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NEWS RELEASE

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Minor League Baseball Vice President Stan Brand's Opening Session Speech

LAS VEGAS--The Baseball Winter Meetings are a rare time in the busy cycle of our industry, for reflection, re-evaluation and planning for the year ahead. As we meet to discuss where we have been, and where we might be going, we look for signposts that will guide our strategic thinking for the year ahead. In my role as Vice President, and Minor League Baseball's presence in Washington, D.C., it is always a challenge for me to bring you some fresh insights into, and analysis of, the prevailing political, economic and social climate and how these factors will impact our business and our long term viability.

It is clear that, as a country, we stand at a critical transition point akin to those we faced in 1932, 1960 and 1980. Not only has there been a presidential election, momentous and historic, but a transition from one party to another and a Congress that approaches super-majorities for the same party. At the same time, we face a catastrophic economic landscape – the deepest decline in our markets and our economic growth since the Great Depression.

That is why the analogy to 1932 seems particularly apt. We have witnessed a daily onslaught of media attention to the parallels – and to the differences -- between 1932 and today's crisis. Media attention has also focused on the sports industry and the special challenges that it may face in a serious economic downturn – from sponsorships, to seat prices to revenue streams. Several weeks ago, no less a personage than former Federal Reserve Chairman Paul Volker addressed the Major League owners meeting to discuss the outlook for the economy and its impact on the major sports.

So how do we, in Minor League Baseball, interpret these events, prepare ourselves for the years ahead and plan for our business in light of these developments?

In thinking about how to analyze our position in the current context, I recall the old saw that those who don't read and understand history are doomed to relive it. So I returned to 1932 and the Great Depression to glean clues that might illuminate our current position.

I must say that I was surprised by what I discovered. According to Professor Neil J. Sullivan's seminal work on the Minor Leagues, in the two years following the stock market crash of 1929, nine of the 27 Minor Leagues collapsed. This precipitous one-third decline in the Minor Leagues was met with one of several reforms introduced by newly elected National Association President William Bramham.

One was the "deposit" rule requiring Minor League club owners to put up two weeks payroll to protect players in the event of bankruptcy. As modest as it seems by today's standards, the "deposit" rule actually achieved its purpose – to keep so-called "shoestring operators" from being undercapitalized and leaving leagues and cities high and dry when they failed.

Bramham also strengthened territorial rules, prohibiting clubs from locating within ten miles of each other. Despite the deepening economic Depression, by 1937, there were 37 Minor Leagues operating under the NA's authority, a significant reversal of the decline that occurred between 1929 to 1931, partially due to Bramham's sage stewardship.

It wasn't only Minor League growth that occurred during the Depression. It was innovation that sparked Minor League stability. Minor League owners began to consider new ways to attract fans to the ballpark. In 1929, at the Minor League meetings, the owner of the Des Moines club of the Western League announced a plan to install lights for the playing of night games for the 1930 season. While originally viewed with skepticism, this innovation was immediately noticed at the Major League level by the presence of Commissioner Landis at Des Moines' first night game on May 2, 1930. Five years later, Larry McPhail introduced night baseball at Crosley Field in Cincinnati and the rest, as they say, is history.

The Minor Leagues sought other innovations, introducing league playoffs. Professor Sullivan credits Frank Shaughnessy, a former player and executive in the Minors, with instituting post season play to sustain fan interest among trailing clubs, when a club ran away with a pennant.

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The deposit rule, night baseball and league playoffs were Minor League inventions, spawned by the economic necessities of the Depression and emanating from imaginative Minor League club owners who responded resourcefully to crisis.

And therein lies, I believe, the lesson for us gathering here in this year of political transition and economic upheaval. Certainly, we need to be mindful of the extreme challenges that face us, but like our brethren in the 1930s and 1940s, we need to be bold in continuing to innovate and market to our fans.

We are reminded that in looking for parallels to 1932 for the general economy, that we now have a structure for federal intervention that we did not have in 1932, including things like insured deposits provided by the FDIC and authority to liquidate and recapitalize failing banks or like the SEC, to regulate markets, structures which make it less likely that we will suffer the devastating effects of 1932.

And, we too, in the Minor Leagues have firewalls and protections more sophisticated and substantial than the old deposit rule. Major League Rule 54 now imposes standards for the financial viability for all Minor League clubs, including equity to liabilities ratios and other financial responsibility and monitoring requirements, as I don't have to tell you, go beyond anything as basic as the old "deposit" rule. And of course, we have the stability provided by the PBA and the PDC relationships with our Major League clubs. In times like these, the PDC's represent a source of support unlike anything Minor League clubs could rely on during the Depression.

Beyond these structural supports, we have something that few other businesses have on the scale that we do; deep and long standing involvement and roots in our communities that span generations. Indeed, the economic stress in which the Nation finds itself presents an opportunity for us to prove anew that we are organized baseball's grassroots and allows us to solidify, and even improve, our position in the markets we occupy.

Minor League Baseball must continue to be an economically available entertainment option for our fans, who, while confronting the realities of the current crisis, must husband precious dollars and make choices between Minor League Baseball and other forms of entertainment. By innovating as we have done in the past and marketing our strengths, reasonable cost, proximity to our customers and family and civic involvement, we can and should weather the economic storm.

Ironically, it wasn't the Depression or, in its aftermath, World War II that presented the real threat to the Minor Leagues. It was the advent of television in the late 1940s and 1950s that caused a massive contraction of Minor League clubs. So as we look ahead to what surely will be challenging times for our fans and clubs, I believe the lessons of Minor League Baseball's response to the Depression may actually provide some solace for us today.

I need also to touch briefly on the political climate that we face in Washington, which also eerily echoes the political transition that occurred in 1932. For the first time since 1976, a successful Democratic candidate obtained over 54% of the popular vote and for the first time since 1964 carried Virginia, Indiana and Colorado. In Congress, Democrats picked up 20 seats in the House and in the Senate, currently have 58 votes with one seat still to be finally decided. This signals a huge shift, at least for now, in the geopolitical alignments in Congress.

What does this mean for baseball? In my 17 years in Minor League Baseball, I have seen several equally momentous transitions from one party to another in both the Presidency and the Congress. What I have learned in that time is that partisan shifts in government don't drive policy toward baseball. For a variety of reasons that I have addressed on many previous occasions, baseball is an equal opportunity target, drawing the ire of both reigning Democratic and Republican majorities whether the issue of the moment is application of the antitrust laws to baseball steroid policy or stadium financing.

What I have concluded from my experience over two decades is that baseball is best served by insuring that our stewardship of the sport is guided by serving our fans, our communities and the values the Minor Leagues have embodied for well over 100 years, and not by trying to tack to the political winds that blow in Washington, which inevitably will change. While we always need to be prepared to wage a political battle, as we were called on to do in the 1990s on baseball's antitrust exemption, or more recently on steroid testing, for better or worse, the Minor Leagues' integral relationship to the American fabric of life allows us to take the long view.

So, my advice is what it has been for 17 years. Let's stick to our knitting, building our clubs, marketing to our fans and creatively innovating. If we do that, the politics will take care of itself.

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