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1 CHAIRPERSON JAMES:

2 Mr. Jones?

3 MR. JONES: Thank you, Madame Chairperson,
4 and thank you to the members of the Commission for
5 inviting me to address you today. I'd like to applaud
6 the Commission, I wrote an article about you way back
7 in October and noting that there were no lottery people
8 on the Commission I thought that there wouldn't be the
9 sort of detailed questioning and insight into the
10 business that I've seen today. I'd also like to
11 applaud those lottery directors who were here, that
12 were brave enough to come before you to test their
13 knowledge and their opinions against the good questions
14 that came.

15 Most of the issues that have been raised
16 here today seem to strike at the heart of one of my
17 philosophies at least, and I think the philosophy of
18 most people involved in lottery business, and that is,
19 indeed, I guess our task is to maximize revenue. But
20 I've never said that phrase nor have I ever been
21 involved in maximizing revenue through a lottery
22 without taking into account the ethical and social
23 responsibilities that go with it.

1 And many of the remarks that have come from
2 my two previous panelists are really aimed at that,
3 what is the social and ethical responsibility, who has
4 that responsibility, who exercises the power to oversee
5 it?

6 In the 17 years since I became the Illinois
7 lottery's third lottery director, I've seen many
8 changes in the gambling marketplace but few changes in
9 either the promise or the potential of a governmentally
10 sponsored lottery. We could take a short walk in
11 Harvard Square, as you all know, to remind ourselves
12 that before there was a tax base sufficient to fund
13 great public works, there were lotteries to allow
14 citizens to make a political choice as to what they
15 wanted to support with their hard earned money.

16 And so it is today, you've heard many times
17 before, public parks in Colorado, college scholarships
18 in Georgia, senior citizens programs in Pennsylvania.
19 A lottery is like no other form of gambling, it is
20 unique. When I was asked to be director of the
21 Illinois Lottery by then Governor James Thompson, I
22 decided to research the subject prior to taking the
23 job.

1 I found, as you heard this morning, a
2 rather problematic history of successes and failures,
3 of promises met, scandals investigated, and yet I found
4 a new modern government run model of a lottery. And I
5 stumbled upon a formula for a lottery that rings true
6 today. It is a unique enterprise in which consumers
7 risk a small amount of money against very long odds to
8 win a very large prize, with the net proceeds going to
9 the common good. This formula is a very different one
10 from any other form of gambling.

11 Other forms of gambling offer players odds
12 that they think they can overcome. They offer
13 gambling. Lotteries offer 24 million to one odds to
14 win the big or even the small Lotto grand prize, 24
15 million to one odds, that's not a gamble, that's a
16 lottery.

17 (Laughter)

18 MR. JONES: Most people ignore this
19 fundamental difference between lotteries and, let's say
20 casino gambling. Historically, lotteries because of
21 this have always been considered a rather benign form
22 of gambling, that is, that the social costs associated
23 with its play have been very, very low. It does not
24 take lottery players long, or anybody in the panel who

1 has played the lottery, to realize that whether they
2 play a little or a lot, their chances of winning do not
3 vary appreciably.

4 The humorous Fran Liebowitz was not far
5 from the mark when she said: "I figure you have the
6 same chances of winning the lottery whether you play it
7 or not." Sort of like the 50-50 example we heard
8 earlier this morning.

9 (Laughter)

10 MR. JONES: You have taken testimony
11 already as to who plays the lottery and maybe a little
12 as to why people play, I would add to those facts and
13 figures that the psychology of playing the lottery, I
14 think, has a lot to do with where the money goes. And
15 with the honesty with which the lottery is run.

16 Which in a frightfully long winded manner
17 brings me to the subject at hand, are there conflicts
18 inherent in having government regulate so controversial
19 an entity as a lottery? And by doing so, does
20 government relinquish its historic role of protecting
21 its citizens and promoting the general welfare?

22 Back before the tidal wave of gaming
23 expansion began flooding America with riverboats and
24 Native American casinos, my answer to that question was

1 a very clear no. The essence of a lottery, I believed
2 was very close to the essence of government, citizens
3 making conscious decisions to play or not to play a
4 game, the outcome of which was uncertain, the prize was
5 huge, the proceeds that effected the common good, I
6 guess you've heard that before, haven't you?

7 Who better than government to insure the
8 security of the games? Who better than government to
9 ensure accurate and timely accounting of the lottery's
10 sales and profits? Who better than government to
11 license thousands of retailers selling lottery tickets?
12 And who better the government to protect the interests
13 of the millions of citizens playing the lottery?

14 Several years ago, my company sponsored,
15 with International Gaming and Wagering Business
16 magazine, a series of for profit gaming conventions,
17 one concentrated on the riverboat industry. My
18 company's role was to organize the seminar portion of
19 the program, thus we tried very hard to meet head on
20 the public policy issues surrounding this latest gaming
21 expansion. As part of the opening of the convention we
22 always had a keynote speaker, one year it was my old
23 boss, Jim Thompson. He spoke eloquently of the
24 economic development issues that governors face when

1 attempting to balance competing private interests,
2 especially in gaming.

3 One year I leapt into the lions den and
4 debated the Reverend Tom Gray, who was here most of the
5 day, as to the morality of governments new interest in
6 gambling. The Reverend Gray and I remained friends
7 even though I likened his awakening to the
8 possibilities of gaming to St. Paul's conversion on his
9 way to Tarsus, he did not like the Biblical allusion.

10 But the most interesting and controversial
11 keynote speaker that I ever invited was Ken Bode, who
12 many of you may know, he is the dean of the new
13 Northwestern University School of Journalism. At the
14 time he was senior correspondent for CNN News, you may
15 have seen him over the weekend hosting "Washington Week
16 in Review". Ken Bode had attended the previous year's
17 riverboat convention, preparing a CNN special on the
18 expansion of gambling in America. I had watched it and
19 thought it was even handed and fair and informative, so
20 I invited Ken to be our keynote speaker, to a hall full
21 of gaming people, suspicious of the press, but open, I
22 hoped, to hearing the press's point of view about their
23 industry.

1 His remarks were fascinating, I thought.
2 The central thesis of his speech was that government
3 had reserved the power to approve, disapprove, to
4 regulate this incredible expansion of gambling, with
5 almost no knowledge of what they were being asked to
6 regulate, legalize, or continue to make illegal. He
7 maintained that government and government officials
8 were incredibly naive about or ignorant of the gaming
9 options offered to them.

10 He spoke eloquently of the numerous
11 interviews he had conducted with governors, speakers of
12 houses, minority whips, economic development czars and
13 others, who upon questioning did not know the
14 differences between the various gaming options they
15 were being offered. Officials that to a person seemed
16 to fail to recognize the power inherent in granting
17 limited or unlimited gaming licenses. Incipient gaming
18 marketers who were unmindful that there was an immense
19 pent up consumer demand for casino style gambling.

20 He reported that governors and many other
21 politicians equated the state's expansion into harder
22 forms of gambling with the rationale of the previous
23 existence of a lottery. A spin based on what casino
24 developers were telling government officials through

1 their lobbyists and their PR firms. It was as if one
2 day the sun came up in America and the words lottery
3 and casino were synonyms.

4 He heard little discussion and less
5 understanding that a 20 percent tax on casino net was
6 different and a different income stream than a 40
7 percent gross profit on the sale of lottery tickets.
8 He didn't accuse the officials he interviewed of any
9 shenanigans, but likened them to lambs being led to the
10 slaughter by an agenda that was both well-funded and
11 intelligently researched. You know, you have gambling,
12 you have a lottery, thus this is just more of the same
13 thing.

14 As my daughter would say: "Not."

15 And as we have seen in many states, there
16 were rapid expansions into casino style gaming, it's
17 funny how somewhere along the line the B and the L were
18 lost. If there hadn't been this rapid expansion we
19 wouldn't be sitting here today. I would, dare I say
20 it, bet, can we bet, I guess we can, that there would
21 be little debate on government regulation of gaming
22 entities and a cost-benefit analyses on their effect on
23 Americans if we still lived in only a lottery world.
24 But we don't.

1 So, as I said earlier, the necessary role
2 of government was clear in the lottery world but I
3 would submit that it has become more clouded and you've
4 heard from a number of speakers to that point in a post
5 gaming expansion America. If state governments, and
6 indeed this Commission, don't understand the
7 fundamental differences between all other forms of
8 gambling and lotteries and regulate them accordingly,
9 we will never maximize the potential return legalized
10 gaming can produce for the common good. And less
11 obviously, we will never minimize the social problems
12 inherent in all gambling, regardless of its type.

13 As I travel around various lottery states,
14 the fact that they are now just considered another form
15 of gambling, by their governments and the media,
16 sometimes I think causes them to modify their
17 fundamental charge and their fundamental formula. It
18 opens them to seek to compete with what I don't see to
19 be competition, harder forms of gambling.

20 I believe most media and legislative calls
21 for restrictions or new regulations on lotteries stem
22 from the expansion of gambling and the seeming
23 inability to differentiate lotteries from casinos.
24 Legislative calls for restrictions on advertising,

1 limitations on prizes and a rapidly revolving door of
2 lottery directors are all reactions, I think, to harder
3 forms of gambling and the naivete spoken about by Ken
4 Bode.

5 Additionally, the proliferation of gaming
6 commissions for each form of gambling, all competing
7 for attention and resources, cloud the social and
8 economic issues surrounding gambling. More than
9 anything we lack, in my state, and I think the
10 Representative spoke eloquently to this in
11 Massachusetts, a well thought out gaming policy. There
12 is no conflict in having government regulate gaming,
13 there is not other entity that can accomplish the twin
14 tasks of probity and protection of the citizens. There
15 is no better regulator of a government sponsored
16 lottery, voted into being by the state's citizens, than
17 the government formed by elections.

18 But what we lack in America is an agreed
19 upon gaming policy, one that recognizes the differences
20 in gaming types, one that recognizes the social costs
21 and responsibilities of allowing any form of gambling.
22 One that educates itself to the realities, not just the
23 promises of gaming expansion. A policy that mandates
24 that the chief beneficiaries of gambling expansion and

1 profits will be the citizens of the jurisdiction, not
2 private interests.

3 And for that great wonderful quote, tax
4 laid only on the willing, which is a lottery, as
5 immortalized by Thomas Jefferson, government, not
6 private enterprise must ensure the fundamentals of what
7 has made its game so successful, security, credibility,
8 honor, a game in which a player risks a small amount
9 against long odds to win a big prize, with the net
10 proceeds going to the common good.

11 My response to the fundamental question of
12 a government's role in advertising the lottery, if you
13 wish to have broad participation, and I think that's
14 the key to the success of any lottery, it's like the
15 dream everybody has of walking into the Rose Bowl at
16 halftime and asking everybody to give them a dollar,
17 everybody is out a dollar and you walk away with
18 \$130,000. If lotteries don't advertise, you can be
19 sure only a few, unconcerned with where the lottery's
20 profits go, unaware of the public policy questions
21 we're debating today, interested only in faster action,
22 better odds, and the next sort of gambling, will play.

23 I'd like to thank the members of the
24 Commission for their time and attention and please

- 1 remember that to most Americans, gaming means lottery.
- 2 I'd be happy to answer any questions.