

## The baseball strike of 1994–95

*The biggest strike ever in professional sports resulted in lost money for the owners and players and in disillusionment for the fans; although the game bounced back somewhat in 1996 and finally got its long-awaited collective bargaining agreement, problems remain*

Paul D. Staudohar

**B**aseball survived the 232-day strike of 1994–95. While full recovery of the game to its former stature remains problematic, it is surely dependent on a prolonged period of labor-management peace. Using a model of collective bargaining set forth in the next section, this article examines the strike and its aftermath, in order to analyze what happened and why. Since 1972, negotiation between the union and owners over contract terms has led to eight work stoppages that have plagued baseball. Hence, there is a clear need for a critical review of the bargaining process.

Industrial relations scholars have long pondered the road to labor-management peace. Over the last half-century, a substantial literature has emerged that offers analytical models, as well as principles, for resolving negotiation problems and preventing work stoppages.<sup>1</sup> One might suppose that because of the intractability of baseball's labor-management relations, there are no models or principles that apply. This is not the case, however, and the literature provides ample guidance.

### Bargaining model

The negotiations leading to work stoppages in baseball can be analyzed in terms of four principal areas: the allocation of revenues through collective bargaining between the union and owners, the exploration of mutual gain through cooperation, the behavioral atmosphere at the bargaining table, and accommodation to the differing interests of the negotiators' constituencies. This is the model that is used to review the 1994–95 strike.

The first area presents the most difficult problem for resolution in bargaining, because it involves the distribution of the economic pie between owners and players. Although the size of this pie may not be that significant compared with, say, the revenues of the automobile or electrical parts industries, sports dollars from television, gate receipts, luxury box seats, licensing agreements, and other sources have grown into the billions. The number of participants seeking a share of the pie is not large—about 750 players and 28 owners—so each has a lot at stake. This intensifies the pressure to win. Also, negotiations in baseball take place in a fishbowl environment, carefully scrutinized by the media and fans. Bargaining of this type has traditionally been adversarial, characterized by confrontation and the use of pressure tactics.

The second area, cooperating in negotiations for mutual gain, has been virtually nonexistent in baseball to date because the participants have been too preoccupied with battling each other. Yet there is considerable potential for enhancing the size of the pie through joint problem solving, as exemplified by basketball's pioneering drug control program. Issues such as salary caps and revenue sharing involve negotiations over money, but through creative arrangements, they can provide a stability to the sport that increases the economic return for all participants.

Trouble has brewed aplenty for baseball in the third area, the bargaining atmosphere. If attitudes are favorable, they promote mutual understanding and agreement; if not, they lead to conflict

Paul D. Staudohar is professor of business administration, California State University, Hayward, California. A version of this article was presented at the Cooperstown Symposium on Baseball and American Culture in June 1996.

and work stoppages. Baseball's problem is that players and owners do not appear to trust each other. Beginning with the emergence of Marvin Miller as the leader of the Major League Baseball Players Association in the late 1960s, the players have adopted an adversarial stance, and the owners have responded in kind. Distrust, disrespect, lack of accommodation, name-calling, and inattention to face-saving have characterized negotiations, poisoning chances for uninterrupted play.

The fourth area for potential difficulty or advantage in negotiations is the necessity for the chief negotiator on each side to bargain with his own constituency. That is, the owners' negotiator must be able to reconcile the diverse interests of the owners themselves, and the union negotiator has to deal with the various needs of the players. This is a challenging task because owners differ in having big-market or small-market teams, in being more or less strongly antilabor, and in being more or less fervently committed to team development. Players, too, have a big stake in outcomes (collective bargaining determines important aspects of their individual salary negotiations with teams—for example, free agency and salary arbitration), and their interests must be accommodated. Nor are all players alike: older players may have different aspirations than younger ones, and superstars may have goals that cannot be realized by journeymen. It is the job of the union's chief negotiator to try to get all players on the same page, pulling together at the bargaining table.

If either the owners or the players do not have a united front, negotiations are complicated by internal dissension. Generally, the players have done a better job of achieving solidarity than the owners have. But each side experiences tough sledding to generate consensus, and this has become one of the biggest barriers to agreement at the bargaining table.

### Past work stoppages

We usually think of work stoppages in baseball as modern-day phenomena, and yet there was conflict between players and owners in the early days of the game. In 1880, the reserve clause was written into players' contracts to prevent the players from moving freely from one team to another. This practice bound players to a single team, creating what economists call a *monopsony*—one buyer in a market—which limited players' salary potential.

The establishment of the reserve clause led to the formation of the first players' union in 1885, the Brotherhood of Professional Base Ball Players. The organizer of the union was John Montgomery Ward, star pitcher and infielder for the New York Giants, who was later enshrined in the Hall of Fame. Ward sought free agency for certain long-term players, and when his efforts failed, the so-called Brotherhood Revolt of 1890 was staged by about 200 major leaguers. Although the revolt was not a strike as such, a rival league was established

by the best players in the game. This Players League collapsed after a year in the face of pressure from National League club owner Albert G. Spalding (another Hall of Famer), but it shows that the early players were willing to take drastic action against owners.

A strike by players on the Detroit Tigers occurred in 1912, believed to be the first ever in baseball. The great Ty Cobb was suspended for 10 days for jumping into the stands to beat up a heckling fan. As a protest to this suspension, imposed by American League president Ban Johnson, Cobb's teammates staged a one-day walkout.

In the modern era, work stoppages occurred in 1972, 1973, 1976, 1980, 1981, 1985, 1990, and, of course, 1994–95. Beginning in 1972, a work stoppage has accompanied each expiration of a collective bargaining agreement. Players struck in 1972 over their benefit plan, causing a 10-day delay in the start of the season. The owners agreed to add \$500,000 for health care benefits and provided a cost-of-living increase for retirement benefits. In 1973, the owners refused to allow spring training to proceed without a collective bargaining agreement, but an agreement was reached, so no exhibition games were affected.

In 1976, the owners locked the players out by shutting down training camps for 17 days. Commissioner Bowie Kuhn ordered that spring training be resumed, and on August 19 a new agreement was reached that gave players the right to become free agents after 6 years. In 1980, players struck for the final 8 days of spring training, forcing the cancellation of 92 exhibition games. As a result, a 4-year labor agreement was reached that allowed the issue of free agency to be opened for further discussion during the 1981 season.

A study committee of owners and players was formed to look into free agency, but was unable to resolve the issue by 1981. When the owners indicated their intention to put their own free-agency plan into effect, the players staged the first midseason strike in baseball history. Three points about this strike stand out. First, the players stuck together better than the owners, and player solidarity proved decisive as the owners dropped their plan for compensating teams that lost free agents. Second, the parties sought outside mediation assistance from the Federal Mediation and Conciliation Service; however, this agency, which was also involved in the 1994–95 strike, was not very effective, as the chief negotiators—Marvin Miller for the union and Ray Grebey for the owners—did not see eye to eye. Third, a point that also arose in the 1994–95 strike, the stoppage was prolonged by the tense relationship between Miller and Grebey, which spilled over into caustic ad hominem attacks in the media. The 1981 strike lasted 50 days and caused the cancellation of 713 games. When the dust settled, the parties agreed to extend the 1980 contract through December 31, 1984. The regular season resumed following the All-Star game, and the division winners from the first half of the season played the second-half divi-

sion winners in the first-ever divisional playoffs.

The players' strike in 1985 was a mercifully short affair, just 2 days. Again, the conflict was over allocating the economic pie, this time the \$1.125 billion television package that began in 1984. Salary arbitration was the focal point of the discussions. First used in the 1974 season, this feature allows a player to have his salary for the coming year determined by an arbitrator if the player is unable to come to agreement in individual negotiations with the club, with the arbitrator required to pick either the club's or the player's final offer. As part of the new 5-year collective bargaining agreement, players were now required to achieve 3 years of major league experience before becoming eligible for arbitration, up from the previous 2-year waiting period. A pivotal role in reaching agreement was played by Commissioner Peter Ueberroth, who mediated the dispute. The 25 games lost to the strike were made up later in the season.

In 1990, the players were locked out of training camps for 32 days.<sup>2</sup> The 1990 lockout resembles the 1994-95 strike in that the owners proposed a radical restructuring of the collective bargaining agreement. The owners principally sought revenue sharing, with players guaranteed 48 percent of revenues from ticket sales and media contracts; a pay-for-performance arrangement in which players with 0 to 6 years of experience would be compensated on the basis of statistical formulas, by position; and a salary cap limiting the total salaries that a team could pay to all its players, so as to protect teams in small markets. The players sought the restoration of the 2-year period of prior service required for eligibility for salary arbitration from the current 3 years, a near doubling of minimum salaries, and the continuation of the existing formula for owner contributions to the pension and health benefit plans.

The 1990 lockout was a preemptive action by the owners, seeking to force the players into agreement early in the season. Fearful of a players' strike late in the season, when most of the owners' television revenues were to kick in, the owners were willing to forfeit far smaller amounts of revenue in order to put pressure on the players. The tactic was not very successful, however, in that the owners had to drop their major demands in the end. They did succeed in holding onto most of the requirement for eligibility for salary arbitration (the union won eligibility for only the top 17 percent of players with 2 to 3 years of experience), but the union secured significant increases in the benefit fund and the minimum salary for the players. Also, under the new 4-year contract, each team's roster was scheduled to increase from 24 to 25 in 1991, and either side would be able to reopen contract negotiations on major economic issues after 3 years.

Then-commissioner Fay Vincent was instrumental in bringing an end to the 1990 lockout. He audited negotiations and made his own recommendations for compromise known to the public, which led to the owners dropping their most radi-

cal proposals for change. Vincent was also able to work out an agreement with CBS to delay postseason play. This allowed the start of the regular season to be put back and the 78 games postponed by the lockout to be rescheduled.

### Preliminary rounds

The first shot leading to the 1994-95 strike was the owners' decision in December 1992 to reopen negotiations on salaries and the free-agency system. The vote for reopening was close, 15-13, and the owners tried to play down the idea of confrontation by urging the players to join them in a "partnership" and by revising their rules to require a three-fourths vote for a lockout rather than a simple majority. Despite this rhetoric, by voting to reopen negotiations, the owners showed their intention to take a proactive stance on effecting change. Another ominous sign was that a few months earlier Commissioner Vincent had resigned under pressure from the owners, and the office was left vacant.

Some meetings were held between the union and the owners in 1993, but no tangible offers were made by either side. In effect, the owners' decision to reopen the contract turned out to be unproductive, and the lack of any constructive progress only served to frustrate the union and squander an opportunity to discuss economic issues in a noncrisis atmosphere. Meanwhile, the 4-year collective bargaining agreement expired on December 31, 1993. Then, still holding off on formal proposals, the owners agreed among themselves by a 28-0 vote to share revenue on the condition that they could get the players to accept a salary cap.

By taking this action, the owners signaled their intention to come to grips with the problem of the disparity between big-market teams in cities like New York, Los Angeles, and Chicago and small-market teams such as Seattle, Pittsburgh, and Milwaukee. The problem, however, was that because the owners linked their revenue sharing with a salary cap, the players felt that they were being asked to solve the owners' financial disparity problem. A further complication was that a salary cap entails a salary floor, so small-market teams would have to pay salaries up to a certain minimum. The small-market teams wanted the assurance of a subsidy to meet this minimum and a way to prevent windfall profits by big-market teams whose payrolls would be reduced by the cap. There is a marked difference in team payrolls, as exemplified by those in 1993, when the payroll of the Toronto Blue Jays was \$48.4 million, compared with the San Diego Padres' payroll of only \$10.6 million.<sup>3</sup>

Thus, the idea of revenue sharing, wherein big-market teams would transfer monies to their small-market brethren, was a good one, but it caused divisiveness among the owners as to how the formula would be worked out. Not all small-market teams were in bad shape financially; some that had built or were building new stadiums with plentiful luxury boxes, such as Baltimore,

Cleveland, and Texas, were doing quite well.

Underscoring the plight of many small-market teams, and a major factor in the decision on the part of the players to strike, were the revised television contracts. National television revenues are shared equally among baseball clubs. In 1993, the television contracts were scaled down dramatically because of low ratings that caused CBS to lose about \$500 million and ESPN about \$150 million under the previous agreements.<sup>4</sup> Under the terms of the new agreement with NBC and ABC, revenues to baseball were made contingent solely on advertising sales for games under a joint venture between the networks and baseball, called the Baseball Network. Although ESPN's revised contract with baseball continued to provide up-front money, total revenues to baseball from television were cut by at least half. This reduction hit several small-market teams especially hard, because they were less able to offset the shortfall through gate receipts and local broadcast revenues, which are not shared among teams. (There is *some* sharing of gate receipts, with 80 percent to the home team and 20 percent to the visiting team in the American League and about a 95–5 split in the National League.)

### Positions and negotiators

It was not until June 14, 1994, that the owners finally presented their collective bargaining proposal, 18 months after they voted to reopen the contract. The owners proposed a 7-year contract that would split their total revenue with the players, 50–50, while phasing in a salary cap over 4 years. Provided that revenues did not fall, the players would be guaranteed no less than the \$1 billion in pay and benefits scheduled for 1994. The proposal also eliminated salary arbitration, but allowed players with 4 to 6 years of major league service to become free agents (compared with the 6 years previously required for free agency), with a right of first refusal by the player's current club. For players with fewer than 4 years of service, an escalating scale of minimum salaries was proposed, with the actual minimum amounts to be negotiated collectively. Players' licensing revenue (about \$80,000 per player) would have to be split with the owners. Depending on the average obligation to the players under the 50–50 split of total revenues, no team could have a payroll of more than 110 percent of that average or less than 84 percent.

To the players, the owners' proposal had several shortcomings. The players' share of 50 percent of revenues would be a cut from the existing share of 56 percent. Moreover, the players did not want to share their licensing revenue, and the loss of salary arbitration would remove a major impetus to higher player salaries. Although free agency would be liberalized, it came with the catch that the current club could retain a player by matching the offer of a club seeking a free agent. Another drawback was that the players' pensions, health coverage, and other benefits would be funded out of

their own 50-percent share of revenues.

The union's executive director, Donald Fehr, estimated that the owners' proposal would cost the players \$1.5 billion in salary over the 7-year life of the contract.<sup>5</sup> On June 18, the union predictably rejected the salary cap and other major aspects of the owners' proposal. For its part, the union proposed lowering the threshold for qualifying for salary arbitration to 2 years, eliminating the restriction on repeat free agency within 5 years, and raising minimum salaries to \$175,000 and, eventually, \$200,000. In essence, the union was content with maintaining the status quo. With the union spurning the owners' proposals, it was not surprising that a few days later the owners likewise rejected the union's offer. No real bargaining had occurred at this juncture. The purpose of the negotiators—Richard Ravitch of the Player Relations Council (the owners' bargaining group) and the Players Association's Fehr—was to get their positions before the print and broadcast media. This was consistent with contract negotiations over the past quarter-century in baseball and suggested a strong likelihood of a work stoppage.

Baseball negotiations in the modern era have been plagued by strong-willed and abrasive personalities. Marvin Miller set the tone when he refused to accept the paternalism between owners and players that had existed for so long in the game.<sup>6</sup> Instead, he determined to establish an adversarial relationship that continues to the present.

Fehr, Miller's successor since 1983, is a law school graduate of the University of Missouri at Kansas City. He had represented the union on legal matters since 1977, with the Kansas City firm of Jolley, Moran, Walsh, Hager, and Gordon. Like Miller, Fehr is a tough negotiator who emphasizes close contact with the players. One of the reasons for the union's success over the years is its solidarity, stemming in large part from able leadership and the outstanding job that leadership has done communicating with the players. This has enabled the union to make huge gains at the bargaining table and generally to hang on to what it acquires.

Fehr's opposite number as chief negotiator for the owners during much of the 1994–95 negotiations was Ravitch. A graduate of Yale Law School, he had a successful career with the Urban Development Corporation and as chairman of the New York Metropolitan Transit Authority. While not ostensibly hired to wage war on the Players Association, Ravitch admits to having "been characterized as a union buster" in his nonbaseball jobs.<sup>7</sup> A prickly relationship soon developed between Ravitch and Fehr, exacerbated by their negotiating styles. In contrast to Fehr's closeness to the players, Ravitch preferred to develop a personal bond with his opposite number in order to facilitate deals through backroom bargaining.<sup>8</sup>

Although not apparently orchestrated by Ravitch, one of the owners' blunders during negotiations prior to the strike was to withhold payment of \$7.8 million in scheduled contributions to the players' pension fund, money that the players were entitled

to for participation in the 1994 All-Star game. This is a good example of how ill-advised action can undermine negotiations by creating animosity among the participants. Fehr was also responsible for some questionable ripostes, stating that Ravitch lacked independence and was strictly a "hatchet man" for the owners.<sup>9</sup> The two chief negotiators became known as "Fehr and Loathing," and their hostile relationship was a key factor in causing and prolonging the strike.

### Strike dynamics

The players felt that they had little alternative to striking. Had they continued playing through the season without coming to an agreement, the owners could have declared an impasse and unilaterally implemented their proposals. Also, the timing of the strike, which began on August 12, 1994, was propitious for the union because it inflicted maximum damage on the owners. That late in the season, the players had received most of their pay, but the owners were vulnerable to big losses because they receive three-fourths of their television revenues from postseason play. In anticipation of a strike, for the previous 4 years the Players Association had retained a portion of each player's licensing revenues from the sale of products such as baseball cards. As a result, a strike fund of about \$175 million was accumulated so that each player with 4 years' experience would have about \$150,000 to ride out the strike.

At the outset of the strike, the parties agreed to accept mediation efforts by the Federal Mediation and Conciliation Service. Mediators try to persuade the parties to make concessions and come to an agreement, but, unlike arbitrators, have no power to impose a settlement. Thus, as in the 1981 strike, mediation would not necessarily bring an end to the dispute. Several Federal mediators, including the Conciliation Service's director, John Calhoun Wells, were unable to make progress toward settlement in 1994, because the parties were polarized and committed to disagreeing. Under such circumstances, no mediator can be successful. One change that did result from the suggestions of mediators was that several owners became involved in negotiations, and bargaining influence began to slip away from Ravitch and toward owners Jerry McMorris of Colorado and John Harrington of Boston.

Under the owners' rules, a three-fourths vote was required to approve a settlement. This created a formidable obstacle because the owners were split generally into three groups. The groups were largely based on market size, with the hawkish advocates of radical change from small-market teams like Kansas City, Milwaukee, Minnesota, Montreal, Pittsburgh, San Diego, and Seattle. On the other end of the spectrum were owners with teams in large markets and some owners from smaller market teams that had recently built new stadiums and were doing well financially. These dovish clubs, with more to lose from a prolonged strike, included Atlanta, Boston, Colorado, Los Angeles, the New York teams, Texas, and Toronto.

The remaining teams were somewhere in between, looking for moderate change, but susceptible to arm-twisting from either the hawks or doves.

In late August, McMorris and the owners' legal counsel, Charles O'Connor, suggested the idea of a graduated "luxury tax" to the union. If a club's payroll significantly exceeded the major league average, that club would have to pay a luxury tax based on its total payroll. The tax rate would be graduated the more the club's payroll exceeded the major league average. Money from the tax would go into a pool that would be distributed to financially needy teams.

The union viewed this proposal as a salary cap in disguise, because clubs would resist signing high-salaried free agents if the addition to payroll would have the double-barreled effect of a tax as well. Still, the union tried to work with the luxury tax concept, proposing a 1.5-percent tax on revenues and payrolls of the 16 largest clubs in terms of revenue and payroll, with the money distributed to the bottom 12 clubs. The union also suggested that home teams share 25 percent of their gate receipts with visiting teams. Shortly after rejecting the union's counteroffer, on September 14, 1994, the owners declared the cancellation of the World Series for the first time since 1904.

In mid-October, President Bill Clinton announced the appointment of William J. Usery, Jr., to mediate the dispute. The President could not have chosen a more able representative. Usery was Secretary of Labor in the Ford administration and before that was director of the Federal Mediation and Conciliation Service. Although 70 years old, Usery had remained active after his Government service by privately mediating some of the Nation's biggest industrial disputes in recent years. He had the experience to identify common ground and the tenacity to move the parties in that direction, but he lacked knowledge of the intricacies of baseball labor relations.

Unfortunately, Usery suffered the same fate as the earlier mediators. The parties modified their proposals somewhat, but remained far apart. The owners wanted to contain the salary escalation, which had grown to an average of nearly \$1.2 million per player, while the union was unwilling to do so. At least there was an understanding between the parties that some kind of revenue redistribution should occur from richer to poorer teams. Compromise was frustrated, however, by continued bickering among the negotiators and lack of consensus among the owners.

By the end of 1994, negotiations were bogging down, and the owners declared an impasse, thus putting the salary cap into effect. The declaration of an impasse is a dreaded scenario for the union because it means that management can implement its own proposals. To indicate its opposition to the owners' tack, the union filed unfair labor practice charges with the National Labor Relations Board (NLRB). These charges were later to bear fruit.

But meanwhile, attention shifted to other avenues of breaking the deadlock. Ravitch resigned as negotiator. The owners

indicated that they would use replacement players if the strike was not resolved by the start of the 1995 season. Baltimore owner Peter Angelos broke ranks by announcing that he would not use replacement players. Also complicating the owners' resolve was a law in Ontario that prevented employers such as the Toronto club from using replacement workers. Like Angelos, Detroit manager Sparky Anderson stated that he would not work with replacement players.

At this juncture, an interesting Government stratagem developed. Frustrated by Usery's futile mediation, President Clinton tried to turn up the heat by calling the negotiators to the White House and indicating that if a settlement was not reached by February 7, 1995, he would ask Usery to make his own recommendations for settlement. Such recommendations would not be binding, but the President intimated that they would be sent to Congress for legislative action or used as a basis for arbitration.

Congress, however, was not receptive to the idea of a legislated settlement. House Speaker Newt Gingrich stated, "I'm not sure Congress is the right place to try to organize the national pastime."<sup>10</sup> Senate Majority Leader Robert Dole said, "We're very, very reluctant to have Congress get involved."<sup>11</sup> Thus, Usery's proposed settlement and the President's bill got nowhere. Neither did the idea of arbitration, because the parties would not mutually agree to allow an arbitrator to decide their fate in such an elaborate and complex matter.

A more likely prospect was the repeal of baseball's exemption from the antitrust laws. Although this would not necessarily end the strike, it would induce the owners to make concessions out of fear of antitrust litigation. Senators Orrin Hatch, Daniel Patrick Moynihan, and Bob Graham introduced a bill in February 1995 that would have partially repealed the exemption. The bill would allow players to sue the owners if they unilaterally implemented work rules, but would not have affected other aspects of the antitrust exemption, such as baseball's ability to control its franchises and the minor leagues. But again, Congress did not pass the bill.

### It's over

The strike ended as a result of Government action, but not by the President or Congress, upon whom attention had been focused. As noted earlier, at the end of 1994 the owners imposed a salary cap, reasoning that an impasse had been reached in the negotiations. This prompted the union to file unfair labor practice charges with the NLRB, accusing the owners of failure to negotiate in good faith and imposing the cap without a genuine impasse. Recall that, although the owners had reopened negotiations in December 1992, they did not make an offer until 18 months later. Moreover, the offer proposed radical changes in the agreement. Then, after the owners made little substantive change in their position, an impasse was declared. In light of these facts, the owners were vulnerable to

charges of violation of labor law.

On March 26, 1995, the NLRB voted 3-2 to seek a court injunction forcing the owners to reinstate the provisions of the old collective bargaining agreement. Earlier, the Board had issued a complaint to the effect that the owners violated the National Labor Relations Act by implementing their proposal when no legal impasse existed. At the time of the injunction the owners might have imposed a lockout, but it is unlikely that they could have gotten the three-fourths vote needed to do so. Although technically the NLRB had only issued a complaint against the owners, and there was as yet no definitive ruling on the merits of the unfair labor practice charges, which could take considerable time, the Board's decision to seek an injunction pushed the matter to the court for speedy action. Wisely, Fehr indicated that the players would end the strike under cover of such an injunction.

So the spotlight shifted to the Manhattan courtroom of U.S. District Court Judge Sonia Sotomayor. On March 31, 1995, Judge Sotomayor granted the NLRB's request for a preliminary injunction against the owners. She noted that "When a contract ends, the parties must not alter mandatory subjects until a new agreement is reached or a good-faith impasse is reached."<sup>12</sup> The court decision ended the work stoppage because the union called off the strike and the owners did not proceed with a lockout. A foreshortened season of 144 games began in late April.

### Implications of the strike

The resumption of play by real big leaguers proved, once again, the old adage that "all strikes must end." But Yogi Berra may have the last word here, because "it isn't over till it's over." Nothing was settled by the strike, because the old contract provisions continued to apply, which has to make the strike one of the most eventful, but unproductive, ever. At the end of the strike, the owners announced losses of \$700 million and then added another \$300 million in losses resulting from a delay of the start of the 1995 season.<sup>13</sup> Veteran players got some protection from the union strike fund, but they were really being paid back their own money, while other players got little or nothing. Average salaries dropped about 5 percent, from \$1,168,263 in 1994 to \$1,110,776 in 1995, as financially straitened clubs dug deeply into the minor leagues for cheaper talent and many veterans were released or took sizable pay cuts.

Fans, of course, were disappointed with the cancellation of postseason play, as well as the loss of the chance to see whether players could set records. Both Ken Griffey, Jr., and Matt Williams were on track to hit more than 50 home runs, Jeff Bagwell was averaging a run batted in for every game he played, and several other players were having sensational years. The divisional races were wide open, and the conclusion of the season would have been exciting. Disgruntled fans sent a message of "a plague on both your houses" in

1995 by means of a 20-percent drop in attendance.

By the end of 1996, some of the clouds overhanging the game had been swept away. Postseason play in 1995 sparked renewed interest in fans. The 1993 television agreements with NBC and ABC were terminated by the networks at the end of the 1995 season, and new contracts with NBC and Fox put baseball back in the pink in up-front money and out of the disastrous Baseball Network advertising arrangement. Also, baseball will grow with two new teams in the 1998 season, the Arizona Diamondbacks and the Tampa Bay Devil Rays.

A troublesome barrier to long-term stability was finally cleared when the parties reached a collective bargaining agreement in November 1996. Just 3 weeks earlier the owners had rejected a tentative agreement between their new negotiator, Randy Levine, and Fehr. A major factor in breaking the deadlock was the signing of free agent Albert Belle by Chicago White Sox owner Jerry Reinsdorf. An influential opponent of a settlement, Reinsdorf had argued the need for fiscal restraint among owners, but then he signed Belle for \$55 million over 5 years, far more than any player previously had received. With Reinsdorf's actions belying his words, opposition by the owners dissolved into a 26-4 ratification of the agreement.

The new agreement contains many of the features of the old one, with little modification, in particular as regards salary arbitration and free agency. Minimum salaries were upped from \$109,000 to \$150,000 in 1997. The principal change is

a luxury tax on team payrolls exceeding \$51 million in 1997, \$55 million in 1998, and \$58.9 million in 1999. The tax rate is 35 percent for 1997-98 and 34 percent in 1999. No luxury tax will be in effect in 2000, and the players can opt to extend the agreement to 2001 without a tax. Proceeds from the luxury tax go into a revenue-sharing pool, along with monies from a new 2.5-percent tax on player salaries. The pool, which is further augmented by the donation of some local broadcast revenues by wealthy clubs, is distributed to 13 small-market teams to enable them to compete better financially.

The new revenue sharing and salary restraints are expected to be relatively moderate in their impact. Basketball and football have similar constraints on salary growth, and players in those sports have continued to enjoy generous economic rewards. Perhaps more important, as a result of the new arrangements, these sports have not had work stoppages. Hopefully, baseball can do the same. As part of the new agreement, the owners and players agreed to interleague play for the first time during the regular season. The move should help stimulate lagging attendance.

The biggest remaining problem is the absence of a commissioner. Interim commissioner Bud Selig, the Milwaukee owner, tried to be impartial, but it is difficult for him to avoid charges of conflict of interest (however unfair they may be) and to function successfully in all facets of the job. Baseball has had some outstanding commissioners over the years and sorely needs one now. □

## Footnotes

ACKNOWLEDGMENT: Thanks go to Brian Baker of the Bureau of Labor Statistics; John Davidson of Major League Baseball; and Doyle R. Prior, Esq., of the Major League Baseball Players Association for their insights and assistance.

<sup>1</sup> Some of the major texts on the subject are E. Wight Bakke, *Mutual Survival: The Goals of Labor and Management* (New York, Harper and Row, 1946); Frederick Harbison and John R. Coleman, *Goals and Strategy in Collective Bargaining* (New York, Harper and Row, 1951); *Causes of Industrial Peace under Collective Bargaining: Fundamentals of Labor Peace* (Washington, DC, National Planning Association, 1953); Ann Douglas, *Industrial Peacemaking* (New York, Columbia University Press, 1962); Thomas A. Kochan, *Collective Bargaining and Industrial Relations: From Theory to Policy and Practice* (Homewood, IL, Richard D. Irwin, 1980); G. G. Somers, ed., *Collective Bargaining: Contemporary American Experience* (Madison, WI, Industrial Relations Research Association, 1980); Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations: An Analysis of a Social Interaction System* (Ithaca, NY, ILR Press (Cornell University), 1991); and Roger Fisher and William Ury, *Getting to Yes: Negotiating Agreement without Giving In* (New York, Penguin Books, 1981, 1991).

<sup>2</sup> For further details, see Paul D. Staudohar, "Baseball Impasse: Locking Out for Number One," *The New York Times*, Mar. 11, 1990, p. 27; and "Baseball labor relations: The lockout of 1990," *Monthly Labor Review*, October 1990, pp. 32-36.

<sup>3</sup> Data from John Helyar, "Inside Baseball: Owners Grapple with Revenue Sharing," *The Wall Street Journal*, Jan. 6, 1994, p. B1.

<sup>4</sup> Paul D. Staudohar, *Playing for Dollars: Labor Relations and the Sports*

*Business* (Ithaca, NY, Cornell University Press, 1996), p. 20.

<sup>5</sup> John Helyar, "Baseball Players Set August 12 as Date to Go on Strike," *The Wall Street Journal*, July 29, 1994, p. B6.

<sup>6</sup> For an interesting account of the transformation of the Players Association into a mainstream labor union, see Marvin Miller, *A Whole Different Ball Game: The Sport and Business of Baseball* (New York, Birch Lane Press, 1991); and Charles P. Korr, "Marvin Miller and the New Unionism in Baseball," in Paul D. Staudohar and James A. Mangan, eds., *The Business of Professional Sports* (Urbana, IL, University of Illinois Press, 1991), pp. 115-34.

<sup>7</sup> Ross Newhan, "Baseball Owners Open Door to Talks," *Los Angeles Times*, Dec. 12, 1992, p. C1.

<sup>8</sup> Tom Verducci, "In the Strike Zone," *Sports Illustrated*, Aug. 1, 1994, p. 28.

<sup>9</sup> Ross Newhan, "Ravitch Derided by Fehr," *Los Angeles Times*, Aug. 23, 1994, p. C1.

<sup>10</sup> "President Personally Calls for End to Baseball Strike," *The Wall Street Journal*, Feb. 8, 1995, p. B6.

<sup>11</sup> John Helyar and David Rogers, "Congress Resists Taking a Swing in Baseball Strike," *The Wall Street Journal*, Feb. 9, 1995, p. A3.

<sup>12</sup> Tom Verducci, "Brushback," *Sports Illustrated*, Apr. 10, 1995, p. 62.

<sup>13</sup> See John Helyar, "Owners Vote to Play Real Baseball; Season Scheduled to Start on April 26," *The Wall Street Journal*, Apr. 3, 1995, p. A2; and Stefan Fatsis, "Once-Haughty Majors Woo Fans with Fun," *The Wall Street Journal*, Feb. 23, 1996, p. B7.