



Why are the salaries of professional sports stars so high?

THE ISSUE

In the 2004–2005 basketball season, the Miami Heat’s Shaquille O’Neal brought in a salary of almost 28 million dollars. Allan Houston of the New York Knicks and Chris Webber of the Philadelphia 76ers each earned over \$17.5 million. Even on the pro basketball league with the lowest median salary, the New Jersey Nets, the players’ average earnings were close to a million dollars. These are very large salaries. Why do professional sports stars make so much money?

THE FACTS

Have you ever heard people complain about how many important, worthy professions, such as teaching and nursing, are underpaid,

while professional baseball, football, and basketball players often make huge amounts of money? Study the charts below to compare the salaries of the 10 highest-paid NBA players in 2005 with those of 10 common U.S. professions. As you can see, the difference between what a top NBA player makes and what “ordinary Americans” make is huge. Yet, some people would argue that nurses benefit society greatly by saving lives, and teachers have a tremendous impact on the nation’s young people, while basketball players merely provide entertainment. So, from an economic standpoint, how can these salary differences be justified?



The NBA’s Highest-Paid Players, 2004-2005

Player	Team	Salary
1. Shaquille O’Neal	Miami Heat	\$27,696,430
2. Allan Houston	New York Knicks	\$17,531,250
3. Chris Webber	Philadelphia 76ers	\$17,531,250
4. Kevin Garnett	Minnesota Timberwolves	\$16,000,000
5. Jason Kidd	New Jersey Nets	\$14,796,000
6. Jermaine O’Neal	Indiana Pacers	\$14,796,000
7. Shareef Abdur-Rahim	Portland Trail Blazers	\$14,625,000
8. Ray Allen	Seattle SuperSonics	\$14,625,000
9. Anfernee Hardaway	New York Knicks	\$14,625,000
10. Zydrunas Ilgauskas	Cleveland Cavaliers	\$14,625,000

Median salary of all NBA players: around \$2,500,000

Source: usatoday.com.

Median Salaries of 10 Common Professions 2005

Profession	Salary
1. Attorney	\$94,930
2. Nurse	\$52,330
3. High School Teacher	\$43,660
4. Computer Support Technician	\$40,430
5. Restaurant Manager	\$39,610
6. Real Estate Agent	\$35,670
7. Administrative Assistant	\$34,970
8. Social Worker	\$34,820
9. Machinist	\$29,720
10. Child Care Worker	\$14,669



THE ECONOMIC CONNECTION: SUPPLY AND DEMAND

To a certain extent, all salaries are determined by supply and demand. A high demand for a certain profession, combined with a low supply of people able to perform the job, will generally result in a high salary for the job, and vice versa.

In the case of professional ball players, the law of supply and demand is especially important in setting salaries. The public likes to watch professional sports, and so there is a high demand for professional sports players. However, the number of people who are able to meet the physical and mental challenges of playing professional sports—that is, the supply of players—is relatively small. In this case, the demand exceeds the supply, which drives salaries up.

Also, professional basketball players are usually allowed “free agency”—that is, they are allowed to sell their services to any team willing and able to pay them what they want. When teams really want talented and popular players to play for them, they will bid against

each other for the player, thus driving the players’ potential salaries higher and higher.

Compare that situation with the case of high-school teachers. Although teaching is a very difficult and demanding profession, many more people are able to meet the requirements to become a teacher than are able to play basketball at a professional level. Therefore, even though the nation needs many more teachers than pro ball players, the supply of certified teachers often meets or even exceeds demand—keeping teachers’ salaries relatively low and stable.

CONCLUSION

Just as the laws of supply and demand interact in the market to determine prices, they also work to determine the salaries of various professions. The first round of the 2005 NBA playoffs was viewed by over 100 million people, demonstrating a high demand for professional basketball players. However, very few people are able to play at the NBA level, so the supply of players is small. Whenever you have a very high demand combined with a very small supply, you will wind up with a very high price—or, as in this case, a Shaq-sized salary.

Analyzing the Impact

1. **Synthesizing** How do you think players’ salaries would be affected if free agency was not allowed? Why?
2. **Critical Thinking** How do you think the high salaries of ball players affect the ticket prices you pay? What might happen in the market if players’ salaries continue to rise?



◀ Shaquille O'Neal