B. To pull MLB from Minnesota would be about as close to extortion as you can come. 'Don't agree to publicly finance a stadium for one of the richest men in the U.S. and we'll pull your franchise.' That sort of arrogance is the strongest argument for relieving baseball of its antitrust exemption."

Rod Nelson: "G. 28 teams, with Montreal, Tampa Bay and Florida contracted, and an expansion franchise awarded to D.C., with Loria receiving favorable treatment in negotiations and 'special' expansion/dispersal rights as well."

2. On November 15, 2001, several Members of Congress introduced legislation to strip MLB of its antitrust exemption with respect to the elimination or relocation of major league teams. What do you think of the proposed legislation?

A. Bad idea; the exemption should be expanded, not contracted - **0 votes**
B. Bad idea; the status quo is fine - **5 votes**
C. Good idea; should be passed as written - **5 votes**
D. Good idea, but doesn't go far enough; the entire exemption should be repealed - **10 votes**
E. Good idea, but should be broadened to strip all sports leagues of all special protections they enjoy under the antitrust laws - **11 votes**
F. Other (specify) - **6 votes**

Sean Lahman: "B. Revoking the antitrust exemption would be fine, but it doesn't have any relevance to baseball's current problems."

Peter Topkis: "C. Allowing teams to move automatically isn't the best idea, but MLB has used the antitrust exemption to threaten baseball cities and states for years. The only reason Tampa Bay has a team is because it was used as a 'threat' so many times people actually thought they deserved a team."

John Wiegand (not a Committee member, but a friend of the Chairman who works as an antitrust attorney with the FTC): "D. MLB should be treated as any other legitimate joint venture. Ancillary restraints among the members of the joint venture should be legal only to the extent that they are reasonably necessary to the joint venture."

Richard Sheehan: "E. Baseball is a business, even if the Lords of Baseball don't always run it that way; they certainly try to run it that way when it's convenient for them. If it's a business, it should have the same type of ground rules as other businesses."

Bill Felber: "F. In the best of all possible worlds, baseball would have a full expansion and be run by a commissioner appointed jointly by the owners and players and who would have dictatorial powers over both groups to act in the best interests of the game. That is the true solution. I would like to see things move in that direction. I should live so long."

Jahn Hakes: "F. Somewhere between C and E is my preference. Leagues could/should still be allowed to perform several functions made easier by collective action, including holding drafts, negotiating national broadcast contracts, setting rules for on-the-field play, generating schedules, establishing championship playoff formats, and maybe even participate in revenue sharing/salary capping. But their other often-abused privileges, such as change-of-ownership approval, franchise relocation/contraction, creation/enforcement of local broadcasting monopolies, negotiations/affiliations with minor leagues, etc., should be stripped from them."

Mike Haupert: "F. Put this in the category 'be careful what you ask for because you just might get it.' In its current form the proposed revocation of antitrust exemption would free teams to move at will, with no vote needed by the league. This would make the threat to move (and hence the ability to hold up a desperate city in search of a team or trying not to lose a team) more credible, a la the NFL. Having said this, I should note that I do not think it is a bad thing. The antitrust exemption is absurd and makes no economic sense. It should never have been granted."

3. *Even though Commissioner Selig's contract still had over two years to run, on November 27 the owners gave Selig a three-year extension, through December 31, 2006. What should they have done?*

A. Given him a longer extension - **0 votes**
B. They did the right thing - **5 votes**
C. Deferred action on any extension pending the results of the labor talks - **12 votes**
D. Refused to extend his contract under any circumstances - **2 votes**
E. Fired him - **16 votes**
F. Other (specify) - **3 votes**

Mark Pankin: "From a fan's viewpoint, E; from an owner's viewpoint, B."

Steve Gietschier: "B. He is doing exactly what his employers want, and they rewarded him with a vote of confidence."

Jahn Hakes: "B. It is unfortunate that the Commissioner is appointed and funded by the owners, and does not represent fan or player interests, but such is the state of that Office."

Sean Lahman: "C. I guess I could see the argument for extending his contract. But I would counter that this move sends a signal to the players that we are bracing for a fight, and that's the wrong message to send. Extending his contract will ensure his doom, I think, because it forces him into a fight he can't win, and he'll end up taking all of the blame."

Scott Fischthal: "E. Bud Selig is the public face of baseball, and he has the credibility of Kenny-Boy Lay right now. It's hard to imagine what could be worse PR for baseball than to have this guy as the symbol of the game's integrity and leadership."

John Matthew: "E. In what other industry in such a bad situation would the CEO have his contract extended?"

Brad Sullivan: "E. Fired him for not making revenue sharing the cornerstone of his management philosophy. Supposedly, he was given almost absolute power over the past 18 months, but yet he still whines about how small-market teams can't compete."

Mike Haupert: "F. If the owners were smart they would have given him a lifetime contract. He is the perfect commissioner because he is an owner. When another commissioner tries to act in the best interest of baseball instead of the best interest of the owners, he is shown his walking papers."

4. On December 6, Commissioner Selig told Congress that in 2001, MLB's teams lost a collective $519 million on revenues of $3.547 billion. According to the accompanying financial disclosures, these losses included a $232 million operating loss, $110.5 million of interest expenses, and $174.3 million of "non-operational charges such as amortization of debt." How much confidence do you have in the accuracy and meaningful nature of these figures?

A. They're accurate and meaningfully reflect MLB's true economics - **0 votes**
B. They're accurate, but not especially meaningful - **3 votes**
C. There may be some areas open to dispute, but they're generally accurate and meaningful - **5 votes**
D. They're neither accurate nor meaningful - **29 votes**
E. Other (specify) - **5 votes**

Comparisons to Enron were rampant.

Richard Sheehan: "B. They accurately state what MLB wants them to state based upon the accounting conventions employed. However, they are simply fictional. Consider in their numbers how total revenues grow and how player salaries grow. Revenues grow more rapidly than salaries. Thus, either costs have increased even more rapidly than salaries – in which case it's not the players that are to blame for their problems – or they were losing a ton of money at the beginning of the period but were making money, and lots of it, by the end of the period.

Bill Felber: "C. My guess is that they are fudged in some prospectively meaningful way. But absent proof of that, I believe I am bound to accept them, albeit cautiously."

Steve Gietschier: "C. Accountants tell us that a company's books and balance sheets can be presented in any number of different ways, all of them legal and 'accurate.' A business will use figures that help it accomplish its objectives."

John Matthew: "D. With the current situation of teams being owned by large companies, accurate accounting of their profits and losses is impossible. The White Sox earn more from their TV broadcasts than the Cubs do. This can only be explained by who owns whom."

Ken Goldman: "E. Even with real operating losses, sports franchise ownership is a profitable long-term activity for the wealthy. Great tax writeoff, and appreciating franchise values make such losses not meaningful."

Mark Pankin: "E. "It depends on what you mean by revenue, profit, and loss. Given the wide range of latitude that accountants have and that media companies owning baseball teams are free to set the price of the broadcast rights at anything they want, there is no way to tell what the figures mean or whether they are computed in any meaningful way. Accountants who want to keep their jobs usually find out the range of answers acceptable to those paying the bills and then find a way to get the desired numbers. Until the owners open their books completely to an independent evaluation, we will never know. As an alternative, let the players' union pay for a complete audit. Then we will get the other end of the range."

5. If MLB's financials were restated to value all related-party transactions at their fair market value; to exclude all non-baseball expenses; to limit compensation paid to owners, their friends and relatives to the fair market value of their services; and otherwise to make them comparable to those of publicly traded companies, what operating results would MLB most likely report?

A. Operating losses of more than $200 million - **3 votes**
B. Operating losses of $100-$200 million - **2 votes**
C. Operating losses of less than $100 million - **7 votes**
D. Operating profits of less than $100 million - **3 votes**

E. Operating profits of \$100-\$200 million - **9 votes**
F. Operating profits of more than \$200 million - **12 votes**

Jerry Wachs: "Pure guess: B, C or D. Who is going to define fair value? After A-Rod signed for \$250M, since fair value would indicate that the owner should always earn more than an employee all owners are probably underpaid."

Jahn Hakes: "C for 2001 due to the missed games, rescheduling, etc. after September 11 and the recessionary economy, but in a non-recessionary economy, E and F are easily attainable categories."

Christian Ruzich: "D. Although I'm no economist, I can't help but think the sweetheart deals that teams like the Cubs and Braves have with their broadcast partners, for example, would go a long way toward pushing baseball into the black."

6. On January 9, the owners made their first formal proposal for a new collective bargaining agreement: an increase of revenue sharing from 20% to 50%, a luxury tax of 50% on payrolls over \$98 million, and expansion of the amateur draft to cover all foreign players. Commissioner Selig also indicated that the owners would not lock out the players during spring training.

a. How will the talks progress in 2002?

1. No strike or lockout; agreement reached by the end of the 2002 season - **15 votes**
2. No strike or lockout; no agreement before the end of the 2002 season - **18 votes**
3. Owner lockout - **1 vote**
4. Player strike - **3 votes**

Ken Goldman: "2. I see the dispute being one of degree, not one of philosophy this time. Should the revenue sharing percentage by 50%, 40% or what? Should a luxury tax be reimposed at that level? These shouldn't be insurmountable issues, unless egos get in the way."

Richard Sheehan: "2. There's never an agreement until some time after there absolutely, positively must be an agreement. I think the players and the owners both recognize that the public will react very, very badly to a lockout or a strike. Thus, neither will take an action that would alienate the fans and the public to their cause."

Jahn Hakes: "3 or 4, depending on whether the owners are able to declare an impasse and unilaterally institute some typically ridiculously lop-sided arrangement. If you really need just one answer, I'll guess 4."

b. When the next agreement is reached, what percentage of local revenues will be shared?

Median: 33%, Average: 33.9%.

50%: **Bill Dunstone, Chris Hand, John Heer, John Matthew, Jim Meier, Rod Nelson, Ted Turocy, Mike Webber**
40%: **Bill Gilbert, Ken Goldman, John Lewis, Dayn Perry, Richard Sheehan**
37.5%: **Jerry Wachs**
35%: **Joe Sheehan**
33%: **Leon Battista**, **Frank Cunliffe**, **Scott Fischthal**, **Mike Grandel, Doug Pappas, David Strasser**
30%: **Steve Gietschier**
25%: **Bill Felber, John Gottko, Jahn Hakes, Ted Hathaway, Sean Lahman, Christian Ruzich, Harry Swanson**
10%: **John McMurray**
0%: **Mike Haupert, R.J. Lesch, Ethan Lewis**

Ken Goldman: "40%, with an escalation to 50% if the owners can prove continued operating losses for the industry in *audited* financials 2 years after agreement takes effect."

c. When the next agreement is reached, what will the luxury tax look like?

100% on payrolls over $110 million, adjusted annually – **Jim Meier**
45% on payrolls over $110 million – **Dayn Perry**
30% on payrolls over $107 million – **Joe Sheehan**
50% on payrolls over $100 million – **Jahn Hakes**
40% on payrolls over $100 million – **Steve Gietschier, Ted Turocy**
33% on payrolls over $100 million – **Scott Fischthal**
33% on payrolls over $100 million, adjusted annually – **Doug Pappas**
33% on payrolls over $85 million – **Mike Grandel**
30% on payrolls over $100 million – **Bill Gilbert, Richard Sheehan**
25% on payrolls over $100 million -- **Leon Battista, Jerry Wachs**
Roughly what the owners proposed (50% on payrolls over $98 million) – **Bill Felber**, **Ken Goldman**, **Harry Swanson**
30% on payrolls over $98 million – **John Lewis**
50% on payrolls over $90 million – **Rod Nelson**
Similar to old luxury tax (35% on amount in excess of midpoint between fifth and sixth highest payrolls) – **Bill Dunstone**, **Chris Hand, Sean Lahman, Ethan Lewis**
Slightly higher than old luxury tax – **Mike Haupert**
None – **Ted Hathaway, Mike Webber**

Peter Topkis: "Regardless, it is a bad idea. All the leagues with any salary cap have been hurt. The closest example is the NBA. The NBA luxury tax has hampered teams this year and will get worse in the next three years. Per player salary cap makes more sense. The tax will be dodged by teams and become a yearly game of rewrite the rules so teams conform to the tax."

d. Will the luxury tax be accompanied by a salary floor?
1. No – **14 votes**
2. Yes, but there will be no meaningful enforcement provisions – **9 votes**
3. Yes, with meaningful enforcement provisions – **12 votes**

Richard Sheehan: "3. To the extent that the players are willing to give on anything, they're going to have to get something and the simplest and easiest thing for the owners to concede is a minimum with enforcement provisions. I think also this provision is in the best interests of the majority of the owners and thus will be relatively easy to push through."

e. Will the amateur draft be extended to cover foreign players?

1. Yes – **27 votes**
2. No – **7 votes**

Joe Sheehan: "Yes. I mean, who is really representing the interests of Dominican pre-teens? The NBAPA sold out kids in grammar school to get their deal; MLBPA can do the same."

7. A number of actions by MLB or its owners have recently come under ethical or legal scrutiny. Rank the severity of each on the following scale:
1: No problem at all
2: A public relations problem, but not a substantive problem
3. A public relations problem and a minor substantive problem
4. A public relations problem and a major substantive problem
5. Grounds for legal action or the revocation of MLB's antitrust exemption

[The averages are startlingly similar. The comments are one-sided – people who didn't think that X was much of a problem didn't write to explain why.]

a. *Bud Selig's undisclosed receipt in 1995 of a short-term bridge loan for the Brewers, at 1.5% over prime, from a company controlled by Twins owner Carl Pohlad*
Average: 3.29 (1 1, 6 2s, 13 3s, 12 4s, 3 5s)

Brad Sullivan: "4. 'The appearance of impropriety' should be a motto stamped on the forehead of every owner."

Richard Sheehan: "4. A serious conflict of interest, prohibited by baseball's own rules of conduct. The only reason I don't say '5' for this question and the next is that poor taste, poor judgment and violation of industry norms are not generally illegal."

Frank Cunliffe: "5. Pete Rose is alleged to have bet on his own team, and has been banned from baseball for life. Pohlad supported an opposing team. Logic dictates he receive a more severe penalty than Rose. Somehow I don't think Selig's proposal that Pohlad's entire franchise be 'contracted' is a punishment."

b. *Selig's continued indirect ownership of the Brewers while MLB is considering contraction of the Twins*
Average: 3.29 (1 1, 7 2s, 10 3s, 15 4s, 2 5s)

Richard Sheehan: "4. Selig's ownership of the Brewers while serving as Commissioner is a gross conflict of interest; the Twins issue is small in comparison."

c. *The Expos-Marlins-Red Sox ownership shuffle, in which current Expos owner Jeffrey Loria will end up with the Marlins, current Marlins owner John Henry will control the Red Sox, and MLB itself will own and operate the Expos for the 2002 season*
Average: 3.29 (4 1s, 6 2s, 8 3s, 10 4s, 7 5s)

Ken Goldman: "4. This could be a *major* substantive problem for MLB as well as give it a PR black eye. MLB running a franchise in the NL East almost guarantees the wild card will come from that division. If the Expos, under MLB control, lose 110 games, and the wild card is from the east, having beaten the Expos head-to-head about 15 times and winning the wild card by a game or two over a team from another division, people will be crying 'Foul' all over the place. It goes to the very 'integrity of the game' issue."

d. *The sale of the Red Sox by a charitable foundation to the third highest bidder, justified as the bid most likely to receive quick approval from the other owners*
Average: 3.23 (4 1s, 8 2s, 8 3s, 6 4s, 9 5s)

Richard Sheehan: "3. Happens all the time. In a takeover, the apparently highest bid doesn't win because of 'other issues.' In this case, it's not clear whether there was an issue or not. In a takeover, all the information is on the table and the public can really evaluate all the alternatives. In this case, there's not enough public information to evaluate whether the Red Sox – and the charitable foundation – really received the greatest value."

Scott Fischthal: "5. This was utterly disgusting, and the decision to throw a percentage of the difference to charity as a sop to the Massachusetts Attorney General only underscores this. Again, baseball is entertainment – what could be worse PR than stiffing a charitable foundation for $50-$100 million? This was an obvious abuse of the antitrust exemption, since the owners were able to circumvent the high bidder process."

Jahn Hakes: "5. This 'Lords of the Realm' bull, where the owners treat MLB as their private club, deliberately shut out individuals who might seek to reform the game, and make shady deals behind closed doors which affect the stability of franchises and quality of competition, is the reason why the public is so often frustrated with MLB. Baseball's power to approve or reject sales of franchises frees them (at least for now) from the fate of corporate dinosaurs in other industries, who long since have been bought out by more capable ownership in anticipation of higher profit levels."

BONUS QUESTION: The Second Annual Bud Selig Prediction Contest

Testifying before Congress in November 2000, the Commissioner asserted, "At the start of spring *training, there no longer exists hope and faith for the fans of more than half of our 30 clubs." Name the sixteen clubs ("more than half") LEAST likely to make the playoffs in 2002. Assume for purposes of this question that contraction will not take place.*

Out of 29 valid ballots cast:
0 votes: Atlanta, New York Yankees, Seattle
1 vote: Arizona, Cleveland, St. Louis
2 votes: Houston, New York Mets
3 votes: Oakland
4 votes: Boston
8 votes: Chicago White Sox, San Francisco
12 votes: Los Angeles
15 votes: Chicago Cubs
17 votes: Minnesota, Texas
20 votes: Philadelphia
24 votes: San Diego
26 votes: Colorado, Toronto
27 votes: Cincinnati, Florida, Milwaukee, Montreal
28 votes: Anaheim, Detroit, Kansas City, Pittsburgh, Tampa Bay
29 votes: Baltimore

I received two comments about the format. **Richard Sheehan** suggested I modify it to let respondents differentiate between teams they really thought "had no chance" and others included to fill out the list of 16. **Jerry Wachs** wondered, "Since [Selig] was basically 100% correct last time why are you doing this? Are you hoping against hope that some Cinderella team will at last win?"

The view from Japan, by **Yoshihiro Koda**

The Japanese professional leagues have a rule limiting the number of foreign players. Although clubs can contract with any players they want, regardless of their nationality, a maximum of four foreign players can be on the roster for each game.

The leagues have suggested a minor change in this rule. Through the 2001 season, the four-player limit has been subdivided into two pitchers and two fielders. That means a maximum of three foreign players could play on the field at once. The leagues want to change it to allow three foreign pitchers or fielders on the roster at the same time. This would allow all four foreign players to appear at once, if the club had one foreign pitcher and three foreign fielders on its roster for the game.

The Japanese Players Union objects to this proposal. The players fear that if the rule is changed, some domestic players will lose their opportunity to play. This is true – but as a fan, I think the idea is reasonable. Since more players are deciding for themselves whether to play domestically or internationally, the clubs need more choice for constructing their teams.

The Players Union has suggested a rental system of players instead. This is a good idea, but I have another one which respects the players' decision more. The current Japanese system offers free agency only to players who have been in the Japanese majors for more than nine years. I think the rule should be modified to offer greater mobility to non-regular players.

My idea is to give players a certain number of points per at bat, innings at a position, or number of batters faced by a pitcher. After the season, any player whose total points fall below a specified cutoff would be free to sign with any club willing to offer him a contract. I believe this rule would benefit both clubs and players. Clubs would have more choices for constructing their team, while players who lost the opportunity to play regularly, as by the introduction of new foreign players, would have a chance to join a new club. The trick is to find a cutoff acceptable to both owners and players.

Returning to the topic of a past column, a Japanese fan has objected to my proposal for international championship games. My original idea, that the two Japanese League champions replace the wild cards in the division series of the two North American Leagues, would mean the end of the Japan Series. To avoid this, my proposal can be modified to allow only the winner of the Japan Series to join the North American playoffs. The American League and National League wild-cards could play one another for a chance to advance, with the winner progressing to the division series in its own league and the Japan Series champion taking the place of the other league's wild card. I believe this rule can enhance the excitement of the postseason, and would be more acceptable for fans on both sides of the Pacific Ocean.

I welcome further comments or suggestions from readers on this issue. Please write me at koda@jmcti.or.jp.

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