

Fair Value

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When it comes to the business side of sports, there is absolutely one golden rule to remember: in salary negotiations when they say it's not about the money, it's about the money. The Cavs are now almost a quarter of the way into the season, and the contract holdout of young Brazilian power forward Anderson Varejao just keeps getting uglier by the day. Gary Benz hits on the impasse with Andy.



When it comes to the business side of sports, there is absolutely one golden rule to remember: in salary negotiations when they say it's not about the money, it's about the money.

Keep that in mind as you consider the fawning and sympathetic piece on Cavaliers holdout Anderson Varejao by ESPN's Chad Ford, an article that was facilitated, not surprisingly, by his getting, in Ford's words, a "rare" interview with Varejao. (See story [here](#)) Ok, technically Varejao is not a holdout since he is a free agent, albeit a restricted one. Still, as much as anything else, it's clear from Ford's story that Varejao still considers himself part of the Cavaliers at this point, not just by the rules of the collective bargaining agreement but also emotionally.

Allowing himself to be played by Varejao and his agent, Dan Fegan, Ford inserted himself into the negotiations by giving Varejao both the means and the

ammunition to make his case directly to the public on the supposed injustices being visited upon him. Varejao's version of the "it's not about the money" mantra is that he feels he's not being treated "fairly" by Cavs GM Danny Ferry. Since it's unlikely that Varejao is referring to the size of his locker in the Cavs new workout facility, it's probably safe to presume that by "fairly" he means money, boatloads of it.

Just how much? That's a bit harder to discern. According to the article, we know what is unfair, the Cavs offers. Ford indicated that the Cavs initial offer to Varejao was \$20 million over five years, which the Cavs later increased, substantially, to \$32 million over five years, or \$6.5 million a year. Clearly this just isn't fair, it's not even in the same country as fair.

On the other hand, Varejao seemed to chafe at the suggestion that he was seeking \$10-11 million a year saying that such figures "just aren't true." That sets the inner and out limits. Fairness lies somewhere between \$6.5 and 10 million a year.

This is where it helps to understand Ford's role in all of this in honing in on the exact amount. Through the magic of unnamed sources, supposedly two NBA general managers but more likely either or both Varejao and Fagan, Varejao would consider a sign and trade deal in the neighborhood of \$45 million over five years. For those as challenged mathematically as Varejao, that's \$9 million a year, which is pretty darn close to \$10 million a year he claims isn't true.

Ford then slyly beings to portray Varejao's demands as reasonable by suggesting, with a straight face, that Varejao is perhaps the 22nd best player in the league, never mind his limited offensive skills. The implication is that in reality Varejao is selling himself short, which may be true if you accept the underlying premise. Unfortunately, for Varejao and his agent, Ferry isn't that stupid. He looks at the same statistics they do, and not all of them start and end with Varejao's relatively modest contributions to the Cavs.

For example, using just the CBSSports.com power rankings, which use a variety of offensive and defensive statistics, as a reference point, the 22nd best player overall this year is Allen Iverson. That's pretty rarified air. For further comparison's sake, Iverson is making just over \$17 million a year. Thus, if Varejao and his agent really believed he was in that class, they are selling themselves short, way short. But don't forget, there's nothing that says anyone must accept the premise. Indeed, it's ridiculous. Varejao isn't even the 22nd best player in the conference.

But if you accept this rather ridiculous notion, \$9 million is pretty darn reasonable. The problem though is one of context. At \$9 million a year, that salary would put Varejao on par with Zydrunas Ilgauskus. It also would be a third more than the Cavs are paying Drew Gooden. Ask yourself this, as Varajeo and Fegan must: does that make sense? Hardly. Igauskus is an established starter. He's hardly perfect, of course, and suffers more than an occasional lapse defensively. But overall he's a far more established and productive player than Varejao probably will ever be.

Gooden is a starter as well who, too, has more than an occasional lapse defensively. And whether Gooden is the more productive and/or more valuable player than Varejao is a healthy debate and probably depends on the day. But whichever side you come out on that one, it's reasonable to conclude that it's a pretty close call, meaning that it is ridiculous to give Varejao a full \$3 million more a year than Gooden.

The guess, and it's only a guess, is that when Varejao told Ford "I don't think I'll be happy in Cleveland knowing that I was [almost] the lowest-paid player there for three years and am still paid much less than players on the team that I outperform," he was really referring to Larry Hughes and not Gooden or Ilgauskus.

Right now Hughes is making over \$13 million a year and hasn't come close to providing the Cavs that kind of value. On that point and that point alone, Varejao isn't wrong. This is really the nub of what is taking place. Varejao believes that it is only fair to make in the ballpark of what Hughes makes. Ferry believes you don't make up for one mistake by committing another.

Varejao says he's content to play in Europe if necessary and potentially forever before signing a contract that isn't fair. Of all the scenarios floating about, this is the most unlikely, although his agent's offer to send this to binding arbitration is a close second. There is no compelling reason to ever let an arbitrator determine what to pay your players, at least voluntarily, ask Mark Shapiro. Besides, what Varejao and Fegan don't seem to appreciate, at least publicly, is that the market already has spoken more loudly than any arbitrator could and it believes Varejao is wrong.

Fegan, through Ford, perpetuates the myth that teams backed off signing Varejao to a contract because Ferry threatened to match it. That's only true if it's in the range that Ferry was willing to pay Varejao in the first place. If it was for the kind of money Varejao has been seeking, then Fegan's logic falls apart. What's obviously occurred is that teams considering Varejao were thinking similar prices to what Ferry's already offering. Making that offer indeed would have been a fruitless gesture. But rest assured, for any team that wants to pay Varejao his fair price he's there for the taking without any fear that Ferry will match it. To paraphrase Randy Travis, if the phone still ain't ringing, Varajeo can assume it still isn't for him.

The other tactic that Fegan, again through Ford, has dropped into the mix is that this whole thing is supposedly making LeBron James pretty darn angry, so much so that he's likely to leave when his contract is up because the Cavs aren't willing to do what it takes to be a winner. If that's true, then James isn't nearly as smart as he otherwise seems, which is doubtful. Signing Varejao only keeps the Cavs at the status quo, a state we already know isn't good enough and isn't likely to be any time soon. Signing him to an above market contract that restricts the Cavs options in the future only makes it worse. Even James has to see that.

Moreover, if James really is upset, then he needs to understand that his goals conflicts. If he wants the Cavs to put together a

team actually capable of winning a NBA ring or two, pushing them to sign all of the same guys who aren't capable of getting him there isn't going to make that happen. Eventually James will see that as well.

There is a larger point in all of this, though. It is frustrating to see how other teams tend to figure out a way to swing deals that improve themselves dramatically while the Cavs cannot, the Boston Celtics being only the most recent example. This isn't to place blame on Ferry or anyone else, but the fact remains that in Cleveland, there is always one shortcoming after another. We get the next Michael Jordan but can't ever seem to find the next Scottie Pippen. Signing Varejao would hardly change that calculus. Actually, though it didn't start out this way, the first step in changing that may be to solve the Varajeo standoff just as he suggests: a sign and trade deal.