Outside the Lines

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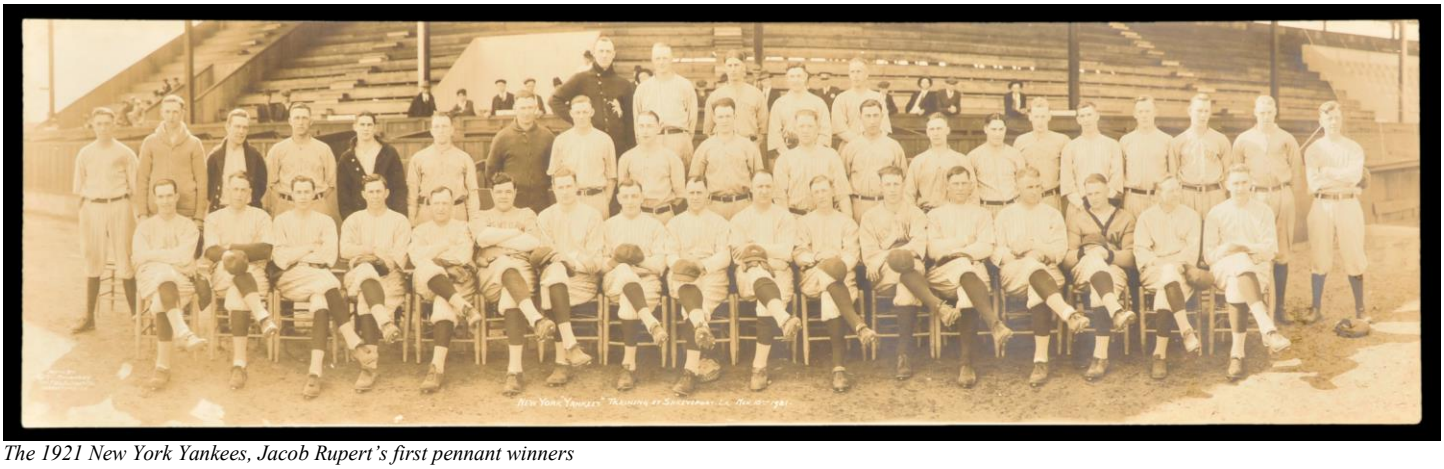

The 1921 New York Yankees, Jacob Rupert's first pennant winners

In This Issue

A History of the Brooklyn Franchise

By Andy McCue

SABR's latest Bio Project installment involves franchise histories. This article is part two of a three part history of the Brooklyn franchise.

The Dodger ownership history here is the start of a joint project between the Business of Baseball Committee and the BioProject site. As they are completed, the histories will appear in this newsletter and be posted permanently in a separate section on the BioProject website. If you are interested in doing a team's history, or part of a team's history, such as the St. Louis Browns years of the current Baltimore franchise, please contact Andy McCue, agmccue44@earthlink.net, who will be coordinating the project. Obviously, the Dodgers are done, and writers have claimed the Yankees, Red Sox, Cubs and Indians. But that means 25 other teams are available.

The histories should be as comprehensive as possible, covering the changes in ownership, the price paid, the makeup of partnerships, the division of responsibilities among the partners, the reasoning of both the buyers and the sellers, and economically significant events within the era of each ownership group. There is no need to talk about events on the field unless they have a direct impact on the bottom line or a change in ownership. It is likely that arguments with cities over stadiums and threatened (or actual) re-locations will play a role in the essays. The histories should be long enough to tell the story, but should be as tight as possible. There is no set word limit. The essays should include endnotes on sources. Heavy detail, such as the holdings of minor partners, might well be left to those endnotes.

Research guidance will be available if needed. Over the long run, it will be necessary to keep updating these essays and the original researchers will be given first opportunity to do those updates.

Part II

Ebbets' Death and Ownership Deadlocks

Charles Ebbets died near the peak of his success as an owner. He fell ill early in 1925 and died of heart failure in April in the suite at the Waldorf-Astoria Hotel which he now could afford. His funeral was

held on a raw day and when the cortege got to Greenwood Cemetery, it was discovered the grave had been dug too small for the oversized casket. The funeral party, including Ed McKeever, stood in the rain for an hour while gravediggers widened the muddy hole. McKeever caught a cold, which turned into pneumonia and killed him only 11 days later.

The team's ownership was thrown into turmoil and a pattern was set which was to last for 13 years. The Ebbets heirs and the McKeever interests fell to feuding and with ownership split equally, decisions were often deferred rather than made. Management was weak, and when the Depression hit, the losses mounted, putting the team effectively in control of its lenders.

Even with their fans, who were more vociferous than numerous, the Dodgers had fallen on exceedingly hard times by the end of the 1937 season. Phone service had been cut off because the bills weren't being paid. The team's office was crowded with process servers seeking payment. Ebbets Field was a mass of broken seats, begging for a paint job. Charles Ebbets' pride, the beautiful rotunda, was covered with mildew. The heirs had borrowed heavily against the value of their Dodger stock, and the stock was worth less and less.

The Brooklyn Trust Co. was the team's bank, and also served as trustee of the Ebbets and Ed McKeever estates. Its president was George V. McLaughlin. By late 1937, the Dodgers owed $700,000 to the Brooklyn Trust Co., $470,000 on a refinanced mortgage for Ebbets Field. It had lost $129,140 in 1937 and hadn't turned a profit since 1930. New York bank examiners were pressuring McLaughlin about overdue loans to the team. National League President Ford Frick was threatening to take the franchise back for unpaid bills.

The board remained divided. McLaughlin, anxious to get repaid, cut off any future advances to the team unless the board found a strong executive. Thrashing around for a solution, Jim Mulvey, husband of Steve McKeever's daughter and heir, Dearie, approached National League president Ford Frick. Frick thought Cardinals' vice president Branch Rickey might be interested. Rickey said no, but suggested he might have someone who wanted the job, Leland Stanford "Larry" MacPhail.

The Dodger brain trust gathered at the 1916 World Series

McLaughlin consulted Frick and got the go-ahead

When he came to Brooklyn, the 47-year-old MacPhail carried a large and speckled reputation. In Columbus, Ohio after World War I, MacPhail was refereeing college football games while moving from glass manufacturing to car sales to construction. He was making money, but remained restless. He formed a group to buy the town's minor league team after the 1930 season. He ran the team for three seasons, making it profitable and selling it to the Cardinals as a farm club. He had impressed Rickey despite a clash that got MacPhail fired. In late 1933, when the National League was casting around for someone to run the struggling Cincinnati Reds for the team's bankers, Rickey had suggested MacPhail.

In three years with the Reds, he turned the team into a profitable franchise. He was one of the game's first marketing innovators, from such seemingly obvious things as keeping the ballpark nicely painted and the seats in good repair to touches such as spiffy uniforms for ushers and pretty young

women wandering the stands selling cigarettes. There were fireworks and bands.

But MacPhail also broke new ground. He greatly expanded the reach of the Reds' radio network. Not the least of the reasons for radio's success in Cincinnati was MacPhail's use of a young announcer from Florida named Walter "Red" Barber. His most spectacular promotion was night baseball. While night games had been used in exhibitions as far back as 1883, they had gained wide acceptance only with the Depression, when they proved the savior of many minor league teams. Still, nobody had done it in the majors until MacPhail's Reds hosted the league doormat Phillies on May 24, 1935 in front of 20,422 fans. With the team itself, he added farm clubs and built the nucleus of the clubs that would win pennants in 1939 and 1940.

But, he also wore out his welcome. "There is no question in my mind but that Larry MacPhail was a genius," said Leo Durocher, who managed the Dodgers for him. But "there is that thin line between genius and insanity, and in Larry's case it was sometimes so thin you could see him drifting back and forth." MacPhail was an abrasive man whose abrasiveness was made worse by a drinking problem. "Cold sober he was brilliant. One drink and he was even more brilliant. Two drinks - that's another story," said Durocher. He would look for scapegoats on his staff, get into fights with one and all and offend many. By the end of the 1936 season, Cincinnati owner Powel Crosley had had enough and MacPhail spent 1937 with a family business in Michigan.

As the 1938 season loomed, MacPhail began the first steps toward creating the solid franchise the Dodgers are today. Some of those changes were cosmetic, but others were fundamental.

The cosmetics began with $200,000 McLaughlin had agreed to provide before MacPhail would take the job. Ebbets Field, a monument to peeling paint and mildew, was cleaned and painted turquoise. Its many broken seats were repaired. The infamous corps of usher/thugs was weeded out and re-trained. The baseball moves began with his new manager, a loud-mouthed, light-hitting, clotheshorse who was playing shortstop for the team. Leo Durocher was one of MacPhail's non-cosmetic moves. Another was using an additional $50,000 from McLaughlin to buy first baseman Dolf Camilli from the even more hapless Phillies.

Lee MacPhail

He began to spend money on other players. With Durocher as manager in 1939, the team moved into a competitive third-place finish and the fans started to come back. He scheduled Brooklyn's first night game, and was rewarded when the fates tossed up Cincinnati lefthander Johnny Vander Meer as the opposing pitcher. Vander Meer's last outing had been a no-hitter, and under the lights that night, he became the only pitcher every to throw consecutive no-hitters.

MacPhail also broke the gentlemen's agreement among New York teams not to broadcast their games on radio. He imported Barber from Cincinnati and locked up a powerful channel and a strong sponsor before the Yankees or the Giants moved. It took Brooklyn fans a while to get used to Barber's Southernisms such as the catbird seat and the rhubarb patch, but once they did, he became a valuable tool for building interest in the improving product on the field.

With the ballpark fixed up, the team improving and the Depression finally being dispersed by the onset of World War II, the results quickly showed at the box office and in the team's books. Attendance was up 37 percent in 1938, despite a drop in the standings from sixth to seventh place. By 1940, the Dodgers led the National League in attendance for the first time. The next year, with a pennant-winning team, attendance hit a franchise record 1.2 million.

After the team's steep losses from 1931 through 1937, MacPhail cut the team's loss to a paltry $3,751 in 1938 and began making profits the next year. And all that financial improvement came despite MacPhail's buying ballplayers left and right. The club owed Brooklyn Trust $230,000 when MacPhail arrived, with another $470,000 owed on the Ebbets Field mortgage. Spending money on players and paint, he ran the club's debt to $501,000 by early 1939. By mid-July 1941, the deficit was gone as attendance turned into profits. The mortgage remained, but was down to $300,000 and the team had $300,000 in the bank, MacPhail told reporters. The team's bookkeeper would tell MacPhail's replacement that there was $143,768.99 in the bank and $358,000 still owed on the mortgage.

There wasn't as much money as the board thought there should be, however. When Mulvey had sought Rickey's advice on hiring MacPhail, Rickey had warned that MacPhail would not pay the heirs dividends. And, MacPhail's whole record was a long rap sheet of welcomes worn out. The erratic behavior and drinking eventually overcame extraordinary performance. Despite the profits, the Ebbets and Ed McKeever estates and the Mulveys hadn't received a dividend since 1932. And, they'd begun to hear stories. MacPhail was known to dip into the cash drawer before going to the race track. They were outraged when, in August, 1942, MacPhail called the whole team to a meeting, included all the newspaper reporters, and then predicted the Dodgers would lose the pennant race, where they had taken an eight-game lead. That he was right only made it worse.

A state banking examiner ordered McLaughlin to find out "what the hell is going on with the Dodgers' books." McLaughlin's investigator found the team was grossing somewhere between $2.5 million and $4 million, but not all of it was making its way to the bank. This had to be stopped.

Whether MacPhail quit or was fired is a matter of dispute. MacPhail said he'd been talking about going back into the Army beginning in March, 1942. The Sporting News printed a rumor to that effect in August. After that rumor surfaced, MacPhail reportedly irritated the board yet again by disobeying specific orders and paying $40,000 for pitcher Bobo Newsom. In September, MacPhail announced he was going into the Army.

Mulvey turned once again to Branch Rickey.

Enter Branch Rickey

Wesley Branch Rickey had been born Nov. 20, 1881 in Scioto County, Ohio to a poor farming family. He finished grade school, but then farm labor called. With help from a sympathetic retired educator, he read as widely as the resources of Scioto County Ohio allowed in the 1890s. He educated himself enough to become the teacher at the local grade school, saving money for college. Eventually, he went off to Ohio Wesleyan University. For the next decade, Rickey's life was a welter of sporadic academics, sports and, eventually coaching. He played baseball and football at Wesleyan and realized he could make money to pay for his studies. He spent part of several season in the majors, getting himself a reputation as a marginal catcher, a poor hitter and an odd duck for honoring a vow to his deeply religious mother never to play baseball on Sundays.

In 1911, on the verge of 30, Branch Rickey graduated from law school and chose Boise, Idaho as the site of his law office. He was, by his own accounts, a miserable failure. The impressions he had made as a baseball player and coach came to his rescue. Even while in Boise, he'd spent his summers scouting for Robert Hedges, owner of the American League's St. Louis Browns. After his second unsuccessful winter in Boise, Rickey was only too happy to respond to Hedges request for a meeting in Salt Lake City to discuss a full-time job with the Browns. He borrowed the train fare from Hedges and began a half century of life in professional baseball.

By mid-1913, Rickey was the manager of the Browns. In 1916, a new Browns owner made him business manager, and a year later he moved to St. Louis' National League entry, the Cardinals, in that role. He also added the job of field manager through the 1925 season. His managerial record was mediocre and he gained a label as too much of a theorist, inclined to lecture his players how to do things, but unable to motivate them. The proof they pointed to was that in 1926, with the players Rickey had chosen and trained, but with Rogers Hornsby as manager, the Cardinals won their first pennant.

His bosses and his rivals all recognized his brilliance as a baseball man, but thought he was too intellectual for the tobacco-stained game on the field. Baseball simply didn't know what to do with him. In those days, baseball was a game of entrepreneurial owners, who functioned in the roles 21st Century teams split among a general manager, a business manager, a scouting director and a president. It was only when Rickey was kicked upstairs from the Cardinal's dugout that he found his true role. "Rickey practically created the office of business manager as it is understood today," wrote the New York Times' John Drebinger in 1943.

Rickey's first great innovation was the farm system. The Cardinals eventually created a chain of minor league teams where they could sign players cheaply, winnow the good from the great, win pennants and make money. Rickey would sell the good to others and keep the great for the Cardinals.

By late 1942, Rickey's relations with Cardinal owner Sam Breadon could best be described as rocky. Beginning in 1926, the Cardinals had won a third of the National League's pennants plus four World Series. The team Rickey had constructed would win three more pennants and two World Series in the four years immediately after he left. Yet, Sam Breadon was unhappy. He said Rickey earned more money than he did. The two were fighting over Rickey's bonus payments and Breadon's dismissal of Rickey protégés in the farm system. Rickey reportedly was upset at Breadon's refusal to back him in a dispute with Baseball Commissioner Kenesaw Mountain Landis, and with Breadon paying a large bonus to himself while cutting Rickey's budget for salaries. Rickey was considering a top executive post with a large insurance company.

In 1937, when Mulvey first approached Rickey, he reportedly had been authorized to offer an ownership stake. Rickey had quietly been making enquiries about buying the Dodgers. Now, there were even more compelling reasons for McLaughlin to facilitate this. The team's finances had improved, but they were not solid, and the advent of World War II made the future of professional sports uncertain. With Rickey's reputation, and the Dodgers' financial improvement, it would be logical to think the trust company could fulfill more easily its responsibilities to the Ebbets and McKeever estates. A sale in which Branch Rickey gained some ownership and remained to run the team would be attractive to many potential buyers. Ownership was a positive inducement to complement Rickey's desire to escape Breadon.

The wooing was relatively quick. The New York Times first reported Brooklyn-Rickey talks October 4, 1942. The move was announced Oct. 29, a day when Rickey was introduced as the new general manager at a lunch at the Brooklyn Club.

Branch Rickey, Walter O'Malley and John Smith

George V. McLaughlin needed an exit strategy for Brooklyn Trust's entanglement with the Dodgers and he was lining up the dominoes.

McLaughlin had multiple, at times conflicting, obligations centered on the Dodgers. The bank was a trustee of both the Charles Ebbets and Edward McKeever estates and thus bound to protect the heirs' interests, getting them the greatest return possible on their Dodger stock. And, since much of the stock had been used as collateral for loans from the bank, a higher price for the stock would make it more likely those loans would be repaid. Like the shareholders, the team still owed money to Brooklyn Trust and he had to make sure his bank was repaid. The Dodgers were the most visible symbol of Brooklyn and any misstep could be a public relations boondoggle for the borough's biggest bank. In early 1942, he had attempted to end the bank's role as trustee for the Ebbets heirs in part because of the bad publicity the bank was receiving for the perceived conflict of interest. He needed to sell the team to a person or a group who could satisfy the heirs, the bank and the borough's fans.

Branch Rickey was the first piece of the puzzle. For the team to pay off the debts, it would have to be successful and well managed. Who better to do that than Rickey? Success would be necessary to provide Rickey with the money he would need to buy a share of the team, and McLaughlin was in a position to make sure Rickey had the opportunity to buy. But, there would have to be other pieces of the puzzle. Rickey would need partners with their own substantial funds. And, McLaughlin would like to keep his own man around to make sure things continued to run well, someone who had both McLaughlin's confidence and the skills to watch the

business end of the team while Rickey concentrated on the baseball end.

McLaughlin's choice was a 39-year-old lawyer named Walter Francis O'Malley. In the decade

Walter O'Malley

since he'd passed the bar, O'Malley had established a large practice mostly involved with bankruptcy cases, a lucrative niche during the Depression. He'd also become a protégé of McLaughlin's, attending baseball games with the older man and sometimes pouring him into bed after a social evening. McLaughlin had insured that O'Malley served on the boards of a number of troubled borough companies which, like the Dodgers, that needed their finances restructured by Brooklyn Trust.

Rickey had his own motivations for accepting O'Malley as the team's lawyer. The Dodgers' legal business had been handled by a large Wall Street firm which also represented the National League. Rickey recognized the two might come into conflict. He also wanted to cut costs and consulted George Barnewall, who represented Brooklyn Trust on the Dodgers' Board of Directors. Barnewall, not surprisingly, recommended O'Malley and Rickey soon recognized that O'Malley was "the personal representative, in all legal matters, of Mr. George V. Mclaughlin."

To all appearances, Walter O'Malley was a casual fan at that point. A boyhood interest in the Giants had evolved into a more practical relationship with the game. He recalled seeing his first Ebbets Field game about 1935, as his relationship with McLaughlin was flowering, and he became a box-seat holder because he could get better seats for entertaining clients there than he could at Yankee Stadium. Working with Brooklyn Trust's financially troubled customers was the core of Walter O'Malley's law practice and adding a high profile client such as the Dodgers could only enhance his law firm's reputation. "I never realized O'Malley would be this interested in baseball," Rickey said later, but Rickey was impressed by how quickly O'Malley got a property near Ebbets Field condemned by city authorities so the Dodgers could use it.

Rickey and O'Malley settled into their roles. Rickey began to re-make the Dodgers roster and build up the farm system. O'Malley began learning the world of marketing, broadcasting contracts, ticket sales and stadium operations. He would straighten out the bookkeeping system left by MacPhail. The team's on-field operations stumbled as players left for the military, but the business operations improved, and others noticed.

A number of offers for the team surfaced through the World War II years, especially as the end of the war appeared on the horizon. These offers highlighted another complication for McLaughlin. For the smooth future operations of the club, an ownership group which could exercise full control was necessary and that meant obtaining both the Ebbets shares and one of the McKeever blocs. As the team's banker, McLaughlin had watched throughout the 1930s as the team's management stagnated while the 50-50 stock split of the McKeever and Ebbets blocs strangled daily operations, much less attempts to deal with long-term problems. Rickey noted the bank had found it impossible to get an offer for the Ebbets shares throughout that decade because potential buyers knew their investment would bring them not control, but a few seats on the Board of Directors with the necessity of sitting through rancorous, often unproductive meetings.

Rickey and O'Malley, who had been discussing the potential problems which could be produced by new ownership, began exploring. They clearly had the inside edge with the bank, but they had to raise the money, which they knew would be $240,000. "Mr. O'Malley took hold of things at this point," wrote Rickey. O'Malley put down $25,000 of his own money to get an option on the Ed McKeever heirs' shares.

Rickey was a man who constantly lived at the edge of his income and would have to borrow to enter ownership. O'Malley could come up with his share, and put down the option money, but they needed partners. By March, 1944, Rickey was soliciting old acquaintances, but didn't want to get too many more people involved. By the fall, another social and business acquaintance of McLaughlin and O'Malley entered the fold. He was Andrew Schmitz, a highly successful insurance executive with Brooklyn ties. Rickey borrowed $20,000 from Brooklyn Trust in September and the purchase of the Ed McKeever bloc closed October 27.

The newspaper accounts focused on Rickey's move into ownership, with lesser attention paid to Schmitz and O'Malley. But, several of the stories noted that this was only a preliminary to gaining the Ebbets shares and full control of the team.

Branch Rickey

The Ebbets shares would be harder as the Ebbets family was divided, borrowed to the hilt on their shares and fully lawyered up. Many rested their hopes for the future on the sale of their Dodger stock. Ebbets had divided his estate among his second wife, four children by his first wife, plus various grandchildren. The will was also encumbered by promised annuity payments to his first wife and son. By 1944, the Surrogates Court handling the case had 59 separate claimants or litigants, many of whom had borrowed money from Brooklyn Trust using the team's stock as collateral. The file contained claims from 25 law firms totaling $150,000. O'Malley would have to guide an offer through the Surrogates Court which satisfied all parties.

While O'Malley worked behind the scenes, other potential buyers clouded the public picture. Early in 1945, the Brooklyn American Legion announced it was interested in buying the team. Rickey and his partners said little in public and didn't respond to the Legion's request to see the books. The Legion's offer dribbled into silence.

For the partners, anxious to strike a deal with both Brooklyn Trust and the Surrogates Court for the Ebbets shares, the problem these offers presented was the price they were willing to pay. The Legion had said it would pay $2 million for all the shares. (The Yankees had recently sold for $2.8 million). Another bidder said he would pay $1 million for the Ebbets shares alone. Both of these offers ran up against the problem which had dogged the club since Ebbets' death. The Ebbets shares, even at $1 million, wouldn't buy control, but only a chance for head-butting. For the Legion, the Mulvey share, and presumably the Rickey-O'Malley partners share, weren't for sale at all, leaving their bid in limbo. Nevertheless, the price that was being put on half the franchise was $1 million, more than the $650,000 the partners hoped to pay, or the $750,000 they were willing to pay. And Brooklyn Trust, with its fiduciary duty to the trustees, had seen both offers.

By early May 1945, the partners were making their first formal offer for the Ebbets shares, and examining how they could finance it out of team revenues. In June, the Surrogates Court refused the $650,000 offer at the behest of the Ebbets heirs. In July, with the bid raised to $800,000, the court approved the sale. It was announced in mid-August. In all the newspapers, it was Rickey who had bought the team, with his partners relegated to the lower paragraphs. In the Brooklyn Eagle, Harold C. Burr confidently reported the sale gave Rickey "absolute control of the Dodgers, to run as he pleases."

In the background, that control was not so clear, as events were to prove over the next five years. The partnership had changed in important ways. When the sale of the Ed McKeever estate's shares had

been announced the previous year, the buyers had been presented as Rickey, O'Malley and Schmitz. Silent in the background was a fourth partner, John L. Smith, president of Brooklyn-based Pfizer Chemical. In May, while they were making their first formal offer, the group had approached James Mulvey about buying 5% of his family's 25% share of the team. This 5% was to be split among Rickey and his three partners, giving each of the five shareholders 20% of the team assuming the partners bought the Ebbets shares. Such a distribution would prevent 50-50 standoffs in the board room. Mulvey was not interested.

The failure of this gambit led Schmitz to drop out of the partnership. And it led McLaughlin to require a partnership agreement among Rickey, O'Malley and Smith to prevent board room stalemates. This agreement was to set the stage for governing the team over the next five years, and set the ground rules which led to O'Malley's final control. In the agreement, Rickey, O'Malley and Smith agreed that they would each own 25% of the team separately, but that they would pool their shares for purposes of voting in the board room. Thus, if there was a disagreement between, say, Rickey and O'Malley, whoever could swing Smith to their point of view would control how the 75% share of the stock was voted.

Smith's role was also enhanced because he had the money to make the deal go smoothly. Brooklyn Trust had agreed to finance the triumvirate's purchase. The $240,000 to purchase the Ed McKeever shares was turned over into a new financial package totaling $1,046,000, a sum which also included buying out Schmitz. The bank loaned the triumvirate $650,000 against the value of the Dodgers stock. O'Malley and Smith financed the remainder of their shares out of their own pockets. Rickey borrowed $99,500 from the bank using stock and life insurance policies as collateral. With his personal assets used up, the bank lent him another $72,000 based on guarantees from Smith and O'Malley. Smith could have handled his share with a check, but chose to go along with his partners in the overall financial agreement.

When he died in 1950, the headline on John Lawrence Smith's New York Times obituary called him a "noted chemist," a label the unassuming executive would have appreciated. It wasn't until later that the story mentioned he was a part-owner of the Brooklyn Dodgers. To the non-baseball world, Smith had made his name as an executive of Charles Pfizer & Co. and especially for his role in leading the Brooklyn company's pioneering effort in the mass production of penicillin. His leadership was critical in moving Pfizer from a chemical supplier into an international pharmaceuticals giant.

But, to the baseball world of the late 1940s, he was the pivot on which the ownership of the Dodgers balanced. His financial resources and his relationship with McLaughlin made him a useful partner, and he soon struck up a relationship with Rickey based on their parallel rags-to-riches stories and their religious sympathies. With O'Malley, the tie was less significant, but older. As a young man, Smith had worked with Edwin O'Malley on the Hollis Volunteer Fire Company. After a fire, Smith would slip Walter and his friends a few dollars for sodas when they did the dirty work of rolling up the wet hoses.

Smith was born in Krefeld, Germany February 10, 1889, as Johann Schmitz, the son of Gottfried and Johanna Schmitz. Krefeld was a center of the German velvet industry and Gottfried moved his family to Stonington, Connecticut in 1892 to pursue opportunities in Stonington's velvet mills. While they spoke German at home, the family formally changed its name to Smith in 1918, presumably as the result of anti-German agitation during World War I. John, who was naturalized in 1908, used the Anglicized version from the time he entered the working world.

In 1914, he got his degree in Chemistry, married Mary Louise Becker and moved to E.R. Squibb, where he oversaw the development of a large-scale ether-making facility at their Brooklyn plant. By 1919, he returned to Pfizer, becoming Plant Superintendent. He would remain at Pfizer the rest of his life.

Smith continued to work his way up, emphasizing frugal management and research. During World War II, under his management, Pfizer would become the first company to figure out how to manufacture penicillin inexpensively in large volumes. In the first half of 1943, enough penicillin was produced to treat about 180 severe cases. In the last half, production could handle over 9,000 cases. By D-Day, it was just under 40,000 cases worth of

production per month. Half of the world's penicillin was coming from Pfizer's Brooklyn plants, and the price per dose had dropped from $20 in early 1943 to $1. The company's first public stock offering was oversubscribed and the shares value soared on Wall Street. Smith's reward was Pfizer's presidency in 1945.

One of his favorite ways to relax was to go to Ebbets Field of an afternoon to watch the Dodgers. He was encouraged in this relaxation by George V. McLaughlin, president of the Brooklyn Trust Company, which served as the bank for Pfizer, and most of Brooklyn's largest companies.

Reading the minutes of the board meetings from 1945 to 1950, it's easy to see each member constantly returning to his major concern. With Rickey, the emphasis is on acquiring and nurturing talented players. With Smith, it is about economy and using money wisely. With O'Malley, it is about renovating or replacing Ebbets Field. Within the context of their ownership agreement, it was always a triangular discussion as each partner sought the ally he needed to carry his position. Smith had no ambitions to run the Dodgers. His partners, however, were men of ambition and confidence and each knew because of the partnership agreement that Smith was the key ally.

Murray Polner, a sympathetic Rickey biographer who was the first to have access to Rickey's papers, argues that Rickey and Smith admired each other as self-made men and devout Christians. But, "eventually, when Smith lay dying of cancer, O'Malley would wean him away and turn him against Rickey." But, the minutes of the board of directors meetings and the press reports of the time paint a picture of Smith considering a host of issues over several years before he counseled his wife to vote with O'Malley in the partnership agreement after his death.

Two years before Smith's death, John Drebinger was writing in the New York Times that "the majority stockholders, represented by Walter O'Malley and John L. Smith, were not seeing eye-to-eye with Brother Rickey on a number of things." That same year, Jimmy Powers, forever a Rickey critic, wrote "the rumor mill is working overtime these days producing hints that Branch may not be as firmly anchored in his Brooklyn post as he used to be."

The reasons for Smith's decision are found in a host of issues, in which he allied himself at various times with both of his partners. But they are rooted in his own path to success, investing for the future while keeping costs down.

The Dodgers were profitable throughout the late 1940s, but John Smith saw economies that could have made them even more profitable. As a young Pfizer executive, Smith had required his people to justify a request for a new pencil by producing the stub of the old one. When he gave his first major interview as an owner, the reporter's questions were all framed around Rickey's reputation as "El Cheapo." Eventually, Smith counterattacks. "I have read that Rickey is cheap. As treasurer of the Brooklyn club, I think he is extravagant. He makes financial gambles you wouldn't dare make in any other business." By 1949, the board grants Smith's request to go deeply into the company's books.

Most historians and biographers of the period have approached the story of Rickey, O'Malley and the Dodgers through the lens of Jackie Robinson or the team's Rickey-created successes on the field. But, it is clear that not only O'Malley, but Smith, the experienced businessmen on the board, used an additional lens. In March, 1949, the board minutes reported, "Mr. Rickey was authorized, as usual, to use his best judgment in the baseball department of the corporation's activities." While the "as usual" affirmed and limited Rickey's primacy to one area, the whole of the sentence clearly implied O'Malley's and Smith's determination to get involved in the business end.

Some of the early disagreements were indicative. Rickey, on moral grounds, was opposed to beer sponsorships for the radio broadcasts, even when he was having trouble finding sponsors. There were regular disagreements over the farm system, where Rickey's focus on producing future talent collided with O'Malley's desire to save money to refurbish Ebbets or build a new stadium. While the farm teams were generally profitable in this period, there were significant costs in scouting and acquiring players.

Smith did not move firmly into O'Malley's camp immediately. There were important issues where they disagreed or which aroused Smith's tight-fisted ways. Smith supported Rickey's investment in the Vero Beach training camp, which could both train

all 700 or so Brooklyn minor leaguers, while providing a bubble within Florida's Jim Crow laws for the team's African-Americans. O'Malley balked at the money needed to turn a naval base into a baseball facility. Smith also was suspicious of a contract O'Malley signed with a company to provide maintenance for Ebbets Field. After several years of growing questions, Smith insisted that he, rather than O'Malley, negotiate the contract for 1949.

O'Malley and Smith constantly deferred to Rickey in baseball matters, but they would use their experience to judge his performance as a business man.

Rickey's biggest management blunder, however, came in football. Rickey was persuaded, against O'Malley's and Smith's judgment, to take over the Brooklyn Dodgers of the fledgling All-American Football. The team lost money in 1948, and then was merged with the New York Yankees of the same Conference. It lost more money in 1949, approximately equal to an annual profit for the team. At the last meeting before Smith's terminal illness in early 1950, the size of the football loss was revealed and this apparently contributed mightily to Smith's telling his wife to vote with O'Malley in board matters.

The trigger for O'Malley's buyout of Rickey was the latter's contract. For its time, it was a very lucrative contract. It called for an annual salary of $50,000 plus 10% of the team's annual profit and a $5,000 expense account which Rickey didn't have to account for. In the five years of the extended contract, Rickey would earn just over half a million dollars in salary, expense accounts and bonuses. Then there was $43,312.50 in his share of the stockholder dividends declared by the board. Over the same years, the highest paid Dodger player would earn less than $120,000. The contract was due to run out in October 1950.

Ultimately, it was a game of King of the Mountain, with Smith serving as the referee. Branch Rickey had been trying to get into ownership since his earliest days with the St. Louis Browns and he wasn't about to give it up easily now. "Rickey wanted a one-man operation, which he hadn't been able to get in St. Louis," said New York newspaperman Leonard Koppett, who covered baseball beginning in the late 1940s. Bill Veeck would later slap at O'Malley for his way of getting his way, but he also said "Papa Branch is incapable of moving into any kind of any organization without maneuvering to establish himself as the dominant force." Or, as Jane Rickey said of her husband, "No one could make friends easier than Branch. But he can't take a back seat." Nor could anyone accuse Walter O'Malley of being less than ambitious.

There were also different styles. Branch Rickey was a Midwestern, Methodist Victorian and proud of it. He counseled all his players to marry. He wanted nothing to do with alcohol, or Democrats. Even with all his innovations in baseball, he was a man whose concept of marketing was to put a talented, interesting team on the field and let the fans flock to it. The reporters were a necessary evil.

O'Malley, like Smith, was a product of the corporate world. Owners owned. Managers managed. Players (employees) played. It was to be a cooperative effort aimed at maximizing profits, but it was not a cooperative. You needed to market your product and innovate off the field as well as on. You needed to coddle the reporters, who were your best source of free publicity.

And there were differences in style. Both men could be charmers, but O'Malley was more apt to slap your back, buy you a drink and tell some jokes, many with a little sting at the end. Rickey retained a lot of the farm boy, and O'Malley was New York City born and bred. Both were masters at parsing their sentences, their meanings and their implications like surgeons. They could dodge a question or cover it with ambiguity as they felt the situation demanded.

Farewell to Ebbets Field

Next: The departure of Branch Rickey and the triumph of Walter O'Malley

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Recently Published Research

This column highlights recently published articles on topics that may interest members of the Business of Baseball Committee. If you are aware of a source that publishes articles of interest to the readership, please alert me so that I can monitor it.

Tainsky, Scott, Brian Mills, and Jason Winfree, "Further Examination of Potential Discrimination Among MLB Umpires," *Journal of Sports Economics*, vol 16, no. 4, pp 353-74

We address potential racial bias by Major League Baseball umpires with respect to ball–strike calls. We offer a number of econometric specifications to test the robustness of the results, adding the role of implicit and explicit monitoring as well as pitch location. Our analysis shows mixed results regarding the matching of umpire and pitcher race. We conclude that evidence of own-race bias is sensitive to specification and methodology. How results can differ based on different data sets, specifications, time periods, and race classifications are discussed.

Kornspan, Alan S., "A Historical Analysis of the Chicago Cubs' Use of Statistics to Analyze Baseball performance," *NINE: A Journal of Baseball History & Culture* vol 23, no 1, Fall 2014, pp 17-40

Although the use of statistics throughout the history of baseball has been documented, few details about Philip K. Wrigley's employment of individuals in the late 1930s to provide data analysis for the Chicago Cubs organization have been discussed. Since minimal attention has examined Wrigley's utilization of statistical analysis during the late 1930s, an assumption may be presumed that before the late 1940s, few team statisticians provided professional baseball management and coaches with detailed information to aid in decision making and performance improvement. Therefore, this manuscript details the work of Coleman R. Griffith, Jack Sterrett, and Chester Lynn Snyder, who were hired by Philip K. Wrigley in the late 1930s to assist with the collection and analysis of baseball data. Additionally, this paper provides information about individuals who provided the Chicago Cubs organization with statistical analysis in the 1950s and 1960s, including Cliff Jaffe, Stan West, Don Biebel, and Ed Whitlow.

Overmeyer, Jim, "Black Baseball at Yankee Stadium: The House That Ruth Built and Satchel Furnished (with Fans)," *Black Ball: A Journal of the Negro Leagues* vol 7, 2014, pp 5-32

Beginning with the loan of Yankee Stadium to the Brotherhood of Sleeping Car Porters for a fundraising doubleheader in 1930, major league black baseball staged 225 games there through the end of the Negro Leagues' heyday in 1948. The park became the favored New York City venue for major games between black teams, including World Series and other championship contests. Star players showcased in Stadium games included Satchel Paige, who made 20 starts at the park and could reliably be counted on to draw large crowds, and Josh Gibson, who hit seven home runs there. The availability of New York Yankee financial records for the Negro Leagues' period at the National Baseball Hall of Fame and Library make it possible to determine the financial benefits both for the Negro Leagues and the Yankees, of this long term relationship.

McGregor, Robert Kuhn, "Decline and Fall: The Negro Leagues after Integration," *Black Ball: A Journal of the Negro Leagues* vol 7, 2014, pp 33-43

"A Calculus of Color" is extracted from a forthcoming book of the same title, to be published by MacFarland & Company in the spring of 2015. The essay, an interlude following a chapter devoted to the first integrations in the American League, chronicles the consequent falter and demise of the Negro Leagues. Black fans largely abandoned black baseball games to follow black players on major league teams. As Negro League attendance plummeted, franchises began to fold. The Leagues, once seen as beacons of successful black enterprise, came to be viewed as unwanted artifacts of Jim Crow segregation. Integration moved forward on terms dictated by the Organized Baseball establishment. A few black players joined the sixteen major league teams over a twelve year period, but the owners changed nothing else. While Negro League team entrepreneurs lost money and identity, Organized Baseball's ownership and management remained exclusively white, a character that persisted for decades.

McKenna, Bernard, "A Field of Their Own: The Baltimore Black Sox and Maryland Park, *Black Ball: A Journal of the Negro Leagues* vol 7, 2014, pp 99-113

Today, Maryland Park, also known as Black Sox Park, has a bad reputation and unfairly so. When Maryland Baseball Park was initially built and up through the mid-1920s, it was a model facility, attracting nationwide recognition. Contrary to its reputation, in its early years, Maryland Baseball Park became a place where people wanted to go and to be seen; the team had done much to cultivate a fan base and to build up a relationship with the community. The ballpark also provided a workplace that nurtured the careers of African-American professionals and workers through the 1920s. Aerial photography and contemporary newspapers allow us to trace the history of the park for those who called it home in the 1920s and early 1930s.

McLaughlin, Sean, and Jie Gao, "Bangqiu: MLB's Role in Baseball's Comeback in the People's Republic of China, International Journal of the *History of Sport* vol 32, no 2, 2015, pp 332-50

This article explores the growth of Chinese baseball since the early 1970s. The sport was very popular in the 1940s and 1950s as the semi-official pastime of the People's Liberation Army, but it disappeared from the country in the 1960s due to economic woes stemming from the Great Leap Forward and the anti-western fervor of the Cultural Revolution. Richard Nixon's historic meeting with Chairman Mao in 1972 ushered in a thaw in Sino–American relations that enabled veterans of 1950s competitions to take up baseball once again and teach the game to a new generation. Over the 1970s, baseball began to slowly grow in China with some modest Japanese encouragement and China began competing internationally the following decade. Over the past decade, Major League Baseball has made such a large investment in China that baseball has become the fastest growing sport in the country. At present, the country's only professional league is currently in the early stages of its development, but American talent evaluators believe that the skill of Chinese players is steadily improving and that it is not impossible to foresee a day when China produces baseball's Yao Ming from a massive pool of millions of internationally competitive athletes.

The Winter Meetings

1950: The Happy Dagger

By Nick Klopsis

The Business of Baseball Committee is currently writing a book on the history of the winter meetings. This article is an excerpt from that book.

Introduction and Context

The 1950 winter meetings were held in St. Petersburg, Florida from December 3 to December 13. It was the third time that the Sunshine State played host to the winter meetings — they were in Jacksonville in 1941, while Miami was the site in 1947.

At first, it was expected that the meetings would come and go rather quietly. The conflict between North Korea and South Korea had begun nearly six months prior and the United States was now becoming increasingly involved. The *New York Times* reported at the onset of the meetings that only a handful of teams were open to trades, fearing the loss of their players to a possible World War III. John Drebinger of the *Times* wrote, "…with all the uncertainty hanging in the air over the foreign situation, the major league clubs have suddenly become fearful lest any move they make will prove to be the wrong one. No one will let go of an old player because no one is certain that by next summer that old hand may not be one of the key members of the club. No one wants to risk trading for a youngster because by tomorrow he may be on his way to a military training base." In addition, league business initially appeared to be pretty straightforward, with the only headlining issues being the potential elimination of the oft-criticized bonus rule and the high school rule. Not too many people in attendance, then, would have predicted that the owners would suddenly turn against Commissioner Albert B. "Happy" Chandler and refuse his potential contract extension.

Player Movement

As is customary, the first few days of the meetings brought rumors but no action. Several newspapers had reported that New York Yankees general manager George Weiss and Chicago White Sox general manager Frank Lane were seen talking details of a possible trade involving Chicago first baseman Eddie Robinson. The White Sox were in need of an outfielder and were willing to part with Robinson, a former All-Star who had hit .314 in 119 games on the South Side after being acquired from the Washington Senators at the end of May. The Detroit Tigers were also rumored to be in the running for Robinson, but eventually no deals came to fruition and Robinson stayed put. The lack of early trades was summed up best by Giants manager Leo Durocher, who had 14 infielders on his roster and was looking to trade a few of them. Durocher told Drebinger "I have been here for three days, ready to listen to anybody with a reasonable proposition. You would think plenty would come to us…Yet up to this moment not a single club has come to us with anything resembling an offer for a trade. You can frisk me for the answer."

The first deal of the meetings came over the weekend, when owners and general managers were not formally scheduled to meet. After the Robinson talks fizzled, the White Sox traded right-hander Ray Scarborough and lefthander Bill Wight to the Boston Red Sox for outfielder Al Zarilla and two pitchers, righty Joe Dobson and rookie southpaw Dick Wakefield. For the Red Sox, acquiring Scarborough was a classic case of "if you can't beat 'em, make a trade to get 'em." Scarborough had been a continuous thorn in Boston's side, beating the Red Sox in crucial pennant-deciding games in both 1948 and 1949 as a member of the Senators. The Red Sox initially wanted lefthander Bill Pierce in the deal but settled on Wight, who had gone 10-18 with a 3.53 ERA for the White Sox in 1950. Meanwhile, the Pale Hose filled their need for an outfielder with Zarilla, who hit a career high .325 with Boston in 1950; they also cured a hex of their own by obtaining Dobson, who had gone 14-4 in his career versus the ChiSox.

The Red Sox continued trying to reshape their roster. Toward the end of the meetings, Boston was rumored to be close to purchasing catcher Mike Guerra from the Philadelphia A's. The rumors surrounding Guerra struck a bit of a nerve with Senators manager Bucky Harris, who sought Guerra for reasons other than his catching skills – he wanted him because of his fluency in Spanish. Cuban pitchers Connie Marrero, Sandy Consuegra, Carlos Pascual, Julio Moreno, and Rogelio Martinez all appeared in games for the

Senators in 1950, and Harris wanted a backstop "who can make these pitchers understand what I want them to do." Some outlets reported that the Red Sox would then turn around and trade Guerra to the Senators for catcher Al Evans, but such a deal never materialized. Guerra's sale to the Red Sox would be finalized five days after the meetings concluded, and he would eventually be traded to the Senators for catcher Len Okrie and cash after the start of the 1951 season.

To prepare for the eventual purchase of Guerra, the Red Sox sold catcher Birdie Tebbetts to the Cleveland Indians. The 36-year-old Tebbets was the source of friction among the Red Sox squad after calling several Boston pitchers "juvenile delinquents" and "moronic malcontents" following their late-season collapse. After hearing the news of the sale, Tebbetts said that he would consider retiring to sell insurance full-time, but ultimately decided to stick around for a couple more years before embarking on a second career as a scout, manager and front office executive.

The Business Side

By far, the big moment of the meetings came when the 16 owners surprisingly voted against renewing Commissioner "Happy" Chandler's contract. Coming into the meetings, it was widely expected among media members and owners that a new contract would merely be a formality. After all, Pirates owner Frank McKinney, a close friend of Chandler, had tried to introduce a resolution to renew Chandler's contract during the 1949 winter meetings. However, such a resolution was illegal—as per the Commissioner's current contract, Chandler had to be notified at least a year in advance whether or not he would be retained, so a surprise resolution was not possible in 1949. As such, they had to wait until this year's meetings before they could revisit the issue.


Not so happy Chandler

The dominos began to fall late on December 11, when all 16 of the major league club owners came together to have a trial vote regarding Chandler's contract. With 12 votes needed for renewal, the vote found nine clubs in support and seven clubs against. The owners then went into formal session and held the official vote. This time, the vote was split with eight in favor and eight against. When the owners informed Chandler of their vote, the Commissioner demanded a revote. The final vote came back with nine in favor and seven against. The final news came as a shock to Chandler, who was visibly shaken the next day at the joint major league meeting. In his prepared statement, Chandler declared that he would finish the remainder of his term, which was set to end on April 30, 1952. Following this, the owners held a separate closed session in their hotel, where they voted unanimously to "select and elect" a new commissioner as quickly as possible. The owners did not attempt to buy out Chandler's contract, though New York Yankees president Dan Topping said that was what the seven dissenters wanted. Other owners doubted the possibility of forcing Chandler out before his term was up, since it required a unanimous vote of all 16 owners to do so. The league vowed to reopen the issue at meetings to be held in New York in February (the meetings eventually were held in March). On the day after the conclusion of the winter meetings the owners unanimously voted to form a committee to search for Chandler's replacement. The committee would be headed by four owners, two from each league: Lou Perini of the Boston Braves, Phil Wrigley of the Chicago Cubs, Del Webb of the New York Yankees, and Ellis Ryan of the Cleveland Indians.

To this day, it is still unclear why the owners, led by Fred Saigh of the Cardinals, Perini of the Braves, and Webb of the Yankees, wanted Chandler out. Some people blamed the way Chandler handled the investigation into Paul Pettit's $100,000 "bonus baby" contract. Pettit was a high school pitching sensation in California. In 1949, still only 17, he was approached by an enterprising movie producer named Frederick Stephani, who wanted to film the life story of an athlete but couldn't afford to sign an established star. Convinced that Pettit eventually would make it big, Stephani signed him to a 10-year

personal-services contract for $85,000, then three months later sold that contract to the Pittsburgh Pirates for $100,000. The Cardinals and other teams cried foul, but Chandler's investigation concluded that there had been no wrongdoing. The movie was never made, and Pettit would eventually win just one game in the majors.

Other theories for Chandler's ouster focused on lingering resentment stemming from integration in 1947, or because Chandler had insisted on getting a new contract. Still others pointed to Chandler's statement, at the beginning of the meetings in St. Petersburg, that baseball would fold if another world war broke out. Chandler himself thought it was because he voided a deal between the Yankees and the White Sox for pitcher Dick Wakefield. The only owner to comment at the time of the vote was Topping, who vaguely chalked it up to Chandler's entire body of work. "I'd imagine it was an over-all thing," Topping told reporters after the closed-door meeting. "They didn't think he was doing a good job."

Despite the fallout from the Chandler vote, there was still important business to be taken care of at the joint major league meeting, which took all of about 20 minutes. The day after the controversial vote, the major leagues also voted to eliminate the bonus rule, which had been the subject of great controversy throughout the previous decade. It had been widely expected months before the meetings that the bonus rule would be abolished, with the motion to repeal beginning on October 31. The bonus rule had stated that any player who was signed to a contract greater than $4,000 had to stay on the team's roster for two years. It was designed to prevent wealthy teams from stockpiling untested talent on their roster, but became especially controversial as teams simply kept the "bonus babies" in the majors without giving them very much playing time, and riding the bench in the majors, rather than perfecting their craft in the minors, was proving to be harmful to most of these young players. In addition, teams had (naturally) found ways around the bonus rule, often by paying players under the table. In the end, the rule was repealed immediately with no other alternatives suggested.

In addition to killing the bonus rule, the major leagues also voted to eliminate the controversial high school rule. The original rule prohibited teams from talking to high school players until they had either graduated or their original graduating class had graduated. This proved to be a detriment to the game as a whole, as colleges would swoop in and offer the high school athletes a football scholarship. The rule would officially be repealed at the end of the 1951 season. In the meantime, both leagues agreed to create an eight-man committee of both major and minor league officials to create a new version of the rule, one that would most likely allow teams to negotiate with high school players.

Additionally, the major leagues rejected a proposal by the National Association to restrict television and radio broadcasts in minor league territory. Previously, a major league game could air in minor league territory as long as it did not directly conflict with a minor league home game. However, minor league attendance continued to drop, as baseball fans chose to stay home and watch major league stars on television rather than go to the local stadium to watch no-name ballplayers. This was most evident with the AAA Jersey City Giants of the International League, who were within broadcast range of the Yankees, the New York Giants, and the Brooklyn Dodgers. According to the Encyclopedia of Minor League Baseball, Jersey City's attendance fell from 173,000 in 1949 to a paltry 63,000 in 1950, forcing them to relocate to Ottawa. The latest proposal was a three-point plan that called for a total ban on broadcasting major league games at any time on a day when a local minor league team was scheduled to play, as well as more promotion of minor league clubs and general curtailment of networks. The minor league owners made quick work in passing the resolution, and National Association president George M. Trautman presented it to the major leagues. The major leagues, naturally quite content with the revenue they were receiving from their television broadcasts, laughed the proposal off the table. Local television broadcasts brought the 16 major league owners a total net income of $2.3 million in 1950, and they were not necessarily concerned with how those broadcasts affected the minor leagues.

A few other notable decisions were made over the course of the meetings, though they ended up being

overshadowed by Chandler's ouster and the repeal of the bonus and high school rules. Among them were the American League's decision to allot two days after season's end for any make-up games that could potentially affect the pennant race; the owner's vote to have the 1951 All-Star game at Briggs Stadium in Detroit; and Trautman's re-election to a five-year, $35,000 per-year term as president of the National Association.

Summary

The surprising decision not to renew Happy Chandler's contract sent a shockwave through baseball, with the effects of the vote continuing well into the season until Chandler finally resigned midway through the 1951 season. Meanwhile, the lingering effect of television on minor league attendance continued to fester. Despite a strong plea from the National Association, the major league owners brushed the issue off without giving it any thought, and the problem would remain throughout the decade until the minor leagues found a way to adapt to the rapidly changing media landscape.

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100 Years Ago
A Century of $uccess: The Founding of the Yankee Dynasty

By Mike Haupert

This essay borrows liberally from "Yankee Profits and Promise: The Purchase of Babe Ruth and the Building of Yankee Stadium," by Kenneth Winter and Michael Haupert.

On January 11, 1915 the foundation of the Yankee legacy was laid when the team was sold to Jacob Ruppert and Tillinghast L'Hommedieu Huston. The franchise had been in existence since the birth of the American League, though it was originally located in Baltimore. But until Ruppert and Huston took over, the franchise was for the most part a lackluster, second division team and a clear second fiddle to the New York Giants in Gotham.

The New York Yankees, the most storied franchise in Major League Baseball history, had an inauspicious beginning. The team was moved from Baltimore in 1903 as the American League sought to establish a foothold in New York. The franchise was sold to New Yorkers William Devery and Frank Farrell, who were able to accomplish something that Ban Johnson had been attempting to do for two years: secure enough land in Manhattan to construct a ballpark. The rival leagues went beyond mere refusal to cooperate: they resorted to out and out war. Andrew Freedman, owner of the National League New York franchise, was a Tammany Hall insider, and he used his political connections to keep the American League at bay by preventing them from securing the necessary land to construct a stadium in which to house a team.

However, when Tammany power lapsed, the new powers were aligned with Farrell and Devery. Johnson took advantage of this connection when he sought out the pair to purchase the Baltimore franchise and transfer it to Manhattan. Their first order of business was to build a ballpark, at a cost of $300,000, on acreage on Washington Heights overlooking the New Jersey palisades. The AL franchise became known as the Hilltoppers, in reference to the location of their stadium, Hilltop Park.

The Yankees left Hilltop Park in 1913 and became tenants of the Giants at the Polo Grounds. Their rent for the first two years was $55,000 per year. For that amount they used the park for 72 home games, bore no maintenance or game-day expenses, and received a nominal amount of concession revenue from the Giants. This relationship lasted through the 1922 season, although the rent increased as the Yankees became more successful.

Devery and Farrell sold the franchise after the 1914 season for a reported $460,000. The new owners of the Yankees were a pair of well-heeled local businessmen – Colonel Tillinghast L'Hommedieu Huston and Colonel Jacob Ruppert. Equally as important as their wealth was their business acumen. Ruppert had been raised in the brewery business, and Huston was a successful engineer. Both men had an interest in baseball, and an interest in making money as well.

At the time of sale, the franchise, by this time known as the Yankees, was virtually bankrupt. Newspapers reported that the Yankees had only earned a profit once in the previous decade. Primary information from the Yankee financial ledgers from 1913 and 1914 suggests that the profits are not quite as bad as the newspapers imply, but

the balance sheet was not exactly in robust condition. The ledgers show that the Yankees earned a profit of almost $22,000 in 1913 but had a loss of almost $96,000 the next year. Their surplus, (retained earnings) stood at negative $83,273 at the end of 1914. The negative balance in surplus means that dividends (there were none in 1913 or 1914)

Tillinghast L'Hommedieu Huston

and losses were greater than profits. Yankee attendance varied widely from 211,000 to 500,000 under Devery and Farrell, so it seems likely that they earned a profit more than once in ten years. However, the Yankees clearly were not profitable overall and would have been unable to pay their bills in 1915.

The Yankees' circumstances prior to the sale were dire (Table 1). They had almost no liquid resources and over $300,000 in debt. Of particular importance is the $17,000 in unpaid interest – which the Yankees had no way of paying without raising capital.

The lack of financial success under Devery and Farrell was no accident. The team contended for a pennant in two of its first three years, but thereafter never came closer than 21 games out. The last four years were particularly dismal as the Yankees failed to finish higher than sixth place or get closer than 25 games from first place.

Examining the Yankee ledgers before and after the sale reveals the terms of sale. The colonels got the

Jacob Ruppert

Yankee franchise and the Yankees' debts were paid off. Devery and Farrell got to keep Muscoota Realty and got some cash. Using the reported purchase price of $460,000, Devery and Farrell received $160,000 for the franchise and rid themselves of all its debts.

The first declared intention of the new owners was to build a new stadium, which they promised in the near future. In fact, it took nearly a decade to fulfill this promise. To be fair, World War I should shoulder part of the blame for the delay. The result, when it finally occurred, was the grandest stadium in the game at the time (some would argue that it still is) – one that would set a new trend in stadium construction and prove to be a source of profit in its own right.

Ruppert and Huston made money with the Yankees by spending money wisely. Player purchases were modest in the lean years (1915-1919) but accelerated in the 1920s as the Yankees became a financial juggernaut. Their two most famous

investments were the purchase of Babe Ruth from the Boston Red Sox, and the construction of Yankee Stadium. The former transaction was completed in January of 1920 for a total of $100,000. The latter was completed in the early spring of 1923 for $2.3 million.

Ruppert and Huston did the right things to turn the Yankees into a profitable enterprise. They hired skilled management who could make good decisions regarding personnel. This resulted in a winning team on the field. They also put an entertaining product on the field, featuring the one and only George Herman "Babe" Ruth.

The colonels saw that the management team had the resources to compete. Huston never collected a dividend, and Ruppert went without one for the first fifteen years of his ownership. During the lean years the owners lent money to the team so it had the necessary resources to grow, and neither took a salary until July of 1919.

During the winter of 1919-1920, the Yankees made the most famous transaction in MLB history when they purchased the contract of Babe Ruth from the Boston Red Sox. The purchase of Ruth made sense from a talent perspective, and would turn out to make even more sense from an entertainment perspective. Ruth became the greatest draw in the league, and was a primary catalyst for the Yankees to finally build their own ballpark. The stadium was built to showcase the talents of Ruth as a home run hitter and to capitalize on his popularity. It also became a revenue generator in its own regard.

Yankee Profits

The returns to ownership in the first few years were unstable, ranging from a loss of $73,000 in 1915 to a profit of just under $107,000 in 1919. By way of comparison with other financial assets however, the relative performance of the team in those years was a reflection of the American economy. While returns on the team were negative in three of the first five years, so were returns on the Dow Jones Industrial Average. The Dow lost ground in 1917 and 1918, the same years the Yankees lost money. Since these were years of world war, it is understandable that the nation was distracted from watching men play ball.

Through the first five years of their ownership, Huston and Ruppert lost a total of $30,000. This was more than made up for in 1920, when the team turned a profit of more than $370,000. They lost money in three of the first four years they owned the team, but beginning in 1919 they turned a profit for 13 consecutive years – no mean feat considering the country was plunged in to the Great Depression in 1929. What is impressive is not that the Yankees made money, but how much money they made.

The return to capital figures calculated in Table 2 are based on an investment of $460,000. The rate of return is calculated by dividing the profit for the year by the original investment. For purposes of comparison, some standard financial figures – the rate of return earned in the stock market, as represented by the Dow, and the annual interest rate paid on high quality bonds (AAA rated) are included.

During a decade of impressive growth in the stock market, the Yankees were out-earning the market by leaps and bounds. In only two years during the period 1919-1929 could the colonels have earned more money in the stock market than with the Yankees, and then just barely. In five of the years the Yankees earned about twice as much as the market, and twice they out-gained the market by a factor of 40 or more. It should be noted that in four of the years from 1919-1929 the DJIA lost money, something the Yankees never did during this period. Not surprisingly, when compared to the rather conservative bond market, the Yankees are a stunning investment success.

The Ruth Purchase

The most famous and financially successful move the Yankees made was the purchase of Babe Ruth. Ruth contributed to a Yankee powerhouse that appeared in six World Series in the decade following his arrival, and drew fans who came in droves to see the great Bambino in action.

Ruth cost the Yankees $100,000 in January of 1920. Baseball lore has always claimed that the Boston Red Sox, owned by Broadway magnate Harry Frazee, sold Ruth because Frazee was strapped for cash after the dismal failure of one of his shows. The legend further adds that the sale price of Ruth was only part of the purchase agreement. In addition, the Yankees allegedly loaned Frazee in excess of $300,000 to shore up his theaters or pay the former owners of the Red Sox. No evidence exists in the Yankee account books that such a loan

took place. The $100,000 purchase price (erroneously reported as $125,000 in many contemporary newspapers) is well documented. It took the form of $25,000 in cash plus three $25,000 promissory notes due on November 1 of 1920, 1921, and 1922 at an interest rate of 6%.

The matter of the loan is harder to analyze without any evidence. While it is possible the loan took place, depending on its terms, it may have had no relation to the Ruth purchase. The decision to loan money to Harry Frazee was a separate financial decision. The only way in which it would have an impact on the value of the Ruth purchase was if the terms of the loan were better than the market rate. For example, if a condition of the sale of Ruth to the Yankees was that Jacob Ruppert loan Harry Frazee $300,000 at zero interest over a period of ten years, then the true cost of Ruth increases by the amount of interest that Ruppert would have collected on the $300,000. If a loan was made from Ruppert to Frazee as a condition of the Ruth sale, but the loan was at the market rate of interest, then it had no bearing on the value of the Ruth deal.

Jacob Ruppert and his most famous asset

The purchase of Ruth in 1920 immediately paid off for the Yankees. Yankee home attendance nearly doubled from 619,000 in 1919 to almost 1.3 million in 1920. As a result, home receipts more than doubled each of the next three years. The team appeared in the World Series in 1921, 1922 and 1923, earning an additional $150,000 in revenues, and the Yankee share of road receipts more than doubled in each of the next three seasons. While post-war attendance did increase around the league, the Yankees were an outstanding outlier. Their attendance exploded in 1920, the first season Ruth played for the team. From 1920 through Ruth's final season with the Yankees in 1934, the Yankees failed to lead the league in attendance only twice. The first instance was 1925 when Ruth played in only 98 games. In 1934 the Yankees also failed to lead the league in attendance during Ruth's final season in New York. After leading the league in attendance during 13 of 15 years during the Ruth era, the Yankees led the league only three times in the next six years.

Perhaps no better anecdotal evidence for the importance of Babe Ruth to the Yankees can be provided than the 1925 season, one of the worst in Ruth's career. Due to injury and suspension, Ruth played in only 98 games that year – the fewest of his Yankee career. He batted only .290, fifty points below his career average, and hit only 25 of his trademark homeruns, the lowest production since before he became a mostly fulltime player in 1919, and a figure he would not see again until 1934, his final year in a Yankee uniform.

The impact of his absence from the lineup was felt by the Yankees on the field and in the pocketbook. On the field, the Yankees collapsed from an 89 win season and second place finish in 1924 to seventh place and 69 wins in 1925. It was the only year that the Ruth-led Yankees had a losing record. At the box office the absence of Ruth and the poor performance of the team was just as evident. Yankee attendance fell 33% to under 700,000, the first time they failed to draw over a million fans since the arrival of Ruth, and total revenue was down 25%.

Yankee Stadium

Owning a baseball stadium serves two purposes. Most obviously, it is a place to play home games. Instead of paying rent to another team (as the Yankees did the Giants from 1913 -1922 when they were tenants in the Polo Grounds) a team can sell tickets and collect the income itself. Of course, they also have to pay to construct, operate, and maintain the stadium. But if done correctly, it will be profitable. In addition, if rented out, the stadium can serve as a source of income on the 280 odd days on which the team does not play in it.

The Yankees perfected both parts of this formula. They make a profit by selling tickets to their home games and made even more profit when they were

on the road and during the off season by renting Yankee Stadium for boxing matches, track meets, football games, and Negro League baseball.

The Yankees purchased 11.6 acres in the Bronx from the estate of William Waldorf Astor for $792,000. Then they spent $2,308,000 to construct Yankee Stadium, for a total cost of $3.1 million. Ruppert and Huston were clearly thinking of potential rental income when they built the stadium.

The house that Ruth built

A vault was constructed under second base containing the electronic, telephone and telegraph connections necessary to host boxing matches, concerts, and speakers and a track was built around the inside of the stadium in order to host track meets. After lengthy delays involving the closing of two streets crossing the plot of land, the work was completed in an astounding 284 days. In a storybook inaugural game Babe Ruth christened the stadium with a home run as the Yankees beat the Red Sox.

From 1913-1922 the Yankees were tenants of the Giants at the Polo Grounds. Not only did they not have any non-baseball income earning ability as tenants, they were paying annual rent of $55,000 beginning in 1913 and increasing to $100,000 in 1922. As tenants, they earned a fixed share of concession income, ranging from $4000 to $8000 per year. When they moved into Yankee Stadium, concession income rose to $127,000.

Another way to view the importance of Yankee Stadium as a revenue source is to look at the impact it had on the team's revenue distribution. During the first decade of ownership Ruppert and Huston took in two-thirds to three-quarters of all their revenue at the gate. After the construction of Yankee Stadium, gate receipts declined to half of total revenues as the importance of rental and concession income increased.

College football was the single biggest money maker. From 1927-30 the Yankees leased the stadium for college football games for $439,000, with an additional $15,000 coming from the fledgling National Football League. Boxing matches were also a good source of income, netting the team an additional $282,000.

The ledgers also reveal a hitherto unknown source of profit. In 1926 the team sold 1.8 acres of the land surrounding the stadium to Stanley Murray for $250,000. On a per acre basis, that resulted in a tidy profit of nearly $125,000 – enough to pay for Babe Ruth and all the bonus money they paid him up to that point in time.

Conclusion

The Yankees started life like many new businesses: undercapitalized and poorly managed by owners who were not astute businessmen. The vast majority of new businesses fail for these very reasons, and the Yankees were proving to be no exception until new owners stepped in to save the insolvent franchise. Jacob Ruppert and Tillinghast Huston proved to be savvy businessmen who recognized how to make a dollar on a baseball game: offer a quality product in an inviting atmosphere. The quality product was a winning team built around one of the greatest gate attractions of the 20th century, and the inviting atmosphere was the grandest stadium in the game. That same formula has been employed by team owners ever since – the only improvement to the original Yankee method is the ability of current owners to get somebody else to put up the capital for the stadium.

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A Call for Submissions

The Business of Baseball Committee has more than 700 registered members. We are sure many of you are doing research that would be of interest to your fellow SABR members. Please consider sharing your work in the newsletter, which is especially well suited to preliminary versions of work you may wish to publish elsewhere. *Outside the Lines* is an excellent outlet for the publication of your research on any topic of baseball that occurs "outside" the playing field. Submissions can be directed to Mike Haupert at mhaupert@uwlax.edu.

Table 1

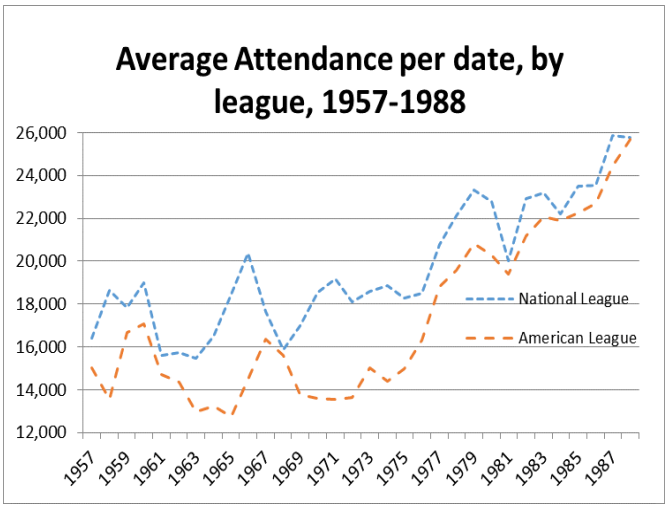
Assets		Liabilities and Equity	
Cash	$471	Unpaid interest	$17,053
Receivables	$4535	Bills payable	$85,000
Muscoota Realty	$65,060	Loan payable	$50,000
Franchise	$457,268	Certificate of indebtedness	$150,000
Misc.	$446	Total Liabilities	$302,053
		Equity	
		Capital	$300,000
		Surplus	($82,273)
		Total equity	$216,727
Total	$518,780	Total L&E	$518,780

Table 2

Year	Annual Growth Rate Dow Jones	AAA Corporate Bond Yield	Return to Capital New York Yankees	Yankee Profits
1915			-16.0%	(73,362)
1916	78.2%		8.9%	40,995
1917	-2.4%		-12.6%	(58,036)
1918	-22.4%		-10.1%	(46,651)
1919	10.2%	5.4%	23.3%	106,971
1920	32.0%	5.8%	81.3%	374,079
1921	-33.2%	6.1%	38.4%	176,502
1922	8.6%	5.3%	58.9%	270,875
1923	24.3%	5.0%	107.4%	494,071
1924	-1.6%	5.1%	76.5%	351,695
1925	23.7%	5.0%	16.9%	77,624
1926	32.8%	4.8%	85.5%	393,272
1927	-2.3%	4.7%	78.7%	567,664
1928	31.2%	4.5%	34.1%	297,060
1929	46.3%	4.6%	42.5%	229,919

An Attendance Puzzler

By Andy Mccue

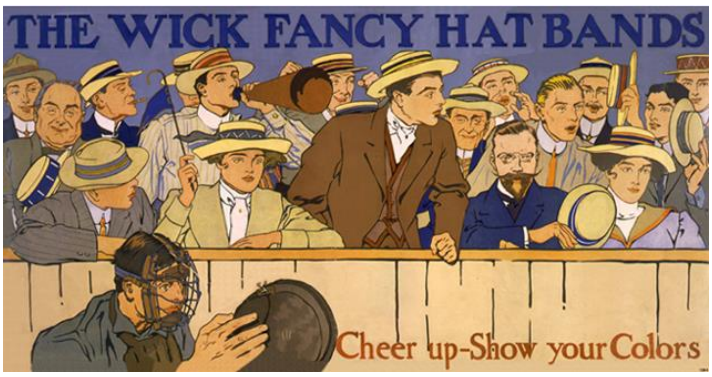


This chart is part of a project I am working on concerning the management of the American League from the mid-1950s into the 1980s. The chart shows the average attendance for each league over the listed years. There is a distinct attendance advantage for the National League throughout this period, culminating in 1965, when the average NL date drew 44.9% more than the AL equivalent, and 1971, when the differential was 41.8% in the NL's favor.

I find these differentials astonishing, but I think I understand at least some of the reasons. First, the NL's faster integration, which led to a much more exciting brand of baseball, visible in the 23-2 record for the NL in the All Star game from 1960 through 1982. Second, the AL's frequent choice of poor ownership groups, notably Charlie Finley and the Soriano brothers in Seattle, which led to disgruntled fan bases, oversaturation of the San Francisco Bay area market and a general inability to get everybody on the same page. Third, the AL's frequent choice of lesser markets for franchise moves and expansion. They allow Finley to leave Kansas City, turning the Bay Area from a decent one-team market, into a bad two-team market. This move creates a lawsuit by Kansas City, which leads to an expansion in 1969 that the NL wanted no part of at first. Then, the Soriano mismanagement led the team to bankruptcy and then Milwaukee, leading to another lawsuit and another round of expansion in 1976, which the NL did not participate in.

I would like to solicit comments from committee members on this reasoning. But, more important to me, I'd like whatever thoughts you might have on why the differential disappears in the late 1970s and 1980s. The year after this chart ends, the AL takes the lead and that lead has been traded regularly since then, as it was in the years before 1957. Every year, pennant races, franchise moves and new stadiums affect individual teams, but the overall pattern takes nearly three decades to disappear and it's the overall pattern I'm interested in.

Please send any comments to agmccue44@earthinlink.net but please do feel free to also send them in for the next issue of this newsletter. Thanks.



"Baseball's 19th Century 'Winter Meetings'"

Additional Associate Editors and Writers Are Invited to Participate in

New Two Volume Book Project

Our **Nineteenth Century Committee** was approached about two months ago by SABR Vice President, **Bill Nowlin** to see if we might be interested in producing a book that, in a sense, would be a prequel to another SABR Research Committee's (Business of Baseball Committee) recently started project to publish one or more volumes on Major League Baseball's Winter Meetings of the 20th & 21st centuries.

After a preliminary round of email discussions with a number of our Committee's members with considerable editing, writing and publishing experience it was decided that to approach the subject of 19th century "winter meetings" we should consider a two volume work that would roughly divide the work more evenly. Therefore we gave the books a working title, "**Baseball's 19th Century 'Winter Meetings'": Vol. 1 (1857-1875)** and **Vol. 2 (1876-1900).**

Jeremy Hodges and Susan Lantz to Serve as Editors

A little over a month ago we sent out a call for Editors and Writers via email to our entire Nineteenth Century Committee membership to take on this work. We received a strong initial response to that email which was added to at our Committee's annual business meeting at SABR 45 in Chicago last week. In all 26 of our Nineteenth Century Committee members (23) joined in the project immediately or expressed strong interest (3 more) in joining. Among this group an "Editor-in-Chief" was selected for each volume, they are: **Jeremy Hodges, Vol. 1 (1857-1875) and Susan Lantz, Vol. 2 (1876-1900).**

To date, joining Jeremy Hodges on the **1857-1875 volume** are Associate Editors and Writers: Bob Tholkes, John Zinn, Bill Ryczek, Marcus Dickson, Dennis Pajot, John McMurray, Richard Hershberger, Bob Gregory, Jim Frutchey and Jody Ackerman. Joining Susan Lantz on the **1876-1900 volume** are: Bill Lamb, Steven Hernandez, Michael Haupert, Jim Frutchey, Gregory Chrisiano, Phil Coffin, Michael McAvoy, Jack Selzer, Matt Albertson, Rochell Nicolls, John Zinn and David Nemec. Expressing interest in either or both volumes are the following: Al Davis, Christopher Kamka and Noel Fliss; more are expected.

This will be a very exciting project giving all participants an opportunity to research, learn, write and read about their favorite 19th century baseball season, be it amateur or professional. Whether the issues pertain to on-field rules, pitching and batting developments, uniforms, reserve clauses, salary caps, racial exclusion, team and league issues, you name it, the "Winter Meetings" offer a new dimension to our understanding of a season, a decade and/or a century. Volume 1 will include the NABBP and the NA, while volume 2 will include the NL, AA, UA and PL.

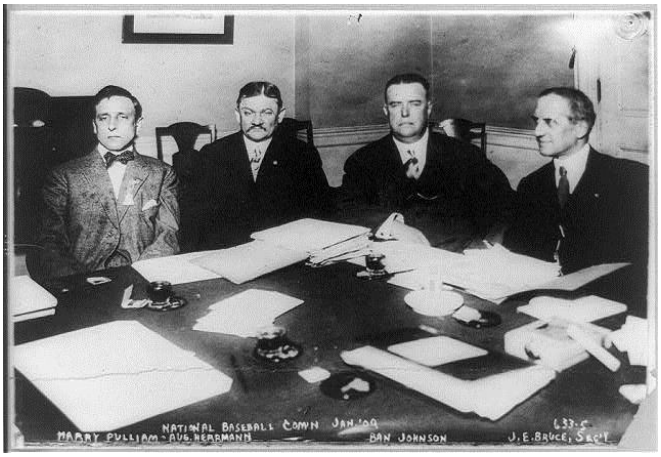
To join in the project as an Associate Editor or Writer or to receive additional information for **Vol. 1, contact Editor, Jeremy Hodges**, dr.jhodges@hotmail.com or **Vol. 2, contact Editor, Susan Lantz**, slantz1815@gmail.com. Contact them both if your interest is in both periods.

Contributors

Nick Klopsis
Nick Klopsis is a New York-based sports journalist. His work has appeared in various print and online outlets, including Newsday, ACCInsider.com, the New York Daily News, amNewYork, and Fameology.net. He has covered major and minor league baseball, college football, the NFL, the Winter Olympics, mixed martial arts, and various high school sports during his short career. Nick graduated from New York University in 2011 with a bachelor's degree in Journalism and Economics. His interest in covering the Winter Meetings stems from his desire to highlight their long-standing impact on the current baseball landscape. Nick can be reached at nicholas.klopsis@gmail.com.

Andy McCue
Andy McCue is the author of *Mover and Shaker: Walter O'Malley, the Dodgers and Baseball's Westward Expansion*, which was awarded the 2014 Seymour Medal. He has been a SABR member since 1982 and is a founding member of the Business of Baseball Committee. He is currently working on a book on the management of the American League in the latter 20th Century.

Outside the Lines is published semi-annually, each spring and fall. Contributions should be sent to Mike Haupert at mhaupert@uwlax.edu.



The National Commission in 1909