

1 CHAIRMAN JAMES: Mr. Brunner?

2 MR. BRUNNER: Thanks for asking me to do this. I
3 have the testimony and will submit it. I'll try to just
4 summarize it for you, if I can. I've been sitting here all
5 morning, watching it and I think it's been great so far and I'm
6 particularly struck by the suggestion that Commissioner McCarthy
7 made.

8 We had somehow gotten ourselves in a position where
9 we all agree what the positive effects of casino gambling are but
10 because we can't quantify exactly whatever that means, what the
11 negatives are, the response so often in the studies that have
12 been done is to completely dismiss it.

13 In other words, the suggestion is that those two
14 ladies that were here are just those two ladies, that they don't
15 represent a bigger group of people.

16 There's a secondary problem as well. On the way
17 down, I was reading yesterday's Chicago Sun-Times and, of course,
18 we all watch television and saw this young teenage fellow who was
19 convicted of murdering a girl in the Nevada casino.

20 Well, it brought to my mind two questions: why are
21 two little girls in the Nevada casino, and secondly, why are two
22 young teenage guys in there to commit this rape and murder?

23 Similarly, yesterday's Sun-Times has an article
24 saying man alleges brutality. Casino patron says the tape shows
25 beating by the Joliet cops. So he gets drunk in the casino,
26 he's -- the cops are called, they handcuff him, they bring him
27 into the casino offices where they beat him.

28 Now, the question becomes, where would the professor
29 put this statistic? Would this be, as it's on the books, a civil

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1 rights action by this man against the police, who then dropped
2 all the charges because there's a tape? How does this fit?

3 Did the casino cause this problem, or would he have
4 gotten drunk at another bar, started a fight over there, the
5 police would have shown up and beaten him up? So underneath this
6 all is this kind of problem all the way through, in my opinion.

7 I'd like to suggest to you that -- I have a
8 background in organized crime, having been an assistant United
9 States Attorney first, a local prosecutor, and then, along with
10 Mr. Muhlenberg, who's been mentioned, he and I began the
11 Organized Crime Strike Force, first in Cleveland, Ohio, and then
12 with Dick Thornburg, we began and I was the head of the Organized
13 Crime Strike Force in Pittsburgh, Pennsylvania, but that was a
14 long time ago.

15 And what happened was, I didn't do anything about it
16 for many years. Thornburg and I at one point ran the largest
17 gambling raid in the history of Pennsylvania, our claim to fame:
18 44 locations simultaneously on a Saturday afternoon sports
19 betting.

20 But when Mayor Daley proposed a \$2 billion, 12 city
21 block, five Las Vegas casinos in America, my board of directors,
22 many of whom live downtown, many of whom represent casino
23 interests -- it's a non-profit bi-partisan group -- they said,
24 hey, this is a big thing. This is going to affect the quality of
25 your life. What are we going to do about this? We've got to
26 study it.

27 So we put together a commission much the same as
28 this. We held eight meetings in church basements and
29 universities all over Chicago. We taped many of the same

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1 witnesses you've seen: LeSieur, Schaffer at Harvard, Dewey
2 Jacobs at UCLA, Hunter in Las Vegas.

3 We brought those videotapes in. We had industry
4 representatives. We did a number of things which we pointed out
5 here. We went to Las Vegas; we taped University of Arizona
6 students, underage drinking and gambling in three facilities.

7 We applied for jobs; we checked the records; we taped
8 the locals, and ultimately, one of our people got a job as a Keno
9 runner in Caesar's Palace.

10 We took all of this information, along with other
11 internal documents of the casino owners, which we received in Las
12 Vegas, including their public relations plans to fight the Indian
13 casinos in California, the focus group studies on how to approach
14 selling the Chicago casino proposal, their internal battle plans
15 to carry out the strategy in the Chicago media, and sheets
16 indicating how they would attempt to influence every Illinois
17 legislator.

18 We took that material and we put it on NBC in Chicago
19 for five nights so that people could see exactly what the casino
20 proposal would have meant in Chicago.

21 Along with that, we discovered very quickly that the
22 academic resources in the city, even though we had six great
23 universities, were almost non-existent. Nobody knew anything
24 about gambling because it had never been in Illinois.

25 And, in fact, there were very few people nationally.
26 I think there were about 12 experts. They used to have a little
27 meeting, talk to each other and argue about how to quantify
28 social costs. There were, however, general agreements on certain
29 facts.

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1 First of all, there were a large number of teens
2 gambling. Many of these teens were visiting casinos in Atlantic
3 City. I think it was over a million, we figured. The teenagers
4 were drinking and gambling in large numbers in Las Vegas.

5 Certain percentages of exposed gamblers became
6 problem gamblers and these gamblers often engaged in anti-social
7 behavior ranging from criminal conduct to broken homes to
8 suicide.

9 These activities from teen gambling to problem
10 gamblers to crime emanating from gambling in a negative way, and
11 quantifying it, was called the social costs but there was a
12 raging academic debate about what costs should be included
13 between people like Henry LeSieur and Pulitzer at Johns Hopkins.

14 And they said, you know, what's an abused dollar?
15 The kinds of things we heard this morning where we talked about
16 how people took the money they would have spent for food and
17 spent it gambling. Those were abused dollars and lost
18 productivity.

19 But these experts, all of whom knew each other, were
20 friends with each other and had these meetings, argued these
21 things incessantly and the argument began, more or less in many
22 ways, to fall of its own weight.

23 We estimated that there would be in the neighborhood
24 of -- in Chicago -- if the casino proposal went through, 69,000
25 problem gamblers. The question was, how much would they cost
26 society? We took the number \$50,000, which is what Pulitzer's
27 formula used.

28 Now, other academics like Henry LeSieur criticizes
29 that and says, no, that's too much. You heard Thompson this

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1 morning. He and Gazel, in their Wisconsin study, went with the
2 number 10,000.

3 But if you go to the debate -- and I came down to New
4 Orleans last year for the meeting -- there's a bigger argument,
5 and the argument has to do with, well, what is crime and is it so
6 bad?

7 So, for instance, if someone robs a bank and he gets
8 \$100,000, Henry LeSieur would point out, what if he takes the
9 \$100,000 and purchases a Mercedes? Well, the people at the
10 Mercedes agency then go out and buy groceries for their family.
11 So how can you quantify these statistics and what are the real
12 impacts?

13 And we can sit here, I would suggest to you
14 respectfully, maybe forever talking about these things.
15 Meanwhile, the Las Vegas casino owners never really admitted that
16 their casinos produced any problem gamblers at all.

17 Similarly, if you look at questions like organized
18 crime -- we brought in and looked at those statistics. They,
19 over the years, in the organized crime section -- and I remember
20 one time when I was working for Ed Joyce there, Sports
21 Illustrated said, you know, illegal gambling is \$162 million a
22 week.

23 I read the article, and I walked through to Ed and I
24 said, gee, Ed, I see you're quoted in Sports Illustrated. Is it
25 162? Where did we get that figure? Did we put that together
26 with some -- he said, well, you know, we had that raid over in
27 West Virginia and we got a bottom sheet, and I figure there's 52
28 Saturdays and so many teams and I said, oh, maybe 162 million.

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1 Now, if the organized crime section has no idea what
2 the volume is and they can't tell you what the amount of
3 legitimate business activity mob people do in America, well, who
4 would know and how is it possible to do these things?

5 At the same time, there were certain statistics that,
6 if you look back -- and I go back to the Nixon-Mitchell thing
7 where we passed the Organized Crime Control Act because the
8 president said we're going to have a war on organized crime.

9 Now, nobody knew how big organized crime was, what it
10 was. They knew, as Mr. Wilhelm has suggested, there was
11 organized crime in unions, there was the Las Vegas thing, and so
12 forth, but how much and did you really need 20 strike forces
13 throughout America to do this? The president picked that number
14 off the top of his head.

15 We sat there in the organized crime section, when we
16 got to 16 cities and said, how are we going to come up with four
17 more? We've only got 16, but Nixon said we're going to have 20
18 strike forces throughout the country and we're going to stamp out
19 organized crime. I mean, this is the way the statistics have
20 been manipulated in the past.

21 There have been, however, at the same time, some hard
22 facts but -- and I'll make one other point with regard to
23 Wisconsin because I was a local prosecutor in Wisconsin -- we
24 polled DAs in northern Wisconsin. Is gambling, any gambling a
25 big problem in crime? Oh, yes, it's terrible.

26 We have elderly citizens committing crimes. They're
27 holding up food stands, running through stop lights. We had
28 three squad cars broken up in Green Bay, Wisconsin, trying to

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1 stop an elderly guy in his 60s committing a crime wave to get
2 money for gambling.

3 Called the same sheriffs. Is it a problem? No,
4 there's no problem with gambling. Why is that? Well, they're
5 getting a revenue stream from the state money so they think it's
6 all great. They can build bigger jails. They can take care of
7 more prisoners. So even the experts argue about these things.

8 There are some facts. If you look at LeSieur's
9 studies in New Jersey, he's got 13 percent of the people in
10 prison who are there because they committed crimes because of
11 their gambling habit.

12 Similarly, Professors Hakim and Freedman said
13 gambling exports crime down the expressway from Atlantic City to
14 these other little communities. No one seems to seriously
15 contest that.

16 We know that in Las Vegas in 1981 they had the
17 highest per capita crime rate in the nation. One out of every
18 nine women was a prostitute between the ages of 15 and 39. There
19 were 10,000 prostitutes. They drove the crime rate down from 82
20 and -- all the way down to number 82 in 1982 -- 1992.

21 Now, how did they do that? By huge influx of money
22 into the budget. Mr. Ritchie, the former director of this
23 commission -- I testified the last time through here -- he told
24 me, hey, look, you don't see any hookers here. Right? We've
25 gotten rid of all those people. We took them out into the desert
26 and we dropped them off.

27 Now, you can do this but they, in prison, 63,000
28 people out of a total population of 640,000 people. I'll skip
29 through the organized crime section because Mr. Jahoda's here to

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1 talk about it and just tell you that testifying before our panel
2 was Kurt Muhlenberg, Gary Shapiro, the head of the strike force,
3 and Bob Walsh of the FBI. Walsh said gambling is a cash cow for
4 the mob. They are the experts.

5 I'd like to point out just a couple quick things. In
6 the area of public corruption, Illinois leads the nation, and the
7 biggest political scandal ever was the racetrack scandal which
8 caused Otto Kerner, our governor, to go to jail and two Supreme
9 Court judges to step down.

10 Similarly, there has been tremendous economic trade-

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1 In conclusion, I'd like to suggest two things in
2 defense of the ideas of riverboat gambling and this equation that
3 Commissioner McCarthy pointed out. When we go to a town with a
4 Wal-Mart, everybody says it's going to give you X number of jobs
5 but nobody says that it's going to put the camera store downtown
6 out of business.

7 We're holding gambling casinos to a different
8 standard. We truly are. We're saying because of the nature of
9 gambling you've got to look at both sides of the equation,
10 positive economic effects, negative transfer of wealth on this
11 side. We don't do that to other people.

12 Similarly, we can also argue in Illinois that the
13 revenue stream produced, as the mayors were pointing out, to
14 these towns will, in the long run, actually create economic
15 development if you put in the curbs and gutters and police
16 department and the rest of it. So I think you have to take that
17 into consideration.

18 However, in Illinois, if there's no tourism and no
19 economic development, the purpose was tourism, and economic
20 development, we're left without it. What have we got? We have
21 what Professor Ryan, who was sitting here this morning,
22 predicted.

23 He said you will have huge local play, huge taxes.
24 You will make the owners of the casino very wealthy. The
25 politicians will get to use the money. They'll get big campaign
26 contributions -- they're now number one in Illinois -- but what
27 you won't get is jobs.

28 And that's what's happened in Illinois. There is no
29 economic development. However, we have a huge tax base. Early

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1 on in the game -- and I would suggest to you that if we can
2 nationally what they've done in Nevada, and that is, they can
3 tell you everything about gambling, all the economic data is
4 available.

5 None of this is available to us nationally. None was
6 available to us in Illinois, which is why we had to put the
7 numbers together.

8 The chief economic analysts of the Nevada Gaming
9 Commission told me at the beginning, Brunner, this is nothing but
10 a very regressive tax on the poorest people in society. It is a
11 low end game. It is a grind market; it is slot driven. Don't
12 ever forget it. The addicts are not the gamblers. The addicts
13 are the politicians. They're hooked on the money.

14 In Illinois, we studied the Illinois lottery. If you
15 are poor, black and live in the ghetto, make less than \$10,000 a
16 year, you play the Illinois lottery at six times what an over
17 \$50,000, white suburbanite plays it at. The money goes into a
18 pot and we end up with having black people in the inner city
19 subsidize white suburban schools. Harold Washington was very
20 upset about this.

21 The question here comes down to, is this good public
22 policy? If you're left with taxes and no economic development,
23 let's take the economic development argument and put it over here
24 someplace else and say, let's look at the taxes as a positive,
25 let's look at the research on social costs and try to quantify
26 them so we can effectively see what we've got, and then let's
27 make a public policy decision.

28 Hopefully, you can go in that direction. Thank you.

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1 CHAIRMAN JAMES: I'm sorry, Mr. Brunner. I do
2 believe your time is up. I'm going to ask you to hold the rest
3 of your comments.

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