THIRTY-THIRD ANNUAL ROUND TABLE CONFERENCE

on

MATTERS PERTAINING TO RACING

THE NATIONAL MUSEUM OF RACING

SARATOGA SPRINGS, NEW YORK

Sunday, August 11, 1985

The Jockey Club
380 Madison Avenue
New York, N.Y. 10017
IN SESSION—William S. Farish, Vice Chairman of The Jockey Club, addresses the 23rd Annual Round Table Conference on Matters Pertaining to Racing at the National Museum of Racing in Saratoga Springs, N.Y.
THIRTY-THIRD ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING

The National Museum of Racing
Saratoga Springs, New York
10:00 a.m.
August 11, 1985

Welcome to Participants and Guests
Ogden Mills Phipps
Chairman, The Jockey Club

Activities of The Jockey Club in 1985
William S. Farish
Vice Chairman, The Jockey Club

Pros and Cons of More Stringent
Moderator, Ogden Mills Phipps
Interpretation of Black-Type Races
Chairman, The Jockey Club

Norman Casse
Chairman, Ocala
Breeders' Sales Co.

Dennis W. Diaz
Owner

G. Watts Humphrey, Jr.
Member of the International
Cataloguing Standards
Committee

Update on the Breeders' Cap
C. Gibson Downing
President, Breeders' Cup Ltd.

The President's Tax Proposals
The Honorable James A. Baker III
Secretary of the Treasury

Program Chairman
John Hettinger
THE SUBJECT WAS HORSES—Mr. & Mrs. Bayard Sharp (left) chatting with Nicholas F. Brady, Member of The Jockey Club, prior to the start of the Round Table Conference.

THIRTY-THIRD ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING
HELD BY THE JOCKEY CLUB
AT
THE NATIONAL MUSEUM OF RACING
SARATOGA SPRINGS
NEW YORK
SUNDAY, AUGUST 11, 1985

IN ATTENDANCE:
Helen C. Alexander
Owner/Breeder
Morris J. Allardell
President, Longacres
Mrs. Morris J. Allardell
Owner/Breeder
Gary Arum
Chairman, Racing Industry Program, University of Kentucky
Thomas A. Aronson
Director, American Horse Council
Dr. Bille Ashby
Member, The Jockey Club; Owner/Breeder
Dr. Taylor Ashby
Owner/Breeder
Peggy Augoustas
Owner/Breeder
Hon. James A. Baker, III
Secretary of the Treasury; Guest Speaker
Mrs. James A. Baker
Thomas M. Bancroft, Jr.
Member, The Jockey Club; Chairman, New York Racing Association; Director, Thoroughbred Racing Association; Owner/Breeder
James E. Basset, III
President, Thoroughbred Racing Associations; President, Keeneland Association; Treasurer, National Museum of Racing; Member, The Jockey Club
W. B. Rogers Bradley
Director of Sales, Keeneland Association
Kenneth Bell
Director of Public Relations, New York State Racing & Wagering Board
John A. Bell, III
Steward, The Jockey Club; Owner/Breeder
Mrs. John A. Bell
Owner/Breeder
August Belmont
Member, The Jockey Club; Owner/Breeder
Mrs. August Belmont
Owner/Breeder
Robert Benoit
Public Relations

Paul Berube
Vice President, Thoroughbred Racing & Protective Bureau
James H. Binger
Member, The Jockey Club; Chairman, Calder Race Course; Director, Thoroughbred Racing Association; Owner/Breeder
Edward Bishop
Registrar, The Jockey Club
Ellen Bongard
Owner/Breeder
Edward S. Boniste
Member, The Jockey Club
James C. Brady, Jr.
Secretary-Treasurer, The Jockey Club; Owner/Breeder
Mrs. James C. Brady
Owner/Breeder
Nicholas F. Brady
Member, The Jockey Club; Owner/Breeder
Mrs. Nicholas F. Brady
Owner/Breeder; Director, Jockey Club Research Foundation
John T. Bryan, Ph. D.
Professor of Veterinary Science, University of Kentucky
Daniel J. Borhe
President, New York Thoroughbred Breeders, Inc.
Thomson T. Cappe
Editor, Thoroughbred Record
Norman Carver
President, Ohio Breeders Sales Company; Owner/Breeder, Parx
R. Anthony Chamblin
President, Finger Lakes Racing Association
Mrs. Alice H. Chandler
President, Kentucky Thoroughbred Owners & Breeders Association
Mrs. Helen B. Creneny
Member, The Jockey Club; President, Garrison Foundation; Member, Thoroughbred Owners & Breeders Association; Member, Executive Committee, American Horse Council; Owner/Breeder
George Chestnut
Member, The Jockey Club; Owner/Breeder
Mrs. George Cheston
Owner/Breeder

Melville Church, Ill
Owner/Breeder

John S. Clark
Attorney, New York Racing & Wagering Board

Albert C. Clay
Member, Executive Committee, American Horse Council

Charles Colgan
Executive Secretary, National Steeplechase & Hunt Association

Brownell Combs, II
Member, Executive Committee, American Horse Council; Vice President, Breeders’ Cup; Chairman, Kentucky State Racing Commission; Owner/Breeder

Leslie Combs, II
Member, The Jockey Club; Vice President, Thoroughbred Owners & Breeders Association

William K. Coffield
Executive Director, New York Thoroughbred Breeders, Inc.

Mark Consolo
Vice President, New York Racing Association

Linda Cowan
Director, Field Representative, Thoroughbred Owners & Breeders Association

Paul Cresci
Owner/Breeder

Thomas A. Davis
Attorney, American Horse Council

Dr. Dominick De Carlo, Jr.
Owner/Breeder

Dennis W. Diaz
Owner/Breeder; Panellist

Mrs. Dennis Diaz
Owner/Breeder

C. Gibson Downing
President, Breeders’ Cup; Speaker

Richard Duchossois
Chairman, Arlington Park; Owner/Breeder

Francis P. Durazo
President, Racing Director, New York State Racing & Wagering Board

Mrs. Richard C. Duvall
Member, The Jockey Club; Owner/Breeder

Lee Eaton
Vice President, Thoroughbred Club of America; Owner/Breeder

Lawrence Ennor, Jr.
Vice President, Fan-Tasia

Thomas Mellon Evans
Member, The Jockey Club; Treasurer, National Museum of Racing; Owner/Breeder

Bill Farish
Owner/Breeder

Laura Farish
Owner/Breeder

William S. Farish
Vice Chairman, The Jockey Club Trustee, American Horse Council; Owner/Breeder; Speaker

Mrs. William S. Farish
Owner/Breeder

J. B. Faulconer
Executive Vice President, Thoroughbred Racing Associations

Salvatore J. Ferrara
Racing Manager, New York State Racing & Wagering Board

Bertram R. Firestone
Owner/Breeder

Mrs. Bertram R. Firestone
Owner/Breeder

Thomas J. Fitzsimmons
Attorney

Dr. Edward Ford
Group Foundation

Frank H. Fukumoto
Interpreter for Japanese Officials

Edward M. Gerry
Member, The Jockey Club; Owner/Breeder

Mrs. Edward H. Gerry
Member, The Jockey Club; Owner/Breeder

Manuel A. Gilman, V.M.D.
Dentist, The Jockey Club

M. Tyson Gilpin
Member, The Jockey Club; Owner/Breeder

Joseph A. Glavina
Attorney

John Giovannini
The Jockey Guild

John K. Goodman
Member, The Jockey Club; Chairman, Artisan Racing Commission; Owner/Breeder

Gordon Grayson
Member, The Jockey Club; Owner/Breeder

Mrs. Gordon Grayson
Owner/Breeder

Mrs. Virginia Guest
Owner/Breeder

Robert S. Gunderson
President, Bay Meadows Racing Association

Thomas Gurry
Director, Data Processing, The Jockey Club

Leonard C. Hale
Senior Vice President, Racing Secretary, New York Racing Association

William Harder
Trustee, National Museum of Racing; Owner/Breeder

Mrs. J. William Harder
Owner/Breeder

Russ Harris
Writer/Columnist, New York Daily News

John H. Hartigan
President, Florida Thoroughbred Breeders Association

James P. Heffernan
President & General Manager, Artisan Systems Division, General Instrument Corporation

John Heintzinger
Steward, The Jockey Club Trustee, New York Racing Association; Owner/Breeder

Dr. James Hill
Owner/Breeder

Mrs. James Hill
Owner/Breeder

Joe Hirsch
Columnist, Daily Racing Form

Clyde Hirt
Writer/Columnist, Sports Eye

Philip Hoffman
Owner/Breeder

Kent Hollingsworth
Editor, The Blood-Horse, Trustee, National Museum of Racing, Owner/Breeder

Fred W. Hooper
Member, The Jockey Club; Trustee, National Museum of Racing; Owner/Breeder

Mrs. Fred W. Hooper
Owner/Breeder

G. Watts Humphrey, Jr.
Steward, The Jockey Club; Owner/Breeder; Panellist

Mrs. G. Watts Humphrey, Jr.
Owner/Breeder

Herbert H. Johnson
Senior Technical Advisor, Japan Racing Association

Enrique Jacobs
Trainer

John W. Jacobs
Owner/Breeder

Walter W. Jeffords, Jr.
Attorney, The Jockey Club; Vice President, National Museum of Racing; Owner/Breeder

Nick Jensen
Managing Director, Jockey’s Guild

Richard J. G. Jones
Steward, The Jockey Club; Owner/Breeder

Mrs. Richard J. G. Jones
Owner/Breeder

Russell B. Jones, Jr.
Owner/Breeder

Joseph F. Joyce, Jr.
President & Chief Executive Officer, Arlington Park

Marshall W. Jenney
Owner/Breeder

CONFERRING—James A. Baker III, the Secretary of Treasury, (right) confer with Nicholas F. Brady, a Member of The Jockey Club, prior to delivering the feature speech at the Round Table Conference.
Sam Kaucharger  
Director, News Service Bureau, The Jockey Club

John L. Keenan  
Vice President, New York Racing Association

Robert F. Kelley, Jr.  
Assistant Steward, New York Racing Association

Bess Kerman  
Owner/Breeder

Francis Kermit  
Owner/Breeder

William Kilgore  
Kilgore & Associates, Inc.

Frank K. Klube  
Member, The Jockey Club; Vice President, Santa Anita Park; Trustee, National Museum of Racing

Robert Kirkham  
Owner/Breeder

Don Knutson  
Secretary-Treasurer, Thoroughbred Racing Protective Bureau

Lawrence J. LaBelle  
Judge, Saratoga Springs

John T. Lundy  
Senior Vice President, Director of Marketing, Philip Morris, Inc.; Trustee, New York Racing Association; Owner/Breeder

Martin L. Lieberman  
Senior Vice President, New York Racing Association

Arthur W. Long  
Member, The Jockey Club; Owner/Breeder

Mrs. Jane duPont Luenser  
Owner/Breeder

Horatio Luro  
Trainer, Owner/Breeder

Patrick W. Lynch  
Witmer

Michael Lutts  
Public Relations

Earl D. Mack  
Chairman, New York State Racing Commission

William C. Mackillop, Jr.  
President, New York Turf Writers’ Association; Founder/Past President, New York Racing Association; Owner/Breeder

Greg Magee  
Northern American Manager, International Racetrack Bureau, Inc.

Robert R. McLain  
Attorney

John Mangova  
Manager, Saratoga Race Track, New York Racing Association

Hanne E. Mann  
Director, National Museum of Racing

John DeWitt Manig  
Owner/Breeder

Alan Marzelli  
Assistant Treasurer, The Jockey Club

Peter McBean  
Member, The Jockey Club; Trustee, National Museum of Racing; Owner/Breeder

Henry T. McCabe  
President, New York City Off-Track Betting Corporation

Jon J. McClosky  
Executive Director, recent Legislative Task Force on Racing

James McCulley  
Staff, New York Turf Writers Association

William McEwan  
Trainer, Owner/Breeder

Donald M. McKellar  
Member, The Jockey Club; Owner/Breeder

Gerard J. McKinnon  
President, New York Racing Association

Richard McLaughlin  
Racing Steward, The Jockey Club

Thomas M. Merkley  
President, Churchill Downs

Paul Menkin  
Member, The Jockey Club; Trustee, National Museum of Racing; Owner/Breeder

MacKenzie T. Miller  
Trainer

James P. Mills  
Owner, The Jockey Club; Owner/Breeder

Mrs. James P. Mills  
Owner/Breeder

Paul Moran  
Columnist, Newsday

James B. Moseley  
Member, The Jockey Club; Trustee, National Museum of Racing; Member, Massachusetts State Racing Commission; Owner/Breeder

Barney Nagler  
Columnist, Daily Racing Form

Joseph P. Neglia  
Board Member, New York State Racing & Wagering Board

John A. Nettos  
President, Turf Farming Marketing Chairman, Breeders’ Cup Trainers; Owner/Breeder

Corwin Nice  
Trainer, American Horse Council

Rick Norton  
Director, Kentucky State Racing Commission

Patrick W. O’Brien  
Owner/Breeder

Walter F. O’Connell  
Member, The Jockey Club; Owner/Breeder

Joseph C. O’Shea, D.V.M.  
Owner/Breeder

Dr. Francis A. O’Shea  
Owner/Breeder

Dr. Dewitt Owen, Jr.  
Representative for American Association of Equine Practitioners

Dr. Joseph Palamart  
President, Nikwade College

Stanley Parson  
Executive Director, Thoroughbred Breeders of New Jersey

W. Haggum Perry  
Member, The Jockey Club; Owner/Breeder

Stanley D. Petten, Jr.  
Owner/Breeder

Mrs. Joan Pew  
President, National Association of State Racing Commissions

Ogdan Phillips  
Member, The Jockey Club; Trustee, New York Racing Association; Trustee, National Museum of Racing; Owner/Breeder

Ogdan Mills Phillips  
Chairman, The Jockey Club; Trustee, New York Racing Association; Trustee, American Horse Council; Owner/Breeder

Mrs. Ogdan Mills Phillips  
Owner/Breeder

James Ricci  
Trainer

Joseph P. Pote, Jr.  
Owner/Breeder

Mitchell C. Proctor  
Trainer

John C. Price  
Columnist, Newsday

William A. Purdy  
Member, The Jockey Club; Owner/Breeder

Mrs. William A. Purdy  
Owner/Breeder

Robert A. Quirk  
Security Manager, Mountbells

Virkal R. Rains  
Trainer

Galvin S. Rainey  
Retired Executive Director, The Jockey Club

Mrs. Galvin S. Rainey  
Chief of Investigation, New York Racing Association

William O. Reed, D.V.M.  
Owner/Breeder

Redfern F. Richards  
Member, The Jockey Club; Owner/Breeder

Mrs. Redfern F. Richards  
Owner/Breeder

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PANEL MEMBERS—Ogdan Mills Phillips, Chairman of The Jockey Club, (right), meets with G. Watts Humphrey, Jr., Stewart of The Jockey Club, prior to the panel discussion on the “Pros and Cons of More Stringent Interpretation of Black-Type Races.”
Robert F. Stroh  
Member, The Jockey Club; Director, Thoroughbred Racing Association; Chairman, Santa Anita Park

Charles P. B. Taylor  
Member, The Jockey Club; Secretary, Breeders Cup; Owner/Breeder

Shirley Taylor  
Patriot, Thoroughbred Owners & Breeders Association

Charles H. Thiroux  
Member, The Jockey Club; Trustee, New York Racing Association; Director, Jockey Club Research Foundation; Owner/Breeder

Mary Thomas  
General Manager, Maryland Horse Breeders

Judith Thompson  
Chairman, Birmingham Turf Club, Birmingham, Alabama

Whitney Tower  
President, National Museum of Racing

Thomas E. Trotter  
Director of Racing, Arlington Park; Racing Secretary, Gulfstream Park

Charles D. Vail  
President, American Association of Equine Practitioners

Daniel G. Van Clef  
Member, The Jockey Club; Owner/Breeder

Mrs. Daniel G. Van Clef  
Owner/Breeder

Daniel G. Van Clef, Jr.  
Executive Director, Breeders Cup

John Van Lint  
Chairman, New York State Racing & Wagering Board

Michael Vetch  
Columnist, The Struggler

S. E. Vetch  
Owner/Breeder

Margaret Vesper  
Director of Registration, The Jockey Club

Milton Bittenberg  
Owner/Breeder

George Robb  
Owner/Breeder

Donald P. Ross, Jr.  
Member, The Jockey Club; Owner/Breeder

William H. Rudy  
Writer

James Reatherford  
Attorney, The Jockey Club

James P. Ryan  
Member, The Jockey Club; Owner/Breeder

Mrs. James P. Ryan  
Owner/Breeder

Takahiro Sato  
Director, Japan Racing Association

Chris Scheid  
Director, Service Bureau, Thoroughbred Racing Association

Kenneth Schiffer  
Member, The Jockey Club; Owner/Breeder

Mrs. Kenneth Schiffer  
Owner/Breeder

Charles E. Schleth, Jr.  
Owner/Breeder

Helmut Schmidt  
Owner/Breeder

Paul Schoenberg  
Director, New York Thoroughbred Breeders

Edward Seigfeld  
Vice President, New York Racing Association

John Schapiro  
Board Member, Laurel Race Course

Bayard Sharp  
President, The Jockey Club; Owner/Breeder

Mrs. Bayard Sharp  
Owner/Breeder

Harold E. Snowden  
Manager, The Stallion Station

Harry D. Seryl  
Commissioner, New York State Racing Commission

Mrs. Violta Simon  
Owner/Breeder

Hans J. Stahl  
Executive Director, The Jockey Club

James D. Stewart  
President, National Museum of Racing

George Studnicky, Jr.  
Member, The Jockey Club; Owner/Breeder

Thomas M. Waller  
Owner/Breeder, Trainer

Mrs. Thomas M. Waller  
Owner/Breeder

Michael Wachsmuth  
Turf Writer, Daily Racing Form

William H. Welch  
Executive Administrator, New York Thoroughbred Breeding & Development Fund

David A. Werfel  
Owner/Breeder

Henry D. White  
Owner/Breeder

C. V. Whitney  
Member, The Jockey Club; Trustee, National Museum of Racing; Owner/Breeder

Thomas F. Whitney  
Owner/Breeder

Wholesale Whitney  
Member, The Jockey Club; Owner/Breeder

Mrs. Wholesale Whitney  
Owner/Breeder

William H. Williams  
General Manager, Triangle Publications

Jacques P. Wimpfheimer  
Member, The Jockey Club; Secretary, Thoroughbred Owners & Breeders Association; Owner/Breeder

Gary Wolfson  
Owner/Breeder

Louise E. Wolfson  
Owner/Breeder

Mrs. Lewis E. Wolfson  
Owner/Breeder

Frank Wright  
Trainer

Barbara Youkaf  
Owner/Breeder

David Yurich  
Trainer, New York Racing Association

Kent Hollingsworth, the publisher of "The Blood-Horse," prior to the opening of the Round Table Conferences.
Welcome To Participants And Guests

MR. PIPPS: On behalf of the Members of The Jockey Club, I welcome you to this 33rd Round Table Conference on Matters Pertaining to Racing.

On a personal note, I appreciate very much the representatives from Japan being here today. Mr. San, Mr. Kikumoto and Mr. To have made this trip to be here and I think it's the first occasion that representatives of the Japan Racing Association have been at our conference.

(Applause)

As you can see from the program, we will be covering four topics this morning. The first report is by Will Farish. He will give us an update on the activities of The Jockey Club over the past 12 months.

Activities of The Jockey Club in 1985

MR. FARISH: Good morning. Last year we gave you a synopsis of what had transpired the year before and some of the projects that we were currently working on. Today I would like to update you on those projects and give you a further or continuing idea of what The Jockey Club is looking forward to in 1986.

We mentioned last year we were rewriting the Principal Rules and Requirements of The American Stud Book. You will find a copy of a new rule book with the material in front of you. We hope you will find the new format much easier to work with. The three most significant rule changes deal with a lifetime racing permit for horses whose sires cannot be confirmed, an absolute registration deadline of August 31st of a horse's three-year-old year, and the expansion of the blood-typing program for all stallions, broodmares, and all horses being exported.

Continued improvement in blood-typing is a fundamental objective of our registration program. To this end, we are setting up a new blood-typing laboratory at the University of Kentucky, which will be ready to receive samples in the summer of 1986.

One of its primary goals is extensive blood research along with its normal blood-typing function. Further, we are working with our South American counterparts to establish laboratories in their countries. This was one of the major achievements to come from the recently concluded Pan American Conference hosted by The Jockey Club in New York.

We continue to fine tune the comprehensive "passport" Certificate that we provided to you at last year's Round Table Conference. If you recall we proposed to produce a passport that includes parentage verification and a fingerprint identification system for every horse during his yearling year.

To best accomplish this we will require of each newborn foal, a one page live foal report, to be completed and forwarded to The Jockey Club within 15 days of foaling. The initial report will contain simply basic information about the foal. The Jockey Club will subsequently send out an Application For Foal Registration and blood kit to each breeder approximately three months later. This, along with pictures, will be returned no later than six months after the foal is born. Within a few weeks, the blood will be typed and the foal's parentage qualified. The Jockey Club will issue a Certificate of Foal Registration and forward it to the breeder before the foal becomes a yearling.

This system is very similar to one used in Europe, most particularly in France, and they had great success with it. We feel it will be a major help.

Two obvious advantages to this are that all horses will have their Certificates before they are yearlings, and The Jockey Club will be able to publish for the first time a live foal record that shows the number of foals born and mares bred to each stallion. It is anticipated that this identification document will be necessary for breeding stock, horses that race and horses that are traveling abroad.

The Jockey Club has done a great deal of groundwork during the past year with lawyers, banking institutions and various
on the foreign trade side we experienced a dramatic increase in activity over the past 5 years. Imports in 1979 totaled $272 billion, 1,200 in 1984. And we exported 705 horses in 1979, 1,727 in 1984.

In conclusion I would like to take this opportunity to mention our new Jockey Club Research Foundation. We have already given the first grant to an equine research project to a team at Ohio State University, School of Veterinary Medicine. The project is headed by Dr. Lawrence Bramlage and it is designed to develop methods of healing damaged cartilage.

Our fund raising activities are off to an excellent start. We would like to give special thanks to Jimmy Mills whose significant donation on behalf of Devil's Bag launched the fund. Our goal is to raise a total of $5 million by the end of 1986. Thank you very much.

Mr. Pippins. Thank you, Will. Our second topic is one that has created nationwide controversy. Should we be more or less stringent with our criteria for black-type races? This has been debated in meetings with racing secretaries, track management, sales companies, and in the press. At the end of our panel's presentation period there will be a period for questions.

Our first speaker is Norman Case, Chairman of the Board of the Ocala Breeders' Sales Company.

Pros and Cons of More Stringent Interpretation of Black-Type Races

Mr. Case: Thank you, Mr. Pippins and Mr. Park and the Members of The Jockey Club, and ladies and gentlemen. I would first like to thank the opportunity to have been offered to me today to express my feelings and the feelings of the sales company that I represent in regard to the Q race, the N race and the other things that have been adopted by the International Cataloguing Standards Committee on January 1st.

Each of you has a manila folder, which contains quite a bit of statistics. One of my lawyer friends here today knows I'm kind of heavy on statistics, now and then. If you would like to take them out, it would be much easier to follow me during the speech. I did have some cards here that I wanted to try to show. There isn't enough light and the fact that they are small. I'm going to have them available for anyone who wishes to see them afterwards. They are summed up on the statistic sheet that I am going to discuss with you. First off I would like to define black-type. Black-type is the bold price we use in naming the opportunity to have access to the market. And these black-type horses are those that have won or placed in stakes. And naturally the stakes races are the better races presented on the racing programs, and they vary in quality from track to track. For example, the stakes in New York versus the stakes at River Downs in Ohio.

When I first heard this plan that was submitted by the International Cataloguing Standards Committee, I, too, was in favor of it. And then I attended a meeting at Keeneland in Lexington, Kentucky, at the end of the spring or the beginning of the summer and at that time I had the opportunity to hear other people's opinions about it other than my own. And I first thought people would own these horses, race managers, sales companies.

It opened my ears to the fact that I didn't really do enough research before I concluded that was a good thing.

The reason for it being adopted, as I understood it, was that we have far less stakes races than the United States or foreign countries. For example, 3.5 per cent of the races ran in the United States are stakes races versus 6 per cent in England, 5.5 per cent in France and 11 per cent in Ireland.

My question is are we going to sacrifice quality for quantity? What is most important to us in this business? As you know we already produce four times as many foals as they do in England in Ireland and France combined. We run ten times as many races. Two-thirds of our races run in the United States for a purse of $6,500 or less. This figure of $6,500 will drop if a $15,000 stakes race is the minimal figure for black-type. Many of these small track races are stakes races of $10,000 and $12,000, and in order to raise the money necessary to make the stakes $15,000 or more, they will have to take away from the other purses.

As we all know, mutual handle determines what the purse can be. There are laws written by the state as to how much can be taken out of every betting dollar. How much is given to the racetrack. How much to the horsemen. So that is something that most racetrack have very little control over, and the only hope they have to increase purses is to increase mutual handle.

And another thing that everyone was telling me, this was being done because of the business that we were doing with the foreign buyer. We all know, prior to this year, that the foreign buyer played a very big role in our sales, and we were able to live with the conditions under which our catalogues had been written. Obviously, the foreign buyers understood that we spent the most money here and took the best bloodstock out of the country.

Another thing, I read an article on the 5th of August, an editorial in the Daily Racing Form, in which one of the members of the Committee stated that "only people who seemed satisfied with the new standards are those who buy and sell horses in the world class sales." Well, since I have been designated to make this speech, I have been contacted by or spoken to probably 50 to 40 people. They are buyers and sellers in world class sales. And I have yet to have one person come to me and say, 'I hope that you are speaking in favor of this today.' They all have the negative attitude. They don't like it.

I want now to tell you what I think is wrong with the $30,000 Q race. First off, there are only six racetracks in the United States offering Q races: Aqueduct, Belmont, Saratoga, Santa Anita, Hollywood Park and Del Mar. You as horsemen, should you be penalized if you are a buyer of top quality stock and care to race in the neighborhood to which you live? My best example for you would be a gentleman by the name of Ken Opitz, who owns a good horse by the name of Gate Dancer. He's a native of Nebraska. His business operates out of Omaha, and he prides himself on being a Nebraska and he races at Ak-Sar-Ben which offers quality racing. But they are not capable of providing a $50,000 allowance race.

I don't know whether you realize this or not, but one-third of the racetracks operating in the United States have a daily distribution of less than $50,000.

To me, Q races are a means of overrating a thoroughbred's pedigree. I'm going to show you that a little later on the down line. I don't really want to get into that point right at the moment. But you will realize it when I get into some statistics of some $50,000 or better Q races that have been run in the month of June in the United States.

To me, Q races are another vehicle to overfuel the population explosion in the Thoroughbred industry. We're already producing twice as many foals as we produced ten years ago. These new guidelines are going to tempt people to keep mares which they falsely think is a quality producer because her foal won a race and gave her black-type in her produce record.

And secondly, I am the president of a sales company, and I tell you as far as I'm concerned the only benefit of these black-type changes are that they are a boon to sales companies seeking a profit. It gives us opportunities to sell more horses with black-type pedigrees than we have had the opportunity to sell before.

Finally, and I'm not here to pick on any sales company or any racetrack. I just want to point out the facts as they are. The changes give California breeding and racing an abso-
lute edge in the horse production business. Now in the first brochure (See Table 1), I decide that you are an emerging. It has been happening in racing concerning the $5,000,000 dollar a day. I think it will be a success for me to pick was June 8th because that's the day the Belmont Stakes was run. The Belmont Stakes was simulated to racetracks all over the country. And I felt that most racetracks tried to provide the best possible racing card they could provide on that day.

If you will note the first three races shown were run at Hollywood Park. The third race and the fifth race had purses of $50,000. The average earnings per starter was $19,500 or a ratio of earnings per starter to the purse of 6 to 1. None of the horses in the race had won or placed in stakes. And by the way it was a race for horses that have never won a race of $5,000 other than maiden, claiming or starter. Yet the first three finishers received black-type. And just for your information the average earnings of those three horses prior to them winning the race was $17,000 each.

The fifth race at Hollywood Park was again the same type of race. The average earnings per horse was $277,000, 9 to 1 ratio. There were two stakes placed horses in the race, one was from Ireland and one was from England.

In the eighth race, which was the third race that was offered that day that gave black-type to the horses that ran and to the mares that produced them, their average earnings per starter was $31,870, less than a 1 to 1 ratio.

Now, let us look at the allowance races that were run at racetracks on Belmont Day. Not at Belmont Park but at other racetracks. Arlington Park ran a race for the Blue Grass Stakes. The average earnings per starter was $155,000, 4 to 1 ratio. There were one Grade 1 stakes winner, one 0 stakes, one Grade 2 stakes placed horse and two other stakes placed horses. Five out of the eight starters were stakes placed. Now if one of those horses was not a stakes winner or stakes placed and finished first, second or third, they did not get any black-type. Their dam did not get any black-type.

I can go on down all these races and bore you with statistics, but I don't think that's necessary. But I think all you have to look at and see, that at Monmouth six out of six horses were stakes horses. The average earnings per horse was $200,000. They ran for a $20,000 purse. Another race, six out of seven horses were stakes winners or stakes placed horses and they ran for a $20,000 purse. Four out of eight, six out of nine, five out of six, nine out of nine, seven out of eight, I myself believe those horses that were not stakes winners, stakes placed, deserve black-type for beating that type of field. But the racetrack cannot put up a $50,000 pot when their mutual handle does not provide it.

The other thing the racetracks have to deal with are horsemen's contracts with the HIPPA and other organizations which dictate how the money is distributed.

I also used two other races that show on this chart because these two racetracks were not operating at the time, but they do offer quality racing and I want to just point it out to you. And that was the eighth race at Garden State and that happened to be on June 18th. The average earnings per starter was $250,000. The race had five stakes winners and two stakes placed horses in the race, seven out of eight. If the horse was not a stakes winner or stakes placed horse and finished 1, 2, or 3, he didn't get any black-type. The same is the case at Oaklawn.

And lastly I had a race from Keeneland which I failed to list on here. But one of the most important races that we all wish we had a horse to run in it is called the Foreunner Fume. It's the prep for the Blue Grass Stakes. And as a matter of fact, not all the horses in that field is stakes winners or stakes placed horses. It is a $35,000 allowance race. If one horse happens not to be a stakes winner or stakes placed and beats the field, he and his dam get no credit whatsoever. Keeneland is faced with a problem many racetracks are. The mutual handle basically determines its purse distribution. Fortunately and . . . —Fortunately for Keeneland—it has supplemented the racing program with money made from the sellings of horses and consequently they have been able to maintain their purse schedule at a higher rate than they would with just their mutual handle. (See Table 1)

Now I'm going to compare Hollywood Park versus Belmont Park for the months of June. I just want to point out to you that there were two other racetracks that did have a $90,000 race for this year. But that is not the norm. And that was Gulfstream Park had one at $90,000 and Sportsman's Park had one at $30,750.

Churchill Downs probably has had the highest purse allowance race ever held. It used to be called the Twin Spires. It was used to draw horses out of the Derby which didn't belong in the Derby. And the highest purse it ever carried for an allowance race was $55,000. And, fortunately, I was the only person who won it. The only decent horse probably I've ever had in my life. He wasn't good enough to run in the Derby, but the pot was $55,000. It was an allowance race.

Okay, back to Hollywood Park versus Bel- mon. And anybody here from Hollywood Park or from California, please I'm not trying to step on your toes. I'm just trying to show the facts as they are.

Hollywood Park had 12 racing days versus Bel- mont's 26. Hollywood Park offered 196 races versus Belmont Park's 234. Hollywood Park had 37 Q races, or 18 per cent of its races. If you want to add in the stakes races they are providing approximately 22 per cent of its races for black-type. Belmont had 20 Q races or 8 per cent.

Now I'm going to show you the type races they ran which carried black-type. The pari- mutuel behind the number is the purses followed by the average earnings per horse based on the purses the horses ran for. For Hollywood, two races for non-winners of a race other than maiden, claiming or starter were carded. The purses ranged from $30,000 to $52,000. The ratio of average earnings per horse to the purse was 3 to 1. No races of that type were ran at Belmont Park to give horses black-type.

Hollywood ran nine races for non-winners of a race of $5,000 other than maiden, claiming or starter. The average earnings per start- er to purse ratio was 7 to 1. Belmont Park did not offer any of that type. Hollywood offered two races for winners of two races with purses of $50,000 and $52,000, a ratio of 1 to 1. Hollywood offered nine races for non- winners of two races of $5,000 other than maiden, claiming or starter with purses of $18,000 and $16,000, and the ratio was 1.2 to 1. Hollywood ran one race for non-winners of
three races and the ratio was 1.3 to 1. Hollywood ran eight races for non-winners of three races of $3,000. They ran for purses from $38,000 to $42,000. They have a ratio of earnings of 1.6 to 1. And Belmont Park ran none of those.

At Belmont Park they are writing races with $50,000 purses for non-winners of four races other than maiden, claiming or starters. The ratio of average earnings per starter to purses is 3 to 1. Belmont wrote two of these races. Hollywood Park offered none. Hollywood Park offered three races for horses that have not won a certain amount from a certain date and at a certain distance. These purses were $46,000 each, a ratio of 3.3 to 1. Whereas Belmont Park offered 14 of them, purses ranging from $56,000 to $62,000 with a ratio of 4.5 to 1.

I might add, if you raise the purses at Belmont to the same level as the purses at Hollywood, the average purses per horse at Belmont would be better than those at Hollywood.

After the June races at Hollywood and Belmont were over, over 102 horses became eligible for blacktype which had never won three races in their lives other than maiden, claiming or starter. I don't believe that is representative of what we are trying to show in a horse's pedigree in blacktype.

I concurred Mr. Haile (Leonard C. Haile, Racing Secretary for the NYBAA) out in the hall because I thought I really had him on the hot seat, but I'm wrong. However I'm still going to give you this thing. I thought it was ironic that horses in New York, non-winners of three races, run for $25,000. I thought that was an awful unusual figure. But he did inform me that prior to January they were running for $27,000 and they did have a $4,000 per race increase. So I thought I kind of had him where I wanted him, but it didn't turn out that way.

One of the things that I would call to your attention is that the committee wanted to give blacktype to horses that finished fourth in graded races, and I'm 100 per cent in favor of it. What are you going to do about the horse that finished fifth in the Budweiser-Arlington Millions or the Santa Anita Handicap? I realized that more than likely the horse that does finish fifth is already a stakes winner. So let's take the Santa Anita Handicap. A horse that finishes fifth is neither a stakes winner nor stakes placed and he earns $25,000, which is more than a horse is going to earn in some of the Grade 3 stakes for finishing first. It's just a question that I don't have the answer to.

In the next section I listed all the racetracks that operated in 1983 by their purse distribution. I just want to point out to you that about 32 percent of the racetracks have a daily purse distribution of less than $50,000. Thirty-two percent of the races run in North America were for purses of $5,000 or less. That 32 percent of the races run in North America in 1983 were for $10,000 or more.

This sheet of statistics was compiled by Howard Batte, the racing secretary at Keeneland and he pulled out approximately 25 racetracks showing what their purse schedule for $15,000 stakes was in 1983, versus 1985. If you take Jefferson Downs, which is located just outside New Orleans. In 1983 they offered 20 stake races where the purses were not less than $15,000. This year they're offering 26 state races with $25,000 added or more. That was at a cost of $150,000 to the racetrack. This has to come out of the mutuel handle and the mutuel handle has not increased enough to generate that $150,000. So consequently those people, who are racing in the rest of the races, are going to run for $4,000 to $5,000 less per race than they ran for last year in order to meet this demand of $150,000 stakes or above.

Also, the NYBAA has added a considerable amount of stakes races as but Santa Anita, Gulfstream and Hialeah. And the introduction of racing at Canterbury, Delaware, Garden State and Rockingham have increased the amount of stakes races to provide blacktype for our horses.

What can we do about it? I'm going to discuss that a little bit later but I want to get into another problem now and that is the cataloging of the Thoroughbred and some of the practices that have been going on, that need to be straightened out. I don't know whether many of you are aware of it, but approximately two to three weeks ago, in the appellate courts in the state of Kentucky, there was a ruling handed down that a sales company is responsible for the material it puts in its catalogue. Which I guess, isn't really any bad news for anybody buying a racetrack.

My suggestion would be first, in the front of the sales catalogue, to print their abbreviations and Purse Value Index for North American track. It gives the abbreviation of every racetrack. It gives the location of every racetrack.
by state or province. It also gives an index of the average purse. So it wouldn't be too difficult to know a horse winning a stake at Mar-
quis Downs where the average purse is $2,000 is not going to compare to one win-
ing an Apprentice or Belmont, where the pur-
se is $28,000 or $26,000. There are a lot of
rackcards listed which no longer carry on pari-
mutuel wagering such as training cen-
ters and bettors' sites. So this list actually
would shrink and would fit in the front of a
catalogue very easily.

The next problem we're having is the duplica-
tion in the names of races. A man came up to me the other day and said he
wanted to sell me the name of the man who
won the Governor's Cup. The Governor's Cup
where Bowie has a Governor's Cup, Grade 3 for $100,000. Louiecup has one for
$90,000. Ellis Park for $25,000. Sulfolls for
$25,000. Pomona for $25,000. Sacramento for
$25,000. Santa Fe for $25,000. All of which
would receive black-type under the new rule.
But there is no indication telling me which
rackcard where they were run. And if I'm a
foreign buyer, I could see where this could be
confusing. And then of course there were
four other Governor Cups run that wouldn't
qualify for black-type under the new system.
We run three County Floots and we ran 10
Inaugural Handicaps.

If I tell you I won the Forego, did I win at
Santaoga or Turf Paradise or Lomato? Or if I
don't win the Juvenile, did I win it at Al-Sae Ben
where it is graded, Belmont, Thistledown,
Lincoln Fair or Exhibit Park? Four of the five
juvenile would carry bold-face type in a
catalogue. And you can go on. There's ap-
proximately 20 races that have duplicated the
names and are graded stakes in North
America.

I'm going to point out some cataloguing
practices, and first will tell you that the sales
company I represent does not wear a halo. It
flashes like several others. But I think the
problem in the industry has been that in the
past we've been writing the catalogues for the
seller rather than the buyer. The seller knows
his product. He knows it better than anybody.
Both the buyer is the man who needs to know
about it and really needs to know the history.

On the left I show you a seller's catalogue page
and on the right I show you what I consider a buyer's catalogue page.
Under the first dam is a stakes winner of
$109,000 in the United States and stakes
placed in England. It tells you absolutely no-
thing about the first dam's produce record, other
than that she has had this one beautiful
stakes winner. On the other hand, she is in fact
the dam of four unseared foals, one un-
seared foal, one placed foal and the one win-
ner that appears.

Now if we want to inform people and let
them know what's going on in the catalog-
ing, let's give them the information. John
Bel I spoke to him yesterday, and when he
gets a catalogue he hires four people to go out
d and do research because what should be
in the catalogue isn't there.

We need to show the racetrack where the
horse ran and the amount of earnings. This is
a summer sales yearling. He has five wins at
three and five. I'm not even going to attempt
to pronounce the stakes he won.
But when we pull out his racing record and
then we find out that he's got average earn-
ings of $955 and an enearer of $17,000. Not
quite in my opinion, a summer sales yearling.
But under this method of cataloguing here he's
$94,000 to $50,000 claiming race on June
23rd with a purse of $11,000. A purse that we
### TABLE II

<table>
<thead>
<tr>
<th>TABLE II</th>
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<tbody>
<tr>
<td>QUALIFIED BLACK TYPE ALLOWANCE OR HANDICAP RACES IN JUNE OF 1985</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>HOLLYWOOD PARK</th>
<th>BELMONT PARK</th>
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</thead>
<tbody>
<tr>
<td>Number of Race Days in June</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Number of Races Run in June</td>
<td>198</td>
<td>234</td>
</tr>
<tr>
<td>Number of Q Races Run in June</td>
<td>37</td>
<td>20</td>
</tr>
<tr>
<td>Q Races as a Percentage of Races run in the month of June, 1985</td>
<td>18%</td>
<td>8%</td>
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### TYPE Q RACES RAN

<table>
<thead>
<tr>
<th>Non-winners of a race, other than maiden, claiming or starters.</th>
<th>$30,000-$32,000 (1.9 to 1)</th>
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<tbody>
<tr>
<td>Non-winners of a race of $5,000, other than maiden, claiming, or starters.</td>
<td>$30,000-$32,000 (1.7 to 1)</td>
</tr>
<tr>
<td>Non-winners of two races.</td>
<td>$30,000-$32,000 (1.0 to 1)</td>
</tr>
<tr>
<td>Non-winners of two races of $3,000, other than maiden, claiming, or starters.</td>
<td>$36,000-$38,000 (1.2 to 1)</td>
</tr>
<tr>
<td>Non-winners of three races.</td>
<td>$38,000 (1.3 to 1)</td>
</tr>
<tr>
<td>Non-winners of three races of $3,000, other than maiden, claiming, or starters.</td>
<td>$38,000-$42,000 (1.6 to 1)</td>
</tr>
<tr>
<td>Non-winners of four races, other than maiden, claiming, or starters.</td>
<td>$32,000 (3.0 to 1)</td>
</tr>
<tr>
<td>Non-winners of a stated amount since a stated date (at a stated distance)</td>
<td>$48,000 (3.3 to 1)</td>
</tr>
<tr>
<td>Handicaps</td>
<td>$36,400-$40,000 (3.5 to 1)</td>
</tr>
</tbody>
</table>

use to give black-type for allowance winners. On Monday, August 5th, New York ran a race for claiming of $200,000 down to $150,000, with a purse of $50,500. I want to thank you for the opportunity. I hope I’ve opened your eyes to some of the problems. I’m not going to tell you that I have the answers. I think I have a few answers as to the way some black-type could be given to those out of allowance races, but I myself feel that we should go back to the old style: show the Grade 1, 2, 3, Restricted races, show the racetrack at which the stake was won, the amount the horse earned and it won’t take a genius to figure out which races are good and which are bad. Thank you very much.

### MR. PHILIPS

That really goes to show that when you ask the head of a sales company, like we did last year with John Finney and this year with Norman Case, you get a wonderful speech but they have absolutely no idea how long (giggles just finished). (Laughter)

Our second panelist is Dennis Diaz. It is questionable to portray Mr. Diaz as a newcomer to our sport, but he really is. Having brought his first Thoroughbred two years and seven months ago and winning this year’s Kentucky Derby with Spoted a Buck, he will discuss black-type from his perspective.

### MR. DIAZ

Thank you, Chairman Phillips. I appreciate you reminding everyone that I have only been in the business two and a half years. In two and a half years though, I have gotten an opportunity to see A through Z races, including O’s and Q’s and the rest of them.

I appreciate very much being asked to be here this morning, I think I have been very fortunate, not very fortunate, probably the luckiest guy ever to come into Thoroughbred racing in the history of the sport. Having seen what I have had the opportunity to see and participate in, I would like to make some comments, give you my text or my little talk, and then make a couple of other comments.

I am new, very, very new, in the business. But as I said, I have been fortunate to have been exposed to all racing, from winning a $5,000 claiming race, to winning the most coveted race in the world in my opinion, and I think, of everyone in this room. If I bring possibly, although not the perspective of an absolute newcomer to the meeting, it is at least one that has been exposed to racing in as many facets as I possibly could have been exposed to in a short period of time that I have been in it.

But even before we open a sales catalogue we ought to first think of racing. This is what the game is all about. Racing is one of the most elemental of sports. There’s nothing so basic or inherently interesting as a race, pitting horse against horse. Every race is a test, a test to determine who the best horse is.
CATALOGUE PAGE—Norman Caese, the Chairman of Ocala Breeders’ Sales Company, points out the finer points of a sales catalogue page during the Round Table Conference.

winning races anywhere is a difficult proposition.

Now let us look at a day’s racing program in its entirety. You will find there are certain similarities in the way racing programs are put together throughout our country. Generally you will find everything on the card builds up to a climax. The feature race.

Usually the races of lesser quality are run earlier in the card. This does not necessarily mean the horses running in those races are lesser racers. Quite to the contrary. They very well may be the horses that will be run in a feature race later on in the meet. But you will find these races are for maidens, non-winners of two, claimers, early in the program.

Then there will be races for the higher class claimers, allowance races, and handicap. The feature on a weekday card may very well be an allowance or handicap. On weekends and holidays, racetracks strive to put on a stakes race drawing together the very best horses on the grounds.

When you have won a race, your horse was the best. Further, I do not think it is stretching a point too far to say, when your horse wins the feature you have the best horse of the day. Taking the analogy a step further, when your horse wins a weekend stakes race, maybe you’ve got the best horse on the grounds. Just as we realize winning races anywhere is not easy, we also realize that it takes a superior racetrack to win races at our major racetracks. These racetracks, which are able to win or place in Graded or Listed stakes races, are truly to be treasured above all. We might say of them, that they are not only the best of a race, the best horse on the card, the best horse on the grounds, but rather the best of the breed.

Well, what does all this have to do with the sales catalogues, guidelines for black-type, G, O and N races, everything. When we review the race record of a horse we rarely ask how fast did he run or how many track records has he broken? Rather we ask how many times did he start? How many times did he win? What were his earnings? Did he win any stakes races? If he is a stakes winner then where were the stakes run? Against what kind of company? Were the stakes Graded, listed or Restricted?

These are the kinds of questions we must ask to determine the quality of a Thoroughbred. A Thoroughbred’s quality is measured in terms of his performance against his peers. And as we know, the best racetracks are runners which win in the feature races, and the superior racetracks are those that can run at our major racetracks and win or place in the most important races.

Now as an owner on a rather modest scale, I feel that there are others here this morning that are more qualified to discuss the finer points of sales catalogues and the use of black-type. However as an owner who frequently attends auctions, I do firmly believe what is happening in racing should be accurately reflected in the sales catalogue. For if we accept the premise that the measure of quality in the Thoroughbred is performance in stakes races, then this should be accurately reflected on the sales catalogue page.

Through the use of black-type, the stakes winners and placers can be highlighted for the benefit of those considering a bid on a horse. So that black-type must reflect quality. If it does not, then the use of this typographical device is misleading.

Let me digress for just a moment. All too often in this industry, we take it for granted that everyone clearly understands the smallest facets. Think back to the first time you went to a sale and first gazed at a catalogue page. Did you grasp the significance of the colouring of bold face type on a page? Did you know that if a horse’s name is printed in upper case letters it means the horse is a stakes winner? Did you know if the horse’s name was printed in upper and lower case letters it means that the horse was stakes placed?

Unless you came from a family that was already in racing, I would bet you did not. We in racing should not assume that everyone knows as much as we do, and we should be ever cognizant of our responsibility to educate people who are new to our sport.

Getting back to the main point. The sales catalogues provide answers to many of our questions. By no means do they relieve us of our responsibility to do our homework. Still, sales catalogues are an effective means of communication. They can remain effective only so long as the black-type they contain accurately reflects the quality of the horse being catalogued.

OWNER’S PERSPECTIVE—Dennis Díaz, the owner of Spend a Buck, gives the audience at the National Museum of Racing the owner’s perspective on new guidelines for black-type.
We should be able to look over a catalogue page and gain insight into the background of a horse being offered for sale. Let us take a look at the yearling sales for this is the season for it. We want the specifics on the sire. What were his earnings? What races did he win? And what was the quality of these races? How many winners has he sired? Which horses have been the principal earners? We want specifics on the dam as well. How many foals has she had? How many of them made it to the races? How many of those making it to the races were winners? Of these winners, how many were stakes winners and what was the quality of the stakes?

The owners have gotten some help in assessing the quality of stakes races and the horses which won or placed in them. Ten years or so ago, the graded designation was introduced and now we easily distinguish among many of the major stakes on the basis of Grade 1, 2, and 3. More recently Listed Stakes races have been introduced to indicate those which have purses of $50,000 added or more but are not graded, and those restricted in some manner, such as the state of foaling, etc. These races are known as Restricted races. All of the designations have been useful to us as owners and to those who are buying horses at public auctions.

Recently the two fundamental changes which have been made and introduced, and have elicited a lot of comments from people within the industry, are principally the Q and N races. One of the proposals would eliminate the black-type for those stakes races having a value of less than $15,000 added. The other proposal would give black-type to those horses winning or placing in open allowance or handicap races with a value of $50,000 or more.

I am certainly not in a position to gauge the long-range implications of these two changes. However I can look at them from the perspective of an owner. When I look at black-type I should be seeing quality. If these changes further that end, then I think that it will be most beneficial to me and to others like me and to the industry.

I think that the thing that makes me happy, and I have seen this occur in the two and a half years since I have been in the business, is the fact that now everyone is talking about how to improve the catalogue pages. How to improve the recording of a racehorse’s family and its history to more accurately reflect the quality of horse.

The new catalogue changes possibly are not perfect. In all likelihood, they’re not perfect. Mr. Case’s presentation this morning was very impressive and contained a great number of valid points. But I think the system that has been adopted now, and that hopefully will be adopted by the rest of the sales companies, is a less imperfect system than we had prior to the time that these changes were instated.

I think now as a new owner, or if I were brand new coming into the business, I can, using the new designations more accurately make an assessment of what I am looking at. I remember coming into the business and looking at a sales catalogue and really not knowing what I was reading. I remember buying a filly that was a half-sister to two stakes-placed horses and I would never do it today, having my experience. We had two stakes placers in the family and I thought it was great. Multiple stakes placed horses, both of them earners of $8,000. I didn’t say that, though. It gave some races that I had never heard of, but I thought a stakes was a stakes that I came in.

The catalogue page also didn’t divulge that that was her 11th foal. And I think only three of them had made it to the races. I watch our own with particular interest for that family. And I see that family a lot by the way. (laughter) I paid a lot of money for the filly and sold it for $5,500, and she broke her maiden for $2,500. That’s misleading.

But I am very grateful to hear now the discussions that I am hearing. I think the industry should be very happy with it. But I firmly believe that had this not occurred, I’m not sure that everybody would be as willing to clean up their act and to lay the subject on the table. It is a very important subject. I think that we can continue to kid ourselves and say that we’ve got quality when we don’t have quality, and maybe palm some of them off on some unsuspecting people. And I’m not worried at all about the foreign buyer that comes here with tons of money to spend. When you weigh your money instead of count it you’re obviously a pretty smart guy and you’ve got 14 advisers around you. They know what they’re buying. Guys like me need the help. The average guy needs the help.

So I think the greatest thing probably that will come from this, and as I said I do not think this is perfect, but I think it will evolve. I think it is a better system than we had. I think it will evolve into a better system simply by good morning. I would like to thank my fellow panel members, Norman and Dennis, for sharing with us this morning their insights into this issue that affects our entire industry and express my appreciation to our moderator, Disney, for being instrumental in providing an opportunity for us to discuss this matter further with you this morning.

In my remarks I would first like to briefly review the formation, history and objectives of the International Cataloguing Standards Committee. Then I will discuss the current status of the guidelines which were proposed at this Round Table last year and formally announced last December. And in conclusion I would like to look at the future directions of the International Cataloguing Standards Committee.

Established in 1983, the International Cataloguing Standards Committee is a body comprised of representatives of racing authorities, breeders organizations, international auction houses of each of the four major breeding and racing countries, England, Ireland, France and the United States. It is sanctioned by the International Stewards Meeting, the International Breeders Committee, and the Society of International Thoroughbred Auctioneers. And it was formed to establish, implement and oversee standards for...
First, effective at the beginning of this year all horses placing fourth in stakes graded by the North American Graded Stakes Committee, or given group designation in the European Pattern Race Committees, receive black-type. This was an international decision in regard to no longer awarding fourth-place black-type to non-group races outside of North America, and likewise in North America we would award black-type to fourth-place finishers in Graded races.

Our research indicates that through the middle of May, 131 Graded Stakes were contested in North America, which generated only 15 new pieces of black-type. When you consider that the 131 fourth place finishers in these Graded Stakes had average earnings of $174,000, we believe that by anybody's standards these horses are deserving of black-type.

Again the guidelines that were used were consistent with what our Graded Stakes Committee does. The first cut would be the amount of money for which the race was contested, the second would be some type of objective evaluation of the beaten field.

A second guideline which eliminated black-type for stakes races with a purse of less than $15,000 added has also generally been accepted by the industry. In this area, our research revealed some interest, and in our opinion, conclusive data. Through May, 62 races were identified in this category in which 514 horses competed. A total of 207 horses or 40 per cent of the entries had not previously earned black-type and had an average earnings of $8,900.

Further statistics and comparisons continue to reinforce the conclusion that these horses should not warrant black-type, given our fundamental premises, quality and uniformity.

Finally, the most complex and controversial guideline that we've been working on is the concept of the new black-type races. These races were introduced in order to maintain an acceptable percentage of black-type races within our North American pattern consistent with our North American Graded Stakes Committee guidelines. Because of the demonstrated quality of the races.

Through July 25, 252 pieces of new black-type have been earned in those races, to replace 191 pieces which were omitted in the least $15,000 added stakes races, run during the same time frame.

In analyzing these 252 new black-type horses, it is interesting to compare them with the 555 new black-type horses in the $15,000 to $50,000 stakes races. In looking at that, using the same criteria we used in the Graded Stakes committee, and that Norman used, we find that the average earnings of those horses going from lower class to upper class in the allowance races is roughly $86,000. In the $15,000 to $50,000 stakes races, it is roughly $51,000.

The average earnings of new upper class in the first category would be $55,000, in the $15 to $50,000 category, it would be $24,000. The average earnings of the new lower class would be $35,000 versus $25,000. The average earnings of the non-black-type unplaced would be $46,000 versus $23,000.

As you can readily see, there is about a two to three times ratio of the earnings indices of those horses competing in these allowance races than there are in those races that are earning new black-type in our stakes races of $15,000 to $50,000.

Nationally, the statistics are even more compelling, if you were to compare these two races to the $15,000 and below which have been dropped.

The facts indicate that awarding black-type for these caliber races is merited. However, more detailed investigation and analysis indicates that more input from the industry and further refinement is in order. I think Norm's statistics show that there are significant exceptions and those need to be studied. There are also significant exceptions within the $15,000 to $50,000 that need to be studied.

Looking to the future a committee composed of your North American Subcommit-tee, Howard Battle, Lee Fenton, Antony Hale, Kent Hollingsworth, Jim Kifrove, Charles Taylor and Tommy Trotter has been formed with the objective to resolve the issues of uniformity in 1989, to develop 1986 guidelines, and to further review, refine and improve the guidelines for black-type. These recommendations will be forthcoming in November, and any input from the entire industry is both welcomed and needed.

In closing, on behalf of Jack and John, we would again like to extend our appreciation to all those participants whose help has been invaluable and trust that we can count on your support and of the industry in the future.

Thank you very much.
MR. PHIPPS: We have time for one or two questions if anyone would like to ask one.

MR. JAMES RYAN: Having been in a business myself where the computer people teach you to analyze all aspects ad infinitum, the suggestion I would have because cataloging is just one small part of this business, is to keep this thing simple. And the second thought would be to keep it consistent. The examples that I'd like to use in each of these points, on the latter there was a race run at Hot Springs, at Oaklawn Park, that our trainer Woody Stephens used to say he would like to sneak down there and pick up $250,000. And he sneak for a couple of years, but eventually everybody found out about it, and they were shipping in from California and every other good horse was there to run in the Fantasy Stakes.

So if you're consistent with your cataloging of pedigrees, eventually water seeks its own level and the good horses will get there. Where you're slanting on some of the statistics, if you change something right away and say are you aware that this Graded stakes only had an average earnings of $8,000 for the runner, that might happen the first year. It's unlikely to happen the next year, and eventually as Woody said, I've stopped sneaking down to Hot Springs, Arkansas. So please try to help us all and retain some consistency and above all keep this small aspect of racing simple. I looked at a catalogue just coming over here, of the best pedigrees. These had to be $2 million sales horses that are being sold. I don't know what they're selling, but it's such a complex business for us to dwell on the head of a needle too much and miss the overall.

It is like our computer after we analyzed the building of homes and had it done by model, by phase, by phases, the average experience of the supervisor, we had all these detailed bits of information in it and the county had a sewer moratorium. And I think that's what often happens when we dwell too much on one aspect of it. Thank you.

MR. PHIPPS: Anybody else? Lee, is that you? It is you. Go ahead. Unfortunately we only have time for one more.

MR. EATON: Norman, what's the purpose of black type?

MR. PHIPPS: Everybody in this room knows what the Breeders' Cup did last year and the great success it had. The President of the Breeders' is a firm owner in Kentucky, a member of the Board of Directors of Keeneland, an outstanding attorney, and it is my pleasure to introduce Gibson Downing to give us an update on the Breeders' Cup this year.

Update on the Breeders' Cup

MR. DOWNEYING: Thank you, Mr. Chairman, ladies and gentlemen, and I suppose members of the Board of Breeders' Cup since we seem to have a quorum in this room today.

Two years ago the subject of this Round Table Discussion was entitled "Public Relations Opportunities For Racing." Jack Landry, who was your moderator on that occasion, opened the panel discussion with the following remarks: "I think it is becoming urgent for us to explore the question of whether or not the racing industry and its component race tracks are indeed doing an adequate job in the area of media relations."

Urgent was the term used by Mr. Landry and it was used I am sure deliberately, because racing was not keeping up with other sports. It was not keeping up with its share of the American entertainment dollar.

Your panelists two years ago included Ray Kerrison, Pete Anthel and Richard Gold-
stein, all of whom were members of the media that we in racing seek to attract. Their comments on that occasion are material to the discussion presently addressed to the question of how and to what extent racing is covered by the media. In the past, the interest in racing by the media in many English-speaking countries was almost nonexistent. Only with the growth of horse racing as a spectator sport in these countries has the media's interest increased.

Anthem speaking of the lack of television interest in racing suggested that people in media in racing may not have seen what television can do, and indicated that those who so described television as a non-televised event, were faced with a national, or even an international, television market. Mr. Goldstein pointed out the need for a national office. And the need for an aggressive, concerted effort for participation in television markets. Mr. Goldstein noted that sports are sold in America by superstars and champions. To make racing a household commodity on television is a need, not a desire.

While the observance of these principles was made before the installment plan, as we have said, the Breeders' Cup was working toward at least one of the major goals of the present plan is the development of a multi-faceted program. One, to improve purses, and thus to improve the economic opportunities for racing. In this, it will be important to provide a vehicle for an aggressive, concerted effort for participation in racing by the media in the national television and print media.

While the format of the program has changed substantially since its announce-
ment, the primary goal remains the same. In 1982 and 1983, the nomination payments by owners and breeders to Breeders' Cup amounted to more than $0 million. Under the organizational structure the Breeders' Cup, as you will see, half of that goes into the premierships sponsors for the purchase of the half of the premierships each year. The other half goes to Breeders' Cup Day, which is a monthly series of seven championship events each.

Out of the nomination payments, we received in 1983, Breeders' Cup offered for awards some $20 million in 1984. It actually made payments in excess of $15 million. Out of the nomination payments which we received in 1984 and 1985, Breeders' Cup will make payments of $12 million, in $2 million increments each year.

With the support of the industry, it now appears that Breeders' Cup will be able to raise and to offer to those engaged in racing in excess of $20 million a year for an indefinite period of time. At least, two more years. While the prize money is important, it is also important to the economics of racing, the principal purpose of the Breeders' Cup. The Cup will be used as an aggressive tool to promote and market racing on a national and local level. And in a professional manner. Behind the plan to create a single day of racing is the idea that this magnitude of money could not be ignored by the media. And that a national media event marketed and promoted professionally would become racing's World Series, racing's Super Bowl.

Fortunately NBC agreed. While other networks showed an initial interest, the NBC's offer of $1.5 million, NBC's offer of $1 million, NBC's offer of $1 million to the BBF, and the people at NBC embraced the idea and committed NBC to a total of $5 million for a three-year contract.

With NBC, Breeders' Cup and this industry acquired a magnificent partner. A very strong partner. Hollywood Park and Mrs. Bevamet agreed to put on the first event and with these two enthusiastic partners the 1984 show seemed to be a success.

Our partners proved, we believe, that television coverage of a single day of racing could be produced and aired in a pleasing, exciting manner, and millions of potential racing fans on that day were treated to the best of the best that racing could offer. The NBC telecast of the Breeders' Cup I was seen by an estimated 90 million viewers in 28 countries of the world. Print coverage in the United States was the most extensive ever enjoyed by our sport. We made the front page of "The New York Times." Perhaps more importantly for our future, five commercial sponsors spent millions of dollars in separate races, and, in addition to the NBC programming, substantial advertising, enough so that NBC, agreed on a fee of $5 million to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF. Breeders' Cup, to the BBF.

We are well aware that the apparent success of the inaugural series is not a solution to racing's needs, but it is a start. And it offers proof that racing can be marketed to television, that the print media will respond to sponsors and championship events, and that casual sporting fans in this country will be interested in racing where it is presented in an exciting and interesting manner to them on television.

This year, 1985, NBC will produce the show at Aqueduct and NBC will produce the show at Aqueduct and NBC will produce the show at Aqueduct and NBC will produce the show at Aqueduct and NBC will produce the show at Aqueduct and NBC will produce the show at Aqueduct. NBC is a resource that has tradi-
BREEDERS' CUP—C. Gibson Downing, President of Breeders' Cup, Backgrounds the audience at the National Museum of Racing on the past two years and plans for the future on the Breeders' Cup Series.
to offer the coordinating service in the marketing area that racing has sorely needed. Our marketing programs are of national scope. We have established liaison with the Jockey Club, the TRA and racetracks around the country. This year with the cooperation of TRA and the nation's tracks, we are providing promotional and marketing materials to the racetracks, hoping that each will find these professionally prepared materials suitable to incorporate in their own marketing efforts. Like the Jockey Club, with its generic promotional film we can offer quality materials for the use by the tracks and at no expense to the racetracks of this country.

Commercial sponsors remain interested in racing. They have found that they can use racing to sell products. Their sponsorship is financially important to Breeders' Cup and to our promotional efforts. But far more important is the support these sponsors offer to the NBC programming by purchasing advertising within that programming. And the fact that these sponsors will within their own budgets be spending millions of dollars this year to promote racing around the country.

As your panelists said two years ago, racing needs championships, superstars to attract the media. Racing needs a united front in seeking out ways to promote awareness of the sport on a national basis in a concentrated effort to attract new fans. Working with and through the traditional organizations in racing, Breeders' Cup may have the means to further the objectives of the industry in the marketing and promotion field.

The message we seek to deliver here today is that Breeders' Cup as in its image role, as the representative of thousands of breeders and owners around this country, wants to establish working relationships with the traditional organizations in racing so that the momentum of a successful event in 1984 can broaden into a concerted national strategy for the effective marketing and promotion of the sport of racing in this country.

May I thank you for this opportunity of being here, Mr. Chairman. Thank you for your patience.

(Applause)

MR. PHiPPS: Glib, thank you. Last year about September The Jockey Club decided that they wanted to recognize an individual every year who has made a significant contribution to our sport. The only problem was that we recognized the recipient in October and the Medal wasn't ready yet. It's my pleasure today to ask D. G. Van Clief, the first recipient of The Jockey Club Medal, to come forward and I'll give him something we should have given him nine months ago.

MR. VAN ClIEF: Thank you very much, Mr. Chairman. Thank you very much.

The President's Tax Proposals

SECRETARY BAKER: Thank you very much, ladies and gentlemen. It is a pleasure for me to have the opportunity to be here this morning. As some of you probably know or might have read, Alexander Hamilton, who was the first Secretary of the Treasury, spent a bit of time here right after the first major victory against the British during the Revolutionary War. In fact, he liked this area so much that he ended up marrying a local girl. So it's a real honor for me to follow in his footsteps, with my wife Susan by my side, who doesn't happen to come from Saratoga, New York, but from Danbury, Texas. And I
I learned over and I asked this fellow at the bar, "what do you think about that, sir?" A grizzled old guy looked at me over his beer, and said "well, now, I'll tell you somny. I don't know and I don't care." (Applause)

So much for being concerned. I know ladies and gentlemen that you are here because you do know and because you do care. I also know that most of you are interested in the economy and some of you are worried about the economy. So let me put your minds to rest right off the bat by telling you that we are not concerned about the economy at the Treasury Department. But then we make money the old fashioned way. (Laughter) We print it. (Laughter)

As you can see from your program, I have been asked to talk to you about tax reform and I intend to do that. But first I want to say a word or two about an institution in this country that I think is extremely important to all of us as Americans. And that's the institution of the Presidency. And I want to say a word or two about that because I have been privileged to work very closely for two Presidents of the United States. I have been privileged to be an employee or a close associate of three individuals who have been major candidates for the office of President of the United States.

I'd like to spend just a moment if I can talking to you about what I think President Reagan has done for the institution of the Presidency, and in doing so I will admit right off the bat to my considerable bias and my considerable prejudice, but I will try and do it in a way that is not too partisan.

There are three things I think that this President has done during the course of his first term and the first six months of his second. The first thing he has done is to remove America's pride and confidence in itself. We are proud once again to be Americans, or at least most of us are. And that wasn't always the case.

The second thing he has done is to see to it that America is respected abroad once again. Respected by our allies, yes, but respected by our adversaries as well.
And the third thing that I think that this President has done is to present this nation with an opportunity to revitalize and reinvigorate the institution of the Presidency. And this is extremely important coming on the heels of Watergate, what we experienced in Vietnam, and what we experienced, quite frankly, during the course of the preceding administration to Ronald Reagan's when we suffered, or the country was deemed to suffer, from a certain sense of malaise, lack of direction, and lack of purpose.

And I think while the jury is still out, with respect to the final reinvigoration of the Presidency, nevertheless this President, by virtue of those two accomplishments, has put us in a position of seeing once again the re-establishment of the authority and the dignity and the purpose of the office of President of the United States.

And I think it is extremely important to all of us as Americans that he succeed in this task, admiring my considerable bias. Because it is my view that you simply cannot govern a nation at the same time that you have a weak Chief Executive. And I am not talking erosion of power from the Executive Branch to the Congressional or anything else. What I am talking about is that we in this country had fallen into a very disturbing, I think, trend or habit or tendency to demoralize our Presidents. We would build them up bigger than life and then we would systematically set about the task of tearing them down.

So far at least this President has avoided that. He has put himself in the position to serve two successful terms as President of the United States. And if you think about it for a minute you’ve got to go all the way back to Dwight Eisenhower to think of an instance where we’ve had a President serve two successful terms.

How has he done it? There are a number of things I think that he’s done. But one thing that I think is extremely important, and that we ought to lose sight of when we are looking at this general issue, is that this President has an internal compass that is consistent and that really seldom varies. We may disagree, and many of the American people disagree tremendously with some of his policies, but they love him as a person. The press indeed loves him as a person. They cannot get overly upset with him. And he maintains, I think, his position in terms of public approval by virtue of the fact that everybody knows where he’s coming from.

I can recall as Chairman of President Ford’s campaign in 1976 against Jimmy Carter, when President Carter went out as a candidate and made 65% different promises to the American people. He found after he got into office that it was extremely difficult to keep those promises. We never adopt a policy position in this administration without first going back and saying to ourselves, “where was the President on that during the campaign?” So that we can to the extent possible, and I’m not suggesting that he hasn’t changed his positions in a number of instances and, in effect, seems perfectly impossible to perform. A balanced budget is a good example and there are others.

But the fact of the matter is in terms of maintaining credibility, we at least consciously, before any major policy decision is made, we try and find out, go back, research where we were during the campaign? What was a change in position do the President’s credibility.

So I think the President has reinvigorated the institution of the Presidency to the extent that I’ve just mentioned and he has certainly put us in a position of seeing once again a successful two-term Presidency. I think that is extremely important to all of us as Americans.

Now in his State of the Union speech this year, the President called for meaningful tax reform. He called for a simpler system. He called for a fairer system. And he called for a system that would promote growth through lower rates and a system in effect that would unleash the entrepreneurial genius of America.

He happens to believe strongly, as do I and as do most of us, that the tax cuts, the top-rate reductions particularly, which we were able to implement in 1981, have gone a long way toward sustaining us in what is the longest economic expansion this country has enjoyed since the Korean War. We are now in the 35th month. Sure it is not as strong as before, but it is still there. And we think that a similar exercise would tend to have a similar result.

Obviously, we are all aware of what’s happened since May 28th, when the President announced his tax reform package. He was able to keep the focus on tax reform and focus the nation’s attention on tax reform until the hostage crisis or the TWA hijacking intervened. Then quite properly he had to devote his attention to the resolution of that crisis.

I should tell you, however, as far as tax reform is concerned, it has gone pretty much according to what our game plan was when we decided to go with it. This was a complete overhaul of the entire tax code and something that has never been successfully accomplished in the history of our nation. We have always anticipated there would be a two-month period during which we would have extensive hearings in both the Senate Finance Committee and House Ways and Means.

We have just finished those hearings in Ways and Means. They will continue for a period of time in Senate Finance. It was our thought during that time you would see every special interest group in the country out seeking to preserve their particular preference deductions, or some might say loopholes. And we have, in fact, seen that. So you have seen to some degree in the polls support go down for tax reform.

(Gestures with his hand)

But I would remind you that during the two and a half to three week period that the President was out front for tax reform, there was strong popular support for it. The kind of support which you need if you are going to do something like that through the Congress.

Again, it has always been our intention that we had that initial period when the President was out front, going to the hearing phase. Then as we start into mark up in Ways and Means, along about the middle of September, you will see the President very much out front again for tax reform, and in my opinion, you will see the numbers begin to rise in terms of the overall public support for tax reform.

I have got to say, and last night at dinner I got a question with respect to the deficit, I have got to say at the outset that tax reform as the President expressed in his State of the Union message, is a co-equal priority for him with deficit reduction. In my view, it doesn’t have to be either or situation. Some will argue that we shouldn’t look at revising the tax code until we have done everything we are going to do with respect to spending control. I happen to believe that the legislative and executive branches of this government are fully capable of dealing with two major domestic policy issues in one year.
And while we may not have gotten everything we would like to have gotten in deficit reduction. Indeed, we didn't. We did, nevertheless, make some substantial progress toward reducing the amount of federal spending. And there will be some significant reduction of the deficit as a consequence.

After the deficit reduction package, the original package, had moved through both Houses of the Congress, the President went ahead with tax reform on the 28th of May. I think as I have indicated that you are going to see the President very active and very much out front for tax reform as he comes off of his vacation next month.

I think it is true also, and we ought to keep this in mind, that while there may have been some diminution in terms of public support there's been absolutely no diminution in terms of public support for change of the present code. Four out of five Americans harbor significant resentment toward our current tax system and they want to see it changed. So I would suggest to you that you not be blinded by some of the articles in the press to the effect that tax reform is dead. I cannot overemphasize enough the President's commitment to tax reform. It is total. It is absolute and it is unyielding. And I think you're going to see him continue to push forth and that's why I think that we still have a fair shot at getting tax reform this year.

Let me say a word or two about the tax reform plan generally. I think the principles that we have tried to follow in constructing the plan are fairness, growth or economic efficiency, and simplicity, in that order. We think they ought to be in that order. We quite frankly don't make a whole lot of claims with respect to simplification on the corporate side, but that's where it is important in my view that the code be simplified. It is important that it be simplified on the individual side to the extent that it is possible to do so.

We think that the support for revision of the current system is strong, continues to be strong out there, because the current system after all has become pretty much a Hobia cube of contradiction, complexity and counter-productivity. It is a game that every taxpayer has to play, but all too often taxpayers win. And it is our view that we all lose in the long run as the economy suffers under tax rules and regulations that now have gotten so large they fill over 30 feet of shelf space.

The President's plan would provide for the most relief for the American taxpayers public that they've received since 1981. Obviously as I mentioned earlier, those tax cuts did help pullup our economy out of the doldrums and into a recovery. Quite frankly, when you travel abroad and spend as much time as I have to spend in international financial meetings, our economy is the envy of the world. And this, in our view, has partially been caused by the substantial tax reductions that we were able to effect in 1981.

This tax plan is going to mean lower taxes for the vast majority of Americans. A total of 58 per cent of all taxpayers will come out ahead under this proposal. Another 20 per cent will come out basically even. We say they are winners because they will be part of a more economically efficient system. And 20 per cent of all taxpayers will be losers.

I have to say that I think that a large part of that 20 per cent are people who are today taking advantage of shelters and loopholes, are going to find it more difficult to do that in the future as we begin to close those loopholes.

Under the proposal or enacted in its present form, 50 per cent of all American taxpayers would not have to file a tax return if they didn't want to. We are going to have a "return free system," where you can simply tell the IRS to send you a bill or send you a refund check. And if you don't want to trust them, you can file your return and go through all the agony that we've all gone through for so many years in trying to pull our tax returns together.

But I can't overemphasize to you the strong political appeal of the concept of tax reform. There has been very little discussion of the return free aspects of the system. To the average American, those return free aspects will have great appeal. We are going to take a system of 14 different rates and reduce them to three. It will be a lot flatter and it will be a lot simpler. A total of 97 per cent of all taxpayers under this plan would pay no more than 25 cents on the last dollar they earned, and only three per cent of America's families will have to pay the highest rate which drops from 50 to 55 per cent.

We are giving the American family a long overdue break by doubling the personal exemption to a full $2,000. It's been at $1,040 for a long, long time. We are increasing the standard deduction to $4,000 for a joint return and a family of four will pay no taxes on the first $12,000 earned.

The plan also corrects a problem that has been going on for far too long as far as we're concerned and that is the increasing tax burden on lower and fixed income Americans. By raising the earned income credit, by indexing it for inflation, and by practically doubling the personal exemption, we can make sure that working families do not suffer under the heavy burden of federal taxation. The President said in his State of the Union message that he would like to see a tax system where families at or near the poverty level would not have to pay federal income taxes, if they're at the poverty level. And under this proposal 2.5 million Americans would be removed from the tax rolls.

So you can say, well now how in the world can you reduce rates to that significant degree and meet the goals of fairness, simplicity and growth? The answer is you can do it, only if you're willing to cut back on loopholes, preferences and deductions. Quite frankly, if you leave loopholes in place you will guarantee the average taxpayer remains dissatisfied and demonized about our system. We happen to be confident that when the plan is enacted, tax compliance will increase dramatically. Because, ladies and gentlemen, there is a widespread belief that some taxpayers get a free ride while others pay their fair share or more. Everybody is concerned that their neighbor gets a break that they don't get. There is an absolute genuine disrespect for our tax system out there which we think translates into a disrespect for government generally. If you cure one you will go a long way toward curing or correcting the other.

As a consequence, the plan eliminates or curtails over 65 categories of preferential tax treatment. All but two business tax credits would be eliminated, and rules on tax shelters will be tightened.

But I think it's important to remember this: Everybody needs to look only at the loopholes, the preference or deduction that they are particularly interested in, and they lose sight of the fact that the loopholes fall to do the rates. There is simply no other way to achieve real tax reform without eliminating loopholes, if you are going to have the kind of significant rate reduction we are talking about.

Our plan combines these good intentions
into one basic concept, which is lowering rates and making taxes more economically realistic. We would lower the top capital gains rate from 20 to 17½ per cent. We esti-
mate that the tax on income from new capital, the overall cost of capital in other words, whether it is for manufacturing or whatever kind of business activity, will be nearly 20 per cent less than it is under current law. We should make sure, of course, that every pro-
fitable corporation pays some tax and there-
fore we have an improved and strengthened multimillion corporate tax provision in our plan.

The fact that major corporations that earn significant amounts of money do not pay any tax is what has led us as much as anything else to the genuine disrespect that has built up for the tax system.

To sum up, we project that the tax plan will speed up growth. It will make it more bal-
anced. It will benefit all regions of the coun-
try. Both investment and capital formation in our view will improve significantly. That's because American businessmen and women, whether they operate horse farms, run com-
puter software firms or manage factories, are really most vigorous when they are breathing the fresh, pure air of the free market as opposed to being trapped in the dusty corri-
dors of tax shelters.

By reforming our tax system, we will allow our economy to soar. The alternative to sub-
stantial tax reform is to slit tidy by and ignore a system that can only get worse. For too long, we have done exactly what you will find little argument with the premise that the current system is an outrage. I think everybody be-
lieves that. We simply should not tolerate a system that's riddled with special privileges and inequities that violate our most fun-
damental American values of justice and fair play.

Just down the road from here our fore-
pathers fought one of the major battles that freed us from the iniquity of King George's oppressive taxation. The patrons of Saratoga and the Beregovina helped to create a nation based on the principles of freedom and equality. Now oppressive taxation threatens that freedom and that equality once again. So President Reagan has called for a second American Revolution. And he will be calling. The case is strong for a lot more in the future. I hope you will want to join us in that pursuit. In our view we owe our country no less. Thank you very very much.

(Applause)

MR. PHIPPSThank you very much. I
know that you would like to entertain some questions at this time and are you pre-
times?

JAMES BINGERMr. Secretary, I'm in-
terested in your observations on the role of the Treasury in connection with the strength of the dollar. I wonder how to put this in the context of the horse business and I suppose that with a weaker dollar our foreign buyers could pay more for our horses.

SECRETARY BAKER: Jim, I think that's true with respect to anything we are trying to sell abroad, and one of the major causes of our substantial trade deficit is a strong dollar. A strong dollar is not all bad. The strong dollar has meant that we've been able to keep infla-
tion under 4 per cent for three years in this country. And I can remember in 1986, when we all accepted the fact that inflation was here to stay, it was economic enemy No. 1. As a matter of fact, it was the foremost issue in the 1980 campaign. I do not think many people felt that the President would be able to get inflation down and keep it down but he has. One reason he has it is because the dollar has been strong. The strength of the dollar is evidence of the fact that our economy has been growing, that we have succeeded, and foreign economies have not grown as well. We have been working over the course of the past year to try and bring about a greater growth abroad. That was what the 1982 Eco-
nomic Summit was all about. We would like to see England, Germany and Japan permit their economies to grow a little more so that they can begin to pick up some of the slack now that ours is moderated.

The dollar has lost 40 per cent of its rise against foreign currency since 1980, just in recent months. It is down to about 2.8 Deutsch marks to the dollar which is what we normally have to measure it by. The econ-
omic forecast is for 3.47 in last February and March. So it's begin-
ning to come down and it is doing so in a way that it ought to do so which is gradually and moderately. Of course, all observations all the time. A lot of people are complaining about the consequences of the strong dollar. And I always ask people what would you do about it? And nobody has any suggestion. The only sure way to get the dollar to be lower is to call it. But we can't get it down without doing the kinds of things we are doing, which is seeking fiscal deficit reduction and that sort of thing. Nobody wants us to reflate.

We happen to think that exchange market intervention, which is a course that some European economists think is suitable, has limited utility. When you have $50 billion trading every day there's just a limited amount that you can do by trying to intervene in the foreign exchange market.

So all I can tell you is we're not displeased to see the dollar begin trending downward and doing so in a gradual fashion. As it does so, it ought to improve our trade balance both for horse industry and all other indus-
tries.

MR. PHIPPSSo I guess our trade balance really is one of the bright spots. The number was given to me this morning that we really are out of balance by about $500-million coming into the United States. So that's nice.

MRS. HELEN CHERNERMr. Secretary, one of the stated goals is simplicity, and yet a proposal is to put all individuals involved in farming on the accrual basis of accounting as opposed to the cash basis, and that's going to be hopelessly complicated for us. How is this either simpler or more efficient?

SECRETARY BAKER: You are absolutely right, it won't be simpler. Let me point out that it applies only to people with gross of in excess of $5 million. So it doesn't apply to a lot of small farmers and operators out there.

MRS. CHERNER: We all aspire to sell a $5-million yearling sometime.

(Laughter)

SECRETARY BAKER: I realize that. I would put the principles in this order: Fairness, growth, simplicity. When the two conflict, and sometimes fairness and simplicity do conflict, we would normally resolve it. We try to resolve it in terms of fairness.

Most people who have gross of in excess of $5-million normally keep financial records anyway for their banks on an accrual basis. Now maybe you don't, but a lot of people do. And so we think that the impact therefore of the additional burden, the record keeping burden will be minimal.

If that's not the case, there will be hearings in both the House Ways and Means, and Sen-
ate Finance Committees where those kinds of points will be debated. There will obviously be changes. I don't mean to suggest that this is a change we could agree to, but there will be changes in this plan as it moves through the
legislative process.

I think the point you make is a good one. It does not simplify. We do think it makes it more fair.

**MR. EDWARD-BONNIE:** Mr. Secretary, is it likely that the Abner Bill which limits home and other farm loss deductions to less than $30,000 from other income will become law and if so in what form?

**SECRETARY BAKER:** I don't know whether it is going to become law or not. It has not been embraced by the administration. It is not a part of our tax reform proposal. There is nevertheless, as you know, great distress in the agricultural sector of our economy at the present time, and the agricultural credit sector of our economy.

Therefore, there is support building for solutions such as the Abner Bill. We have not taken a position on it. It is not a part of our tax reform proposal. And we do not support it.

I can't tell you whether or not it is likely to get through. I simply don't know because we haven't done any vote counting or anything else. It has just surfaced. But I do believe this.

I think tax reform moves, particularly into the Senate, there will be a serious effort made to enact that proposal into law.

**DR. TAYLOR ASBURY:** Mr. Secretary, we believe that there is a movement afoot, or part of this proposal to remove capital gains from livestock, and we wonder how that correlates with the movement that capital gains be left in place for securities.

**SECRETARY BAKER:** Sure, that's a good question. What the proposal calls for is the elimination of capital gains for all depreciable property. Securities are not depreciable. You can't write them down so we would leave capital gains with respect to securities.

I might say that it's not just livestock. It is any property held for use in trade or business that would be so treated. And on the other side of the equation we do call for indexing to protect that property against the consequences of inflation. This is simply a proposal that the Treasury has supported in the past for many, many years, simply feeling that there is a terrible revenue drain where you permit the depreciation of property and then give it a preferential tax treatment when it is sold. So that is the reason for doing that.

Let me point out this. While you might lose capital gains, and you will lose, assuming this bill passes, the pre-productive period expense. I realize these impact substantially on your industry. Let's not forget what happens on the other side of the equation.

General capital gains go from 28 to 17 1/2 per cent. The top corporate rate, to the extent that there is corporate rate that is applicable here, go from 46 to 35. And your top rate goes from 50 to 35. Now anybody that's paying any taxes, I can't help but believe is going to come out ahead. If you're not paying any taxes, I don't have an answer for you because that's part of the problem.

**MR. WHEELER WHITNEY:** Could you tell us what the present proposal is and how it will affect charitable contributions?

**SECRETARY BAKER:** Sure. I don't know how many of you have followed this tax reform debate from the beginning, but those of you who haven't, I should say there was an original Treasury proposal that was released right after the election last year in November called Treasury I, which called for a much flatter, simpler reform of the tax system. And as part of that it called for the total elimination of depreciated property contribution and it called for a ceiling of, I think, you could deduct other contributions only to the extent that they exceeded two cents per dollar of your adjusted gross income. And it called for the elimination of the above the line charitable contributions.

We took a look at it and concluded that it would simply not be right. That it would run counter to the President's emphasis on doing things through the private sector, instead of trying to do them through government. So we've resized for the most part all charitable contributions. There is no longer any limitation by way of a two per cent of adjusted gross income proposal. Appreciated properties can still be donated to charity and you can take the appreciated value as a charitable deduction.

We do call for the elimination of the "above the line" because that's really basically become nothing more than an addition to the standard deduction. It's $100. Everybody takes it. There is no way that the IRS can audit or ask for any proof with respect to it. It is due to phase out anyway in 1987. We do call for the elimination of that. I'm not sure that will survive the legislative process.
But for the most part we have restored the
deductibility of charitable contributions, just
as we have restored a number of things that
spoke to capital formation, entrep-
trepreneurship, investment, which we thought
were not given their due in Treasury I. So
we’ve got a depreciation system that is more
competitive, quite frankly, than current law in
terms of the overall cost of capital. We have
restored the graduated rates for small
businesses. We have a provision in there that
for the first time we will let corporations
deduct a portion of their dividends to estab-
lish the principle against, or at least start treat-
ing with the problem of the double taxation
of corporate dividends.

So there are a lot of things from that angle
that we’ve put back in that make it a good
proposal in our view.

MR. PHIPP: Thank you very much, Mr.
Secretary.

(Applause)

I guess last night was a momentous occa-
sion when Mary Barrard, Secretary Baker’s
little daughter, came to our house and had
dinner and left her first tooth in a nice piece
of Saratoga corn.

(Laughter)

We thank you very much for coming. We
really appreciate the Secretary’s remarks, all
the other panelists, Gibson Downing. We
thank all of you for what you’ve done for us
today. The Med Round Table Conference is
now closed and we look forward to seeing
you next year.