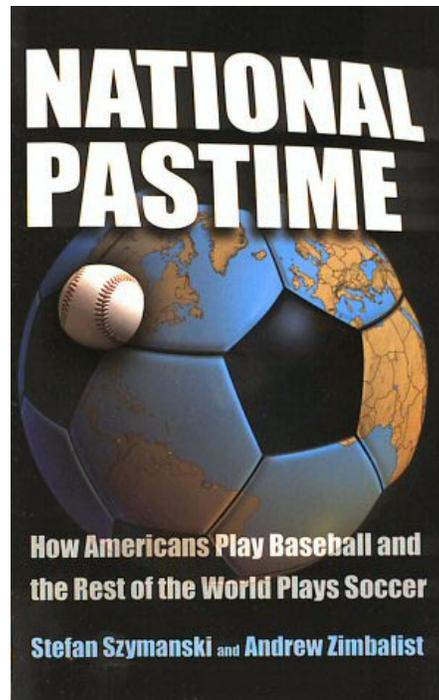


Andrew Zimbalist

Soccer's first governing body, the Football Association (FA), was formed in London in 1863. Baseball's first established professional league, the National League, was founded in New York in 1876. Since the formation of these two organizations in the late 19th century, the sport of soccer has spread globally; bolstered by the quadrennial World Cup, soccer is now acknowledged to be the world's sport. By contrast, the United States is one of the few nations that acknowledge baseball as its national pastime. Baseball's annual World Series is a misnomer, although the sport is popular in parts of Asia and Latin America.

In their book "National Pastime: How Americans Play Baseball and the Rest of the World Plays Soccer" (Brookings Institution Press), Stefan Szymanski and Andrew Zimbalist examine why soccer reigns everywhere but the U.S. and how baseball dropped the ball. The reasons behind soccer's popularity and baseball's insularity are complex, and the co-authors approach this topic from different sides of the Atlantic. Szymanski teaches economics at the Tanaka Business School, Imperial College London. He is the author of two books on soccer: "Winners and Losers: The Business Strategy of Football" and "Il Business del Calcio." Zimbalist is the Robert A. Woods professor of economics at Smith College and is considered one of this country's most authoritative sports economists. He is the author of 15 books, including "Baseball and Billions: A Probing Look Inside the Big Business of Our



National Pastime” and “May the Best Team Win: Baseball Economics and Public Policy.”

SportsLetter spoke with Professor Zimbalist by telephone from his office in Northampton, Mass.

— David Davis

SportsLetter: How did this book work out with two authors? Did you handle baseball only, and he soccer?

Andrew Zimbalist: Stefan and I have both been working in the sports economics area and had gotten to know each other at various conferences. We had engaged in some smaller writing projects over the years. Just in talking to each other at the conferences, thinking about how the structure of soccer and the structure of baseball were so entirely different, we began to ask, Why? What did that mean? And, what could the leagues learn from each other? We decided it would be fun to do a book like this.

Basically, he would draft the sections on soccer and show them to me, and the sections on baseball I would draft and show them to him. And then we would iterate them and merge them together. Then, Stefan came over [to Massachusetts] for five months last year, and we worked on it together here. We went to Cooperstown together and we went to the soccer library together, and then spent a good part of that five-month period working in our offices.

It’s a difficult thing to write with someone else. It requires an intellectual compatibility and a commensurate level of energy from the two authors. Also, it requires a respect for each other’s processes and writing ability, and so it’s often a struggle. But I would say that working with Stefan was about as rewarding and painless as any experience I’ve had.

SL: You write that no one has undertaken a cross-cultural comparison to uncover the basic dynamics of business organization and evolution of sports leagues. What did you discover in comparing and contrasting

baseball and soccer?

AZ: The basic difference is that soccer evolved in England in the second half of the 19th century, in a world where there was a very keen sense that soccer was a gentleman's game, that it should not be tainted by commercialism, that it was supposed to be played by as many teams throughout England as possible. The number of teams — and the number of local tournaments — proliferated so much that the different local and regional and national cups conflicted with each other. The teams couldn't play in all of them. So, they realized that they needed to have a more structured competition framework, and out of that came the Football League at the end of the 19th century.

In order for the Football League to be successful, they had to accommodate the membership of the Football Association. So, they structured it with many different levels, where teams could rise and fall between those levels. In other words, it was conceived as an amateur project primarily; it was conceived as an open project to be as inclusive and involving as possible. That's the launching point for the organization of soccer in England, which then becomes the basis for the organization of soccer in the rest of the world, except for the United States.

Baseball starts more or less at the same time in the middle of the 19th century. In the 1860s, baseball starts splitting off between professional players and amateur players, and then William Hulbert has the idea that this could be made into a real business. He felt that they could structure an individually team-owned professional league, where they could close off the league, decide who they wanted as partners, set up rules like the reserve clause, and make some nice money. After Hulbert starts the National League in 1876, for the next three decades most of the energy in American baseball is spent trying to close the league and to get rid of rival leagues. They finally emerged with a stable structure with the merger of the American League, which formed at the end of the 1890s. And so, in baseball you have a very inward-looking, commercially oriented, monopoly-oriented league that forms, whereas in England you have just the opposite.

Over the years, each of those systems gets buffeted by external forces

and changes slowly. But, fundamentally, what you have in the English soccer structure, and therefore throughout the world, is this hierarchy of leagues that operate with the concept of promotion-relegation, where if you want to get into the top league, you start a team on the bottom level, and you invest in it. By succeeding at the lower levels, you work your way up to the top. You don't have to pay any ransom to the existing owners at the top level.

With baseball, you have the opposite. The owners control the number of teams, they control the number of players, they have constraints on the players market. They have all of these different things, most of which exist in the name of maintaining a profitable monopoly. If you want to get into the league, you've either got to convince the league to expand, which means you have to pay an enormous ransom fee. Or, you have to buy an existing team. To buy an existing team, you need the approval of the ranks of ownership.

SL: How did baseball's closed monopoly structure — and, later, its antitrust exemption — influence its development?

AZ: Looked at over the long term, the antitrust exemption was deleterious to the industry because it insulated baseball from normal competitive pressures and created a sense of an industry that was so special, so different, so much in the national limelight, that the owners didn't have to worry about very much. All they had to do was open the gates of the stadiums an hour-and-a-half before each game and the fans would come flooding in. They didn't have to do much in terms of community relations, they didn't have to do much marketing and promotion, they didn't have to do much to make sure the teams themselves were playing on a level playing field, and they could go ahead and exploit the players in the Majors with the reserve clause and the players in the minor leagues through the various development contracts.

That worked fine for a while. In the late 1950s the NFL, which had existed for a while, bursts onto the scene in terms of popularity after the 1958 championship game between the [Baltimore] Colts and the [New York] Giants. This coincides with the maturation of the television era, with football being a great sport for television. A little while later, along comes

the NBA, and baseball, which had been very lackadaisical in terms of promoting itself and reinforcing its fan base, all of a sudden sees itself being passed by the NFL in popularity and even by the NBA. It's not really until free agency comes along after 1976 that baseball begins to feel the pressure to start changing and modernize itself.

The antitrust exemption just encourages this arrogant, inefficient behavior, and that's not positive for the sport in the long run. I think that's reinforced by the institution of the commissioner, where baseball developed this idea that one person is going to safeguard the health of the industry and its moral practices and look after the fans. And, of course, this is a fantasy.

SL: Why has baseball only broken through in parts of Asia and Latin America? Was it something that baseball did wrong?

AZ: There are lots of smaller elements, but the main part of that story is a political dimension. The British Empire had political control over dozens of countries in the 19th century. Perhaps more important is British imperialism, because Britain's commercial agents were the most significant investors in modernizing economies around the world. And, because there was also this "white man's burden" notion that Rudyard Kipling wrote about, they also felt that spreading British culture was a way to modernize and improve the world. They basically created the infrastructure to expand the sport, and that's what happened.

Part of the reason that they're able to take advantage of this is because this was a sport that did not emphasize profit and commercial value. It emphasized gentlemanly relations and the value of competition. The FA and some of the soccer clubs weren't going around the world with the notion that they were going to be profitable trips. They were thinking this was the right thing to do.

On the other hand, the United States didn't have a political or economic empire in the 19th century. There was no infrastructure to expand the sport, except in neighboring countries like Cuba. And, they had a league that tried to close itself and to create a safe monopoly within the U.S., rather than looking outward. The league was more interested in making profits. [A.G.] Spalding had tried some trips around the world, but they

weren't profitable and they weren't taking hold.

SL: Was it inevitable that soccer would spread to all corners of the world?

AZ: I don't know if it was inevitable, but I think it had the right elements to be able to spread. It's a pretty simple game. It's an active game. It's a game that doesn't cost a lot of money to be able to play. You could play it on the street with any round ball.

SL: Baseball was played at the 1904 St. Louis Olympic Games, at the 1912 Stockholm Games, and at the 1936 Berlin Olympic Games; soccer was first played at the 1908 London Games. Why is soccer still on the Olympic program and baseball (after 2008) off?

AZ: There's no question that soccer is the world's game. Baseball doesn't come close to rivaling soccer in its popularity. That said, baseball is probably more popular than every other game that's played at the Summer Olympics. I say that loosely, so there might be an exception, but I think the reason [baseball was removed from the Olympic program] is political. Who's it going to hurt? The United States isn't going to be focusing on the Olympics for baseball, and I don't think it's going to hurt baseball development in the U.S. But countries like Cuba, the Dominican Republic, Venezuela, Australia, South Korea, Japan — these are countries that get a good deal more impetus and excitement about baseball in the Olympics than the United States does. I think those countries are going to be the real losers.

They also made the argument that Olympic baseball competition doesn't get the best players [because Major Leaguers don't participate]. But that argument doesn't hold for softball.

SL: How did the development of each sport's labor market reflect the two sports' different cultures and origins?

AZ: Actually, there have been quite a few parallels between the two systems. England has the retain and transfer system, which is a variant on the reserve system that baseball introduced in 1879. Other than small variations, the systems don't really change until 1977 in the case

of baseball [with the advent of free agency], and until 1995 in the case of soccer with the Bosman decision, which opens up the leagues. It's interesting to note that freedom for the soccer players has primarily been garnered through the judicial system, whereas freedom for baseball players has primarily been garnered through the collective bargaining struggles.

What's interesting today is that there's a much more open market for soccer players, not only because it's a world labor market, as opposed to a country-specific labor market, but because players are traded all the time in contract. Contracts are shorter, and teams have an unlimited number of players that they can contract for. And, because teams are constantly moving up and down in their leagues, they're constantly buying and selling players. So, there's a lot more mobility of players. Most of the leagues do have some restrictions in terms of the number of foreigners teams can have, but those restrictions are being relaxed.

Baseball, as a product of its collective bargaining agreements, has had many more kinds of restrictions imposed on its players. Although it's certainly a much freer market than it had been, it's also more constrained than the soccer market.

SL: How much cross-fertilization is there between baseball and soccer and how much has one influenced the other?

AZ: If you go back and look at how the Football League developed around 1890, it's quite clear that [founder William] McGregor and others were cognizant of the reserve system that was used in U.S. baseball. They wanted to have a similar kind of control over the labor market. They were also quite cognizant of the fixity of a schedule and the idea of a championship, both of which were prevalent in the U.S. So, I think the Football League did borrow from baseball.

Today, I don't know if leagues are actively learning from each other, but as we say at the end of the book there are dimensions where the leagues can and should be learning from each other. One of the clear issues for soccer in Europe today is that the pan-European competitions are taking on more and more importance. The teams in the domestic leagues have one

eye towards domestic competition and one eye towards the Champions League. For the teams that make it to the Champions League, they can generate 50 to 60 percent as much revenue as they can generate in their own league.

Teams like Manchester United are making a lot of money in the Premiere League, but then they go out and make half again as much in the Champions League. The revenue advantage that they have in England becomes greatly expanded. This creates more revenue imbalance and competitive imbalance in the domestic soccer leagues, and it puts more pressure on the lesser teams to invest money to try to make it into the Champions League or avoid relegation. Hence, it creates financial instability in those leagues that didn't exist before. One of the things that we think would make sense is for there to be a restructuring between the domestic and the pan-European leagues, and we suggest some ways in the book how they could learn from U.S. sports leagues and how they're structured.

SL: Do you see a future for a so-called "Super League" made up of top club teams from throughout Europe?

AZ: That's what we're talking about. There's a lot of momentum towards a European Super League, and it makes sense. With people like [Roman] Abramovich and [Malcolm] Glazer buying up teams in England, there's more impetus in that direction.

SL: One of the similarities between the two sports is that each has encountered the dilemma of competitive imbalance. Ultimately, does competitive balance matter for soccer or baseball?

AZ: I can't give you a quantified answer, but I can give you a qualified answer. Competitive balance matters, but it matters differently depending on the culture of the sport and the culture of the fandom. And, it matters differently depending on the structure of competition. In a promotion-relegation league, like with soccer in England, the fans of a particular team want their team to win the league. But if their team can't win the league, the next thing the fans want is for their team to avoid relegation to a lower league. So, the fans are likely to be rooting for their teams and going to

the games at the end of the season, even if the team isn't competing for first place. They're still competing to avoid relegation.

In the United States, of course, if you don't win your division or the wild card, you can't get into the postseason. When that happens, owners often neglect their franchises. They don't compete harder to avoid relegation; they sometimes sell off their players midway through the season. And, if they come in last place, rather than getting relegated, they get rewarded by being given an earlier draft pick. I think that fans in that environment can become discouraged more rapidly by competitive imbalance.

SL: Why do baseball teams make money and soccer clubs don't?

AZ: That's a big question, and I don't know if I can deal with it adequately here. It's also a generalization, because it's not true that all baseball teams make money and it's not true that all soccer teams don't. That said, over the years, it is true that more baseball teams have made money than soccer teams. A large part of that has to do with the history and the tradition of the two leagues. The soccer league was not created primarily for the purpose of commercial profit, and baseball was created expressly for the purpose.

SL: What should baseball take from soccer?

AZ: One of the things that stands out is that soccer has always had an oversight body that was looking out for the health of the sport, looking out for the direction that the game was taking. In the case of England, it's the FA. Eventually, there's UEFA and FIFA. What they did was run cup competitions, retain some of that surplus revenue and reinvest the surplus into the game. Teams began to extend deep roots in their communities, because they had all these youth programs.

I think that baseball can learn a lot from soccer because baseball hasn't had enough unity amongst its ownership to have this kind of national vision in any coherent way. I think it's moving a little bit in that direction under the [Bud] Selig commissionership, but it hasn't done enough. The owners need to create some mechanism to allow for strategic long-term planning and investment in the sport instead of focusing myopically. The

way it treats televising the World Series is a good example of that. On the East Coast, kids can't stay up until midnight and 1:00 a.m. in order to watch the World Series, so they don't watch it. And if they can't watch the World Series, then why should they watch the games leading up to the World Series. They're maximizing their short-term bucks, but it's very destructive for building up youth interest in the game.

SL: Why do you think there has been so much resistance to soccer in the U.S.? Do you think that will change anytime soon?

AZ: Well, I don't think there's been resistance to soccer. It's a tremendously popular sport at the participation and youth levels. The problem has been that every time there's been an effort to have a national professional league, it's been very poorly managed. Earlier efforts were not buttressed by the popularity of the sport as a participation sport. Now that it's very popular, there's a golden opportunity to build soccer here. It's going to take some patience — you have to wait for the generations to pass. Today's kids will be tomorrow's fathers and mothers and will take their kids to the games and have the interest and ability to explain the game to the kids. I think that's developing.

In my view, part of the problem has been the poor management and organization of MLS. I think the single entity structure is a mess. They did it to save money on salaries. I think there are better ways to save money. The single entity structure completely cuts off a large chunk of what American spectator sporting culture wants: the competition amongst separately owned franchises to acquire and develop good players. Sports depends on, for their growth, the intensity of the 12-month fan who cares about the offseason, hot-stove action, where fans look at the minor leaguers and trades and free agency signings. All that stuff that fuels the year-round interest of ardent fans is not available in MLS because you've got league executives sitting in their offices in New York telling players where to report. I just think that's devastating. The WNBA tried a single-entity structure, and they're moving away from it. I think it's a restraint of trade, and I think it's unproductive. I'm hopeful that some day soon the owners in MLS will see the light.

SL: What's your next project?

AZ: I finished a book entitled “In the Best Interests of Baseball: The Revolutionary Reign of Bud Selig,” which is about the history of governance in baseball. It will be out in March.