

1 DR. SHOSKY: Thank you, Madam Chair. This is a chapter
2 that is, sort of has its own little structural difficulties,
3 because I think maybe the chapter title is a bit misleading.

4 We are actually dealing with two large categories of
5 issues in this chapter. One, economic, the other is social
6 costs. And in terms of economic, what we are doing is looking at
7 positive/negative economic aspects of gambling and the expansion
8 of gambling. and, again, with social costs, the same thing,
9 positive and negative.

10 And so this is a place where issues about economic
11 growth, job creation, impact in the community, family disruption,
12 bankruptcy, suicide, even credit issues have been lumped into
13 this particular chapter.

14 I have been thinking, I'm not sure I'm in a position to
15 say this, but I have been thinking, as I have been working on it,
16 that it might not be a bad idea to break them in two, and create
17 two chapters out of this instead of one.

18 But if we do keep it as one chapter, we might want to
19 consider it titling it something different.

20 The information, of course, that we have been getting
21 from our contractors has some applicability here, but basically
22 the way we have been able to determine most of the information we
23 plan to include, is through studies that have already been done,
24 and through a review of literature, as well as the testimony that
25 we have received in front of the Commission.

26 CHAIR JAMES: Thank you. I'm going to ask if Dick
27 would open up our area of discussion. In this area he is our
28 resident expert in these matters. What would you like to see
29 that chapter focus on?

1 COMMISSIONER LEONE: I think that the chapter has to,
2 although I have been admonished by Commissioner McCarthy not to
3 speak again today, I'm asking for special dispensation from --

4 COMMISSIONER MCCARTHY: That was respecting your
5 self-exclusionary phase.

6 COMMISSIONER LEONE: I think we might want to do
7 something a little unusual, and at the beginning of this chapter
8 talk about what a true accounting would be of costs and benefits
9 to the gambling communities, the states, and to the nation.

10 And discuss quite frankly our limitations of being able
11 to do anything of that type for a variety of reasons. Some of
12 the reasons we have talked a lot about, some of the other reasons
13 have nothing to do with gambling, they have to do with consumer
14 expenditures, generally, and particularly in entertainment, where
15 the substitution effect is very important, but people are not
16 very good at measuring it, so that it is not at all clear.

17 And I would be happy to help, substantially, with this
18 section. I think if anything bothers me about this is the impact
19 discussions, and papers, and other things, it is the claim that
20 they somehow reveal the truth. When we know that we can't
21 measure some of these things very well, at all, in particular we
22 can only measure bits and pieces of it.

23 And I also think that right up front in the chapter we
24 should make clear that there are many things we can't quantify.
25 Or even, and I don't simply mean that saying the cost of divorce
26 is the price of a lawyer, which is a ludicrous statement, but
27 that even if one could calculate the consequences in terms of
28 single parent households, and different economic circumstances,
29 one still couldn't quantify that.

1 And that this Commission, I'm sure, wouldn't want to
2 claim that if we could count all these things correctly we would
3 have, in fact, on some scale of whether to do something or not,
4 do something, have summarized all the arguments, because there
5 are just many things that are unquantifiable.

6 Economics is an amoral way of looking at the world. It
7 counts a bullet the same as a piece of chalk. And we should
8 never forget that. So even if we could count the price of every
9 piece, and figure out the cost, we still would not have come to a
10 conclusion about this.

11 So I think that is the first thing. The second thing
12 is, as you know, as the Commissioners know I have great problems
13 with the Rose paper, and I would not rely on it very much in
14 this. I'm not attacking the author, I think it reflects the
15 larger problem of what is out there.

16 Now, having said all that, I think we can draw a
17 distinction between forms of gambling that have more pluses than
18 others, because it is somewhat easier to measure some of the
19 pluses, it is hard to measure the minuses.

20 And, obviously, the gambling that produces jobs, and
21 income, and other activities, and economic development in places
22 like Indian reservations in the middle of the desert in Nevada,
23 or in poor counties in Mississippi, has a greater claim to
24 exceptionalism, in terms of its economic development.

25 Even in those places I would argue it is not easy to
26 measure the other side of the equation. We have had plenty of
27 people come and testify before us I'm on welfare because I can't
28 handle gambling, I'm off welfare because I got a job at the new
29 casino.

1 I mean, no humans can balance those things, I don't
2 think we should try to in this particular forum. And that is why
3 I have also circulated my view that we should be very modest
4 about what we can say in this chapter.

5 There is a lack of knowledge, the lack of ability to
6 get the numbers right, even if we got the numbers right we
7 wouldn't be counting everything. But I do think we can say some
8 things that are different from others.

9 I think we should be explicit about the lotteries not
10 serving any particular economic function that I can see. They
11 are simply a clever way to raise money for states, and turn some
12 money around. And they probably, on the margins, keep this
13 convenience store, or that convenience store in operation, so do
14 the other convenience gambling. But in a strict sense nobody
15 would claim that was some positive economic effect. And they
16 clearly don't result in any net new revenues.

17 Every time people look at that, they can't find any
18 evidence of that. Money is fungible, like most dedicated
19 capitalists, there are pretexts.

20 So I think we can talk about that, and I think we can
21 also say what we know from the research we did on communities,
22 those case studies.

23 My bottom line, Kay, we are not going to add much to
24 that. This is one where we are not adding much to what people
25 knew before this Commission existed. In fact, I would argue that
26 the biggest position we can make is to forcibly bring home to
27 people that they didn't know as much as they think they do before
28 we met, I mean, found out how little we all know.

29 CHAIR JAMES: Other comments?

1 COMMISSIONER DOBSON: The only area of recommendation
2 that I would make on this one has to do with the bankruptcy. Is
3 it feasible, Richard, is it doable for bankruptcy courts to
4 institute a system of collection on the data and information
5 related to bankruptcy?

6 COMMISSIONER LEONE: That is an interesting -- I don't
7 see why not. It seems to me that it would not be impossible for
8 people who file for bankruptcy to have to fill out a form. I
9 wouldn't limit it to this. That would give you interesting
10 information. I don't know how good it would be.

11 COMMISSIONER BIBLE: And I haven't looked at it
12 recently, but I think people get disclosure documents that you
13 make when you file there is certainly a listing of all your
14 creditors, and things of that nature. There is quite a bit of
15 information in those documents.

16 COMMISSIONER LEONE: People who file for bankruptcy,
17 you know, typical individual, small person, tends to be somebody
18 who is heavily involved in what in the finance world are called
19 PMC credit activities. In other words they will have already
20 gotten down to where they get tired of paying an outrageous
21 interest rates to keep the car, or a second mortgage that has
22 gone to other things.

23 And I don't see why the -- I mean, whatever behavior
24 drives them to that might be something that at that point they
25 would talk about. And I think it wouldn't, obviously, turn out
26 to be I was drinking, using drugs, gambling, and other things.
27 But I don't see why that wouldn't be a good idea. Again, that is
28 something states could do, it is not complicated.

1 COMMISSIONER BIBLE: Well, that data is all collected
2 at the federal level, because it is a federal activity in terms
3 of the bankruptcy court.

4 CHAIR JAMES: But would the questions that are
5 currently asked get at what we are --

6 COMMISSIONER BIBLE: Well, I'm trying to remember what
7 is collected in terms of those petitions when they are filed.

8 CHAIR JAMES: Because it would be creditors and

9 COMMISSIONER BIBLE: Creditors and things of that
10 nature. And you may not list how you --

11 CHAIR JAMES: Right.

12 COMMISSIONER MOORE: I think that they say, I think the
13 principal reason for bankruptcy, ask the question did the
14 bankruptcy, most of them will file personal bankruptcy will be
15 along what Richard is talking about, but then they come along and
16 they all think about it, and you would be surprised at the number
17 that is because of doctor and hospital bills.

18 COMMISSIONER BIBLE: Well, the lawyer may ask his
19 client, but it may not get transferred into the --

20 COMMISSIONER MOORE: Right it may not.

21 COMMISSIONER LEONE: Over-simplified.

22 DR. SHOSKY: Madam Chair, there is somebody in the
23 audience from Treasury that could answer that question, they have
24 been working on that very issue.

25 CHAIR JAMES: Do you want to come over to the mike? We
26 are a friendly bunch, don't worry.

27 MS. DELVINIO: Hi. I'm Linda Delvinio, I'm the deputy
28 assistant secretary of the Treasury for economic policy. My team
29 has been working on the gambling and bankruptcy study but we have
30 not completed it at this time.

1 The, I guess the question was, in terms of disclosures
2 on bankruptcy disclosures --

3 COMMISSIONER BIBLE: On the filing documents.

4 MS. DELVINIO: The filing documents. At this point
5 there is no question that asks, specifically, a listing of
6 gambling as a part of the different disclosure pieces.

7 Now, it is very difficult to get at, as you all have
8 already said, because it could be unsecured debt that has
9 increased, and that may have increased because of gambling, so
10 therefore borrowing was included, or even second mortgages,
11 etcetera.

12 But the specificity of gambling in the disclosure
13 documents, at least at this point to my knowledge, I have not
14 seen that.

15 COMMISSIONER DOBSON: Is this the study that was done
16 by congressional fiat?

17 MS. DELVINIO: Yes.

18 COMMISSIONER DOBSON: About two years ago? When will
19 your report be out?

20 MS. DELVINIO: We are anticipating that the report will
21 be concluded at the beginning of May.

22 COMMISSIONER DOBSON: Do you have any preliminary
23 information for us?

24 MS. DELVINIO: Not today, no, sir.

25 CHAIR JAMES: Any announcements you want to make?

26 MS. DELVINIO: No.

27 COMMISSIONER BIBLE: But you have all the information
28 that this Commission collected for your department?

1 MS. DELVINIO: Yes, we have worked with the NORC data
2 base, including adult information, community data base, as well
3 as time series analysis and data bases that we collected.

4 COMMISSIONER BIBLE: And that information will be
5 available in early May?

6 MS. DELVINIO: Yes.

7 COMMISSIONER BIBLE: Good.

8 DR. KELLY: And if I could just recognize the role that
9 Treasury played, I want to publicly thank you for the role you
10 played in supporting our research on this very issue. They
11 contributed significantly to our work.

12 CHAIR JAMES: Thank you.

13 COMMISSIONER DOBSON: Is it your impression that --

14 COMMISSIONER MCCARTHY: Early May, early May.

15 COMMISSIONER DOBSON: I'd like her to hear my question.
16 This is a different question, Leo, you jumped to a conclusion.

17 Is it your impression that the recommendation you just
18 heard here is not necessary because of the federal initiative
19 that we talked about? Is it still, in your view, would it still
20 be helpful for states to collect these kinds of data on
21 bankruptcy?

22 MS. DELVINIO: These kinds of data, I think that is
23 within the purview of the type of research that you all will be
24 wanting to recommend.

25 COMMISSIONER BIBLE: I think it is a broader question,
26 and the question is, in the filing documents that are submitted
27 to the federal court, would you get meaningful data if you had
28 some sort of an enumeration as to the causes of the bankruptcy
29 filing, whether it be a failed business, medical bills, gaming,
30 you know, a whole variety of sources.

1 Would that information be a problem to collect? And if
2 you did collect it, would it have some utility? I believe that
3 was your question.

4 COMMISSIONER DOBSON: That is it.

5 MS. DELVINIO: At this point we haven't looked at that
6 issue completely because we haven't finished our study, and
7 whether that is going to be part of our recommendations or not, I
8 can't really say at this point.

9 COMMISSIONER DOBSON: And your four largest conclusions
10 are?

11 (General laughter.)

12 CHAIR JAMES: John?

13 COMMISSIONER WILHELM: I don't know if you were here
14 earlier when we were having a discussion about the extension of
15 casino credit. But to the extent that a bankrupt person's debt
16 problems are related to the extension of casino credit, which is
17 not the same thing as gambling, would that show up on these
18 forms, that is if the casino were a creditor?

19 MS. DELVINIO: I would have to look into that. I would
20 assume that it is part of the listing of creditors that were
21 owed, I suspect it would. But that is not my immediate reaction
22 right now, I would have to look into that.

23 COMMISSIONER WILHELM: Is your study addressing that
24 question? That is, to what extent do casinos or other gambling
25 institutions appear as creditors?

26 MS. DELVINIO: We are looking at all aspects.

27 COMMISSIONER BIBLE: We will see that in May.

28 CHAIR JAMES: Thank you. Any other comments,
29 directions to staff, on economic development?

1 COMMISSIONER WILHELM: Yes, I would like to react to
2 Richard's comments. I would agree with Richard's comments in
3 full, I think, if the question we were talking about was the
4 economic impact of gaming on the national economy. I don't have
5 any question that nothing definitively can be said about that.

6 But I differ, based on the record before this
7 Commission, with the notion that nothing definitive can be said
8 about the economic impact of gaming in particular communities.

9 I think there is a clear message in the record before
10 us, both in the research, and in the testimony, that does not
11 permit us to say in definitive, quantitative terms, precisely
12 what the economic impact on communities is on some kind of
13 gaming.

14 And the reason that we can't say it in precise
15 quantitative terms is because of the inability, thus far, to
16 quantitatively depict the costs of the negatives associated with
17 gambling, the social costs, or whatever term you want to use for
18 that.

19 But I feel it would be a real mistake, and a disservice
20 to the country to say that because we can't arrive at a definite
21 quantitative number for the economic impact of certain kinds of
22 gaming on at least some kinds of communities, therefore we should
23 say we don't know. I think the record doesn't support that.

24 On the research side the NORC study says that there was
25 an identifiable decrease on welfare, and unemployment, and other
26 kinds of dependencies like that in communities which introduced
27 casino gaming, and that is true even though, as best I can figure
28 out from the interesting technique that NORC has to respond to
29 questions that they don't like, as best I can figure out, almost
30 all of the communities they looked at, that had introduced gaming

1 in the time frame they were looking at, in the data base, has
2 non- union establishments.

3 And despite of that, all of these things went down.
4 The National Research Council has a number of pages in a chapter
5 about economic impact, which basically say what Richard just
6 said, essentially that who knows.

7 But even that organization says that there is clear
8 evidence that in economically depressed communities, that
9 gambling has a net positive economic benefit.

10 So I think the research clearly leads in that
11 direction, at least with respect to economically depressed
12 communities. And then if you add to that the mountains of
13 testimony that we had from workers, from mayors, from community
14 leaders, and all kinds of people, I think to ignore all of that
15 and say, well gee, who knows, because we can't put a specific
16 number on it, is a little bit like saying, there is a forest, it
17 has trees in it, but we are not going to admit the trees because
18 we can't count them all.

19 Now, again, I agree that we can't asses the economic
20 impact of gambling on a national basis. And I agree that we
21 can't put a specific number on the economic impact of gambling on
22 depressed communities.

23 But I do not agree, I emphatically do not agree, that
24 it follows from that, that therefore we can't really say anything
25 about this. And I think that would be contrary to the record if
26 we were to reach that kind of conclusion.

27 I would just, in passing John, point out that in
28 numbered paragraph 1 of your outline, when you talked about
29 depressed communities, you should have included, I think, Indian
30 reservations, or some Indian reservations at any rate.

1 COMMISSIONER LEONE: Let me expound in two ways to
2 that, John. I did mention, when I talked about gambling that it
3 is obvious that in particular places, particularly places that
4 are economically distressed, and that have gambling when their
5 neighbors do not have gambling, in other words have an exception
6 which allows them to have gambling, and draw on a broader
7 marketplace, crucial if they draw on a broader marketplace, that
8 there is positive economic development.

9 But I just ask you to think what an experiment would
10 be, suppose every community had gambling around these distressed
11 communities, or that it became a very different proposition to
12 draw from a broader marketplace. We would assume, let's say the
13 benefits were still positive. I think you would agree with me
14 they aren't going to be as positive.

15 And the reason they are not as positive is one begins
16 to, one has to face the fact that the benefits are being drawn in
17 from a larger community. Therefore one wants to get the net
18 costs and benefits, not to the Pequot nation, not even to
19 Connecticut, but maybe to the northeast, and not just to Las
20 Vegas, or Nevada, but maybe to the nation, or even the world, and
21 tally up the pluses and the minuses.

22 I'm simply saying that it does not at all appear to me
23 if we know whether that number would be a positive number or a
24 negative number. I have no doubt that it is a positive number in
25 Las Vegas, or in the Foxwoods neighborhood, or in Pascagoula, or
26 in Atlantic City, although there are people who disagree with
27 that about Atlantic City.

28 I'm just saying that we are a national Commission, and
29 I think we should say that this has proven to be a powerful
30 economic engine. I would argue, particularly, on certain Indian

1 lands, where it has made -- it is quite obvious, but also in
2 other parts of the country.

3 But as a Commission, a national Commission, the charge
4 is to look at this in a broader context, we can't conclude
5 anything, particularly, about whether the costs, which are borne
6 by a much broader part of society, and are much harder to get at,
7 how much they subtract to the benefits.

8 Nobody would argue, the most avid advocate of gambling
9 would not argue that there are no costs. And so the question is,
10 how big are the costs? All I'm saying is we can't measure the
11 costs, therefore we can't do a cost benefit analysis.

12 I mean, we could do a cost benefit analysis if we look
13 at it closely enough. If we look at, you know, and we should
14 acknowledge that, we should say that it has been a powerful --
15 and I don't think, of course that should be in here.

16 But I think we also then have to acknowledge that there
17 is some evidence that it can be quite costly on the other side,
18 and we don't -- we have a harder time getting at those numbers,
19 that is all.

20 COMMISSIONER WILHELM: Well, as long as we put both of
21 those concepts in there, I certainly agree with you. I mean, as
22 you know Richard, we don't run our economy in this country, based
23 on deciding what is good nationally.

24 I mean, that is why states and cities get into these
25 incredible competitions for who gets the Mercedes plant. Now,
26 people can criticize, you know, the state of Alabama for whatever
27 package it came up with for the Mercedes plant was, but the fact
28 is they made the judgement, and it was worthwhile.

29 And I think if you go to the area of Alabama where the
30 Mercedes plant is, you might agree with that.

1 Now, we don't calculate the national cost of car wrecks
2 when we talk about, you know, whether an automobile plant is a
3 good thing for a particular community, or a particular state.
4 But as long as we have both of those concepts in there, then I
5 don't disagree with you.

6 COMMISSIONER LEONE: No, I agree. And, you know,
7 remember in all of these, the state subsidy example, or the state
8 licensing example, we went to a different area where we are not
9 really letting the market call the shots.

10 When somebody builds a private sector plant, we don't
11 -- we figure the market will sort out whether this has a positive
12 return or not. If there is an open competitive environment, if
13 somebody can do it more efficiently in another town, or in
14 another state, we let all that work out.

15 When the Government intervenes to provide a subsidy we
16 believe there ought to be a good reason. It is national defense,
17 and we wouldn't get enough national defense if we didn't put up
18 the money, and underwrite it, or something.

19 Or we want to develop Atlantic City, so we will give
20 them special rights. And that will -- I mean, or we want to get
21 this auto plant, so we will let this -- this plant won't pay
22 taxes, and all the other plants in town are paying.

23 CHAIR JAMES: I hear nuances, I'm not sure I hear a
24 great deal of difference.

25 COMMISSIONER LEONE: Yes, I don't think there is a
26 great deal of difference.

27 CHAIR JAMES: Anything else on this particular area?

28 (No response.)

1 CHAIR JAMES: It is 6 after 3, why don't we break until
2 3:15 and come back and wrap up those last two issues, crime and
3 convenience gambling.