SPORTS

TV boxing mired in controversy

By Joe Heumann

Boxing (known to some as the Sweet Science of Bruising) is returning to television in a very big way this year. Such a cyclical turn (fights were very big on TV in the '50s and early '60s) bodes ill for the sport in America.

Around 50 fights are scheduled for network TV this hear. The majority will be yawners. A few will be interesting. Some have already been embarrassments.

I was sitting in a bar watching ABC's American Boxing Championships Feb. 13. Scott LeDoux had just finished giving a beating to highly touted Johnny Beaudrox. We sat around waiting for the inevitable decision, but when it came the wrong heavyweight was awarded the fight. LeDoux blew his cork and attempted to kick his winning opponent in the teeth, screaming fix all the while. George Foreman, who was sitting at ringside with Howard Cosell, broke the two fighters apart, while Howard groped for his displaced toupee.

The bartender immediately changed channels, saying "Not only do most of those fights stink, they're rigged." No one watching the bouts complained.

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The immediate problem with TV boxing coverage is its need to create a spectacle. Every fight brought to our living room screens must create enough audience interest to justify the investment by network and advertisers. Championship fights are the best, but if a champion is not produced, the audience has to be assured that the opponents are of "championship" caliber or will soon be contending for the title.

The problem is that in boxing, as in many other sports, it takes a long period of training and experience before a competitor is ready to take on the tougher opponents in his class. If a young fighter is matched against a seasoned pro too early in his career, he can suffer a terrible beating, both to his body and his psyche. A loss of confidence can be more crushing than the loss of one fight itself. It can ruin a fighter's career and more than once has ruined a man's health. This is the situation with many of the young, coming fighters now scheduled for TV fights.

CBS, recognizing the success of ABC's coverage of the American boxers at the Montreal Olympics, has already presented the TV debuts of three of the gold medalists, Sugar Ray Leonard, Howard David and Leon Spinks.

Leonard was paid $40,000 to appear in his first pro fight on CBS. That was so popular that ABC stepped back in and signed him to an exclusive TV contract. CBS responded by signing Davis and scheduling more fights by Spinks. The networks are now responsible for the development of these men as fighters; for the slow maturation of still-budding talents.

Other priorities?

It may be, however, that the networks have other priorities. Fighters are capital investments and such investments require payoffs. At the same time TV audiences may tire fast of watching young fighters wading through inferior opponents as they refine the tools of their trade. They may not understand that a green challenger has to be taken along slowly.

In the case of Howard Davis, for instance, it would be fair to say that he has another two years of education before he should take on a man of greater experience and learning—like lightweight champion Roberto (Stonehands) Duran.

A couple of months ago CBS Sports presented second fights by Spinks and Davis. Both men faced rank amateurs who were easily dispatched. Spinks put his man to sleep in less than two minutes of the first round, while Davis played cat to some poor mouse before the fight ended in the fourth. As Davis was interviewed by a CBS reporter he raised a gloved hand and repeatedly asked for a match with Duran, making the rash Ali-like claim that he'd lay the champ low if ever given the opportunity.

The temerity of this youth might be sluffed off to confidence, bravado or keen showmanship, but the fact that Duran also has an exclusive TV contract with CBS brought on other thoughts. Was CBS planning for an early return on their dollar outlay by pitting Davis against Duran in the next year? Was Davis being coached to make such statements in the interest of building up such a match? If this happened Davis would be in for a bad time and an early education.

It is conceivable that ABC, CBS, or NBC will never threaten their investment by early mismatches. If, however, you read or see that Spinks, Davis or Leonard will be fighting for a championship in the next 12 months, chalk it off to impatience on the part of the networks.

Postscript.

CBS' *60 Minutes* had a camera crew at the LeDoux fight. They were doing a story on fight promoter Don King, so the histrionics gave them a good opportunity to blast the promoter while also sticking the knife into a rival network. The state of Maryland caught wind of LeDoux's charges, took them seriously and convened a grand jury to look into the mess. As a result, ABC cancelled the remainder of their championship series in mid-April.

LeDoux's charges started to stick when two other fighters testified that they had paid kickbacks to *Ring* magazine and to promoters of the matches in order to be included. *Ring*, in turn, allegedly falsified division rankings, turning unranked fighters into title contenders. Some of these fighters, like LeDoux, now claim that they had been told that the final judgment of their fight had also been predetermined, a felony offense.

After ABC dropped the series Don King, the brain behind the scheme, fired his two closest aides. He claimed no knowledge of any wrongdoing. ABC, in the great tradition of the '50s game scandals, also claimed innocence. Roone Arledge, president of ABC sports, played dumb under withering fire, but looked very embarrassed doing so.

This does not end the story. The grand jury is still working. James Farley, the New York Boxing Commissioner, is in trouble for his connection with legitimizing the event for ABC. Allegations are still flying in the air, like birds returning for spring. Don King has rehired his two aides. ABC has promoted Roone Arledge to President of News *and* Sports. CBS, who looked good for using *60 Minutes* to make fools of ABC and Don King, quietly dropped a portion of their Saturday afternoon boxing slate. It seems that the Maryland grand jury reacquainted the CBS brass to the fact that someone can't own two fighters in the ring at the same time without creating the suspicion of a fix. So we won't be seeing Howard Davis against Duran until one or the other is out of the hands of the network.

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What *is* the business of baseball?

By Julie Schor

Far from a losing proposition, big profits lie behind the baseball myth.

Late in April I watched CBS's *The Baseball Business*, in expectation of a muckraking classic in the tradition of *The Selling of the Pentagon*. After all, CBS used to own the Yankees. But none of this history, nor the inside financial information on the industry, which CBS presumably could provide, was permitted to surface. Instead, *The Baseball Business* was 60 minutes of free advertising for the New York Yankees and major league baseball, with a heavy side dose of the baseball myth.

And it's a shame. Because behind that myth lies a fascinating financial world. What is the real business of baseball? Is it to be found in the sensationalism over high player salaries of which the CBS show was a classic example? Or does it lie on the other side of the capitalist coin—in the land of owners and profits?

Baseball has always been a "closed book" industry. Marvin Miller, executive director of the Major League Players' Association calls it the most secretive industry in the country. Baseball teams are not required to make public their financial records; few do. Or, when they do, it's difficult to take the information too seriously. One year the Boston Red Sox simultaneously reported a $122,032 profit in congressional hearings and a $616,640 loss to the *Sporting News*.

The word is that baseball is a losing proposition. CBS says that last year only nine major league clubs reported making profits. the owners too plead poverty. But the figures tell a different story.

The 1975 estimates from the Baseball Commissioner's office record $150 to $175 million in profits, or an average of $6 to $7 million per club. For a club worth $15 million this translates into a profit rate of 44 percent. For a $10 million club, the rate is 65 percent. These numbers begin to suggest why the price of teams has skyrocketed despite the claims that high salaries and declining interest are ruining the industry.

Team values, which some economists regard as the legitimate measure of profits, have increased on average $6-10 million per club in the National League and $4-13 million per club in the American League, measured since team acquisition. Examples of profit-per-year rates by this measure range from 25 to 100 percent, depending on the club. Compare this with the five percent the average person can earn in a savings bank.

But this is only half the story. The final piece in the profit puzzle can be found in the IRS tax code. It's a big, fat loophole called depreciation. Its effect is to render profitable even those teams that look like they run "in the red."

Under existing laws when a baseball team (or an individual player) is purchased, the buyer can depreciate the value of the players' contracts. Depreciation means they can be treated as a cost, rather than an asset. These depreciation costs can be subtracted from taxable income thereby turning profits into losses. the Brookings Institution estimates that the amount of depreciation expenses claimed exceeds the profits that even the best managed teams can earn.

In past years owners could claim depreciation far in excess of the actual monetary cost of the contract. The most famous example is the case of the Atlanta Braves, who allocated 99 percent of their $6.1 million price tag to players' contracts. This left only $50,000 to which they had to allocate all the other assets of the club—franchise value, radio and TV rights, etc. The impact of the write-off is that the Braves would have to pay no taxes on their first $4.2 million in profits.

Beginning in January 1977, however, contracts cannot be depreciated in excess of their monetary value. It would seem that this change is a key factor in the tremendous salary increases this season. If depreciation is limited to the value of the contract, inflate the value of the contract.

The effects of depreciation reach far beyond the profit and loss statement of the club itself. Corporately owned teams can apply the paper losses from the team to their other subsidiaries and avoid paying taxes on profit made there. And for clubs owned as partnerships, each partner can apply the loss to her/his personal income and escape income taxes.

CBS, the New York Yankees, and major league baseball have no interest in exposing the profitability of their industry. They do have an interest in maintaining the baseball myth, though. ■

CORPORATIONS

A blueprint for trust busting

TAMING THE GIANT CORPORATION
By Ralph Nader, Mark Green and Joel Seligman
W.W. Norton, New York, 1977

Public concern for corporate abuse is nothing new. Back at the turn of the century, when J.P. Morgan and his robber baron associates were creating billion-dollar corporations like U.S. Steel through the merger and consolidation of smaller companies—watering stock and taking rather generous fees in the process—politicians postured about the evils of monopoly and the malefactors of great wealth.

The reality, of course, was expressed more clearly by one candid senator before a gathering of businessmen: "You send us to Congress; we pass laws under which you make money;...and out of your profits you further contribute to our campaign funds to send us back again to pass more laws to enable you to make more money." And so corporate abuse has continued to this day.

Now as then, most discussions of how to stop the abuses of giant corporations revolve around three broad approaches: vigorous anti-trust enforcement, regulation, and socialism. Each, of course, has its variants.

Ralph Nader, Mark Green and Joel Seligman, in *Taming the giant Corporation,* mix approaches one and two—the advocate control through regulation and legislative deconcentration so that no less than four firms control 50 percent or more of a relevant market.

"You have your integrity, son—I have mine!"

New structural rules needed.

If it is possible to design a set of regulations and legal enforcement procedures that would make American capitalism work, the authors have done it. This is no small achievement. They have creative, plausible remedies for all manner of abuses. They make a strong case that these corporate practices are built in to the structure of the economic system. They are not abuses of operating norms; they *are* the norms. Thus, new structural and behavioral rules are needed.

Nader, Green and Seligman trace the growing power of corporations to escape social control in an excellent historical review of the legal changes in the rights and obligations of publicly chartered corporations. They describe how corporations, which at first were narrowly circumscribed and viewed as creatures of the state set up for public purposes and for fixed terms, grew to dominate the state.

They offer a carefully worked out and surprisingly uncomplicated procedure for federal corporate chartering and enforcement. Only giant corporations would be covered under the proposed legislation—those with sales of over a quarter billion dollars or employing more than 10,000 persons, including U.S. divisions of foreign corporations. Penalties for corporate violation would be raised from their current laughable levels. Corporate officials convicted of willful violations would be barred from serving as officers or directors for five years after a conviction. (As they write, "One does not re-employ an embezzler as a bank teller"). Penalties would be increased still further for recidivists so that punishment would deter.

Need to know more.

There are a number of practical aspects to their proposal. They would route SEC Budget requests, for instance, directly to Congress rather than to "the White House's politically sensitive Office of Management and Budget."

It may be questioned, of course, whether the backrooms of powerful Congressional leaders are very different from the White House. They also would bar SEC Commissioners and senior staff assistants from joining a law firm with an SEC clientele or to work for a corporation for two years after leaving office.

And they would increase citizen right to initiate action and for reimbursement of costs. This should help fund Nader-type activities.

As the authors point out, there's a lot that we don't know about today's corporations. Among Chrysler's top 30 shareholders, for instance, are listed: Kane and Co., Cudd and Co., and Egger and Co., all "street name" fronts for the Chase Manhattan Bank. The law now allows concealing of real owners.

Similarly subsidiaries can now be owned and controlled in complex involutions to allow profits to be moved back and forth to minimize taxes paid at the local, state and national levels, and of course to conceal bribe payments and kickbacks. Financial statements, annual reports, accountant reviews are all worthless, misleading and often fraudulent.

Nader, Green and Seligman call for federal chartering under which all investments of a corporation would be revealed along with significant long term contracts, debt, changes in ownership, subsidies received from government(s) and contractions. They would also guarantee employees' rights to blow the whistle on illegal actions, protecting them from reprisals.

Past piecemeal attempts at legislative and executive oversight, in turn, have created a nightmare of confusion. Businesses must fill out thousands of federal information forms and as *Wall Street Journal* editorialists are fond of pointing out, paper records could fill 50 football stadiums.

The virtue of Nader, Green and Seligman's propsal is that it would consolidate much of this, preempting present ineffective efforts at information gathering and regulation.

That such new legislation would be an improvement, at least on paper, need hardly be debated, but they underestimate the ability of these firms to avoid compliance while appearing to follow the law. Such "reforms" would clearly be seen as a declaration of war on corporations.

Nader, Green and Seligman want it both ways. They want the dramatic changes that can only come about through public confrontation and struggle, but they do not want to declare war on the system. They believe fundamental reform can be made acceptable.

Past efforts a sham.

History in this regard does not inspire hope. Anti-trust laws and their enforcement have always been a sham in this country. Teddy Roosevelt exposed "bad" trusts. Nader knows such ceremonial rituals do little to change things. Maybe Roosevelt knew that too.

The book abounds with instance after instance of the most blatant refusal of large corporations to obey the law or even to cooperate with enforcement agencies. My favorite is the refusal by both the Pentagon and McDonnell-Douglas to disclose the number of blacks hired by McDonnell on the grounds that this was a "trade secret."

Even when the federal government has prosecuted a corporation for serious abuses little has come of their efforts. A big case can generate tens of millions of documents. A firm like IBM spends more to defend itself from a Justice department suit than the entire budget of the department's antitrust division. IBM and other corporations can stall cases for a decade or more. Few anti-trust cases are lost by large corporations, indeed few ever come to trial. Fines for illegal behavior, when awarded, are typically trivial given corporate resources.

The central orientation of Nader, Green and Seligman is that bigness is bad *per se* and that we must restore competition or effective democracy can never be realized.

Is bigness the problem?

But is bigness alone the problem? Small corporations are no bargain either. The problem is a system of production for profit. Consider occupational health and safety. The work record is worst in the small marginal firms; so is pay; so is job security. Would medium size firms advertise responsibly? Is there such a thing?

Nader and his associates do not come to grips with capitalism as a social/economic/political system that is exploitative in nature. Reform is possible, but the sort of structural change they want could only succeed if the power of capital to make the key investment and production decisions is broken.

The strength of the Nader-spawned movement is that is raises the right questions: the totalitarian powers of the global corporations, their hierarchical authoritarian structure, their denial of democratic rights to their employees, their illegal pricing policies, their disregard for the environment and for product safety and worker safety. This critique is a forceful one.

Their solution, however, is a half-way measure. It must either be extended, moving forward by building a mass movement to put the control of our productive capacities into the hands of workers and consumers, or else it will be captured by the forces it seeks to regulate.

—Bill Tabb

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