PAY BALL: ESTIMATING THE PROFITABILITY OF THE NEW YORK YANKEES 1915-1937

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ABSTRACT

Using a data set containing a near complete set of account books for the New York Yankees for the years 1915-37, we look at several issues, including an analysis of the profitability of owning a professional baseball team during this time period. We look at returns to capital and investments in the team, sources of revenue and expenses faced by the team, and relative salaries. This type of analysis gives us a fascinating insight into the operation of a professional sports team in the early 20th century.

Introduction

Major League Baseball (MLB) is a multi billion-dollar enterprise in the American entertainment industry and has long held a place in the American culture as a revered national pastime. Indeed, it has enjoyed special treatment as such from presidents during periods of national crisis, the IRS regarding accounting practices, and the Supreme Court regarding its treatment under antitrust laws.[1]

While baseball has long been a fixture on the sports pages, it has increased its presence on the financial pages in the past few years. Among the aspects of the game that have been featured in the financial press are payroll and labor issues and the decade long boom in the construction of new baseball-only stadiums.

In the past few years baseball seems to have lost some of its luster. Despite some of the most exciting on-field action in history, the primary news from the MLB front has been of a financial nature, and its dour outlook on the future. Indeed, to hear contemporary pundits, sports figures and baseball executives tell it, baseball is down to its final out. Teams are hemorrhaging money, on-field competition has dried up to only a few wealthy teams who now dominate the sport, and municipalities are becoming more irritated at the demands of teams for publicly financed stadiums. The owners claim that the bottom line problem for all of this is the bloated payrolls of some teams, and the spiraling player salaries in general.

Unfortunately, it is impossible to ascertain any of these claims, or even study them in detail because of the ownership structure of MLB teams. None of them are publicly owned, so none are required to report their finances. Only a few snippets of financial data are publicly available: the cost of constructing and operating publicly financed stadiums and the financial details involving the municipalities or states that built them, the self-reported salaries of players and television contracts, estimated revenues based on published ticket prices and attendance figures, and selected financial figures reported by teams.[2] With the absence of hard data, estimates are the only remaining method by which the economics of modern day baseball teams can be analyzed.

In this paper we seek to build a historical background to the present day financial situation by examining the financial operations of the New York Yankees from 1915-1937. This paper serves as an overview of our initial findings from a unique data set, as well as a precursor to a future research agenda we have outlined using these data.

Description of Data Set

The purpose of studying historical data in an attempt to provide some insight into modern day baseball finances is twofold. First, it serves to focus on the evolution of the industry. Second, the paucity of contemporary financial data forces us to look back for detailed financial information on the operation of professional baseball franchises. Because they are not publicly held, obtaining modern day financial data at any level of detail or with any degree of certainty is not possible. While the operation of MLB franchises during the 1920s and 30s certainly differed from the operation of modern day franchises, the former can still provide us with a revealing look at the way franchises operated, their profitability, and a base for comparison with contemporary teams.

We have discovered a unique data set housed in the National Baseball Library at the National Baseball Hall of Fame in Cooperstown, NY. The archives contain a set of account books for the New York Yankees for the years 1915-37. This corresponds almost perfectly to the ownership regime of Colonel Jacob Ruppert, and for a time, his co-owner, Colonel Tillinghast L'Hommedieu Huston.[3]

These account books allow us a unique opportunity to look inside the financial operations of a MLB team. As previously mentioned, this level of detail and accuracy is not available to scholars of contemporary MLB financial studies. The archives consist of journals, cashbooks, and ledgers covering the operation of the Yankees and several of their minor league affiliates. While no single type of book is available in a continuous run for the entire period, enough information is available from various books to allow for the reconstruction of annual income statements for most of the period, and year-end profits for every year.

No financial statements exist, so they have been recreated from the journals and ledgers. Income statements can be created from the year-end bookkeeping process called closing entries. Closing entries list all of the revenue and expense balances that are accumulated during the year. The closing entries transfer the revenue and expense balances into the owners' capital accounts and by eliminating the revenue and expense balances, lets the bookkeeper start fresh in the new year.

The available data are extremely detailed revenue and expense entries covering all aspects of the financial operation of the team. Entries as diverse as player salaries, fines, laundry costs, travel and lodging, medical expenses, and the purchase and sale of player contracts are recorded. Revenue figures are also available by source, including ticket sales, concession sales, advertising, and rental of the stadium (after construction in 1923) to professional and college football teams, Negro League baseball teams and boxing promoters.

With this information we will look at several issues, including an analysis of the profitability of owning a MLB team during this time period, the return to capital and the various forms in which the owners took their profits out of the team, and the financial viability of building a stadium.

A comparison of player salaries relative to team profits, national average wage rates, and team revenues is also made. This was a period of labor exploitation in MLB. Players were not free to negotiate with other teams for their services as they are today. Instead, a principle known as the reserve clause bound all players to the team that held their contract for as long as the team desired. While this did not necessarily affect the distribution of playing talent in the league, it did result in a monopsonistic labor market.

Historical background[4]

The New York Yankees, the most storied franchise in Major League Baseball history, had an inauspicious beginning. The team was moved from Baltimore in 1903 as the American League, a recent challenger to the established National League, sought to establish a foothold in New York. The team was sold to two local owners, William Devery and Frank Farrell, who were able to accomplish something that Ban Johnson, President of the American League, had been attempting to do for two years: secure enough land in Manhattan to construct a ballpark. The rival leagues went beyond mere refusal to cooperate: they resorted to out and out war. Andrew Freedman, owner of the National League New York franchise, was a Tammany Hall insider, and he used his political connections to keep the American League at bay by preventing them from securing the necessary land to construct a stadium in which to house a team.

However, when Tammany power lapsed, the new powers were aligned with Farrell and Devery. Johnson took advantage of this connection when he sought out the pair to purchase the Baltimore team and transfer it to Manhattan.

The stadium was constructed at a cost of $300,000 on acreage on Washington Heights overlooking the New Jersey palisades. The AL franchise eventually took on the nickname Hilltoppers, in reference to their physical location. Hilltop Park, like its contemporaries, was a wooden structure. A wooden fence surrounded the field with a double-decked grandstand between first and third base. With a capacity of approximately 16,000, it was an average size ballpark. Overflow crowds for popular games would have been accommodated as standing room patrons in a roped off section in the outfield. This attention to detail is important by way of illustrating the way a ballpark was regarded at this juncture in baseball history. They were relatively small, cheap to build, and not typically exploited as revenue generating investments in and of themselves.

Farrell and Devery eventually sold the franchise, which was now known as the Yankees, in 1914. At the time of sale, the franchise was in dismal condition. The team was floundering on the field and off. The Yankees had finished in the bottom of the standings four consecutive years, and had reportedly earned a profit only once in the previous decade. The problem faced by Farrell and Devery was familiar to many failed entrepreneurs, who suffered from two shortcomings: a lack of knowledge about their business and insufficient capital to grow and compete. Sports historians can point to the questionable personnel moves by the team during the decade of the Devery-Farrell ownership to support the first contention. The Hilltoppers lacked the capital to keep up with the cross-town rival Giants, who were one of the most successful franchises in the National League during the same time.[5]

A pair of well-heeled local businessmen–Colonel Tillinghast L'Hommedieu Huston and Colonel Jacob Ruppert–purchased the Yankees. Equally as important to their wealth was their business acumen. Ruppert had been raised in the brewery business, and Huston was a successful engineer. Both men had an interest in baseball, and an interest in making money as well.

The sales price of the franchise was reported at various times and by various sources as ranging from $360,000 to $500,000. The most reliable sales figure seems to be $460,000. It is known that Farrell and Devery originally sought the latter figure, but is unlikely they actually received it. In 1914 the team was a dismal on-field performer, and was reputedly $20,000 in debt.

The first declared intention of the new owners was to build a new stadium, which they promised in the near future. In fact, it took nearly a decade to fulfill this promise. The result, however, was the grandest stadium in the game at the time (some would argue that it still is) –one that would set a new trend in stadium construction and prove to be a source of profit in its own right.

Ruppert and Huston made money with the Yankees by spending money. Their two most famous investments were the purchase of Babe Ruth, arguably the greatest player in baseball history, from the Boston Red Sox, and the construction of Yankee Stadium. The former transaction was completed in January of 1920 for a total of $100,000. The latter was completed in the early spring of 1923 for a total cost of $3.1 million. The stadium was expanded in 1928 for just over $400,000.

Ruppert and Huston did the right things to turn the Yankees into a profitable enterprise. They hired skilled management who could make good decisions regarding personnel. This resulted in a winning team on the field. They also put an entertaining product on the field. Babe Ruth, the most popular player of his era, personified this.

The Yankees had been playing in the shadow of the Giants since their arrival in town. Now that men with sufficient funds owned the team, the Yankees made the necessary moves toward profitability. They began by improving the playing talent, resulting in a more competitive team, which in turn generated greater fan interest and paid attendance. After the Colonels bought the team, they improved in the standings from 6th place in 1914 to consecutive third place finishes in 1919 and 1920, followed by three straight trips to the World Series.

During the winter of 1919-1920, the Yankees purchased the contract of George Herman "Babe" Ruth from the Boston Red Sox. The purchase of Ruth, one of the best young players in baseball at the time, made sense from a talent perspective, and would turn out to make even more sense from an entertainment perspective. Babe Ruth became the greatest draw in the league, and was a primary catalyst to get the Yankees to finally build their own ballpark. The stadium, which was built to showcase the talents of Ruth as a home run hitter, was also built to capitalize on his popularity.

1923 was a watershed year for the Yankees for two reasons. It was the year they opened Yankee Stadium, and it was also the year that Jacob Ruppert became sole owner of the team. A falling out had occurred between the two owners over the naming of a manager for the team. Jacob Ruppert hired Miller Huggins in 1918 while Huston was serving in the U.S. army in Europe. This rift was widened during disagreements concerning the construction of the stadium. Ultimately, Huston sold his share of the team to Ruppert in 1923 for $1.25 million. Ruppert owned the team until his death in January of 1939. His heirs eventually sold the team six years later for $3 million.

Data Analysis

Several issues can be examined with this data. We will begin by looking at the profitability of owning the team. Table 1 is a summary of the team profits broken down in several categories. Separate profits are calculated for the operation of the stadium as a rental property only for the years 1927-30. The level of financial detail necessary to make this calculation does not exist for other years.

The first few years of ownership were unstable, with returns ranging from a loss of $73,000 in 1915, the first year under the new owners, to a profit of just under $107,000 in 1919. By way of comparison with other financial assets (Table 2) however, the relative performance of the team in those years was a reflection of the American economy. While returns on the team were negative in three of the first five years, so were returns on the Dow Jones Industrial Average (DJIA). The DJIA lost ground in 1917 and 1918, the same years the Yankees lost money. After 1918 the Yankees would not show a negative return again, except for 1928 when they spent over $400,000 expanding the size of the stadium. In a curious accounting anomaly, this was expensed rather than capitalized and amortized.

Through the first five years of their ownership, Huston and Ruppert lost a total of $30,000. This was more than made up for in 1920, when the team turned a profit of more than $370,000. While the average annual return on their investment was negative for the first five years, it shot up to 81% in 1920, and would never again be negative.

An additional source of income for the owners of a professional baseball team comes in the form of an annual salary, usually drawn in the capacity of president or CEO of the corporation holding the team. Huston never exploited this source of income during his tenure as an owner of the Yankees. It is not until 1927 that we know for sure that this

Table 1
Profit on Team and Stadium

Year	Profit on Team	Team Profit before Taxes and Depreciation	Team Profit before Taxes	Profit on Stadium
1915	(73,362)	(73,362)	(73,362)	
1916	40,995	40,995	40,995	
1917	(58,036)	(57,847)	(58,036)	
1918	(46,651)	(46,481)	(46,651)	
1919	106,971	106,971	106,971	
1920	374,079	666,353	666,353	
1921	176,502	340,517	339,984	
1922	270,875	316,029	315,420	
1923	494,071	595,972	532,139	
1924	351,695	441,640	363,279	
1925	77,624	156,250	77,165	
1926	393,272	624,226	544,124	
1927	567,664	682,484	601,351	191,990
1928	297,060	422,057	333,326	(209,149)
1929	229,919	355,791	259,195	110,343
1930	153,484	290,929	193,843	120,400
1931	53,782	123,016	59,169	
1932	(4,730)	45,406	(4,730)	
1933	(68,047)	(18,324)	(68,047)	
1934	32,681	96,821	54,037	
1935	(45,843)	7,945	(35,884)	
1936	338,649	476,844	419,377	
1937	222,021	407,017	338,374	

Profits are based on nominal accounting data.

practice became routine for the Yankees (we do not have detailed data for the years 1923-26). This is also an accounting anomaly, since it would have behooved both men to take some of their profits in the form of a salary in order to avoid the double-taxation of corporate profits.

Finally, the owners also earned a capital gain on their investment, though Ruppert was dead and his share went to his heirs. Huston sold out for $1.25 million in 1923, a capital gain of $1,020,000 on an investment of $230,000 made eight years earlier. This is a return in excess of 440%. The heirs of Jacob Ruppert eventually sold for $3,000,000, giving the estate a capital gain of $1.52 million after adjusting for his buyout of Huston.

A complement to owning a major league baseball team in the 1920s, as it is now, is owning (or in the contemporary case, leasing) a stadium, which not only serves a purpose as a necessary component in the production of a ballgame, but can also serve as a source of additional income on the 280 odd days on which the team does not play in it.

Table 2
Annual Return to Selected Financial Assets

Year	Dow Jones Industrial Average (DJIA)	Annual Growth Rate of DJIA	Moody's Seasoned AAA Corporate Bond Yield	Moody's Seasoned BAA Corporate Bond Yield	Return to Capital New York Yankees	Return to Capital Yankee Stadium
1915	55.44				-15.95%	
1916	98.81	78.23%			8.91%	
1917	96.4	-2.44%			-12.62%	
1918	74.85	-22.35%			-10.14%	
1919	82.45	10.15%	5.35%	7.12%	23.25%	
1920	108.85	32.02%	5.75%	7.78%	81.32%	
1921	72.67	-33.24%	6.14%	8.50%	38.37%	
1922	78.9	8.57%	5.34%	7.70%	58.89%	
1923	98.06	24.28%	5.04%	6.98%	107.41%	
1924	96.54	-1.55%	5.09%	7.24%	76.46%	
1925	119.46	23.74%	4.95%	6.44%	16.87%	
1926	158.75	32.89%	4.82%	6.09%	85.49%	
1927	155.16	-2.26%	4.66%	5.61%	78.66%	6.19%
1928	203.55	31.19%	4.46%	5.35%	34.13%	-6.75%
1929	297.7	46.25%	4.62%	5.63%	42.50%	3.56%
1930	248.1	-16.66%	4.66%	5.92%	38.49%	3.88%
1931	170.71	-31.19%	4.42%	6.41%	11.69%	
1932	71.59	-58.06%	5.20%	9.13%	-1.03%	
1933	59.29	-17.18%	4.44%	8.01%	-14.79%	
1934	96.73	63.15%	4.35%	7.01%	7.10%	
1935	105.88	9.46%	3.77%	5.98%	-9.97%	
1936	143.11	35.16%	3.37%	5.00%	73.62%	
1937	177.72	24.18%	3.10%	4.49%	48.27%	

In an attempt to gauge the returns earned purely from extracurricular rental of the stadium, we have calculated a return to capital on the stadium, using only those sources of revenue that are solely due to the stadium. These funds included rental of the stadium for professional and college football, boxing matches and Negro League baseball games. Of course the stadium also contributes to increased revenue for the team during the season. A modern stadium is an attraction in and of itself. At the time of its construction, Yankee stadium was the largest and most modern stadium in professional baseball.

The calculated returns on the stadium investment are downward biased on two margins. First, the revenues are understated, as they include only the extracurricular revenues mentioned above. Second, all stadium costs, apart from game day expenses, are attributed to the stadium profit calculation.

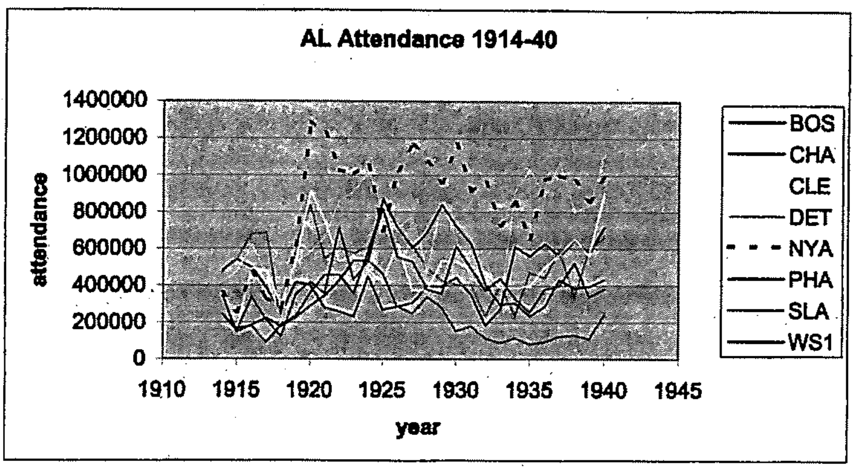
The return on the stadium investment was modest for the four years for which data exist, with positive returns of 6.19%, 3.56% and 3.88% and a negative return of 6.75% in 1928 when the Yankees made a $400,000 expansion project of the stadium. This expense should have been capitalized, which would have made the 1928 return positive, and slightly decreased the returns for the following years.

Finally, we estimate the return to the famous purchase of Babe Ruth. Ruth cost the Yankees $100,000 in January of 1920. Baseball lore has always claimed that the Boston

Red Sox, owned by Broadway magnate Harry Frazee, sold Ruth because Frazee was strapped for cash after the dismal failure of one of his shows. The legend further adds that the sale price of Ruth was only part of the purchase agreement. In addition, the Yankees allegedly loaned Frazee in excess of $300,000 to shore up his theaters. No evidence exists in the Yankee account books that such a loan took place. The $100,000 purchase price (erroneously reported as $125,000 in many contemporary newspapers) is well documented. It took the form of four $25,000 promissory notes, issued between January and November of 1920.

The purchase of Ruth in 1920 immediately paid off for the Yankees. Home receipts more than doubled each of the next three years, the team appeared in the World Series in 1921 and 1922, earning an additional $150,000 in revenues, and the Yankee share of road receipts more than doubled in each of the next three seasons (Table 3A). Examination of figure 1 indicates that while attendance did increase around the league during the period from 1914 to 1940, the Yankees were an outstanding outlier. Their attendance exploded in 1920, the first season Ruth played for the team. From 1920 through Ruth's final season with the Yankees in 1934, the Yankees failed to lead the league in attendance only twice. The first instance was 1925 when Ruth played in only 98 games due to injuries and suspensions. This was the fewest number of games he would play in as a Yankee. In 1934 the Yankees also failed to lead the league in attendance, during Ruth's final season in New York. After leading the lead in attendance during 13 of 15 years during the Ruth era, the Yankees led the league only three times in the next six years.

Figure1: American League Team Attendance



Of course, not all increases in revenue can be attributed to the popularity of Ruth or his admittedly tremendous impact on the quality of the team's play. As a result, these calculated returns are certainly upwardly biased. Even then, the return is not as far-fetched as it may seem. The Yankee roster was not substantially different, except for Ruth, from 1919 to 1920, signifying the impact of Ruth on the team. The team finished in third place in both seasons, but did increase their win total and was more competitive, finishing a mere three games out of first place, an improvement from 7.5 games the previous season. The combination of a marquee gate attraction and improved team, both in the person of Babe Ruth, was a significant factor in the improved fortunes of the team.

All in all, the team was a profitable investment for Ruppert and Huston. After a few initial losses in the early years, in which they were spending money to improve the quality of the team, most notably with the purchase of Babe Ruth, they began to show a steady and solid profit on a regular basis. Beginning in 1918, the return on the team outstripped the return on the DJIA in 16 of the next 20 years. The return on the team far outstripped bond yields in all but three years. The ratio of returns to the team relative to bond yields ranged from three on BAA bonds in 1918 to 22 on AAA bonds in 1936.

Table 3 A
Costs and Returns from Babe Ruth

Year	Ruth's salary	Yankee Home Receipts	Yankee Road Receipts	Increased Home Receipts over 1919	Increased Road Receipts over 1919	Net World Series Share
1919		338,298	92,485			
1920	17,570	864,830	273,176	526,532	180,692	
1921	39,638	865,260	230,975	526,963	138,490	70,376
1922	54,104	722,856	253,069	384,558	160,584	12,530
1923	52,669					
1924	47,758					
1925	42,622					
1926	49,605					
1927	76,191	786,632	285,343	448,335	192,858	59,797
1928	70,000	732,766	260,290	394,468	167,805	56,902
1929	70,000	670,931	291,159	332,633	198,674	
1930	80,000	786,353	220,112	448,055	127,627	2,793

Table 3B
Return to Yankees on Babe Ruth

Estimated Return to Purchase of Ruth when Ruth Credited with				
Year	100% of Receipt Increase	50% of Receipt Increase	25% of Receipt Increase	10% Receipt Increase
1919				
1920	3925%	336%	159%	53%
1921	3962%	363%	197%	97%
1922	2866%	231%	95%	13%
1923				
1924				
1925				
1926				
1927	3556%	304%	144%	48%
1928	3126%	268%	127%	43%
1929	2626%	196%	63%	-17%
1930	2837%	211%	67%	-20%

As mentioned earlier, some curious accounting anomalies appear in the database. This is not surprising for two reasons. First, the Yankees were not audited. An audit by an independent CPA provides assurance that financial information is properly reported. Second, standards for reporting financial information, called Generally Accepted Accounting Principles or GAAP, were quite unsettled during this period of investigation. GAAP really developed during the Great Depression.

The first curious accounting practice is that the team did not appear to capitalize and amortize the cost of an addition to Yankee Stadium in 1928. Capitalizing and allocating to the period benefited would produce a substantial profit in 1928 and slightly lower the profits in future years. Second, as noted earlier, neither Ruppert nor Huston was quick to take a salary as an officer of the team. From a tax standpoint it would have been beneficial to take at least some of the profits out of the club in the form of a salary in order to avoid the double taxation of corporate profits paid out as dividends. Admittedly, this was not an issue in the first few years, but would have been very important beginning in 1919 when the team earned profits of nearly one million dollars over a four-year period. The owners' inconsistency also makes comparisons difficult. The owners appear to be intimately involved in the operation of the club and probably should have had a salary each and every year.

The final accounting oddities of note are the treatment of player purchases and sales and an account titled American League sinking fund. Treatment of the latter in the books seems to indicate that it was a precursor to league revenue sharing, a concept that MLB owners today are struggling to implement. It appears that each team donated a share of its gate receipts to the league central office, and then received a share of those proceeds at the conclusion of the season. The Yankees received a total of $60,000 from this fund from 1927-29 and $20,000 in1920 from a fund labeled American League Clubs. However, no equivalent expenses are listed to suggest that the Yankees were contributing to this central fund.

In the case of the purchase and sale of player contracts, their treatment changed over time. Initially, they were simply expensed in the year they were made. Beginning in 1930 though, they were amortized. However, no evidence is given as to what method of amortization was used. It is important to note that the cause of the change was the Internal Revenue Service. Under the reserve clause capitalization is clearly the theoretically appropriate accounting procedure because the team owned the player. The only problem is determining the amortization period.

A look at player salaries is also worthwhile. Major league baseball players today are often criticized for their outrageous salary demands. However, as the preliminary look at Ruth's impact on the Yankees indicates, they have the potential to have very large marginal revenue products for their teams. An investigation of the Yankee salaries, along with the observation of other player salaries from the first half of the 20th century suggests that ballplayers have always been well paid relative to the average American. (Table 4).

Until players won the right to sell their services to the highest bidder, however, the monopsonistic labor market kept the wages far below their market value. Once players could effectively bargain, their average salary relative to the average American wage increased by a factor of ten. Table 5 indicates that as Yankee revenues increased, payroll did not keep up. The relative share of payroll to revenue decreased markedly from 59% in 1915 to 11% in 1920 and 1921. By the end of the decade, the ratio of salary to revenue had stabilized in about the 25% range. Compare this to the average ratio of salary to total revenue in MLB during the 1990s when it began as 33% of revenue, spiked to 63% during the strike year of 1994, before dropping to just under 50% by the end of the decade. A similar pattern is evident in the salary as a percentage of total expenses. The Yankees hovered in the mid 20 to mid 30 percent range during the 1920s. The average major league team began the decade of the 1990s with salaries at 38% of expenses, and rose from there to near 60%.

Table 4
Salary Comparisons

Year	US Annual Average Income *	Average Salary New York Yankee Player	Yankee Salary to US Average salary	Babe Ruth Salary	Ruth to Yankee Average	Ruth to US Average
1914	$628	$2,919	4.65			
1915	687	3,892	5.67			
1916	765	3,597	4.70			
1917	887	3,964	4.47			
1918	1,115	2,456	2.20			
1919	1,272	3,647	2.87			
1920	1,489	4,933	3.31	$18,570	3.76	12.47
1921	1,349	6,854	5.08	39,638	5.78	29.38
1922	1,305	7,928	6.07	54,104	6.82	41.46
1923	1,393	8,318	5.97	52,669	6.33	37.81
1924	1,402	8,443	6.02	47,758	5.66	34.06
1925	1,434	8,622	6.01	42,622	4.94	29.72
1926	1,473	7,956	5.40	49,605	6.24	33.68
1927	1,487	11,324	7.62	76,191	6.73	51.24
1928	1,490	11,667	7.83	70,000	6.00	46.98
1929	1,534	12,397	8.08	70,000	5.65	45.63
1930	1,494	10,829	7.25	80,000	7.39	53.55
1931	1,406	9,264	6.59	79,192	8.55	56.32
1932	1,244	9,417	7.57	74,214	7.88	59.66
1933	1,136	7,507	6.61	42,029	5.60	37.00
1934	1,146	8,638	7.54	34,015	3.94	29.68
1935	1,195	8,587	7.19			
1936	1,226	8,779	7.16			
1937	1,341	10,327	7.70			
2001	30,000	3,622,166	166.67			

* all industries excluding farm labor

The importance of various sources of revenue has also changed substantially over time. During the first decade of ownership, Ruppert and Huston took in two-thirds to three-quarters of all their revenue at the gate in Yankee stadium. After the construction of Yankee Stadium, gate receipts declined to about 50% of total revenues as the importance of rental income from the stadium increased.

Table 5
Salary and Revenues

	Yankees Player Salaries as a Percentage of			Home Receipts as Percentage of
Year	Expenses	Revenues	Profits	Total Revenue
1915	35.62%	59.71%	Loss	63.37%
1916	38.11%	39.70%	312.46%	71.90%
1917	34.59%	49.21%	Loss	65.72%
1918	26.32%	37.06%	Loss	74.94%
1919	28.46%	25.21%	103.70%	76.88%
1920	22.23%	10.67%	34.19%	72.16%
1921	14.55%	11.74%	86.78%	66.29%
1922	26.88%	20.92%	84.80%	65.82%
1927	32.33%	18.07%	57.36%	44.75%
1928	19.60%	22.41%	Loss	45.99%
1929	40.17%	27.21%	120.82%	49.41%
1930	35.64%	23.38%	112.85%	54.78%

Modern teams rely much more heavily on media revenue. Gate receipts exceeded 40% of revenues only in 1994, when the season was shortened by a player strike and teams did not receive the majority of media revenues.

Conclusion

What can we conclude from this initial look at the financial results of Yankee operations from 1915 onwards? First and foremost, this is the period during which it became clear that baseball is a business. The romantic notion that in the good old days baseball was a game, not a business, is a farce. The focus has always been on the bottom line. When Yankee revenues increased by a factor of five from 1915 to 1921 it led to the building of Yankee Stadium and the tapping of revenues from a wide variety of events. In fact, baseball may have been a purer business for the Yankees then than it is now. The financial success of the Yankees was crucial to Ruppert and Huston. Today the typical team is owned by a corporation or individual with a business that in some way complements a ball club. Breweries and media empires are the two most obvious examples. This means that the team does not have to be a source of profit itself if it provides enough of a boost to the bottom line of the parent company. In contrast, in the 1920s individuals who owned teams tended to used them to earn a living.

Secondly, we see a successful business model for the coming decades: Invest money in players, player development, and fan accommodations. Buy quality inputs (players) in order to produce a quality product (winning team), which will attract more customers (paid attendance). In addition to accommodating the team, Yankee Stadium was a destination unto itself almost eighty years ago. It was also a profitable investment for the

Yankees. Not until the past decade have current owners copied that Yankee innovation. The only improvement on the colonels' business model has been to get someone else to pay for the stadium.

Thirdly, we see an amazingly successful organization in both profitability and on-field performance despite an exceptionally inept financial reporting system. The numerous accounting anomalies discussed earlier would make it very difficult to run the Yankees based solely on the financial data. For example, did Colonel Ruppert really think he had a loss in 1928 when he expanded Yankee Stadium and failed to capitalize the costs?

We have attempted to shed light on a number of issues using this unique data set. Among them the question of whether or not investment in stadium construction is profitable for a team, how profitable owning a professional baseball team can be, and how player salaries compare to team revenues.

This preliminary investigation has raised more questions than it has answered. Perhaps the most perplexing is why were the Yankees able to earn a profit on a stadium when contemporary owners claim they cannot? Perhaps more to the point: why can contemporary owners hold up municipalities over the stadium issue while the Yankees could not do so 75 years ago?

Notes

1. During the Second World War, President Franklin Delano Roosevelt encouraged Baseball Commissioner Kennesaw Landis to continue playing the MLB schedule, though eligible players would still be subject to the draft. In 1920 The Supreme Court ruled that MLB was exempt from antitrust laws. In 1935 The IRS ruled that MLB owners could depreciate player contracts.

2. The one exception to this is the Cleveland Indians, who were a rare commodity from 1993-97, when they were a publicly owned corporation.

3. Clifford Kachline obtained the account books from the New York Yankees during the 1970s, when he was librarian of the National Baseball Library. From that time until we began our research, they lay largely ignored in the archives of the library.

4. Information for this section is from the New York Yankees and the Yankee Stadium archival files in the National Baseball Library. See also Neil J. Sullivan, *The Diamond in the Bronx* (New York: Oxford University Press, 2001).

5 .They finished first five times and second five times during the 12 years that Devery and Farrell owned the Yankees.