Labor negotiations in the Major League Baseball history

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Introduction

Twenty-one years since Nolan Ryan topped the $1 million salary, and less than two months after Carlos Delgado got baseball's highest salary—$17 million from Toronto Blue Jays—on December 11, 2000, the Texas Rangers agreed to a record $252 million, 10-year contract with free agent shortstop Alex Rodriguez. The $25.2 million average annual salary is more than 600 times the average median income for a U.S. household. The highest salary has increased tenfold since Roger Clemens earned $2.5 million a season in 1989. However, Alex Rodriguez was not the only player to surprise the world. Two days later, Manny Ramirez's $160 million, eight-year contract with Boston Red Sox was finalized. Less than two months since the World Series ended, Major League Baseball teams committed $1.043 billion in contracts to the first 52 free agents in the off season of 2000 with $739.2 million contracts on 25 free agents made during the winter meetings.

Increased revenue for all of Major League Baseball is one reason for this salary escalation. The national broadcasting contract is one important revenue source that significantly increased. In the newest contract, Fox Sports Television will pay Major League Baseball $2.5 billion over six years from 2001 to 2006. Under terms of the deal, which begin with the 2001 season, Fox will pay an average of $417 million a year in rights fees for its regular season and postseason packages. That is about a 46 percent increase over the average annual fees in the current prior contracts held by Fox, Fox Sports Net/FX, NBC and ESPN's postseason deal. The Major League Baseball also recently has enjoyed an increase revenue in the international and local media income, and better stadium lease deals including Luxury Suites and Club Seats.

However, even though total revenues have increased for the Major League Baseball, if this revenue were not shared to the players properly, we would never have seen the record breaking contracts during the off season of 2000. Then, how much share of the total MLB revenue is "proper" share for the players and the owners? In its history, besides owners' effort to increase the total revenue for the Major League Baseball, there is another effort between owners and players to negotiate how much is a "proper" share for the players' service. It is fair to say that these negotiations in baseball history are also one of the most reasons for the escalation of the player salary.

The purpose of this paper is to closely examine the process of ten labor negotiations in the Major League Baseball history from the first 1966 pension settlement to 1994 Collective Bargaining Agreement. First three chapters explain three important aspects of the baseball labor history before 1966, reserve clause, labor organization, and pension plan. In Chapter 1, we look into the early history of the baseball and how the reserve clause was established by professional baseball. Chapter 2 explores baseball players' union organization movement before the appointment of Marvin Miller in 1966.

Chapter 3 examines history of pension plan, which had been main concern for the players during the mid 20th century. Chapter 4 reviews labor negotiations under the Marvin Miller, who lead the Major League Players Association and brought a significant share of the profits of the baseball enterprise. Chapter 5 examines the labor negotiations after the Marvin Miller era, when owners have tried to negotiate to retrieve what they had before he directed the Major League Baseball Players Association.

Chapter 1

The 1840s: Beginning of baseball

In the 1840s baseball began as an outdoor diversion in America’s growing East Coast cities. On September 23, 1845, the Knickerbocker Base Ball Club was founded in Manhattan, New York, where participants formed social and athletic clubs. In the club, players paid an initiation fee of $2 and annual dues of $5 to participate in the contests, which were always followed by a sumptuous dinner. (Abrams, 2000) The purpose for the players to compete in baseball was not to make a living but to enjoy playing the game. Outdoor recreation promoted good health and participation in the club contributed to good fellowship. Sportsmanship and fair play stood at the core of the upper-middle-class values of these players. (Abrams, 2000)

In 1858: National Association of Baseball Players

By the 1850s, the game of baseball had become the sport that we would recognize as baseball these days. Games were played on a diamond-shaped field by two teams of nine players each. On March 10, 1858, twenty-two teams in the state of New York created the National Association of Base Ball Players. (Burk, 1994) In the

National Association, the first regulation of the players' conduct banned direct compensation for playing the game and limited players' ability to move from one club to another. Before a player could participate for a new team in an interclub match, he had to prove a thirty-day residency with the club to have playing eligibility. (Burk, 1994) However, the regulation for the compensation was changed when spectators began to be charged for watching the game. In 1858, an all-star team of Manhattan players scheduled a series of challenge matches against a similar assemblage of Brooklyn players. The owner of the enclosed playing field charged the four thousand spectators fifty cents each to watch the proceedings. Soon after the players began to be compensated for the entertainment they provided to paying spectators. (Abrams, 2000)

By 1860, the National Association expanded to fifty-three clubs covering New York, New Jersey and Pennsylvania. Reflecting the popularity of the baseball games, the New York sporting press began to carry game summaries and box scores. (Burk, 1994) In 1866, the number of clubs in the National Association jumped from 91 to 202. As a result of the expanding profit potential for the most successful teams, a number of creative methods were used to circumvent the player compensation and the mobility regulations were strengthened after mid-1860s. Albert Spalding of the Rockford Forest Citys moved to the Chicago Excelsiors, who paid him $40 a week to join the team and offered him a fictitious grocery clerk job. In 1867 George Wright left the New York Gothams in favor of Washington Nationals, who claimed to be paying for a government clerkship. (Burk, 1994) By the late 1860s, one estimate listed the average professional players salary at between $600 and $900 for two-thirds of a year. At the era, white-collar clerks and skilled craftsmen could not expect to earn $500 in a twelve-month period. (Burk, 1994)

In 1869, Harry Wright, a great player at the age of thirty-four, formed the first professional team, Cincinnati Red Stockings. He collected premier ballplayers from around the country and paid them to play for the first all-professional team. As the playing manager, Wright earned $1,200 for the eight-month season (March 15-November 15). Wright paid his younger brother George, the star shortstop, $1,400. A pitcher for the team, Asa Brainard, earned $1,100. All earned 15 to 70 percent higher than the most highly paid manual craftsmen of the day. (Burk, 1994) The Red Stockings traveled the nation in 1869 and ended the year undefeated. (Abrams, 1998) On an eastern tour, the Red Stockings drew an estimated 200,000 fans. (Burk, 1994) Spectators paid fifty cents each to watch the Red Stockings defeat their local heroes. (Abrams, 2000) However, since the on-field record brought no profits even though the club limited total payroll to $6,000—8,000, they changed their strategy to develop their amateur talent. (Burk, 1994) Most of the existing players jumped to the Boston Red Stockings and the Washington Olympics. (Burk, 1994) In this way, the phenomenon that players move to the teams that offer better compensation to them started.

In 1871: National Association of Professional Baseball Players

On March 17, 1871, representatives of the ten leading professional clubs from across the country met in Manhattan to form the National Association of Professional Base Ball Players (NAPBBP). (Abrams, 2000) The NAPBBP did not arrange fixed schedules for its clubs. Instead, each club arranged the schedules of their playing tours. Boston Red Stockings, which had won the four of the five pennants of the association, charged a $.50 admission price. Theater shows of the day charged anywhere from $.75 to $1.50. Boston also demanded from competing clubs a 60 percent share of the gate receipts or a $150 guarantee for road games. (Burk, 1994)

The NAPBBP collapsed after five years because of financial insecurity and “revolving” athletes, who moved from team to team. (Abrams, 1998) In the early days of baseball, players changed teams at will. The greatest asset of a club—the players—could disappear overnight and jeopardize an owner’s investment. The clubs’ parasitic behavior toward each other’s talent gave players, as free agents, considerable bargaining leverage over their income and working conditions. As a result, player salaries caused operating cost problems for the clubs. The average NAPBBP salary for the entire period of its existence was probably in the $1,300—1,600 range, over three times the average of a worker of the era. (Burk, 1994) Boston’s player payroll, which was $14,500 in 1871 jumped by over $6,000 within five years. During its existence from

1871 to 1875, twenty-five separate clubs participated in the association, and eleven of them folded even in a season. (Burk, 1994) Controlling player payroll became one of most important factors for the owners in managing baseball business.

In 1876: National League of Professional Base Ball Clubs

By the mid-1870s, with the growth in population and an extensive railroad network in the metropolitan Northeast, the regional professional baseball league was able to have a fixed schedule. (Burk, 1994) A successful Chicago coal merchant and part owner of Chicago White Stockings, William Ambrose Hulbert realized that to attract fans, and to solve the fiscal problems, the baseball needed a stable confederation of teams bound by common rules and fixed schedules. (Abrams, 1998) The existing league, the NAPBBP, had accepted any team that could pay a ten-dollar fee. Gambling and fixing of contests were rampant in the NAPBBP. (Abrams, 1998) Hulbert recognized a valuable business opportunity for a rival professional baseball association.

On Feb 2, 1876, with the owners of the seven strongest clubs in the National Association, Boston, Chicago, Cincinnati, Hartford, Louisville, New York, Philadelphia, and St. Louis, Hulbert announced the creation of the National League of Professional Base Ball Clubs (National League). (Abrams, 1998) Within a week of the announcement, the NAPBBP collapsed. (Burk, 1994)

Here are main points of the National League provisions.

- Territorial rights: The National League allocated exclusive territories, only one National League club allowed within a five-mile market radius, to the participating franchises. Member clubs were barred from playing non-NL teams within the territorial market of another league city.
- Expansion: For any club to join the league, the petitioning club had to demonstrate a city market of at least 75,000 people.
- Financial: As a symbolic demonstration of financial stability, member clubs had to post annual dues of $100.
- Gate share: Visiting team would receive 30 percent of the gate receipts.
- Playing season and schedule: March 15 to November 15, feature ten games (five home, five away) between each clubs.
- Moralistic code: The National League banned Sunday games, liquor sales, and pool selling and gambling on club grounds.
- Player-employees plan: Signed players had to obey their captain without right of refusal. Club management unilaterally assumed the authority to assess a player's attitude and effort. Club required players to obey sobriety regulations. Injury, illness, or insubordination—all attributed by management—could cause unilateral dismissal without pay or notice. If the player's services under the new contract did not begin until after his old one ended, any member club could sign a player under contract to another league club.

  (Burk, 1994)

National League club owners fixed the league wide admission price of fifty cents, about half a day's wages for a workingman. This price limited potential spectators to the "better classes," who could afford to attend the games (Abrams, 1998) Throughout the first six years of the National League, from 1876 to 1881, club failure and canceled games were repeated. Probably, no club made money in 1876. (Abrams, 1998) Although Midwestern club operators in weaker markets suggested the National League lower admission, Hulbert continued to oppose to the idea. Hulbert's opposition against reduced admission prices and alcohol sales led St. Louis and Cincinnati clubs to pull out of the National League in 1877. (Burk, 1994)

In 1877: International Association of Professional Baseball Players

The moves of St. Louis and Cincinnati created outside rivals to challenge the National League. The owner of St. Louis, L. C. Waite and representatives of seven non-National League clubs formed International Association of Professional Baseball Players and started its season in 1877. (Burk, 1994) This increased National League labor costs through competitive bidding for the service of the best players. During the first four years of the National League, player salaries constituted almost two-thirds of the clubs' or league's operating cost. (Abrams, 2000) As an example, in 1876 season, of the Boston's $30,000 operating cost, club paid $19,000 for player salaries and ended the season about $800 in red. In 1877 season, the club increased the red to about $2,200 with $34,443 overall expense, which includes $22,420 for salaries. (Abrams, 1998) To recoup the loss, owners imposed new levies, such as a fifty-cent-a-day fee upon players for their board on road trip and a $30 deduction of the uniform expense from the players' salary. (Abrams, 1998)

Although the National League suffered financially, the competitive threat from the International Association had been decreased by the end of 1877 season. (it folded in 1880) With the certain demise of the rival league, owners of the National League imposed extreme budgetary economics to make up for the financial strain caused by the bidding war with the International Association. Boston, for example, decreased overall salary to $18,814 in 1878 and to $15,760 by 1879. (Burk, 1994) However, clubs still struggling financially, only Chicago was able to report black in their profit. (Burk, 1994) Baseball owners needed to implement some rules to reduce their operational costs.

In 1879: Adoption of the Reserve System

On September 29, 1879, the National League announced the adoption of the "reserve list." Each clubs could "reserve" five players and agreed not to negotiate with players reserved by the other clubs. Beyond the contract period, clubs were able to hold rights to a player. For the following season, the club was allowed to have the exclusive right to his services. For those five players, the club retained the power to unilaterally terminate the contract with thirty days' notice. If a reserved player tried to violate the clause by jumping to another club, the player would be permanently blacklisted. Under a reserve clause, players no longer had the leverage of interclub bidding nor a real alternative but to sign a contract, accepting what the owners were willing to pay since there was only one buyer for player's service.

Interestingly, players considered it an honor to be among those five players to be reserved. (Abrams, 2000) Also, the league president, Hulbert, explained that it had been the players who had demanded the reserve clause to increase job security. (Burk, 1994) As the players lost leverage of interclub bidding, it reduced the player salaried in the National League. Boston's total salary decreased 20 percent from 1877 to 1880, dropped to an average of $1,377.50. (Burk, 1994) In this way, the implementation of the reserve clause worked well for the baseball owners to control player payroll.

In 1881: American Association

On November 1881, new rival league, American Association was created, in which each club paid $65 for territorial rights and $50 in association dues. (Burk, 1994) Since the appearance of a new rival league increased the salary bidding opportunities for players again, they sometimes signed with the American Association, collected their option bonuses, and jumped back to the National League. In August, Catcher Charlie Bennett of Detroit, a National League club, signed an option with a $100 bonus with Pittsburgh, an American Association club. He agreed to sign an 1883 contract worth

$1,700 at the end of the season, but then returned to Detroit. Pittsburgh brought suit but the court ruled for the player claiming that American Association reserve inequitably restricted Bennett to proved services to the club but allowed the club to release him. (Burk, 1994) Attempting to secure players' service, owners offered bonuses and multiyear contract for the players. As a consequence players' average salary jumped again. Also, the blacklisting did not deter the American Association. For example, a club in the American Association hired Charles Wesley Jones, blacklisted outfielder of the National League Boston franchise. (Gregory, 1956)

Again, the baseball owners' need to restrain a bidding war between two rival leagues arose. In 1883, National League owners reached agreement with the American Association to form an enlarged League Alliance and decided not to tamper with each other's reserved players. The agreement also prohibited players who had been expelled by any club from being hired. This "National Agreement" would also enlarge to reserve list to eleven players, virtually an entire club's roster. The owners had come to be able to control the services of a player in perpetuity and for their entire playing career. No player would ever be allowed to leave the team he had first signed with. As a result, interleague bidding competition was oppressed, thus, Chicago and Boston made over $20,000 and $40,000 profit respectively and only two National League clubs, Detroit and Cleveland, showed red in 1883. (Burk, 1994)

In 1883: Union Association

In those days the reserve clause was not a provision included in the players' contracts; it was simply an agreement among the clubs to respect each club's list of players it wished to reserve for the following season. (Gregory, 1956) Another new rival league tried to catch the agreement off guard. On September 12, 1883, twenty-seven-year-old railroad millionaire, Henry V. Lucas announced the creation of the Union Association. (Burk, 1994) The Union Association planned to directly challenge the National League markets in Baltimore, Boston, Philadelphia, Chicago, Cincinnati, and St. Louis. The Union Association announced that it would raid players who were on reserve, but uncontracted for the following year. In the opinion of the Union Association, the reserve rule was not a contract. It was only an option to renew a player's contract for a following year. The Union Association offered descent salaries in advance to uncontracted-but-reserved National League and American Association players and managed to sign about thirty of them. (Burk, 1994)

Again, the creation of the rival league brought soaring total payroll to a level National League and American Association owners considered dangerous. At the end of the 1884 season, the National League's Cleveland club collapsed. In the American Association, which had added four new clubs to compete against the Union Association, three of the four new clubs claimed severe financial problems. However, the lack of competitive balance and financial backing caused the United Association to fold on January 10, 1885. (Burk, 1994)

In 1885: Salary cap

After they survived the competitions with rival leagues, the National League and American Association dominated the northeastern market of the United States. Seeking the ways to increase their stability, predictability, and profitability of their clubs, owners agreed to put inevitable economic siege on the players. They introduced an absolute player salary ceiling of $2,000 in the new National Agreement in August 1885. (Burk, 1994) Sports media supported the owners' decision by explaining that only one-sixth of the players would be affected by the salary cap and the cap protect the small market clubs and player jobs. The media also claimed that if the players did not like the cap, they were free to seek other job. (Burk, 1994)

The club owners gained immediate financial benefit. The National League's Philadelphia Phillies doubled its profits to $13,000 in 1885. 1886 was a profitable year for baseball. Combined, the profit for the three top clubs, Chicago, Boston and New York, was around $100,000. (Burk, 1994)

Conclusion

In 1887, the first union of the baseball players, the National Brotherhood of Professional Baseball Players, accepted the addition of the reserve clause into the players' own contracts as one of trade offs to increased roster size, raising the number of major league jobs to fourteen. (Burk, 1994) Thus, the reserve clause became a formal part of written contracts.

In the late 19th century, the United States was rapidly becoming a major industrial power, with resultant urban growth in the Northeast and Midwest. Through the process of urban growth, baseball, as an entertainment, became one of the most important facets of daily life for all urban social classes. At dawn of the professional baseball business, increasing fan attendance—the major and the only source of team revenues in those days—by improving win-loss record was the most important strategy for the clubs and the leagues. In the league, certain baseball clubs had tried hiring best players with better salaries to increase their victories, which caused the salary escalation that eventually would bring financial instabilities to the clubs. When the rival leagues emerged in professional baseball, the same economic difficulties occurred between the existing and the newly emerged leagues.

The National League and American Association had survived through the early battles in the professional baseball business, and in its process, they had succeeded in controlling players compensation by introducing reserve clause and the salary cap. On the reserve clause, the Supreme Court Justice Oliver Wendell Holmes, in the Federal League case verdict, gave the owners' broad leeway, on May 22, 1922. "The reserve clause in baseball players' contracts … was intended to protect the rights of clubs operating under that agreement to retain the services of *sufficient* players" (italics added). (Lowenfish, 1991) After this case, the clubs' monopsonistic power created by the reserve clause prevailed until 1975, when arbitrator Seitz overturned the clause and the federal court upheld his decision. The reserve system, upheld by the Supreme Court, significantly influenced player salaries. Before the National League adopted the reserve system in the late 1870, player salaries and benefits constituted about 60 percent of revenue. However, the percentage declined to below 15 percent for Major League Baseball clubs in the mid-1950s. (Abrams, 1998)

Chapter 2

After the appointment of Marvin Miller in 1996, the Major League Baseball Players Association (MLBPA) became one of the nation's most powerful trade unions and has achieved significant success in dealing with professional baseball owners. The MLBPA was the fifth labor organization in professional baseball history. The first union, the National Brotherhood of Professional Baseball Players in 1885 disappeared with the Players League. League Protective Players Association in 1900 ended in 1902 when the war between American League and the National League ended. Baseball Players Fraternity in 1912 faded away with the Federal League by 1918. American Baseball Guild formed in 1946 and lasted for one season. Although each union was short-lived, their attempts to improve conditions are worth to investigate as a premise to understand the labor negotiations after mid 1960.

In 1885: National Brotherhood of Professional Baseball Players

After its implementation in the end of the 18th century, the reserve system proceeded to hold down salaries, in that there was no bidding involved for any player services. The professional ballplayer had no other recourse but retirement if he did not like the contract offer which the club gave. Although baseball players were paid well compared to other workingmen, they knew that a typical professional career lasted only a few years. (Abrams, 1998) During the off-season, at least a fifth of the baseball players worked in saloons. (Abrams, 1998) Although other players were angry with the reserve clause, John Montgomery Ward, was the first player to openly criticize the reserve clause. On February 14, 1885, in the New York *Clipper* he questioned the legality of the reserve clause. (Burk, 1994) Ward was a veteran player for the New York Giants who could speak five languages and earned bachelor's degree in law and political science. On October 22, 1885, with his eight teammates of the New York Giants, Ward formed the first baseball players union, the National Brotherhood of Professional Baseball Players (NBPBP). (Burk, 1994) Ward drafted the association's charter, which promised "to protect and benefit its members collectively and individually, to promote a high standard of professional conduct, and to advance the interests of the 'National Game'." (Lowenfish, 1991) Having established chapters in every National League city and having more than 30 members in the American Association, the NBPBP had an estimated membership of 107 in the 1886. (Burk, 1994)

The NBPBP countered the reserve rule, salary caps, selling players to other teams, and a pay classification system that relegated the lowest paid players to a maximum of $1,500 a year along with other job duties such as collecting admission tickets and sweeping up the ballpark after the game. (Jennings, 1990) In 1887, the association accepted the addition of the reserve clause into the players' own contracts as one of trade offs for increased roster size, raising the number of major league jobs to fourteen.

During the off-season of 1888, while Ward and many other union leaders had been overseas on a postseason all-star tour of Honolulu, Australia, Egypt, and Great Britain, owners had passed stringent new regulations against the players. (Burk, 1994). The owners' new regulation, the Brush Classification Plan, ranked players in five categories and put a salary lid in each category, from A to E, in which an "A class" player could receive no more than $2,500 to the E player's $1,500 limit. (Lowenfish, 1991) When the association asked for a meeting to discuss the classification and salary limitation grievance, owners brushed it off. The club owners responded to the threat posed by Ward's union by tightening their control over the players' terms and conditions of employment. As a result, players' resentment against the club owners grew.

In 1889: Players League was formed by NBPBP

The hard-line response from the owners moved NBPBP members to create a new league. On November 4, 1889, a group of thirty to forty NBPBP members gathered in New York City, and on the next day, they declared the formation of an independent baseball league: the Players League. (Burk, 1994) In the new league's manifesto, Ward attacked the National League, "Players have been bought, sold, and exchanged as though they were sheep instead of American citizens.”

Players and investors drafted a ten-year charter with cooperative principle and shared power on a board of directors. To give the new club stability, players signed a three-year Players League contract. The reserve clause in the contract was scrapped. An 1889 player contract of Ward with the National League Giants gave the club the right to reserve him for the 1890 season. After he announced his participation in the Players League, the Giants filed suit in the NY Supreme Court. (Abrams, 1998) The court found that the contract was invalid because it lacked definitions and mutuality. Ward’s salary in 1890, and what he had agreed to do for that salary was unclear. The court had decided the reserve clause as “too indefinite” to be enforced. The state court was asked to issue an injunction against Ward by the Giants. In the standard player agreement, as construed by the club, the players’ obligation to the team could last for years, however, the club was only required to give the player ten days’ notice before his contract expired. The Giants’ legal claim fell apart with this obvious lack of mutuality. (Abrams, 1998)

The result of Ward’s case evidenced that the court might not help owners to enforce the terms of one-sided player contracts. National League owners lost almost every lawsuit to enforce the terms of the reserve system, and about the 80 percent of the National League’s players moved to the Players League including such standouts as Connie Mack and Charles Comiskey. (Abrams, 1998) Players League attracted significantly more fans to its games than the National League. According to the Reach

Guide of 1891, the Players League overdrew National Leagues' attendance 980,887 to 813,678. (Burk, 1994)

The National League attacked the new rival league financially by scheduling games in direct competition with Players League games and by distributing free National League game passes in saloons, barber shops, and other public spaces. (Lowenfish, 1991) Both sides suffered financially, the Players League lost an estimated $340,000, and the National League lost anywhere from $250,000 to $500,000 (Burk, 1994) Using various means, such as personal intimidation, threats, propaganda and financial offers, the National League owners were able to persuade the Players League's inexperienced financial backers to abandon the cause and the more-experienced National League owners prevailed. (Abrams, 1998) The Players League folded after one year of play, and the National League accepted most of the players back with major salary reductions—as much as 50 percent in some cases. (Lowenfish, 1991)

After the demise of the Players League, grievances had been building between the National League and American Association. From the pool of the refugee players who had played in the Players League, National League clubs had been raided as many as twenty-seven players per team. In the middle of the 1891, the American Association had broken away from the National Agreement protesting against the National League clubs' refusal to return the players who had played in the American Association during 1889 season. (Lowenfish, 1991) The American Association folded after the 1891 season and the 1892 season the National League started with the addition of former American Association clubs—Baltimore, Washington, St. Louis, and Louisville.

With the single-league monopoly, after the collapse of the Players League and the American Association in two consecutive years, the roster size was reduced to about 180, which is about the half of what it had been in two previous years. (Burk, 1994) The single-league monopoly allowed the National League to enjoy unprecedented controls upon player compensation. The new National Agreement was announced on March 1, 1892. With the new agreement, even when a player retired, his former club now could attempt to restrict his future opportunities as a manager or a coach with another team. (Burk, 1994)

In 1900: Players formed League Protective Players Association

The single-league monopoly permitted the baseball owners to control players' payroll. On the other hand, the National League's financial difficulties incrased by the turn of the century because of *"gross individual and collective mismanagement, their fierce factional fights, their cynical disregard of decency and honor, their open spoilation of each other, their deliberate alienation of press and public, their flagrant disloyalty to friends and supporters, and their tyrannical treatment of their players."* (Burk, 1994, p.141) As a result, two-thirds of the twelve league clubs were unprofitable – the National

League eliminated its four weakest franchises – Baltimore, Louisville, Washington, and Cleveland – dropping to an eight team league and the owners had agreed to set a $2,500 salary cap on their best players. (Abrams, 1998) The entire United States also had experienced severe depression in the 1890s. Because of this, more and more hardship for laborers as companies went bankrupt, layoffs became more commonplace, and wage cuts increased. (Burk, 1994) Similarly, the baseball players at the turn of the century grew increasingly discontent and organized a Protective Association of Professional Baseball Players on June 10, 1900. (Burk, 1994) The association planned to a moderate stance to work for improvements in job security and benefits. Approximately a hundred players attended the association's meeting and approved a constitution. (Burk, 1994)

However, the association was quickly rendered redundant when a new league appeared on the scene. The diminishment of the National League to the eight-club circuit was an open invitation for the creation of a rival league. In 1901, president of minor Western League, Ban Johnson, renamed his league the "American League" and expanded into the cities the National League had abandoned, declaring his eight-club circuit a new major league. The American League offered an extra $500 in salary and a total of 111 experienced National League players jumped to the rival league. (Abrams, 2000) In 1902 the American League attracted more than 2,200,000 attendances in comparison with the National League's 1,700,000. (Lowenfish, 1991) With the economic success of the American League and diminished profitability of the National League, the National League owners felt compelled to enter into a new business truce. In January 1903, the American League war ended with the signing of a national agreement (Duguette, 1999) and each league agreed to respect the other's active player contracts and reserve lists. (Burk, 1994)

The pledge of the National Agreement was "to perpetuate baseball as the national game of America, and to surround it with such safeguards as to warrant absolute public confidence in its integrity and methods." (Abrams, 1998, p.41) Under a new National Agreement, the American and National Leagues formed the organization of Major League Baseball, and the eight franchises of each circuit of the major leagues would remain in their home cities for the next half century. (Abrams, 1998) Baseball boomed in the early 1900s. It benefited from the rapid population growth from 40 percent in 1900 to 46 percent by 1910 in urban area of America. Major League attendance up from 4.75 million in 1903 to 7.25 million in 1909. (Burk, 1994) Franchise values grew from $50,000 to $100,000 at the beginning of the 1900s to five or ten times as much by 1910. (Burk, 1994)

In contrast the end of the bidding war between two rival leagues brought the usual rounds of salary retrenchment. Protected by the monopoly in the baseball labor market, the owners made private collusion to control player payroll. Since the administration of President Theodore Roosevelt was mainly using antitrust law to attack collective action by workers against business, this baseball's monopoly was not challenged. As a result, the average player continued to earn under $2,500, virtually unchanged from the salaries of comparable performers of a decade earlier. (Burk, 1994)

In 1912: "Ty Cobb Strike" leads to formation of Baseball Players Fraternity

The major league owners' financial bonanza came to close with the start of new decade. The American League's attendance fell from 3.75 million in 1909 to 3 million in 1912, and the National League's dropped by a similar amount. (Burk, 1994) From 1909 to 1914, seven new parks were built, each at a cost of over $2 million. (Burk, 1994) Assisted by substantial growth of minor league players as a replacement pool — by 1910, there were approximately 8,000 minor league players — owners had subtle motivations to improve labor status of the players.

Although the estimated average salary was about $3,000 at the time, rookies and fringe players probably earned $1,500-2,000. (Burk, 1994) Among the players, Walter Johnson, who won 25 games in 1910 for Washington began to express his discontent publicly. (Lowenfish, 1991) In its July 1911 issue, *Baseball* mangazine, he contributed his opinion, which entitled "Baseball Slavery: The Great American Principle of Dog eat Dog." Compensation was not the sole source of players' complains. Players risked serious injury — by 1915 fifty-nine professional and semi-pro players in the United

States died as a result of on-field accidents — owners refused to provide pensions or health insurance. (Burk, 1994) In 1911, players requested to allocate the fees to a pension fund from the motion picture rights fees of the World Series, which were shown to audience all across the country. But owners refused the request. Studies showed low job security in the major league baseball, with a 90 percent player turnover in the previous ten years. Individual dissatisfaction of the major league players was building throughout 1911. (Lowenfish, 1991)

Collective action of the players finally erupted in May 1912. During a Detroit Tigers game in New York, Ty Cobb went into the stands and assaulted a spectator who had been heckling him. After the American League president, Ban Johnson, suspended Cobb for ten days, his teammates refused to play in the next game. When they were fined for this, all the Major League Baseball players, led by the attorney David Fultz, reacted by forming the Baseball Players Fraternity. (Weiler, 2000)

David Fultz, who had a seven-year career major league career, had experienced contract inequity of the major league in his early career. After he had graduated from Boston University, Philadelphia owner signed Fultz with the contract that the player thought it was $2,400. When he received his offer for the next year, the salary was only $1,200. Colonel John I. Rogers, the owner of Philadelphia explained that his original contract was for $1,200 salary and $1,200 signing bonus. (Lowenfish, 1991)

Charging $18 annual dues, 288 players immediately joined the fraternity. (Burk,

1994) Fultz argued that the players deserved good pay in his regular column in *Baseball* magazine that “the big leaguer is a development of years of continual practice….He is the expert, the masterpiece selected from thousands and thousands of players in this country.” (Lowenfish, 1991, p.81) To the owners complain that the players had not invested in the games, he responded that the players had contributed “their skill, their agility, their strength, their mental and physical alertness, qualities which have taken them years to develop.” (Lowenfish, 1991, p.81) Fultz also raised the issue of player safety, and the problems of minor league. Since his sincerity and clear presentation of the issue attracted a lot of minor leaguers to the fraternity, by the end of 1914 season, it increased total membership to over 1,100. (Lowenfish, 1991)

In January 1914, after the regularly scheduled business meeting of the governing body of the Major League Baseball, the National Commission, the fraternity achieved recognition and gained improvement in the players’ working conditions. Owners approved eleven of seventeen points in the fraternity’s demands. Owners would now pay for players’ home and road uniforms (except shoes) and travel expenses to spring training. Ten-year major league veterans received the right of unconditional release. Owners promised written notification and explanation to players who were suspended. Transferred players were also given written explanation of their sale or option terms. All players were promised actual copies of their contracts.

In 1914: Federal League

It is obvious to say that the emergence of the new rival league, Federal League, formed in 1911, had influenced the owners' decision to recognize the Fraternity and gave some compromises to the players. In August 1913 the Federal League owners, recognizing that the American public was hungry for more baseball entertainment, announced that they intended to seek major league status from the 1914 season, and interested in attracting stars from the Major League. In order to keep the players loyal to the Major League, owners recognized the fraternity and accepted their offer.

During two years' bidding war, of a total of hundred sixty-four players who competed in the Federal League, only eighteen major league player jumped their contract and only sixty-three ignored their reserves. (Lowenfish, 1991) However, this bidding war drove up player salaries, which had been restrained under the major leagues' strict reserve system. The average salary, $3,800 in 1913, soared to $7,300 in 1915. (Helyar, 1994) The Major League attendance declined to 4.1 million in 1914, with a loss of 1.9million from previous year. (Burk, 1994) Also, the Federal League lost $176,000 in its first season in 1914.

1914 was the year in which President Woodrow Wilson piloted the Clayton Act. The Clayton Act gave the private parties the right to sue for antitrust violations. In January 1915, the Federal League owners brought antitrust lawsuit to the Illinois federal courtroom of Judge Kennesaw Mountain Landis, claiming that the Major League had blocked them from the player market, restraining free trade. Despite plaintiff’s hope to gain court victory before spring training began, even after eleven months, Landis still hadn’t made a ruling. During the 1915 season, attendance in the Major League increased by over 400,000, while the Federal League lost an estimated $2.5 million. (Burk, 1994) Landis advised of the settlement and dismissed the antitrust suit. The Federal League settled for a modest cash settlement.

John J. McGraw – a very successful player, manager and owner during that era – explained that the failure was due to lack of baseball experience among the Federal League executives. By 1918 the Fraternity also faded out of existence. Collective bargaining efforts by the baseball players floundered for a long time after the demise of the Baseball Players’ Fraternity. (Jennings, 1990) At the settlement, Federal League received $600,000 in return for dropping the action and some Federal League owners, became major stockholders of the existing Major League clubs. (Lowenfish, 1991)

In 1922: Supreme Court

Although they made generous settlement terms to some Federal League owners, the Major League owners offered Federal League Baltimore Terrapins owner Ned Hanlon a small settlement because the Major League had no franchise in Baltimore.

They evaluated the city as “a minor league city, and not a hell of a good one at that.” (Abrams, 1998) Feeling being cheated and insulted by the Major League owners, Hanlon and the board of directors of Baltimore turned down the offer and brought antitrust suit. They alleged that the Major League had conspired to shut them out of the baseball business in direct violation of antitrust laws. After dragged through various federal courts for six years, the case reached the Supreme Court in 1922. Justice Oliver Wendell Holmes decreed that baseball exhibitions were “purely state affairs,” not “commerce” because “personal effort, not related to production, is not a subject of commerce,” traveling across state lines to organize the baseball exhibition was “a mere incident, not the essential thing,” and therefore not subject to the Sherman Antitrust Act.

Federal Baseball established two things baseball owners could be happy about — Major League Baseball was exempted from the antitrust law and the reserve clause was upheld by the Supreme Court. In the case, Justice Holmes decreed “The reserve clause in baseball players’ contracts … was intended to protect the rights of clubs operating under that agreement to retain the services of *sufficient* players” (italics added). (Lowenfish, 1991, p.107) Thus, major league owners are given the exclusive rights to the services of the player for their entire playing lifetime. Even if a rival league would be founded in the United States, since the owners could legally bind players to their teams for life, there would be no fear again of having a bidding war against the rival league. Also, the antitrust exemption would emasculate the rival league’s argument that the

Major League Baseball owners are monopolizing by limiting the supply of talented players with the reserve clause. In this way, *Federal Baseball* discouraged the founding of a strong rival league. Since they became the only major game in town, the business of baseball could operate just as the Major League owners wanted. As there would be no more rival league, if a professional baseball player did not like the contract offered by the club, there would be no other recourse for him but retirement.

<u>During 1920s to 1940s</u>

Long after the Baseball Players' Fraternity disbanded, collective bargaining floundered. (Jennings, 1990) During the early to mid-nineteenth century, unions were considered criminal conspiracies in many states, and their leaders were subject to arrest. (Abrams, 1998) As a result of the Great Depression in 1929, national labor policy changed dramatically. The Norris-LaGuardia Act of 1932 removed the threat of a federal court injunction against peaceful union strikes. In 1935, the Wagner Act affirmatively supported the right of employees to organize unions, to engage in peaceful concerted activities, and to demand that employers bargain in good faith with the unions and prohibited discrimination against union members. The Norris-LaGuardia and Wagner Acts granted significant protections to labor organization in the United States and union had grown in power.

In 1946: American Baseball Guild is formed by Attorney R. Murphy

After World War II had ended in 1945, America was eager to relax at the ballpark: in 1948 attendance at the Major League Baseball games was up to 21 million from 10 million in 1939. (Weiler, 2000) In 1946, Collective bargaining interests increased due to the emergence of the rival Mexican League, and Robert Murphy's American Baseball Guild. (Jennings, 1990) The five Pasquel brothers, who attempted to lure big-time U.S. players to Mexico, formed the Mexican League. (Jennings, 1990) Players like Danny Gardella, Sal Maglie, Vern Stephens, Max Lanier, and Lou Klein took the big money offered by the Pasquel brothers to join the Mexican League. (Peary, 1994) The Mexican League failed in 1946 for several reasons, such as lack of fans, inadequate playing fields, the costly investment in establishing stadiums, and the serious climate difference. However, the Major League owners realized that competition for their ballplayers could occur. (Jennings, 1990)

In early 1946, Robert C. Murphy, a Boston lawyer and former examiner of the National Labor Relations Board, became concerned about the economic condition of baseball players. Because of increased player interest and the encouraged collective bargaining under the National Labor Relations Act in 1935, he felt that the union would be accepted. On April 16, Murphy registered his American Baseball Guild as an independent labor organization in Suffolk County, Massachusetts. (Gregory, 1956)

His union's program consisted of the following major points:

1. *Freedom of contract should be established so a player would not be forced to join a particular club against his will.*
2. *Players sold or traded should receive 50 percent of the purchase price.*
3. *Disputes between players and management regarding salary and other conditions of employment should be settled by collective bargaining.*
4. *Provisions should be made for security, insurance, bonuses, and other matters.*
5. *$7,500 minimum salary.*

(Gregory, 1956)

Murphy believed the Guild should represent players in collective bargaining activities for all major-league teams. He requested the National Labor Relations Board (NLRB), an independent government agency organized by the Wagner Act of 1935. Without giving a formal reason, the NLRB turned down his request. The reason why the NLRB turned him down is probably because it felt that professional baseball did not fall under its charge to oversee labor management relations in interstate commerce. (Jennings, 1990) Murphy then decided to use state labor law, which would apply to an individual team located in the state. He focused on one team, the Pittsburgh Pirates, where – he claimed – a majority of players desired union recognition. (Jennings, 1990) But the trial examiner of the Pennsylvania State Labor Board disclosed that Murphy was the sole officer of the Guild, which had no constitution or by-law and did not hold regular meetings. (Gregory, 1956)

In late July 1946, the Major League owners were able to fend off the organizing effort by making some concessions. Those were establishing a minimum salary of $5,500, a maximum pay cut of 25 percent, and $25 a week payment of spring training expenses, which would forever be known as "Murphy money." (Helyar, 1994) In addition, Commissioner Albert "Happy" Chandler's office set up a "Representation Plan" to permit players to address their concerns directly with the owners. In the plan, each team would have a player representative, who in turn would pick a representative for each league. The owner representatives on the Major League executive council would meet with these two league-wide representatives periodically. (Weiler, 2000) In time the Guild passed out of existence.

Using the Representation Plan, the players continued to press for bargaining issues even when their proposals were refused. The pension plan, approved in February 1947, was a most significant bargaining issue affecting all players. Ralf Kiner, premier home run hitter for the Pittsburgh Pirates, looks back about the bargaining. *"Marty Marion of the Cardinals, Dixie Walker of the Dodgers, and Johnny Murphy of the Yankees were the guys who represented the players in dealing with the owners and general managers. They … brought about the first pension plan, which would begin officially on April 1, 1947. The players and owners would put in initial money—the owners put up about $1 million—and add money annually, and the pension would get funding from yearly World Series and All-Star Game proceeds. After retirement, 5-year veterans would get $50 a month and 10-yeear veterans would get $100 a month. It was a case of the players* *taking over and getting a lot of things without creating a union. At least we didn't call ourselves a union, because many players were afraid of that name. We had a difficult time getting individual players to even consider that they might have to strike, and that they would be backed by the other players if they did. At that time, we wouldn't have succeeded with a strike because we weren't well enough organized."* (Peary, 1994, P.14)

<u>In 1953; Players hire attorney J. Norman Lewis</u>

By 1953, more and more American had television sets in their homes and could watch the games without going out. Because of this, MLB attendance dropped to 14 million. (Weiler, 2000) But baseball soon began collecting substantial revenue from this new revenue source. Commissioner Chandler sold the TV-radio rights for the World Series and the All-Star Game to Gillete Safety Razor Company for $1 million in 1949. NBC bought the broadcasting package for $4 million a year from the Mutual Broadcasting System, to whom Gillete had given the rights. The share of all the Major League revenues devoted to players' payrolls dropped from 25 percent in 1946 to 13 percent a decade later. (Weiler, 2000)

However, owners did not provide players a detailed accounting on the pension, which is supposed to be funded from yearly World Series and All-Star Game proceeds. In 1951, the average salary was $13,000, and even above average players took second jobs. Robin Roberts, a twenty-one-game winning pitcher for the Phillies, sold cardboard boxes in the off-season. The Yankees' Yogi Berra and Phil Rizzuto sold men's clothing at a store. (Helyar, 1994) Although Commissioner Ford Frick insisted that he was taking care of the pension fund, many players were concerned about the solvency of their pension fund. Player representatives Ralph Kiner of the Pirates and Allie Reynolds of the Yankees requested the minimum salary be raised, accountability on the pension plan, and ball players earning less than $10,000 a year to have the opportunity to play in Latin American baseball during the winter, but they failed to gain any definite concessions. (Lowenfish, 1991)

Kiner and Reynolds met with representatives from individual teams at the 1953 All-Star Game and the group decided to hire a lawyer, Norman Lewis, as legal counsel. Fearing the rise of a labor boss, the Major League owners refused to let Lewis into the Executive Council meetings on August 24, 1953. But later that day, Lewis talked with Commissioner Frick and league presidents Will Harridge and Warren Giles and submitted about dozen requests. Although they did not receive enough satisfaction on the pension concerns, player representatives reached agreement with management on the following working-condition changes:

1. *The allowance for moving was increased. A player traded from one eastern club to another eastern club or from one western club to another western club would receive a flat sum of $300 to cover moving expenses. A player traded from an eastern club to a western club, or vice versa, would receive a flat sum of $600 for*

expenses.

2. *During spring training, if a player should elect to live outside the hotel at which the club was staying (with permission of the club), he would be reimbursed the full hotel rate.*
3. *If a player should require surgery for illness or injury suffered outside the line of baseball duty, he would not be required to undergo such surgery at his own expense.*
4. *Each player would receive $8 per day for meal money on the road.*

(Jennings, 1990)

<u>In 1954: Major League Baseball Players' Association</u>

On July 12, 1954, just before the All-Star Game, the sixteen player delegates held a meeting in Cleveland and organized the Major League Baseball Players' Association (MLBPA). Most of the players signed up with the MLBPA, and elected Bob Feller as the first MLBPA president. (Weiler, 2000) The MLBPA had a constitution and by-laws, which require four meetings a year, but they did not call themselves as a union and keep Lewis in the background. Actually, the MLBPA did not act like a union. The player representatives had no vote. Their role was to communicate possibilities for the owners to consider. Although Lewis was barred from the official meeting, he worked out a compromise on pension funding. The old pension plan would expire in 1956, and the new pension plan was funded with 60 percent of All-Star net receipts and of the World's

Series media income. The players and the owners approved the new pension plan on July 26, 1954, to take effect in 1957.

In 1957, the MLBPA negotiated a settlement that permitted black major leaguers to stay in the same hotels as their white teammates. (Miller, 1990) But the MLBPA achieved quite a few advances other than the pension funding formula. During the years 1952-56 the total income of the major league clubs increased about $10 million while players' salaries increased only $300,000 during that same time period. In 1958, the MLBPA tried to raise their minimum salary of $6,000. The players proposed that the salary budget of each club should equal 20 percent of all its gross receipts and justified them with these facts. (Jennings, 1990) However, the owners rejected the proposal, and the minimum salary remained at $6,000.

In 1959, Lewis was fired by the MLBPA. He had refused to tour spring training camps and understand player insights regarding possible working-condition problems. Players selected new legal counsel, Robert C. Cannon. The owners paid Cannon's retainer, a blatant violation of the National Labor Relations Act. Cannon supported the owners' reserve system and dreamed to be a Baseball Commissioner. At one congressional hearing in 1964, he said "the thinking of the average major league ballplayer," was "we have it so good we don't know what to ask for next." (Helyar, 1994, p.13) With Cannon being so faith-kneed, it was conceivable for the MLBPA to gain concessions from the owners. This situation dramatically changed in 1966, when Marvin

Miller was appointed as an executive director of the MLBPA.

Conclusion

Interestingly, the four players' organizations existed in the rival leagues. The first union, the National Brotherhood of Professional Baseball Players established its own Players League. League Protective Players Association existed with American League's challenge against the National League. Baseball Players Fraternity in 1912 faded away with demise of the Federal League. American Baseball Guild paralleled with the Mexican League. Although it seems to be coincidence, the emergence of rival leagues and the players' organizations has connections each other. Under a monopoly by a league, owners have total control over players' working conditions and thus players' dissatisfaction increase. Widespread dissatisfaction with working conditions increased the chances for successfully organizing rival leagues and a players' organization. After a rival league emerges in baseball, a bidding war to acquire the best players between the rival and existing leagues significantly reduces the purpose of having a players' organization because the expanded roster size provides enough hiring opportunities to satisfy players financially. However, this increased labor cost of league operations damages the new league financially, and the losing league disappears and again, the entire roster size in the top league is reduced.

A result of the fourth cycle, the Representation Plan, was a very important step for the players. Because the Representation Plan allowed players to discuss their concerns directly with the owners for the first time and it brought pension plan. Negotiation table and topics were set among the owners and players. Now only missing part is a skilled negotiator.

Chapter 3

During the mid 20th century, the pension plan had been main concern for the players because Commissioner Chandler's made baseball's TV and radio income the source of pension funds in 1949. Even though major league TV and radio income increased forty-five times over twenty years, the pension fund had increased to just five times the original payment. (Miller, 1990) Two quotes by baseball players explain well how baseball players at the time perceived their pension and the union activities. Gene Woodling, one of the Yankees' steadiest players as they went on to win 5 straight world titles from 1949 to 1953, looks back *"We never talked strike or unionizing. We just wanted a fair pension."* (Reary, 1994, p.371) Phillies outfielder Del Ennis, one of the league's top power hitters on the 1950s said *"I thought that the players' association was very important because it got us an effective pension plan. But I was not a union person. I thought unions were needed to get rid of sweatshops, not to be in baseball."* (Peary, 1994, p.329)

Even after collective bargaining occurred in Major League Baseball in 1968, the pension plan had been negotiated separately from other labor issues until the 1976 Collective Bargaining Agreement negotiations. This chapter examines the early negotiations for pension plan.

In 1947: the first pension plan in the Major League Baseball

In 1946, the Major League owners tried to fend off Robert Murphy's unionization attempts by making some concessions to the players. One of them was a "Representation Plan," which permitted players to address their concerns directly to the owners. The players continued to press for bargaining issues using the Representation Plan, and finally, pension plan was approved on February 1947.

The first pension system in professional baseball, adopted in 1947 and effective since 1952, is officially known as the Annuity and Insurance Plan. Annuities started at $50 a month for a player with five years of service and each additional year of service increased the pay-out amount $10 a month until a maximum of $100 a month was reached for ten year player and over. Pension eligibility begun at the age of 50. Annuities were payable for life, even if the beneficiary had another job, was collecting social security benefits, or was wealthy. This plan covered all players, trainers, and coaches while each club may have not more than four active coaches and one active trainer in the plan.

Each club contributed flat payment of $250 annually for each player subscribing to the plan. Players' contributions varied depending on their length of service, from $45.45 up to $454.75 per full season. But the chief funding came from All-Star Game and the World Series. In September 1949, the 36-year-old Major League pitcher Ernie Bonham died. Since there was not enough pension revenue to fund his widow, Commissioner Chandler sold the TV-radio rights for the World Series and the All-Star Game at a price of 1 million a year for the next six years. The entire profit from the All-Star Game went to the pension fund. Also, 60 percent of the proceeds from the TV and radio broadcasting contracts for both the All-Star Game and the World Series went to the fund. (Gregory, 1956)

The first payments of the pension were made in March 1952 to three players and a trainer of the Cubs. (Gregory, 1956) Although the owners paid about 80 percent of the cost of annuities, less than 8 percent of the players on major league rosters in 1949 and 1950 were classified as ten-year veterans. (Jennings, 1990)

In 1954: The second pension plan was approved

The pension plan was to expire in 1956. The negotiation for the new pension plan had begun in early December 1953 at the owners' annual meeting in Atlanta. Players reps, Allie Reynolds and Ralph Kiner, Cleveland GM Hank Greenberg and Pittsburgh owner John Galbraith were involved in the negotiations. The owners pressed for a flat $1 million-a-year payment to the pension plan. However, believing in a bright future for television, players wanted permanent pension plan funded with two-thirds of the television receipts from the World Series and the All-Star Game.

Throughout the negotiations, players' reps worried they would fail because they had no leverage other than threatening a strike during the World Series. Kiner doubted its possibility because they did not have the full backing of the players. They had to bluff their way through the early part of the negotiations. However, strong support by influential newspapers and the acknowledgment by Hank Greenberg, one of the rare players who had made it into management, that players' terms were reasonable, the players did obtain concession from owners. The new pension plan was funded with 60 percent of All-Star net receipts and of the World's Series media income. From Ralph Kiner's reminiscence, he says *"I was living in California, where there was a lot of talk about pay television, and it was my opinion that if we ever went to pay TV, 60 percent of the money was better than getting a flat fee. We asked 66.6 percent, which was based on the radio split the ballplayers got for the World Series, but settled for 60 percent."* (Peary, 1994, p.220)

The players and the owners approved the new pension plan on July 26, 1954. The five-year pension plan went into effect on April 1, 1957. All players active, inactive, and retired since 1947, the year original was conceived, had this pension plan extended to them. Widows of eligible players, under the new provision of the plan, received payments for life, or until they remarried. Players who paid $344 a year were also eligible for the following benefits: depending upon their length of service, $6,000--$20,000 life insurance plan, individual/family hospitalization coverage, and and disability payments of $450 a month for life or until recovery. (Jennings, 1990)

In 1962; the third pension plan agreement

In 1959, American League player pension representative, Jim Bunning had supported the idea to add a second All-Star Game to generate extra money for pension fund. In 1962 owners agreed to put 95 percent of All-Star gate and television incomes to the pension fund and the idea of the second game was dropped. (Lowenfish, 1991) With the improved pension plan, a player with five years of service could, at age 50, collect $125.50 a month for life, up from $88; a 10-year man could get $250, a 20-year man $300. New legal advisor for the MLBPA, Judge Robert Cannon, praised the pension as the “finest in existence.” (Miller, 1990, p.141)

However, those dollar amounts did not go to any immediate retirees, as it is elsewhere, they would only begin in the far future. If a player gave only five years of service before retiring in say 1966, he would be in his thirties. Starting from 1986, he would receive $1,500 a year for life. With higher inflation, this would not be considered much by them.

The third pension plan was going to expire in March 1967. The players’ share, funded from World Series and All-Star Game broadcast revenue, now amounted to $1.6 million a year. In 1965 ABC signed $5.7 million broadcasting contract to begin their regular season TV coverage, “Game of the Week.” However, since their television money was only tied to the ALL-Star Game and the World Series, the players had not received anything out of the ABC deal. Robin Roberts, the longtime player rep of the National League and some players were concerned that the players would not get their fair share. In 1965 the leaders of the MLBPA established a search committee to select a new full-time spokesperson for the players.

They sought advise from a leading labor economist, George Taylor. He suggested a forty-eight-year-old professional in labor relations, Marvin Miller, the chief economist with the Steelworkers Union for the previous sixteen years. In March and early April 1966 Miller toured the spring training sites of the Major League Baseball clubs to meet with players and listened about players concerns. Players approved to hire Miller by a vote of 489-136 and Miller took over as executive director. At the time, what the MLBPA had was a file cabinet and $5,400 in its bank account. Miller immediately negotiated a deal with Coca-Cola to put players' pictures under bottle caps, raising $66,000 – the modest beginning of a licensing program. (Abrams, 1998)

Chapter 4

Until the end of 1982, when Marvin Miller retired, he led three pension plan negotiations and five Collective Bargaining Agreements as an executive director of the MLBPA. Under Miller's leadership, the players gained a significant share of the profits of the baseball business with the sacrifices such as work stoppages and employer lockouts. This chapter explores the strategic process of eight negotiations between the baseball owners and the MLBPA led by Miller.

In 1966; the first MLBPA pension settlement

The existing pension plan was to expire at the end of March 1967. Negotiation for the new pension plan began in June of 1966, at the baseball's Executive Council in Chicago, and the MLBPA and management reached a three-year pension settlement in December 1966. The biggest achievements for the MLBPA were, it gained recognition as a representative of the players and it reached a first agreement through collective bargaining.

At the beginning of the negotiation, it was doubtful whether owners were even inclined to negotiate. Even though the actual negotiation had not yet taken place, Commissioner William Eckert planned to announce the amount of the owners' next pension contribution at the press conference. Marvin Miller reminiscences this as *"with my background of collective bargaining, I found the proceedings incredible. The pension and insurance plan, considered a major benefit by the players, was not due to expire for more than nine months. The players had not yet discussed changes or improvements they wanted to propose, so, of course, no proposals had been submitted to the owners. The owners, similarly, had made not proposals for change. In plain English, there had been no collective bargaining. No matter—they were about to make a public announcement that the players' pension plan for the next two years was a settled matter!"* (Miller, 1991, p.88)

Miller taught Eckert that the MLBPA is the collective bargaining representative of the players, there had been no collective bargaining about the pension plan change, and bypassing the MLBPA in collective bargaining was violation of the law. Then, the actual negotiation did begin during the 1966 All-Star break in St. Louis.

Before examining the 1966 pension negotiation, let us turn to the history and practice of collective bargaining. In 1890, to the response to the excess of American business combinations and monopolies, Congress passed the Sherman Antitrust Act, prohibiting "any contract, combination or conspiracy in restraint of trade." Although main purpose of the act was to control monopolies in business, employers took advantage of this act to control union activities. In *Danbury Hatters* case, the courts found that the boycott by a union was a "restraint of trade," and awarded monetary damages payable by the union members. In 1914, Congress enacted the Clayton Act, which established statutory labor exemption, in which union activities in furtherance of its own interest are exempt from the reach of the antitrust laws.

In the Wagner Act of 1935, Congress supported the right of employees to organize unions and to demand that employers bargain in good faith with organizations representing a majority of their employees. The Wagner Act proposed that the disputing parties themselves settle labor conflicts through the structure of collective bargaining. Management and union are required to bargain “in good faith” by making a reasonable effort to agree over “terms and conditions of employment.” To encourage management and unions to reach agreement, a party is required to offer reasons for the positions it takes in negotiations, to meet its obligations to bargain in good faith. The result of successful collective bargaining is a written agreement that binds the parties for a specific term of years. The agreement lays out the terms and conditions of employment.

The pension negotiation between the owners and the MLBPA began in the summer of 1966, and the stalemate continued through November until a settlement was reached in December 1966. The most controversial point in the settlement was that the MLBPA agreed to accept a flat sum contribution for pensions instead of the previous percentage of TV revenues. Player reps, Bob Feller and Allie Reynolds, criticized Miller when he agreed to accept a flat sum. In fact it was the owners’ intention to get rid of any formula from the pension fund because they wanted to keep the lion’s share of the promising broadcasting revenue. However, Miller's fear of implementing any formula was that, it permitted cheating and could be terminated by the owners whenever they thought they could get away with it. Since baseball owners negotiated total broadcasting rights to the All-Star Games, the World Series, and the regular season games at the same time, with no players having attend to the negotiations with television networks, owners were able to under-value the contracts to the All-Star Games and the World Series, which are connected to the pension fund. Instead of taking these possible risks, Miller chose the actual increase in dollars.

With the settlement, the pension funding was increased from 1.5 million a year to 4.1 million. Also the previous pension-plan payouts nearly doubled for the players competing for ten years in the majors and retiring at age 50, ($500 a month); five-year veterans would receive $250 in monthly payments at age 50; and 20 year men would receive $600 monthly at age 50. If a player waited until he was 65 to start collecting benefits, a player with five years of service would receive a monthly $644; a ten-year player, $1,288 monthly; and a 20-year player, $1,488 a month. Widows' benefits were increased from 50 percent of the players' fixed retirement benefit to 100 percent, and the disability benefit doubled to $500 per month. A voluntary dues check off was included in which the players' previous $344 pension contribution would go directly to the MLBPA. (Jennings, 1990)

It could be said that the first pension negotiation for the MLBPA was successful.

With the increased pension payouts came the crucial factor for the union: credibility and recognition by the players of the union as their bargaining representative. More than 99 percent of the players signed up with this new pension plan. (Jennings, 1990)

1968 Collective Bargaining Agreement

The collective agreement in 1966 covered only pensions and insurance. The next goal for the MLBPA was to negotiate a basic agreement, which covers all other terms and conditions of a major league player's employment. In January 1967, Miller requested the owners enter into formal collective bargaining negotiations with the MLBPA. In mid-1967, the owners, recognizing the necessity of having formal representatives for themselves, created the Players Relations Committee (PRC), which was composed of Bowie Kuhn, the National League's assistant general counsel, Joe Cronin, the president of the American League, and Warren Giles, the National League president. They also hired experienced industrial relations person, John J. Gaherin, the president of the New York City Newspaper Publishers Association, as a director.

The collective bargaining agreement covering a two-year period, the 1968 and 1969 season, was reached in 1968. For this negotiation, Miller took a building-block approach to bargaining mainly for limited objectives and winnable fights to build the players' confidence in him and themselves, to build some momentum, and to gain a foothold. Miller was concerned with bargaining issues, such as minimum salary, that affected the majority of the players not the stars.

The player's minimum salary was set at $5,000 in 1947. After twenty years, although a period of steep inflation, the minimum in 1967 was $6,000. (A player did have to be paid $7,000 if he was still on the roster thirty days into the season.) (Helyar, 1994) Miller gathered salary figures from each player. The average salary of the 500 players in 1967 was $19,000. A third of players were at $10,000 or less. More than 40 percent were paid $12,000 or less. Though only 7 percent of players were at the base $6,000, raising the minimum would lift many other players' salaries. The MLBPA decided to offer $12,000 and the PRC made the first formal offer of $8,500. In the final agreement, the minimum salary for players on the roster on Opening Day was increased to $10,000. The maximum salary cut reduced from 25 to 20 percent. Spring training "Murphy money" increased from $25 a week since 1947, to $40. First-class travel and hotel accommodations became mandatory, and meal money during the season was raised from $12 to $15 a day.

We can say with fair certainty that this salary issue attracted stronger attention from the players than the pension issue, which was a relatively major concern for the veteran players who had started to think about their life after retirement. There is no doubt that the gathering of salary figures from the players also caught the attention of the players. For instance, Ron Fairly, the Dodgers' player rep, noticed that Buzzie Bavasi, the General Manager of the Dodgers had misinformed him about his salary status. “Buzzie Bavasi told me that after Koufax, Drysdale, and Wills, I was the highest-paid Dodger,” Fairly told Miller. “He said if I got paid more, I would throw the team’s salary scale out of whack. Do you know where I rank? Eighth!” (Helyar, 1994, p.29)

Other than these monetary issues, we should not overlook four significant steps Miller achieved in this negotiation. Firstly, for the first time in the baseball history, all the provisions were contained in a written contract, the “Basic Agreement.” And the agreement stipulated that players at least be given copies of every document that became a part of their contract. Before that, the owners did not give players copies of the Major League Rules, the Professional Baseball Rules, or the league constitutions and bylaws; all of what players were agreeing to be bound by. (Miller, 1991) Secondly, in this Basic Agreement the MLBPA achieved an incorporated Uniform Players’ Contract, which means that the owners could no longer change the form of the player’s individual contract unilaterally. Hereafter, when owners wants to change the Uniform Players’ Contract, agreements as a result of collective bargaining would be required. Thirdly, joint labor-management study of the reserve system. The MLBPA suggested the creation of a joint study committee of representatives of owners and the MLBPA to consider alternatives to the reserve system. By creating this, the MLBPA was able to make it clear that they had not come to an agreement on the reserve system and could prevent owners from claiming the reserve system was not a subject for collective bargaining.

Lastly, a formal grievance arbitration procedure was implemented, which Miller has pressed hard for in the negotiation. It was a simple idea: if a union disputed the meaning of a contract, or if an employee believed his rights had been violated, an independent arbitrator would hear and decide these matters. While the final arbitrator was the commissioner, who is hired by owners, installation of a formal grievance procedure gave players a mechanism, which they could use to fight violations of their contractual rights. Also, this became the keystone of securing binding impartial arbitration, which was achieved in the next basic agreement in 1970.

It is obvious that the results of this negotiation became a part of Miller's strategic preparation for future negotiations, which we shall return to in later chapters. Also, Miller, taking advantage of the players' strong interest in the negotiations, prepared for future negotiations by educating players about labor negotiations. St. Louis Cardinals catcher Tim McCarver explains the point of view of players at the time. "The most remarkable thing to me, looking back, is what a patient man Marvin Miller was. He realized how disparate his knowledge of negotiating and contracts was from ours. So he educated the player reps and they educated the rest. It was a very slow, methodical process. He never let the cart get before the horse. Everything was building from a base." (Helyar, 1994, p.29)

1969 Pension agreement

The pension plan agreement was due to be renegotiated by the end of March 1969. By mid-1968, Miller had prepared three main proposals. First, a $5.9 million annual contribution to the pension. Compared to $12.3 million in 1968, Major League Baseball would receive $16.5 million a year from new national TV and radio contract, effective in 1969. Thus the owners were receiving at least $4.2 million more from the contract. Also, as a result of four-team expansion in 1969, Major League Baseball would add one hundred new players who would have to be covered by pension plan. Second, a reduction of the vesting requirement to four years. While five-year rule exclude about 60 percent of all players, four-year rule would cover over half of those players previously excluded. Third, a retroactive application of the increased benefits and lower vesting requirement. The MLBPA wanted to apply the new plan to any player who played in the last ten years.

After talks begun, Miller sensed the regressive nature of the owners' demands. Owners did not show any willingness to understand Miller's logic. They even insisted that the language of the new plan would have to make clear that players were acceding to the owners' 1966 position that all television revenue belonged to them. (Miller, 1991) The lack of progress in the negotiations continued into December.

In the early December 1968, at the baseball's Winter Meetings in San Francisco, Miller gathered the executive board of the MLBPA hoping to have opportunity to resolve some problems. However, the owners did not share their time with the players because they were too busy discussing about too many important matters, such as firing Commissioner Spike Eckert. Opposed to the lack of the progress in the pension negotiation, the executive board of the MLBPA voted to recommend that no player sign a 1969 contract until a pension plan agreement had been reached. The board had reached 450 players in 5 hours by a phone-a-thon, and received 450 approval of the policy.

On December 17, 1968, the owners finally offered a pension funding increase to $5.1 million a year. They wanted to keep the vesting requirement at five years and wanted to confine benefit increases to current players. Miller immediately rejected this offer, complaining that the proposed increase of $1 million would only cover the hundred new players who would join the league. Also, the pension fund was to receive a much lower share of the television revenue than before. The increase from current $4.1 million to the new $5.1 million (24.4% increase) was not liked to the new TV revenue (from $12.3 million in 1968 to $16.5 million in 1969; 34.1% increase.) The owners responded that the TV income was "a property right [that] they do not now have, nor ever had." (Miller, 1990, p.147)

On January 2, 1969, the MLBPA called on its members to refuse to sign their individual1969 contract and refuse to report to spring training sites until the negotiations were satisfactorily settled. The next day, owners unanimously reconfirmed their position.

Miller proposed the MLBPA's compromise offer that if owners increased the size of the contribution to the pension fund, they would agree to set aside a percentage of the TV rights. On February 17, just one day before the scheduled opening of most spring training camps, the owners increased their offer by $200,000 to $5.3 million pension funding claiming this offer as "the last, final, best offer." (Helyar, 1994)

In general, holdouts from spring training gives small damage to the owners since the owners don't make any revenues from the spring training. Clubs usually lost money by the spring training operation. Canceling the spring training saves owners money. Also, there were some players such as Jim Palmer and Pete Richert of Baltimore, Clay Carrol of Cincinnati, Jerry Grote of the Mets, who signed contracts despite their commitment not to do so. The owners expected the collapse of the players' holdout.

However, the television networks began to press the owners to settle. They feared the holdout would extend into the regular season or the owners might open the season with the replacement players. An executive of the NBC warned that the network would not pay "major league price for minor league games."(Miller, 1990,) The first mass holdout in baseball history maintained their unity. The skilled veterans and stars still continued to work their off-season employment and did not report to the spring training. 391 players had neither signed their contracts, nor reported to spring training.

In the first week of February 1969, Bowie Kuhn succeeded Eckert's post as a Commissioner. The owners selected Kuhn as temporary commissioner for a year. Kuhn, who wanted to avoid his first year as a Commissioner without baseball games, persuaded the owners and John Gaherin's prior marching orders were rescinded. A final settlement was reached on February 25. The pension plan was extended through the 1971 season. The contribution to the pension fund was increased to $5.45 million a year. The vesting requirement was reduced from five years to four years. Benefits were increased $10-a-month for each year a player spent in the majors. At age fifty, a player could now collect $60 a month for each year he had played. The benefit and vesting requirements have come to apply retroactively to 1947. Suddenly, many former players, managers, coaches and trainers became eligible. Although the MLBPA agreed to avoid linking the pension fund to their television income, they had displayed an unexpected unity of purpose.

There are three key backgrounds about the unity of the MLBPA. One, the players had already understood the value of group boycott. Strictly speaking, the players' holdout from the spring training was the third group boycott. The first boycott was made by Dodger pitcher Sandy Koufax and Don Drysdale during 1966 spring training. They claimed neither one would sign his contract for the 1966 season until both were satisfied with their contract. Their combined record (49 wins and 20 losses) in 1965 increased their bargaining power. Koufax settled for $125,000 from previous years' $85,000, Drysdale for $115,000 from $80,000. (Helyar, 1994) They had shown colleague players that group action might have a leverage to alter their working conditions. Players experienced second group boycott in the spring of 1968. They refused to sign their baseball-card contracts with Topps. Topps reserved every player with five-year contract with yearly fee of $125. When Miller proposed a redraft of the contract including a percentage of sales provision, Tops declined. Miller told players that the contract was unfair and not to sign the renewal contract. Learning players' leverage, Topps proposed the group contract, which doubled the players' yearly fee to $250 and paid the MLPBA 8 percent on sales up to $4 million a year and 10 percent on sales over that. Through these two experiences, before the pension plan hold out, players already noticed the value of group boycott.

Two, the issue of the negotiation pension plan, affected majority of the players, not only the stars. Most players lack college degrees and are unskilled for postbaseball careers. Miller recollects *"I was definitely lucky on one point: It was unnecessary to explain to them the importance of their pension and insurance plan. They knew that before I got there; it was virtually the only thing that many of them saw any use in a union fighting for."* (Miller, 1991, P.99) Even if veteran players earning over $10 million a year in 2000 show little interest about their pension, at that time, pension was the biggest concern for the veteran players for whom the retirement would be in sight. Also, reducing vesting requirements attracted the attention of modest players. Therefore, veteran players and modest players had been able to have same sense of purpose about the negotiation. Also, retroactive application of benefits and a reduction in vesting requirements might have given the MLBPA a big support from ex-players some of whom were working for the clubs.

Three, the communication system of the MLBPA was well-planned. At the early stage of the negotiation, right after Miller sensed owners' unwillingness to accept the players' offer, he arranged meeting with all the players in September and reviewed the process of negotiation and indicated the necessity of the group action. At the Winter Meetings in San Francisco in December 1968, the MLBPA reached 450 members by phone and gained approval for the nonsigning of contracts in 5 hours. Also, the MLBPA held a press conference at the owners' headquarter hotel and read aloud the complete list of players supporting the holdout. A lot of sportswriters gathered in San Francisco to cover winter meetings ate up the fact and circulated the players names all over the country. Each individual player who had been contacted by the MLBPA by phone noticed in the newspaper that he was not the only one to have agreed to the holdout. It is easy to imagine that this strengthened each player's commitment to the holdout. The show of solidarity in the 1969 pension negotiations, sustained by these three factors, greatly strengthened the MLPBA's hand in the next Collective Bargaining Agreement negotiations.

1970 Collective Bargaining Agreement

The three-year labor agreement (1979-1973) was ratified 541-54 by the players in June 1970. In the early stage of the negotiation, players wanted a reduction of the 162-game playing schedule to 154 games, an increase in termination pay, which had been zero for a man cut in spring training and only one-sixth (30 days) after that, and a larger share of playoff revenues than that received in 1969 when divisional playoffs had been first set. Players had nice little gains with these issues. Whereas the players had once gotten 50 percent of the play-off-money pool, they would now get 60 percent, and that would be from the total before expenses connected with the play-offs. The MLBPA received a termination-pay contract provision. Now, players released during spring training would receive one-sixth (30 days) of their salary. If released after opening day, they receive one-third (60 days) of their salary. Starting in 1972, any players cut on or after May 15 would receive full pay. The 30 percent limit on the maximum pay cut was set over two years. The minimum pay was also increased from $10,000 in 1969 – to $12,000 in 1970, $12,750 in 1971, and $13,500 in 1972. In return for these owners' concessions, the MLBPA temporarily abandoned their demand for a schedule reduction to154 games.

Also, Miller put the following words into the agreement. *"…this Agreement does not deal with the reserve system. The parties have different views as to the legality and* *as to the merits of such a system as presently constituted."* (Miller, 1991, p.239) Instead of pressing for a negotiated settlement of the reserve system in 1970 CBA, the MLBPA took an indirect and time consuming but effective method to deal with the reserve system. The introduction of independent arbitration to the grievance procedure on all issues that did not involve the "integrity of the game" allowed the players a means of challenging the reserve system. In the 1968 CBA, the players got the right of a formal grievance procedure, but the final arbitrator was the commissioner. Miller had insisted that the commissioner was chosen by, and paid by the owners and therefore ineligible to be an impartial arbitrator. The owners accepted the idea. Any cases that reflected on "the integrity of the game" and "public confidence" in it would continue to be adjudicated by the Commissioner. Everything else would go before a third party neutral arbitrator who has no obligation to either side. Miller reminiscences *"With impartial arbitration in effect, we could argue the meaning and interpretation of a contract provision. It was only a matter of time, I felt, before we could test whether a club's right of renewal of a contract lasted forever or existed only for one additional year."* (Miller, 1991, p.240) It would not be too far from the truth to say that this was the key victory in the early history of the MLBPA. In fact, the impartial arbitration procedure, inserted with so little outside notice in 1970 was extended into resolving the salary disputes and any disputes about the meaning of a contract in the next CBA (1973), altered the pay structure, and eventually brought down the whole reserve structure later.

1972 Pension agareement

The old pension plan agreement reached in 1969 expired on March 31, 1971. Pension plan negotiations in 1972 settled on April 13, after missing eighty-six games by the first strike in the history of professional sports. The players struck for thirteen days, nine of which occurred during the regular season. The MLBPA may have won in the negotiation, but their total wage losses from the strike were larger than the $500,000, they gained from the strike. Owners' estimated the loss of the strike was $5.2 million, much larger than their saving of $500,000 from the result of negotiation.

Prior to the negotiation, in 1971, MLB had made a four-year $70 million television with NBC for the World Series, All-Star Game, and Game of the Week. Knowing this information, the MLBPA had two major points at issue. One: 17 percent increase to the pension fund contribution to offset the 17 percent cost of living increase since the last pension plan agreement in 1969. Two: the increase which would cost each club only $11,000, would be supplemented by the $817,000 that was already in the pension plan surplus at the time of this dispute.

To save money, the owners shortered spring training and, at the same time, proposed increasing their pension contribution by $372,000 over three years. Miller stated the owners' offer failed to offset inflation. (Miller, 1990) Miller alerted that the MLBPA would go strike rather than accept the offer and then, Chicago White Sox players voted 31-0 to authorize a strike on March 10, 1972. Baltimore Orioles players followed suit a few days later. On March 22, at the owners' meeting they voted to stand pat on their pension offer. After the meeting, the owner of the St. Louis, Gussie Busch announced to the press, *"We voted unanimously to take a stand. We're not going to give them another gaddamn cent! If they want to strike, let them strike."* (Miller, 1991, p.205) The PRC director John Gaherin recalled year later *"the perception on our side was that the union was still weak."*(Helyer, 1994, p.116) To the contrary to his perception, the players voted 663-10 to authorize a strike on March 30. On the next day, player reps voted 47-0 in favor of a strike and they immediately declared strike. All remaining exhibition games on or after April 1 would be cancelled, as well as all regular season games until a settlement was reached that was satisfactory to the players. On April 5 1972, the Houston-at-Cincinnati season opener was canceled. Games were cancelled day by day from then on. On April 9, the owners agreed to put $400,000 into pension fund from the surplus funds. But they insisted the players had to forfeit their pay for the missed games. The MLBPA turned down the offer. On April 10 the MLBPA offered that no canceled games will be rescheduled, and the players won't be paid for the days they were out on strike. The owners revised their offer on April 11 by adding $500,000 surplus to the pension funds. On April 13, strike ended with the understanding that 86 lost games by the strike would not rescheduled and players would not paid for their time out.

Before and during the strike, Miller gauged that the situation of the MLBPA was very unpromising. The players were inexperienced in the labor war. The MLBPA lacked the financial and public relations resources. Players weren't paid during the off-season and waiting anxiously for their first paycheck. On the contrary, the owners had tons of money, and lawyers. Also, there were twenty-four major league public-relation departments, which would make the press be hostile against the MLBPA. Miller didn't think they were ready for a strike.

In fact, in the night of March 30, Miller and Dick Moss, general council of the MLBPA, made a resolution to avoid the strike. The resolution, which was scrapped next day after 47-0 vote in favor of the strike by the player reps, conceded the impossibility of the players fighting against a conglomerate of twenty-four multimillionaires. The summary of the resolution was: there would not be a strike. The players would continue to play, and negotiations would continue throughout the entire 1972 season. If the pension could not be resolved by the end of the then, it would become part of the bargaining for the next Basic Agreement. If it still could not be resolved, the players would take the case to Congress. (Helyar, 1994)

As the owners had counted, the press became hostile against the players and Miller. They taught the public that the players had the most generous pension plan in the United States and they were greedily demanding for more. The New York Daily News writer Dick Young, unfavorably compared Miller to Svengali, saying he "runs the players through a high-pressure spray the way an auto goes through a car wash, and that's how they come out, brainwashed." (Lawenfish, 1991, p.216) C.C.Hohnson Spink, of Sporting News, asserted that because baseball would be only a "second career" during the life of the players, the pension had been a bad idea in the first place. (Lawenfish, 1994) As Bob Maisel, the Sun columnist, put it, Marvin Miller was "Edgar Bergen with 600 Charlie McCarthies." (Miller, 1990)

The owners also took direct hostile action to the players. Right after the walkout occurred on April 1, owners told players to take their equipment from the clubhouses. Many clubs wrote out one-way tickets for the players to their permanent homes. (Lawenfish, 1991) The Baltimore Orioles owner Jerry Hoffberger called a team meeting and blasted the players for hours. In a press conference following the meeting, Manager Earl Weaver declared that a poll he had conducted turned up the fact that, out of twenty-six Orioles, twenty-one were against the strike, and that sixteen out of those twenty one were willing to lay a scheduled exhibition game against Atlanta. Brooks Robinson, the Orioles player rep, politely disagreed with Weaver's account of the meeting. Miller threatened legal action under the Taft-Hartley Act against Weaver and Hoffberger if they persisted in interfering in union activities. (Miller, 1990)

Despite the public pressure and the anger of management, the MLBPA did not break. On the contrary, it was the owners who lacked solidarity. A few owners realized that they would have to give substantial concessions to the players. Others, Busch of St. Louis, believed that a strike would crack the MLBPA and then the halcyon, pre-Marvin

Miller days, would come. Gaherin expressed to the owners that their robber-baron actions were going to cause them great trouble. Charles Finley, owner of the Oakland A's complained after ten days into the strike, *"Very few owners know there was any surplus in the pension fund. That was the main problem….the owners didn't understand what it was all about."* (Jennings, 1990, p.30)

To the contrary of the owners' expectation, the players showed their solidarity by rallying around Miller. One can safely state that the players' solidarity was a key factor for them winning concessions. Here are five reasons for the players' solidarity. First, since he consistently won concessions over a period of years and he addressed issues that increased the basic benefits of all players, the players were deeply grateful to Miller. (PPP186) Second, Miller had also educated and motivated players to think not only of themselves, but of what they could do for future generations of players. Third, the owners' hardline stance, exemplified by Busch's "not an other goddamn cent" comment, rallied the players' competitive spirit. It was this spirit that unified the major league ballplayers. Davey Johnson, the Orioles' alternate player representative, commented the owners "decided to test us," therefore the players must unite behind Miller. (Miller, 1990)

Forth, as he did in the previous holdout, Miller kept close contact with players. After the strike vote on March 31, Miller and Moss worked out a strategy to communicate with the rest of the players, who would soon be scattered around the United States and throughout Latin America. (Miller, 1991) Players kept in constant contact with their team reps; others worked out together. Chris Cannizzaro, a Los Angeles Dodgers player, worked out with the San Diego with Padres players since he lived there. Vada Pinson, Anaheim Angels player, lived in Oakland, so worked out with the Athletics. Twins pitcher Jim Perry organized the housing of younger players with veterans, and he rented a school bus to transport players back and forth to a local gym. He telephoned Miller each day for reports on the negotiations and made a public address system in the gym so that Miller could reach all the players.

Fifth, the fact that African American and Hispanic players support for Miller cannot be overlooked. After his appointment to the director of the MLBPA, Miller confronted owners about the pervasive racial discrimination hat existed in the early 1970's during spring training in parts of Florida. Because of these objections, some of the player abuse experienced in smaller Florida towns was ended. Hispanic players started to receive copies in Spanish of the collective bargaining agreements. Miller was also able to talk with the owners into amending a restriction on Latin players playing winter ball in their native countries. The restriction had prevented the Cuban players from earning any money during that time. Following Miller's intervention, Cuban players could play for any team that wanted them. Miller remembers that although the event seemed minor, the gratitude he received was overwhelming. (Sullivan, 1992)

Though the owners underestimated that the players resolve because they were inexperienced and even though the MLBPA lacked the financial and public relations resources of the owners, the owners failed to crack the solidarity of the players. When a settlement was reached, Miller told the press, “All fans should be proud of the players. They showed courage and hung together against terrible odds. They made the owners understand that they must be treated as equals.” (Miller, 1991, p.222) The MLBPA consecutively won concessions, Miller treated players with respect, and the owners’ hardline bargaining stance created strict solidarity in the players, which not only sustained them through the eighty-six game strike but also gave confidence to the players for the next collective bargaining, which would commence in November 1972.

1973 Agreement

The 1973 Collective Bargaining Agreement settled in February and the baseball season started on time. In the negotiation, the MLBPA proposed the installation of the free agency. The owners had two choices. Introduce free agency or salary arbitration. The owners chose salary arbitration as a means of preserving the reserve system. Before moving on to the 1973 negotiations, it is desirable to describe the legal challenges to the reserve clause after the *Federal League* case of 1922.

As we have seen, in 1879, the National League adopted the reserve system. The reserve system diminished a player’s bargaining power since no other team could bid for his services. In 1922, the Supreme Court upheld an antitrust exemption for the

Major League Baseball and the reserve clause in *Federal Baseball*. Chief Justice Holmes in writing the opinion concluded that baseball exhibitions were not commerce because “personal effort, not related to production, is not a subject of commerce” and were “purely state affairs.” Therefore, baseball did not constitute interstate commerce, subject to the antitrust laws. Thus, professional baseball’s position being exempted from the reach of the antitrust began.

The first antitrust legal challenge to the reserve clause after *Federal Baseball* occurred in 1947. Danny Gardella, a twenty-seven-year-old outfielder of the New York Giants had jumped to Mexican League in 1946, and blacklisted from the Major League. In 1947, constitutional rights lawyer Frederic A. Johnson and Gardella challenged the reserve clause as being “contrary to settled principles of equity and to further a conspiracy in restraint of trade and commerce.” The trial court dismissed the case on the basis of MLB’s antitrust exemption. In 1948, Johnson argued that radio and television revenues had turned baseball into a national business to an appeals court. The court ruled 2-1 that the Gardella‘s case was strong enough to warrant a trial, where it seemed like Gardella would win. Judge Jerome N. Frank wrote “Excusing virtual slavery, because of high pay is only an excuse for the totalitarianminded.” (Miller, 1991, p.178) However, Gardella couldn’t stand up to court battle financially, and secretly accepted settlement for $60,000. While Gardella had not lost in the court battle, baseball’s reserve system had avoided a damaging court decision by making an out of court settlement.

In 1953, George Toolson, a minor league player under the New York Yankees organization, challenged the reserve system claiming owners violated antitrust laws. The Supreme Court reaffirmed baseball's antitrust exemption on the basis of stare decisis and due to the fact that congress had failed to act to overturn Federal Baseball through new legislation. In this case, Justice Harold Burton recognized that the *Federal Baseball* precedent had lost its factual and legal basis. In dissenting opinion, Justice Burton wrote that organized baseball obviously was engaged in interstate trade or commerce.

In1969, the Saint Louis Cardinals traded 12-year African-American centerfielder Curt Flood to Philadelphia, a city Flood regarded as hotbed of racism. Flood sent a letter to Commissioner Kuhn requesting he be declared a free agent and to refuse to play for Philadelphia. Kuhn replied that reserve clause gave Philadelphia the exclusive right to Flood's services. On January 1970, Flood brought suit against Commissioner and 24 owners claiming that his rights were violated under federal and state antitrust laws. Contrary to the public opinion that some polls showed 8:1 in favor of Flood's position in the trial, Supreme Court upheld the antitrust exemption for the professional baseball in June 1972. However, the court did not rule on the constitutionality of the reserve system. Judge Blackmun stated that professional baseball is engaged in interstate commerce and that baseball's special legal status is an "anomaly." Chief Justice Warren Burger declared, "It is time Congress acted to solve this problem."

Also, during the court process, other than discussing baseball's antitrust exemptions, an application of the labor exemption was raised written in a law article in 1971 by Michael Jacobs and Ralph Winter. They analyzed that once MLBPA was chosen as their bargaining unit, a player who wanted to control his employment destiny was required to work through the union. They also explained that since reserve system was a contractual provision, it was a mandatory subject of bargaining, demanding good faith bargaining by both the owners and the MLBPA. Government should not interfere through legislative enactment in the writing of the contract terms. Finally, in their article, Jacobs and Winter explains that the antitrust laws should not apply to the matters which are subject to collective bargaining. (Jacobs and Winter, 1971) Justice Thurgood Marshall stated that the MLB owners could well be able to use the labor exemption to protect their haudred year old reserve system from antitrust attack. (Abrams, 1998) The owners took the new twist into their strategy. They argued that the grievance of Flood was not an antitrust issue. They claimed it was “only a labor dispute over a mandatory collective bargaining issue.” (Lowenfish, 1991, p.212) Therefore, in the next collective bargaining agreement, they had to bargain about the reserve system.

For the players, after *Flood* case, it was apparent that neither the courts nor Congress would help them to invalidate reserve system. This situation hardened the players’ determination to win concessions in the collective bargaining. The New York Times’ Arthur Daley warningly predicted, “The ball players now know they will have to use their own muscle if they are to pry concessions from the owners.” (Miller, 1990, p.190)

The collective agreement negotiation begun in the fall of 1972 and was settled in February of 1973. Preparing fro the negotiation, management reduced the number of PRC members from ten to six. Milwaukee's Ed Fitzgerald, reputable with good interpersonal skills and a flexible attitude, was appointed as PRC chairman to help Gaherin negotiate the labor agreement.

On November 29 1972, owners presented their position. They offered free agency at the end of five years to any players who earns less than $30,000 or to any players with eight years' experience making less than $40,000. Since only 5 of 960 current players in the Major League would be eligible for free agency under the offer, MLBPA turned the offer. Figure 4.1 depicts the major bargaining issues in 1973 negotiations with early owner/player positions.

Figure 4.1
Major bargaining issues
in 1973 negotiations with early owner/player positions

	Owners	Players
Reserve Clause	A player with five years in the major leagues becomes a free agent if not offered $30,000 for the sixth; or if not offered $40,000 after eight years.	After five years as a professional a player would become a free agent if earning less than the average salary. After seven years as a pro, he would become a free agent if not earning 1 1/2 times the average; after nine years, if below twice the average. The players also propose that a man become a free agent after seven years in the majors regardless of his

		pay, then again after 12 years and 17. if he sells himself to another team, the club that gets him pays half his salary as indemnity to the team that loses him.
Trades	After ten seasons in the big leagues, if the last five were with one team, a player could not be traded without his consent.	After eight seasons, he could not be traded without his consent. Also, whenever a man is traded, he may ask his new club to reopen his contract; if they fail to agree on terms, it goes to binding arbitration.
Rosters	The number of players under control of each of the 24 teams would be cut from 40 to 38, and those on the varsity roster from 25 to 23. in addition, three players on each club must be made available fro selection by other clubs in the league at $35,000 apiece.	Rosters would stay at 40 men and 25 for the parent club. Each year, 10 players from the 40-man list would be freed from "protection" and offered to other teams. But a player would have to be notified he was being offered for such a draft and could remove himself from the list.
Minimum Pay	It would be raised from $13,500 now to $14,000 next year, $14,500 in 1974, and $15,000 in 1975.	To $15,500 next year, to $16,500 in 1974, and to $17,500 in 1975.
Arbitration	No binding arbitration of pay disputes.	If player and club cannot agree to contract by February 1 of any year, it goes to binding arbitration.

The owners had told in *Flood* case, that the reserve rules were a matter of collective bargaining. The owners had two choices in the collective bargaining. Loosen the reserve system or introduce salary arbitration. John Gaherin had been suggesting salary arbitration since the late sixties (Helyar, 1994) The new PRC chairman, Ed Fitzgerald agreed with Gaherin and argued the benefits of the salary arbitration to the owners. Salary arbitration would end players' holdouts, neutralize MLBPA's effort to end the baseball's antitrust exemption, and it shouldn't be terribly costly. (Helyar, 1994) On February 9, 1073, the owners aggressively put forward a two-part announcement.

1. *A proposed three-year labor agreement that would ignore the reserve rule, but would include salary arbitration.*

    - *Any player after three years' service could request salary arbitration, but the player could not then use arbitration the following year. Also, the maximum salary-cut limitations for the subsequent playing season would not apply to any player eligible to seek arbitration*

    - *Arbitrators should consider—among other criteria—the club's league standing and attendance, but not its financial position or salary structure.*

2. *An order indicating that no spring training camp could be opened before March 1—the last date that all players have traditionally been scheduled to report for pre-season.*

    (Jennings, 1990)

This offer was full of terms that the MLBPA would find unacceptable. Without eligibility of arbitration for the consecutive years and salary cut limitations, owners could remove the arbitration loss following year. Also, if the club's league standing and attendance would be involved into the criterions of the salary arbitration, such players who wins 30 games in the last-place club, and who plays in the club which has huge broadcasting contract but has lower attendance would be paid less.

Two sides renewed negotiations in mid-February. After a week and a half of intense negotiations, on February 25 1973, they reached three-year agreement for the period of 1973 to 1975. The reserve clause was excluded from union-management discussions during the three years of the agreement. The owners' position on the trades was accepted. The union's position that player rosters remain at 25 was accepted. The minimum salary was increased to $15,000 for the 1973 and 1974 seasons, and $16,000 during the 1975 season. (Jennings, 1990) The agreement included a pension plan in advance of the March 31, 1973, expiration date. Owners increased its contribution to the pension fund. The annual contributions were $6,150,000 in 1973 and 1974 and would be increased to $6,450,000 in 1975. The pension payment for a 50-year-old player with ten years' service would increase from $642 a month to $710, or from $7,704 a year to $8,520.

The biggest victory for the MLBPA was installation of salary arbitration. After two years' service, a player could request binding salary arbitration in any year after the termination of his contract. The maximum salary reductions remained inn place. They could not exceed 20 percent of the previous year's salary or exceed 30 percent of the salary of two years ago. (Jennings, 1990) Both the owner and the player locked in a salary dispute submit a final offer to an impartial arbitrator. The arbitration panel, composed of representatives of labor and management and an independent labor arbitrator, would choose one or the other. There would be no compromising on figures. The arbitrators' decisions were based on an analysis of complex variables, which included players' past compensation, salaries of other baseball players in similar categories, and the performance of the club (team finish and attendance figures). The financial position of the player and the club were excluded from the criteria.

The arbitration method, urged by Miller, was that a club and a player submit a figure and the arbitrator had to choose one or the other. Arbitrators had no power to change it or split the difference. If club's offer is much smaller than the market price, it will lose. For avoiding the salary arbitration or loss in the salary arbitration, clubs increased their salary offer with some sort of objective standard. The salary arbitration had begun in 1974. The clubs won in 16 of 29 cases. Even if a player lost his arbitration, the settled figure would be much more that the club would have given him before salary arbitration existed. Under these conditions, salary arbitration accelerated the upward thrust on players' salaries. (Koppet, 1998)

The biggest success by the MLBPA, the installation of the salary arbitration came from the *Flood* case. Although the Supreme Court did not turn the professional baseball's antitrust exemption, the court process of the *Flood* case from 1970 to 1972 forced the owners to confirm that the reserve system was a mandatory subject of the collective bargaining negotiations. At the time, the owners had never proposed serious revisions of the reserve system to the MLBPA, even though study committee of representatives of owners and the MLBPA to consider alternatives to the reserve system was created in the 1968 CBA. In the 1973 CBA, reserve system, one of the mandatory subjects, had to be bargained in good faith. Public opinion had changed against the reserve system with some polls showing 8:1 of Flood's position in the trial. (id 214) The owners realized that there were many legislators concerned and outspoken about professional sports' monopolies. With this situation, it was difficult for the owners to remain status quo of the restriction of the players' mobility.

Also, the winning concessions by the MLBPA, introducing grievance procedure in the 1968 CBA, and excluding Commissioner from arbitration procedure in 1970 CBA, had laid the ground work for impartial salary arbitration binding in 1973 CBA, should not be overlooked. Flood's challenge against the baseball establishment and the Miller's ground work in the previous two CBAs, were two important keys for increased players' salary level by the salary arbitration.

1976 Agreement

A settlement for the 1976 agreement was reached on July 12, 1976. The agreement promoted the players to a stronger position in labor-management relations. Reserve system was wiped out and free agent system was officially included into the 1976 CBA. Even though the insertion of the free agent system into the agreement was a tremendous achievement in the negotiation, we should notice that it did not occur only through the collective bargaining negotiations. It was a result of the combination of the grievance arbitrations brought by three baseball players and the collective bargaining agreement. It first began in 1974 with a grievance by Catfish Hunter.

Catfish Hunter, the leading pitcher on the three straight World Series champions, the Oakland Athletics, had signed $100,000 contract for 1974 season, of which $50,000 was to be paid to an annuity for tax purpose. The payment was not completed by Oakland's owner, Charlie Finley, even ten days after the MLBPA sent him a contract-violation notice. The Uniform Players Contract signed by Finley and Hunter included the provision saying "*The player may terminate this contract, upon written notice to the Club,* if the Club shall default in the payments to the Player provided for in paragraph 2 hereof [payment for the player's services] or shall fail to perform any other obligation agreed to be performed by the Club hereunder and if the Club shall fail to remedy such default within ten (10) days after the receipt by the Club of written notice of such default…" (Miller, 1991, p.228) So, Dick Moss of the MLBPA sent a telegram to Finley to notice that the contract was terminated. Also, the MLBPA requested Commissioner Kuhn to notify all clubs that Hunter was now a free agent. Commissioner declined the request and the MLBPA filed a grievance arbitration demanding Hunter be a free agent.

On December 13, 1974, arbitrator Peter Seitz issued his ruling. Hunter became a first free agent in the baseball history. After two-month, New York Yankees and Hunter agreed a five-year $3.75 million contract, far more than double what any player had ever made. The owners appealed Seitz's decision but the court upheld the decision.

The first free agent started with a result of breach of contract by Finley. However, the winning free agency for Hunter was the direct result of the impartial arbitration system by the 1970 CBA. It is obvious that without an arbitration system, Hunter would have had no place to bring his claim. Also, we can say with fair certainty that if the arbitrator had been a Commissioner, Hunter would not have been certified as a free agent because, before the grievance arbitration, Commissioner Kuhn actually had denied the MLBPA's request to notify all clubs that Hunter became a free agent.

Since Hunter's free agent came from the accidental contract violation, his case was not able to apply to any other players unless owners made same mistakes. However, the size of the contract, which is six times larger than Hunter's previous one and five-years length taught players how free market system works for players.

Andy Messersmith of the Los Angels Dodgers and Dave McNally of the Montreal Expos took another approach in 1975. They went into 1975 season without signing new contract. What they challenged was Option Clause in the Uniform Player's Contract, which stated that the clubs had a right to renew an unsigned player for one year on the same terms. The owners had always claimed that each renewal of the contract also renewed the one year option clause, in which the club's right of renewal has no limit. If he wins in this challenge, Messersmith, the twenty-nine years star pitcher who went 20-6 with a 2.59 ERA in 1974, could expect to have a Hunter like contract in the free agent market. During the 1975 season, both players resisted the pressure from management to induce them to sign new contract.

At the time, the MLBPA had a two tier strategy to modify reserve clause. Strategy A was to have two players play 1975 season without signing and after the season have the players file a grievance against their teams claiming that the option clause could renew for only one year. Miller recollected, *"With impartial arbitration in effect, we could argue the meaning and interpretation of a contract provision. It was only a matter of time, I felt, before we could test whether a club's right of renewal of a contract lasted forever or existed only for one additional year.*" (Miller, 1991, p.240) However, there was no guarantee that the players win in the grievance arbitration. Strategy B, use the threat of those grievance arbitrations as leverage in their efforts to secure a negotiated settlement of the reserve system as part of a 1976 CBA. Actually, the director of the PRC John Gaherin had tried to convince owners that they had a weak case, and that a negotiated settlement would make the most sense. (Miller, 1991)

In June 1975, the MLBPA first took strategy B. The MLBPA offered the owners a proposal that would give players with a combination of five years' service in the major and minor leagues the right to unrestricted free agency. Next, on October 7, the MLBPA took strategy A and filed for grievance arbitration claiming Messersmith was a free agent. McNally's name was in the grievance but his case was moot because the veteran pitcher quit baseball with arm problem early in the 1975 season. On November 21, 1975, independent arbitrator Peter Seitz started the hearing. Before making his decision, Seitz proposed that the owners to try to negotiate a settlement in the 1976 CBA. Owners, believing that even if they lost in the grievance arbitration, they could overturn the arbitrator's decision by judicial review, declined the offer. Seitz issued his ruling on December 23, 1975 for the players. The option clause bound a player to his team for only one year after the expiration of his contract. Messersmith and McNally were free agents.

Right after the ruling, the owners fired Seitz and challenged his decision in federal district court in Kansas City arguing that the arbitrator had exceeded this authority. On February 4, Federal District Judge John Oliver upheld Seitz's jurisdiction over the grievance. The owners decided to appeal the case. Since confirmation of the Seitz's decision will significantly loosen their bargaining position in the collective bargaining, the majority of the owners were unwilling to bargain as long as they had a chance to overturn the Seitz's decision. On February 23, the owners postponed the opening of spring training to force the MLBPA to offer concessions.

In late February, while both sides waited for a court decision for the owners' appeal to the Seitz's decision, intermittent collective bargaining negotiations occurred. The owners understood that collective bargaining had to address free agency because some 350 players spent the winter unsigned, following Messersmith's lead. (dbg259) It seems reasonable to say that, if collective bargaining did not address free agency, all

350 players could have become free agents. Miller did not want that larger supply of free agents entering the market reducing the value of each player. Miller wanted to include elements that limited the supply of players entering the market to make clubs compete for desirable players and to prohibit owners' collusion. During the negotiations, Gaherin first proposed ten years free agency. The offer also would limit free agents to negotiate with only eight clubs. The players scoffed at the offer, claiming that only four percent of all major-leaguers ever play ten years. (Lowenfish, 1991)

On March 9, federal appeals court upheld Seitz's decision. Now, the owners had no option than to bargain with the MLBPA to prevent players from spending one year without signing and automatically becoming free agents. On March 15, the PRC proposed a "final offer," which accepted the Seitz's decision and permitted players to become free agents after eight years. The players denied the "final offer" two days later. On March 17, Commissioner Kuhn ended 17-day lockout reasoning that the fans wanted the camps opened. $1 billion worth of business in terms of club and player revenues and related dollars from businesses such as airlines, concessions, and hotels, along with U.S. and state government receipts of taxes were possibly at stake with Kuhn's decision. (Jennings, 1990) (However, in his biography, Miller claims *"The truth is that Walter O'Malley, who saw that the owners were uniting the players instead of breaking them apart, had the lockout lifted and called both sides back to the bargaining".)* (Miller, 1991, p.264) And the regular season began with both sides agreeing to continue collective bargaining efforts.

Negotiations continued into the summer of 1976. A settlement was finally reached on July 12, with both sides compromising. The agreement covers four-years through 1979 season. The formula of the settlement was:

1. *A player could declare himself a free agent after his sixth major league season.*
2. *Once he did, he couldn't do it again for another five years.*
3. *Players not yet eligible for free agency could go to salary arbitration.*
4. *Those who wanted to retain their right to play out 1976 or 1977 could do so.*
5. *A free agent would have the right to negotiate with no more than 12 of the 24 clubs, who would go through a "free agent draft" procedure to list the players they wanted to deal with.*

(Koppet, 1998)

Also, as a result of the CBA, the minimum salary was to be increased $1,000 for each year of the agreement from $18,000 in 1976 to $21,000 in 1979. Pension fund was increased from $6.85 million to $8.3 million. Maximum number of players on its roster was reduced to 24.

Thus, the baseball's reserve system, which had withstood repeated legal challenges, was finally wiped out by the Messersmith-McNally arbitration case, and the 1976 collective bargaining agreement. In *Flood* case, the owners told the Court that the reserve system is a mandatory subject for collective bargaining. Therefore, both the owners and the MLBPA had to bargain in good faith about the reserve system. When they addressed the reserve issue in 1976 collective bargaining, the arbitrator Seitz's decision in Messersmith-McNally grievance case drove the owners into a corner.

The end of the 1976 season saw 24 players going through the free-agent draft. Foremost was Reggie Jackson who received a five-year $3 million package from the Yankees, 54 players went through in 1977, 42 in 1978, and 44 0n 1979. Nolan Ryan, in 1979, topped them all when he left the Anaheim Angels for the Houston Astros fro a 4-year, $4.5 million contract. This was created the $1 million-a-year baseball player and average salaries then tripled between 1976 and 1980. (Zimbalist, 1994)

However, the owners had two chances to make the negotiation process favorable to them. The first chance was, to give a lucrative offer to Messersmith and McNally to eliminate grievance arbitration. Actually, once Messersmith told Miller that he'd sign if the Dodgers gave him the no-trade clause. Also, the Expos offered a $25,000 signing bonus and $125,000 for 1976 for retired McNally. However, O'Malley did not offer a no-trade clause to Messersmith and McNally turned down the offer from the Expos. McNally recollects, "I have no intention of playing, and it wouldn't be right to take the money." (Miller, 1991. p.245)

Second chance was, while agreeing to free agency, the owners could have freed all the players and created buyers market. Actually, the owner of the Oakland Athletics, Charles Finley, tried to convince the other owners to do so. Since the free agent market works best for players, Miller believed, if only small amount of blue-chip talent was available to a large number of teams bidding for him, Miller later recalled. "My main worry was that somebody would listen to him. It would have been an impossible box. You could not have said you were opposed to freedom." (Lowenfis, 1991, p.183) But the owners refused to listen to Finley.

1980 Agreement

Newly introduced free agency had created a seller's market in major league baseball. Clubs eager to acquire best talent rushed to sign them to high-paying, multiple-year contracts. Other players who were not entitled to be free agents used salary arbitration to increase their incomes. The combined effect of the free agent and salary arbitration raised players' average salary. For instance, if free agent non-eligible SS Normar Garciaparra (.372, 21 HR, 96 RBI, .599 Slugging %, 18 errors at Boston in 2000) would go to salary arbitration, his $3.7 million annual salary would be compared with $25.2 million annual salary of the free-agent SS, Alex Rodriguez (.316, 41 HR, 132 RBI, .606 Slugging %, 10 errors at Seattle in 2000) and Garciappara would win a huge salary increase. In 1976, the first year of free agency, the players' average annual salary was $52,300. By 1980 it had soared to $143,756. (Miller, 1990)

Even though the salary scale had been increased, baseball enjoyed its prosperity after the installation of the free agency. Attendance broke records for the fourth consecutive year, reaching 43.5 million in 1979. The national television contract, which began in 1976, brought $23.25 million a year, roughly 30 percent more than the previous one. In 1973, baseball had left a $172 million surplus after subtracting $28 million in payroll and pension costs from a $200 million gross revenue. In 1979, the surplus increased to $211.5 million, subtracting $88.5 million payroll and pension const from a $300 million gross revenue. (Koppett, 1998)

However, during the four years, the on-field performance of the some of the free agent players did not satisfy the owners. Many players who gained salary increases failed to repeat their best performances or succumbed to injury. Guaranteed salary helped older players be able to fade into retirement. The owners wanting to win back some discipline in the labor market, tried to extract concessions from the players in the upcoming negotiations that would end bidding contests between teams. (Miller, 1990)

Although negotiations for the 1980 Basic Agreement began in 1979, the owners' preparation for the negotiation begun earlier. Two years before the Basic Agreement expired, at the 1978 winter meeting, Commissioner Kuhn advised the owners to seek modifications in the free agency provision in the next collective bargaining negotiations. He proposed the idea of compensation in which a club signing a free agent player compensates the club losing the player with another major league player, instead of a draft choice. John Gaherin chief negotiator of PRC, left in 1978 and was replaced by Ray Grebey, a twenty-eight-year veteran of collective bargaining negotiations and strategies. In November 1979 the owners imposed a rule that gag the club officials from discussing labor issues, which fines violators up to $50,000. Reportedly, the owners used 2 percent of their 1979 gate receipts to establish a $3.5 million strike fund. Also, they had a $30 million strike insurance contract with Lloyds of London. At a press conference, George Steinbrenner, the owner of the New York Yankees, told sports editors, *"I have a lot of respect for Miller. He is a brilliant man, but next year we will meet him head on. He will find himself in the toughest negotiations he's ever seen. This time he'll know he's been in a ball game."* (Miller, 1991, p.281)

The MLBPA also assembled a strike fund from their trading-card and other endorsements, which began in 1978. The total estimated amount of the fund was $1 million in case of strike. (Lowenfish, 1991) As the 1980 negotiations drew near, the labor-management relationship had become worse.

Long-postponed discussions began in late January 1980, when the owners proposed their offer. They proposed compensation of another major leaguer for a team that lost a player to free agency. They also wanted the abolishment of salary arbitration and installation of a flat salary scale for the players with less than six years experience with following amount.

First year player	*$25,000 minimum to $25,200 maximum*
Second year	*$53,500 to $55,400*
Third year	*$69,200 to $75,200*
Forth year	*$90,300 to $102,000*
Fifth year	*$117,000 to $138,400*
Sixth year	*$153,600 to $187,900*

Miller rejected the flat scale and counter proposed a compensation plan that the owners set up a fund to which all clubs contributed, from which the team losing a player could draw some monetary compensations. Owners rejected the proposal, and fruitless negotiations continued into early March 1980. On March 4, 1980, by a 27-0 vote, the player representatives authorized a strike to begin April 1, with the season scheduled to open April 9. Faced with the MLBPA's solidarity, the owners dropped their flat salary scale proposal on March 18. By then, the players voted 967-1 in favor of the strike. On March 27, the owners had asked for a mediator, and Ken Moffet, the deputy director of the Federal Mediation and Conciliation Service was assigned. On March 30, despite his nine-hour meeting with both sides, no movement was brought about. (Koppett, 1998)

On April 2, the player representatives voted to cancel the 92 remaining pre-season exhibition games and to start the regular-season, but to set May 23 as a strike deadline if no agreement had been reached. This strategy made sense for the players for two reasons. First, even though neither players nor the owners made money from exhibition games, players could flaunt their solidarity against the owners by canceling them. Second, when players played regular-season games until the end of May, they would be able to collect a third of their annual salary. If they canceled the season from the opening day, the cancellation extended players' non-earning streak from when the previous season ended in October 1980. This created difficulties in maintaining the players' solidarity because some players would not be able to sustain their standard of living during the strike.

By May 9, there had been 11 fruitless meetings, but the two sides remained deadlocked over one issue: free agent compensation. On May 15, Miller suggested sending that issue to a joint player-management study committee on free agent compensation, agreeing on everything else. The owners rejected the proposal on the following day. On May 18, Moffet reported, “No progress, and the climate is highly charged” and recessed the discussion for twenty-four hours.

On May 22, in New York, the negotiators started meeting at 11:15 A.M. and it lasted through the night. At 5 A.M., May 23, after a seven-hour session, they reached a four-year agreement. Free agent compensation would be put off for a year, to be studied by a four-man committee consisting of two representatives each from the players and the owners. The minimum salary was raised to $30,000 in 1980, to $32,500, $33,500, and $35,000 for the next three years. The owners’ annual contribution to the pension fund was increased to $15.5 million. The eligibility for salary arbitration was reduced from three years to two.

Even though both sides had reached the agreement, the memorandum on the understanding about the free agent compensation issue was a time bomb. It provided that, if the four-man committee failed to reach agreement on the free agent compensation issue, the owners could declare between February 15 and February 20, 1981, that they would have the right to implement their proposal which was included as

Attachment 9 at the back of the 1980 agreement. The key part of the attachment is, "If free agent Player is within the top 1/3 of his performance category, the signing Club shall be entitled to protect 15 players from the total number of players under contract to or controlled by the Club." If the four-man committee failed to reach an agreement on modification in the system, the players would then have choice to accept the Attachment 9 or until March 1, 1981 set a strike date to be no later than June 1, 1981.

The compensation study committee consisted of Frank Cashen and Harry Dalton, general managers of the New York Mets and Milwaukee Brewars, and players Bob Boone and Sal Bando. After eight meetings, they failed to resolve differences over free agent compensation. On February 19, 1981, Grebey announced the unilateral implementation of Attachment 9 into the Basic Agreement. This plan would effectively reduce any club's motivation to sign a "ranking player." It was no wonder that, in response to the decision, on February 25 the player reps met in Tampa and set May 29, 1981, as the strike deadline.

Mediator Ken Moffett returned to mediator's chair and started a series of meetings with Grebey and Miller on April 20. The owners insisted that free agency and skyrocketing salaries were ruining competitive balance and thereby turning off the fans. Therefore, they insisted, as a remedy, the installation of "free agent compensation", a scheme designed to penalize a club for signing a free agent was needed. Miller thought, *"Competitive balance was a phony issue."* (Miller, 1991, p.288) He tried to reveal the owners' true intentions—ending free agency, restoring the reserve rule, and reducing players' salaries—and filed an unfair-labor-practice charge with the National Labor Relations Board on May 7, 1981. The owners were not bargaining in good faith, the MLBPA said, because of their refusal to share financial information with the MLBPA. The law required an employer to provide financial data if it claimed it could not afford to pay the players. On May 27, 36 hours before strike deadline, the NLRB found for the MLBPA, and announced it would moved for an injunction in federal court to put off the compensation issue to 1982. If the injunctions were granted, there would be no strike. If injunctions were not granted, the owners would implement their 1979-1980 compensation proposal and a strike was a certainty. (Miller, 1991) Miller and Grebey agreed to hold off until the request could be heard, so the May 29 strike date was off. (Koppett, 1998)

On June 6, while waiting for Judge Henry Werker's hearing, the MLBPA offered a new compromised compensation plan. Let all clubs protect a certain number of players on their forty-man roster and put the rest into a pool. The club losing a free agent would be eligible to select one player from this pool as compensation, so that the club who gained the free agent would not necessarily lose another player from their team, but the team who lost the free agent would definitely gain a player they selected from the pool. (Koppett, 1998) Grebey denied the offer.

On June 10, Judge Werker made his decision: the injunction was denied. He found that free agent compensation did not present “an economic issue.” Also, he found that the request for financial data by the MLBPA was a mere “bargaining tactic by the Association to prevent the implementation of the PRC’s proposal.” The players immediately announced that they would go on strike Friday, June 12, until a settlement was reached and approved by the players.

The regular season stopped after June 11. At this strike, immediate economic pressure was not a factor since both sides were prepared for the economic hardships by the strike. The players had already collected five of their 12 semimonthly paychecks including June 15. Although the players had no strike insurance, they had several million dollars from endorsements. The clubs had the strike-insurance policy that would last up to 500 lost games, or August 8. Therefore, most owners had less incentive to settle the issue than they did before.

To illustrate player unity and allay the owners’ concern that he was an impediment to settlement, Miller removed himself from the bargaining session. Negotiations continued sporadically with the chief players rep, Bob Boone, Steve Rogers, and Mark Belanger. However, Miller’s absence showed no effect and Miller rejoined to the negotiation table on July 1. Talks continued without any positive results and the All-Star Game, scheduled for July 14 in Cleveland, was called off.

On July 15, Raymond J. Donovan, the Secretary of Labor, entered the discussions at the request of Moffett and urged both parties to move the talks to

Washington. July 20-25, a series of meetings took place under a news blackout, without progress. On July 27, the players held an executive board meeting in Chicago and the board members confirmed their desire to continue the strike until the owners' abandon their compensation scheme. On July 29, Edward Bennet Williams, owner of the Baltimore Orioles, arranged for an owners' secret meeting and agreed to abandon their hardline positions. Lee MacPhail, the president of American League, isolated the PRC's chief negotiator Grabey, whose management of issue and his ambition to become the Commissioner, upset a growing number of the owners. MacPhail opened separate talks with Miller and announced settlement on July 31. Baseball season would resume on August 10, with the All-Star Game in Cleveland..

The compensation plan settlement was:

1. *Type A is a player who ranks in the top 20 percent of those at his position over the last two years, according to a complex and fairly inclusive statistical formula. Type B is in the 21-30 percent range.*
2. *A team losing a Type A player gets one from the compensation pool plus an amateur draft choice. For a Type B player, it gets two amateur draft choices. For all others, one amateur draft choice if four or more clubs claim the right to deal with the free agent.*
3. *To fill the compensation pool, clubs can protect 26 of their 40-man-roster players, putting all the others into the pool, with exceptions.*
4. *The exceptions are: a maximum of five clubs can elect to be excluded from the procedure for three years, neither signing a Type A free agent nor contributing to the pool; of the remaining teams, one that signed a Type A could protect only 25,*

not 26.

5. *No team can lose more than one player from the pool each year. Once it loses a player, its other players are removed from the pool for two years or until it signs a Type A free agent itself.*
6. *A team losing a player also gets$150,000 from a fund to be set up by all the clubs.*
7. *There is no limit on the number of teams taking part in the reentry draft.*
8. *in 1981, only seven Type A players will require a professional player as compensation if 21 to 23 teams take part in the pool process, or eight If 24 or more teams participate. In 1982 and 1983, that number will be nine players if all 26 teams participate. Additional Type A free agents, if there are that many, will be compensated for by additional amateur draft choices.*

(Koppett, 1998)

Other provisions were:

1. *All the strike days will count as credited service time; no deductions.*
2. *The CBA is extended a year, through 1984, with a $40,000 minimum salary that year.*
3. *The pension benefit plan will get $2.14 million from the All-Star Game, whether it's played or not.*
4. *Incentive bonus clauses based on 1981 statistics will be prorated as to performance and bonus if the original figures are not reached.*
5. *The owners can decide how they want the season to finish, but if they choose a split season—separate standings for the second half, with an extra round of play-offs—60 percent of the gate receipts of the divisional play-offs would be shared equally by the eight teams involved, and each player would get an extra five days' pay. (mlb392)*

Also, the PRC offered to extend the Basic Agreement and pension agreement, which would expire in 1983, one year through 1984. Thus, the Basic Agreement was extended to December 31, 1984, and the pension agreement was also extended until March 31, 1985. The settlement was complete. The owners' losses from the strike were said to exceed $72 million even when the strike insurance monies were subtracted. Salary losses for the players during the strike totaled almost $28 million.

Both parties concentrated their utmost effort on the long labor dispute. The owners had hired a professional labor negotiator, bought strike insurance, proposed flat salary scale, and insisted on free agent compensation. The MLBPA also prepared a strike fund from their endorsements, cancelled the pre-season exhibition games, filed an unfair-labor-practice charge, and struck for 50 days. However, again, the MLBPA could maintain their solidarity while the owners could not. Yankees player representative, Rudy May, stated during the strike, *"Man, don't the owners know that there's going to be a whole generation of ballplayers' sons who grow up with the middle name Marvin? After all that this man had done for us, who's going to be ungrateful enough not to lose some paychecks if we have to?"* (Lowenfish, 1991, p.237)

However, during the negotiations in Washington and throughout the negotiation process there had been a news blackout, and the players' solidarity was on the verge of a crisis. For the time being, the MLBPA had not been able to inform its 650 members about the negotiation process and some of them had started to express their frustration.

Dodger second baseman Davey Lopes commented in the Los Angeles Times, *"We all better stop and think about that before we get so deep in this strike that we can't dig ourselves out. We've got to get back to the field. It's my life, it's my livelihood."* (Lowenfish, 1991, p.296) Dennis Eckersley of the Red Sox said *"Screw the strike. Let's play ball."* (Lowenfish, 1991, p.296)

It is important to note the quick reaction of Miller to mend this problem. Miller called these players and explained to them what was going on. Also, he immediately held a series of regional meetings across the United States to update the players on the negotiation process. Miller explained how the owners' compensation plan emasculates the free agent. After the meeting, Lopes told the press: *"There were some misconceptions that myself and some other players who spoke up were not behind the Players Association…. We are strong collectively."* (Miller, 1991, p.313) The Cubs Bill Buckner: *"I'm behind the negotiating team one hundred percent. I was feeling uncomfortable tonight when I came here tonight. I don't like sitting around. Now I can sit out the season and not feel quite as bad."* (Lowenfish, 1991, p.301)

Also, we should not overlook that the owners' hardline stance strengthened players' solidarity. We can say with fair certainty that the owners' proposal in the early negotiations, a combination of a flat salary scale for the players with less than six years service and free agent compensation, drew attention from all level of players. A flat salary scale concerned non-free agent young players while the free agent compensation issue troubled free-agency eligible veteran players.

On the other hand, owners had difficulties in sustaining their solidarity. Shortly after the 1981 season, Harry Dalton, one of the owners' representative for compensation study committee, said to reporters, "From what I hear, the players association is genuinely looking for a compromise if we'll just give them something that they can accept without losing too much face." He was fined $50,000 by Grebey for breaking the gag rule. Baltimore owner Edward Bennett Williams who was not as wealthy as most of the other owners and stood to lose a lot of money during the strike, had often criticized the administration of the PRC and finally arranged for an owners' secret meeting to make consensus to abandon their hardline positions. Late in the negotiation, the newspaper reported that some owners were angry about Grebey and Kuhn in their handling of the negotiation. Actually, the last part of the negotiation, in which the PRC settled with the MLBPA, Lee MacPhail took a chief negotiator's role. It seems reasonable to suppose that difference between the owners and players led to the solidarity that was the key to players winning concessions in this collective bargaining negotiation.

By December 1981, William and Susman persuaded nine owners to join them in asking for Kuhn's resignation. He ultimately resigned in October 1984, and Peter Ueberroth became the new Commissioner. Also, Ray Grebey was gone by 1983.

Conclusion

After seventeen years as executive director of the MLBPA, Marvin Miller retired at the end of 1982. Marvin Miller introduced the process of collective bargaining within the structure set by national labor policy into the baseball business and dramatically improved players' share of the game. In 1967, when Miller gathered all salary figures from each player and calculate the average salary, it was $19,000. By 1980 it had soared to $143,756. Before Miller had been appointed, minimum salary was $6,000. As a result of 1981 strike, it increased to $40,000 in 1984.

As mentioned earlier, the first major step for the players in the collective bargaining process was the installation of the grievance procedure, with the Commissioner as a final arbitrator, in the first CBA in 1968. In the next 1970 CBA, the players secured binding impartial arbitration and the Commissioner's power in the arbitration was narrowed only to the issues for "the best interest or integrity of the game." In the 1973 CBA, the players added their rights to bind arbitration for salaries. It goes without saying that impartial arbitration helped to beget free agents Hunter, Messersmith, and McNally. Also, salary arbitration, worked together with the free agent system, to raise average salaries for the players after the system of free agency was officially incorporated into the 1976 CBA.

Beyond these strategies in the negotiations, Miller's effort to maintain the solidarity of the MLBPA should not be overlooked. Miller had listened to players and had educated players about the labor relations with close communications by visiting spring training, holding players meeting, and even directly calling. As mentioned earlier in this chapter, Miller voluntarily solved the labor problems that minority players had. Miller also emphasized the labor issues, such as pension, minimum salary, and salary arbitration, which influence not only star veterans, but all other players. With the players' solidarity against unfair labor situation, promoted by Miller, the MLBPA could use the threat or actual execution of the strike and could resist the owners' lockout.

Chapter 5

For Marvin Miller, the 1980 CBA was his last negotiation as an executive director of the MLBPA. This chapter explores the three CBAs negotiated in the post-Miller era. In all negotiations, fans experienced work stoppages: a players strike during 1985 negotiation, an owners' lockout during 1990 negotiation and a players strike during the negotiation from 1994 to 1996.

The biggest difference between post-Miller negotiations and the prior ones has been the shift from players attempting to garner concessions to owners trying to recapture lost ground. The owner's position was to negotiate rules to control the rising salary burdens created by free agency and salary arbitration won by the players during the Miller era. Unfortunately, during both the 1985 and 1990 negotiations, the owner's strong stance was damaged by intervention from the Commissioner's Office. Peter Ueberroth and Fay Vincent, both commissioners selected from outside the owners' circle, failed to support the owner's position during a critical juncture in the negotiation. Given this history, it was not surprising that Bud Selig, owner of the Milwaukee Brewers, was selected as acting commissioner in 1994. Selig, being one of their own, was more likely to strongly support the owners as they battled to change the system and implement crucial salary controls.

1985 Agreement

At the end of 1982, Miller, approaching 65, retired. As their new executive director, the players chose Ken Moffett, who had mediated during the 1981 strike. Moffett took a vacation at the end of February before his first spring training meetings. He showed up only three to four days a week in the MLBPA's office in New York. Since he was commuting from his home in Maryland, Mondays, Fridays, and sometimes Thursdays, were travel days. (Miller, 1991) While Moffett was touring the spring training camps, Major League Baseball made a billion dollar network television deal for broadcasts over next five years. He praised on the owners saying, "That is more money than was thrown around in talks I sat in with Ford and Westinghouse and General Electric." (Lowenfish, 1991, p.252) However, he did not mention that extending the League Championship Series to seven games from five would generate a considerable amount of new television revenue, which should be shared with the players. On the grapevine around the MLBPA, it was starting to be said that Moffett would not be tough enough with owners to be a good negotiator. (Lowenfish, 1991) The executive board of the MLBPA announced just before Thanksgiving that Moffett had been fired. In December 1984, the players elected Donald Fehr, who had been involved with the MLBPA since he served as outside counsel the Messersmith case federal court in Kansas City court as their new leader. Also, Miller helped Fehr as an advisor. The chief management negotiator for the owners was Lee MacPhail, assisted by Barry Rona, longtime counsel to the Player Relations Committee.

The Basic Agreement expired on December 31, 1984. Players were likely optimistic about collective bargaining with the new Commissioner, Peter Ueberroth because of his leadership role in the generous settlement agreement with the umpires to divert a to strike of the 1984 post-season games. Negotiations began in mid-November 1984, with hopes that a new agreement could be reached before 1985 spring training.

The main issue in the negotiation was distribution of TV money. Major League Baseball made six-year $1.125 billion national broadcasting contract with NBC and ABC from 1984 through 1989. Under the new television contract, annual revenues for Major League Baseball increased fourfold. The players wanted an increase in pension funding proportional to this increase in national broadcasting revenue.

Another issue was eligibility for salary arbitration. The players wanted to decrease the eligibility requirement for salary arbitration to one year, while the owners wanted to change to allow players to use the procedure after three years of service. Since the key criteria in salary arbitration were the salaries of other players with comparable statistics, when the salaries of free agents soared players with similar or better stats were able to enjoy increases through salary arbitration. The average salary, which was $143,756 in 1980, increased to about $369,000 in 1985. Bud Selig explained the owners' major complaint with the arbitration system. *"If I want to overpay my* *shortstop, that's my stupidity; but why should I have to pay may shortstop relative to what some idiot in New York pays his!"* (Sans and Gammonds, 1993, p.61)

In late February 1985, at the press conference at the PRC office, MacPhail announced that the owners had decided to open their books to the MLBPA to show the perilous financial conditions of the baseball. The MLBPA notified that it would take until June to interpret the figures. Both owners and players agreed to continue negotiating while the regular season started as scheduled.

The MLBPA turned the figures over to Roger Noll, a Stanford University economist and an established academic authority o the baseball business, to analyze. Conflicting reports came back. Owners claimed twenty-one of twenty-six teams lost money in 1984, with a combined operating loss of $41 million. Noll saw the results pointing to a $25 million profit. (Lowenfish, 1991) However, Noll found bookkeeping tricks at every turn. For example:

- *Turner's Super Station WTBS paid Ted Turner's Braves only $1 million for TV rights. They should have been getting at least the league average of $2.7 million.* (Lowenfish, 1991)
- *The Busch's Cardinals reported no revenue from parking and concessions, but another Anheuser-Busch subsidiary was earning $2.5 million from that.* (Lowenfish, 1991)
- *The Yankees' $9 million loss included the owner Steinbrenner's real estate investments in Tampa and $500, 000 worth of charity contributions.* (Lowenfish, 1991)

- *The A's had the highest loss--$15 million—but also the highest marketing expenses. While their gate receipts were $7.5 million, they spent $4.2 million on the marketing.* (Helyar, 1994)

Noll reported that the teams were profitable, averaging $1 to $2 million per team and the baseball business *"seems simultaneously to be experiencing robust growth and declining increases in player salaries."* (Lowenfish, 1991, p.257) The owners' own expert, George Sorter, a New York University accounting professor, said that baseball lost $27 million in 1984. To limit their financial expenditure, on May 20, 1985, the owners proposed the salary cap, forbidding trades or free-agent signings that put a high-paying clubs over the cap, which was to be set at the 1985 average payroll. Also, the owners proposed to put a limit on salary arbitration raises, which could not go higher than double the player's previous year's salary.

On July 15, the players set August 6 as their strike deadline. The players chose this strike date because they would have received most of their paychecks by then, while the owners would lose August and September's gate receipts and they would lose 80% of the television income if post-season would be canceled. (Lowenfish, 1991) Also, the owners did not have any strike insurance prepared for this negotiation.

As the strike deadline neared, Commissioner Ueberroth, who had not taken an active role expressed his concern on July 26. *"I just really can't allow there to be a strike that shuts down America's national pastime. It's been shut down too many times in the* *past. It's just not the right thing."* (Jennings, 1990, p.63) On July 30, the owners proposed a $25 million annual contribution to the pension fund. They tied this figure inversely, however, to annual salary increases of more than $13 million. What this meant, was that since the salaries in 1985-88 were expected to increase by $34 million a year, the pension fund contribution would drop staggeringly to only $4 million a year. This would be a drastic reduction from previous arrangements. Fehr angrily opposed the proposal as a thinly disguised salary cap. (Jennings, 1990)

On August 1, at the news conference, Commissioner Ueberroth said the owners should *"stop asking for the players to solve their financial problems."* (Koppett, 1998, p.414) He suggested the owners drop the idea of a salary cap, get the players to accept a three year eligibility requirement for salary arbitration, and compromise on the pension. The owners dropped salary cap and the negotiation centered on two issues: the pension plan and the salary arbitration eligibilities. Negotiations on August 4 and August 5 didn't close the gap, and the players walked out on August 6. However, at 10:45 P.M., August 7, they announced a five-year compromise agreement that was to expire in 1989. All games canceled by the strike would be resumed with a flock of doubleheaders, and a full 162-game season was completed.

With the new pension plan, the owners contributed $196 million for over six years, the players' share of national television revenue dropped from the previous 33 percent to 18 percent. However, the dollar contributions more than doubled. Under the new pension plan, a ten-year veteran would receive an annual pension of $91,000 at age 62 while the previous plan paid a twenty-years veteran $57,000 a year at age 65. (Jennings, 1990)

A major gain for the owners was that salary arbitration eligibility became three years instead of the previous two years. While cap would be applied to salary arbitration increases, the criteria used in arbitration cases was modified. Instead of using the salaries paid to free agents, players could only compare their salaries with others of equal value, comparable age, and similar experience.

Minimum salaries were increased from $40,000 to $60,000 in 1985 and 1986, with cost-of-living increases made prior to the 1987 season. The 1987 and 1988 salary minimum would be the same, and a subsequent adjustment for cost-of-living would be made prior to the 1989 season. (Jennings, 1990) There were two changes in free agency. The free agent players were granted the right to sign with any of the 26 major league teams. Also, teams that lost free agent players would be compensated with amateur draft choices, instead of major league players. Another remarkable point in the agreement was introduction of a form of revenue sharing. A $20 million fund from network television revenue would be set aside annually to aid disadvantaged franchises losing the most money.

Judging from the two major results, that the owners contributed $196 million to the new pension plan for over six years and salary arbitration eligibility rose to three years from the previous two years, it must be noted that 1985 CBA took the concerns of the veteran players more into consideration. With the salary arbitration eligibility extension increased to three years, young players would have to wait three years for a big salary raise. Also, increasing the pension fund did not necessarily mean that all players would equally benefit from that. The longer a player's service in the major league, the bigger his receipt from the pension plan would be. It is not to be denied that the veteran players gained concessions from the owners in exchange for sacrificing young players. Actually, although the sporting press generally decided that the players had won, as Miller looked back, *"FROM THE PERSONAL STANDPOINT the 1985 negotiations were unsatisfactory*." (Miller, 1991, p.335) According to Miller, by the dramatic salary increase, it had became difficult for the players to hold them together tightly. Also, less than 50 percent of the players in 1985 had been experienced the strike in 1981 as the MLBPA members. Those who were around in 1981 realized that it would cost more to disagree than to agree and most of them were beyond their arbitration years. There was a huge split between veteran players and young players. The veterans did not want to strike over the question of arbitration rights. However, young players did not want to wait three years for the big salary raise.

One day into the strike, Detroit pitcher, Milt Wilcox then informed MLBPA, *"What we're worried about is that they will get hung up on some things that really weren't in the best interests of the majority of the players. We want them to know that we don't want to* *have a long strike and lose a lot of money over something like the arbitration thing that would only affect a few players. "* (Jennings, 1990, p.65) Bob Boone said "If thirty players don't want to strike, that's a losing proposition." (Lowenfish, 1991, p.349) Don Baylor, then a union leader said *"We couldn't have gotten the '85 players to go out fifty days."* (Lowenfish, 1991, p.349) Players' solidarity was not as firm as it was and it seemed that they could not long sustain the strike.

To some extent, players were relieved by Commissioner Ueberroth's involvement in the collective bargaining negotiations. Both in public and in private, he had told the owners that the players were doing their job on the field and that the owners should not ask the players to solve their own financial problems. Also, the "fans' commissioner", who had strengthened his authority by increasing the amount of fines he could impose on a club from $5,000 to $250,000, didn't want a protracted strike. On the evening of the first day of the strike, he called Barry Rona and told him to solve the problem in one more day or he will bring the negotiation to the binding arbitration. (Helyar, 1994) Also, on the next morning, he pressed him to make a deal within two hours. (Helyar, 1994) One owner said to the press, *"We could have gotten the whole thing, but Ueberroth forced the settlement for his own personal benefit."* (Lowenfish, 1991, p.260) Another owner later spat *"We should have fired him right then*." (Helyar, 1994, p.350)

1990 Agreement

The 1985 CBA ran five years through 1989. When the 1985 free-agent period opened, players noticed that clubs were not making offers to free agents. The market for free agents dried up for two more seasons. The MLBPA filed grievance that it was “collusion” for the owners to agree not to make offers to any free agent. On September 1987, arbitrator Thomas Roberts found for the players that collusion had taken place in the 1985-86 off-season. On August 1988, arbitrator George Nicolau ruled for the players for the off-season of 1986-87 that free agents had been conspired against. Early in 1990, Nicolau found for players for the off-season of 1987-88. The owners had been charged monetary damages, which free agents had been lost by the collusion and it came to $280 million. For three years of collusion, the top salary level had moved little above the $2 million. However, in early 1989, the salary market started to work for players again. Roger Clemens signed a three-year contract averaging $2.5 million a year. Orel Hershiser and Frank Viola signed $2.6 million a year for three years. On late 1989, Kirby Puckett broke the $3 million a year barrier. During the 1990 season, Jose Canseco broke the $5 million a year barrier with five-year contract. Salary arbitration awards in early 1990 increased the aggregate gain from 71% in 1988 to 98% for eligible players. (Lowenfish, 1991)

The term for Commissioner Ueberroth was up in 1989. He did not stand for reelection. However, under the leadership of the Ueberroth, total major league attendance soared over 55 million in 1989. In 1988, he negotiated four year $1.1 billion national broadcasting contract with CBS that would start in 1990. He also negotiated four-year $400 million contract with the ESPN. From this new national broadcasting contract, each team would receive $14 million annually, which was about $7 million more than the previous national broadcasting contract. Ueberroth's had increased merchandising revenue to each club from $35,000 to $2.5 million annually. Thus, under Ueberroth's leadership, each club had increased its revenue by $10 million a year. Although the owners had claimed twenty-one clubs were losing significant amount of money in 1985, by the end of 1988 all twenty-six clubs were operating in the black. (Sands and Gammonds, 1993)

In 1989, Fay Vincent, who left Columbia Pictures a very rich man, was named as the baseball's eighth commissioner. Vincent fired Barry Rona as head of the PRC. Chuck O'Conner, who had been counsel to the PRC for about a year, was now the chief management negotiator. The initial proposals from the owners were:

1. *Of baseball's total revenues, 39 percent would be set aside for players.*
2. *For the first six years in the majors, there would be a set salary scale based on length of service and performance rankings in four groups of players (starting pitchers, relievers, catchers and middle infielders, the rest).*
3. *After six years, they would be free agents, as now.*
4. *Each team would have a payroll cap. If it was at the cap or higher, it could not sign a*

free agent without getting under the cap.

(Koppett, 1998)

On February 16, 1990, the owners announced a lock out of players from spring training. Through 1981 and 1985 strike, players had collected paychecks while owners had not received most of their broadcasting money. For the owners, the lock out was their only offensive weapon to pressure the players to get an early agreement.

Two days into the lockout, Commissioner Fay Vincent stepped in the negotiation and proposed:

1. *Pulling off the revenue-sharing and pay-for-performance proposals.* (Lowenfish, 1991)
2. *Minimum salaries of $75,000, $125,000, and $200,000 for players in their first three years*. (Helyar, 1994)
3. *A 75 percent cap on raises in salary arbitration*. (Helyar, 1994)
4. *A two-year study commission on revenue sharing, and reopener of the four-year Basic Agreement after two years*. (Staudohar, 1996)
5. *No increase in the players' benefit plan.* (Staudohar, 1996)

Shortly after the proposals, the owners dropped revenue sharing, pay-for-performance, and salary cap from their proposals. Now the issue in the dispute was narrowed to salary arbitration. In the previous CBA in 1985, the owners insisted that with their financial difficulty, the length of time required for eligibility for salary arbitration should be increased from two years to three years. The MLBPA accepted the offer. However, now the owners' profits soared as mentioned before, the MLBPA wanted the eligibility requirement reduced back from three years to two.

On March 6, the MLBPA offered that just 50 percent of the two-year players being eligible for salary arbitration. The owners contended on a three-year threshold for every player. (Helyar, 1994) On March 18, the MLBPA offered new proposal: make 20 percent of the two-year players eligible in 1990, 25 percent in 1991, and 35 percent in 1992. The PRC made a counteroffer: a flat 12 percent for all three years. (Helyar, 1994) Finally, later on March 18, both sides compromised at 17 percent. (Helyar, 1994) The lockout ended with both sides announcing the acceptance of a new Basic Agreement, which ran through 1993.

The terms of the agreement are as follows:

1. *Minimum salary up to $100,000 from $60,000*
2. *Pension contribution up to $55 million from $34 million*
3. *Raises in meal money and other allowances*
4. *Some of the players with less than three years of service allowed to go to salary arbitration (the 17 percent with most service)*
5. *No caps, no arbitration limits, no changes in free agency*
6. *Either side can reopen the contract on major issues after three years*
7. *If found guilty of collusion again, the owners will pay the union treble damages (as antitrust penalties provide).*
8. *A group of experts would be set up to study revenue sharing and industry economics in general.*

(Koppett, 1998))

In his biography, Miller reminiscences *"Luckily for everyone, much of the press had, by 1990, reached a point where it could distinguish between a strike and a lockout. After taking constant hammering from the local TV and print media and some accurate salvos from the new sports daily the National, the owners realized that, for the first time, they weren't even close to winning the public relations battle."* (Miller, 1991, p.354) In fact, press commentary during the 1990 CBA was critical of the owners' lockout at a time of prosperity in baseball. In *Wall Street Journal*, Wharton School management professor, Joseph W. Harder, reproached ownership's position, *"For Better Ball Nothing Beats Greed."* He proved that eight 1988 arbitration award winners agreed that the so-called "overpaid" players palyed better than in previous years. He also studied that because of the collusion by the owners, free agents since 1987, compared with their non-free agent colleagues with similar statistics, had earned 23% less money. (Lowenfish, 1991)

However, the MLBPA's central ethos, unity, was suspect during the lockout. Bob Boone, forty-two years old veteran who'd signed a $1.9 million contract for 1990 season, made public statements that he didn't want to lose one day's pay. (Miller, 1991) Boone teamed up with a twelve-year veteran who'd signed a three-year $9.1 million contract, Paul Molitor, and telephoned many players and asked, *"Is one year of salary-arbitration eligibility worth losing an entire year's salary over?"* (Helyar, 1994, p.448) On March 16, Don Fehr invited Miller to the players' meeting between Boone, Molitor, and the negotiating committee. Also, Miller attended the board meeting on March 17, and talked historical perspective on the issue of salary arbitration. Also, he explained that the owners were using the salary arbitration to divide the players. Miller advised players, *"Stay solid, because you are irreplaceable. Stay solid, and you can have anything that's reasonable and fair."* (Miller, 1991, p.361) The players gained unity again, and they unanimously rejected the owners' final offer. On the next day, they reached agreement.

Chuck O'Conner, the chief negotiator of the PRC made a remark, *"This might sound strange coming from my side of the table, but let's not forget that first of all baseball is part of the entertainment business. And second, what these players involved here have just gone through is a part of their career that I believe on the field. They have just taken part in one of the most important parts of our society, the right of self-negotiation, the union movement, and the collective-bargaining process. I hope that's viewed as a major accomplishment."* (Miller, 1991, p.362)

1994 to 1996 Agreement

The 1990 CBA allowed to reopen the contract after the 1992 season, if either party desired. The owners hired Richard Ravitch, as their chief negotiator, and notified MLBPA that they intended to reopen the labor contract. Ravich made a name for himself as the Mister Fix-It of New York politics. In the mid seventies, he pulled New York's Urban Development Corporation from the verge of bankruptcy, chaired the city's

Metropolitan Transit Authority and upgraded New York's public transit. (Lowenfish, 1991) Thus far, the owners had had several bitter experiences, in which the Commissioners interfered with their plans or actions: Kuhn in the 1976 lockout, Ueberroth in the 1985 strike, and Vincent in the 1990 lockout. Preparing for the negotiation, the owners decided to eliminate any possibility that their plans would be disrupted by the Commissioner. The owners fired Commissioner Vincent in September 1992. On September 10, 1992, the owners appointed their well-liked colleague, Bud Selig, the owner of the Milwaukee Brewers, as acting commissioner. The owners were now ready for the bargaining. (Lowenfish, 1991) In December 1992, the owners voted to reopen contract negotiations.

In 1992, at least two-thirds of the twenty-six clubs would lose money. (Lowenfish, 1991) Low ratings of the MLB games caused CBS to lose approximately $500 million and ESPN about $150 million (Staudohar, 1996). CBS warned MLB that next network broadcasting rights would drop 33 to 50 percent. The shortfall in revenue from national broadcasting rights, which would be shared equally among clubs, was imminent.

Another broadcasting-related problem in the MLB was the financial disparity caused by the local broadcasting rights, especially local cable companies. Cable TV, which had diffused 20.5% in the US household in 1980, increased its saturation rate to 58.9% in 1992. (17th Edition Of TV DIMENSIONS '99 INTERNATIONAL TELEVISION & VIDEO ALMANAC 44TH EDITION) Clubs in the large broadcasting markets were able to have large local cable contracts, which would not be shared with other clubs. For instance, the New York Yankees had a 50 million-a-year local broadcasting deal. Small market clubs could not keep up with the baseball's rising salary burden. For instance, a small-market club, Pittsburgh Pirates, lost $10 million in 1992 and they couldn't afford to keep two star players, Barry Bonds, and Doug Grabek. San Francisco signed Bonds a $46 million six-year contract and Houston signed a $19.5 million contract with Grabek. (Helyar, 1994) The average salary had exceeded $1 million for the first time.

A fix was necessary for MLB. Revenue sharing became a hot issue. Big-market clubs would channel part of their revenues to the small market clubs only if the labor costs were reduced by the salary cap. Since the salary cap set not only a maximum on team's payroll, but a minimum, small-market clubs would accept the salary cap only if revenue-share would be introduced. In February 1993, the owners voted that revenue sharing to be linked to players' acceptance of a salary cap. However, the owners were unable to agree on a revenue-sharing formula during the 1993 and the 1990 CBA expired on December 31, 1993.

In January 1994, as the Chairman of the Executive Council, Bud Selig, convened an owners' meeting in Fort Lauderdale to discuss the revenue sharing plan. Even though its details were kept secret, the owners agreed to a revenue-sharing formula. However, they agreed that it was contingent upon the players' acceptance of a salary cap. The owners also agreed to eliminate the PRC, made the Commissioner's office the single bargaining agent, and suspended the search for a new commissioner until a CBA was attained. Ravitch reported directly to Acting Commissioner Selig.

The first bargaining session was held in Tampa on March 7, 1994. In the bargaining, Ravitch told the MLBPA that a salary cap was an absolute must. (Koppet, 1998) On June 14, 1994, the owners made their bargaining position clear. Players would receive half of baseball's revenue and team payrolls would have to stay within the limit of 84 to 110 percent of the average team payroll. The owners also proposed to eliminate salary arbitration and reduce free agency eligibility to four years of service from current six. The escalating scale of minimum salaries would be applied to the players, whose service was less than four years. Free agents with less than six years' service would be restricted in such a way that the club could match any rival club's offer and keep its player.

On July 18, 1994, the MLBPA rejected the offer and counter-proposed to lower service eligibility requirements for salary arbitration to two years, eliminate the contract restriction on repeat free agency within five years, and raise the contract minimum salary to $175,000. On July 27, the owners rejected the counterproposal of the MLBPA. On July 28, 1994, the MLBPA set August 12 as strike deadline. Strike was the only legal and practical response the MLBPA could take. Federal labor law allowed managements to declare that a bargaining impasse has been reached, after a breakdown in negotiations occurs, and impose employment terms. Even though the owners were required to participate in good faith negotiations to the point of impasse, once impasse is reached the owners could unilaterally implement its last offer. If the players would not strike, and complete the season, the owners may declare an impasse and impose a salary cap. During the off-season, the players can't go on strike because there are no games to be canceled. The August 12 strike deadline was propitious time. Because by mid-August, players had secured most of their season paycheck, while the cancellation of postseason would bring huge loss to the owners. At least 80 percent of network TV money came from the post-season games. Gate receipts, which consists of the half of the club's revenue, peaks in late August and early September as clubs enter pennant races. Also, players believed it would leave enough time to reach an agreement and resume play and have post-season games. Also, the MLBPA had a $200 million strike fund from licensing revenue while, the owners had no such warchest. (Helyar, 1994)

On August 2, 1994, players were told that the $7.8 million payment to the pension fund from the All-Star Game, they played at July 12 at Pittsburgh, had not and would not be made. The owners claimed that they had the right to withhold the money because the old CBA had expired.

On September 2, 1994, Selig announced a September 9 is the deadline for canceling the rest of the season. On September 8, 1994, the MLBPA offered a counterproposal to the salary cap in the form of a tax on the largest payrolls and markets. The owners rejected it on the next day, but Selig postponed the season canceling deadline. The MLBPA underestimated the owners' solidarity. On September 14, 1994, the owners canceled the remainder of the season, including the World Series.

On October 14, 1994, President Clinton appointed a prestigious federal mediator, William J. Usery, to mediate the baseball dispute. A mediator helps the parties try to reach a settlement. On November 29, 1994, the owners announced that they would declare impasse on December 7 and impose the salary cap, and that they were prepared to open spring training with "replacement players." On the next day, Usery persuaded owners to withdraw the December 7 impasse deadline. On December 10, 1994, the MLBPA proposed free agency after four years, a pay roll tax, set minimum salaries for players with less than four years, no salary arbitration – and input in choosing the commissioner, realignment, expansion, and negotiating television contracts. They were proposing a "partnership" between owners and players. (Koppett, 1998) On the next day, the owners rejected the partnership items and counter proposed for a higher tax. (Koppett, 1998) On December 14, 1994, the proposals were mutually rejected and talks broke down. On the same day, the National Labor Relations Board found the owners had committed an unfair labor practice for their failure to make the All-Star pension-fund payment of $7.8 million on August 1.

On December 15, 1994, the owners voted 25-3 to declare an impasse on December 22, 1994. The MLBPA, wanted to keep the negotiation process going so that the owners could not declare an impasse in negotiations and offered another tax proposal on December 22, 1994. On the next day, the owners declared impasse, unilaterally imposed the salary cap and eliminated salary arbitration. On December 27, 1994, the MLBPA filed another unfair-labor-practice charge with the NLRB. The NLRB sought an injunction against the unfair labor practices that it claim was an illegal implementation of impasse and a unilateral change in terms and conditions of employment.

During January 1995, During January of 1995, owners tried to implement the next phase of their plan: to open the 1995 season on schedule using "replacement players." Peter Angelos, Baltimore owner, refused to use replacement players on his team. By Canadian law, Toronto was forbidden to do so. (Koppett, 1998)

On February 1, 1995, talks resumed in Washington D.C., at Usery's request. The owners eliminated their salary cap concept and offered a luxury tax of 75 percent on payrolls between $35 and $42 million, and for payrolls over $42 million, a 100 percent tax. (Lowenfish, 1991) Two days later, noticing that the NLRB was prepared to issue an unfair labor practice complaint against their unilateral implementation of the salary cap, the owners revoked the salary cap plan to avoid further proceedings. And again, Major League Baseball unilaterally implemented further changes. It revoked the authority of individual clubs to sign player contracts and eliminated the salary arbitration and anti-collusion clauses. On February 7, 1995, President Clinton called both sides to the White House and proposed binding arbitration of the disputed issues but the owners rejected that immediately. Training camps opened on March 2, 1995, with only Baltimore not using replacement players. Minor leaguers, semi pro hopefuls and even a few recently retired major leaguers filled out the ranks of the other clubs. (Koppett, 1998) On March 26, 1995, the NLRB voted 3-2 to allow its counsel to seek a Section 10 (j) injunction in federal court against the owners, and to restore the terms of the expired CBA until a new one could be bargained correctly. On March 27, 1995, the request was put before Judge Sonia Sotomayor. On March 29, 1995, the players voted to end their strike if the injunction was granted. Two days later, Judge Sotomayor granted an injunction.

The court action focused on the owners' unilateral implementation of three changes: the revoked authority of individual clubs to sign player contracts and the elimination of the salary arbitration and anti-collusion clauses.

The first change prohibited individual clubs from negotiating with individual players had a direct impact on wages. Therefore, it was a mandatory subject. As for the second change the abolition of the anti-collusion clause, the owners claimed the clause unreasonably limited the owner's right to bargain collectively under the Labor Act. Judge denied arguing the NLRA protected only the employees' rights to act collectively, thus, the anti-collusion clause was a mandatory subject. Also, since salary arbitration intertwined with the setting of wages that it also was a mandatory subject of bargaining. Thus, Judge Sotomayor explained that all parts of what she called baseball's "reserve/free agency" system related to the wages the players earned and thus were mandatory subjects of bargaining. Therefore, the owners could not unilaterally implement these changes without bargaining to an impasse with the union.

Judge Sotomayor issued the injunction that the NLRB requested and ordered the owners and the MLBPA to resume the bargain. They were ordered to negotiate in good faith until one of the following three things occurred:

1. *They reached an agreement.*
2. *The Labor Board issued a final order on the union's underlying unfair labor practice allegations.*
3. *The parties reached a true impasse after good faith bargaining.*

(Helyar, 1994)

On April 2, 1995, the owners abandoned the replacement plan, accepted the end of the strike. The 1995 season was to start on April 25, with every club playing 144 games. The owners also appealed Judge Sotomayor's decision. But the Court of Appeals for Second Circuit upheld the injunction. The 1995 season progressed and the owners made no serious attempt to bargain for the rest of the year. The players had no problem with the status quo. The labor agreement was renegotiated all through 1996 between Randy Levine, new negotiator for the owners, and Fehr for the MLBPA. They finally reached agreement in December. The new Basic Agreement began with the 1997 season and lasts through 2000, and continue through 2001 if the players wanted it to.

The terms are:

1. *Interleague play and expansion*

   - *The agreement allows for interleague play to begin in 1997. The owners retain the option to expand the league by two teams which would begin play in the year 2002.*

2. *Free Agency Rules*

   - *There will be no more repeater's rights restrictions governing free agency. A player with at least six years of experience becomes an unrestricted free agent at the expiration of his contract.*

3. *Minimum Salary*

   - *The minimum salary will be raised to $150,000 beginning with the 1997 season. The minimum salary will continue to rise until it reaches a level of $200,000 (plus cost-of-living increases) in the final year of the labor agreement.*

4. *Postseason Player Pool*

   - *The players' share of gate receipts from postseason games will decrease from 80% to 60%.*

5. *Salary Arbitration*

   - *Instead of one arbitrator deciding salary arbitration disputes, three-arbitrator panels will hear half the cases in 1998, 75 percent of the cases in 1999, and all the cases in 2000. Eligibility for salary arbitration, the process followed, and the criteria arbitrators use remain unchanged.*

6. *Luxury Tax*

   - *Clubs with payrolls exceeding $51 million in 1997 must pay a tax equal to 35% of the difference between the actual payroll and the threshold. The proceeds from the tax will be used in the revenue-sharing plan to be discussed later. The payroll threshold will rise to $55 million and $58.9 million in 1998 and 1999,* *respectively. Team pay rolls will include the salaries of all players on the 4—man roster. The tax rate will remain at 35% for the 1998 season and fall to 34% in 1999.*

7. *Player Salary Tax*
   - *Players will also contribute to this revenue-sharing pool, paying a tax of 2.5 percent on their 1996 and 1997 salaries, with money coming from licensing income and other revenue sources.*
8. *Revenue-Sharing*
   - *The revenue-sharing plan becomes fully operational in the year 2000. At that time, the 13 wealthiest clubs will place roughly 22 % of their local revenues into a fund which will then be redistributed to the other clubs.*

Baseball's 234-day strike, which cost its post season games including the World Series, ended. The players showed their commitment to the MLBPA's cause. Cal Ripken Jr., who had possibility to break Lou Gehrig's all time record for consecutive games played during the 1995 season, declared that in order to protect future players from a salary cap, he was willing to give up to accomplish his record. Player representatives, David Cone for American League and Tom Glavine for National League sacrificed their time in attending every meeting. The MLBPA informed player agents and of the bargaining process made them involved. To keep close touch with the players, the MLBPA organized team conference calls so many times. As part of "crisis management," the MLBPA's support staff often worked beyond midnight. (Abrams, 1998)

One way, the MLBPA should have strongly argued that the owners were not facing a financial crisis was, to point out the soaring value of the franchise. In 1979, the Baltimore Orioles was sold to Edward Bennett Williams for $12.3 million. In 1989, Williams's widow sold the club for $70 million to Eli Jacobs. On August 2, 1994, nine days before the strike was scheduled to start, a group led by Baltimore attorney Peter Angelos bought the club for $173 million. The value of the franchise increased 14 times in fifteen years, and then had soared 2.5 times in only four years. The Orioles is not the only case. In 1981, the Seattle Mariners was sold to George Argyros for 13 million, and then sold for $77 million in 1988. Even if the Mariners had experienced financial loss in their annual operations, the capital gains would not only have offset the total lost, but would have provided significant profit to Argyros. Also, it is hard to imagine that a company seeing evaporating profits and having an imminent catastrophe would be able to increase its value like this. The MLBPA should have claimed this at the beginning of the negotiation. Because, in other industries, there are many cases in which employees are given shares of the increasing value of their company with a system such as a stock option.

For the first time, the owners showed the same level of solidarity as the MLBPA. One reason was the acting Commissioner Bud Selig, the owners' well-liked colleague. On the contrary to the other Commissioners who had intervened the owners action during the labor disputes, Selig constantly "worked the phones," consulted with owners and informed them of bargaining developments. The owners had great personal loyalty to Bud Selig.

The second reason was the owners' personal investments before and during the process. Before the collective bargaining negotiation, the owners had experienced so many meetings among themselves on the issue of the revenue-sharing. As a matter of course, all of the owners in small-size market supported the idea of the revenue-sharing while the owners in large-market were unenthusiastic about the idea. The small-market owners were so interested in the issue that even before the CBA, they announced that they would lock out of their home stadiums the television crews of the visiting large-market clubs. This would cause major damage to the large-market clubs that have large local broadcasting revenue while the counter action would cause relatively small damage to the small-market clubs that have small local broadcasting revenue. Also, to persuade the Cardinals, one of the staunch opponents of revenue-sharing, three owners in the retail merchandise industry used politics against the owner of the Cardinals, August A. Busch III. David Glass, Chairman of the Kansas City Royals and president Wal-Mart Stores, Drayton McLane, the Astors' new owner and vice chairman of Wal-Mart, and most importantly, Peter Magowan, the Giants' new owner and a chairman of the nation's number three supermarket chain, Safeway, were of the Busch family's Anheuser-Busch's biggest customers. The three pressed the Cardinals off of their position. As a result of these negotiations, the owners finally agreed to revenue sharing. And among the owners, the players' acceptance of salary cap became imperative to introduce revenue-sharing. The entire process made the owners commitment to their position much stronger than in any other CBA.

Also, the influence of the influx of new owners should not be overlooked. Since 1990, nine new owners had come into the business of baseball. Their investments, upwards of $100 million, were too much for them to passively accept the terms under the old CBA. Also, some of the new owners were skilled union-battlers in their other businesses. The Marlins' Wayne Huizenga had experienced labor wars in his garbage-collecting business with Waste Management, Inc. The Royals' David Glass had hindered all attempts to organize clerks, truckers and other workers as a chief executive of Wal-Mart. The Giants' Peter Magowan had squeezed huge concessions and cutbacks from his workforce after Safeway's LBO. Jerry McMorris, a chairman of the Colorado Rockies, had an experience of establishing his NW Transport Service business from nothing into the West's biggest privately-owned trucking firm. Although most of his workforce were union members, McMorris did so without any strikes.

Concluding Remarks

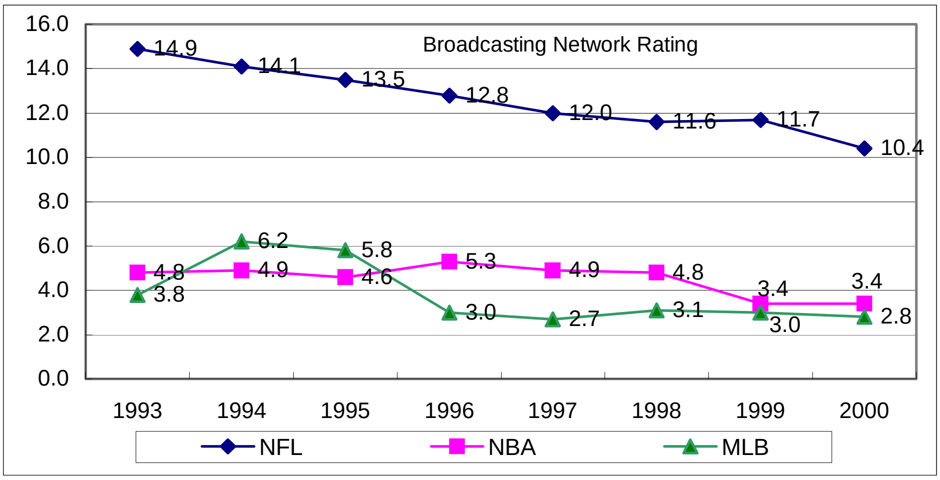
From the historical perspective in the labor negotiations between the baseball owners and the baseball players, we can be fairly certain that U.S. legislation, such as the National Labor Relations Act, The National Labor Management Relations Act and Sherman and Clayton Antitrust Acts has helped both parties to negotiate to garner concessions from each other. Without baseball's antitrust exemption, originated from the *Federal Baseball*, it might have been difficult for the owners to retain reserve clause until 1976. Without labor laws, the MLBPA might have experienced more difficulties in winning concessions they obtained from the owners.

However, the influence on the CBA from the increasing complexity of the media should not be overlooked. Cambridge Dictionaries Online defines, MEDIA (MEDIUM) as "a method or a way expressing something." Therefore, not only newspapers, magazines, radios, televisions, and the Internet, but also ballpark might be regarded as media in the broader interpretation. When the ballparks and newspapers were the only media for baseball to connect with fans, the revenue source for the baseball was simple, only gate receipts. Salary determination was also simple because it was, how to share gate receipts among the owners and the players. At that time, the major threat for the owners was the existence of a rival league. During the time there were no rival league for the baseball, the owners easily controlled the revenue distribution from the baseball's only media: gate receipts.

The hidden cause of baseball's union activity from the late 1940s was that Commissioner Chandler sold the TV-radio rights for the World Series and the All-Star Game at a price of 1 million a year and decided that the 60 percent of the proceeds from the TV-radio broadcasting contracts for both the All-Star Game and the World Series goes to the players pension fund. Since pension was all players' concern at that time, soaring broadcasting rights for baseball, which were brought by the competition among the television companies, brought significant influence on the players' solidarity in the negotiations with the owners.

The progressed complexity in the media industry, which began in the mid-1980s brought another significant influence on baseball: financial disparity and revenue-sharing. As mentioned in Chapter 5, emerging local cable stations made financial disparity among the big-market clubs and the small-market clubs. This financial disparity changed the business of the baseball and to fix the problem, the owners needed concession from the players. There is no doubt about the technology progress in the broadcasting industry had significant influence on the installation of the luxury tax and revenue sharing system in the mid 1990s.

After the 1990 CBA, Commissioner Vincent, who came into the baseball out of the entertainment business, commented that the fans really don't mind the players huge salaries. Speaking about the $4 million a year Giant first baseman, Vincent said, "They don't think of Will Clark as an economic being." (Lowenfish, 1991, p.277) Even if fans don't mind the players' huge salaries, their biggest concerns are the quality of the entertainment and the cost. We can safely state that under the current system, it is difficult for the business of baseball to maintain the quality as an entertainment. Even after the current CBA had reached agreement and revenue-sharing plan was implemented, it has not been enough to improve on-field disparity of the baseball. The payroll gap between playoff teams and the rest of the field continued to widen in the 1999 season. In that year, playoff-bound teams paid an average of $69.3 million per club and the 22 teams that did not reach the playoffs paid $39.7 million per club. That $30 million gap is the widest yet in a five-year span that has witnessed payrolls go from a contributing factor to a determining factor in the pennant races. Also, as the graph indicates, after the current CBA, the average TV rating of the MLB games were the lowest among three professional sports: NBA, NFL and NBA.



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Therefore, in the next collective bargaining negotiations a paradigm shift is required for both parties to regard the Basic Agreement as a solution for the baseball business to be more competitive as an entertainment, not a solution for the owners or the players.

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