Issues involved in the National Basketball Association lockout

Matthew Brennan
24 November 2011

The high profile labor dispute over a new collective bargaining agreement between National Basketball Association (NBA) team owners and players appears to have reached an impasse. The players have been locked out by the league since July 1, and NBA games have already been canceled through December 15.

The team owners, who have collectively adopted a harsh and vindictive line, issued a "final offer" last week, one that would reduce the players' share of Basketball Related Income (BRI), place restrictions on a number of previous salary cap agreements, and lower "mid-level" and minimum salaries in the coming years.

The previous agreement contained a 57 percent-43 percent division of the BRI revenue for the players and owners, respectively. The new agreement proposes a 50-50 split, which, according to a Foxsports.com report, would represent at least a $1.1 billion transfer of wealth from the players to the owners in the coming basketball season alone.

The players association (NBPA) rejected the offer, and dissolved their union into a "trade association" by filing a "disclaimer of interest" petition. A similar legal move was undertaken by the National Football Players Association last summer in a futile attempt to get the federal government to issue an injunction against the owners, in order to resume the season.

Several players have since filed two anti-trust lawsuits against the NBA, claiming the organization is operating as a monopoly and has illegally locked the players out. If the legal proceedings were to run their full course, they would most likely conclude several months into 2012, effectively canceling the current season. NBPA executive director Billy Hunter commented last week there was a "high probability" the season would be canceled.

The sports industry in North America produces an enormous stream of revenue. A Plunkett Research Estimate claims the industry in its entirety (including leagues, gyms, apparel, etc.) generates some $420 billion a year. The four major professional sports—football, hockey, baseball and basketball—collectively bring in over $23 billion a year. The 2011-12 NBA season was expected by several analysts to produce a BRI alone of somewhere around $3.8 billion.

On the face of it, the dispute in the NBA takes the form of a struggle between billionaires (owners) and millionaires (players). Sports media outlets such as ESPN and NBA.com, and their shallow reporters, almost universally adopt this line.

They perpetually feign outrage that the "two greedy sides" cannot come to agreement on how to split up an extravagantly large financial pie. They claim to speak on behalf of the fans and even the low-paid workers employed in related businesses—the vendors, parking lot attendants, restaurant and retail workers who will suffer if the season is cancelled.

It is a gross distortion, however, to suggest that the athletes and owners operate on the same economic plane, or that this dispute is simply the product of the greed of everyone involved. The global recession unleashed in 2008 has affected all spheres of economic life. The NBA owners, like the capitalists in every other industry, are using the crisis to reinforce their positions and further enrich themselves—and they are willing to see the cancellation of the current season toward that end.

2011 has witnessed two labor disputes in the sports industry, in the National Football League (NFL) and the NBA. In the former dispute, NFL players unsuccessfully attempted to prevent the owners from implementing cuts to health and retiree benefits and rookie salaries, and an 18 percent reduction in the players' share of revenue.

The NBA owners are largely a collection of multi-billionaires, a number of whom have made their fortunes as real estate vultures or financial speculators. The Cleveland Cavaliers' Dan Gilbert made his vast fortune by founding Quicken Loans. The Houston Rockets' Leslie Lee Alexander made $1.2 billion largely as a Wall Street trader and owner of a private student loan company. The Denver Nuggets' Stan Kroenke, currently worth $3.2 billion, married into the Walton family and has made a career of buying and selling different professional sports teams. Nearly a fifth of the league's 30 owners are found on *Fortune* magazine's 400 richest people in the world, and a third are worth more than a billion dollars each.

The claim, by the owners and its pliant mouthpiece, the NBA officialdom, that nearly two-thirds of the teams are operating at a loss, and hence need a greater share of the BRI, and new salary cap limits, should be placed in its proper context, if not treated with a large grain of salt. The New York Knicks alone are valued at $655 million according to *Forbes*, up 12 percent from the previous year, and just recently signed a $30 million sponsorship deal with JP Morgan Chase. The owners are not required, nor have they offered, to open their financial books to public scrutiny.

The owners find a variety of ingenious ways to loot the public. Many ventures related to team ownership, such as the building of stadiums and adjacent parking lots, are almost entirely funded by tax-payer money. A recent study, "The Economics of Sports Facilities and Their Communities," estimates that of the 95 sports stadiums which have been built or planned since 1990—to the tune of over $21 billion—public coffers have funded over two-thirds of the cost.

Furthermore, a social chasm exists between the owners and the vast majority of professional basketball players, and the level of exploitation of average or would-be NBA players is quite stark on closer examination. To be sure, NBA players are not workers in the traditional sense, and some of the highest-paid players are far closer in their incomes and lifestyles to Hollywood performers or popular music stars.

But a significant portion of athletes face difficult lives in the long run, with little or no skills to fall back on once their careers are over.

Many individuals who pursue sports as a profession grow up in poverty, with few serious educational opportunities. The history of sports in the United States, particularly for African-Americans (who comprise roughly 75 percent of the NBA's 500 players), is often presented as a "rags-to-riches," triumph over adversity story.

However, most athletes never reach the professional level nor do they see million-dollar contracts, often spending much of their lives with physical injuries and limited job prospects. The bleak portrait offered by documentary films such as *Hoop Dreams* (1993) is a more accurate picture of the realities of basketball in America than anything found in the triumphal biographies of superstars such as Lebron James or Derrick Rose (both of whom grew up in blighted areas of Akron and Chicago, respectively, and are now making millions of dollars in salaries and endorsement deals).

Against this backdrop one must also place the realities of a professional basketball player's career, often quite short and with virtually no social safety net. According to a 2008 *New York Times* article, the average length of an NBA career is 4.71 years. To qualify for a pension one must play for at least five full seasons in the league.

For those able to make it to the NBA, the smallest of the big four sports leagues, the yearly salaries are substantial ($2.33 million was the median salary for the 2009-10 season), but of course pale in comparison to the fortunes their billionaire bosses accumulate.

The previously mentioned 2008 *Times* article also cited a recent study that found over 60 percent of NBA players were bankrupt or under financial stress within five years of leaving the league. The primary causes for the financial problems were listed as joblessness and divorce.

It should also be noted that only 21 percent of current NBA players have college degrees. College sports earn hundreds of millions of dollars in revenue every year for individual schools and billions of dollars in television contracts for the national governing body, the NCAA. The NBA, in an informal agreement with the NCAA, currently permits amateur athletes to join the league one year after graduating high school. This rule often allows colleges to make money off these athletes while doing nothing to try and ensure they receive an education or are prepared for the difficulties of professional life.

Against these difficulties, a certain species of sports reporter (whose income is also not meager, incidentally) finds it convenient to lump the players in the same social stratum as the owners.

The comments of ESPN (and former *Washington Post*) reporter Michael Wilbon are perhaps typical. His "A pox on both the NBA's labor houses!" blames the players for not understanding "the realities of the market." Changing what has to be changed, one hears the same arguments from the mainstream media and political establishment leveled at teachers, auto workers and public employees, i.e., that what's needed in these hard economic times is "sacrifice," a sacrifice that never of course extends to the corporate aristocracy.

Wilbon's sort of self-serving demagogy should be exposed for what it is: on the one hand, a cowardly bowing to the owners and their allies, the television networks, for whom the commentator just happens to work, and, on the other, a de facto defense of the fabulously wealthy owners' plans to use the present economic crisis to grab an even larger share of the income for themselves.