Attendance at the Preakness Stakes in Baltimore fell by 30 percent last May compared to the previous year, yet total wagering on race day rose to nearly $87 million, an 18 percent jump over 2008. That was unusual. Industry watchers called it an anomaly because odds favored the winner, Rachel Alexandra, a thoroughbred filly, and it had crossed the finish line at the Pimlico Race Track. The race is usually Maryland’s biggest one-day sports event.

But Pimlico’s future is in limbo. Owner Magna Entertainment is in bankruptcy, and the state Legislature has authorized the governor to use eminent domain, if necessary, to keep it in Baltimore. The 2009 racing schedule has also been curtailed from 31 to 20 days. Pimlico’s plight illustrates an industry already dogged by sparse attendance and revenues dependent on slot machine gambling.

Since the 1970s, horse racing has competed not only with alternative entertainment but also gambling via state lotteries, and, later, casinos, and racetrack casinos. While those “racinos” recently won legislative approval in Maryland, bidding for casinos and construction there are off to a slow start. In neighboring Pennsylvania, Delaware, and West Virginia, however, the racinos are thriving, stealing business from Maryland tracks.

Patrons of the Turf

Horse racing today is thoroughly dependent on wagering. Portions of the gambling money provide funds for owners and trainers, and indirectly for breeders, since the value of a horse can be traced to expectations about its performance.

Of the many milestones in Maryland racing, perhaps the biggest was the introduction of the “French Mutuel” machine at Pimlico in 1873. The method paid in proportion to the total amount bet, and it dominates horse racing today. Maryland’s racing legacy also includes early off-track betting parlors as well as 19th century government incentives to build the historic Pimlico track.

Maryland and Virginia were the cradles of racing in the American colonies. Colonial governors, appointed by the King of England, imported the best-bred mares and stallions from the mother country. One mare competed so well she was barred from racing in Virginia in the 1700s, says Joe Kelly, a newspaper man who covered horse racing for the better part of the 20th century. Her name was Selima, and Laurel Racetrack named a race in her honor.

Overland races known as steeplechases were so named because riders raced from church steeple to steeple, and people wagered in a “my horse can beat your horse” fashion. George Washington’s diary noted wins and losses on his trips to race in Maryland, according to Joseph Challmes in The Preakness: a History.

The once-vibrant racing industry monopolized legal gambling until the 1970s, but now it faces eroding revenues because of competition from other types of wagering.
Racing of all kinds, steeplechase and flat track, can be found throughout the District today. Those include county races where people don’t bet — for example in Camden, S.C., at the Colonial and Carolina Cups, well-known and well-attended steeplechases in the fall and spring. There are also many on-track and off-track betting locations in Maryland, Virginia, and West Virginia. Colonial Downs in Virginia offers a racing summer season as well as off-track betting and simulcasts. At West Virginia’s Charles Town and Mountainaire Park tracks, there’s slot machine gambling. Portions of gambling proceeds go to fund purses, and the bigger purses bring in better horses, owners, and breeders.

The Dinner Party
Maryland Governor Oden Bowie, a horseman himself, attended a dinner party after the Saratoga races in New York in 1868. As Baltimore rebuilt from the Civil War and grew, the city was in a race of its own, vying with New York for economic supremacy on the East Coast. Challmes says, “The Baltimore & Ohio Railroad rivaled New York’s Erie Canal when the B&O became the nation’s first public commercial and transportation line.” Setting the stage for a battle of wits, says Bowie, in May of 1869, the Railroad was completed and the B&O became the nation’s first public commercial and transportation line.

Maryland Daily Racing continued its growth, racing its thoroughbred horses to the Pimlico track in Baltimore. The Maryland Jockey Club, formed in 1743 and now owned in part by Magna Entertainment, chose a 70-acre site called Pimlico. The Maryland Jockey Club, formed in 1743 and now owned in part by Magna Entertainment, chose a 70-acre site called Pimlico.

In 1870, the crowds arrived in force for a full race day at the Pimlico track. “Perhaps Pimlico’s biggest day came in 1938 when the Triple Crown went to the winner. Man o’ War was the favorite. Forty thousand people turned out on a warm day. The Pimlico Race Course was a success.” Challmes says. “In 1938, the Pimlico track opened its doors for the first time with a $10,000 purse.”

Challmes says, “The Preakness returned to Pimlico, and built its reputation through horses like Sir Barton. In 1930, he became the first to win the Preakness. The Derby, the Preakness, and the Belmont Stakes. Yet the Pimlico race track wasn’t widely known outside of Maryland. When Man o’ War was given the Triple Crown, Challmes says, “Most of the early Derby winners didn’t find their way to the Preakness.”

“Racing had known the track as the ‘firsts’ such as the Baltimore clipper ships that sped around the globe returning with exotic cargo. This competition extended to racing, already thriving in New York and Chicago.”

Racing also got hurt because it resisted television broadcasts. “Back in the Seabiscuit days, you’d have 70,000 people at a race track. It was a classic case of 19th century economic development. ‘Racing had known the track as the ‘firsts’ such as the Baltimore clipper ships that sped around the globe returning with exotic cargo. This competition extended to racing, already thriving in New York and Chicago.’”

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Maryland racing was some of the best in the country, says Doug Reed, director of the University of Arizona Racetrack Industry Program. “It was a state rich in history and horse breeding. The Preakness has been the high point of the parimutuel betting machine that paid winners in proportion to the total amount they wagered. The machines allowed small bets, and would come to dominate horse wagering. In its early days, admission, parking, food, and beverage sales. Off-track betting, however, is relatively new. New York was one of the first states to allow off-track betting starting in the 1970s, a practice since adopted by virtually all race tracks.”

“Racing’s Debt: Wagering”
While gambling sustains horse racing today, until the expansion of an audience through television, radio, and the Internet, the track also made money on admissions, parking, and food and beverage sales. Off-track betting, however, is relatively new. New York was one of the first states to allow off-track betting starting in the 1970s, a practice since adopted by virtually all race tracks. “In the ‘70s and ‘80s you were a standalone race track,” Reed says. “The revenue you can get from you at the track is different than what you would get from you far away.”

Today the gambling provides most of the revenue in racing, about 90 percent. Yet the proliferation of wagering has hurt racing. “You just can’t keep oversupplying a product,” Reed says. “Racing is starting to see that. How much racing do you need when you can bet on every track over the country at the same time?” The Maryland Jockey Club reported a 45 percent drop in wagering in 2008 over 2007 at its tracks, Pimlico and Laurel. “Total parimutuel handle (wagering) on thoroughbred racing in North America fell by 7 percent in 2008, according to the Jockey Club.”

Joe Kelly covered the 1946 Preakness. “Racing changed to the point where you can see the racing in your living room,” he says. “Technology took over and people decided it was better to go into the physical part of it by attending the race track.”

The 1974 Kentucky Derby was pirated by New York State. “In the ‘70s and ‘80s you were a standalone race track,” Reed says. “The competition caught up to us.” In particular, the expansion of racing industry and racing events in the fall and spring. “The 1974 Kentucky Derby was pirated by New York State. “In the ‘70s and ‘80s you were a standalone race track,” Reed says. “The competition caught up to us.” In particular, the expansion of racing industry and racing events in the fall and spring. “The 1974 Kentucky Derby was pirated by New York State. “In the ‘70s and ‘80s you were a standalone race track,” Reed says. “The competition caught up to us.”

Economist Richard Thalheimer heads a consulting firm in Washington, D.C. “It is a classic story in gambling law and notes, along with Sauer, that the introduction of state lotteries in the 1970s and the proliferation of casinos in the latter two decades of the 20th century have cut into horse racing revenue to greatly increase purses. So the net benefit was to the horse racing industry almost more by betting handle than by attendance.”

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Today the Preakness: A History


“Bring in wealthy people, they spend money,” Challmes says. “Most of the early Derby winners did not find their way to the Preakness.”

That was about to change. In 1920, one of the most famous race horses in history ran not in the Derby but in the Preakness, in his first start as a 3-year-old. Man o’ War was based on the Eastern Shore of Maryland. The horse was also called the “Baltimore Clipper” and the “Grand Sire of the Mid-Atlantic,” and he became a racing star during the Depression. “After that, it [the Preakness] attracted so much attention and press that it became the normal thing, where the Derby winner would [the Preakness] attract so much attention and press that it became the normal thing, where the Derby winner would...”

Economist Richard Thalheimer heads a consulting firm that advises racetracks and breeding establishments. He argues that much of the growth in parimutuel betting is driven by “the lack of regularly scheduled [television] racing and the difficulty of convening it on television hurt in a period where TV broadcasts made the landscape of modern sport.”

“Back in the Seabiscuit days, you’d have 70,000 people at a track on a Wednesday afternoon,” says Remi Bellocq, the trade’s economist at Racing Management. “Technology took over and people decided it was more convenient to bet on it,” he says. “The competition caught up to us.”

“Now of course, 80 percent of our revenue from 2007 to 2008, according to the American Racing Association. Racing also got hurt because it resisted television broadcast...”

“Racing is also harder to broadcast, given its brief spurts of action followed by the lags between races. ’I think the lack of regularly scheduled [television] racing and the difficulty of convening it on television hurt in a period where TV broadcasts made the landscape of modern sport.’”