



TRANSCRIPT

The Work Goes On

Guest: Andrew Zimbalist

Record Date: March 31, 2026

Posting Date: April 20, 2025

LINK to podcast: <https://on.soundcloud.com/bAndC5PbRDmhaXYxua>

Andrew Zimbalist:

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Orley Ashenfelter:

Welcome to [The Work Goes On](#), a podcast from the [Industrial Relations Section at Princeton University](#). I'm your host, [Orley Ashenfelter](#), the Joseph Douglas Green 1895 Professor of Economics, emeritus at [Princeton University](#). In this podcast series of conversations with leading thinkers and practitioners, we are creating an oral history of an entire generation of industrial relations experts and labor economists whose contributions to their fields have been absolutely extraordinary. Our guest today is [Andrew Zimbalist](#), who is the Robert A. Woods Professor of Economics, emeritus at [Smith College](#). He is renowned for his work in labor economics, and especially for his work on the economics of sports and the labor market for athletes. Andrew, welcome to [The Work Goes On](#).

Andrew Zimbalist:

Orley, it's great to be with you.

Orley Ashenfelter:

Let's begin the discussion by talking about your background. Where did you grow up?

Andrew Zimbalist:

I grew up mostly in Great Neck, New York, Nassau County, about 16 miles east of Manhattan.

Orley Ashenfelter:

Is that right? No, I know that's where you grew up. Where did you go to college?

Andrew Zimbalist:

I was an undergraduate at Wisconsin between...

Orley Ashenfelter:

How did that happen? How did you get from...

Andrew Zimbalist:

Oh, that's not a good question for me to have to ... Well, so here's what happened. I had a girlfriend in...

Orley Ashenfelter:

You're not the first time this is...

Andrew Zimbalist:

I had a girlfriend in 11th grade who had a sister who was absolutely gorgeous and she went to Wisconsin and I thought that all of the girls who went to Wisconsin were as pretty as she was. So, that together with my English teacher, Ida Passamanti, who was encouraging me to go to Wisconsin. And the fact that my parents wouldn't let me go to Berkeley. I had applied to Berkeley as well, but those were the Mario Savio days. And from Great Neck, New York to Berkeley, California is over 3,000 miles. They didn't want me going there. And I didn't want to go to Brandeis. I had gotten in there. So, Wisconsin became my choice.

Orley Ashenfelter:

Isn't that interesting? You're not the first person who was influenced by a reaction to the female sex, or the reverse actually, reaction to the male sex in some cases. Did you do economics at Wisconsin?

Andrew Zimbalist:

I was. Actually, I started in French and then I applied to go to the junior year abroad in Aix-en-Provence and I discovered that there were going to be 22 students going and 21 of them were female. And I found that intimidating. So, I decided not to go to Aix-en-Provence. This is turning into a history of my sexual past, not my economics. From there, I went to history for a semester. And from there, because I took a course by accident by Bob Lampman who had been on the Council of Economic Advisers under President Kennedy, I took his course on economics and public policy, and I loved him and I loved the course. And I switched to economics as my major.

Orley Ashenfelter:

They've always had a good department in Wisconsin. And I think when you were there, it must have had people like Guy Orcutt, many others that were...

Andrew Zimbalist:

Guy Orcutt was there, absolutely. Yes. Jeffrey Williamson was there and many, many others.

Orley Ashenfelter:

Yeah. Lots of great people. So, then you decided to go to graduate school. Did that happen all at once or did you take a break?

Andrew Zimbalist:

No, I didn't take a break. So, I graduated from Wisconsin in 1969. I was amongst a group of cohorts that almost got drafted to go to Vietnam. I wanted to understand the economics behind our involvement in Vietnam, and I wanted to stick with economics. And I knew I didn't want to go into the business world. So, I applied to graduate school, and I ended up getting into Harvard with a fellowship. And I had a very close sister, an older sister who was also studying at Harvard at the time. And so, all of those things pushed me to accept the invitation to go to Harvard.

Orley Ashenfelter:

That sounds like it worked out okay, actually.

Andrew Zimbalist:

I think it did.

Orley Ashenfelter:

Who did you work with?

Andrew Zimbalist:

So, I worked with a bunch of people. At the end of the day, I ended up doing a thesis on Latin American economic development, working primarily with Albert Hirschman. But I also worked with Sam Bowles and I worked with Lester Thurow some and worked with many other people throughout the department.

Orley Ashenfelter:

Isn't that interesting? Because I know that was your earliest work was on ... We're not going to talk about Cuba today, even though it's certainly in the news. And we could have a whole podcast on that, I guess. And then the interesting thing about you, or at least I think some people will find it interesting, is then I guess your first job was at Smith College.

Andrew Zimbalist:

Yes, it was. That's right.

Orley Ashenfelter:

And you've never left.

Andrew Zimbalist:

Well, I left for individual semesters and years where I was a visiting professor at other places, but that's right. I've stayed at Smith since 1974. And I came out here, frankly, I left. I had been living in Chile when Allende was president in the early '70s. And I was a friend of the fellow who was the Minister of Mining under Allende and he came to my apartment four days before the coup in Chile in 1973. So, it would've been September 7th, 1973. And he said, "You've got to get your body out of this country because it's going to get very messy very soon." And I said, "Well, I'm happy to stay around and fight against the coming dictatorship." And he said, "No, you're a gringo. You're just going to make things messy and difficult." And I got out of Chile on the last LAN-Chile flight that left the country before the coup.

And so, I went back to Harvard to finish writing my thesis and then I went on to the labor market. I got offers from a bunch of places, but I ended up going to Smith because I knew a bunch of people. We're

90 miles to the west of Boston, and I knew a bunch of people here. And for me, it was just an easy thing emotionally, an easy transition. So, I thought I'd come here for a year or two and then move on to another place. But I got out here in Northampton, Massachusetts and I loved it. So, I made it my home.

Orley Ashenfelter:

I've been in Northampton. And in fact, I had a ... Well, my wife had a very good friend who was a Smith College graduate. I still remember she had some weird recipe for pecan pie. Do you know how to make that?

Andrew Zimbalist:

I don't. I have some good friends who know how to make it though. That's all I need.

Orley Ashenfelter:

There's some secret Smith college recipe that she used to ... She's no longer with us, so I don't know how to make it anymore. But I always thought, very loyal to Smith College too as well.

Andrew Zimbalist:

Yeah.

Orley Ashenfelter:

I guess that characterizes it. And it's still all women, isn't it?

Andrew Zimbalist:

It's still all women. It's part of a five-college system, so it includes Amherst College, includes UMass Amherst, Hampshire College, and Mount Holyoke. And students can cross enroll in classes and professors can cross teach. And all the schools are within a 10-mile radius of each other.

Orley Ashenfelter:

Interesting. Now, I think it's fair to say that you are the sports economist. When I mentioned to my son-in-law that I was going to have you as a podcast, he said, "Well, is this a sports podcast you're doing or no, no?" I said, "no, it's about economics." But you have written 28 books I read here, a couple of them about Latin America, but many of them are very provocative titles and about sports. I'd say [*Baseball and Billions*](#), [*Sports, Jobs and Taxes*](#). I like this one best. [*Unpaid Professionals: Commercialization and Conflict in Big Time College Sports*](#). And it goes on. There are many, many of them. Now, I'm curious, how did you become so interested? Are you an athlete?

Andrew Zimbalist:

I played on my high school baseball team, but I never considered myself to be a serious athlete. What happened, why I made a transition from economic development, comparative economics, into sports economics, is it was an accident. I'm putting my 11-year-old son Jeff to bed in March of 1990, and he had spent the entire winter talking about his Little League team, who was going to play which position, and how they were going to win the local championship. And on this particular night in the middle of March of 1990, he says out of the blue to me, "Hey, dad, I don't think I'm going to play Little League this year." And I did my best not to fall out of the bed. And I said, "Oh, really? How come, Jeff?" And he said, "Well, the major leaguers aren't playing." They were being locked out of spring training by the owners.

“The major leaguers aren't playing, so I figured I won't be able to play either.” Well, I didn't know very much about the economics of baseball, but I knew that that wasn't true. So, I reassured him that Little League could still happen. And then I reached up to turn off the light above his bed and he said, “Hey, dad, you're an economist. You like baseball. You just finished your book on Panama. Why don't you write a book on the economics of baseball?” It went in one ear and out the other, but the next morning I woke up and I thought, how often does an 11-year-old tell his father what to do with his career? And I went to the bowels of Nielsen Library at Smith College to look up to see what had been written about the economics of baseball. And basically, I discovered two things.

One is that pretty much nobody had written about it or any other sports for that matter. And two, that in 1922 the Supreme Court granted baseball an antitrust exemption. And I went back to my office, and I thought about those two things, and I produced a four-page book proposal that I sent to Basic Books, which I viewed as a cross between academic and popular publishing, never expecting to hear from them again because I had no background in that area. I had no business writing such a book. But they called me back in a few weeks and they said, “We want to give you a \$30,000 advance. We want you to write the book.” The book became a business bestseller. And from there, I just started getting asked to write and consult and do media work. And so, I sort of became a sports economist.

Orley Ashenfelter:

You did. What was the book called? Which one was that?

Andrew Zimbalist:

That was [*Baseball and Billions*](#).

Orley Ashenfelter:

People do like to talk about the economics of sports. We even have a course at Princeton now that Gene Grossman teaches on the economics of sport. I think he uses it... The context is like a lot of economists who use a particular industry or example that excites people in order to explicate economics. So, you can sort of find a way to show people what economics can do and in an area where otherwise they wouldn't have any interest in it. They just think it's boring when you ask. When a cocktail party, I teach at X and they ask what you teach, you say economics and the conversation just comes to a complete halt. So, I think you win the cocktail conversation very, very easily.

Andrew Zimbalist:

One of the things that I did in [*Baseball and Billions*](#), and subsequently I turned it into some articles. And one of the reasons why it's useful to use sports to explicate economics is that things can get measured very easily in sports, particularly in an individual sport like baseball. You can measure everything about a batter's propensities and abilities. And because you can measure it, it's sort of unlike the reality in say continuous flow factories or even textile factories. We're trying to talk about the marginal revenue product theory of wages. And it's very hard to demonstrate that even though theory always sounded right when you first heard it from the professor, how can you empirically demonstrate that this is an accurate theory? And in my mind, it's very hard to do. I mean, you could develop fancy production function models and try to do it, but it's never terribly compelling.

However, with baseball, it's pretty easy to figure out how you can measure a player's offensive capabilities and measure the player's defensive capabilities. And so, you can do things like test marginal revenue product theory.

Orley Ashenfelter:

Well, baseball is an extreme example of that, as you say, an individual sport. And in fact, you even have a whole book about SABRmetrics.

Andrew Zimbalist:

Yeah.

Orley Ashenfelter:

Now, why is it called ... I know it means it's a quantitative work in ... And what's the famous guy who's ...

Andrew Zimbalist:

Bill James.

Orley Ashenfelter:

Yes. Yes.

Andrew Zimbalist:

Bill James is the most famous. And he was a very prominent individual in something called the Society for American Baseball Research, abbreviated SABR.

Orley Ashenfelter:

I always wondered why it was called that.

Andrew Zimbalist:

SABR. So, you've put on the metrics at the end of it became SABRmetrics (sabermetrics). Now mostly it's referred to as analytics and it's of course applied widely throughout sports, not just in baseball.

Orley Ashenfelter:

And there's [Moneyball](#), of course, and even a movie with Brad. Is it Brad Pitt, I think?

Andrew Zimbalist:

It sure is. Yeah, it is.

Orley Ashenfelter:

You can't go wrong. Does anybody ever ask you about the movie?

Andrew Zimbalist:

Sure. Yeah. In fact, the first chapter of our book is a critique of Michael Lewis's book and of the movie, because inevitably, in order to make something exciting to Hollywood, you have to simplify it. And in their case, they simplified it and distorted it some. But the story is correct. The basic story, which is that they were discovering in the 1990s that the statisticians were looking only at batting average and not looking at walks. And a walk means you get to go from home plate to first base, right? And a single means you go from home plate to first base. They're almost the same thing, not quite, but they're almost the same thing. So, why do we leave walks out of it? Let's put walks back into it. Instead of calling

it batting average, we'll call it on-base percentage, and we'll learn a lot more about how much a batter contributes.

So, a couple of teams did that and they discovered that it was very useful. It was very useful to have this broader perspective on performance. And then other teams tried to do it as well. The problem was that it was low hanging fruit to discover that walks were significant. The kind of stuff they discovered later on was much more nuanced and much more difficult to decipher. And so, the big boost you got from applying sabermetrics or moneyball techniques was something that happened at the very beginning. Didn't happen so much afterwards. Now teams are realizing that even though you can hire a statistician for much, much, much less than you can hire a baseball player, you can still garner some information. And because statisticians are so much cheaper, teams are continuing to do it. So, an average team in baseball now probably has an analytics department of eight to 12 people.

Orley Ashenfelter:

Which much, that's probably less than a cost for one player, right?

Andrew Zimbalist:

That's exactly right. So, if you're paying an average player in baseball these days about \$6 million, and of course you're paying your best players 30, 40, 50, 60. And if you're Ohtani, \$70 million a year. So, it's not very expensive to hire five, six, seven, eight SABR metricians, people who have gotten an MA in statistics, let's say. You hire each one of them for \$80,000 and you're still below what it would cost to hire your average player.

Orley Ashenfelter:

There are a couple of things I really want to bring up in your work because I don't want to run out of time. The first is, you have written quite extensively about, I guess you could call it the public subsidy of sports.

Andrew Zimbalist:

Yeah.

Orley Ashenfelter:

I think you were involved in the controversy about Boston and sports. Can you summarize briefly what your take is on whether ... I know FIFA is... The soccer players are a big factor in it now. Can you summarize briefly what is your take on what has happened with respect to the public subsidy of sport?

Andrew Zimbalist:

Well, in the United States, unlike in Europe and the rest of the world, we have closed sports leagues, and they're closed in the sense that you can only get into them by buying into them and getting the permission of the league. So, the league has tight control over the number of franchises or the level of output. And one of the things that happens over time, if the league doesn't expand, the population grows, incomes grow, the revenues of the Fortune 500 corporations grow. And so, the demand to host the sports team grows and the supply doesn't. That monopoly power enables the sports leagues to play cities off of each other. Two cities want the same team, or three cities want one team, and they bid against each other, and that produces these massive public subsidies. That process started to happen in the 1960s and it grew and it grew and it grew.

Until recently, instead of stadiums costing 200 million dollars these days, now they cost two billion dollars or four billion dollars, or if it's in Inglewood, California where the Rams play, it costs five billion dollars. The public coffers don't have the resources to start laying out three, four, five billion dollars. And so now they've developed new techniques to enable the owner to put up money upfront, so it doesn't look like the city is putting the money up front, but what do they do? They give the owner development rights to surrounding property. They give the owner tax subsidies. And so, what's happened over time, and I'm simplifying, of course, the story a little bit, but what's happened over time is that the public share as it's presented publicly has gone smaller and smaller, but there's still a very, very heavy subsidization process. Now you also mentioned FIFA, which of course hosts the World Cup around the world.

And of course there's the IOC and the Olympics. These are sport mega events. One of the things that's true about sport mega events where the organizing institution, whether it's FIFA or the IOC, they get cities around the world to bid for the rights. So, they create the same kind of monopoly power. One of the things that's interesting though about sport mega events is that you spend a lot of, not everybody, but most cities spend a lot of money to build the facilities that are needed to build the infrastructure to accommodate all the people who are going to show up. And then they stay for 17 days and they take off. So, at least when you build a stadium, you use public money to build a stadium for a private sports team, you've got that team in your community for 10, 15, 20, 30, 40, 50, 100 years.

It becomes part of the cultural fabric of the community and can be enjoyed on that basis. But when the Olympics comes to town for 17 days and then goes, poof, very often, in Los Angeles this won't happen because they already had all the facilities there for special reasons. But for most cities, you've spent billions of dollars building everything and then the Olympics is gone, and you didn't have those facilities before because they weren't in high enough demand. So, now you've got them and they're taking up valuable real estate and you have to spend a lot of money to keep them from going to seed. So, that's my short summary.

Orley Ashenfelter:

It does make me laugh because I'm actually sitting in L.A. and I've signed up for the lottery to buy Olympic tickets.

Andrew Zimbalist:

Oh good luck.

Orley Ashenfelter:

The one that surprised me the most was that the softball is going to be in Oklahoma. Somehow, they've got a deal. The idea of Oklahoma and California being in cahoots in the Olympics, it didn't sound natural. So, that's a wonderful brief summary. Now, the second thing I wanted to get to... I've been involved, and I know you have been involved too, in several examples of antitrust applications where the issue is not about corporations. The issue is about workers. And I think one of the ones that I admired the most that you were involved with, it was not just you, there were a couple of other economists as well, was this business with the mixed martial arts, which I think ended up in a rather large settlement.

Am I right about that?

Andrew Zimbalist:

Yes. But the settlement pertained to damages that were created in the seven years prior to when the suit was filed. Right now, there are no damages going forward. There's no injunctive relief. They're working on that. That case is still alive. But yes, there was a very large settlement for past damages.

Orley Ashenfelter:

So, this is suppression of wages of mixed martial arts fighters, I guess. And I've only seen pictures. I've never actually watched one. I've only seen pictures. Seem to be a lot of tattoos being shown. How did that happen? How did they suppress wages?

Andrew Zimbalist:

Okay. So, there was an outfit that's known as the UFC or the Ultimate Fighting Championship, and they started buying up their competitors over time. And then they started signing very restrictive contracts to the fighters who were coming to fight within the UFC. And it got to a point where all of the good fighters were signed up with the UFC and the contracts that the UFC forced upon these fighters required that if they ever won the championship, that they'd have to stay within the UFC to defend their championship for a certain period of time. It required a bunch of other things that made it very, very hard for them to even entertain offers from potential competitors down the road. And over time, the UFC just became the dominant force in the industry and any fighter who wanted to make it to the better fights and to get some notoriety would have to sign with the UFC and they sign these restrictive contracts.

Those contracts were paying the entirety of all of the fighters and they're stable. They were paying them something like 15 percent of revenue. In the other professional sports in the United States, in football, basketball, hockey, baseball, the players get somewhere around 50 percent of the revenue. So, the fact that they were getting 15 percent, in some years it was a little bit more, sometimes it was a little bit less, but nonetheless, a very reduced share was reflective of the monopsony power they got from their monopoly power. They were the only major sellers of the product of the mixed martial arts championship. That made them the only buyers for the best fighters, and that monopsony power forced them to sign restrictive contracts and also contracts with really very, very low wages relative to the amount of revenue they were producing.

Orley Ashenfelter:

Subsequently, have the fighters received substantial wage increases?

Andrew Zimbalist:

No. Most of the benefit from this case was pertaining to past wages. I think the share from the data that I've seen most recently Orley, the share has gone up to close to 20 percent, so there's been some incremental gains, but nowhere near what they deserve.

Orley Ashenfelter:

Well, that's wonderful. A lot of people don't understand that the antitrust laws, and in fact, you may remember, I think it was during, I forgot which administration, the Justice Department actually put out a little brief memo explaining to executives of companies and HR members that suppressing wages, including to suppress wages or refusing to accept other no poach agreements, they actually had to set out a memo explaining to executives and HR people that that was in violation of the antitrust laws. In other words, many people just assumed that it was okay to suppress or to have no poaching agreements.

We're getting close to the end, and there is one more topic I really would like to have your comments about. I know you and others have written about this, and what I'm thinking of is the National Collegiate Athletic Association, which I think you've actually even have a proposal for how best to proceed, but it's, I think, obvious to anybody who watches college sports that whatever the system is, it's dramatically changing that in some ways the early ... I would put it that in some ways the NCAA, the National Collegiate Athletic Association. So, it was sort of a cartel that wrote down their rules, which of course cartels don't usually write down their rules anymore, but it was one that did. And it's clear that there's now all different methods for people to try to figure out how collegiate sports are going to operate in the future. What can you say about that? What do you think?

Andrew Zimbalist:

Orley, I start back with the principle that college sports are supposed to be a sidelight to education, that they're supposed to be a complimentary activity. College students are usually thought of as people who spend a lot of time going to class and a lot of time studying and reading and being sedentary, and being able to engage in physical activity is a release for that. And I like to think of college sports in those terms. And so, I would like to see really a reversion to an embrace of amateurism, but an amateurism that treats the athletes right, an amateurism that gives them proper healthcare, which historically has not been the case, which gives them a robust education. And the way in which it's been commercialized over time, I think is deleterious to the educational process. And moreover, financially, with the exception of a handful of schools, schools lose tens of millions of dollars on their athletics budget every year.

So, I like the system that says if we have success in men's football and we generate some extra money, let's share it across the board, share it with the Olympic sports, share it with women's sports, develop Title IX more. That's the system that I would like to see. Now, it might be water under the bridge. Maybe it's too late, but people in Congress are talking about it. I'm involved with some congressional staffs, and involved in some negotiations and some education around this. I think there is some rethinking. If what really matters to somebody is, "Hey, look, the quarterback is being exploited. The quarterback's worth five million dollars. He's only getting paid whatever, tuition, room, and board plus a little bit more." And that's what really matters to you, that's fine. Let's pay the quarterback and let's pay the halfback and the line minutes on what they're worth, what their marginal revenue product is, but let's do it as professional sports.

Baseball has minor league baseball. They don't depend entirely on the colleges to produce their athletes. Football doesn't have minor league football. The NFL doesn't have to spend a dime developing players who are 18 and 19 and 20 years old. So, I think if what we really care about or what the society really cares about is making sure there's not any financial exploitation of some of these players, let's make them minor leaguers and let's let the NFL help pay for that because right now that financial burden is falling on colleges.

Orley Ashenfelter:

That's interesting. And I guess there are a few places that have ... I noticed, I've forgotten which college it was that spun off their athletic department as a corporation. Maybe that will be the way it works. Maybe it will be ... Because it's true, of course, it's only for a small number of sports that there's really so much money at stake. Andrew, the time has passed so fast. It's just been absolutely charming to talk to you about this, and it makes me feel like the time I spend watching basketball is okay.

Andrew Zimbalist:

Well, I didn't mean to persuade you of that, but Orley, it's been a great pleasure to be with you. Thanks so much for having me on. I appreciate it.

Orley Ashenfelter:

Our guest today has been [Andrew Zimbalist](#), the Robert A. Woods Professor of Economics, emeritus at [Smith College](#). Please join us again for the next episode of "[The Work Goes On: an Oral History of Industrial Relations and Labor Economics](#)" from the [Industrial Relations Section at Princeton University](#). I'm your host, Orley Ashenfelter. Thanks for listening.

Announcer:

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