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University of Dayton

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NEWS RELEASE

**BASEBALL OWNERS CAN CLAIM 'HIGH MORAL GROUND'
 IN NEGOTIATING FOR COMPETITIVE BALANCE**

DAYTON, Ohio — In the shouting match between Major League baseball club owners and players, the owners have the better argument, says a University of Dayton economist who specializes in baseball research.

"Competitive balance has gotten worse since 1994, since the last strike, in terms of the number of teams that qualify for post-season play. Post-season play is dominated by a more select group than in the past, most obviously by the Yankees, Braves and Indians," says Lawrence H. Hadley, associate professor of economics and finance at UD.

Hadley, along with Anthony Krautmann and James Ciecka at DePaul University, conducted the research on transitional probabilities of teams that qualify for post-season play for a forthcoming academic paper on competitive balance. One finding shows that from 1995 through 2001, only four teams with below-average payrolls have made the playoffs and those teams won only five of the 224 post-season games played.

"Chances are high that if you qualify for post-season play this year, you're highly likely to be in again next year," he says. "Therefore, it would seem there's a need for some collective restraint on payroll, and the tools that can do that are salary caps or a luxury tax. These also happen to suppress the salaries of the players.

"So the owners can take the high moral ground. Competitive balance is a legitimate problem they have to address. Of course, at the same time, it's in their economic interests to suppress salaries."

Hadley, who has studied the economics of baseball since 1988, says he expects the players to strike. "The owners have gotten a big chunk of the revenue they expected to get from the season. They're not giving up too much if they lose the post-season. But the leverage of the players comes in early July when you have more teams in the race and more interesting games to play. They don't have much leverage right now. Some owners don't care if the season isn't finished."

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But he doesn't expect the game to suffer a long-term attendance drop. "All those people who say attendance hasn't come back after the last strike — there's no evidence of that. There's been a small upward trend over time in baseball attendance. Certainly, it temporarily dropped below that trend in 1995, but attendance has recovered.

"I think the same will happen if the players strike now. It will take maybe a year to work that out and then it will be back as a popular form of sports entertainment."

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