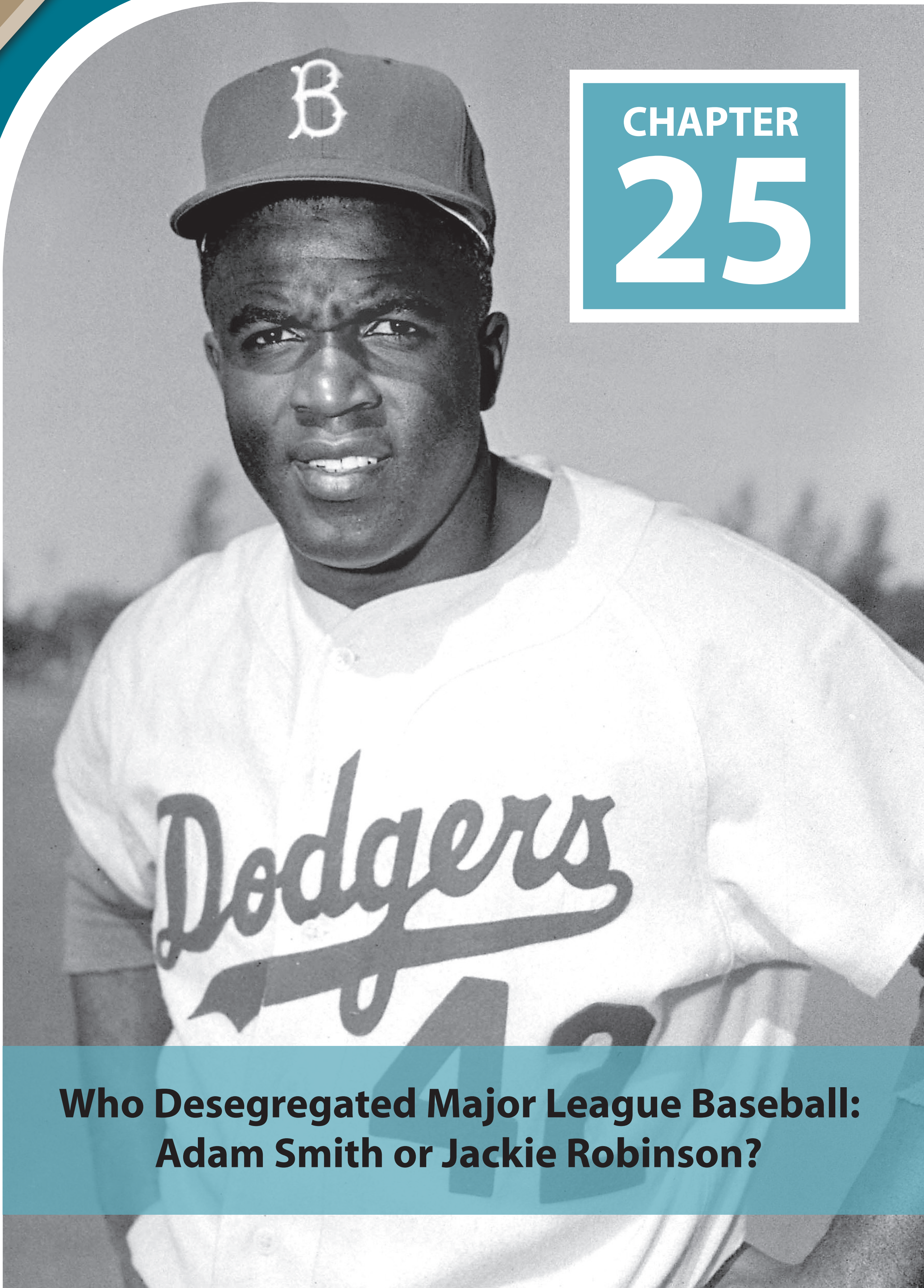
SAMPLE CHAPTER PREVIEW

CHAPTER 25



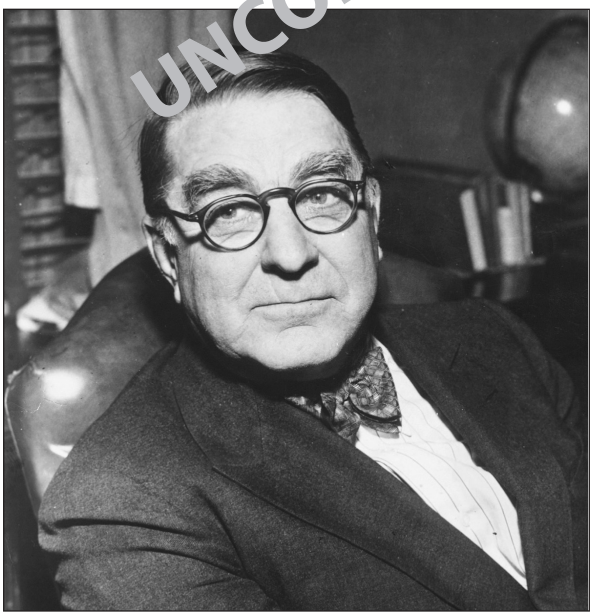
Who Desegregated Major League Baseball: Adam Smith or Jackie Robinson?

FRAMING the PROBLEM

Racial Segregation in Major League Baseball

The story is well known to avid baseball fans. In 1947 Branch Rickey, president of the Brooklyn Dodgers, signed Jackie Robinson to be the first African American player in the major leagues. It took courage and determination on both their parts to make the move. After all, racial segregation in 1947 was widespread in the United States. How would fans react? How would players react? These concerns may seem odd today, but in 1947 no one knew the answers.

Adam Smith certainly did not play baseball and probably was not a fan of cricket, the early version of the game. Adam Smith is regarded as the founder of the study of economics. He wrote his classic book, *Wealth of Nations*, 143 years before Jackie Robinson was born. Could Smith's ideas have made a contribution to the desegregation of major league baseball? It may seem implausible but Smith argued that individuals acting in their own self interest, pursuing profits in competitive markets, could produce good outcomes for others.



Branch Rickey

KEY ECONOMIC CONCEPTS

competition
profit motive
labor market
"invisible hand"
cartel
monopoly
monopsony

He wrote that "by pursuing his own interest, [the individual] frequently promotes that of the society more effectually than when he intends to promote it." Smith argued that **competition** in free markets benefits society as a whole by keeping prices low. Competition refers to the rivalry among producers to provide a better deal to consumers in terms of keeping prices low, providing high quality goods and services, or both. Competition provides incentives for individuals to engage in promoting the economic interest of others even while they are pursuing their own interests. Smith called this the **"invisible hand"** of the market.

In this chapter we will explore the economics behind the signing of Jackie Robinson and the eventual integration of major league baseball. Could it be true that Smith's ideas regarding free markets helped pave the way for Jackie Robinson's success and the African American major league players who followed? What was the role played by competitive **labor markets** and the **profit motive** in desegregating major league baseball?

The Historical Context

Racial Segregation after the Civil War

Even after the Civil War to abolish slavery had ended in 1865, racial discrimination persisted in the United States. Jim Crow laws were enacted by several states and local governments as a way to keep African Americans segregated from white Americans. In southern states, nearly every aspect of life—including public schools, buses, railroad passenger cars, restrooms, swimming pools, pool halls, and restaurants—was separate. Although northern states did not pass Jim Crow laws, the same types of racial segregation existed by *de facto*, or custom, social arrangements. Moreover, poll taxes and literacy tests kept African Americans from voting while providing loopholes for many whites. The U.S. armed forces were segregated. In the 1920s, an African American man could not enlist in the U.S. Navy. President Woodrow Wilson even segregated federal offices in Washington, D.C.

It would take many years and several momentous Supreme Court decisions before schools and other institutions would take actions regarding desegregation. Some economic sectors, however, abandoned racial segregation years ahead of the passage of the civil rights legislation of the 1960s. Major league baseball provides a perfect example, when Jackie Robinson became the first African American baseball player to play in the National League in 1947.

Why might some markets—like that of major league baseball—respond more quickly than other to reduce racial segregation?

The Economics of Labor Markets

The ABCs of Hiring the Best Worker

Let's explore how labor markets operate before returning to the story of Jackie Robinson and Branch Rickey. We think this will help understand the historical events which followed all of the historical choices that were being made.

It's obvious that racial discrimination causes economic harm to its victims. What is less obvious is that discrimination is also bad for business—even major league baseball. Business owners try to earn as much income as they can in hopes of making a **profit**. A profit is the amount of money left after a business subtracts all of its income from all of its expenses. In most situations, earning a profit is not for the faint of heart. It requires hard work and paying close attention to the actions of competitors. The desire to earn a profit makes it important for business owners to hire the most talented workers. Specifically, if they do not hire the most productive workers because of race or gender, they wind up losing money and may even go out of business. In this way, discrimination on the basis of race or gender imposes high costs on bigoted business owners.

Here, let us consider a non-baseball example. Imagine that Cutty Coleman is the owner of Cutty's Pretty Good Lawn Cutting Service, a small lawn care businesses. Cutty has decided to expand the business and plans to hire one new employee. Here are the three applicants for the new job:

Employee A can cut and trim two average size lawns between 8:00 am and 12:00 noon using the company's standard riding mower, the standard walking power mower and the gas powered trimmer. This employee wishes to be paid $10.00 per hour.

Employee B can cut and trim three average size lawns between 8:00 am and 12:00 noon using the company's standard riding mower, the standard walking power mower and the gas powered trimmer. This employee wishes to be paid $10.00 per hour.

Employee C can cut and trim four average size lawns between 8:00 am and 12:00 noon using the company's standard riding mower, the standard walking power mower and the gas powered trimmer. This employee wishes to be paid $10.00 per hour.

Which person should Cutty hire? Employee C, of course! By hiring Employee C, Cutty's business can do more lawn jobs per day. The business can earn more income and a larger profit. Employee C's productivity makes a great contribution to Cutty's bottom line.

Now, imagine that employee C is a member of a group toward which Cutty holds prejudicial or bigoted views, whether because of age, race, gender, religion, or sexual orientation. Should he hire employee C anyway? Of course he should! Cutty might be prejudiced against employee C, but he hurts his own ability to earn a profit if he fails to hire employee C.

With this example, it is easy to see how competitive labor markets make it costly for a business owner to fail to hire the best worker. It helps us see that racial discrimination required a lot of effort – such as the force of local or state law – to make it work because the profit motive continually worked against it. In fact, there were many examples of white-owned businesses in the south which wanted to hire African American employees and serve African American customers. But, because the Jim Crow laws made these actions illegal, they were prevented from doing so.

Historical Questions & Economic Answers

Is major league baseball like other businesses?

Not exactly. In fact, economically speaking, major league baseball is one of a kind. Baseball club owners are exempted from federal anti-trust laws, although no other business is. The result of a 1922 Supreme Court ruling in the case of the Federal Baseball Club of Baltimore, Inc. v. National League of Professional Baseball Clubs, this case was an unusual one, – seemly filled with contradictions. For example, the Supreme Court was not concerned that the defendants were involved in a sport. Rather, their focus was that major league baseball clubs were a profit-seeking business and they were clearly engaging in commerce across state lines.

Nonetheless, the Supreme Court decided that organized baseball was not involved in interstate commerce according to their definition. Moreover, the Court held that major league baseball was not a **monopoly** as defined by the Sherman Anti-Trust Act. The Justices reasoned that attempts by club owners to sign baseball players were not attempts to establish a monopoly.

If not an interstate business or a monopoly, is major league baseball a cartel?

Yes, major league baseball is a government-sanctioned cartel. A **cartel** is the term used to describe an organization of producers that agree on how to run their business. The Organization of Petroleum Exporting Countries (OPEC) is perhaps the most well-known cartel. The twelve of members of OPEC try to control the price of petroleum by enforcing agreements among the member to limit oil production. In a similar way, major league baseball clubs are permitted to make agreements about how they operate instead of competing against each other in the marketplace. For example, they can decide where teams are located, the operation of farm clubs, and how players are drafted and signed. The real power lies in the fact that baseball club owners are the sole purchasers of professional baseball player talent. Economists call being the sole buyer of a good or service a **monopsony**—a version of monopoly power. No other American business has this sort of clout.

The major league baseball club owners agreed that they would not sign African American players on their clubs. Although this decision was almost certainly influenced by racist views of some club owners, there were probably two economic reasons why they made this decision. First, the club owners were unsure about how baseball fans would react to racially integrated teams. Would white fans pay to see black players play with white players? Second, some white players made it clear that they did not wish to compete with African American players. Some feared losing their jobs. Others threatened strikes or violence.

The Profit Motive and the Rickey/Robinson Story

Despite the fact that major league baseball clubs operated a legal cartel, club owners still faced competition. Competition erodes the ability of a cartel to enforce the agreements among its members. Competition encourages members to break their agreements and "cheat." Major league baseball club owners, like other business owners, were not immune from competition and the temptation to "cheat." The desire to hire the most productive worker and earn a profit was hard for the club owners to ignore.

One sort of competition came from the operation of African American baseball leagues. Dozens of African American professional and semi-professional baseball teams played from 1887 to 1950. The most successful was the Negro National League founded in 1920. During the 1930s and 1940s a new Negro National League was said to sign the most talented black players.

There were also barnstorming African American teams like the Omaha Tigers and the Miami Giants. Barnstorming teams traveled circuits in the south and Midwest, for example. All that was required was that an entrepreneur would rent a ball park, find fans willing to buy tickets, and find two teams who were willing to play. The most famous barnstormers were the Satchel Paige All Stars (all African American players) and the Dizzy Dean All Stars (all white players). They toured the nation every October from 1934 to 1945 and were watched by thousands of fans. Life for the players in the African American leagues and the barnstorming circuits was not easy. The work was hard and the pay was low except for such stars like Satchel Paige. The travel—mostly by bus—was exhausting. Players often had trouble finding hotels, restrooms and restaurants. The prospect of improved working conditions and better pay in the major leagues was highly attractive to those players who thought they had what it took to play in big leagues.

In the face of such competition, did some baseball owners try to hire African American players? You bet. Because the pay in the African American leagues was much less than it was in major leagues, the owners knew that they could hire excellent talent from those leagues for less than they were paying white players. As early as 1944, Bill Veeck tried to buy the slumping Philadelphia Phillies. His plan was to immediately sign several African American players to turn the club around. Satchel Paige, Roy Campanella, Luke Easter, Monte Irvin and many others were playing and available. Veeck failed in his effort to buy the Phillies but he later became the owner of the Cleveland Indians. Almost immediately, he signed Larry Doby as the first African American player in the American League in 1947.

Table 25.1 provides evidence of the talent in the African American leagues. It lists major league players who had earlier played in the all-black leagues.

25.1 Major League Players Who Played in the African American Leagues

Hank Aaron	Indianapolis Clowns
Willie Mays	Birmingham Black Barons
Jackie Robinson	Kansas City Monarchs
Monte Irvin	Newark Eagles
Larry Doby	Newark Eagles
Roy Campanella	Baltimore Elite Giants
Sam Jethroe	Cleveland Buckeyes
Orestes "Minnie" Minoso	New York Cubans
Leroy "Satchel" Paige	Kansas City Monarchs and many others
Joe Black	Baltimore Elite Giants

Source: http://www.negroleaguebaseball.com/

Thus, the existence of the African American leagues provided one sort of competition to the owners of major league baseball clubs. But, the desire to win is another type of competition. Baseball club owners wanted to build winning teams. Winning teams attracted fans to the ballparks. More fan admissions meant more revenue and a larger profit.

Competition in big baseball markets like New York City was more intense then it was in smaller baseball markets like Milwaukee. After World War II, for example, New York City had three professional baseball teams—the Brooklyn Dodgers, the New York Yankees, and the New York Giants. Fans love to follow winning teams. Mass transit allowed fans to shift loyalties easily from on club to another. In face of such stiff competition, owners sought ways to attract fans to their ballparks. Having a winning team was one way to attract fans. Having spectacular players was another. What if you could offer both?

Enter Branch Rickey and Jackie Robinson. Branch Rickey started out playing catcher with two major league baseball clubs. While he turned out to be a mediocre player, he became a highly successful major league manager and executive. Known as a great innovator, he invented the farm system and spring training. He made use of batting cages, batting helmets, and pitching machines. He is best known, however, for signing Jackie Robinson when he was the owner of the Brooklyn Dodgers.

Like Jackie Robinson, Rickey was a fierce competitor. The 1946 World Series looked as though it would be one of many to be played by the two dominant teams in baseball at the time —the Boston Red Sox and the St. Louis Cardinals. The 1946 Red Sox were led by Ted Williams, the greatest hitter since Babe Ruth. He had a career batting average of .344 with 521 homeruns. The Cardinals were led by "Stan the Man" Musial, also an excellent hitter. Musial accumulated 3,630 hits and 475 home runs during his career.

But team dominance was to change. In 1946, Rickey signed Robinson, who played that year for the Montreal Royals. In 1946, the Brooklyn Dodgers finished two games behind the Cardinals. In 1947, the rookie year for Robinson with the Dodgers, he became the largest attraction in baseball. Huge crowds turned out to see him play. Not only did the Dodgers win the National League pennant in 1947, they won it again in 1949, 1952, 1953, 1955, and 1956. Robinson was selected as the Rookie of the Year in 1947 and was the National League Most Valuable Player in 1949. Robinson helped the Dodgers win a World Series in 1955.

Rickey, keenly aware of his overnight success from signing Robinson, did not hesitate. He quickly signed other African American players including Roy Campanella and Don Newcombe. African American Dodgers won five Most Valuable Player awards and four Rookie of the Year Awards. Teams that were slower to react, such as the St. Louis Cardinals, failed to sign African American players and their number of winning games declined. Racial integration in the National League electrified the country and the National League pulled ahead of the rival American League in terms of fielding higher quality teams.

Jackie Robinson and Branch Rickey in February 1948

Teams that signed African American players were rewarded on the field and financially. The economists James Gwartney and Charles Haworth studied the impact of African American players. They found that the number of African American players was a significant factor in determining the number of games won. For the period from 1950 to 1955, they found that the inclusion of an African American player on a major league team, on average, resulted in an additional 3.75 wins per year.

What about revenues? Were owners correct to worry about fans staying away when they signed African American players? Not at all. Gwartney and Haworth found a strong and positive relationship between fan attendance and the number of African American players on a team. On average, each additional African American player on a team was associated with between 55,000 and 60,000 additional annual home-team admissions during the 1950s.

QUESTIONS for DISCUSSION

1. What was Adam's Smith "invisible hand" of the market place?
2. How is major baseball economically one of a kind?
3. Is major league baseball considered a cartel?
4. How do major league baseball clubs hold a form of monopsony power?
5. Why is it in the self-interest of business owners to hire the most productive worker?
6. How did the desire to win influence the decision of Branch Rickey to sign Jackie Robinson?
7. What happened to the revenues and records of teams that signed African American players"?
8. Who integrated major league baseball? Jackie Robinson and Branch Rickey or Adam Smith?

Branch Rickey Speaks Out

PRIMARY SOURCE

On January 20, 1956, Branch Rickey gave a speech before the "One Hundred Percent Wrong Club" banquet, in Atlanta, Georgia, January 20, 1956. In the speech, Rickey described the problems he faced in the 1940s, when he decided to integrate major league baseball by signing Jackie Robinson to play for the Brooklyn Dodgers. Here is a short excerpt from the speech:

"I know that America … is more interested in the grace of a man's swing, in the dexterity of his cutting a base, and his speed afoot, in his scientific body control, in his excellence as a competitor on the field. America, wide and broad, and in Atlanta, and in Georgia, will become instantly more interested in those marvelous, beautiful qualities than they are in the pigmentation of a man's skin, or indeed in the last syllable of his name. Men are coming to be regarded of value based upon their merits, and God hasten the day when Governors of our States will become sufficiently educated that they will respond to those views."

Source: Library of Congress, Manuscript Division, Branch Rickey Papers

PRIMARY SOURCE

QUESTIONS for DISCUSSION

1. What appears to be Mr. Rickey's main point?
2. How does his point compare to the reasoning profit by Adam Smith at the beginning of this chapter?

Then & Now

The Gender Gap

This chapter has focused on racial discrimination against African Americans in major league baseball. There are, of course, other forms of discrimination such as discrimination on the basis of gender.

The "gender gap" is a topic of hot debate and is often in the news. What is the "gender gap?" Actually, there is more than one type of gender gap. Let's consider two. The first gender gap is the difference between men and women's participation in the workforce. The Bureau of Labor Statistics reports that women's labor force participation, which was about 34 percent in 1950, increased significantly during the 1970s and 1980s, climbing to almost 58 percent in 1990. In 1999, the women's participation rate reached a peak of 60 percent. By 2000, however, this rate had declined slightly to 59.9 percent, and since then it has been displaying a pattern of slow decline in each successive period, falling to 59.3 percent in 2005. The participation rate of women is projected to be 59.4 percent in 2020 and 55.1 percent in 2050. Women appear to be choosing to be somewhat less active in the labor force.

The second gender gap—the one that gets most of the attention—is the difference between what men and women earn from working. People are often convinced the gap in wages between man and woman is the result of discrimination against women —and they may be right. Certainly women have been victims of discrimination in the workplace.

But, let's look a little deeper into the problem. The gap between what men and woman earn has narrowed over the past several years. The gap between male and female wages was 40 percent in 1970. It declined to about 24 percent in 2003. Some of this difference may, indeed, be the result of discrimination against women.

But, there is an alternative explanation favored by some economists. The wage gap might also reflect that fact that women are more likely to work part time, choose careers in lower-paying fields, work for government or a non-profit organization and have fewer years of work experience than men of the same age. Many of these choices made by women result from the fact that woman tend to have more family responsibilities than do men. In fact, when we adjust for education, experience, and type of job, there is no meaningful difference between the earnings of men and women who never married and never had a child.

But, as a society, we worry about discrimination against women. In fact, legislation was passed to with the intention of narrowing the gender gap. Title VII of the Civil Rights Act of 1964 forbids discrimination on the basis of sex in hiring, promotion and other conditions of employment. People who believe that have experienced discrimination may file charges against their employer with the U.S. Equal Employment Opportunity Commission (EEOC) which enforces the law. If a person wins the case, he or she may be reinstated, receive back pay, be promoted or be provided with some other form of compensation.

Questions on next page...

Continued from previous page...

THEN & NOW QUESTIONS for DISCUSSION

Remember the incentives that faced owners of major league baseball clubs to hire the best possible worker? The same logic applies to the hiring of women. Employers face incentives to hire the most productive worker regardless of gender. Which remedy do you think is most likely to reduce discrimination against women in the workplace: legislation like Title VII or the incentives that face business people to hire the best possible worker? Why?