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CHAIRPERSON JAMES:

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It is my pleasure to welcome Congressman Frank Wolf to our meeting, and I saw the Congressman here. Is he still in the room? Thank you.

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As you many of you know, Congressman Wolf was the sponsor of the legislation creating this Commission. He has represented northern and northwest Virginia in Congress since 1980. He serves on the House Appropriations Committee, where he is Chairman of the Treasury Subcommittee. He is known for his excellent constituent services and commitment to preserving the American family, and for his attention to international human rights abuses.

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I've had the privilege to know him for many years, and please join me in welcoming Congressman Frank Wolf.

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Congressman?

1                   CONGRESSMAN WOLF:   Thank you very much,  
2 and I do appreciate the opportunity to testify before  
3 the committee today.

4                   I'm delighted to be here.   As a matter of  
5 fact, I can't begin to tell you how delighted I am to  
6 be here, because it took us quite a while to get this  
7 Commission passed over quite a bit of opposition.

8                   You are about to begin an important  
9 journey, and one of your first steps will be to  
10 prepare a road map -- and I agree with what you said,  
11 Madam Chair, as you were explaining -- but a road map  
12 to guide you.   There are some important things you  
13 should know at the beginning, and I'm pleased to have  
14 this opportunity to speak with you.

15                   I appreciate your kindness and your  
16 attention.   I will not take up too much of your time,  
17 but there are matters of consequence which I should  
18 address.

19                   The task before you is as important as it  
20 is enormous.   But your goal is really very simple.  
21 Today when a community, a town, a city, or even a  
22 state is considering the pros and cons of letting some

1 kind of gambling activity start up, they have nowhere  
2 to go to obtain reliable and factual and unbiased  
3 answers to their questions. Your job is merely to  
4 make that information easily available to them.  
5 That's it.

6           The Congress has given you two years and  
7 an adequate budget to uncover, compile, and digest all  
8 of the available information, and I have every  
9 confidence that you are up to the task.

10           I hope you will all take a look at  
11 gambling in America. This is the final report of the  
12 1976 Commission -- and I think it's excellent that  
13 you're having Mr. Morin in to talk -- on the Review of  
14 the National Policy Toward Gambling. This three-year  
15 study, completed over 20 years ago when legalized  
16 gambling was in its infancy -- only in two states --  
17 was the last time government took a hard look at  
18 gambling.

19           This report would be a good starting  
20 point for you. In the preface, Commission Executive  
21 Director James E. Ritchie concluded, he said, "We can  
22 no longer afford to be ill informed and complacent

1 about a matter of such manifest national concern," and  
2 that's when only two states had gambling. Yet today,  
3 over two decades later, we are still having difficulty  
4 shining the light of day on this dubious enterprise.

5           Let me say at the outset, I strongly  
6 oppose gambling. I think it is anti-family. I think  
7 it is anti-business and does more harm than good. I  
8 certainly don't want it in my community or in my  
9 state, and would fight and will fight it from coming  
10 to my area with all of my energy.

11           But I don't have any right to make that  
12 decision for other communities or other places.  
13 That's up to the people who live there to decide for  
14 themselves. But I'm not asking you to be against  
15 gambling. What I do ask, though, and what America  
16 demands of you, is to be open-minded, fair, and  
17 undaunted in the pursuit of knowledge based upon solid  
18 research and be courageous enough to air the truth in  
19 the face of what I know will be enormous pressure from  
20 special interests and spin artists.

21           In your search for information, I hope  
22 you will be out on the road. I urge you to hold

1 hearings all across America. The answers to your  
2 questions do not lie here in Washington, but in the  
3 gambling centers of Las Vegas, Atlantic City, Biloxi,  
4 and in regions which are learning to live with casinos  
5 and their effects, such as New Orleans, St. Louis, and  
6 Milwaukee.

7           You should travel to the small towns of  
8 Illinois, Iowa, and Missouri to see what riverboat  
9 casinos are doing to local economies. You should  
10 visit states hosting tribal casinos and states which  
11 have been recent battlegrounds in the debate over  
12 allowing gambling to expand within their borders, such  
13 as New York, Pennsylvania, and Florida. These are the  
14 places where you will meet the people who will help  
15 you form your conclusions and where you should set up  
16 shop.

17           I do want to share with you a few  
18 observations. I first became interested in this issue  
19 some years ago when there was an effort to bring  
20 riverboat casino gambling to my state of Virginia.  
21 Truthfully, I didn't think it was a good idea, but I  
22 wasn't completely sure why. And there were no good

1 answers to my questions.

2           The preponderance of information that was  
3 available as provided by the gambling interest, which  
4 I found suspect and of very dubious reliability. And  
5 as I dug further into this issue, I was confronted  
6 with an army of high-priced advocates representing  
7 gambling interest. No one was there to represent the  
8 people who live in the area and their families.

9           It was completely troubling to see some  
10 of the political consultants, the people who had been  
11 on both sides of all of the so-called family value  
12 issues and things like this, all now making money with  
13 regard to being proponents for the gambling interest  
14 -- some who were embarrassed to be there, but yet they  
15 were paying a lot of money and they were there.

16           As a matter of fact, this was about the  
17 same time that Disney was trying to build a new theme  
18 park in my congressional district. This was a high-  
19 profile, very controversial initiative. And the joke  
20 around town was that if you were a lawyer or a  
21 lobbyist, this was the place to find work.

22           Yet, as I happened to read in the paper,

1 that Disney was outspent by a good margin by the pro-  
2 riverboat gambling interest lobbying the Virginia  
3 General Assembly. And again, while no one was there  
4 representing the people who live and work in the area,  
5 the gambling interests were pouring money into their  
6 effort to get a toehold in the State of Virginia.

7           And no wonder, once gambling sets up  
8 shop, it is almost impossible to get rid of it. In  
9 fact, there's a history of things going the other way.  
10 Communities begin to rely on their share of the  
11 revenues, and local politicians cave in to demands  
12 from the gamblers for longer hours, more facilities,  
13 more tables, higher limit, more slots or wheels, and  
14 they have the money to do it.

15           That is about a \$500 billion industry,  
16 with profits of \$50 billion. That's billion with a B.  
17 Too much of this money is spent in the high stakes  
18 game of influencing lawmakers at the state and the  
19 federal level, and other government officials.

20           According to the Federal Election  
21 Commission, during the 1995-'96 election cycle the  
22 casino gambling industry poured more than \$4.4 billion

1 into federal political contributions, including  
2 \$2.6 million in soft money to the Democratic and the  
3 Republican parties.

4 State and local campaigns, too, are awash  
5 in gambling dollars. Some \$100 million in over five  
6 years influenced state legislatures around the  
7 country.

8 Parenthetically, I was personally very  
9 disappointed when I, as a Republican who believed very  
10 deeply that the Republican party is the pro-family  
11 party -- to see Republican leaders who are taking  
12 money from the gambling interest, somehow it's very  
13 difficult to say that you are truly pro-family, and  
14 then you're taking money from the gambling interest.  
15 And for the Republican party to do that, for our  
16 leadership to do that, for our National Committee  
17 Chairman to do that, is very, very, very troubling.

18 The more I worked on this issue the more  
19 concerned I became. All of the evidence that I could  
20 gather pointed to the conclusion that gambling was  
21 harmful to people and to communities. It led to  
22 crime, to corruption, the cannibalization of existing

1 businesses, and it certainly caused social ills.

2           The response to my concern from gambling  
3 interests was to note that all of my evidence was  
4 anecdotal, and gambling really jacked up the local  
5 economy and they were working to solve whatever  
6 problems gambling might contribute to such addiction.

7           I felt their response was unsatisfactory  
8 and introduced with others legislation to create this  
9 Commission, which I believe would have quickly passed.  
10 Who could be against taking a look at the impact that  
11 gambling would have on America?

12           The 1976 Commission was not that  
13 controversial. I believe Mr. Bible's father served on  
14 that Commission. There was no great debate about it.  
15 Everyone said, "Sure, let's take a look at it. If  
16 there's a problem, let's find out." The answer, I  
17 swiftly learned, was well-heeled, and the industry  
18 itself was opposed to this Commission.

19           Fronted by a virtual army of well-paid  
20 and well-connected Washington lobbyists, with access  
21 to almost every door in town, they fought this  
22 legislation every step of the way. First, they tried

1 to kill it in the House, and then the Senate. And  
2 then they tried to defang the Commission by denying it  
3 the power to subpoena relevant documents. And when  
4 that failed, they worked to have the gambling  
5 proponents appointed to this body, to stack the  
6 Commission if you will.

7           But I believe that you are up to that  
8 task. I'm counting on you to do a good job. America  
9 is counting on you to do a good job.

10           One of the first hurdles you must  
11 overcome is that the gambling industry has done such a  
12 good job of selling themselves as a good neighbor, and  
13 a creator of revenue and jobs -- they pay taxes and  
14 governments get hooked on the revenue.

15           Politicians are reluctant to walk away  
16 from this money that feeds government spending, and  
17 politicians in both parties are reluctant to walk away  
18 from the campaign contributions that come from the  
19 gambling interest. But this is a problem and not a  
20 solution.

21           As Robert Goodman asked in the preface of  
22 his book "The Luck Business," he said, and I quote,

1 "Do we really want a government so dependent on  
2 gambling that they are forced actively to promote an  
3 activity that takes disproportionately from those who  
4 can afford it least, does the greatest damage to  
5 existing economies, and can be highly addictive?" No,  
6 I do not believe we do.

7                 Various studies indicate that perhaps 30  
8 percent of all gambling revenue comes from five  
9 percent or so of the problem gamblers addicted to the  
10 lure. And this, I would urge the Commissioners of  
11 both sides -- and I know there are both sides here --  
12 to find out what is the problem with the addiction.  
13 How much of their revenues do come from those who are  
14 addicted? Are these people being exploited?

15                 Even though the gambling industry claims  
16 to care about this addiction problem, new games and  
17 new attractions are always coming on line, which  
18 further sharpen the craving of compulsive gamblers,  
19 drawing them deeper into the web of self-destruction.  
20 After you complete your work, I think you will agree.

21                 Let me close with this. As you begin your  
22 search for truth and fairness, you will not have to

1 look far to find those who will present the gamblers'  
2 views. You will find their arguments and  
3 presentations on the surface compelling, and easy to  
4 go down. They have the money to hire the very best to  
5 do this sort of thing.

6 I hope you will look beyond the glossy  
7 presentations and ask for the research information you  
8 need and don't be put off by dodges that it isn't  
9 available, isn't relevant, you really don't need it.  
10 You do. Stick to your guns, and use your subpoena  
11 power.

12 We fought for your subpoena power. They  
13 had gone to the leaders of both sides of the aisle at  
14 the highest level to take away the subpoena power.  
15 You have the subpoena power. Do not be afraid to use  
16 that subpoena power. In fact, that subpoena power is  
17 very, very important.

18 You must avoid being led down the wrong  
19 path in your quest for truth. I predict you will need  
20 to search much harder to find witnesses and  
21 experiences depicting the down side of gambling.

22 How are you going to find a theater owner

1 who went out of business when the casinos opened up?  
2 How are you going to testify with a woman whose  
3 husband became addicted to gambling, squandered his  
4 life savings, ran up the incredible debt, and then,  
5 when he could bear it no more, took his own life? How  
6 easy will it be for the man who called me to tell me  
7 of the painful time that his wife became so addicted  
8 that she then went out and committed suicide?

9           The father of recently slain Chervise  
10 Iverson, the seven-year old whose strangled body was  
11 found in a Nevada casino restroom after she had been  
12 allowed to roam unsupervised for long periods while he  
13 played the tables, he might not be a willing witness.  
14 It may be difficult to persuade an indicted state  
15 legislator to sit before you to relay how he sold out  
16 those he represented for an under-the-table payoff  
17 from those wanting to bring a casino to his town.

18           Will Missouri's House Speaker of 15 years  
19 who resigned in the face of a federal investigation  
20 into financial ties with casinos be eager to tell his  
21 story?

22           Two prominent Kansas City clergy who

1 resigned their pastorates recently due to problem  
2 gambling may be reluctant to tell their story.  
3 According to the Kansas City Reverend Ben Skinner, one  
4 stole \$60,000 from his congregation and lost it at the  
5 casinos, and the other was discovered gambling while  
6 disguised in a wig and glasses. They may not be eager  
7 to come before your Commission to testify.

8           I urge you to go out and look for those  
9 people and bring them before the Commission, and talk  
10 to them, and interview them, and ask them how they  
11 become addicted, ask them what happened, ask them  
12 about their bankruptcies, ask them about their family  
13 breakup, ask them about the suicide, ask them about  
14 the increase of crime, ask them about the corruption.  
15 But you may have a tough time getting them.

16           There are too many people with stories  
17 like these out there, and you need to hear them. I  
18 hope you do. I wish you well and will pray for your  
19 success, and will follow your progress throughout  
20 these remaining two years, and truly wish all of you  
21 -- because I began with the basis that some of you may  
22 have a biased opinion on both sides of the aisle.

1                   But as the Chair said, we hope you will  
2 put all of your biases aside, and I will put mine  
3 aside, and I will begin with the concept that this is  
4 the beginning of a new day, that reasonable men and  
5 women can come to the table, can work on this issue,  
6 and can find truth, and can make a report to the  
7 American people. So that when communities are faced  
8 with this issue two years hence, they have some place  
9 to go to find the data, to find the research, and to  
10 find the truth.

11                   I thank you for this opportunity to  
12 testify.

13                   CHAIRPERSON JAMES: Thank you. Thank  
14 you, Congressman.

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14 CHAIRPERSON JAMES:

15 I now have the privilege to welcome Former  
16 Senator Paul Simon to our meeting. Senator Simon  
17 recently retired after 12 years in the United States  
18 Senate. Prior to this, he served in the House for 10  
19 years. He is now working as a professor at the  
20 University of Illinois.

21 And being in the Academy after public  
22 service is great, isn't it, Senator?

1                   FORMER SENATOR SIMON: It is great.

2                   I have to make one minor correction --

3                   CHAIRPERSON JAMES: Okay.

4                   FORMER SENATOR SIMON: -- the Southern  
5 Illinois University.

6                   CHAIRPERSON JAMES: Southern Illinois.

7                   FORMER SENATOR SIMON: Rather than  
8 University of Illinois.

9                   CHAIRPERSON JAMES: Minor, but important  
10 one.

11                  FORMER SENATOR SIMON: Yes.

12                  CHAIRPERSON JAMES: If there is any doubt  
13 that public policy brings desperate groups and  
14 different individuals together, I think this should  
15 serve as a great example. While Senator Simon and I  
16 may be known to millions of Americans, he may be known  
17 for his bow ties and his run for the Presidency, he is  
18 known to me as one of the best prepared and  
19 knowledgeable members of Congress, whom I had to face  
20 on more than one occasion in my role as Director of  
21 Public Affairs at the National Right to Life Committee  
22 and as Assistant Secretary in the Department of Health



1 and Human Services.

2                   And while we didn't agree on some of those  
3 issues, I have a tremendously high regard and respect  
4 for the polite and informed manner in which he debated  
5 points. And it is an honor to have you here today.

6                   FORMER SENATOR SIMON: Thank you, Madam  
7 Chair. It's a pleasure to be here, and I welcome the  
8 Commission -- I think I'm the first person to  
9 formally, other than the person who swore you in,  
10 welcome you to the Commission since you have been  
11 sworn in.

12                   And I want to also acknowledge the good  
13 work that Congressman Frank Wolf did in the House on  
14 this. Creating this Commission, getting you this job,  
15 was not an easy task.

16                   Why have a Commission? I guess each of  
17 us has different reasons. I had been concerned for  
18 some time, and then one incident precipitated my  
19 action. My mother belongs to a Lutheran church in  
20 Collinsville, Illinois. A substitute teacher of that  
21 church, unknown to her family, was going to a  
22 riverboat casino in East St. Louis and became

1 addicted.

2                   And the first her family knew about it,  
3 they came home one day and found a note that said,  
4 "You can find me in the parking lot of the mall." She  
5 had committed suicide. She had used the money for  
6 rent, what they thought was going for rent, and for  
7 everything else. Just one little incident.

8                   But it, unfortunately, is replicated over  
9 and over again in our society. We have an industry,  
10 as the Chair pointed out in her opening remarks, that  
11 is growing rapidly. It is an industry -- and I  
12 believe I am correct in this; I have done no research  
13 -- I think it is an industry that has more of a  
14 history of involvement in corruption than any other  
15 industry.

16                   I say that from the viewpoint of the  
17 State of Illinois, and if I can back up, the history  
18 of gambling was such in the early part of our history  
19 -- when Abraham Lincoln was a member of the Illinois  
20 General Assembly, they would vote lotteries for this  
21 purpose or that purpose or the other purpose. Pretty  
22 soon it became, in all of the states, so involved in

1 corruption that every state outlawed it, usually in  
2 their state constitution.

3           And at one point, the only state that  
4 didn't outlaw it was the State of Louisiana, and then  
5 later Louisiana did.

6           And then, gradually things changed. And  
7 in one of the more unusual decisions by the Illinois  
8 Supreme Court, the Illinois Supreme Court ruled that  
9 betting on horses at a racetrack was not gambling. I  
10 might add that the Supreme Court Justices in Illinois  
11 -- and I wish this was past history; it,  
12 unfortunately, is still true -- are heavily dependent  
13 on campaign contributions.

14           But the court ruled that gambling was  
15 pure chance. And when you bet on the horses, you were  
16 betting on the skill of the horse, and the skill of  
17 the jockey, and, therefore, it was not gambling.

18           And during my days in the Illinois  
19 General Assembly, the racing interest passed out  
20 financial favors. And we had a Governor of Illinois  
21 who went to federal prison, Arlo Turner, because of  
22 the corruption from the racetracks.

1           I did a story for Harper's that I thought  
2 was the end of my career, I say to my fellow  
3 politician Leo McCarthy here -- I thought it was the  
4 end of my career. It was titled "The Illinois  
5 Legislature: A Study in Corruption." And if you dig  
6 out that story, you'll see that gambling interests are  
7 very much a part of that.

8           Gambling is the only addiction that is  
9 promoted by government. We would be startled if we  
10 drove down the highway and saw a billboard saying,  
11 "Drink more whiskey; have a good time," or we saw a  
12 billboard saying, "Smoke that cigarette after that cup  
13 of coffee. You'll enjoy that coffee more."

14           But we have had signs, the Illinois  
15 lottery, for example, on the south side and the west  
16 side of Chicago, which is the poor area of Chicago,  
17 have had signs, billboards saying, "This is your way  
18 out." Well, that's not anyone's way out. The way out  
19 is education. The way out is hard work.

20           Of those who are addicted, it has a  
21 higher percentage of those who commit suicide than  
22 other addictions. It is also addictive, as Frank Wolf

1 indicated, it's addictive to governments. It is very  
2 tough when you're a public official and you see the  
3 need for revenue, and people fail to provide it --  
4 East St. Louis is an example. Huge needs in that  
5 community. The Indian community, American Indian  
6 community is an example -- huge needs.

7           And when someone comes along and says,  
8 "We can help solve your needs," it is very, very tough  
9 to say no. Or even if you don't have that kind of a  
10 problem, whether it is Metropolis, Illinois, or  
11 Fulton, Illinois, or where it is, if someone comes  
12 along and says, "I'll give you more revenue and you  
13 don't need to raise taxes at all," very tough for a  
14 politician to turn down.

15           What do you do about it? Number one,  
16 we're not going to eliminate gambling. We're not  
17 going to eliminate Las Vegas and Atlantic City. I  
18 think what you can do is, number one, bring together  
19 the research and the legislation, ask for you to do  
20 that.

21           I think you also should be looking -- and  
22 this is my first and last time testifying, so I'm

1 going to unload on you here -- I think we should be  
2 looking at alternatives for slowing growth. And let  
3 me just outline some things that I think you might  
4 consider.

5           One is a tax on all new facilities or  
6 lotteries established after January 20, 1997. That's  
7 today. It's a little like a community saying -- if  
8 you have 15 taverns, saying, "We're going to give out  
9 15 liquor licenses. No more." And to people who are  
10 in the industry now, it is a protection for people in  
11 the industry.

12           I think you ought to be looking at -- and  
13 I say to those who are on the Commission who have an  
14 interest in the industry, I have been in this business  
15 of politics a long time. I'm 68 years old. I see  
16 that pendulum swing from one side to another, and any  
17 group that gets too greedy, eventually the pendulum  
18 swings to the other side.

19           If you had a five percent tax on all  
20 gross receipts of any new establishment as of today,  
21 you would, in a very real sense, be protecting those  
22 industries already established. But it would retard

1 future growth.

2                   Second, I would give a per capita grant  
3 to all states that have no gambling. And off the top  
4 of my head, I'm suggesting \$50. Initially, because  
5 almost all states have a lottery or something, you  
6 would only have four states that would get assistance.  
7 In a state like Illinois, \$50 per capita would mean  
8 \$600 million -- not enough to shut down the gambling  
9 industry, but it would be enough of a carrot that we  
10 would probably have some good healthy debates on it.  
11 I think that would be helpful.

12                   Third, a per capita grant of \$100 for  
13 economic development for all Indian tribes with no  
14 gambling. I serve on the Select Committee on Indian  
15 Affairs. I believe I am the only person -- or was the  
16 only person not having a reservation in my state to  
17 serve on that committee. I don't know if that is the  
18 case today or not. I've been concerned for a long  
19 time.

20                   And I say to the reporters who are here,  
21 if you want to get a good story that hasn't been  
22 covered, it is the role of the United States

1 Government as trustee for American Indians. The abuse  
2 and the failure to meet our fiduciary responsibilities  
3 is massive. It is not a happy part of our history.

4 I can understand completely Indian tribes,  
5 desperate for funds, that go to a casino. A hundred  
6 dollars per capita, to be used solely for economic  
7 development, would provide an alternative that I think  
8 could be helpful in the long run.

9 Fourth, because of the history of  
10 corruption, and you have in five states now state  
11 legislators either convicted or indicted because of  
12 corruption from gambling interests, I would recommend  
13 that you call upon Congress to establish a special  
14 task force of the Justice Department to look at  
15 corruption in connection with gambling.

16 And fifth, that advertising of the  
17 gambling interests be subject to FTC regulation. Why  
18 should you be able to have deceptive advertising if  
19 you're in the gambling industry? When the Illinois  
20 lottery advertises "This is your way out" to poor  
21 people, I think there ought to be a look at that.

22 And then, finally, let me just say that

1 the involvement of gambling and public affairs has  
2 harmed this nation in ways that we can't gauge. And  
3 let me just give you one example.

4 I remember when Paul Wexell, a very  
5 distinguished Senator from Nevada, and a really  
6 genuinely good person, there was some talk maybe Paul  
7 Wexell would be candidate for the Republican  
8 nomination for either President or Vice President, and  
9 the talk was we couldn't take a chance because of the  
10 ties of the criminal world to gambling and Paul's  
11 being from Nevada.

12 I'm not saying Paul should have been the  
13 Republican nominee. I have to leave that up to my  
14 friends in the Republican party. But he was one of  
15 the finest persons I have served in the United States  
16 Senate with. If he hadn't had that gambling tie  
17 because of being from Nevada, I think Paul might very  
18 well have contributed even more to this nation.

19 Finally, let me just say to all of you, I  
20 hope you have the courage to do what is right for this  
21 country. We serve this country not just when we put  
22 on a uniform, but we serve this country when we do

1 what is right.

2 I just finished reading -- I can't even  
3 remember the name of the book now, but the Stephen  
4 Ambrose book on the Lewis and Clark -- "Undaunted  
5 Courage." Merriweather Lewis comes back to his  
6 hometown and they have this banquet honoring him, and  
7 Merriweather Lewis says, "Patriotism is not words.  
8 It's works. It's what we do."

9 It may take special backbone to do what  
10 this nation needs in this field. My hope is that you  
11 will have the fortitude, the backbone to do it.  
12 You're not going to get a Congressional Medal of  
13 Honor, but your grandchildren, my grandchildren will  
14 be grateful to you.

15 I'd be happy to answer any questions. But  
16 otherwise, I'm pleased to be with you, Madam Chair.

17 CHAIRPERSON JAMES: Thank you, Senator.  
18 The pleasure is the Commission's. Thank you so much  
19 for being here.

20 And, Senator, I think you said this was your one  
21 shot at this Commission. I want you to know that you  
22 are always welcome to come back, and we would always

1 appreciate hearing from you.

2 FORMER SENATOR SIMON: Thank you very,  
3 very much.

4 CHAIRPERSON JAMES: Thank you.