

## **Comment on Hanssen and Meehan, “Who Integrated Major League Baseball Faster Winning Teams or Losing Teams?”**

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Jackie Robinson’s appearance as the first baseman of the Brooklyn Dodgers in 1947 was a hallmark moment in the history of Major League Baseball (MLB). Brooklyn’s move of breaking the color barrier in MLB opened the door for others to follow suit. After all, why would a team eschew the top talent of the Negro Leagues once Brooklyn made its move? The stigma associated with signing black players would be gone – or would it?

Over sixty years later, economists continue to investigate the pattern of racial integration in MLB. Goff *et al.* (2002) conclude that winning teams integrated fastest, while Hanssen and Meehan (2009) use the same data set, but a different specification, to conclude that winning teams did not integrate fastest. In fact, they find some evidence that losing teams integrated the fastest. Both studies cite entrepreneurship and innovation (albeit loosely defined) as unobserved and unobservable factors that contribute to the integration process. Both studies examine the coefficient on Games Back (GB) in a panel data regression as evidence pointing toward either winning or losing teams integrating first. Both also consider median family income as a predictor for number of black players employed. Finally, both papers employ an ordinary least square regression model with the number of black players as the dependent variable.

In two recent papers (Coyne *et al.* 2007 and Coyne *et al.* 2009), we also analyze the process of integration in MLB. Our analysis emphasizes the entrepreneur as the central mechanism through which consumer discrimination, as a barrier to integration, was eroded. Our deeper appreciation of the entrepreneurial process led us to incorporate attendance into our empirical model because of the fundamental tradeoff facing entrepreneurs. On the one hand,

hiring black players could very well alienate fans who had preferences for continued segregation. On the other hand, black players could also contribute to more victories which fans valued. As part of their alertness to potential profit opportunities, entrepreneurs had to weigh the relevant costs and benefits associated with this tradeoff.

Within this context of our work in this area, we believe that Goff *et al.* (2002) and Hanssen and Meehan (2009), while contributing to our understanding of integration, miss the mark in several key respects. First, the entrepreneur is critical in exploiting untapped opportunities, including opportunities not previously undertaken because of preferences for discrimination. Second, the role of GB is important only to the extent that it provides information and feedback to entrepreneurs regarding whether it would be worthwhile to make a risky decision (i.e., hire a black player). Third, neither study considers the potential effect that having a black player would have on attendance, a primary source of revenue. Finally, the dependent variable BLACK is discrete, and the movement from zero to one (most relevant here) is not captured effectively using a continuous model such as ordinary least squares (OLS).

Curiously, Hanssen and Meehan (2009) take entrepreneurship and innovation as given rather than a dynamic process. They treat current entrepreneurship as “a function only of past entrepreneurship” and “serially dependent, but subject to random shocks” (Hanssen and Meehan 2009, endnote 10, pp. 152-153). This is in stark contrast to our argument that the entrepreneurship consists of searching for potential profit opportunities, not merely having change happen (Coyne *et al.* 2007 and Coyne *et al.* 2009). Hiring Jackie Robinson was risky. Branch Rickey may have alienated his consumers had Robinson not produced on the field. Viewing entrepreneurship as tangential, or merely “learning”, (Hanssen and Meehan 2009, endnote 10, p. 153) understates the role of the individual making the decision that works against

the consumer preferences of the time. This neglects the relevant tradeoff facing entrepreneurs considering integration.

It should be noted that Hanssen and Meehan (2009: 142) are careful to indicate that the purpose of their analysis is not to focus on entrepreneurship, but instead on the empirical strategy employed by GMT. However, a deeper appreciation of entrepreneurship is critical for understanding integration, especially in understanding the importance of GB in the broader process of integration. This leads us to our second point regarding GB.

In the first decade of integration (1947-56), teams in the National League (NL) integrated earlier and in larger numbers than most American League (AL) teams. During these ten years, the NL had greater competitive balance (Coyne *et al.* 2007) with four different teams winning the pennant, while the AL New York Yankees won eight pennants and finished in second place once. What would the Yankees gain by integrating if they were already winning the pennant? Why take the chance? The losing AL teams (e.g., the Washington Senators) of the era also had little incentive to integrate. If you cannot challenge the Yankees for the pennant, then why take the chance of alienating your consumers? The primary integrator in the AL was the Cleveland Indians, the only other team to win the pennant during that era. Hiring Larry Doby and Satchell Paige helped the Indians move past the Yankees in 1948 (and Doby did it again in 1954). GB as a predictor for the number of black players hired, therefore, is deficient in that small average values (Yankees) and large average values (Senators) result in the same realization of number of black players (zero before 1955). Coyne *et al.* 2009 create a pennant contention variable that serves as a potential predictor for marginal improvement: Was the team close to (within ten games) of winning the pennant or not? This variable slices out both the pennant winners and those who were not in contention since both types would gain little from integration.

Attendance, a critical source of revenue, is an important factor missing from the model in both studies. While Hanssen (1998) notes that attendance declined by a greater amount for teams integrating in the AL than in the NL, he does not make the connection that the black players in the NL were instrumental for their team's pennant contention. The process of integration relied on an entrepreneur's recognizing the opportunity for profit by increasing the team's chances of winning the pennant, and hence attendance, by hiring a black player. However, when the entrepreneur was considering hiring a black player, he had to weigh the financial risk of fans voting with their feet by staying away from the stadium if their preferences were not met. The fans, in turn, had to weigh the costs and benefits of supporting 'their' team that now includes black players. Again, MLB integration began when the United States was 'separate, but equal.' One cannot neglect the potential risk in terms of a decline in attendance if the fans did not see the product that they wished to see. In general, attendance served as an important source of feedback for entrepreneurs considering integration.

By incorporating attendance into our empirical analysis, we are able to study the tradeoff facing entrepreneurs. We find that an important factor was the relative competitiveness of the team. Fans were not so much concerned with absolute increases in wins from integration, but instead in changes in relative competitiveness (Coyne *et al.* 2009). Our central conclusion is different from both Goff *et al.* (2002) and Hanssen and Meehan (2009). Specifically, teams that integrated first were not the best or the worst. Instead, they were the second best who were searching for a way to increase their relative competitiveness. A team that was in contention the previous season, but did not win the pennant, had a stronger incentive to incur the cost of decreased attendance associated with integration because of the benefits associated with

increasing relative competitiveness. Likewise, a team that had little chance of improving in terms of pennant contention had little incentive to incur the cost of integration.

Finally, the dependent variable BLACK is a count. Employing OLS when attempting to predict a discrete dependent variable presents specification issues, not the least of which is that predicting the move from zero to one is of primary importance. Moreover, there is a nontrivial portion of the count that has the value of zero. None of the models presented by Goff *et al.* (2002) and Hanssen and Meehan (2009) adequately adjust the empirical model to reflect that, at least during the first decade of integration, well over half of the observations of BLACK equals zero. Since most teams during this period did not hire black players, it should not be surprising that GB does not predict BLACK consistently under different OLS specifications. As noted earlier, teams at both extremes (zero GB and largest GB) were less likely to integrate, given the consumer preferences at the time. When an interior value of GB matters more in predicting the dependent variable than either extreme, then OLS will not predict very well. Hence, in our view, Goff *et al.* (2002) and Hanssen and Meehan (2009) reach conflicting results using the same data because their models do not account for this feature of the BLACK variable. Using a zero-inflated negative binomial regression model would better capture this feature of the early integration decision and the discrete nature of the data.

Simply put, the entrepreneur's decision to integrate must be viewed in the context of his overall desire to maximize profits. Integration, initially counter to consumer preferences, could come at a price of decreased attendance. The decrease in attendance could be overcome by providing the fans something they valued more: a pennant race.

While both Goff *et al.* (2002) and Hanssen and Meehan (2009) overlook critical aspects regarding the pattern of integration in MLB, we applaud the efforts to model such social change

caused by the actions of entrepreneurs. One cannot effect social change without a change agent, thus understanding the role of the entrepreneur is essential in examining how and why change such as breaking the color barrier occurs.

## References

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