The Effects of the 1994 Major League Baseball Strike on the Business of Professional Baseball

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The Effects of the 1994 Major League Baseball Strike on the Business of Professional Baseball

A Graduate Project

In Partial Fulfillment of the Requirements for a Masters of Science Degree in Sports and Athletic Administration

Lynn University
Graduate School

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Approved By
Dr. Richard A. Young

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Abstract

This paper is about the economic implications of the 1994 Major League Baseball strike. The researcher attempted to discover if the 1994 Major League Baseball strike had negative economic implications on the business of Major League Baseball. Information was gathered from standard information sources, as well as a survey conducted by the author. The author concluded that the 1994 Major League Baseball strike contributed to negative economic implications on the business of Major League Baseball. The author also concludes that another strike would have even worse economic implications on the business of Major League Baseball.
Chapter I: Introduction

This study examines the effect the 1994 Major League Baseball Strike had on baseball fans. The researcher made a conscious decision after the strike to spend less money on the sport feeling no sympathy for players who were making millions of dollars a year, to “play ball”. The researcher is curious to know if others felt the same way, or if the author’s perception was isolated.

Forward

My name is Adam Gruber and I am a graduate student in the Sports Administration Program at Lynn University. For my project, I want to analyze the effect the 1994 baseball strike had on Major League Baseball. Did it have a positive or negative effect on consumer spending? Did it decrease fans’ interests in the game?

Purpose of the Study

The purpose of the study will be to see if the 1994 Major League Baseball strike had a negative impact on the business of professional baseball. It is an attempt to find out if the strike changed consumer-spending habits. Also, to discover if fans decreased interest in the game as a result of the strike. The goal is to ascertain whether a strike in baseball could cause irreparable damage to the business of major league baseball.

Significance

Lynn University has both business and sports administration programs. This study could have significant implications on both areas. From a marketing standpoint, a significant problem that directly affects business can be identified. This can be useful in
devising new marketing strategies to combat loss of revenue should another strike in baseball, or any other sport occur. From a sports administration standpoint, this study will have implications on all major professional sports. The study will determine what kind of financial effect similar work stoppages could cause in the future.

**Anticipated Benefits**

The anticipated benefit will be to understand what kind of financial damage, and image perception, a strike of a major sport can have.

**Hypothesis**

The 1994 major league baseball strike had a negative effect on consumer spending for that sport. Also, it directly contributed to fans loosing interest in baseball.

**Research Questions**

1. What is the history behind Major League Baseballs’ players and owners working relationships?
2. What effect did the 1994 major league baseball strike have on consumer spending for that sport?
3. Did consumers loose interest in major league baseball as a result of the strike?
4. Has Major League Baseball recovered from the effects of the strike?
5. Did the strike change peoples perceptions about the sport?
6. If there was a decline in consumer spending and interest, can it be prevented if another work stoppage were to occur?
Chapter II: Literature Review

Wondering whether much information on the topic existed, one browse through the electronic resources Lynn University offers put that fear to rest. It is amazing the amount of polls taken in this area. The polls showed that the authors' feelings were not isolated and that many fans had similar feelings.

"Overall would you say that you are more or less interested in major league baseball now than you were before the strike" (Roper Poll 1996)? This question was asked to more than a thousand people. An alarming 71% percent of the people surveyed said that they are less interested in baseball since the strike.

Another Poll taken just after the strike ended asked, "Now that the baseball strike is over and the season is about to start, how do you feel about major league baseball? Does each of the following words describe how you feel or not? ...Disgusted" (Roper Poll 1995). 57% of people surveyed answered yes, they felt disgusted.

A question asked by a 1994 Roper Poll on public opinion was, "If the baseball strike is settled, do you think you will return to your previous level of interest, or not" (Roper Poll 1994)? 17% percent of the surveyed people answered no to the question. This confirms the author was not alone, and perhaps the hypothesis that the strike had a negative effect on the consumers.
Baseball has been played professionally in the United States since the nineteenth Century. “The first professional baseball league, the National Association of Professional Baseball Players, formed in 1871...The Association folded after five years” (Brady 1997). With little organization and endless team switching by players the league was unable to survive. “In 1876 a coal baron named William A. Hulbert determined to ensure power resided with the owners, not players founded the National League of Professional Baseball Clubs. To prevent the chaotic team-switching that had plagued the association, the teams agreed to secretly reserve five players at the end of each season” (Brady 1997). In the early 1880’s the reserve clause officially came into existence. This was the first time in baseball history that players essentially become property of the teams. The teams owned the rights to players at this point “…making the player’s contract the property of the team that first acquired him for the rest of the player’s life. While the contract, and hence player could be traded, a player could not choose to play for another team or effectively campaign for a salary raise” (Brady 1997). This situation would lead to eventual conflict amongst the players and the owners.

Albert Goodwill Spalding emerged in the late 1880s and instigated baseball’s first salary cap. “The salary cap for a team was $2500 a year” (Brady 1997). With this action came the reaction of the first baseball player’s union. “John Montgomery Ward, a Columbia law school grad...organized the Brotherhood of Professional Baseball Players. In it’s manifesto, Ward wrote that players had been bought, sold, and traded as though they were sheep instead of American Citizens...Like a fugitive slave law, the reserve
clause denies him a harbor and a livelihood, and carries him back, bound and shackled, to the club from which he attempted to escape" (Brady 1997). The owners responded to this union claim by demanding that the players pay rent for their uniforms.

The players followed by starting their own baseball league. The league quickly folded. Spalding then stated, "When the spring comes and the grass is green upon the last resting place of anarchy, the national agreement will rise again in all its weight, and restore to America in all its purity - - its national pastime - - the great game of baseball" (Brady 1997).

This was one of the most influential statements about the owner player relationships ever made by a baseball owner. By using the phrase national agreement Spalding insinuates that the players agree with the reserve clause. This agreement would last almost one hundred years. This agreement Ward referred to as "slavery" (Brady 1997).

The national agreement would continue without a major incident until the 1920's. A baseball team from Baltimore sued the National League "for what it saw as monopolistic practices. The case reached the Supreme Court in 1922. Although the Baltimore Lawyers demonstrated several monopolistic practices prohibited by the Sherman Anti-Trust act, a unanimous Supreme Court decision ruled in favor of baseball...calling the transport of players across state lines mere incident to the business conducted at the individual parks...and the court found a shaky and peculiar loophole for
baseball’s antitrust exemption, a practice the Supreme court would continue for the next half century" (Brady 1997). The Supreme Court was clearly on the owner’s side. The player’s union was well on its way to harboring bad feelings towards the team owners.

In 1946 another case challenged the reserve clause. Danny Gardella turned down a contract with the New York Giants to play in the newly formed Mexican League. Teams would blacklist players for five years if they would join other leagues. Gardella, who never signed a major league contract, sued baseball. Branch Rickey of the Dodgers referred to Gardella’s action as a “Communistic tendency”. Gardella accepted a settlement that allowed him to play and gave him financial compensation.

In 1953 George Toolsen brought suit against the reserve system. Toolsen believed that by not being able to sign with another team he was being kept in the minors, which prevented him from reaching the major leagues. Toolson’s claim was rejected although for the first time not unanimously. “The court shifted the burden to Congress to overturn baseball’s antitrust legislation” (Brady 1997).

“In 1966, Sandy Koufax and Don Drysdale hired agents in hopes that they would be able to get more salary money. Baseball was becoming increasingly popular and with television and radio rights creating new income these two baseball hall of famers thought they could get more money. The average salary had not seen a rise since the games inception.” (Brady 1997). The move did not work and the two players signed for salaries several times lower than they demanded. This led to the union naming Marvin Miller as
their leader. Miller was the Chief Economic Advisor to the United Steelworkers of America.

The owners still would not budge. "The myth of baseball, at least the version peddled by the owners through the newspapers, seemed almost invincible. If a player refused to cooperate with the team or sought greater pay, he challenged not the owners personally, but the good of the game, the very integrity of our sacred national pastime" (Brady 1997).

On January 16, 1970 Curt Flood filed suit against Major League Baseball and its reserve clause. This was monumental because Curt Flood was a three time all star that earned $90,000 a year. "Never had a player of Flood's caliber attempted to assail the game's sacred clause" (Brady 1997). Flood's lawyer argued to the Supreme Court that the reserve clause violated antitrust laws by depressing wages and limiting a player to one team. For the first time public opinion started to shift to a player "as the truly antiquarian nature of the reserve clause became known" (Brady 1997). The Supreme Court ruled against Flood 5-3 maintaining that baseball should stay the way it was. "By 1972 much of the National Agreement had been destroyed. Flood, one of the game's most highly paid stars, had broken the deal" (Brady 1997). Baseball argued that the "Richest teams would monopolize all the great players and win all the championships" (Brady 1997). Flood's lawyer claimed that to be capitalism. Three years later an arbitrator struck down the reserve clause. Flood never got to benefit from the arbitrator's ruling. He never played baseball again.
The literature on the history of baseball shows that the owners enjoyed preferential treatment by the courts over the players. The Anti Trust Exemption allowed the owners to conduct monopolistic practices. Players were at the mercy of the owner’s “Reserve Clause”. While several attempts by players to change the status quo failed, Curt Flood had the greatest impact on changing the business of professional baseball.

Since 1972 there have been four work stoppages in Major League Baseball. In 1994 major league baseball players went on strike effectively ending the season and canceling the playoffs. Fans’ attitudes towards the game were changed in a negative way. These attitude changes may have resulted in a downturn in consumer spending as well as a loss of interest in baseball by many who followed the game. With a potential lockout looming in 2002 more damage may be in store for baseball.

In a book by Bob Costas titled A Fan’s Case for Baseball. Costas writes, “The worst part about the strike, and the part that still reverberates today is that it finally forced many fans to conclude that the owners and the players had little but contempt for the game of baseball, saw it largely as a money making instrument”(Costas 2000). This was no longer the game I remember as Sunday afternoons with my grandfather eating too many Hot Dogs and drinking too many sodas while admiring these players. My admiration was gone. Costas goes on and writes “It seems that the fondness and enduring connection fans across America felt for the game wasn’t shared by those who ran and played it. Whether or not this was entirely true, it was the overwhelming perception – a perception that lingers today”(Coatas 2000).
More research shows that consumer spending on baseball decreased as a result of the strike even before the strike started. "Baseball-card seller Topps Co. said its fiscal second-quarter net income for the period ended Aug. 27, 1994 fell a sharp 68% to $2.5 million from $7.9 million a year earlier. The company warned that the major league baseball strike could hamper future earnings" (Shultz 1994).

One author writes an interesting satirical article about major league baseball players comparing them with Martin Luther King. "King's spirit lives on in the striking Major League Baseball Players Association. Its members are baseball's freedom riders. Although King fought to throw off the shackles of racism, baseball's freedom riders are striving mightily to cast off the yoke of economic oppression, i.e., average salaries of $1.2 million.... King's crusade was built on justice and fairness. The players' crusade is built on hypocrisy" (Marantz 1995).

Another author writes about the diminishing loyalty of the fans. "Baseball's problems have diminished the quality of the game and the loyalty of it fans" (Seib 1998).

Since 1994 the average salary for a Major League Baseball Player has gone from $1,188,679.00 to $2,383,235.00 in 2002 (Associated Press 2002). Five weeks into the baseball season ESPN reported that nine stadiums had already broken all time records for the least amount of tickets sold for a game at the respective venues. A reporter
interviewed by Hank Goldberg on sports talk radio blamed the looming work stoppage for the attendance drop off.

According to Major League Baseball’s archives, in 1993 attendance for Major League Baseball was 70,257,938 (Grabiner 1998). In 1995, the year after the strike, attendance dropped to 50,464,275 (Grabiner 1998). Ticket sales went down over twenty one percent. These numbers directly correlate with what the polls had been reporting. People had been disenchanted by the strike. In 1996 and 1997, there were marginal increases in ticket sales and in 1998, it took the addition of expansion team Tampa Bay Devil Rays to return to the same attendance figures of 1993. Without expansion 1998 still would have fallen 2,000,000 ticket sales short of matching 1993’s figures.

The results gained from my readings and interviews found that most people felt like the athletes were getting too much money to play and that it was absurd for them to go on strike. Now that salaries have doubled since then, could the economic impact of a strike be even worse than the last one?

The 1994 strike was based on four areas: “the allocation of revenues through collective bargaining between the union and owners, the exploration of mutual gain through cooperation, the behavioral atmosphere at the bargaining table, and accommodation to the differing interests of the negotiators’ constituencies” (Staudahar 1997).
The first area of revenue sharing between the players and the owners is an issue that can be viewed in favor of the owners. The players make a lot money with their salaries and it is hard to understand them asking for a portion of the revenues. If the team loses money will the players be willing take a pay cut?

"The second area, cooperating in negotiations for mutual gain, has been virtually nonexistent in baseball to date because the participants have been too preoccupied with battling each other" (Staudahar 1997). In other words the players and owners behavior can be compared to two six-year-old children who get in a fight and blame the other. A pathetic behavior pattern for grown men negotiating issues in a billion dollar industry but, playing baseball can be considered a children's game. The behavioral atmosphere at the bargaining table also seems childish to me. "Distrust, disrespect, lack of accommodation, name calling, and inattention to face-saving have characterized negotiations, poisoning chances for uninterrupted play" (Staudahar 1997).

The fourth area is an area is one that seems like a legitimate business issue. Negotiators have to satisfy the different needs of the various players and owners. "The owners' negotiator must be able to reconcile the diverse interests of the owners themselves, and the union negotiator has to deal with the various needs of the players" (Staudahar 1997) At least this sounds like business negotiations and not children fighting.
With the attendance figures showing a significant decline in the season following the 1994 Major League Baseball strike one would expect the owners and players to be able to put the name calling and disrespect aside. Maybe then the two sides could work together respectfully to achieve mutual gain and satisfy the diverse interests of the owners and players.
Chapter III: Methodology

Data collection

Data was gathered through published works including but not limited to books, newspapers, periodicals, polls, and financial reports. An original survey was developed to answer topic specific questions. A random survey was conducted in which fifty people participated. The sample consisted of people at least 25 years of age. The age minimum makes the minimum age at the time of the 1994 Major League Baseball strike 16 years old, which is ample age to buy a ticket to a game. The sample of people interviewed had at least a moderate interest in baseball, either in the past, or in the present.

Data presentation

Data results of the research are reported in percentages. Additional comments are noted, as deemed appropriate by the researcher.

Assumptions

It is assumed that the 1994 baseball strike had an adverse effect on baseball and public acceptance of the sport.

Limitations

A major limitation for the study was attaining a large amount of people to take the survey, and analyzing the validity to what has been published already.
Major League Baseball Fan Survey
(Circle letter or fill in the blank)

1. How old are you?
a. 25-29
b. 30-39
c. 40-49
d. 50-59
e. 60-69
f. Over 70

2. How many years have you been attending baseball games? _____

3. How many games in one Major League Baseball season do you normally attend?
a. 0
b. 1-2
c. 3-6
d. 7 or above

4. Do you attend games more or less regularly since the 1994 baseball strike?
a. More
b. Less
c. Same

5. Did the 1994 strike affect your loyalty (spending habits and following of a team or teams) to baseball?
a. Yes, the strike decreased my loyalty to the game.
b. No, the strike had no effect on my loyalty to the game.
c. Yes, the 1994 strike increased my loyalty to the game.

6. If your loyalty towards baseball did decrease after the strike, has it returned (if you answered b or c in question 5 do not answer)?
a. Yes
b. No

7. Did you make a conscious effort to spend less on baseball because of the strike (tickets and merchandise)?
a. Yes
b. No

8. How would another baseball strike effect your baseball spending habits (tickets and merchandise)?
a. I would spend less.
b. I would stop spending completely.
c. It would not change my spending habits.
d. I do not know how it would change my spending habits.
e. Other comments. __________________________________________
Chapter IV: Results

Statistical Analysis

Surveys in which the person answered question number two with zero, or never attended were disregarded. Fifty surveys were analyzed. 46% of the surveys consisted of people age 25-29, 14% were age 30-39, 16% were age 40-49, 20% were age 50-59, and 4% were age 60-69.

For question number two, I segmented the answers into four categories. People who had been attending Major League Baseball games for 1-10 years, 11-20 years, 21-30 years, and 31 years and above, were the segmentation categories. 30% percent had been attending Major League Baseball Games 1-10 years, 22% 11-20 years, 24% 21-30 years, and 24% thirty one years and above.

The amount of games people normally attend were as follows: 16% go to zero games in a Major League Baseball Season, 54% go to 1-2 games, 24% go to 3-6 games, and 6% 7 and above.

People attending games more or less regularly since the 1994 Major League Baseball strike were as follows: 12% of the people surveyed said they attend more games since the 1994 Major League Baseball strike. 40% of people surveyed said they attend less games since the 1994 Major League Baseball strike. 48% of people surveyed said they attend the same amount of Major League Baseball games since the 1994 Major League Baseball strike.
For question number five, loyalty to baseball, loyalty was defined as spending habits and following of a team or teams. 46% of people surveyed answered yes, the strike decreased my loyalty to the game. 54% percent said no, the strike had no effect on my loyalty to the game. Zero said yes, the strike increased my loyalty to the game. 26% of people surveyed who had decreased loyalty to the game said their loyalty had returned. 61% said their loyalty had not returned. 3% failed to answer the question. 34% of people surveyed said they maid a conscious effort to spend less on baseball because of the strike. 66% of people surveyed said they did not make a conscious effort to spend less on baseball because of the strike.

For the final question people were asked how another baseball strike would effect their spending habits (tickets and merchandise). 22% said they would spend less. 20% said they would stop spending completely. 36% said the strike would not change their spending habits. 24% said they did not know how the strike would effect their spending habits.

Some comments people had, were very interesting. One person who has been following baseball for fifty years and answered that another strike would lead him to stop spending completely commented that they should “dissolve the leagues and start over.” Another comments “Prior to the strikes of the past few years I used to go to a lot more games...I have lost my enthusiasm for MLB, I now follow college and minor league baseball.” A comment that I could relate to read “I was disappointed with the greed of
the players during the strike. It is unfortunate that our society has come to this point...” A survey that I found very interesting came from a person who goes to 3-6 games a year. This persons answers indicated that the 1994 Major League Baseball Strike had no effect on their spending. This person did however say that another strike would lead them to stop spending on the sport completely.
Chapter V: Conclusion

The statistical analysis of the surveys supports my hypothesis that the 1994 Major League Baseball strike had a negative economic impact on the sport of baseball. The study also directly contributed to fans losing interest in the game. With 84% of the people answering the survey saying that they go to a minimum of 1-2 games a year it can be concluded that these people are a legitimate consumer segment of the business of professional baseball.

Seventy percent of the people surveyed said they have been attending baseball games for more than ten years. Forty eight percent said they have been attending games for over twenty years. These consumers are part of what makes the business of baseball tick. This data should encourage the players and the owners to understand that many fans are not going to keep spending their hard earned money if another strike occurs.

Not one person answered that the strike increased their loyalty to the game. This shows that the consumers do not find anything positive about the strike. It also shows that Major League Baseball should expect absolutely no positive outcomes from a strike concerning their customers. Only negative actions should be expected from consumers.

Twenty six percent of people surveyed said that they made conscious effort to spend less on baseball because of the strike. This percentage was very close to the actual 21% fall in ticket sales the year after the strike. Even more alarming was that 42% indicated that another baseball strike would cause them to spend less or stop pending completely. Take into account that 24% said they did not know how a strike would effect
their spending habits and that means 66% of people surveyed could change their spending habits in a negative way if another strike were to occur.

It is clear that the 1994 Major League Baseball Strike had negative economic implications on the business of baseball. It is also clear that another strike will also have negative economic implications on the game. The evidence reveals that while the last strike had major economic implications, the next one could be catastrophic for the business of Major League Baseball.

Limitations and Recommendations for Further Research

It should be noted that the sample of people used for the survey were all in South Florida. The Florida Marlins are a "small market team" low league attendance figures. I suggest that research be conducted accounting for the population in all areas that have a Major League Baseball team. The numbers may not be as significant in cities such as Boston or Chicago (Cubs), teams that have significantly higher attendance figures than South Florida.
References


   http://xroads.Virginia.edu/~class/am48397/projects/brady/laborhistory.htm


Appendix A

Major League Baseball Fan Survey
(Circle letter or fill in the blank)

2. How old are you?
   a. 25-29
   b. 30-39
   c. 40-49
   d. 50-59
   e. 60-69
   f. Over 70

2. How many years have you been attending baseball games? ________

3. How many games in one Major League Baseball season do you normally attend?
   e. 0
   f. 1-2
   g. 3-6
   h. 7 or above

4. Do you attend games more or less regularly since the 1994 baseball strike?
   d. More
   e. Less
   f. Same

5. Did the 1994 strike affect your loyalty (spending habits and following of a team or teams) to baseball?
   d. Yes, the strike decreased my loyalty to the game.
   e. No, the strike had no effect on my loyalty to the game.
   f. Yes, the 1994 strike increased my loyalty to the game.

6. If your loyalty towards baseball did decrease after the strike, has it returned (if you answered b or c in question 5 do not answer)?
   c. Yes
   d. No

7. Did you make a conscious effort to spend less on baseball because of the strike (tickets and merchandise)?
   c. Yes
   d. No

8. How would another baseball strike effect your baseball spending habits (tickets and merchandise)?
   f. I would spend less.
   g. I would stop spending completely.
   h. It would not change my spending habits.
   i. I do not know how it would change my spending habits.
   j. Other comments. ________________________________