AN ECONOMIC ANALYSIS OF TEAM MOVEMENTS IN PROFESSIONAL SPORTS

JAMES QUIRK*

INTRODUCTION

The past few years have seen baseball franchises move in and out of Milwaukee, Kansas City, Seattle, and Washington, and current rumors have the San Diego Padres and Minnesota Twins on the verge of moving as well. Movement of baseball franchises has become an important issue in discussions in the Congress and elsewhere relative to the antitrust exemption afforded baseball. This paper attempts to provide an economic analysis of franchise moves in professional sports within the context of the economic theory of professional sports leagues developed in Rottenberg[1] and El-Hodiri and Quirk.[2] The basic conclusion reached in this paper is that while franchise moves can act as temporary expedients in correcting for an imbalance of playing strengths and revenue potential within a sports league, such moves offer no long-run solution to the fundamental problem that plagues professional sports, namely the tendency of the big-city teams to dominate the sport. Furthermore, the history of franchise moves in baseball indicates that the moves that have taken place have generally acted to intensify the extent of imbalance within baseball rather than to correct for such imbalance. While there are some indications that the wave of franchise moves within baseball might be coming to an end, the experience of baseball, when applied to other professional sports, offers scant evidence of any self-regulating mechanism within sports to protect the fans of small-city sports franchises from the threat of movement of their franchises.

Part I of this paper outlines the economic structure of a professional sports league, a structure common to the four major team sports of baseball, football, basketball, and hockey, and indicates the implications of this rules structure for the distribution of playing strengths by teams within a league. The role played by franchise moves within this structure is then discussed. Part II presents a brief historical survey and analysis of franchise moves that have taken place in organized baseball, beginning with the move of the Boston franchise to Milwaukee in 1953. The final section of this paper discusses the public policy issues that are involved in franchise moves.

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* Professor of Economics, California Institute of Technology.

[1] Rottenberg, *The Baseball Players' Labor Market*, 64 J. POL. ECON. 242, 256-58 (1956).

[2] El-Hodiri & Quirk, *An Economic Model of a Professional Sports League*, 79 J. POL. ECON. 1302-19 (1971). A forthcoming volume from the Brookings Institution, edited by Roger Noll, presents a more complete development of both theoretical and empirical issues arising in the economics of professional sports.

I

ECONOMIC STRUCTURE OF A PROFESSIONAL SPORTS LEAGUE

A professional team sports league is a voluntary organization which provides an institutional structure within which contests among the member teams can be arranged so as to determine a league champion for each season. While such an organizational structure is needed to resolve such matters as playing rules, player eligibility, and a mutually agreed upon schedule of contests, the league also functions as a cartel, creating and imposing constraints on the economic activities of the member teams. The basic rules structure governing the economic aspects of the league is the following: (1) Each team in the league is assigned an exclusive franchise to conduct league contests within some specific geographic area, generally restricted to within a twenty-five to fifty mile radius about the team's playing field. (2) Contracts between teams and players contain a variant of the so-called "reserve clause," which effectively binds the player to the team holding his contract for the length of his playing career or until the contract is transferred to another league team.[3] (3) League rules specify the sharing of gate receipts between the home and visiting teams and prescribe the rights to proceeds from television and radio contracts as well. Under an antitrust exemption granted by the Congress specifically for this purpose, each of the major professional sports leagues can also engage in pooling operations in negotiating nationwide television and radio contracts. (4) League rules specify drafting procedures based on reverse order of finish in the previous season, restricting bidding by league teams for new talent. (5) League rules govern the sale or transfer of franchises, as well as the movement of franchises between geographical areas. These and other league rules are enforced by such sanctions as fines, blacklists, expulsion, forced sale of franchise, and so forth.

As has been noted many times before, the professional team sports league is unique as an economic entity because the product being sold by professional sports is competition on the playing field. In order for the league to function as a viable economic institution, it is essential that there be uncertainty as to the outcome of league contests. This can occur only if there is public confidence in the honesty of contests, and only if, over the long run, playing strengths are fairly evenly distributed among the member teams in the league. Continued one-sided domination of a league by one team ultimately leads to a lack of interest in league games not only in the weaker cities but ultimately in the dominant city itself. This was recognized, of course, very early in the history of professional sports, and the rules structure that has evolved in each of the major sports reflects a continuing attempt to solve

[3] The sole exception to this is the World Hockey Association (WHA) which instead utilizes a "secondary draft" of players who have completed the terms of their contracts with teams and desire to leave the team. Since this provision of the WHA by-laws has not yet been put into practice, it is not yet possible to determine its effect on player mobility. Football and basketball contracts permit a player to "play out his option" but the team holding his contract is indemnified by any team signing him to a new contract.

the basic problem of maintaining honesty and league balance in a manner that does not interfere unduly with decentralized control of teams and with exploitation of profitable opportunities by teams.

From the point of view of balance of the league, the basic difficulty facing professional sports arises from the fact that franchises are located in cities of differing revenue potential. A team located in New York or Los Angeles has considerably higher revenue potential than one located, say, in Kansas City or Cincinnati. Consequently, beginning with an equal distribution of playing strengths among teams in a league, an additional star player is worth more to the owner of the New York franchise than he is to the owner of a small-city franchise. If there were no reserve clause, the higher bids for players by owners of the big-city franchises would tend to concentrate talent in those areas and hence distort the competitive structure of the league, perhaps ultimately destroying the league itself.[4] This is the classic argument for the reserve clause, already adopted by the early 1880's in organized baseball. It is perhaps not surprising that this device, justified by its role in securing balance in a league, also has the side benefit to owners of restricting the bargaining strength of players in salary negotiations. Within ten years of its adoption, the reserve clause brought such widespread salary reductions that it produced the famous players' revolt leading to the formation of the Players' League in 1890. The importance of player dissatisfaction with the reserve clause in the successful formation of the American League (1900-1902) is well documented.[5]

Even with the reserve clause, however, unrestricted bidding for *new* talent has the effect of unbalancing the league in the direction of the big-city franchises, since higher bids for new talent will be forthcoming from these teams, where the revenue potential of the player is higher. Hence the league rules incorporate drafting procedures, permitting the small-city teams freer access to such talent. Again, not surprisingly, such procedures have the effect of lowering the cost of new talent to league teams through restricting competitive bidding for such players. Newspaper reports of the difference between bonuses paid to new players during the AFL-NFL war and those paid following the merger agreement (including a common draft) give ample indication of the relevance of this point.

With a rules structure incorporating the reserve clause and a drafting procedure based on reverse order of finish, will long-run equalization of playing strengths among league teams be achieved? The answer is that it will not, because of the operation of the market for player contracts. In all professional sports leagues, player contracts

[4] It should be pointed out, however, that as a team becomes stronger relative to the rest of the league, each additional star player adds less and less to team revenue, and profit maximization implies that such players are added only to the point where the additional cost associated with hiring the last such player equals the addition he provides to revenue. Hence, even in the absence of the reserve clause, there are incentives for big-city teams to limit their hiring of star players. *See generally* Rottenberg, *supra* note 1.

[5] *See* H. SEYMOUR, BASEBALL, THE EARLY YEARS (1961); H. SEYMOUR, BASEBALL, THE GOLDEN AGE (1971).

may be bought or sold or traded among league teams. The price of a player's contract will reflect the revenue potential of a player in his best (highest revenue potential) use. Suppose that playing talent is equally distributed among all league teams. Because an additional star player on a big-city team adds more to the revenue of that team than the player can earn for a small-city team, the owner of the big-city franchise is willing to pay the owner of the small-city franchise a sum which is higher than the discounted present value of revenue that the small-city franchise can earn by employing the player. Hence incentives are created for small-city franchises to sell players to the big-city franchises, leading to an imbalance of playing strengths within a league which mirrors the imbalance of revenue potential within that league. Note that this occurs despite the reserve clause and despite the drafting arrangement, since neither of these devices acts in any way to offset the difference in revenue potential among league teams.

Thus, while the reserve clause and the draft do not accomplish the goal claimed for them of equalizing playing strengths among league teams, the draft does play the role of increasing the profitability of marginal franchises. This is accomplished through the market for player contracts, with small-city teams selling newly drafted players (or their experienced equivalents) to the big-city teams. In effect, the draft operates to transfer economic rents from newly drafted players to the owners of franchises by restricting the bidding for new players, these rents being capitalized in the sales price of player contracts. The draft acts to transfer a disproportionate share of such rents to the poorer revenue potential franchises, by assigning drafting rights on the basis of reverse order of finish in league play.

The extent to which an imbalance in revenue potential and consequent imbalance in playing strengths will exist in a professional sports league depends crucially on the gate-sharing rules of the league. Such rules differ markedly among the four major team sports. In baseball, for example, the home team receives approximately eighty per cent of the gate with the visting team getting twenty per cent, while local television revenues (a major source of income in baseball) go entirely to the home team. In football, in contrast, the home team gets sixty per cent of the gate while the great bulk of television revenues are derived from the national contract which provides for equal sharing among league teams. The extreme case occurs in basketball and hockey where in all leagues (NBA, ABA, WHA, NHL) the home team gets one hundred per cent of the gate as well as all local television revenues. While nothing short of league pooling of revenues will completely eliminate the imbalance of revenue potential among franchises, it is clear that such an imbalance is less under the arrangements present in football than in baseball, and less still in basketball or hockey. It should be emphasized that more equal gate-sharing is not argued on the basis of some notion of "fairness" but rather because, by acting to equalize revenue potential, its effect is to enhance the competitive aspects of the sport and thus improve the economic viability of the league.

Given a rules structure which promotes a tendency toward marginal low profit franchises with weak teams in small cities and profitable franchises with strong teams in large cities, it is not surprising that franchise moves emerge as a device for continued survival of the league. With a franchise located in a city with relatively poor revenue potential, it is clearly in the interest of the franchise owner to move to a city with higher revenue potential, and such a move is often in the interests of the other team owners in the league as well. Moves which have the effect of more evenly balancing revenue potential among league members have the long-run effect of more evenly balancing playing strengths in the league, and hence increase public interest and total league revenues. Thus, it is to be expected that such moves would be approved routinely by the league.

Franchise moves which have the effect of more equally balancing revenue potential within the league still leave the underlying problem of balance unsolved, however. So long as exclusivity of franchises in the large metropolitan areas continues, franchise moves can only be temporary palliatives. No amount of movement of franchises among smaller cities can erase the basic discrepancy in revenue potential between New York and Los Angeles, on the one hand, and the lesser cities into which franchise moves are made, on the other. Movement of all presently marginal franchises simply creates another set of marginal franchises, many of which are, no doubt, those that were originally moved.

Even a skilled franchise operator, if located in a small city, will find survival difficult under the business rules structure of professional sports leagues. Consider in contrast the case of an inept franchise operator in a city capable of supporting a team, who wishes to move to avoid further losses. In an industry subject to the pressures of the market, the firm would be forced out of business by his more efficient competitors. What regulating mechanism operates in a sports league?

This brings us to the issue of control of franchise moves. In the organization of a sports league, control over franchise moves is vested in the owners acting as a group, and there are incentives operating on the owners to approve any franchise move, whether it results in balancing the league or not. Perhaps most importantly, the gate-sharing arrangement leads to an identification of the interests of all owners with that of any owner proposing a move. Since the owner wishing to move feels that he will personally benefit from the move, this is prima facie evidence from the best possible source that there will be financial benefit for the other owners as well, in the form of higher visiting team gate receipts. Owners of marginal franchises have the added incentive of establishing further precedents for moves they might be contemplating in the future, while for the wealthier clubs moves delay the day when substantive changes have to be made in league rules to distribute revenues more equally. Beyond this, proposals to move a team that are rejected by the league result in almost certain penalties for the franchise owner and for visiting teams at the franchise. Such proposals seem invariably to leak to the press, resulting in a loss of backing for the franchise in the city in which it is located and in consequent losses in attendance and revenue. In baseball, the cases of St. Louis (1953), Milwaukee (1965), and Kansas City (1964-67) illustrate this point. Finally, the early franchise moves in baseball resulted in spectacular short-run successes during a "honeymoon" period following each move, a phenomenon, however, that seems to have vanished in recent years. All of these factors operate towards approval of proposed franchise moves, whatever their long-term effects on league balance.

Acting as a partial deterrent to gross misallocation of franchise locations is the threat of emergence of a rival league. It is in this sense only that the competitive market mechanism might be said to act to control franchise moves. Strictly speaking, this is primarily an issue concerning the expansionary policies of a league, rather than a matter concerning the movement of existing franchises. Self-interest of league members argues for expansion of membership in a league until all cities capable of supporting a franchise in the sport are absorbed into the league, allowing for the added transport and other costs incurred in such expansion. Not only does this provide added revenue by way of initiation fees, but it also reduces the probability of formation of a rival league. Since monopoly control of a sport is absolutely essential to the preservation of the reserve clause and drafting system and consequent bargain costs of players, rival leagues carry important threat value. Thus, it is to be expected that no league will in fact abandon a potentially profitable franchise location—or at least not for long. If the present franchise owner wishes to move, the league will either expand or will move some existing franchise into the city to replace the franchise that is moving. Thus franchise moves are no real problem so far as big-city franchises are concerned; but such is not the case with small-city franchises, which account, of course, for the bulk of the franchise moves.

The theory outlined here argues that playing strengths and profits are concentrated in the big-city teams in a league, that franchise moves emerge as a device to permit small city franchises to capture short-run profits in a new market, and that fans in small cities can expect little protection from franchise moves from the self-regulation of the typical sports league. In the next section, we briefly review the applicability of this theory to the history of the past twenty years of expansion and franchise moves in organized baseball.

II

SURVEY AND ANALYSIS OF BASEBALL FRANCHISE MOVES

For a comprehensive study of the process of franchise moves in baseball, data on playing performance and on the financial aspects of baseball franchises are required. Tables I-III summarize a limited amount of such information. Table I gives playing performance by franchise over the period 1946-72 in terms of final standings in the two major leagues. Table II presents attendance data over the same period. Table III summarizes the limited amount of information that is available concerning profitability of franchises, covering only the periods 1946-50, and 1952-56, the only recent years for which complete data are available. We will return to these data later, but here it might be noted that over the ten year period for which profits data are available, the Brooklyn Dodgers captured forty-four per cent of total National League profits before taxes, with the New York Yankees accounting for thirty-eight per cent of American League profits.

Between the end of the National League-American League war in 1903 and 1953, the same sixteen teams in the same sixteen locations comprised the two major baseball leagues. Beginning with the move of the Boston Braves into Milwaukee for the 1953 season, the past twenty years has witnessed expansion of the major leagues by eight additional teams, and the approval of ten moves of established franchises, these franchise moves being the following:

(1) Boston Braves to Milwaukee (NL), 1953
(2) St. Louis Browns to Baltimore (AL), 1954
(3) Philadelphia Athletics to Kansas City (AL), 1955

TABLE I
TEAM FINISHES, 1946-1972
AMERICAN LEAGUE

Yr.	N.Y.	Det.	Chi.	Bos.	Cleve.	Wash.	Minn.	St. L.	Balt.	Phil.	K.C.	Oak.	Cal.	Sea.	Milw.	Tex.
1946	3	2	5	1	6	4		7		8						
1947	1	2	6	3	4	7		8		5						
1948	3	5	8	2	1	7		6		4						
1949	1	4	6	2	3	8		7		5						
1950	1	2	6	3	4	5		7		8						
1951	1	5	4	3	2	7		8		6						
1952	1	8	3	6	2	5		7		4						
1953	1	6	3	4	2	5		8		7						
1954	2	5	3	4	1	6			7	8						
1955	1	5	3	4	2	8			7		6					
1956	1	5	3	4	2	7			6		8					
1957	1	4	2	3	6	8			5		7					
1958	1	5	2	3	4	8			6		7					
1959	3	4	1	5	2	8			6		7					
1960	1	6	3	7	4	5			2		8					
1961	1	2	4	6	5	9*	7		3		9		8			
1962	1	4	5	8	6	10	2		7		9		3			
1963	1	5	2	7	5	10	3		4		8		9			
1964	1	4	2	8	6	9	6		3		10		5			
1965	6	4	2	9	5	8	1		3		10		7			
1966	10	3	4	9	5	8	2		1		7		6			
1967	9	2	4	1	8	6	2		6		10		5			
1968	5	1	9	3	4	10	7		2			6	8			
1969	7	3	10	5	12	6	2		1		9*	4	8	11		
1970	3	7	12	5	8	9	2		1		10	4	6		10	
1971	6	3	7	5	12	11	9		1		4	2	8		10	
1972	6	3	2	4	10		7		5		8	1	9		11	12

*New franchise.

NATIONAL LEAGUE

Yr.	Brk.	L.A.	N.Y.	S.F.	Cin.	Chi.	Phil.	Pitt.	St. L.	Bos.	Milw.	Atl.	N.Y.M.	Hous.	S.D.	Mont.
1946	2		8		6	3	5	7	1	4						
1947	1		4		5	6	7	7	2	3						
1948	3		5		7	8	6	4	2	1						
1949	1		5		7	8	3	6	2	4						
1950	2		3		6	7	1	8	5	4						
1951	2		1		6	8	5	7	3	4						
1952	1		2		6	5	4	8	3	7						
1953	1		5		6	7	3	8	3		2					
1954	2		1		5	7	4	8	6		3					
1955	1		3		5	6	4	8	7		2					
1956	1		6		3	8	5	7	4		2					
1957	3		6		4	7	5	7	2		1					
1958		7		3	4	5	8	2	5		1					
1959		1		3	5	5	8	4	7		2					
1960		4		5	6	7	8	1	3		2					
1961		2		3	1	7	8	6	5		4					
1962		2		1	3	9	7	4	6		5		10	8		
1963		1		3	5	7	4	8	2		6		10	9		
1964		6		4	2	8	2	6	1		5		10	9		
1965		1		2	4	8	6	3	7		5		10	9		
1966		1		2	7	10	4	3	6			5	9	8		
1967		8		2	4	3	5	6	1			7	10	9		
1968		7		2	4	3	7	6	1			5	9	10		
1969		8		4	5	3	10	6	7			2	1	9	11	11
1970		3		4	1	5	10	2	8			8	6	7	12	11
1971		4		2	8	5	11	1	2			7	5	8	12	10
1972		4		10	2	4	12	1	7			8	6	3	11	9

Source: AMERICAN LEAGUE RED BOOK, NATIONAL LEAGUE GREEN BOOK, 1947-1973.

(4) Brooklyn Dodgers to Los Angeles (NL), 1958
(5) New York Giants to San Francisco (NL), 1958
(6) Washington Senators to Minnesota (AL), 1961
(7) Milwaukee Braves to Atlanta (NL), 1966
(8) Kansas City Athletics to Oakland (AL), 1968
(9) Seattle Pilots to Milwaukee (AL), 1970
(10) Washington Senators to Texas (AL), 1972

Before discussing these moves, it might be well to point out that prior to 1952, the rules of organized baseball required that a franchise move by a major league team have the unanimous approval of all owners in the league to which the team belonged, and majority consent by the owners in the other major league. This rule was changed after 1952 to make franchise moves (and expansion) a matter for the league concerned only, with no consent required from the other major league, except in cases of invasion of the other league's territory. Further, the requirement of unanimous consent was replaced by 3/4 (later, 2/3) majority of league members. Hence, from 1953 on, approval of franchise moves became considerably easier to obtain.

As indicated in Part I, franchise moves, whether they lead to balancing the league or not, are expected to be approved more or less routinely by league members, as it is in the interest both of the poorer and the richer franchises to facilitate franchise moves. Since 1952, only two proposed moves have been voted down—the proposal of Bill Veeck to move the St. Louis Browns, first for the 1953 season and later for the 1954 season, and the proposal of Charlie Finley to move the Kansas City Athletics to Louisville for the 1964 season. Both Finley and Veeck may properly be described as thorns in the side of the baseball establishment, and the refusals to permit their proposed moves can be viewed as punishment for their aberrant behavior, as indicated by the fact that the move from St. Louis to Baltimore was unanimously agreed to once Veeck had sold his franchise, while Finley's move to Oakland was approved after he had been subjected to four more years of reported heavy losses in Kansas City.

The record of votes on proposed franchise moves is the following:[6]

National League	
Boston to Milwaukee	unanimous for move
New York to San Francisco and Brooklyn to Los Angeles	unanimous for joint move
Milwaukee to Atlanta	unanimous for move[7]
American League	
St. Louis to Baltimore:	
vote on March 24, 1953	5-3 against move
vote on September 27, 1953	4-4
vote on September 29, 1953, following sale of franchise by Veeck	unanimous for move
Philadelphia to Kansas City	7-1 for move
Washington to Minnesota	6-2 for move[8]
Kansas City to Louisville (1964)	9-1 against move
Kansas City to Oakland	7-3 for move[9]
Seattle to Milwaukee	unanimous for move[10]
Washington to Texas	10-2 for move

Excluding the cases of Veeck and Finley, the previous summary indicates the lack of substantial opposition to any of the proposed moves, even those of a highly controversial nature such as, for example, the moves of the Dodgers and Giants from

[6] Compiled on the basis of various issues of N.Y. Times, 1953-1972.

[7] The vote to permit the Milwaukee move also required the club to fulfill its stadium contract to play its 1965 games in Milwaukee before moving to Atlanta in 1966.

[8] Vote coupled with expansion same year (1961) into Los Angeles and Washington.

[9] Vote coupled with expansion following year (1969) into Seattle and Kansas City.

[10] No vote reported. However, approval was granted by phone vote, hence it is presumed that the vote was unanimous since any dissenting vote can call for a formal meeting.

New York, the move from Milwaukee, and the recent move of the Senators' franchise. Franchise moves were agreed to in the case of four cities (New York, Milwaukee, Washington, Kansas City) which were then given expansion franchises (in Milwaukee's case, after a year's delay at Seattle). For Washington and Kansas City, the reward for long years of watching second division baseball was the loss of a team on the verge of being a playing success, to obtain another sure second division team.

It might be thought that franchise moves occur because of an irresistible offer to an owner to sell the franchise to someone in another city. Actually, of the ten franchise moves only three involved a change in ownership. In all other cases, the same owner retained title to the franchise. Ownership changes occurred in the move of the Browns (Veeck in effect being forced to sell to a group of Baltimore civic leaders before the move would be approved), in the move of the Athletics to Kansas City (the Mack family selling its holdings to Arnold Johnson), and in the move of the Pilots (the Daley-Soriana interests selling to a group of Milwaukee business leaders). It might be mentioned that the Seattle franchise was reportedly on the brink of

TABLE II
ATTENDANCE BY TEAM, 1946-1972
(IN THOUSANDS)
AMERICAN LEAGUE

Yr.	Tot.	Avg.	N.Y.	Det.	Chi.	Bos.	Cleve.	Wash.	Minn.	Phil.	K.C.	Oak.	St. L.	Bal.	Cal.	Sea.	Milw.	Tex.
1946	9621	1203	2266	1723	983	1417	1057	1027	—	622	—	—	526	—	—	—	—	—
1947	9486	1186	2179	1398	877	1427	1522	851	—	912	—	—	320	—	—	—	—	—
1948	11151	1394	2374	1743	778	1559	2621	795	—	945	—	—	336	—	—	—	—	—
1949	10732	1342	2284	1821	937	1597	2234	771	—	817	—	—	271	—	—	—	—	—
1950	9131	1141	2081	1951	781	1344	1727	700	—	310	—	—	247	—	—	—	—	—
1951	8482	1060	1950	1133	1328	1312	1705	695	—	465	—	—	294	—	—	—	—	—
1952	8295	1037	1630	1027	1232	1116	1445	699	—	627	—	—	519	—	—	—	—	—
1953	6965	871	1538	885	1192	1026	1069	596	—	362	—	—	297	—	—	—	—	—
1954	7622	953	1475	1080	1232	931	1335	504	—	305	—	—	—	1061	—	—	—	—
1955	8943	1118	1490	1182	1176	1203	1222	425	—	—	1393	—	—	852	—	—	—	—
1956	7893	987	1492	1051	1000	1137	865	432	—	—	1015	—	—	901	—	—	—	—
1957	8196	1024	1497	1272	1136	1181	722	457	—	—	901	—	—	1030	—	—	—	—
1958	7297	912	1428	1099	797	1077	664	475	—	—	925	—	—	830	—	—	—	—
1959	9149	1144	1552	1221	1423	984	1498	615	—	—	964	—	—	892	—	—	—	—
1960	9226	1153	1627	1168	1644	1130	951	743	—	—	775	—	—	1188	—	—	—	—
1961	11165	1119	1748	1601	1146	851	726	597*	1257	—	684	—	—	951	604	—	—	—
1962	10016	1002	1494	1208	1132	733	716	730	1433	—	636	—	—	790	1144	—	—	—
1963	9106	911	1309	822	1159	943	563	536	1407	—	762	—	—	774	821	—	—	—
1964	9234	923	1306	816	1250	883	653	600	1208	—	642	—	—	1116	760	—	—	—
1965	9080	908	1214	1030	1131	652	935	560	1463	—	528	—	—	762	567	—	—	—
1966	10165	1017	1125	1124	990	811	903	576	1259	—	774	—	—	1203	1400	—	—	—
1967	11233	1123	1260	1447	986	1728	663	771	1484	—	721	—	—	955	1318	—	—	—
1968	11316	1132	1186	2032	804	1941	848	547	1143	—	—	837	—	944	1026	—	—	—
1969	12130	1011	1068	1577	590	1833	620	918	1349	—	902*	779	—	1058	758	678	—	—
1970	12035	1003	1137	1501	495	1595	730	825	1262	—	693	778	—	1057	1078	—	934	—
1971	11369	947	1071	1591	834	1679	591	655	941	—	911	915	—	1023	926	—	732	—
1972	11437	953	966	1892	1177	1442	626	—	798	—	708	921	—	900	744	—	600	663

*New franchises.

NATIONAL LEAGUE

Yr.	Tot.	Avg.	Brk.	L.A.	N.Y.	S.F.	Cin.	Bos.	Milw.	Atl.	Chi.	Pitt.	St. L.	Phil.	N.Y.M.	Hous.	S.D.	Mont.
1946	8902	1112	1797	—	1220	—	716	970	—	—	1343	750	1062	1045	—	—	—	—
1947	10388	1299	1808	—	1601	—	900	1277	—	—	1364	1284	1248	907	—	—	—	—
1948	9771	1221	1399	—	1459	—	823	1455	—	—	1238	1517	1111	767	—	—	—	—
1949	9485	1186	1634	—	1218	—	708	1082	—	—	1143	1499	1431	820	—	—	—	—
1950	8321	1040	1186	—	1009	—	539	944	—	—	1166	1166	1093	1217	—	—	—	—
1951	7244	906	1283	—	1060	—	588	488	—	—	894	981	1013	938	—	—	—	—
1952	6342	793	1089	—	985	—	607	281	—	—	1025	687	913	755	—	—	—	—
1953	7421	928	1163	—	812	—	548	—	1827	—	764	573	880	854	—	—	—	—
1954	8014	1002	1021	—	1155	—	704	—	2131	—	748	476	1040	739	—	—	—	—
1955	7676	959	1034	—	824	—	694	—	2006	—	876	469	849	923	—	—	—	—
1956	8650	1081	1214	—	629	—	1126	—	2046	—	720	950	1030	935	—	—	—	—
1957	8821	1103	1029	—	654	—	1071	—	2215	—	671	851	1184	1146	—	—	—	—
1958	10166	1271	—	1846	—	1273	789	—	1971	—	980	1312	1064	931	—	—	—	—
1959	9994	1249	—	2071	—	1422	801	—	1749	—	858	1360	930	803	—	—	—	—
1960	10685	1336	—	2254	—	1795	663	—	1498	—	810	1706	1097	862	—	—	—	—
1961	8642	1080	—	1804	—	1391	1118	—	1011	—	673	1199	855	590	—	—	—	—
1962	11362	1136	—	2755	—	1593	982	—	767	—	610	1091	954	762	923	925	—	—
1963	11304	1130	—	2539	—	1571	859	—	773	—	980	784	1171	907	1080	720	—	—
1964	12045	1205	—	2229	—	1504	862	—	911	—	752	759	1143	1426	1733	726	—	—
1965	13580	1358	—	2554	—	1546	1048	—	556	—	641	909	1241	1166	1768	2151	—	—
1966	16034	1503	—	2617	—	1657	743	—	—	1540	636	1197	1731	1108	1933	1872	—	—
1967	12969	1270	—	1664	—	1242	958	—	—	1389	977	907	2090	829	1565	1348	—	—
1968	11785	1179	—	1581	—	837	733	—	—	1127	1043	693	2011	665	1782	1313	—	—
1969	15095	1258	—	1785	—	874	988	—	—	1458	1675	769	1683	519	2175	1443	513	1213
1970	16663	1390	—	1697	—	741	1804	—	—	1079	1643	1342	1630	708	2697	1253	644	1425
1971	17326	1444	—	2065	—	1106	1501	—	—	1006	1653	1501	1605	1511	2267	1262	558	1291
1972	15538	1296	—	1861	—	648	1611	—	—	753	1299	1427	1197	1343	2134	1469	644	1142

Source: AMERICAN LEAGUE RED BOOK, NATIONAL LEAGUE GREEN BOOK, 1947-1973.

bankruptcy, and both the Athletics and Browns had suffered severe losses in the years preceding the franchise move, as indicated in Table III. Thus, the typical franchise move has been one in which the franchise owner sees higher profit potential in some other location, rather than a sale to interested parties in some other city. In such cases, as noted above, it makes economic sense to the other owners to accept the franchise owner's appraisal of such profit opportunities and agree to the move.

The traditional justification for a proposed franchise move is lack of fan support. The evidence for such lack of support is low attendance and monetary losses. Table IV summarizes the data available on attendance, profits, and league standing for ten years preceding each franchise move.

The data indicate clearly the difficulty with the "lack of fan support" argument. Teams with the playing records of the St. Louis Browns, Philadelphia Athletics, Washington Senators (both clubs) and the Kansas City Athletics would have difficulty drawing wherever they were located. In fairness, the Dodgers did not argue lack of fan support, but rather the inability to acquire a new park. In fact, the city of New York agreed to build a park (in the precise location of the present Shea Stadium) months before the Dodgers moved. Lack of fan support also rings a little hollow in the cases of Milwaukee, the Giants, and the Boston Braves, unless

TABLE III
PROFITS BEFORE TAXES BY TEAM, 1946-1950, 1952-1956
(THOUSANDS OF DOLLARS)

American League	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	Avg.
New York	809	847	516	347	497	Not Available	686	987	501	803	863	686
Detroit	467	197	255	33	113		-26	44	115	530	530	237
Chicago	291	209	69	103	65		162	462	450	441	331	248
Boston	405	-95	-203	21	-101		-342	-421	3	243	122	-37
Cleveland	376	319	500	506	459		368	355	1144	412	-167	427
Washington	357	457	261	-18	5		110	44	96	6	36	135
St. Louis	260	303	157	83	43		-330	-707	—	—	—	-27
Baltimore	—	—	—	—	—		—	—	654	-87	74	214
Philadelphia	83	130	233	90	-316		-51	-102	-218	—	—	-19
Kansas City	—	—	—	—	—		—	—	—	37	2	19
Average	381	308	224	146	96		72	83	356	398	224	229
National League												
Brooklyn	412	519	543	643	-9		673	356	455	825	1120	554
New York	-211	520	-114	-88	-264		-222	-63	646	250	121	58
Cincinnati	192	208	164	73	65		-68	17	75	99	532	136
Boston	40	229	238	148	-317		-459	—	—	—	—	-4
Milwaukee	—	—	—	—	—		—	677	960	1090	1044	968
Chicago	510	279	141	212	-133		187	-418	-72	83	-150	64
Pittsburgh	72	39	66	195	138		-677	-421	-198	-602	-48	-144
St. Louis	699	631	609	358	263		-40	-702	-534	-43	329	157
Philadelphia	125	64	198	47	310		-118	-10	-256	-264	-1	9
Average	230	311	231	199	7		-33	-71	135	180	368	156

Sources: 1946-1950: SUBCOMM. ON STUDY OF MONOPOLY POWER OF THE HOUSE COMM. ON THE JUDICIARY, ORGANIZED BASEBALL, H.R. REP. No. 2002, 82d Cong., 2d Sess. (1952).
1952-1956: *Hearings on H.R. 5307, H.R. 5319, H.R. 5383, H.R. 6876, H.R. 6877, H.R. 8023, and H.R. 8124 Before the Antitrust Subcomm. of the House Comm. on the Judiciary*, 85th Cong., 1st Sess., ser. 8, pt. 1, at 1297-99 (1957).

two or three years attendance is projected into the indefinite future (1965 Milwaukee attendance is for the year following the announcement of the move to Atlanta).[11]

Following the Milwaukee move to Atlanta, considerable attention was directed toward the influence of television revenues on the propensity of franchise owners to pull up stakes. Table V summarizes TV and radio receipts by franchise over the periods 1952-1973, with data for 1952-1956 including national TV, while data for 1960-1973 are for local contracts only.

Briefly, the yearly gain in TV revenues associated with each move is as follows:

Boston to Milwaukee	—$175,000	(1953 vs. 1952)
St. Louis to Baltimore	+$257,000	(1954 vs. 1953)
Philadelphia to Kansas City	—$ 90,000	(1955 vs. 1954)
Brooklyn to Los Angeles	Not available	
New York to San Francisco		

[11] The profit data is ambiguous as well. Thus the Celler Committee report notes that the St. Louis Browns sold $1,290,000 worth of players between 1947 and 1951; if taken into account, profits for St. Louis in 1947, 1948, 1949, and 1950 look more like the figure for 1952, bolstering the argument for the Browns' move. SUBCOMM. ON STUDY OF MONOPOLY POWER OF THE HOUSE COMM. on the JUDICIARY, ORGANIZED BASEBALL, H.R. No. 2002, 82d Cong., 2d Sess. 95 (1952).

TABLE IV

ATTENDANCE (IN THOUSANDS), PROFITS BEFORE TAXES (IN THOUSANDS OF DOLLARS), AND LEAGUE STANDING IN TEN YEARS PRECEDING MOVE

Boston (NL)	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Attendance	271	209	374	970	1277	1455	1082	944	488	281
Profits	–41	133	137	40	229	238	148	-317	n.a.	-459
Standing	6	6	6	4	3	1	4	4	4	7
St. Louis (AL)	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
Attendance	509	483	526	320	336	271	247	294	519	298
Profits	·285	30	260	303	157	83	43	n.a.	-330	-707
Standing	1	3	7	8	6	7	7	8	7	8
Philadelphia (AL)	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
Attendance	463	622	912	945	817	310	465	627	362	305
Profits	–17	83	130	233	90	-316	n.a.	-51	-102	-218
Standing	8	8	5	4	5	8	6	4	7	8
Brooklyn (NL)	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Attendance	1399	1634	1186	1283	1089	1163	1021	1034	1214	1028
Profits	543	643	-9	n.a.	673	356	455	825	1120	n.a.
Standing	3	1	2	2	1	1	2	1	1	3
New York (NL)	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Attendance	1459	1218	1009	1060	985	812	1155	824	629	654
Profits	–114	-88	-264	n.a.	-222	-63	646	250	121	n.a.
Standing	5	5	3	1	2	5	1	3	6	6
Washington (AL)	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Attendance	695	699	596	504	425	432	457	475	615	743
Profits	n.a.	110	44	96	6	36	n.a.	n.a.	n.a.	n.a.
Standing	7	5	5	6	8	7	8	8	8	5
Milwaukee (NL)	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Attendance	2046	2215	1971	1749	1498	1011	767	773	911	556
Profits	1044				Not Available					
Standing	2	1	1	2	2	4	5	6	5	5
Kansas City (AL)*	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Attendance	925	964	775	684	636	762	642	528	774	721
Standing	7	7	8	9	9	8	10	10	7	10
Seattle (AL)*	1969									
Attendance	678									
Standing	11									
Washington (AL)*	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Attendance	730	536	600	560	576	771	547	918	825	655
Standing	10	10	9	8	8	6	10	6	9	11

Sources: AMERICAN LEAGUE RED BOOK and NATIONAL LEAGUE GREEN BOOK, 1944-1973; SUBCOMM. ON STUDY OF MONOPOLY POWER OF THE HOUSE COMM. ON THE JUDICIARY, ORGANIZED BASEBALL, H.R. REP. No. 2002, 82d Cong., 2d Sess. (1952); *Hearings on H.R. 5307, H.R. 5319, H.R. 5383, H.R. 6876, H.R. 6877, H.R. 8023, and H.R. 8124 Before the Antitrust Subcomm. of the House Comm. on the Judiciary*, 85th Cong., 1st Sess., ser. 8, pt. 1 (1957).

*No data on profits available.

TABLE V
TV AND RADIO REVENUES, BY FRANCHISE, 1952-1973
(IN THOUSANDS OF DOLLARS)
AMERICAN LEAGUE

	1952	1953	1954	1955	1956	1957 1958 1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
New York	475	625	675	725	900	Not Available	900	1000	1200	1200	1200	1200	1500	1500	1500	1500	1500	1500	1300	1300
Detroit	320	316	328	348	403		600	600	625	625	650	1200	1200	1200	1000	1000	1100	1200	1200	1000
Chicago	261	356	434	522	519		750	800	850	850	900	900	900	1600	1400	1400	1400	1400	1000	1050
Boston	367	370	361	477	477		500	600	600	600	600	690	690	690	690	690	700	700	700	1000
Cleveland	453	615	636	568	1053		625	700	700	700	700	700	700	750	750	750	800	800	800	800
Minnesota								600	600	600	600	600	575	600	600	650	700	700	850	950
Washington	170	283	341	317	317		200													
Oakland															1100	1100	1000	1000	1000	1000
Kansas City				210	210		400	400	300	300	300	300	300	165						
Philadelphia	169	293	300																	
California								750	775	775	825	850	900	950	950	950	1000	1000	1000	1000
Baltimore			313	301	302		600	600	600	600	700	700	700	700	700	750	775	775	775	775
St. Louis	9	56																		
Kansas City																650	650	400	650	650
Milwaukee																	600	600	600	600
Seattle																750				
Texas																			700	700
Washington								300	600	600	600	600	575	600	600	650	700	700		

NATIONAL LEAGUE

	1952	1953	1954	1955	1956	1957 1958 1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Los Angeles						Not Available	1000	1000	1000	1000	1000	1000	1000	1000	1000	1800	1800	1800	1800	1800
Brooklyn	580	540	609	787	888															
San Francisco							750	900	900	900	900	1000	1000	1000	1000	1100	1100	1100	1100	1100
New York	380	424	490	646	731															
Cincinnati	109	119	120	197	267		480	480	525	550	550	550	500	500	500	600	600	1000	1300	1300
Chicago	166	153	156	187	227		500	500	500	500	550	550	550	550	1000	1000	1000	1000	1000	1200
Pittsburgh	110	116	125	110	159		350	500	350	350	450	450	450	450	450	450	450	450	450	1000
Atlanta													1200	1200	1000	1000	1000	1000	1000	1000
Milwaukee		141	137	135	125		800	800	375	475	400	210								
Boston	316																			
St. Louis	102	110	327	327	327		400	400	425	425	450	500	550	550	550	600	600	600	800	800
Philadelphia	178	226	204	266	302		500	500	650	650	650	1300	1300	1300	1300	1350	1350	1500	1500	1600
New York Mets									1000	1000	1000	1200	1200	1275	1200	1350	1250	1250	1250	1250
Houston									500	600	1600	1770	1770	1770	1300	1300	1000	1000	1000	1000
Montreal																450	450	500	600	800
San Diego*																700	700	710	710	710*

Sources: 1952-1956: *Hearings on H.R. 10378 and S. 4070 Before the Subcomm. on Antitrust and Monopoly of the Senate Comm. on the Judiciary*, 85th Cong., 2d Sess., 800-03 (1958).
1960-1973: BROADCASTING, various February issues, 1960-1973.
1952-1956 data includes receipts from game of the week national television; from 1960 on, data are for local contracts only.
Sporting News reports "Padres revenue (in 1973) will be cut if no TV arrangements can be made, as now seems likely." Sporting News, Mar. 24, 1973.

Washington to Minnesota	+$400,000	(1961 vs. 1960)
Milwaukee to Atlanta	+$800,000	(1966 vs. 1964)
Kansas City to Oakland	+$800,000	(1968 vs. 1966)
Seattle to Milwaukee	−$150,000	(1970 vs. 1969)
Washington to Texas	No change	(1972 vs. 1971)

Because the last year in Milwaukee and in Kansas City reflected knowledge that the franchise was moving, comparisons are with the previous year.

Of the ten franchise moves, three (Washington, Milwaukee, and Kansas City) were certainly influenced by TV revenues, and this might also have been a factor in the move of St. Louis. At $3 a ticket, the moves of Milwaukee and Kansas City resulted in the equivalent of 250,000 additional attendance, for example. Newspaper reports indicate that the prospect of pay-TV (which ultimately fell through) was of central importance in the moves of the Dodgers and the Giants. In summary, TV revenues have played an important role in roughly half of the moves that have taken place. It should be noted that under a TV sharing arrangement as in the NFL, or even under a spilt with visiting teams, the TV lure would be much less of an incentive for moves.

The crucial question to raise concerning franchise moves is the effect of such moves on balance within a league. No one would argue that even the grant of antitrust exemption, as in the case of baseball, imposes the obligation on baseball to maintain franchises in cities that are clearly too small to support a team even under the most generous rules concerning gate-sharing. But certainly there is an obligation to restrict franchise moves to those that are rendered necessary to balance more evenly the league in terms of drawing potential.

Table VI summarizes the effect on league balance of the ten moves that have taken place in professional baseball, comparing population in the city from which the move took place with population in the city to which the franchise moved, and with average population per league city.

TABLE VI
FRANCHISE MOVES AND LEAGUE BALANCE*

Franchise Move	Population (000) of City pre-move	Population (000) of City post-move	Avg. Pop. (000) per league city
Boston to Milwaukee	1,297	1,270	2,304
St. Louis to Baltimore	1,053	1,804	2,367
Philadelphia to Kansas City	2,172	1,093	2,494
Brooklyn to Los Angeles	3,565	6,039	2,302
New York to San Francisco	3,565	2,649	2,302
Washington to Minnesota	2,064	1,482	2,359
Milwaukee to Atlanta	1,404	1,390	3,375
Kansas City to Oakland	1,257	1,555	2,770
Seattle to Milwaukee	1,422	1,404	2,556
Washington to Texas	2,861	1,556	2,555

*For moves before 1966, 1960 data are used; for moves in 1966 and after, 1970 data are used. Population is population in the standard metropolitan area divided by the number of teams in the area.

TABLE VII
ATTENDANCE RECORDS OF MOVED FRANCHISES
(IN THOUSANDS)

Franchise and Dates	Year following move																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Avg.
Milwaukee (1953-1965)	1827	2131	2006	2046	2215*	1971*	1749	1498	1011	767	773	911	556							1497
Kansas City (1955-1967)	1393	1015	901	925	964	775	684	636	762	642	528	774	721							825
Baltimore (1954-1972)	1061	852	901	1030	830	892	1188	951	790	774	1116	762	1203*	955	944	1058*	1057*	1023*	900	963
Los Angeles (1958-1972)	1846	2071*	2254	1804	2755	2539*	2229	2554*	2617*	1664	1581	1785	1697	2065	1861					2088
San Francisco (1958-1972)	1273	1422	1795	1391	1593*	1571	1504	1546	1657	1242	837	874	741	1106*	648					1280
Minnesota (1961-1972)	1257	1433	1407	1208	1463*	1259	1484	1143	1349*	1262*	941	798								1251
Atlanta (1966-1972)	1540	1389	1127	1458*	1079	1006	753													1194
Oakland (1968-1972)	837	779	778	915*	921*															846
Milwaukee (1970-1972)	934	732	600																	755
Texas (1972)	663																			663

*Pennant winning year (pre-1969); divisional title, 1969-1972.
Sources: AMERICAN LEAGUE RED BOOK and NATIONAL LEAGUE GREEN BOOK, 1953-1973.

Population is admittedly a rather crude measure of revenue potential, but even this crude measure gives some indication of the balancing effect of the franchise moves that have taken place. A franchise move tends to balance more equally the league if the city to which the franchise is moved is closer to the league average than the city from which the move occurred. Given this criterion, only three of the ten moves represent moves that balanced the league—the move from St. Louis to Baltimore, the move from New York to San Francisco, and the move from Kansas City to Oakland. Interestingly, the move to Oakland had the side effect of reducing the drawing potential of the Giants franchise to a level substantially below the average for the National League. Hence, taking this side effect into account, only one move qualifies as a balancing move (in terms of population)—the move of the Browns, which was the first move proposed, and one which was rejected twice by the American League owners.

What is perhaps of more importance is that in eight of the ten moves, the city to which the franchise was moved had a population substantially less than the league average per franchise. Given the business rules structure of baseball, such cities are prime candidates for further franchise moves, and such has occurred already in two cases, while Minnesota, San Francisco, and Texas are certainly not solid franchises at the present moment.

Finally, we might ask how successful the moves have been. Here the answer must again be qualified to take into account the playing success of the team and to reflect the honeymoon phenomenon. Table VII summarizes attendance data for moved franchises.

Looking at average attendance records and using the crude yardstick of one million attendance as the break-even point, five of the ten franchise moves have been successful (Milwaukee (first team), Los Angeles, San Francisco, Minnesota and Atlanta), one is on the margin of success (Baltimore), and four have been failures (Kansas City, Oakland, Milwaukee (second team), Texas). One of the successes (Milwaukee) and one of the failures (Kansas City) resulted in further franchise moves. With the exception of Atlanta, all of the successes occurred with teams of above average playing records, while Baltimore and Oakland have had successful playing records but less success at the gate. Of the successful moves, Milwaukee lost its team, and recent rumors suggest that San Francisco (or Oakland) and Minnesota are possible contenders for a future move. Given this history, it would be difficult to judge the period of franchise moves as a success in terms of the results at the new franchise locations. Los Angeles emerges as the rare exception, but the only rational way to view the Los Angeles move is as Walter O'Malley's method of capitalizing on expansion of the National League—the moves to Los Angeles and San Francisco should be coupled with the expansion into New York and Houston and thought of as a combined operation. In this sense, these moves are somewhat different from the other franchise moves that occurred, although the move to Minnesota might be given much the same interpretation.

The data on attendance records highlights the honeymoon period following a franchise move, particularly in the cases of Kansas City and Atlanta. The absence of a honeymoon period following the moves to Oakland, Milwaukee (second team), and Texas is further substantiated by the data from Table I for Seattle, San Diego and Kansas City (1969-1972)—after 1966, the honeymoon period seems to have vanished.

We might briefly summarize the findings of this section as follows. Generally speaking, (1) franchise moves have been approved without substantial opposition by other owners; (2) the justification for moves of "lack of fan support" is in most cases of dubious validity; (3) franchise moves have not had the effect of more evenly balancing revenue potential within the league; (4) the assignment of all local TV revenues to the home team has been an important element in roughly half of the moves; (5) the moves have not been particularly successful in terms of long-run viability at the new locations.

TABLE VIII
ESTIMATES OF GATE AND TV-RADIO REVENUE, 1972*

	Attendance		Gate Receipts		TV & Radio (Incl. Nat'l)	Total
	Home	Away	Home	Away		
American League	(000)	(000)	$ (000)	$ (000)	$ (000)	$ (000)
New York	966	1,135	2,318	681	2,025	5,024
Detroit	1,892	1,062	4,541	637	1,925	7,103
Chicago	1,177	936	2,825	556	1,725	5,106
Boston	1,442	987	3,461	592	1,425	5,478
Cleveland	626	996	1,502	598	1,525	3,625
Texas	663	771	1,591	463	1,575	3,629
Minnesota	798	847	1,915	508	1,575	3,998
Oakland	921	1,116	2,210	670	1,725	4,605
California	744	815	1,786	489	1,725	4,000
Milwaukee	600	836	1,440	502	1,325	3,267
Baltimore	900	1,243	2,160	746	1,500	4,406
Kansas City	708	695	1,699	417	1,375	3,491
National League						
Los Angeles	1,861	1,441	4,466	865	2,525	7,856
San Francisco	648	1,349	1,555	809	1,825	4,189
Cincinnati	1,611	1,403	3,866	842	2,025	6,733
San Diego	644	1,023	1,546	614	1,435	3,595
Montreal	1,142	1,104	2,741	662	1,325	4,728
Atlanta	753	1,396	1,807	838	1,725	4,370
Chicago	1,299	1,330	3,118	798	1,725	5,641
New York	2,134	1,502	5,122	901	1,925	7,948
Pittsburgh	1,427	1,373	3,425	824	1,175	5,424
St. Louis	1,197	1,274	2,873	764	1,525	5,162
Philadelphia	1,343	1,071	3,223	643	2,225	6,091
Houston	1,469	1,262	3,526	757	1,725	6,008

*Revenues were estimated as follows. Average ticket prices were taken to be $3 per admission at each franchise. It was assumed that the gate split was 80-20 between the home and visiting team. National TV revenues were estimated at $725,000 per team and added to local TV-Radio revenues as reported in *Broadcasting*.
Attendance data from AMERICAN LEAGUE RED BOOK and NATIONAL LEAGUE GREEN BOOK, 1973.

Finally, we conclude this section by returning to the central theme of Part I—that the rules structure of baseball (and of the other professional sports) tends to concentrate both playing skills and profits in the big-city franchises at the expense of the small-city franchises. Table VIII gives a rough estimate of gate receipts and revenues from TV and radio by franchise for 1972, indicating the disparity between revenue at cities such as Kansas City, Milwaukee and San Diego, and cities such as Los Angeles and New York.

The estimates given are admittedly crude and furthermore are for a single year, yet the difficulty of supporting a franchise in a small city, while bidding in a common market for player contracts against big-city teams, is at least indicated.

TABLE IX
HOME-AWAY ATTENDANCE, 1962-1971

	Avg. attendance per yr. (thousands)		Attendance		Years over one million	
American League	Home total	Away total	Home p. cap.	Away p. cap.	Home	Away
New York	1217	1531	.21	.63	10	10
Detroit	1315	1045	.31	.41	8	7
Chicago	937	969	.27	.41	4	2
Boston	1280	936	.46	.35	5	5
Cleveland	723	808	.35	.29	0	3
Washington	672	798	.24	.30	0	2
Minnesota	1295	1064	.71	.38	9	7
Oakland	827	1039	.53	.37	0	1[d]
California	980	840	.69	.30	5	0
Seattle	678	890	.48	.31	0	0[a]
Milwaukee	833	757	.59	.27	0	0[b]
Baltimore	968	1124	.47	.41	5	7
Kansas City (old)	677	717	.54	.25	0	0[e]
Kansas City (new)	835	836	.66	.29	0	0[c]

	Avg. attendance per yr. (thousands)		Attendance		Years over one million	
National League	Home total	Away total	Home p. cap.	Away p. cap.	Home	Away
Los Angeles	2149	1584	.31	.55	10	10
San Francisco	1267	1755	.48	.53	7	10
Cincinnati	1048	1290	.76	.38	3	10
San Diego	572	1129	.42	.33	0	2[c]
Montreal	1310	1097	.58	.33	3	2[c]
Atlanta	1267	1317	.91	.39	6	6[e]
Chicago	1061	1221	.30	.38	4	8
New York Mets	1792	1099	.31	.37	9	6
Pittsburgh	995	1290	.41	.39	4	10
St. Louis	1524	1375	.64	.41	9	10
Philadelphia	960	1177	.20	.38	4	8
Houston	1301	983	.66	.29	7	4
Milwaukee	752	1227	.54	.36	0	4[d]

a-in league 1 yr.; b-in league 2 yrs.; c-in league 3 yrs.; d-in league 4 yrs.; e-in league 6 yrs.
Sources: AMERICAN LEAGUE RED BOOK, NATIONAL LEAGUE GREEN BOOK, 1963-1973.

A somewhat more revealing picture of the problem of small-city franchises is given in Table IX, which compares home and away attendance by franchise over the period 1962-1971.

The data in Table IX are relevant with respect to several issues. First, how attractive in terms of customer interest are the different teams? Second, how well do small cities support their teams as compared with the larger cities? Third, how often do the small-city teams break even in attendance?

A crude measure of the drawing potential of a team (rather than a franchise) is given by how the team draws on the road, and comparisons are given between average home attendance and average road attendance. On a priori grounds, if all teams were equally attractive, one would expect the big-city teams to draw more at home than away and the opposite to be true for the small-city teams. While Table

TABLE X

DISTRIBUTION OF MAJOR LEAGUE PROFESSIONAL SPORTS FRANCHISES BY METROPOLITAN AREAS, 1972, UNITED STATES

1970 Population Rank	Metropolitan Area	1970 Population (in thousands)	Franchises			
			Baseball	Hockey	Basketball	Football
1	New York	11,529	2	3	2	2
2	Los Angeles	7,032	1	2	1	1
3	Chicago	6,979	2	2	1	1
4	Philadelphia	4,818	1	2	1	1
5	Detroit	4,200	1	1	1	1
6	San Francisco-Oakland	3,110	2	1	1	2
7	Washington, D.C.	2,861	—	—	—	1
8	Boston	2,754	1	2	1	1
9	Pittsburgh	2,401	1	1	—	1
10	St. Louis	2,363	1	1	—	1
11	Baltimore	2,071	1	—	1	1
12	Cleveland	2,064	1	1	1	1
13	Houston	1,985	1	1	1	1
14	Newark	1,857	—	—	—	—
15	Minneapolis-St. Paul	1,814	1	2	—	1
16	Dallas	1,556	1	—	1	1
17	Seattle	1,422	—	—	1	—
18	Anaheim	1,420	1	—	—	—
19	Milwaukee	1,404	1	—	1	1
20	Atlanta	1,390	1	1	1	1
21	Cincinnati	1,385	1	—	—	1
22	Patterson-Passaic, N.J.	1,359	—	—	—	—
23	San Diego	1,358	1	—	1	1
24	Buffalo	1,349	—	1	1	1
25	Miami	1,268	—	—	—	1
26	Kansas City	1,257	1	—	1	1
27	Denver	1,228	—	—	1	1
28	San Bernardino	1,143	—	—	—	—
29	Indianapolis	1,110	—	—	1	—
30	San Jose	1,065	—	—	—	—
Totals			23	21	20	25

Additional teams: Baseball-Montreal; Basketball-Phoenix, Portland (NBA); Virginia, Kentucky, Carolina, Utah, Memphis (ABA); Football-New Orleans; Hockey-Montreal, Toronto, Vancouver (NHL); Ottawa, Quebec, Winnipeg, Calgary (WHA).
Source: The Sporting News.

IX indicates that this is generally the case, there are some interesting exceptions, particularly the New York Yankees, St. Louis Cardinals and Houston Astros. But a more relevant measure is certainly per-capita attendance at home and away. Presumably if every team were equally attractive, the per-capita attendance would be independent of size of city. In fact, as the table indicates, the small-city franchises invariably outdraw the big-city franchises on a per-capita basis, so that we have the anomaly of the highly successful New York Mets and L.A. Dodgers drawing less than half as much on a per-capita basis as the new Kansas City team, which is regarded as something of a box office failure. The consequence, of course, is that the small-city teams rarely make it to the magic one million attendance break-even point, as indicated by the last two columns of the table. The problems for franchises such as Minnesota and Atlanta are clearly indicated by the table. These franchises have been successful only because they have achieved what appear to be standards of per-capita attendance at home that are highly unlikely to continue over time, and Cincinnati suffers from the same basic problem. It appears that the small-city franchises have generally performed quite well in terms of attendance, if measured against big-city standards, but in the absence of equitable revenue-sharing arrangements, the small cities are unlikely to operate profitable franchises.

Will the era of franchise moves continue, or are there indications that perhaps it has run its course? There are at least two encouraging signs. For baseball, the honeymoon phenomenon seems to be at an end, and without this stimulus, owners might be more reluctant to look for greener pastures. The other encouraging sign is that by now, expansion in baseball and in the other major team sports has pretty well blanketed the country, as indicated in Table X. Perhaps the era will end because there isn't any place else to go.

III

FRANCHISE MOVES: THE PUBLIC POLICY ISSUES

At least since the time of Adam Smith, economists have been extolling the virtues of a competitive price system in which the market determines the answers to the questions of "what is to be produced, how is it to be produced, and who gets it." In such a system, if a shoe manufacturer decides to move his plant from one city to another because of the higher profit potential of the second location, the inhabitants of the first town generally suffer some injury and those of the second, some gain; but interference with such moves would effectively stifle the most important virtue of the price system, its flexibility of response to changes in tastes and technology. In professional sports, a franchise is moved from one city to another because the owner sees more profit potential in the second location. Is there any more justification for interfering with such a move than in the case of the shoe manufacturer?

The argument for the need to impose constraints on moves and other aspects of professional sports is the old, classic argument concerning monopoly. If a firm obtains monopoly control over an industry, it sets price higher and output lower than would be the case under competition in the industry, distorting the allocation of resources in the economy. Under rather general conditions it can be shown that imposing controls (marginal cost pricing requirements) on the monopolist leads to a situation in which all consumers in the economy can be made better off than was the case with an unfettered monopoly operating. In professional sports, monopoly control of the sport is the typical situation. To be sure, when profits become excessive or if the league is run in a particularly inept fashion, competitive leagues arise or are threatened, but these challenges invariably lead to merger and return to a monopoly position. Historical examples abound—the merger of the American and National Baseball Leagues in 1902; buying off of the owners of the Federal League in 1915; absorption of the profitable franchises in the All American Conference into the National Football League in 1950; merger of the NFL and AFL in the mid-1960's; the proposed NBA-ABA merger; and so forth. As mentioned earlier, monopoly control of a sports industry is essential to maintaining such devices as the reserve clause and drafting rules; with competition between leagues, rents accrue to players, and franchises lose their profitability. Because the incentives for monopoly control are so strong, it is not possible to rely on the market to regulate activities in the professional sports industries—competitive leagues simply will not and have not survived.

Given the existence of a monopoly in a sport, the franchise owner is in a position to capture those rents that accrue to a monopolist. This is not to say that every team owner makes huge profits. In fact, the argument of this paper is that owners of the small-city franchises will generally be involved in marginal operations. The rules structure of professional sports tends to concentrate the monopoly gains from the sport in the hands of the big-city franchise owners. If anything, this produces pressures on the small-city franchises to recoup by exploiting the mobility of the franchise in obtaining financial concessions from the city in which the franchise is located. This use of the scarcity value of a franchise is indicated by the wave of publicly financed stadiums that have been constructed in such cities as Oakland, Anaheim, Kansas City, Cincinnati, Pittsburgh, Philadelphia, New York, and, of course, Washington—stadiums that rarely pay their own way. Through artificially low rental charges, these stadiums represent subsidies to the teams using them in efforts to keep the franchise from moving. It is trite but true that a major league franchise has value to the city possessing such a franchise over and beyond the revenues accruing to the franchise owner through ticket sales and television revenues. Economists assume that if these additional values can be appropriated they will be, and public stadiums represent one way in which franchise owners can appropriate part of these revenues.

Traditionally, economists have been reluctant to advocate non-market institutions to solve problems the market is designed to handle. Certainly, the history of regulatory commissions is not one which instills overwhelming confidence in such a device as a protector of the interests of the general public. Businessmen involved in the day-to-day decisions of running their firms are in a much better position to make judgments than the bureaucrat. Furthermore, regulatory commissions have the unhappy history of often developing into more effective cartel organizations than could have been created by the businesses themselves. Hence, the suggestion to correct some of the worst abuses of professional sports by appointing a federal sports czar is not appealing.

It should be emphasized that despite its many problems, organized baseball has survived and flourished for almost one hundred years. Such an organization can survive and grow only because it is adaptable to change, at least in the long run. But organized baseball is also a monopoly, and certainly a monopoly which, in addition, markets a product that ranks with motherhood and apple pie should do well. There are abuses in each of the sports leagues, of which the wave of franchise moves in baseball is only one example; problems with players concerning the reserve clause give rise to many more. Solutions suggested to these problems by outsiders, however well intended, lack the essential ingredient of intimate knowledge of the complexities of the industry. Hence, it seems apparent that corrections for the abuses of sports should come from within the industry itself, and the proper role for public policy to play is that of insuring that pressure is brought to bear to force the industry to devise solutions to its problems. No doubt there are many possible ways to implement this, but at a minimum, this means that with respect to franchise moves in particular, cities losing franchises should have the right to bring suit for triple damages under the antitrust laws. The problem of estimating damages is admittedly a thorny one. One method of estimating the loss to the city is to use the maximum bid that would be forthcoming from investors to purchase the franchise for retention in the city, less the market value of players under contract to the club. The argument is that this figure represents the scarcity value of a franchise located in the city, the scarcity value being directly attributable to monopoly control of the sport by the league. Thus, in the case of the Washington franchise, the reported $9 million bid by the Veeck group to keep the franchise in Washington would form the basis for a triple damages suit under the antitrust laws.

CONCLUSION

Organized baseball has created the problem of franchise moves by adopting a business rules structure that makes it extremely difficult for a small-city franchise to survive, while permitting small cities to obtain baseball franchises, in part at least to preclude the emergence of rival baseball leagues. This is a problem which has many parallels in other industries to which the antitrust statutes have been applied.

Application of the antitrust laws to baseball offers the only practical possibility of control of the abuses of franchise moves, since the record indicates quite clearly that organized baseball is incapable or unwilling to reform either its revenue-sharing arrangements or its rules governing location of franchises to put an end to such abuses.