Academic Perspectives on Racing

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UNIVERSITY OF ARIZONA GLOBAL SYMPOSIUM ON RACING AND GAMING

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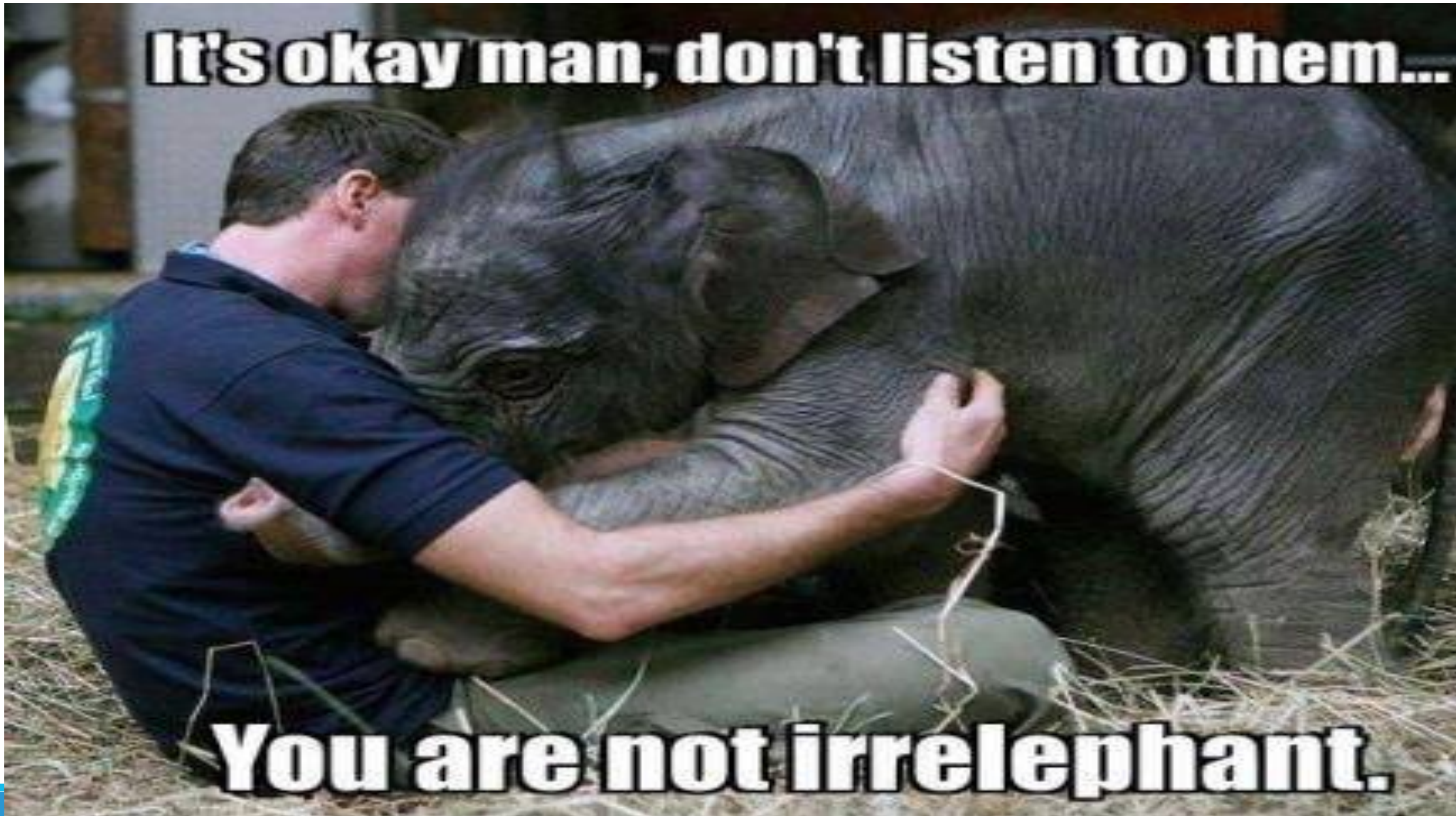
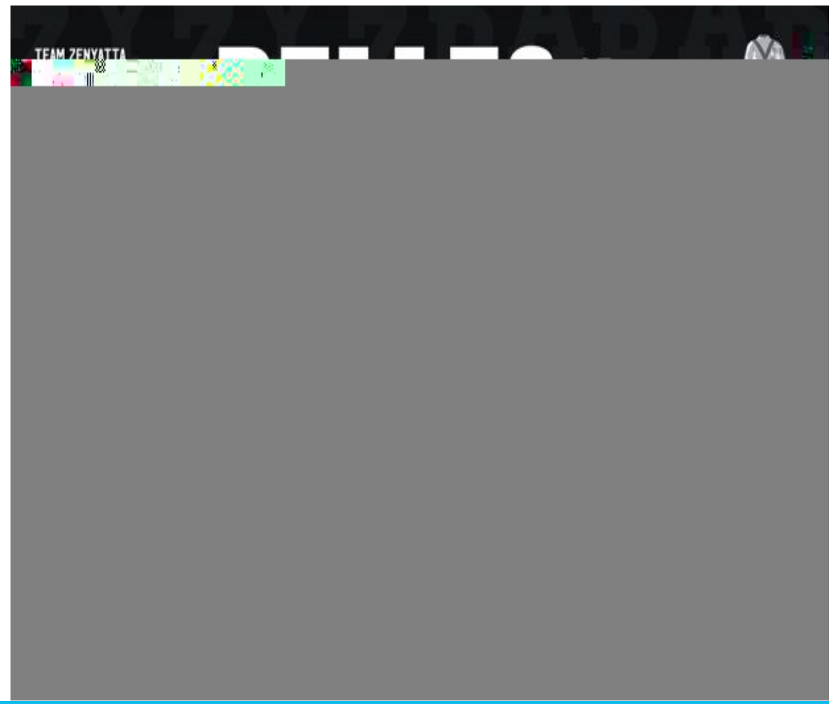

It's okay man, don't listen to them...
You are not irrelephant.

Mutually Beneficial Low Hanging Fruit

I. Economic Equine Studies
II. Available Student Resources
III. Business Academic Research



I. Some Applied Equine Studies

Information for stakeholders, regulators, and policymaker decisions

Tax Revenue

- **D. Walker and J. Jackson -** "The effect of legalized gambling on state government revenue"(2011)
- **D. Forrest, D. Gulley, and R. Simmons** - "The relationship between betting and lottery play" (2010)

Economic Impact Studies

- **R. Lawrence and R. Thalheimer** – "An Economic Analysis of the Effects of Casino Gambling On the Kentucky Race Horse Industry" (1999)
- **R. Thalheimer** - "The Impact of Intrastate Wagering, Casinos, and State Lottery on the Demand for Parimutuel Horse Racing: New Jersey, A Case Study" (1992)

Applied Equine Studies (cont.)

➢ Equine Surveys

- **J. Stowe** - “American Horse Publications Equine Industry Survey” (2015, 2012, & 2010)
- **J. Stowe -** “Kentucky Equine Survey” (2012)

Untapped Potential:

- Designing track take-out rate experiments
- Elasticity studies
- Timely impact studies

III. Academic Research

Breeder Incentive Programs

- **R. Losey –** "Explorations in Designing Breeding Incentive Programs" (2010)
- **S. Neibergs and R. Thalheimer –** "An Economic Analysis Of The Effectiveness of Thoroughbred Breeder/Owner Incentive Policies" (1999)
- **M. Smith –** "Breeding incentive programs and demand for California thoroughbred racing: is there a quality/quantity tradeoff?" (2001)
- **R. DeGennaro –** "New evidence on the link between government subsidies and wagering" (2009)

Unanswered Trade-offs
in State Breeder Incentive Programs

- Short run versus long-run
- State versus Industry
- Stakeholders

S. Koch – "Econometric Models of All Sources, HMA and Export Wagering on the Woodbine 2011 Thoroughbred Race Product"

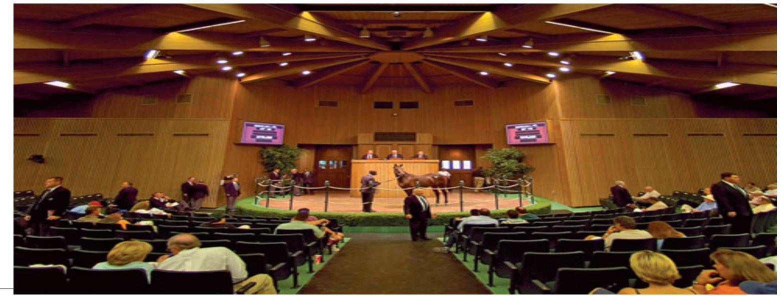
5% "return on entry" for horse in restricted race versus in open race

State programs are <u>not</u> an isolated island

Interaction effects highlight the need for comprehensive, consistently coded, and easily accessible machine readable data

Equine Auctions

One area rich in data --- lots of studies



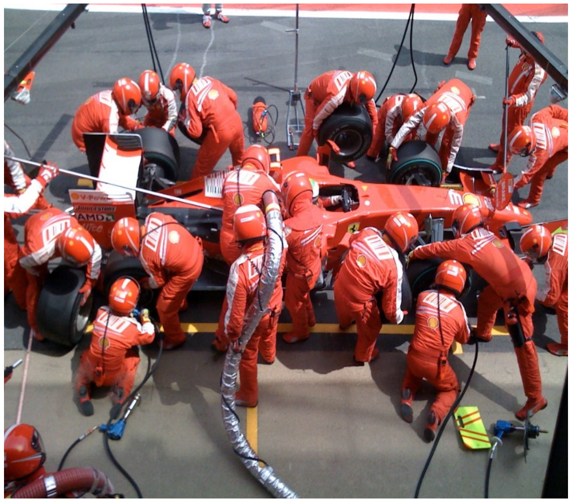
- **E. Plant and J. Stowe –** "The Price of Disclosure in the Thoroughbred Yearling Market" (2011)
- **B. Chezum and J. Stowe** – "Information Aggregation in the Thoroughbred Racing Industry" (2010)
- **C. Parsons and I. Smith** – "The Price of Thoroughbred Yearlings in Britain" (2008)
- **B. Wimmer and B. Chezum** – "An Empirical Examination of Quality Certification in a Lemon's Market" (2003)
- **S. Vickner and S. Koch** – "Hedonic pricing, information, and the market for Thoroughbred yearlings" (2001)
- **M. Robbins and P. Kennedy** – "Buyer Behavior in a Regional Thoroughbred Yearling Market" (2001)
- **B. Chezum and B. Wimmer** – "Roses or Lemons: Adverse Selection in the Market for Thoroughbred Yearlings" (1997)
- **J. Neibergs and R. Thalheimer** – "Price Expectations and Supply Response in the Thoroughbred Yearling Market" (1997)
- **J. Buzby and E. Jessup** – "The Relative Impact of Macroeconomic and Yearling-Specific Variables in Determining Thoroughbred Yearling Price" (1994)

Benchmarking

"Take the best from the best"

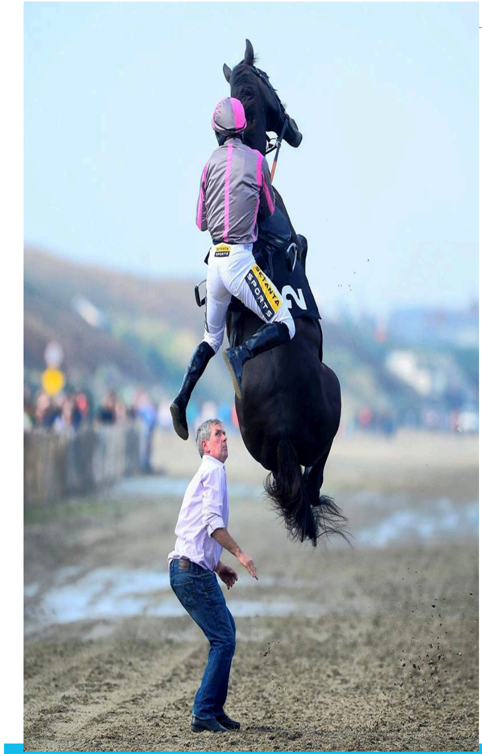
FERRARI'S PIT-STOP CREW

ORMOND STREET CHILDREN'S HOSPITAL



Implications of Betting Formats

Sport Danger Index Associated with Betting



Betting Types	Cost of Fraud	Detection Difficulty	Online Liquidity	Live Liquidity	Money-laundering difficulty	Individual fraud likelihood	Organised fraud likelihood	Severity	Sport danger index
Parimutuel	1	1	1	3	1	1	1	1	1
Ex-ante odds betting	4	4	5	5	3	5	5	4	20
Live Odds betting	5	5	5	2	4	5	5	5	25
Betting exchanges	5	3	5	1	5	5	5	3	15
Spread betting	2	2	2	1	2	2	2	2	4
Handicap Match (1-2)	4	4	5	5	3	5	5	4	20
Derivated bets (exact)	5	5	5	2	4	5	5	5	25
Derivated bets over/under	5	3	5	1	5	5	5	3	15
Proposition bets	2	2	2	1	2	2	2	2	4

Source: ICSS

Models of Deterrence

➢ Zero Tolerance

Characterized by "one size fits all" - broad range of strict relatively inflexible institutional policies.

Zero Tolerance policies remain controversial as "simplicity has hidden costs."

American Psychological Association Report (2008) concludes "Zero tolerance has not been shown to improve school climate or school safety."

➢ Progressive Discipline

Characterized by a system of escalating response to first and minor infractions to correct negative behavior rather than to punish.

The discipline depends on the severity of the infraction, previous history, and how the choice will affect others.

Examples: MLB (National League of Baseball)and USEF (United States Equestrian Federation)

Punishment for Concealment

Stanely (1995)

Society should give offenders incentives not to conceal their law-breaking activity. As concealment increases law enforcement costs, additional harm, and decreases a crime's excepted sanctions.

- Offender's cost of concealment will affect his decision making process to commit the offense. In many situations a reduction in the fine from the maximum feasible fine gives an incentive not to conceal.
- Optimal penalties should be based on the amount of concealment. Fines for those who self-report their behavior should be lower than those who do not.

“Tap Dancing to Work”

Buffett and Zenyatta style

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