Outside the Lines

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From the Chairman

Thanks to all who participated in the Business of Baseball Committee's second annual survey. The readers wanted more of everything...so this is our first 10-page newsletter. Even with the extra space, though, there was no room for the regular Team Notes column. It will return, bigger and better, in the Spring issue -- along with the debut of a new history feature and our first book review. Watch your mailboxes in May...and between now and then, *please* feel free to fill mine with anything you believe Committee members might enjoy!

In response to several survey responses, I've redesigned the newsletter a bit. All of the "official" announcements will be combined into a single Chairman's letter at the beginning of the newsletter. All opinion pieces will not only carry the author's byline, but will also be set in a different typeface (see **Richard Sheehan**'s article below) to remind readers that all opinions herein are those of the author, not SABR or the Committee.

Upcoming Conference. **Lee Lowenfish** alerts members to a conference at Long Island University's Brooklyn campus: "Jackie Robinson: Sport, Race, and the American Dream," to be held Thursday, April 3 through Saturday, April 5 to commemorate the 50th anniversary of the breaking of the modern baseball color line. Lee will present a paper exploring the partnership and rivalry of Branch Rickey and Walter O'Malley.

For the Archives. The New York Public Library yielded copies of the 1976-79 Basic Agreement (38 pp.) and the 1952 report, "Organized Baseball," prepared for a House Judiciary subcommittee (115 pp.). Thanks to the Congressional subpoena power, this report draws upon more contemporary and historical data than has ever before, or since, been released by the major leagues. Pete Palmer sent me additional material from the *Sporting News* about the 1952 and 1957 Congressional hearings, including a two-page chart of club finances from 1952-56, a list of reported 1950 profits and a summary of 1920-50 finances for each team.

Norman Macht sent on "Fair or Foul?" by Allen Sanderson, from a University of Chicago alumni publication, a one-page essay contending that publicly-finances sports stadia fail to provide the promised economic benefit and transfer wealth from the taxpayers to wealthy players and owners.

John Tepper Marlin, Senior Policy Advisor to the Comptroller of the City of New York, provided "New York City's Sports Economy," a 128-page study of sports' effect on the New York economy.

Tom Shieber contributed a fascinating souvenir from his days at *The Sporting News*: clippings and a typescript from "Operation of a Ball Club," a book assembled from columns written by sportswriter Milt Woodard in about 1950. **Steve Gietschier** of *TSN* had never heard of this book, so I forwarded Tom's material to him -- look forward to hearing the story behind this project!

A Cost Tax and a Loss Tax: Two Steps Toward Labor Peace, by **Richard G. Sheehan**

Less than two weeks after Jerry Reinsdorf and Wayne Huizenga led efforts to scuttle the labor deal, they were the two principals in bidding Albert Belle's contract to a new height and setting a new salary standard. It makes it difficult for economists to continue with our standard assumption that everyone - including MLB owners - acts based on rational self-interest. Of course, Reinsdorf and Huizenga voted against a luxury tax that would have substantially increased the cost of signing Belle to a given contract. However, their rhetoric indicated that they opposed the contract because it was not tough enough. Nevertheless, there well may be logic that actually indicates that all their actions are rational.

The principal difficulty in MLB negotiations is not disagreement between owners and players or even personal animus between Fehr and Reinsdorf. The principal difficulty is the fundamental difference among owners in terms of their underlying objectives. Owners like Turner and Steinbrenner have repeatedly demonstrated that their primary objective has been winning. Other owners like Schott and McClatchy have demonstrated that their primary objective is making money -- or perhaps more accurately, not losing more than a few million per year. That Schott and Steinbrenner have different agendas is not exactly a news flash. Nor should this contention mean that Schott is uninterested in winning or Steinbrenner is uninterested in making money. Simply stated, different owners weight the twin goals of winning and making money very differently, and those different weights or values will pull them in different directions when it's time to negotiate player contracts. (In addition, owners also face very different budget constraints. What Steinbrenner can afford is very different than what McClatchy can afford, but let's not worry about that at the moment.)

In MLB labor negotiations we expect fundamental differences between owners and players. However, economists generally assume that groups of protagonists agree among themselves. That is not the case for the Lords of Baseball, and fundamental differences among the Lords have precluded them from effectively negotiating with the players. Simply stated, the Lords cannot agree among themselves on many important issues, so they attempt to limit discussions with the players to issues on which they do agree. That in turn restricts the set of items they can effectively negotiate with the players union. The simplest example is the salary cap versus a so-called luxury tax. The salary cap makes almost zero economic sense (for reasons detailed in my book). Nevertheless, the Lords agree on a salary cap because it reduces player income and increases their profits. In contrast, the luxury tax has only a secondary impact on players but helps some Lords while hurting others. Thus the Lords until recently have been reluctant to discuss it -- just as they have been reluctant to discuss revenue sharing.

Nevertheless, revenue sharing and the mislabeled "luxury tax" represent part of the solution to baseball's current labor strife. If the problem underlying labor negotiations is disagreement among the Lords, then the solution lies in addressing this problem. That is, for owners with different perspectives on winning and profits, how do you move them at least to the same ballpark if not the same dugout? How do you make owners like Steinbrenner more sensitive to McClatchy's concern that he not lose his shirt or his team, while making owners like McClatchy more sensitive to Turner's concern that attendance and league revenue will suffer unless all franchises field competitive teams?

The owners proposed a luxury tax. As formulated, this tax is more appropriately called a "Cost Tax." That is, owners like Steinbrenner and Turner -- as well as Reinsdorf and Huizenga -- impose a cost on the rest of the league by signing the Belles and Sheffields for premium salaries. Let's take Bill James' methodology and extend it one small step. Consider replacing the average left fielder with Albert Belle. Assume, following Bill James' methodology, that Belle will contribute eight more victories. It doesn't take a rocket scientist to conclude that the rest of the league will have eight more losses. Now, what is the economic benefit of a win or the cost of a loss? My numbers suggest a Lord needs to spend about $1.9 million to win one more game, while losing one more will cost about $0.62 million. Taking the ratio of these two ($0.62/$1.9) yields the appropriate tax rate for the Cost Tax. Every additional dollar Reinsdorf spends, on average, costs another owner about $0.33. The Cost Tax simply says that Reinsdorf should take that additional cost into account when he signs Albert Belle.

The Cost Tax gives the big spenders and the Lords who place a greater value on winning a deeper appreciation for their brethren who value profits. But what about the Lords who may be tempted to effectively liquidate, sell off the stars, and try and survive based on shared revenues? Some Lords have been tempted to follow Charlie Finley's lead, selling off the talented players and fielding a minor league team. Uncompetitive teams like Detroit this year or Oakland in Finley's last two years impose a cost on other franchises through reduced attendance and lower interest in the game. How can we change their actions? Quite simple: a "Loss Tax." When a franchise wins less than, say, 45% of its games, impose a tax equal to the difference between .45 and its winning percentage times average league revenues. (One could change the tax rate or the tax base but these numbers work well. One also could include exceptions, for example, for expansion franchises.) In 1994 the Padres -- who had recently liquidated -- would have paid a tax of $3 million, the Angels would have paid $2.6 million and the Cubs $1 million. The implication of the Loss Tax: liquidation becomes more expensive for the next Finley-wannabe. The Loss Tax simply says that McClatchy should take additional financial losses imposed on other franchises into account when he sells off his stars.

With these two taxes in place, just one question remains: what to do with the revenues? Had these taxes been in place in 1994 they would have raised a total of $43.2 million, over 80% from the Cost Tax. The logical thing to do with the revenues: use them to finance revenue sharing, much as the Lords have recommended with the luxury tax. In 1994, 13 franchises had revenues less than the league average. The total shortfall: $185 million. Taking the ratio of revenue raised through taxes divided by revenues less than the league average ($43.2/$185) suggests returning 31% of the revenue shortfall to franchises below the league average. For 1994 the Padres and Twins would have been the big winners, receiving about $5 million each. This form of revenue sharing won't make the Padres or the Twins the financial equivalent of the Yankees -- nor should it. But it will serve to partially level the financial playing field. (Unfortunately, no tax system could produce a perfectly level financial playing field without destroying the incentives for owners to "grow the game.")

Let me be the first to admit that there are difficulties with this proposal. For example, a large-market franchise like Detroit should not receive funds under revenue sharing, but under this proposal they would have received $2.1 million. (They still would have lost $13.3 million in 1994.) Nevertheless, the outline suggested here can easily be modified to eliminate most implementation problems.

Let me also be the first to admit that there is something in this proposal to alienate everyone. The Cost Tax logically should be imposed on all costs in excess of the league average -- a feature unlikely to be enthusiastically supported by the players. The Cost Tax also is unlikely to be greeted enthusiastically by the Steinbrenners and Turners, while the Loss Tax is not likely a winner with the McClatchys and Ilitches.

Finally, let me be the first to admit that this proposal by itself will not bring labor peace. Rather, it is only one step in the process of finding labor peace in MLB. The owners are unlikely ever to beat the players in negotiations - or even break even - until they first face up to their internal differences.

Richard G. Sheehan is a Professor in the Department of Finance and Business Economics at the University of Notre Dame. He discusses the Cost Tax, Loss Tax and many other aspects of sports economics in ***Keeping Score: The Economics of Big-Time Sports*** *(Diamond Communications, 1-800-480-3717)*

Second Annual Business of Baseball Committee Survey

This survey was E-mailed in early January to all Committee members with E-mail addresses on file, and sent by mail to others who had sent me a SASE. If you have an E-mail address but didn't receive a survey, please let me know so I can update my records.

Thanks to all who participated: **Marshall Adesman, Paul Andresen, Michael Bauer, Gene Carney, Ken Carrano, Tim Cashion, Dick Clark, Robb Dunn, Larry Gerlach, Bill Gilbert, Larry Hadley, Jahn Hakes, Michael Hazen, Sean Lahman, Jack Little, John Matthew, Andy McCue, Wade Minter, John Moist, Sara Mooney, Rod Nelson, Phyllis Otto, Mark Pankin, Doug Pappas, John Pastier, Frank Roth, Richard Sheehan, Lyle Spatz, Greg Spira, Neal Traven, Ted Turocy, Paul Wendt, Stephen Weick** and **Cliff Wexler**.

1. Which, if any, of the following proposals do you support (Yes votes in parentheses; 34 voters)

a. Eliminating MLB ban on government ownership of franchises (16)

Larry Hadley: "I believe that local governments should have the right of last refusal on any pro sports team that is planning to move to another city. But if the city passes or refuses to pay fair market value, then let them move."

Richard Sheehan: "Eliminating MLB's ban on government ownership of franchises would be reasonable from an economic perspective because it is a constraint that appears unnecessary. On the other hand, why should any government take ownership, or partial ownership, of an MLB franchise? The history of public ownership -- most recently Pittsburgh -- suggests that any mayor who wants to bail out a struggling franchise by taking part of the team probably should be removed from office. However, the prohibition would also appear to rule out potential innovations like the Twins offering 49% of the franchise to the city in return for a new stadium."

Stephen Weick: "Isn't enough tax money spent on sports?"

b. Eliminating MLB ban on publicly traded franchises (28)

Ken Carrano and several others: "If the Packers can make it work..."

Jahn Hakes: "Truly publicly-traded franchises would not represent an improvement over the present system. The extortionist will bear the title Chairman of a Board of Directors instead of Majority Owner. But if public trading is combined with regulations limiting ownership of shares to local residents and provisions mandating that franchise relocations/buyouts must be approved by X% of shareholders (each shareholder gets one vote, regardless of stake), relocation becomes a less credible threat."

c. Forbidding franchise relocations, or threatened relocations, unless objective criteria are met (17)

Larry Hadley: "Franchises should be allowed to relocate in response to profits as long as the home city has had a chance to purchase the team. A thought related to the NFL: why would the Oilers move from Houston to Nashville? Only because of the crazy rules on revenue sharing. NFL owners get to keep all of the revenue from the luxury boxes, but share the regular gate receipts with all 30 teams. So is it any wonder that they don't care about attendance, only about a new stadium with lots of luxury boxes? Baseball doesn't have this problem yet, but they must be very careful in structuring revenue sharing so as not to create such perverse location incentives."

John Pastier: "I wonder if *any* criteria would be bulletproof enough to resist the sophistry of shameless owners bent on subverting them. Check out Reinsdorf, Selig, and the Mariners' ownership for recent examples."

d. Requiring leagues to offer expansion franchises to cities which lose teams, if objective criteria are met (10)

Larry Hadley: "The owners have a vested interest in restricting the number of teams at 3 or 4 below the number of viable markets. This is a monopoly interest that works for nobody but the owners and their profits. The only legitimate use of monopoly power is the preservation of competitive balance on the field."

Jahn Hakes: "This could result in there being 35-40 major league teams in the next couple of decades. I'd really like to avoid that scenario, as the larger the major leagues become, the more dilution will occur, not just in talent, but also in rivalries and fan interest."

e. Banning the use of tax-exempt bonds to build or remodel stadia (13)

Jahn Hakes: "In the absence of (a) or (b) being passed, this would probably be a necessary second-best fix to prevent franchise seduction by out-of-town interests."

Andy McCue: "Against. In a free country, people are free to be stupid."

Richard Sheehan: "Banning the use of tax-exempt bonds for stadia may be overkill. A more reasonable proposal would be banning the use of tax-exempt bonds where the term of the bond exceeds the term of the lease. It makes no economic sense for a city to issue 30-year bonds where the new tenant is going to sign a 20-year lease."

Paul Wendt (supporting (c), (d) and (e)): "I hope for constitutional changes `aimed at' competition between jurisdictions, especially discriminatory competition such as special tax rate (or tax rebates) and special regulations (or lax enforcement) for mobile businesses who threaten to move out or who offer to move in. Statutory changes `aimed at' baseball alone, or sports stadia and arenas, are not my hope; indeed, they might forestall it. However, checking the pulse of the movement for constitutional changes, I vote as above."

f. Repealing MLB's antitrust exemption to leave it in the same position as other professional sports (23)

Larry Hadley: "I don't think that repeal of the antitrust exemption will make any difference one way or the other. Look at how similar MLB, NFL, and NBA are. They all have a reverse order amateur draft. They all have approximately the same number of teams, which I believe is about four too few. They all have some types of labor market restrictions on young players that have been agreed to via collective bargaining."

g. Expanding other sports' antitrust exemption, to bring them to MLB's level (1)

Sean Lahman: "Why would any other league (or business) want to use MLB as a model?"

h. Other suggestions:

Michael Bauer: "No new expansion."

Jahn Hakes: "See to it (as part of antitrust action) that future labor negotiators can be somehow federally arbitrated. Minor league players should be adopted as full members of the players' union; this needs to be offset by allowing minor league franchises a role in bargaining as well."

John Pastier: "Requiring that any public investment in a baseball stadium project be constituted as a proportional equity position in the team."

2. What background should the next Commissioner of Baseball have? (Ballots listing more than one answer are split into fractional votes.)
   a. MLB owner or executive (e.g., Bud Selig, Paul Beeston) (0.83 votes)
   b. Similar experience in another sport (e.g., David Stern, Gary Bettman) (3.50)
   c. Former player, writer or broadcaster (e.g., Hank Aaron, Bob Costas) (3.83)
   d. Government/politics (e.g., Mario Cuomo, George Mitchell) (3.16)
   e. High-ranking corporate executive (6.66)
   f. Write-in: Doesn't matter under current structure -- owners won't surrender enough power: (8)

Larry Gerlach: *Definitely* not a, b or c. Need someone from outside the baseball establishment who can above all communicate a passion for the game and a sense of its great history. The Commish is, after all, primarily a PR person; ergo, must rekindle widespread enthusiasm for the game past and present."

Bill Gilbert: "The right guy could come from any of the above. He or she must be someone of unquestionable integrity who is widely respected and who has a sincere interest in the game. George Bush, Tal Smith and Bob Costas are some who come to mind, but I can't imagine why any of them would want the job."

Andy McCue: "What we really need is redefinition of the office, and one arrived at with the active participation of both the players' and umpires' unions. That would, I hope, produce a commissioner with the power to act in the best interests of the sport in controlling owners, players and umpires who may damage the organized game or its image. It could then produce sub-commissioners (presumably from the business world) to deal with problems like marketing, economic restructuring, stadiums, television, etc."

Mark Pankin: "The background is not important. Getting someone who can truly act in the `best interests of baseball' is. That means putting the `customers' (i.e. fans) first. What successful business does not do so? It also means giving the new Commissioner real powers to act in this matter. I don't expect this to happen."

John Pastier: "Owners should be barred. Executives should be eligible only five years after leaving any team employment. Former players, writers, or broadcasters? Bill Lee, but not Denny McLain. Keith Olbermann, but not Harry Caray, Skip Caray, Chip Caray, Max Carey, Andy Carey or Jim Carrey."

Richard Sheehan: "If the owners are going to follow their own worst instincts, following Vincent's ouster, then they are looking for a eunuch. The best place to search would be the ranks of the unemployed vice-presidents. I would recommend Dan Quayle. I would favor a corporate executive, but only a particular type of executive. The best strategy for the owners: call in a dozen turn-around specialists. Ask each for a plan. Carefully weigh the options and presentations. Choose one and give him or her a five-year carte blanche."

3. When do you think the next Commissioner will be named?
   a. before July 1 (2)
   b. before October 1 (4)
   c. before January 1, 1998 (8.5)
   d. after January 1, 1998 (7)
   e. never -- the office is eliminated in a restructuring (7.5)

Bill Gilbert: "(d). Everything in baseball moves at a snail's pace."

Michael Hazen: "(e). Bud isn't gonna let go. Now that the owners control it, they aren't letting go until something like the Black Sox scandal happens again (if ever). This will ultimately screw Pete Rose out of being inducted in the HOF, will result in many franchise moves, and eventually create a situation that I am already participating...attending more minor league games, more independent league games, and even local college games...because now *both* the owners and players are greedy slimy bloodsuckers."

Phyllis Otto: "Have they offered the crown to Selig three times yet? If not, then Selig in option (b)."

4. How much do you think the Los Angeles Dodgers will ultimately sell for?
   - $250 million or less: 5 votes (low: $215 million)
   - $251-$300 million: 7 votes
   - $301-$350 million: 5 votes
   - $351-$400 million: 3 votes
   - $401-$450 million: 5 votes
   - $451 million or more: 3 votes (high: $500 million)
   - Average: $350 million
   - Median: $315 million.

   Economists guessed low; Californians guessed high.

5. Newsletter guidelines:
   a. Historical articles: 21 More, 9 Same, 1 Less
   b. Opinion essays: 14 More, 15 Same, 2 Less
   c. Numbers/hard data: 11 More, 16 Same, 3 Less
   d. Bibliographic information: 8 More, 20 Same, 1 Less, 1 abstention
   e. Other (specify)

John Moist: "Team updates and stadium news: More -- feel free to give more details!"

Sara Mooney: "More law-related material."

Paul Wendt: "Review each new book that is largely business of baseball. Offer space for occasional literature survey, e.g., economic analysis of the baseball players' labor market, by someone in the field."

6. Newsletter tone:
   a. Straightforward factual presentation, without comment -- 4 votes
   b. Keep the tone the way it is -- 24 votes
   c. More freewheeling commentary, so long as the facts are presented -- 3 votes.

Paul Andresen: "(a). Anything going out under the SABR logo represents the Society as a whole. While I personally happen to agree with your opinions for the most part, I feel that it would be better (and safer) if they were not put out in a quasi public forum."

Larry Gerlach: "Certainly not (a). Commentary and opinion make the newsletter even more informative and interesting. Ain't no such thing as objectivity. Presenting factual information sans comments is itself a commentary. You should be free to express opinions and offer commentary so long as you a) adhere to standards of good taste and decency, and b) afford readers the opportunity to offer different views. We do more than share information -- informed opinions are vital to learning and understanding."

Sean Lahman: "(c). The facts are vital, but in the absence of informed opinion they often don't mean much to some people. I always find great value in knowing how others interpret events."

Jack Little: "(b). I encourage you and everyone else to write opinion articles. Group the opinion pieces, letters, etc. separate from the news. Newspapers have both editorial and news pages. You can too."

Andy McCue: "(a). One possibility is to have a chairman's letter at the beginning of the newsletter which deals with the actual working of the committee -- committee and member projects, requests for info, location of hard to find materials, whatever, Then, if the chair feel he has some info or analysis on a contemporary issue not available elsewhere, then he could raise it in a separate opinion essay elsewhere in the newsletter. With the current format of the newsletter, it often looks like the chairman's essay represents the official view of the committee and of SABR."

Phyllis Otto: "(b). I like knowing that what I'm reading was written by a human being who has opinions and sometimes even attitudes."

7. Suggestions for Committee research projects. [Editorial comments/responses in brackets.]

Michael Bauer: "The next era of new ballparks and financing. Dying breed of family ownership."

Gene Carney: "In the dark days of the Strike, there were some rumbling from fan groups, and a few suggestions were made that the fans actually had `rights.' I wonder if we could explore that notion: we might at least pursue Fan Guidelines for teams -- a cap of $3 on parking, etc. -- not that we can `strike' but we can rate the teams as most/least fan-friendly, and I *hope* they are all concerned about their PR/image." [DP: I hope they are, too, but I don't think this project is appropriate for a SABR research committee. If someone else prepares the guidelines and rates the teams, though, I'd be delighted to summarize the results in the Newsletter.]

Tim Cashion: "In connection with salary database, I would dream of putting together a transaction database (who is on which roster when, etc. -- *very* hard work, but I'm still young!). I would very much like a clear (but complete) breakdown of what the options/outright/waiver rules are."

Larry Hadley: "Maybe guest columns by 4 or 5 members on a particularly hot issue would be an interesting addition to the newsletter. Examples: Who won and who lost in terms of the new collective bargaining agreement? Or how many new franchises does MLB need and where should they call home?"

Jahn Hakes: "Perhaps a group project, where several of us join efforts to answer a specific question (e.g., updating Zimbalist's table of local cable contracts; creating a longitudinal database of player salaries; or creation of an electronic SABR-BofB Working Paper archive. A directory of committee members, perhaps with short bio-sketches, would be nice too, resources allowing." [DP: The salary database is well underway. In the next issue I'll publish a list of materials in the Committee archives.]

Sean Lahman: "I'd like to see an effort to gather and publicize financial data that is available, including player salaries, team finances, broadcast contracts, etc. Much of this data is available from different sources, but I'd like to see it all pulled together in one single source. I'd also like to see a primer on the basic concepts of baseball economics." [DP: Combined, these two ideas would make an excellent "big publication" for the Committee, similar to *Baseball's First Stars* or *The Negro Leagues Book*. But we're still many years away from this goal. In particular, someone needs to wade through the treasure trove of financial data available in team and owner files donated to the Hall of Fame or local historical societies. Once we've reviewed all the available, unpublished data we can find, let's aim for a historical overview of baseball economics with detailed appendices.]

Jack Little: "Concession prices compared to area restaurants. Are prices out of line?"

John Matthew: "Try to get more contributors to the newsletter. This is far easier said than done." [DP: Yes, it is! Everyone out there, *please* write -- especially if you disagree with me. Diverse views benefit readers, and more material from other writers benefits the editor.]

Andy McCue:

(1) "Background profiles of major league owners, past and present, pointing out the sources of their wealth, their corporate connections and the status of the baseball team within their holdings.

(2) "Histories of the development of business operations of baseball teams, such as the evolution of the position of general manager and of the parceling out of front office duties between owner, GM and a host of more and more specialized positions.

(3) "Salary histories, by era, team and player.

(4) "History and analysis of revenues, sources of revenues and uses of revenues of major and minor league teams.

(5) "More examination of the interaction of city officials, incentives, stadiums, civic pride issues, questions about the economic value of a sports franchise." [DP: Anyone interested in these topics should check out Mark S. Rosentraub's *Major League Losers: The Real Cost of Sports and Who's Paying for It* (1997), just published by Basic Books.]

John Pastier: "Some (more) attention to the minor leagues. Preparing databases to track the movement of key baseball economic indicators over time: team income, player salaries, stadium building costs, etc. This will probably be difficult."

Paul Wendt: "I think that book reviews and literature surveys (for shorter works, by topic) should be a higher priority than the directory of the personnel of the business of baseball."

Cliff Wexler: "Increase the public's knowledge about the business of baseball so more fans can become activists in their communities to counter the oligarchy of the owners."

Bibliography: League Presidents, supplied by **Andy McCue** and the RBI Project

Last issue, we presented a list of biographies of team owners and top executives gleaned from Research in Baseball Index, the Bibliography Committee's catalog of baseball-related research materials. Paul Wendt pointed out three books which had been left off due to inadequate cataloguing. Those are:

Axelson, G.W. *Commy: The Life Story of Charles A. Comiskey*. Chicago: Reilly and Lee, 1919.
Bartlett, Arthur. *Baseball and Mr. Spalding*. New York: Farrar, Straus and Young, 1951 (juvenile).
Spalding, Albert Goodwill. *America's National Game*. New York: American Sports Publishing, 1911.

This issue features a (much shorter) list of biographies of league presidents. Again, if you find any that have been left off, please contact Andy McCue, 4025 Beechwood Pl., Riverside, CA 92506, agmccue@pe.net.

Frick, Ford C. *Games, Asterisks, and People: Memoirs of a Lucky Fan*. New York: Crown Publishers, 1973.
Giamatti, A. Bartlett. *Take Time for Paradise*. New York: , Summit Books, 1989. Not really an autobiography.
Hirshberg, Al. *From Sandlots to League President: The Story of Joe Cronin*. New York: Julian Messner, Inc, 1962. (juvenile)
MacPhail, Lee. *My Nine Innings: An Autobiography of 50 Years in Baseball*. Westport, Ct.: Meckler Books, 1989. Murdock, Eugene. *Ban Johnson: Czar of Baseball*. Westport, Ct: Greenwood Press, 1982.
Reston, James Jr. *Collision at Home Plate*. New York: HarperCollins, 1991. Contains an excellent bio of Giamatti.
Valerio, Anthony. *Bart: A Life of A Bartlett Giamatti By Him and About Him*. New York: Harcourt, Brace, Jovanovich, 1991.
Next issue: Commissioners' biographies.

Dodgers For Sale, by **Andy McCue**

Peter O'Malley's announcement he was putting the Dodgers up for sale caused consternation in Los Angeles and skittering in Brooklyn. But probably its biggest impact will be to show what a top of the market baseball franchise is really worth.

In his announcement, O'Malley dwelt rather heavily on the issue of a family corporation (100% owned by a trust of which O'Malley and his sister Therese Seidler are the beneficiaries) finding it increasingly difficult to compete in a world of corporate ownership. The Dodgers, who had been one of the most financially successful teams in baseball from the end of World War II through the 1980s, experienced some difficult years in the early 1990s. The team announced a loss at least one year and took budget-cutting measures in several more. The team is the sole support of O'Malley's family and a major pillar of Therese Seidler's, although her hus-band is a major owner of a mid-level Los Angeles stock brokerage. You will remember that when major league teams turned their books over to the MLBPA in the mid-1980s, Roger Noll noted that the Dodgers had by far the highest general and administrative costs in the game, because of high salaries paid to family members. Both Therese Seidler and her husband sit on the team's board of directors and serve as corporate officers.

Although O'Malley hit it lightly in the initial press conference, estate planning seems to have played a significant role in the decision. O'Malley has three children and Mrs. Seidler has 10. He is 59 and she 63. Current estate taxes run to 55% after the first $5 million, whereas capital gains taxes would top out at 28% on the sale. Because Walter O'Malley used team profits to pay off most of the cost of buying the Dodgers, all but a pittance of the sale price will be subject to taxes.

The Los Angeles *Times* has run a number of stories suggesting O'Malley's failure to win an NFL expansion franchise played a role in his decision, although O'Malley himself has offered nothing to support that idea. O'Malley had backed away from an expressed interest in an NFL expansion team (with his father's ghost hanging over his head, he refused any connection with moving an existing franchise to LA) after Los Angeles city council members representing the district which contains the Coliseum, as well as other black-dominated districts, sought to revive the Coliseum as the site for an NFL team. While O'Malley is not willing to make the football connection, he may well have seen a second pro sport using the Dodgers' prime real estate adjacent to downtown Los Angeles as a cash generator for what are considered to be necessary changes at Dodger Stadium. The stadium, while in excellent shape for a 36-year-old facility, has no luxury boxes, a limited restaurant capacity and no ability to provide waiter service and similar amenities in the prime seat locations. All of these trends in recent stadium design and construction are major money makers.

As you might expect from O'Malley's track record, he is interested in making a good sale rather than a quick one. He has put together a team from LA's biggest law firm, with Goldman, Sachs as the investment banker and Ernst & Young as the accountant. He is sending clear signals that he is in no hurry by continuing to make key management decisions, including some which have long term consequences. He has not only authorized multi-year player contracts, but the Dodgers recently announced they will be changing their flagship radio station, leaving a relationship they have had for over 20 years. The new radio contract is for five years.

After an initial swirl of suggested buyers from the possible to the idiotic, the rumor mill has quieted. And if O'Malley follows his usual practice, the negotiations will take place in private rather than in the papers. The most possible buyer rumored to date has been Rupert Murdoch and his News Corp. Peter Ueberroth first expressed an interest, but then said his group didn't have the financial ability to follow through when the purported price tag settled in the $350 million to $500 million range). O'Malley said he didn't have any idea what the franchise is worth.

What it's worth is obviously going to vary with different buyers and that's why the conventional wisdom of the moment has focused on Murdoch. The conventional wisdom is that to be successful in baseball these days, you must have the ability to leverage the baseball team into multiple "revenue streams." The team must be entertainment programming, a la Turner or Tribune Media. It must have marketing tie- ins, a la Disney. It must be able to offer a prize athlete money-making opportunities which are not confined to baseball. For example, Financial World estimates the Dodgers' revenue currently at about $80 million. Their player payroll for next year has already hit at least $43 million. While their market gives them a good television/radio package, it is not a great one along the lines the Yankees, Mets, Red Sox, Braves or Cubs receive. Thus, the somewhat variable prices. The team's basic asset is of course, its franchise in the National League in the second largest market in the country. And although it is the second market, the Dodgers dominate the Los Angeles market much more thoroughly than either New York team dominates its market. This asset, the programming and marketing opportunities it could produce, are the key assets O'Malley has for sale.

But, unlike other franchises, the Dodgers offer much more. The Dodgers own their stadium, one of the handful in baseball that still do. It is located on 300 acres within two miles of downtown Los Angeles. This issue is clouded because there may be limitations on its use. The team's contract with the city of Los Angeles, which sold it the real estate, limits the number of non-baseball events which can be held on stadium property each year. There may also be limits on the owner's ability to redevelop the property for non-baseball uses. Such a clause would drastically lower the value of the land. There is also the flip side of the ownership coin. The Dodgers are one of the few major league teams which pay property taxes, and they are significant, about $500,000 a year. With the sale, the real estate will be revalued, inevitably upward, and property taxes could rise sharply. Before California passed a property-tax-control initiative in 1978, the Dodgers paid as much as $1.2 million in property taxes.

The Dodgers also have a 450-acre spring training complex in Vero Beach, Florida. The property is believed to be profitable in its own right. The Dodgers have developed Dodgertown with hotel-class living quarters, dining facilities, 20 meeting rooms, two golf courses, tennis courts and other recreational opportunities. When not using it for spring training and fantasy camps, the club rents it out as a corporate conference center. This property could well have less interest to a media-oriented buyer, but could have strong interest to a company with other resort properties. It could also serve in a secondary sale to generate cash to offset some of the costs of buying the team. The team also owns a facility in the Dominican Republic, which is likely to be a minor piece of the franchise sale calculations.

While O'Malley put the whole operation up for sale, there is no necessity for him to sell it all, or to sell it all to one buyer. Also, as noted with the Vero Beach property, there is no guarantee that a single buyer wouldn't immediately begin to sell off pieces, including Dodger Stadium or the real estate it sits on.

O'Malley has made it clear that he has a strong preference for selling to someone who would keep the team in Los Angeles. As unlikely as it seems that a new owner would abandon the country's second largest market, football recently did so. O'Malley also carries the memory that his father abandoned the biggest market in the country when he rightly saw more lucrative pastures to the west. One issue which will probably create far more flash than substance, but could prove of interest, is so-far-abortive attempts to bring the team into public ownership, either in Brooklyn or in Los Angeles. Baseball rules clearly forbid this at the moment, but recent moves in Minneapolis-St. Paul and in Houston both opened the door to public ownership as a possibility. Baseball has already lowered its guard a bit with the previous Pittsburgh ownership coalition, which included public money.

Looking Back

100 years ago: An early media contract: NL awards Western Union exclusive telegraph rights to its games in return for $300 of free telegrams per club. The 1897 *Reach Guide* reports that of the 240 players who appeared in at least 15 major league games eight years before, 16 have already died. The dead include two Hall of Famers, Mike "King" Kelly and Charles "Old Hoss" Radbourn.

75 years ago: Babe Ruth and teammates Bob Meusel and Bill Piercy suspended for first month of the 1922 season and fined their 1921 World Series shares for violating a new rule which bars World Series participants from postseason barnstorming. The April 27, 1922 *Sporting News* laments the coming of radio: "Newspapers in various sections of the country are announcing the 'broadcasting' of results of ball games as a feature of their news service. To start with it is only results, sent out at an hour when all the scores have come into the newspaper office. Next, we presume, it will be play-by-play that is sent out into the ether and to those who merely care for what happens rather than seeing how it happens, the radio will foot the bill.

"This new radio craze is already crimping attendance at anything where the feast is for the ear rather than the eye, and seriously affecting spectacular entertainment because the family stays home to hear the concert or lecture or story telling in preference to going out to see the things pictured on the screen.

"And next we will have the whole works shot to pieces because instead of mere sound, the radio will be producing in every home that has a ten dollar equipment the picture of the play. Yep, that is the possibility. When Ruth hits a homer or Sisler slides into the plate, a film will catch him in the act, wireless will carry it a thousand miles broadcast and the family sitting in the darkened living room at home will see the scene reproduced instantaneously on the wall. No more impossible than what we now have seemed ten years ago.

"Then what will become of baseball? Nobody will actually see Ruth and Sisler in action except the bored operators of the wireless picture producing machine who have to be out as part of that job. The magnates won't have to worry about taking care of their crowds; their concrete grand stands will be torn down and the business of baseball will be collecting a fee for supplying the action that is reproduced on the parlor wall instead of counting the gate." [Reprinted with permission of the *Sporting News*.]

50 years ago: Jackie Robinson breaks the 20th-century color line. Bonus rule takes effect: any player signed by a major league team for more than $6,000 can't be optioned to the minors, nor assigned outright to a minor-league club without passing through waivers.

25 years ago: Supreme Court reaffirms baseball's unique antitrust exemption in *Flood v. Kuhn*. First in-season player strike, over pension benefits, forces the cancellation of 86 games. NBC pays $18 million to telecast a Saturday Game of the Week, the All-Star Game, playoffs and World Series.

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