Major League Baseball between World War II and the Korean War, 1945-1951

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In Loving Memory of Donald and Ollie Scott

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PREFACE

The business of Major League Baseball (MLB) has long been a special enterprise in the United States. In the early twentieth century, the sport crafted its business practices and governance structure into a vertically integrated monopoly called Organized Baseball. Both business and governance fused together in what can best be described as Organized Baseball's business model. Its organizational structure reaped the economic benefits of the 1910s and 1920s and simultaneously withstood World War I, a gambling scandal, the Great Depression, and World War II.

This study explores the forces—both internal and external—that impacted on Organized Baseball's business model from 1945 to 1951. MLB integration transformed baseball and US society. A second purpose of the study is to trace the ways the integration process changed Organized Baseball's organizational culture. The following questions will serve to guide the study. In what ways did MLB's transition in both its ownership and administrative ranks influence the baseball industry? What were the factors that changed the relationship between players and owners? How did baseball integration shape the club owners' and administrators' decision-making process and concurrently transform Organized Baseball's player force? What were the forces that served to delay Organized Baseball's expansion process? Finally, beginning in 1950, what were the forces that contributed to the decline in Organized Baseball's live attendance?

In this study, I utilized the business model approach to serve as a framework for analysis. A business model, defined here, refers to an abstract representation of an organization, be it conceptual, textual, and/or graphical. It is the interrelated, architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future. A business model also refers to the core products and/or services the organization offers or will be based on these arrangements that are needed to achieve its strategic goals and objectives. Organized Baseball's business model is grounded in the premise that MLB owners are competitors on the field but partners in business who must cooperate to a much greater degree than other conventional businesses or enterprises. Two restrictive practices—the reserve clause and territorial rights—served as the foundation for this business model. The reserve clause bounds a player to their respective club until traded, sold, or released. Territorial rights, or division of consumer markets, allowed, theoretically, one club to control that market around a specified radius of their respective league city. Subsequent rules and regulations centered on the reserve clause and territorial rights. Moreover, major league affiliates in the minor leagues, also known as the farm system, embodied these rules and regulations.[1]

To assess Organized Baseball's integration process, I used the concept referred to as organizational culture as an analytical framework. Organizational culture represents the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems—or challenges—of external adaptation and internal integration. It is a pattern of assumptions that has worked well enough to be considered valid and, consequently, to be taught to new members as the correct way to perceive, think, and feel in relation to those challenges.[2]

Organizational culture in Organized Baseball can be classified into two categories—intra- and inter-. Intra-organizational culture refers to the interaction among the players themselves. Arguably the clubhouse (or locker room), dugout, and diamond represent the players' work or office environment. A ball club endeavors to maintain some semblance of cohesion or "chemistry" within this environment to maintain its competitiveness. Inter-organizational culture references the ways in which players adapt to the forces outside their work or office environment. This includes their reaction to the fans, and the fans' reaction to them, the front office, and sportswriters. The fans represent Organized Baseball's consumer market. Fans, short for "fanatics," root for the home team's success while vilifying the opposing club. They may embrace players, particularly when they are performing well, or boo them, especially when they are in a batting slump. The fans get ecstatic whenever a manager disputes the umpire's call and tend to demonize the arbiters on close calls that go against their team. Front office personnel, regarding player interaction, include the general manager or, in some cases, the team president. The players' primary interaction with the team president takes place during the negotiation of their player contract. Understandably, team presidents seek to obtain contract terms favorable to the organization. Sportswriters communicate with the public about the plight of their particular club. Arguably, sportswriters served as Organized Baseball's marketing arm in the early twentieth century. They shape public opinion about the team and baseball in general and, at times, write human interest stories about a ballplayer. Their description of a player could either raise a player's persona to heroic proportions, or demonize them, especially when the team is performing poorly.

At the forefront was the transformation Organized Baseball underwent in the immediate postwar period. Between 1945 and 1951, seven major league clubs changed ownership to a group of businessmen that viewed baseball as an investment. Because this new ownership group paid more for their franchises than the previous owners, they expected a high return on their investment. This new generation of club owners entered a baseball world where they witnessed the death of Commissioner Kenesaw Mountain Landis, the integration of their player force, a trade war with a rival league, and the attempt of a Triple A minor league to become a third major league. Landis's death led to an attempt by the MLB owners to strip baseball's new commissioner, Albert Benjamin "Happy" Chandler, of his administrative powers to govern the game. Chandler effectively defeated the magnates' endeavors to throttle his governance authority, however, and his decisions tended to rub some of the club owners the wrong away. In 1951, a coalition of MLB owners secured enough votes necessary to force Chandler's resignation.

Brooklyn Dodgers president Branch Rickey's and Cleveland Indians magnate Bill Veeck's signing of African American ballplayers dramatically changed Organized Baseball's organizational culture. In 1947, Jackie Robinson donned a Brooklyn Dodgers uniform to become the first African American player to compete in the major leagues in the twentieth century. Opposition to the first minority player in the majors was predictable. Several Dodgers players solicited a petition urging Rickey not to bring Robinson to the majors. The Dodgers president sought to accommodate the embittered players with a trade, but later changed his mind. Several hotels, most notably in Philadelphia and St. Louis, refused accommodations to the Dodgers due to Robinson's presence. His performance on the field appeared to overshadow his treatment off it, however. Robinson finished either first or second with the Dodgers in every major offensive category over the next five years.

The Cleveland Indians signed Larry Doby to a major league contract. Unlike Robinson in Brooklyn, Doby did not play in the minor leagues prior to signing with the Indians. His performance with the Indians was subpar. However, in 1948, Doby was instrumental in leading the Indians to the American League pennant and World Series championship. Both Doby's and Robinson's entry into the majors revealed the importance of an authority figure supporting these minority players in baseball's early years of integration. Both players' off-field experiences illustrated the ways in which club owners and administrators dealt with forces beyond their control. Several hotels and restaurants during spring training and the regular season used the presence of African American players as a validation to refuse service. Rather than voicing opposition to these inequitable conditions, Rickey and Veeck chose to accommodate to it. More importantly, Robinson's and Doby's presence in the major leagues exemplified that both these pioneers had as much to lose as their club owners. Minority players on the club roster could possibly lead to breaking up these contending teams, which, from the owners' view, was bad for business. Furthermore, baseball integration was a labor issue. In other words, whenever a minority player made a major league roster, a white player was either traded, sold, released, or relegated to the minor leagues.

Throughout the late 1940s, the Brooklyn Dodgers and Cleveland Indians continued to recruit minority players at the major and minor league level. The Dodgers and Indians became the first major league organizations to actively recruit players of color. From the owners' and administrators' view, recruiting a player represented an investment and they expected a return on it. Early indications illustrated that both organizations' commitment to sign minority players had been effective. In addition to Doby and Robinson, the presence of Satchel Paige and Luke Easter on the Indians, and Roy Campanella and Don Newcombe on the Dodgers, led both teams to remain pennant contenders over the next seven years.

The other major league club owners were slow to integrate their player force. Undoubtedly, the racial attitudes of the major league owners and administrators were pivotal in their refusal to sign minority players. Simultaneously, these magnates held on to the rationale that the presence of players of color reduced franchise values. Nevertheless, the African American players on the Dodgers' and Indians' player rosters made a mockery of this justification. Moreover, maintaining their group-think policy of refusing to sign minority players would be a decision that came back to haunt the magnates.

Veteran ballplayers returning from World War II led to a surplus of talent in both the major and minor leagues. This surplus resulted in Organized Baseball engaging in its first trade war since the Federal League in 1915. The Mexican League (ML) endeavored to attract MLB players by offering them lavish salaries and bonuses without the reserve clause written in their contracts. At issue was the ways in which players and owners defined this controversial stipulation. From the players' perspective, once their contract was concluded they were no longer under obligation to their respective club. From the owners' point of view, however, regardless whether a player was under contract, they remained the property of that club until traded, sold, or released. Seventeen players left their teams to play in the Mexican League. Their actions led Commissioner Chandler to issue a five-year ban for players who supposedly broke their contracts. The ban served as a strong deterrent to the remaining major league players not to play south of the border.

The Mexican League challenge resulted in bringing Organized Baseball's antitrust exemption to the surface. From the ML's viewpoint, Organized Baseball's reserve clause served as a restraint of trade and, with the advent of radio and later television, it engaged in interstate commerce. MLB club owners, on the other hand, argued vehemently that baseball was not interstate commerce and was thus not subject to the coverage of antitrust laws. Since the passage of the 1922 Holmes decision—which exempted Organized Baseball from antitrust laws—the Supreme Court's views regarding interstate commerce was very different in the post–World War II era. This difference of opinion could result in the Supreme Court overturning baseball's antitrust exemption. Nevertheless, the ML's inability to maintain its salary and bonus structure, combined with the league's reorganization efforts, resulted in the Border loop to no longer attempt to lure MLB players. Yet the cloud of baseball as interstate commerce loomed large over their heads.

The surplus of veteran ballplayers returning from World War II resulted in New York Giants outfielder Danny Gardella filing a suit against Organized Baseball. In 1946, Gardella played in the Mexican League and became victimized by Commissioner Chandler's five-year ban. At the time, Gardella was not under contract with the Giants. From the owners' viewpoint, however, the Giants outfielder was in violation of the reserve clause. Gardella's attorney Frederic Johnson argued that baseball was engaging in interstate commerce and should be covered by antitrust laws. Whereas a federal district court judge refused to overturn the 1922 Holmes decision, the court of appeals declared Gardella's case be remanded to a lower court for a jury trial. Economic considerations led Johnson to urge Gardella to agree to an out-of-court settlement.

The Mexican League challenge did reveal Organized Baseball's low compensation structure. Harvard-trained labor organizer Robert Murphy attempted to organize major league players into the American Baseball Guild (ABG). The purpose of the guild was to represent the players to bargain collectively with the team's owners to improve fringe benefits and working conditions. The National League (NL) Pittsburgh Pirates were selected to strike against the team's management and concurrently recognize the ABG as the players' bargaining agent. The Pirates players did vote to strike, but Murphy failed to obtain the two-thirds necessary to boycott the game. The Pirates, along with several other MLB clubs, formed a players' committee to express their concerns to their respective team's management. Simultaneously, several club owners and administrators organized a joint steering committee to establish a uniformed player contract. Essentially, the committee adopted several proposals the ABG recommended. A combination of players and owners devised a pension plan favored by most of the players. Reforming the player contract and concurrently allowing the players a voice in baseball's governance led to the creation of a representation system that addressed the player force's concerns without the assistance of an outsider who had no knowledge of the baseball industry.

The court challenge of baseball's reserve clause continued, despite Gardella's out-of-court settlement. In 1951, three minor league players—most notably pitcher George Earl Toolson—filed lawsuits against Organized Baseball's reserve clause. Much like Gardella's case, these lawsuits argued that Organized Baseball restricted player movement, and their symbiotic business relationship with radio and television constituted interstate commerce and was subject to antitrust laws. Once again, the lower courts refused to overturn the Holmes decision, but the rash of litigation did lead Congress to investigate Organized Baseball's business model.

Organized Baseball's territorial rights—or the division of consumer markets—was also challenged. The Pacific Coast League (PCL) made several attempts to become a third major league. PCL officials endeavored to advance their own economic interests by maintaining control of baseball's West Coast consumer market. The Coast League's early years were plagued by a constant league realignment and franchise shifting—a direct result of market imbalance. Producing player talent and selling them to the major leagues, the PCL's long-playing schedule, and four of eight clubs residing in the circuit's largest markets—Los Angeles and San Francisco—appeared to alleviate its market imbalance. By the late 1930s, the PCL appeared to be on the brink of stability. It extended its consumer market as far south as San Diego, California, to as far north as Portland, Oregon, and Seattle, Washington.

The 1940s became a decade of optimism and uncertainty for the Pacific Coast League. In 1941, efforts were made to transfer the American League St. Louis Browns to Los Angeles, but the US entry into World War II eliminated this aspiration. When the war ended, civic boosters in Los Angeles revived efforts to bring a MLB club there. At the same time, PCL President Clarence Rowland attempted to elevate the entire league to a major league classification. In addition to the possible encroachment into the league's largest market, the move was designed to eliminate the PCL from the player draft. The major league owners rejected the Coast League's attempt to become a third major league. Stadium size was the rationale for rejecting the PCL's application. Major League Baseball had no comprehensive policy on expanding the league structure. However, rejecting the PCL's major league aspirations marked the start of the stadium becoming the criteria for league expansion.

By 1951, rumors circulated that the Pacific Coast League would withdraw from Organized Baseball and operate as an "outlaw league." PCL club owners, however, were split on the decision to withdraw from Organized Baseball. Four clubs—Oakland, Portland, Sacramento, and San Francisco—voted to withdraw, while Hollywood, Los Angeles, San Diego, and Seattle opposed it. Clarence Rowland was able to rally the club owners around the request to eliminate the league from the player draft. Within five years, theoretically, the PCL would be on par with the American and National Leagues.

Both the rash of litigation against baseball's reserve clause and the Pacific Coast League's endeavor to become a third major league led Congress to investigate Organized Baseball's business model. The Subcommittee for the Study of Monopoly Power, chaired by Emanuel Cellar (D-NY), raised a number of uncomfortable issues for baseball, like the farm system, the reserve clause, territorial rights, the exclusion of the West Coast and other major cities from the major leagues, and the treatment of minor league players. Several individuals with agendas and grievances against Organized Baseball, from disgruntled players to officials from the West Coast cities who lobbied for big-league franchises, were given the opportunity to testify before the subcommittee. Baseball officials were summoned by the subcommittee to address potentially monopolistic business and administrative practices. Yet in the end, the subcommittee made no recommendations and Congress took no action.

The major league owners recognized that they had come to grips with reforming their business model as a result of the congressional investigation. They began by naming Ford Frick as baseball's new commissioner. Frick organized a committee to devise a plan to determine the criteria for league expansion. He developed canons for expansion that were virtually impossible for the Pacific Coast League to reach. While the Frick plan ended the PCL's effort to become a third major league, the legality of the reserve clause lingered.

In 1948, Major League Baseball established a live attendance record, amassing a little over twenty million spectators. The following year, MLB experienced a repeat performance, although their live attendance was slightly lower than their 1948 record. Yet the National League St. Louis Cardinals and the American League (AL) Boston Red Sox and Detroit Tigers set live attendance records in the midst of this slight decline.

The minor leagues' live attendance during this period proved to be a riddle, however. On the one hand, the minors attracted over forty-two million fans in 1948, and little over forty-six million the following year. On the other hand, major league owners who owned minor league teams claimed that television impacted negatively at the gate. In other words, the telecasting of major league games into the minors' territory led to low fan turnout. The International League (IL) Jersey City Giants and Newark Bears were highlighted because the supposed telecasting of New York Yankees and Giants games into their territories detracted from fan interest. This sentiment was echoed by National Association of Professional Baseball Leagues President George Trautman. A survey Trautman conducted revealed that the telecasting of major league games into the minors' territory, poor weather conditions, and economic factors contributed to the decline at the gate. Trautman admitted he did not know whether television was the primary factor contributing to the attendance drop. However, he did find it interesting that leagues showed an increase in live attendance with little or no radio or television coverage of MLB games.

Beginning in 1950, University of Pennsylvania graduate student Jerry Jordan and Penn State economist Jerry Saylor investigated the factors that lead to Organized Baseball's attendance slump. Their works can be briefly summarized as follows. The impact of television, economic factors, and the consolidation of the farm system were trends influencing the minors' live attendance. Jordan's finding regarding the plight of the Wilkes-Barre Indians illustrated that television's impact on attendance was somewhat problematic. The Indians won the pennant in 1950 and 1951. Yet no radio or television coverage of major league games was broadcast in their territorial region. The Indians live attendance, nevertheless, dropped to the point where they had to relocate to Reading, Pennsylvania. Saylor, on the other hand, argued that minor leagues' manpower shortage—a direct result of the Korean conflict—resulted in most major league teams downsizing their farm systems. Simply put, the majors had fewer minor league teams to option their players there. More importantly, both Jordan's and Saylor's research revealed there were other forces at work that led to Organized Baseball's decline in live attendance.

This study will merge Organized Baseball's business model and organizational culture into an analytical framework. It is my intention to provide a comprehensive and modern account of the history of Major League Baseball specifically and Organized Baseball in general from 1945 to 1951. Research regarding the history of MLB in the post–World War II period has been minimal. There have, however, been several baseball histories that have addressed the postwar era that can be briefly summarized as follows. The post–World War II period provided more dramatic events and significant milestones in the sport's history. Advances in technology, an increase in human independence, and self-control combined to force major changes in the national game. Despite these changes, baseball on the diamond continued in much the same fashion during the past one hundred years of major league activity.[3]

The works of Robert Weintraub and William Marshall provided a much-needed examination of baseball's postwar history. Written from the perspective of a sports journalist, Weintraub's *The Victory Season* analyzes MLB's 1946 season and the ways in which it ushered in the sport's "golden age" (my emphasis). He contextualizes baseball within the broader US society that led to Washington succumbing to public pressure and releasing over a million soldiers per month into civilian life. The US underwent an unprecedented labor disruption, leading to social unrest, a housing crisis, sabotage of goods and services, the perceived Soviet menace, and the looming fear of returning to the Great Depression. Weintraub chronicled the 1946 season, which included Ted Williams's deteriorating relationship with the fans, Stan Musial's love affair with the Cardinals' rooters, along with the Mexican League challenge, and attempts to unionize MLB players. The season concluded with a dramatic World Series featuring Williams and Stan the Man.[4]

William Marshall transcribed the oral history tapes of baseball commissioner Albert Benjamin "Happy" Chandler archived at the University of Kentucky in Lexington. Marshall asserted that his study was not a biography of Chandler, but his reign defined the book's framework. Marshall chronicled the game on the field, but he also interpreted baseball as a social history. He argued that the period was a watershed because of the opportunities and reforms presented, such as labor relations, altered business conditions, the introduction of television, and the changing demographic patterns brought about by the automobile. Major league owners sought to protect their monopoly at the expense of the players. These owners were competitors, a status that prevented them from working in concert to provide a vision for the game. Furthermore, it was a period during which many of the seeds of MLB's current problems took place.[5]

These studies revealed much regarding the baseball business. However, their works lack synthesis. Understandably, most of the baseball histories examined the changing relationship between the players and owners. This was a period where the rise of both the Major League Baseball Players Association and player agents dramatically transformed the player–owner relationship. However, this overwhelming focus on labor relations makes our understanding of the post–World War II Major League Baseball history incomplete. Between 1945 and 1951, seven of the sixteen major league teams changed ownership. This new generation of owners paid more for their franchises than the previous magnates. Not only did they pay for the major league club, the players under contract, and, in most cases, the ballpark, they also purchased the farm system and, in some cases, the outright ownership of a minor league team. All these assets were included to determine the final purchase price. Moreover, this new generation of owners viewed baseball as an investment, and they expected a high return on it.

While this new generation of club owners endeavored to maintain the status quo, they also had to navigate the potential minefield brought on by the post–World War II period. The new medium of television, for example, had the potential to be a profit maximizer. Instead of devising ways to maximize their revenues, they chose instead to regulate it. The threat of a Justice Department investigation and a decline in live attendance led to the magnates' decision to emphasize regulation over maximization. More importantly, this phenomenon has been more stated by previous scholars than substantiated.

This study takes on a multitude of issues, but the following sources of information will be used to accomplish this task. Utilizing newspapers, sporting periodicals, and a congressional report, this study is a cumulative investigation of business, economic, legal, political, and cultural trends. Newspapers, mainly from MLB cities, were used to reconstruct the events of the period in question. The creation of the Associated Press (1846) and United Press International (1907) allowed sports reporting to reach regions outside league cities. These newswires solicited both photos and sporting information. The websites PROQUEST, www.newspapers.com, and www.geneology.com proved to be invaluable sources to collect newspaper accounts to shape my interpretative framework of Organized Baseball's business model and its organizational culture. In addition, the data triangulation research method—a cross-validation of two or more primary sources—was used to provide a balanced and nuanced account of MLB history specifically and Organized Baseball in general.[6]

In 1951, Congressional hearings on the study of monopoly power forced major league owners to release income and revenue statements from 1920 to 1950. Detailed information on the period in question was uncovered. They also provide valuable information on the perceptions of several club owners and administrators of the era. Enough information exists to examine the factors that impacted Organized Baseball's business model and its organizational culture.

Two issues need to be addressed to help contextualize my analysis of Organized Baseball's business model and its organizational culture. The first is the fact that the minor leagues fluctuated from year to year; the overwhelming focus will be on the major leagues. I use Major League Baseball or MLB to refer to the American and National Leagues. I utilize the term Organized Baseball to reference the overall baseball industry to include the major and minor leagues.

The second issue deals with the construction of race as Organized Baseball defined it. Given the recent scholarship on the Latin American experience in baseball, I struggled with delineating African Americans from players of Latin descent. There is a tendency among the African American community and Organized Baseball not to differentiate between the two, referring to both ancestries as “black,” or “colored.” I used the term African American to refer to players born in the United States. A player of color, or minority player, is a generic term I employ to refer to both African American and players of Latin descent. I trust variations on these four will be evident from the nature of the text.[7]

Baseball integration, albeit conducted at a snail’s pace, changed the industry’s organizational culture regarding the player forces’ and ownerships’ and administrators’ attitude regarding race. The growth of US cities after World War II began to pressure Organized Baseball to lure an existing franchise to their growing city or expand their league structure. Combined with baseball’s new owners, who viewed their franchises as investments and expected a high return, these forces ushered in an era of unprecedented prosperity and a transforming future. Moreover, it led the industry known as Organized Baseball to come to grips with the way technology and the emerging Civil Rights Movement dramatically changed the post–World War II US landscape.

ABBREVIATIONS

AA	American Association
ABG	American Baseball Guild
AFL	American Federation of Labor
CAL	Canadian-American League
CBS	Columbia Broadcasting Company
CIO	Congress of Industrial Organization
CL	California League
IL	International League
MBS	Mutual Broadcasting System
ML	Mexican League
MLB	Major League Baseball
NABPL	National Association of Professional Baseball Leagues
NAL	Negro American League
NAPBBP	National Association of Professional Base Ball Players
NBC	National Broadcasting Company
NEL	New England League
NFHSA	National Federation of High School Athletics Association
NLRB	National Labor Relations Board
NNL	Negro National League
PCL	Pacific Coast League
PJC	Pasadena Junior College
PLRB	Pennsylvania Labor Relations Board
PNL	Pacific Northwest League
SA	Southern Association
TBA	Television Broadcaster Association
TL	Texas League
USL	United States League

PROLOGUE

THE ORIGINS OF A BUSINESS MODEL

From 1903 to 1945, professional baseball was a relatively stable industry. At the peak of this professional structure were the major leagues—the American and National—and a host of minor leagues according to quality. A complex set of rules and agreements between and within various leagues, known as "baseball law," relegated a vertically integrated monopoly known as "Organized Baseball." The fundamental underpinning of these rules was several restrictive practices that formed the governance and economics of the industry.[1]

The reserve clause represented a unique part of the contract between baseball clubs and their employees. It bound a player to their respective club until traded, sold, or released. Every club in Organized Baseball agreed not to employ or attempt to employ any player reserved by another club. The owners agreeing to respect each other's players bound by the reserve rule gave the magnates a hegemonic relationship over their player force.[2]

The division of consumer markets among clubs constituted Organized Baseball's second most restrictive practice. Referred to also as "territorial rights," this market monopoly was instituted on the supposition that consumer demand for professional baseball was limited. Thus, if there were only one club, it would have a far better chance of prospering than several clubs competing for the same market. Although it would be modified over the years, the owners established a population requirement—seventy-five thousand in the late nineteenth century—for a club to gain league entry. A five-mile radius surrounding the respective city was also considered as that club's territorial region. Territorial rights did not solve the problem of the unequal size of markets among the clubs of a league. However, this market imbalance was offset somewhat by the wealth and population of the industrial US, as well as the transportation system, residing in the Northeast and Midwest. Virtually all the major league teams were in this comparatively compact and economically developed region of the country. Being concentrated in this area enabled Major League Baseball

(MLB) to deal with the damaging impact of two world wars and the Great Depression.[3]

The sixteen major league clubs were both business partners and competitors. They cooperated in the creation of a general set of operating rules, developing common playing schedules, and eliminating competition for players. Major league owners also cooperated in attempting to maintain public faith in the sport's integrity. This issue became crucial after the 1919 Black Sox scandal, in which Chicago White Sox players cooperated with gamblers in fixing the World Series. The owners created the commissioner's office to reassure the public that the game was honest.

To revitalize Major League Baseball's tarnished image, club owners selected Judge Kenesaw Mountain Landis as the sport's first commissioner. The Ohio-born son of a Union army surgeon, Landis's early life represented a virtual roller-coaster ride. He dropped out of school at age eight after moving to Indiana, only to secure a court reporter's job in South Bend. After completing high school, he enrolled in YMCA law courses in Cincinnati and then matriculated to Union Law School in Chicago. Two years later, he followed his father's old commanding officer, Judge Walter O. Gresham, to Washington, D.C., as his secretary when President Grover Cleveland named the patron secretary of state. When Gresham died two years later, Landis returned to Chicago to practice law and acquired a new mentor, Frank Lowden. The young Landis served as Lowden's gubernatorial campaign manager. Lowden lost the governor's race and declined an appointment to a federal judgeship. Landis stepped into the post.[4]

In 1907, Landis came to prominence, two years after President Theodore Roosevelt appointed him. His notoriety coincided with Roosevelt's trust-busting antics and Standard Oil's dark period in popularity. Landis imposed a $29 million fine on Standard. The decision was overturned on appeal and the fine was never paid. Landis, however, won popular acclaim and earned a place on the front pages for several days.

Before he became commissioner, Landis made what was arguably his most important baseball decision. He set aside his verdict in the Federal League law suit. His justification was on other than legal grounds: "The court's expert knowledge of baseball obtained by more than 30 years of observation of the game as a spectator convinced me that if an order had been entered it would have been, if not destructive, at least vitally injurious to the game of baseball." Nevertheless, by setting aside the Federal League verdict, Landis won the admiration of the magnates, who kept his name in mind for possible future service.[5]

The new 1921 National Agreement outlined the commissioner's duties and responsibilities. At a joint meeting of the MLB club owners, the new agreement provided the commissioner with the broadest investigative and punitive powers. He had the authority "To investigate, either upon complaint or upon his own initiative, any act, transaction, or practice . . . suspected to be detrimental to the best interests of the national game of baseball" and the power to take punitive action, including fining or blacklisting, against leagues, clubs, officers, or players found guilty of such detrimental conduct. American League (AL) president Ban Johnson attempted to dilute the commissioner's authority by trying to get the wording of this clause changed to read that the commissioner could merely "recommend" action. Yet Landis, alerted beforehand, interrupted the reading of the document and told the owners at the joint meeting the clause must read to "take action." For fear of losing their new commissioner, the owners acquiesced.[6]

Under the new National Agreement, league clubs retained the right to make all rules regulating the industry. However, if the two major leagues disagreed, Landis would cast the deciding vote. To pacify the major league presidents, an advisory council was established, composed of them and Landis, but his vote was final whenever there was a difference of opinion. He rarely convened it while Johnson remained AL president.[7]

In their haste to improve the sport's image, the owners failed to set limits on what constituted being "detrimental to the game." There were few checks on Landis's authority, including the right of league presidents to handle internal troubles. Landis also won the right to name his own secretary-treasurer. He chose Leslie O'Connor, a lawyer and trusted friend, allowing him to control baseball policy by drawing up the agenda for annual meetings. Moreover, by signing the new National Agreement, the club owners bound themselves to baseball regulations and waived their right to seek justice in the civil courts.[8]

The new National Agreement represented a restructuring of Major League Baseball's governance structure. Although the owners retained the right to establish rules to regulate the industry, they delegated a significant degree of administrative authority to the commissioner. In the aftermath of the 1919 Black Sox scandal, the commissioner was granted the authority to investigate matters deemed "detrimental to the game." The league presidents were marginalized to govern their respective umpires, while their decisions were subject to Landis's approval. The new agreement allowed Judge Landis to govern the national game as an autocrat for the next twenty-five years.

The 1922 Supreme Court ruling—Federal League case 259 US 200—solidified Major League Baseball's control over its economic and governance environment. The lawsuit grew out of the exclusion of the

Baltimore club's owners from a 1915 peace agreement with Organized Baseball. The agreement produced a 1919 District of Columbia Supreme Court judgment for $240,000 for the defunct Baltimore club. In October 1920, Organized Baseball sent its chief lawyer George Wharton Pepper to Washington to argue before the appellate court that baseball must not be subject to the antitrust laws. Pepper based his argument on the theory that baseball was essentially a local enterprise. He drew an analogy between a Chautauqua lecture and a baseball game. Baseball players and professional speakers crossed interstate lines to reach their destinations, Pepper argued. However, the lecture and the game were local activities.[9]

Pepper pointed out the reserve clause was merely an "honorable obligation," not binding legally on the players. He added that the farm system did not exist in baseball; each MLB team claimed title to only forty players on its roster. Pepper also argued that the antitrust laws could not apply to baseball because neither Senators Sherman nor Clayton had mentioned baseball or sport in their 1890 and 1914 bills. "No statute can be construed as applying to combinations to regulate sport unless Congress has plainly [stated it] should happen," Pepper argued.[10]

Pepper's argument convinced the court. In April 1921, the District of Columbia Court of Appeals overruled the 1919 triple damages to the Baltimore Federal Leaguers. It was this decision that Justice Oliver Wendell Holmes upheld a year later. Holmes did not say baseball was sport not a business. However, he was endorsing a verdict that precisely said that. Holmes wrote that in baseball, "The business is the giving of exhibition games, which are purely state matters." He accepted Pepper's argument that traveling to the games was purely "incidental."[11]

Legally speaking, the 1922 Supreme Court ruling in *Federal Baseball* essentially rubber-stamped Organized Baseball's business practices and its governance structure. The industry became a self-regulating monopoly and the major leagues wrote the rules that covered their relationship with the minor leagues. The most critical business relationship between the major and minor leagues was the draft system. While the number of their supporting minor leagues fluctuated, the minors provided the major leagues with a large pool of cheap talent. The annual draft of minor league players ensured that quality talent advanced up the ladder towards the majors, but this movement was contingent on terms favorable to the big leagues. The major leagues fixed prices on drafted players as an incentive for minor league owners to sell their best players, rather than losing them in the less profitable draft.

The culmination of exemption from the antitrust laws, the reserve clause, and territorial rights represented the cornerstone of baseball's system of self-regulation for profit. The reserve clause enabled member clubs to control the terms of employment of their respective players. Major League owners allocated consumer markets by sharing New York, Philadelphia, Boston, Chicago, and St. Louis. The National League was granted exclusive rights in Brooklyn, Pittsburgh, and Cincinnati, and the American in Washington, Cleveland, and Detroit. These territorial alignments remained intact for half a century.

The Farm System

Baseball historians Harold and Dorothy Seymour asserted that the combination of the 1919 Black Sox scandal and the heroics of New York Yankees legend Babe Ruth, along with the election of baseball's first commissioner Judge Kenesaw Mountain Landis, overshadowed a revolution occurring in Organized Baseball—the farm system. The farm system represented a form of vertical integration by which a major league club owned or controlled a chain of minor league clubs with the objective of assuring itself a supply of player talent. The idea of extending farming into a comprehensive system was developed by St. Louis Cardinals' vice-president Branch Rickey, one of baseball's few entrepreneurs.[12]

Born on December 20, 1881, in Stockdale, Ohio, Wesley Branch Rickey began his baseball career with the Terre Haute club of the Class B Central League. He was assigned to the LaMars club of the Class D Iowa-South Dakota League and, in 1904–5, coached baseball, basketball, and football, and taught at Allegheny College in Pennsylvania. In 1905, Rickey debuted in the major leagues with the American League St. Louis Browns. His subpar performance in the majors led Rickey to return to college, attending the University of Michigan. While at Michigan, Rickey became the Wolverines' baseball coach and during his four-year stint from 1910 to 1913, amassed a 68–32–4 won-lost record. In 1913, Rickey returned to the major leagues as a front-office executive with the Browns. After serving in the US Army during World War I, Rickey returned to St. Louis and after a dispute with Browns' owner Phil Ball, he jumped to the National League St. Louis Cardinals to become president and field manager. As team manager, the Cardinals were a mediocre club, fielding only winning teams from 1921 to 1923. In 1925, Cardinals owner Sam Breadon fired Rickey as field manager. However, Breadon acknowledged Rickey's ability to develop players and allowed him to remain with the Redbirds in the front office.[13]

The concept of farming out promising players did not originate with Rickey. Major League clubs had been doing this one way or another over a period of years. Rickey carried the concept to the next logical step, however. He linked together a whole chain of clubs comprising teams in all minor league classifications from D to A. The network allowed youngsters to start at the bottom, glean out the best, and move them up, repeating the process at each level until the most highly skilled were ready for the majors or high minors.[14]

The farm system was developed out of necessity. Confronting financial ruin, impecunious clubs like St. Louis could not compete with wealthy ones like New York, Chicago, or Pittsburgh. The rich clubs could pay higher prices, but the cash strapped ones had to sell their best players to remain solvent. Thus, Organized Baseball's business model confronted market imbalance that plagued the industry throughout the early twentieth century.

To address market imbalance, Rickey—along with his financial angel Sam Breadon—started by purchasing a half interest in the Fort Smith, Arkansas club in 1919. After that he bought 18 percent of Houston of the Texas League, a higher classification where Fort Smith players could be assigned. St. Louis acquired complete ownership in Houston and before long the Cardinals also purchased a half-interest in Syracuse, its first Double A farm team. In 1927, the Syracuse franchise moved to Rochester to obtain a better market.[15]

The St. Louis Cardinals acquired ownership or control of minor league clubs until they had built a baseball empire that, at the peak of World War II, was made up of thirty-two clubs containing six or seven hundred players, representing an investment of over $2 million. The farm clubs were distributed according to classification as follows: AA, three; A, one; and D, twenty. The Cardinals owned fifteen of their clubs and controlled the rest through working agreements. In two cases, the Cardinals had a working agreement with an entire league (Arkansas State and Nebraska State). St. Louis supplied financial aid in exchange for the pick of all the players in the league.[16]

Most of the Cardinals' profit came from the sale of players. St. Louis became so engrossed into the player market that there were always fine young players ready to replace major league ones. Rickey allowed the Cardinals to sell off established players when they were at their peak or just passing it at premium prices. The Cardinals system was so laden with talent that some of the best minor league players could also be sold to other major league clubs. At one time, there were fewer than sixty-five players who at one time or another had been in the St. Louis organization. Their acquisition of pitcher Jesse Haines in 1919 for $10,000 from the American Association

(AA) Kansas City Blues was the last player purchased by the Cardinals for more than twenty-five years.[17]

As the old cliché goes, emulation is the sincerest form of flattery. By 1928, major league clubs had approximately eighteen farms. However, as Harold and Dorothy Seymour pointed out, this was still small since five belonged to the Cardinals. In some instances, the minor league clubs were owned outright by the major league owners. Nevertheless, from the major and minor league owners' point of view, the trend was unmistakable.[18]

The Major-Minor Agreement

Minor league organizations coincided with the war between the National League and Ban Johnson's American League. When Western League president Jefferson Hickey heard of the National League's decision to nullify the National Agreement, he sent telegrams to all minor league presidents informing them of the senior circuit's move. The minors were vulnerable and any of their players could be taken away from them by either the National or American Leagues by consent. At an emergency meeting on September 5, 1901, the minor league presidents formed the National Association of Professional Baseball Leagues. The fundamental purpose of the association was to prevent their rosters from being raided by the two warring leagues.[19]

The Pacific Coast League (PCL), the Eastern League (EL)—later the International League (IL)—and the American Association were granted a special AA classification. According to the Seymours, one of the reasons for this elevation in status was the objection of other leagues, like the Western Association and the Southern Association, to a possible demotion to Class B. Southern Association officials argued that its cities had populations large enough to warrant Class A status. Two of the Class A leagues, the American Association and the Eastern League, disagreed, seeking to maintain a degree of separation from the Southern and suggesting that they be elevated into a new classification, Class AA. The proposal was rejected, and at the National Association October 1907 meeting, the AA and EL introduced a resolution to demote the PCL, the Southern Association, and the Western League to Class B. The argument evolved around population, but the primary issue was the draft. The AA and EL proposed that Class AA leagues be exempt from the major league draft and have the right to draft players from the Class B leagues. In January 1908, the National Commission rejected the proposal.[20]

The classification issue did not go away. After months of intense negotiations, in January 1908 the National Commission announced a compromise. The American Association and Eastern League would be granted Class AA status, but they would not be exempt from the draft. Under the terms of its entrance into the National Association several years previously, the Pacific Coast League also earned a Class AA classification. In January 1912, a new National Agreement, in accordance with the population figures compiled in the 1910 census, completed this arrangement. Draft prices were increased to accompany the new classification: AA, \$2,500; B, \$1,200; C, \$750; and D, \$500. Only one player could be selected from AA clubs each season. The reclassification of the minor leagues marked the start of a trend toward rising draft prices, a major source of contention among the majors and minors.[21]

Several minor leagues—most notably the Pacific Coast League—benefited from the provisions of the 1921 National Agreement. Draft prices were increased and ranged from \$1,000 for Class D players to \$4,000 for Class A and \$5,000 for AA men. Only one player could be selected from each AA and A club, while the other classifications were subject to an unrestricted draft of their players. Major League clubs could option eight men apiece for a maximum of two years. In other words, the majors could option their players to minor league clubs with the right to repurchase them later for a predetermined price. The minors could option players to the lower leagues according to a sliding scale: AA clubs could send down six players, A five, and C three. The most significant provision was granting any minor league the choice of exempting itself from the draft, providing they relinquished their own right to draft players from teams in lower classifications. Five minor leagues chose to do this—the three AA leagues, the Class A Western Association, and the Class B Three I League. These five leagues believed it was in their best interests to acquire and dispose of players by purchase only, even if it meant conceding their right to draft players from the lower leagues. Finally, the minors accepted Kenesaw Mountain Landis as Commissioner, but they limited his powers to investigate cases in which consideration was more than \$300. The following year they removed this restriction.[22]

The 1921 National Agreement proved to be profitable for the draft exempt leagues. They made substantial profits selling players. The PCL enjoyed one of the most prosperous periods ever while the new arrangement was in place. On December 16, 1923, Philadelphia Athletics manager Connie Mack traded three players and paid \$32,500 to the Salt Lake City club for pitcher Paul Strand. In 1925, the San Francisco Seals sold Paul Waner and shortstop Hal Rhyme to Pittsburgh for a combined price of \$100,000. Two years later, Portland received several players from the