QUIRK and FORT

HARD BALL

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THE ABUSE OF POWER IN PRO TEAM SPORTS

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PRINCETON UNIVERSITY PRESS
PRINCETON • NEW JERSEY

Published by Princeton University Press, 41 William Street,
Princeton, New Jersey 08540
In the United Kingdom: Princeton University Press,
Chichester, West Sussex

Library of Congress Cataloging-in-Publication Data

Quirk, James P.
Hard ball : the abuse of power in pro team sports /
James Quirk and Rodney Fort.
p. cm.
Includes index.
ISBN 0-691-05817-2 (cloth : alk. paper)
1. Professional sports—Economic aspects—United States.
2. Professional sports—Moral and ethical aspects—United States.
I. Fort, Rodney D. II. Title.
GV716.Q566 1999
796.04'4'0973—dc21 98-38409

This book has been composed in Adobe Trump Mediaeval
and Gill Sans

The paper used in this publication meets the minimum requirements of
ANSI/NISO Z39.48-1992 (R1997) (*Permanence of Paper*)

http://pup.princeton.edu

Printed in the United States of America

1 3 5 7 9 10 8 6 4 2

PREFACE

This is our second jointly authored book on the sports business and our second with Princeton University Press. Our first book, *Pay Dirt,* appeared in 1992 and was intended as a more-or-less encyclopedic treatment of certain topics in the economics of sports, from the point of view of two fundamentally mainstream economists.

The present book is quite different. This is a book about what has gone wrong in the pro team sports business and how to fix it, written for the general public and for policymakers. The argument of the book, that the underlying cause of the problems of pro team sports is the monopoly power of sports leagues and how leagues exercise that power, is documented by numerous examples and anecdotes and by data from the recent history of the pro sports business.

The most visible sign of the abuse of power by sports leagues is the widespread use of threats and coercion by teams to blackmail cities into providing elaborate, new, publicly financed stadiums and arenas, along with lease agreements that saddle state or local taxpayers with the costs of the facilities. When owners threaten cities that they will move their teams if new stadiums are not forthcoming, these are not idle threats, as the recent history of franchise moves documents. It is the monopoly power of leagues that puts teeth in the threats of team owners. There is an extensive treatment of the stadium issue in the book: Chapters 6 and 7 are concerned primarily with these matters.

However, owners and leagues are not the only actors with clout in the pro sports business. Television networks, unions, and players, among others, all possess market power. The earlier chapters of the book document the central role of television income in the pro sports business of the 1990s, the confrontational nature of labor relations in sports, the success of unions and players in capturing an increasing share of that income, and the consequences of this for the bottom line of teams, especially small-market teams. It is in this context that events such as the baseball strike of 1994–95, the selling off of the Florida Marlins after the 1997 World Series, and the downsizing of the Montreal Expos or the Orlando Magic can best be understood. The inability of leagues to solve their competitive balance problems has exacerbated these and related problems of pro team sports.

Finally, in the last chapter of the book, there is a detailed discussion of the pros and cons of our proposed solution to the problems of pro team sports.

Sources used in writing this book include the *New York Times, Sporting News, Sports Illustrated,* and a number of local newspapers. *Broadcasting and Cable* magazine was a prime source of information on the radio and television aspects of the sports business. Much of the data appearing in the tables is taken from the annual surveys of the sports business published by *Financial World* magazine since 1990. The story in Chapter 1 about the German shepherd and Chihuahua dogs comes from the "Bulletin Board" feature of the *St. Paul Pioneer Press.* Historical information, anecdotes, and other data appearing in the book come from a variety of sources, including our earlier joint book, papers the two of us have written on the economics of sports for academic journals, and consulting we have done in legal cases involving sports teams and leagues.

We thank Bruce Hamilton and Bruce Johnson for their very helpful reviews of an earlier version of the manuscript, as well as a third, anonymous reviewer whose comments also were helpful. Special thanks go to Dick Ruppert, Quentin Quirk, Roger Noll, and Tom Pahl. We also express our appreciation to Peter Strupp and the staff of Princeton Editorial Associates and to Ellen Foos and Janet Stern of Princeton University Press for their careful attention to the production of the volume. Finally, the original idea for this book came from our editor and friend Jack Repcheck, who has once again provided the support, suggestions, and oversight to help make this a much more readable book.

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HARD BALL

THE SCENE OF THE CRIME

> Players say the owners are stupid, owners say the players are greedy, and they're both right. They make one pine for the simpler days when owners were greedy and players were stupid.
>
> —Richard Corliss, *Time,* August 8, 1994, p. 65

In a familiar passage, often quoted by those who make a living from the sport, Jacques Barzun said, "Whoever wants to know the heart and mind of America had better learn baseball, the rules and realities of the game." If Barzun was right, this might help to explain why so many Americans are absolutely bewildered by what is going on in their own country. It's not that most of us don't understand the game of baseball—sure, the infield fly rule doesn't come immediately to mind, and just what constitutes a balk leads one inexorably into and through the bowels of existentialism, with even a nod to Hegel and Kant. But what happens on the playing field is not the problem. The problem is figuring out how to make sense of what goes on off the field in baseball (and in other pro team sports as well), why it happens, and what to do about it.

Bill Veeck, the greatest owner-promoter of pro team sports, once told one of the coauthors of this book that what he and the other owners were selling was not winning on the field nor superlative athletic performances nor even dramatic down-to-the-wire games. Instead, Veeck believed pro team sports was marketing "dreams," that intangible aura of sports that leads to the fans' identification with "their" teams and their favorite players, coaches, and managers. Veeck also thought that going to a game should be fun—more fun if your team won, of course, but still fun even if they lost. So if you went to a White Sox game at Comiskey Park in the late 1950s or early 1960s when Veeck owned the team, you saw the exploding scoreboard when Sherm Lollar or Ted Kluszewski hit a home run, you oohed and aahed at the infield magic of Nellie Fox and Louie Aparicio, you cheered the go-go Sox for every one of their infrequent runs, you especially cheered if the Sox were whipping the hated Yankees, you stayed after the game for the fireworks display, and, believe us, you had a ball. If you were a kid who made it to the game early enough, you could even fill a scorecard with the autographs of players—rookies through stars—who seemed to be having as much fun at the park as you were.

Bill Veeck, bless his soul, is gone now, which is a crying shame because major league baseball (MLB), the National Football League (NFL), the National Basketball Association (NBA), and the National Hockey League (NHL) all could use a large dose of his wisdom and sense of fun today. (But there is a possible light at the end of the tunnel—Bill's son, Mike, is making a name for himself as a minor league owner–general manager, following in his father's footsteps. At St. Paul, running the Saints in the independent Northern League, he sold out Midway Stadium year after year with a three-ring circus approach to baseball featuring a pig as ball boy [or girl?]; inserting races, raffles, sumo wrestling, and what have you between innings; keeping the stands in an uproar looking for what was coming next—and then ending every game with one of his dad's fireworks displays. While the Twins were losing money at the Metrodome [capacity 60,000], Mike was making money at Midway [capacity 5,000]. When the city of St. Paul offered to build a larger stadium for the Saints, their fans voted it down, and Mike Veeck went along with the fans. Is anyone in major league baseball even remotely aware of how baseball can be promoted, Mike Veeck– and St. Paul Saints–style?)

The "field of dreams" that Bill Veeck talked about is long since a thing of the past, and a lot of the fun has gone out of baseball and other pro team sports. Pro team sports has become big business, in which Vince Lombardi's rule that "winning is everything" holds and civility, tradition, and any sense of civic involvement and commitment be damned. Somehow the owners, the players, the leagues, the media, the lawyers, the agents, the unions, the politicians, and the fans, too, have each played a part in transforming sports into a Rube Goldberg monster machine that seems to have next to no redeeming social value, just the ability to generate big payoffs for the insiders. And, increasingly, the money that the insiders are raking in is coming not from the tickets bought by lower- and middle-income fans taking their families to the game, but from television, from big-bucks business executives with their corporate boxes and preferred seat licenses, and from taxpayers, most of whom can think of any number of better things to spend their taxes on than new gold-plated stadiums or arenas for rich owners, rich players, and that select group of fans rich enough to afford the luxury boxes.

The Bible tells us that the love of money is the root of all evil, and sports today is absolutely awash in cash. With billionaire owners, and players and coaches drawing multimillion-dollar salaries, they live in a different world from the rest of us. But money per se is not the root of the current problems of pro team sports. Instead, the market power that insiders in the industry possess, and the arrogant use of that power, is the real culprit. The most attractive feature of pro team sports is the fact that championships are determined by open competition on the playing field; the only thing that counts is how well you play the game, not who you are or whom you know. The least attractive feature is the way that teams and leagues use their monopoly power to exploit fans and the general tax-paying public, and then squander their ill-gotten gains in outrageous salaries paid to mostly ungrateful players.

Without any apologies (and also without any retribution) teams use blackmail tactics, including threats to leave town often based on fictitious profit and loss claims, to extort public money from cities and states for new stadiums or arenas along with sweetheart rental agreements. Sports leagues routinely approve almost any franchise move desired by owners, with or without any determination of financial problems for the team at the old location. The long-term commitments of teams and owners to cities—if such ever did exist—are today a thing of the past; all that matters now is how much other cities are offering in the way of subsidies compared with what the team's current "home" city has on the table.

Players with multimillion-dollar contracts routinely use the same kind of blackmail tactics against owners, staging sit-outs and demanding renegotiation midway through a contract, whenever any other player signs for a better figure anywhere in the league. Too many star players ignore team and league rules with impunity, abuse officials, and treat fans like dirt. And it's not just fans, officials, and coaches who are trashed by these players. The Florida Marlins were invited to the White House to be congratulated by the president for winning the 1997 World Series. Half the team failed to show up for the ceremony.

Owners and unions engage in public relations battles in the press during labor contract negotiations and the inevitable strike or lockout that follows. And then, if a star player or the team performs badly on the field, owners and players can at least agree about one thing—it's the fans' fault for not supporting them.

In one of George Will's columns, there is a story relating to one of Will's abiding loves, baseball. The story goes something like this. Two old timers were reminiscing about the depression years. One mentioned Lou Gehrig, saying to the other, "You remember Lou Gehrig, right?" The other replied, "Of course, Lou Gehrig was the first baseman on those great Yankee teams of the 1920s and 1930s. What ever happened to him?" "Well, he died years ago, of Lou Gehrig's disease." The second friend whistled in astonishment: "Wow, what are the odds? Here's a guy named Lou Gehrig and he dies of Lou Gehrig's disease!"

Just to mention Lou Gehrig brings to mind an image of class both on and off the field, something that seems to be a rarity among players today. As time goes on, it is harder and harder to find players in the Gehrig mold with whom to identify—players like Kirby Puckett, Cal Ripkin, Tony Gwynn, or Roberto Clemente. Too often they are being replaced by in-your-face egoists who make it as clear as day that you as a fan should consider it a privilege to be allowed to witness them in action.

Having said all this, it also is true that pro team sports has been on a financial roll for the past twenty years, racking up record gate receipts, TV income, player salaries, and franchise prices each and every year. Pro team sports is front-page news now in most of the country, from the World Series and the Super Bowl to the latest list of drug arrests, drunk driving incidents, and wife beatings by star players and financial shenanigans by owners. It makes one wonder whether we fans, with our apparently insatiable appetite for sports, simply happen to be cursed as well with the least appealing group of players and owners in sports history or whether something else accounts for the problems pervasive in pro team sports.

Actually, anyone who knows anything about sports history is aware that even the worst of the current group of players look like models of deportment compared with that mean-spirited bigot of the early days of baseball, Ty Cobb, who is generally regarded as the greatest baseball player of all time. And the transgressions of the current crop of owners pale in comparison with those of the Robison brothers of the 1890s, who managed to acquire control of both the St. Louis and Cleveland franchises of the National League in 1899. St. Louis was drawing better than Cleveland, so the Robisons simply transferred all of the good players on the Cleveland lineup to St. Louis. Cleveland ended up with the worst won-lost record in National League history—20 wins, 134 losses! (even the 1961 Mets looked good next to this team)—and played 53 of its last 77 home games on the road. Cleveland was dropped by the league the next year.

This suggests that it is not the individuals who currently people sports, flawed as they might be, who are the villains of the piece. There is something more fundamental going on, something to do with the way in which the sports business is organized and operated. But can we identify the critical feature of the pro team sports business that is the ultimate source of its problems?

Is it the media for supplying the bucks? Or the unions for resisting the owners' demands for reasonable restrictions on free agency? Or the players for shaking down the owners and the fans for unbelievable salaries? Or the owners for bidding up player salaries to ridiculous levels and for exploiting the cities in which they have franchises? Could it be the leagues for allowing teams to move when and where they wish, regardless of the consequences for fans and localities? Or the politicians who pay the bribes to owners to keep teams in town? Or the fans who continue to support teams and players who provide absolutely no loyalty to them in return? And how do we clean up this mess?

We will argue in this book that essentially all of the many problems of the pro team sports business arise from one simple fact, namely the monopoly power of pro team sports leagues. Each of the major pro team sports is controlled by a monopoly league—MLB in baseball, the NFL in football, the NBA in basketball, and the NHL in hockey. Eliminate that monopoly power and you eliminate almost every one of the problems of the sports business. Allow that monopoly power to persist and any attempted partial solutions to the problems of sports are cures that will leave the disease still flourishing.

The monopoly power exercised by leagues is not the only market power being exercised in pro team sports. The media, unions, and players, among others, all have a modicum of market power as well. But what we will document here is that the market power of leagues enables them to capture the great bulk of the monopoly profits ("rents") that sports generates, from gate receipts, media income, sweetheart stadium deals and rental arrangements, and other sources. These monopoly profits in turn become the prize package over which owners and players, who are backed up by their player unions, fight.

Eliminate the monopoly power of leagues and you eliminate the blackmailing of cities to subsidize teams. Eliminate the monopoly power of leagues and you eliminate the sources of revenue that provide the wherewithal for high player salaries. Eliminate the monopoly power of leagues and you eliminate the problem of lack of competitive balance in a league due to the disparity in drawing potential among league teams. Eliminate the monopoly power of leagues and you transfer power from the insiders, owners and players alike, to the outsiders, fans and taxpayers. In this book, we present the arguments and documentation to back up each of these points and then propose our solution—what we argue is the only feasible solution—for achieving the elimination of league monopoly power. That's the modest program for this book.

But before doing this, it makes sense to take a look back in time to see where and when the seeds for the current crop of problems were sown. Sports fans, including the two of us, are mostly nostalgia nuts so some might think that what sports needs is a return to the "good old days" (fill in your favorite time period from the past). But even in the good old days pro sports had its share of problems involving money and market power, and the solutions that emerged for solving those earlier problems have led in turn to the problems we face today. So, before looking in detail at what is causing problems today, we should first look back to those great days of sports as they used to be during, say, the early 1950s.

The early 1950s was a golden age of sorts for New York City baseball fans. The Yankees continued their World Series–winning ways from the prewar and immediate postwar years, the Dodgers were the dominant team in the National League, and the Giants showed signs of recovery from the dismal days of the war and early postwar years. There was pennant fever for New York fans of either the American League (AL) or the National League (NL) year after year. At the glamour position, center field, Duke Snider had already arrived in Brooklyn by 1947, and Willie Mays was on the scene with the Giants and Mickey Mantle with the Yankees in 1951. Was there ever any better time for New York City baseball fans?

On the other hand, there were baseball fans in other parts of the country, especially those in the booming West and Southwest, who complained about being left out of the baseball action, with good reason. Baseball has always been the most traditional and conservative of sports. Nothing illustrates this better than the franchise picture of the early 1950s. In 1951, the same sixteen major league baseball teams resided in the same familiar locations where they had been since the end of the American League–National League war in 1903: New York (Yankees, Giants); Brooklyn (Dodgers); Boston (Red Sox, Braves); Philadelphia (Athletics, Phillies); St. Louis (Cardinals, Browns); Chicago (White Sox, Cubs); Pittsburgh (Pirates); Washington (Senators); Cleveland (Indians); Cincinnati (Reds); and Detroit (Tigers). The war and postwar shifts of population and industry to the West and Southwest, and the development of safe, reliable, low-cost air travel, had had no impact on the distribution of major league baseball franchises in the country.

Over in Brooklyn, one individual who had more than a passing interest in what was going on (not just with New York