

1 Mr. Morin?

2 MR. MORIN: Thanks, Madam Chairman.

3 I am certainly pleased to be here, and it
4 is sort of like coming out of the darkness. I'm glad
5 to see that our four years of hard work weren't
6 entirely forgotten.

7 Now, let me say at the outset, of course,
8 I fully realize that the situation today is
9 considerably different from the conditions that
10 existed in the '70s. I think you were faced with a
11 far more difficult task than we were. After all, the
12 1972 Commission, which I'll call it that just for the
13 sake of identification, was established by the
14 Organized Crime Control Act of 1970.

15 And basically, it was charged with
16 examining the problem of illegal gambling and how the
17 national policy should be changed to better combat
18 what was then becoming a problem here in the United
19 States.

20 I didn't realize that you had copies of
21 that report. I don't know where you got them at.
22 Maybe you made them.

1 (Laughter.)

2 But I had made copies here just of the
3 index, and the makeup of the Commission, and so forth.
4 I think if you'll look at the index alone it will give
5 you some idea of what we did and how we attacked it.

6 Bear in mind that the principal concern of
7 Congress at that time was its finding that syndicated
8 gambling formed the largest source of revenue for
9 organized crime and helped to finance all of its other
10 activities. And accordingly, I think you will see
11 that most of our -- or a lot of our recommendations at
12 least were colored by this consideration, although I
13 think we did venture somewhat timidly into the
14 sociological aspects of the problem also.

15 I was going to tell you that our report
16 was out of print, but I'm wrong, so --

17 (Laughter.)

18 As I said, times have changed
19 dramatically. And, you know, after all, when we were
20 doing this, casino gambling was pretty much restricted
21 to Nevada, which incidentally was represented on our
22 Commission by the senior Senator Howard Cannon, and

1 the then Attorney General of Nevada, Bob List, who
2 later become Governor, of course.

3 At that time, only New Jersey, as I
4 recall, was sort of struggling with legalizing casino
5 gambling in Atlantic City. Lotteries were just sort
6 of getting underway and were becoming very popular but
7 didn't yet present any sort of a problem that we could
8 discern.

9 But believe me, we had no idea that -- we
10 didn't remotely anticipate the proliferation of casino
11 gambling that we have seen in the last few years on
12 Indian reservations and riverboats and elsewhere,
13 Mississippi being a perfect example of one of the
14 dangers which perhaps we saw at that time.

15 Of course, the word "Internet" was never
16 even heard of, wasn't even in the dictionary at that
17 time, so we had -- you have to cope with one of the
18 big problems, and I think that's one of them.

19 From the outset, we were really impressed
20 on how little we knew. You can see it was a fairly
21 diverse commission. We had people from all sorts of
22 walks of life. There were four Senators, four members

1 of the House of Representatives, and seven public
2 members.

3 And we really concluded that we had to get
4 somebody outside to do some work for us, and we had 43
5 days of hearings. And we commissioned the university
6 at Cornell, the law school at Cornell, to do a
7 comprehensive study of gambling history in all 50
8 states. And that resides in the Cornell library, and
9 it should be of considerable help to people from -- I
10 mean, it starts from the very beginning in every state
11 and traces the history of gambling in that state. And
12 it's an invaluable source of information for your own
13 research people, it would seem to me. It's available
14 up there.

15 But in February of '75, we got the
16 University of Michigan Survey Research Center to
17 conduct a detailed survey of American gambling
18 practices and attitudes. And they spent the better
19 part of two years. They did something in the vicinity
20 of 1,800 individual interviews which last anywhere
21 from two to three hours, in depth, from a
22 scientifically selected -- I don't know how they do

1 regressive? We thought that we would find that it is,
2 and that is the taxation of gambling -- winnings and
3 of casinos, because the poor were more inclined to
4 gamble than the affluent. And we found out that that
5 was not the case then. I don't know what -- again,
6 I'm speaking in the past.

7 Another question was: would legalization
8 lead to a substantial increase in compulsive gamblers?
9 And I think that we found that the answer to that is
10 yes. That is, that where gambling proliferated, the
11 more proliferated the more there was compulsive
12 gambling.

13 I might say, incidentally, that Gamblers
14 Anonymous, which was in existence in those days and I
15 guess is still kicking around, had some figures that
16 were, it seems to us, enormously inflated. I don't
17 know how you can count the number of compulsive
18 gamblers. That is, the words that are true of
19 sickness or an addiction. Now, you may be able to do
20 that. We were not, I don't think.

21 And another question was: is there a
22 strong sentiment in this country, was there, in favor

1 of relaxing the current provisions against gambling?
2 And I think if you will look in your report, the answer
3 to that is this did seem to be.

4 The average guy on the street, the average
5 citizen, saw nothing wrong, for example, in taking a
6 football card from his locker room at his club or from
7 the cleaning establishments and picking the winners of
8 the professional football games on any given Sunday,
9 even though it was illegal.

10 And incidentally, that particular -- that
11 is a good example of how we had concluded at that time
12 that illegal gambling of this sort was a major
13 contributor to corruption in police departments and in
14 law enforcement agencies, and especially in the smaller
15 cities and towns. That is where 80 percent of the
16 public gambled in one form or another, and saw -- you
17 would have a citizen that would never go through a
18 stoplight, but saw nothing wrong with taking a football
19 card and picking the winners.

20 And the police, realizing this apparently,
21 were inclined simply to turn their backs on this type
22 of illegal gambling and not do much about it, and that

1 contributed a great deal to later and more pronounced
2 corruption.

3 Well, of course, we were all very much
4 surprised by this survey, and the survey itself I
5 think colored our recommendations to Congress and the
6 President. I'm not going to go into details because
7 there are too many recommendations, and I'm sure you
8 don't want me to do that either.

9 But some of the recommendations may be of
10 interest to your Commission, and you may want to
11 ascertain their accuracy or their pertinence today.
12 Let me mention a couple of them, a few of them.

13 Probably the most controversial was
14 taxation. Now, bearing in mind, of course, that the
15 impetus for this report was to compete with the
16 illegal gaming -- that would be bookies and the
17 numbers games and a few illegal casinos -- we
18 recommended that winnings from a legal gambling source
19 -- that is, a horsetrack run by the state or
20 supervised by the state, or casinos in Nevada, or what
21 have you -- would be excludable from ordinary income.

22 But that the gambler would have to

1 affirmatively claim the exclusion, would have to
2 report the winning on a special form, identify the
3 source of the winning, and that would be tax free.
4 That way we felt you had the offtrack betting policy
5 we were beginning to proliferate then, in New York at
6 least, and you had the bookies.

7 We felt that a gambler would prefer,
8 instead of winning a couple of hundred dollars from
9 the bookie and not reporting it and having tax fraud
10 hanging over his head the rest of his life, would
11 rather go to the legal betting source and report it
12 and be tax free and not have the tax fraud. Well, you
13 know what happened to that recommendation. It died a
14 quick death.

15 You may notice in the report that Senator
16 McClelland, who was marvelously helpful to our
17 Commission all the way through, said, "I'm sorry, but
18 that's one thing that I can't agree with, coming from
19 the South."

20 Incidentally, the reason for this is that
21 the government loses no revenue, because losses always
22 exceed winnings, and winnings are offset by losses.

1 The problem was, of course, that the government never
2 allowed the losses. But the bottom line -- the
3 winnings in gambling belong to the casinos or to the
4 tracks, or to whatever you have, and those are taxed,
5 so that the government should logically lose no
6 revenue.

7 But that's of historical significance, and
8 I doubt very much if we will ever see very much of
9 this again.

10 Next is to lotteries. I think I can quote
11 from the -- if I may, from the report. "The states
12 should conscientiously disseminate information about
13 the probabilities involved in winning a prize, and
14 should scrupulously limit their lottery advertisements
15 to those informing the public of the existence and
16 nature of the games offered, rather than actively
17 encouraging them to participate." Fat chance. You
18 can imagine the reception that got.

19 I think perhaps I personally might have
20 been the strongest advocate for that particular
21 recommendation, because I had a background in
22 securities law. It always seemed to me that the same

1 type of disclosure which you must give to wealthy
2 people buying stock at a stock offering should perhaps
3 apply to selling lottery tickets to the working man
4 that is spending part of his paycheck to buy the
5 lottery ticket. At least you ought to tell him what
6 he's doing -- that if he bets a dollar, he loses 45
7 cents immediately, and that his chances are slim to
8 none to winning anything. But that recommendation
9 obviously got nowhere either.

10 Then, as to casinos -- and I would love to
11 know -- you know, I have not followed it this closely,
12 and you all will. But the recommendation stated that
13 if Nevada-style casinos were legalized in heavily
14 urban areas, participation by low income people can be
15 expected to result in increased social problems and an
16 expanded need for government services, thereby
17 offsetting, in whole or in part, any advantages
18 derived from the stimulation of local businesses.

19 Don't know whether that is so or not, and
20 I think that's one of the things that your Commission
21 intends to try to discover at least. But it appeared
22 to us, for example, that the reason for Nevada's great

1 success -- and by the time, incidentally, we had this
2 Commission, Nevada had really straightened out its
3 problems and was a very well-organized and well-run
4 industry.

5 But in order to get there, you had to
6 travel long distances, you had to spend money to get
7 there, and you had to go there for one purpose and
8 that was to vacation and gamble, and not drop into the
9 casino on the way home from work. And that was the
10 genesis of that particular recommendation.

11 And we went on -- the Commission
12 recommends that only in rare instances should casino
13 gambling be permitted in a major metropolitan area,
14 and appropriate restrictions be employed to limit the
15 participation of the local population in casino
16 gambling.

17 That suggestion I think was made to us by
18 the people in Nevada, who incidentally, I might say,
19 were very, very helpful and cooperative all the way
20 through our four years. We had several hearings in
21 Nevada, and I must say that we were very well treated
22 and we were very much surprised. I think there was an

1 original distrust of us, because they were afraid
2 that the Feds were coming in.

3 Mr. Bible testified, incidentally, at one
4 of our hearings. So --

5 But when they realized that we were
6 serious in trying to determine what the policy should
7 be, they were very cooperative.

8 Of course, that's where we left off. I
9 guess that's where you pick up after all of these
10 years. And I'm anxious to hear what you find out.

11 We had, I believe, a much easier job than
12 you do, because ours was really more fact finding and
13 the recommendations more or less non-controversial.
14 After all, then Nevada had solved its problems with
15 casinos, sports betting was a harmless pastime, it was
16 considered to be, the lotteries were not a social
17 problem at that time yet, and casino gambling itself
18 was not then an issue, other than perhaps in New
19 Jersey, but it had not been adopted in New Jersey when
20 we adjourned.

21 But I can see that the enormous explosion
22 of these casinos in the United States, on riverboats

1 and the Indian reservations, and so forth, have got
2 to at least scare everybody, because you're looking at
3 handles in these casinos, I guess, and billions of
4 dollars. And that money has got to come from
5 someplace, and it's not coming from Nevada, and it's
6 not coming from Atlantic City, because they are
7 booming, at least certainly Nevada is.

8 So I don't know, I think I would like to
9 know where this money is coming from that's pouring
10 into these casinos, and whether there is any control
11 over this, and whether it does present a social
12 problem. For example, what are the policies in these
13 casinos in cashing checks, paychecks, welfare checks
14 if you will? Is there use of credit cards? Is credit
15 being extended?

16 You know, it's well publicized, the
17 enormous growth in bad credit card debt in this
18 country. To what extent is that attributable to this
19 problem? Is there an addiction problem? I just don't
20 know. I mean, I'm sure that you will be able to delve
21 into this very thoroughly.

22 And then, what can the Federal Government

1 do? What can the Federal Government do? Now, bearing
2 in mind that our recommendations were that the
3 administration of gambling law should be left to the
4 states, unless a given state was intruding on another
5 state, and then the interstate problem was brought
6 into play.

7 Twenty years later, I think that is far
8 more of a problem whether the Federal Government
9 should now step in, or can. That's a matter of
10 policy. And if it does, what should it do? For
11 example, in Great Britain, in England, in London, the
12 casinos were prohibited from giving credit. You had
13 to pay for everything with cash or a check, no credit.

14 You had to have casinos on the second
15 floor of a private club. You had to belong to a club,
16 and it was, as I recall, two years before you could
17 gamble, or two weeks. Something like that. They made
18 it very difficult. Of course, they made it very easy
19 to avoid estate taxes, too, and that's what I think
20 brought some of those casinos down.

21 The father would go in and lose a million
22 pounds at the tables, and the next week, gambling

1 winnings being tax free, the son would go in and win
2 a million dollars at the same table. And that was a
3 nice, convenient way to avoid the succession tax and
4 pass a million dollars on to the son.

5 Well, I don't say that was true of all of
6 these casinos, but a couple of them got caught. And
7 I don't know what the result of it was later.

8 And I don't know what sense it makes, and
9 I don't -- and I ask this as a question. What sense
10 does it make for these Indian casinos to run, at least
11 at the rate they're running in Connecticut, without
12 any taxation, federal taxation, or without any state
13 taxation?

14 And I ask that simply because if they
15 create problems, social problems, if there is
16 addiction, if there are welfare checks being -- who is
17 going to take care of this? Not the casino operator.
18 It falls back upon the state or upon the Federal
19 Government to solve that problem.

20 And again, please believe me, I'm not
21 recommending anything, but I would like to have that
22 considered, if I were you, and debated rather

1 extensively.

2 But I assume that you're going to have
3 your share of controversy, and I sympathize with you.
4 But I tell you that you will have earned the gratitude
5 of the American people if you do your job well, and
6 I'm sure you will do it well. And I'm going to follow
7 your progress very closely as just an interested
8 observer, and offer myself up and anybody else that
9 has been on our staff for any help we could possibly
10 be to you in the future.

11 Thank you very much.

12 CHAIRPERSON JAMES: Mr. Morin, thank you
13 so much for taking the time to travel here today to
14 share your insights and your thoughts with us.

15 I would ask any of the Commissioners if
16 you have any questions you'd like to address. Leo?

17 COMMISSIONER McCARTHY: First of all,
18 since you served your leadership in that Commission,
19 and in your testimony here today -- which I thought
20 was a very thoughtful and very valid presentation --
21 I missed your first few words, so I didn't know
22 whether you gave an estimate of how much betting, in

1 dollars, your Commission thought was going on in the
2 mid 1970s. I've heard the number \$25 billion at the
3 time. Is that --

4 MR. MORIN: My memory fails me, but I
5 think that's pretty close to what it was. The figure
6 that was of much more interest to us was the volume of
7 illegal gambling, and we had estimates running from
8 \$100 million from people to \$5 billion from Jimmy the
9 Greek. So maybe the answer is somewhere in between.

10 COMMISSIONER McCARTHY: Right. Well,
11 today, as I'm sure you know, it's estimated that there
12 may be as much as \$500 billion in betting placed in
13 the United States. And if you knew in 1976 that in 20
14 years the level of betting would increase so
15 dramatically, is there anything you might have done
16 differently, or what are your thoughts on it?

17 I'm asking because it is not farfetched to
18 assume that if there is \$500 billion in betting going
19 on in 1997, 20 years from now we'll see several
20 trillions at least in betting going on in the United
21 States, and it's very hard to put a number on it. But
22 how would your perspective have changed so that I

1 might try to utilize that?

2 MR. MORIN: You know, I don't think we
3 really focused on volume. I think it would depend on
4 where the money was bet. You're talking in terms of
5 \$500 billion. How much of it's legal, how much of it
6 is casino, I really -- I think that I would not have
7 been influenced by the volume so much as the source.

8 COMMISSIONER McCARTHY: I'm assuming the
9 \$500 billion number I mentioned is done within
10 legalized gambling.

11 MR. MORIN: Well, I doubt very much -- I
12 don't think that it would have changed our procedures
13 at all. I think we would have done the same thing.

14 COMMISSIONER McCARTHY: When you mentioned
15 that the Congress's charge to you dealt largely with
16 syndicated gambling, does that have the criminal
17 aspect of it, syndicated crime running gambling, or
18 what did you mean by syndicated gambling?

19 MR. MORIN: Well, gambling that was run
20 basically by La Cosa Nostra and the mafia --

21 COMMISSIONER McCARTHY: Okay.

22 MR. MORIN: -- or the mafia.

23

1 COMMISSIONER McCARTHY: Okay.

2 MR. MORIN: I mean, that was generally the
3 -- that was the concern of the Organized Crime Control
4 Act of 1970, which created our Commission, which came
5 into existence two years after the passage of that
6 statute, and basically to find out whether the statute
7 did any good.

8 COMMISSIONER McCARTHY: Thank you.

9 CHAIRPERSON JAMES: Any additional
10 questions or comments?

11 Mr. Morin, let me say that the report was,
12 in fact, out of print and we had to get permission
13 from GPO in order to print it for our Commissioners
14 today. But it was well worth the effort, and it
15 was --

16 MR. MORIN: Well, good.

17 CHAIRPERSON JAMES: -- well worth the
18 read. I think it provides an excellent perspective
19 for us as we begin our work.

20 MR. MORIN: Well, thank you for inviting
21 me. I'm flattered. I'm pleased to be here and am
22 delighted to meet all of you.

1 CHAIRPERSON JAMES: And I'm glad to know
2 that there is -- 20 years later, perhaps someone will
3 be asking me to appear and share some wisdom and
4 expertise.

5 MR. MORIN: I hope so. I hope so.

6 CHAIRPERSON JAMES: Thank you so much for
7 being here.