

1 QUESTION AND ANSWER: RIVERBOAT CASINOS II

2

3 CHAIRMAN JAMES: At this point I'll open it up to
4 Commissioners for questions and comments. I would say this
5 before we get started, however. For logistical reasons I need to
6 let you know that we do need to clear this room at 5:30, and in
7 order to get in our entire public comment period, we do need to
8 begin that at 4:00. I just wanted to let you know that. And I'd
9 like to take a brief break before we get into that. I do
10 apologize, but that's the rules.

11 I'll just come right down the aisle.

12 COMMISSIONER LEONE: I have a lot of questions. In
13 the interest of time and giving everybody a chance why don't I
14 just confine my questions to two.

15 CHAIRMAN JAMES: Let me ask this. Would our
16 panelists be open to receiving questions from the Commissioners
17 in writing and respond for the record?

18 ALL: Sure. That's fine.

19 COMMISSIONER LEONE; This is the first time in the
20 discussion of economic impact one of the most important questions
21 has been raised, what's the national impact. Is there a
22 significant national impact? I think there are a couple of
23 economic concepts that we don't capture unless we discuss the
24 national impact. If this were another economic activity, we
25 would deal with the current economics or scarcity by saying that
26 it's causing distortions in investment and pricing and therefore,
27 we should eliminate the barriers to entry and have a more
28 efficient production of this service.

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1 I really would, because I think the cost benefit
2 analysis also can only be captured on a national basis, I'd
3 really like to ask Mr. Grinols to comment on how a national
4 commission might try to make sensible arguments about a series of
5 concepts that are as difficult as this when applied to a series
6 of essentially local monopolies around the country or activities
7 that are justified in terms of local revenues.

8 MR. GRINOLS: I'm glad you asked that question.
9 There are three different computations that seem to be floating
10 around in the discussion of casinos. One might be casino
11 profitability. The other is regional economic development. And
12 the third one is national cost benefit. They are different
13 computations.

14 I would think that what this Commission should be
15 looking at, because you are a national commission, is the
16 economic costs and benefits, which is what I was describing. The
17 benefits of casinos are not that they move a job from California
18 to Nevada. That may be good for Nevada, may be bad for
19 California but for the nation it's immaterial. This is just
20 ordinary business. All kinds of businesses cause jobs to move
21 from one place to another. An analogy could be made between
22 states competing with each other to get a particular factory and
23 these states offer all kinds of tax incentives and tax give-
24 aways. What happens is if every state does this, no state
25 increases its probability of getting the factory, but they all
26 give away a lot of the tax money that would have gone somewhere.

27 I would urge the Commission to do the correct
28 calculation which is the national benefits and national costs.
29 From the point of view of free entry and exit and so on, if this

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1 industry had not problem in pathological gambling, nobody got
2 hurt because of gambling, the Commission would have no reason for
3 existing. We would let the industry expand. The high monopoly
4 profits that we see in some areas now would disappear with free
5 entry and casinos could locate on every corner if they felt like
6 it. There would be no issue.

7 So the issue that the Commission I think needs to
8 look at is what are the costs to society of an additional problem
9 gambler, an additional pathological gambler, how many more of
10 them do you get when you have casinos everywhere and then measure
11 those against the benefits of casinos which are ordinary
12 commercial benefits of having nearby entertainment for those
13 people for which it's not a problem. I would recommend the
14 Commission go to Pulitzer who did a study of this type in the
15 80's, Professor Gazel who has done a study in the Midwest, get
16 another team in the Midwest to do that study, get a separate team
17 on the West Coast, ask all three of them to come up a year and a
18 half from now and answer the following question. What is the
19 cost to society of an additional problem gambler and an
20 additional pathological gambler? That is the single most useful
21 thing that this Commission could do for this debate.

22 COMMISSIONER LEONE: My second question is I'd ask
23 Mr. Phares to start but I'd welcome anybody else's comment.
24 Another set of statistics that are thrown around a lot in this
25 debate has to do with the increased government revenues which are
26 quite striking when a small community of a few thousand
27 eliminates taxes, like Alaska having oil revenues, but are
28 claimed on a statewide basis as -- and I see you have a chart
29 here.

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1 To what extent does this chart reflect an analysis of
2 what would have been spent or might have been spent if there had
3 been no legalized gambling revenues from other tax sources on
4 education, for example? Has per capita education grown faster in
5 this circumstance than it has grown in other similar states or
6 other similar periods during the business cycle? Is there any
7 evidence that this is, in other words, extra money as opposed to
8 replacement money? We certainly have had a lot of evidence, a
9 lot of testimony that people do this to get tax revenues, I
10 presume, so that they don't have to raise other taxes they might
11 have otherwise have had to raise, or in many cases people brag
12 about a reduction in taxes. If this propels reduction of taxes,
13 then it's not a net addition to public sector spending on this or
14 anything else.

15 I just wonder if you did any analysis that looked at
16 what the incremental increase in spending is.

17 MR. PHARES: No, we didn't. I would say, however,
18 that to the extent that there is new economic activity in the
19 state of Missouri, then there will be new revenues generated for
20 the state as a result of that. We didn't look at it in terms of
21 incremental basis.

22 COMMISSIONER LEONE: No matter what the activity is,
23 though, right?

24 MR. PHARES: Sure.

25 COMMISSIONER LEONE: These are specialized taxes,
26 however.

27 MR. PHARES: Right. But the fact is it is new
28 revenue to the state to the extent there is new economic activity
29 and Missouri has chosen to earmark most of that for funding of

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1 education purposes as opposed to other purposes. We didn't look
2 at marginal changes.

3 COMMISSIONER LEONE: But if the sales tax on this
4 service offsets a sales tax that might have been levied on some
5 other service, then the state is no better off from those
6 revenues.

7 MR. PHARES: That would be true. But again, to the
8 extent that it is new money -- if it's a wash, there would be no
9 net addition. To the extent that it's new money, then you would
10 have additional sales tax being generated. In fact, the chart in
11 the report that you have does not indicate all the additional
12 revenues that come to the state, but focuses primarily on the
13 gaming revenues. There are other monies that come in as well,
14 both state and locally.

15 COMMISSIONER LEONE: There are studies that suggest
16 that the net impact is zero for things like lottery or for casino
17 revenues in other states because of offset.

18 MR. PHARES: I think part of it is also linked to the
19 issue of the displacement effect. To the extent that you're
20 moving it from one hand to another, it's a wash. It would
21 address your point. But to the extent that we have accounted for
22 the displacement effect, then you've got some possibility of
23 there being additional revenues generated for government. As
24 indicated earlier, we found that of the total amount, about 50
25 percent of it in fact was comprised of the so called displacement
26 effect, that would displace other kind of spending.

27 CHAIRMAN JAMES: Commissioner Wilhelm.

28 COMMISSIONER WILHELM: I wish we had more time.
29 These are really interesting and important issues. I would agree

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1 with Commissioner Leone and Mr. Grinols that if there's a way to
2 depict the national cost benefit analysis of gambling then we
3 should try to do that. On the other hand, it seems to me that a
4 number of the Commissioners have said, and I agree with this
5 point of view, that one of the things the Commission should try
6 to produce is a set of tools that state and local policy makers
7 can use to try to assess the Chair's question earlier, if you're
8 a mayor is this a good idea or bad idea? I think that's
9 fundamentally important.

10 It's a nice idea to say, well, you know, it doesn't
11 make any difference if it's in California or New York, but the
12 fact is that if there's an economic problem in the northern part
13 of Indiana or in upstate New York or some other place, the policy
14 makers and the citizens in that area are affected by it and a new
15 job, in California, doesn't do them any good. While I think the
16 national issue is important, I think the regional issue is
17 extremely important.

18 In that regard, of all of the things that I have
19 seen, Mr. Phares, I think you and your colleagues have made the
20 most serious effort to try to assess, in your case for the state
21 of Missouri, what the real bottom line is. You have pointed out
22 in your study, which I read all the way through, some of the
23 areas that still need to be looked at. But I really wanted to
24 commend you and your colleagues. Compared to much of the stuff
25 that comes out of the gaming industry, and compared to much of
26 the stuff that comes out in the anti-gambling movement or
27 academics who are attached to either, I think this is a very
28 serious effort.

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1 For example, you made the most serious effort that
2 I've seen to assess the displacement issue and to try to figure
3 out how much of it really is a wash and how much of it isn't. I
4 wanted to commend you on that. I hope that if you -- I don't
5 know if you plan to pursue this type of study any further, but if
6 you do, in addition to the other issues that you've pointed out,
7 I would urge you to try to take a look at the relationship of the
8 quality of the jobs to all of this. Just as a gross example, if
9 a job is created someplace that doesn't have any health benefits,
10 then the reality in our society is that the public is going to
11 pay for the health costs of that family. Whereas if a job is
12 created that does have decent health benefits then the public is
13 not going to have to pay for that.

14 I hope along with the other issues you've cited that
15 you'll take a look at that if you pursue this. In conclusion, I
16 was particularly struck by two other things you said in your full
17 study. I don't know if these are repeated quite this way in the
18 summary. For one thing you said Missouri casino patrons are
19 similar to the general state population in terms of sex and race
20 but are older, better educated and have a higher household
21 income, which is a conclusion that appears to be supported in
22 your study and is different from what one often hears.

23 And the second point that struck me was your
24 statement that the bottom line is that significant additions to
25 the Missouri economy have been achieved as of 1997, almost 18,000
26 net new jobs, 500 million in added personal income and over \$750
27 million of added output have benefited the state's economy. You
28 have pointed out in your study some of the open areas in all
29 those calculations but I really think you've made by far the most

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1 serious effort that I have seen. I hope you'll pursue it and I
2 would appreciate it if you would consider working with the
3 Commission or its research committee in the future.

4 MR. PHARES: Thank you. I appreciate it. May I make
5 one comment?

6 CHAIRMAN JAMES: Certainly.

7 MR. PHARES: I think one of the roles this Commission
8 could play would be to try to pull together a lot of intellectual
9 talent that's at this table and elsewhere and perhaps come up
10 with a standardized model for looking at what the gaming impact
11 is, whether it's applied nationally or locally. But there are a
12 variety of fundamental questions that need to be addressed when
13 you get into the issue of social costs, particularly the issue of
14 problem gaming. First of all, what is the social cost as opposed
15 to what is an individual and private cost, where do you draw the
16 line? If I'm sitting in a restaurant and someone is eating
17 sloppily, an economist would call that a social cost. Is that
18 significant? It certainly doesn't compare to addictive behavior
19 to alcohol, tobacco or gaming.

20 The other issue I think needs to be addressed in
21 terms of social cost is where is that line when one crosses it
22 you become a problem gamer as opposed to someone who just enjoys
23 spending a larger percentage of their income in gaming as opposed
24 to something else. These are questions that need to be
25 addressed.

26 You're in the unique position now to be able to begin
27 to address those in a standardized format which I think would
28 lend a lot of credibility to what's being done. There's an
29 incredible amount of talent on which you could draw at this table

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1 and elsewhere that could come up with a model that everybody
2 probably could agree on as the right way to approach it. Some of
3 the cells may be zero, some of the cells may be very substantial.
4 But without having hard empirical information, some of these
5 cells are being guessed at, at this point in time. I thank you
6 for your comments earlier.

7 CHAIRMAN JAMES: Commissioner Dobson.

8 COMMISSIONER DOBSON: Mr. Thanas, in your commentary
9 on Joliet's economic windfall and the benefit from riverboat
10 gambling, you didn't mention the fact that the largest mall in
11 Joliet went bankrupt. It was one mile from the riverboat.

12 MR. THANAS: That's not accurate, Commissioner.

13 COMMISSIONER DOBSON: Explain that to me.

14 MR. THANAS: There are two malls in the city of
15 Joliet. The largest mall is quite successful and has attracted
16 all major retailers. It's been open for 20 years but during the
17 last five years it has seen an onslaught of major retailers such
18 as Target, MC Sports, Pet Smart, all the big box stores that you
19 see in most suburban malls. Another mall known as the Jefferson
20 Square mall which is probably about three miles from the nearest
21 casino has not been successful and its lack of success was shown
22 well before the riverboat gambling companies came to Joliet. It
23 was a problem of having two major malls trying to compete for the
24 same market.

25 No one in Joliet attributes the failure of the
26 Jefferson Square mall to the riverboat companies.

27 COMMISSIONER DOBSON: Did I understand you to say
28 that the majority of the people who gamble there come from more
29 than 25 miles away?

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1 MR. THANAS: That's correct. That's a statistic that
2 was provided to the city of Joliet by the Illinois Gaming Board.

3 COMMISSIONER DOBSON: Yet, when you were describing
4 the social impact, you described it in Joliet rather than
5 elsewhere where the people are coming from. Did you make any
6 effort to assess the impact on the communities from which those
7 people are coming?

8 MR. THANAS: No. I've not contacted my counterparts
9 in Flossmoor or Lisle or Naperville or anyplace else.

10 COMMISSIONER DOBSON: So we don't really know the
11 social economic impact in those areas where people are coming
12 from?

13 MR. THANAS: I think you can extrapolate from the
14 impact its had on those Joliet residents who participate or
15 patronize the riverboats. And our assessment from the city of
16 Joliet is that there's minimal social impact caused by the
17 riverboats. In my business, in the municipal business, if the
18 city causes a problem, if we back up a sewer or we don't have
19 cops out running radar in neighborhoods, we're going to have the
20 City Council chambers filled with citizens saying we want
21 something done now. It's a phenomena that all of you see in your
22 own towns probably, let's go fight city hall a little bit. If
23 there was a problem with riverboat gaming and the patrons from
24 the city of Joliet, there would be the family members there
25 knocking on the mayor's door, the city manager's door saying
26 we've got a problem here in the city. This industry that you've
27 allowed to create all this economic development that you perceive
28 but it's creating havoc in our families. We don't have those

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1 people coming to city hall and telling the mayor that, the city
2 manager that or the City Council members.

3 COMMISSIONER DOBSON: Are you aware of the story that
4 was carried nationally about the semi-retired couple that
5 committed suicide? And the coroner had to subpoena the documents
6 from the riverboat organization and found that they each had
7 \$100,000 in debt associated with gambling.

8 MR. THANAS: I'm not aware of that story.

9 COMMISSIONER DOBSON: That story was carried in the
10 Los Angeles Times syndicate all across the country.

11 MR. THANAS: I read the Chicago Tribune, the local
12 paper, not the L.A. Times.

13 COMMISSIONER DOBSON: The L.A. Times syndicate is
14 carried all over the country. You're not aware of the suicide
15 that occurred there?

16 MR. THANAS: I'm aware of suicides that occur in many
17 industries. I have lawyer friends, we had one -- I'm a fifth
18 floor of a building and one on the sixth floor committed suicide
19 a couple years ago, very tragic loss. He wasn't a riverboat
20 gambler. He was just very frustrated with the law business.

21 COMMISSIONER DOBSON: These both were riverboat
22 gamblers with a huge debt.

23 MR. THANAS: I'm just telling you that in every
24 industry, in every walk of life, we're going to find people who
25 commit suicide. But we're not going to condemn the law business
26 because my friend who was upstairs from me committed suicide and
27 we're not going to condemn a restaurant business where somebody
28 has to spend seven days a week, 14 hours a day trying to make a
29 living at it and decides it's best not to be alive. We don't try

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1 to close the restaurant businesses in those situations. I just
2 don't think that's government's role.

3 MR. GRINOLS: Could I just add one little thing here?

4 CHAIRMAN JAMES: Certainly.

5 MR. GRINOLS: Every now and then you get these
6 spectacular cases that hit the newspaper. This one is from the
7 March 7th Chicago Sun-Times. It's titled Baby Death Plot Told.
8 I don't know if the Commission has seen this. It's local. I'll
9 just read the first sentence.

10 A Hickory Hills woman with a love of gambling and a
11 history of petty fraud resorted to killing her seven week old
12 daughter to collect on a \$200,000 insurance policy, federal
13 prosecutors allege. They also checked into her history and there
14 was an earlier child that died of sudden infant death syndrome
15 that they're re-examining in light of this. The article does not
16 say which casinos she gambled in, but it's likely that she was in
17 the Joliet casinos at some point. I can't say that for sure.

18 MR. THANAS: Ouch.

19 CHAIRMAN JAMES; Commissioner Bible.

20 COMMISSIONER BIBLE: In your studies, has anyone
21 assessed the economic impact of moving wagering or betting
22 activity from an illegal site to a legal site of the business and
23 subjecting it to taxation? Perhaps in Missouri I assume they had
24 some illegal gaming activity in Missouri previous to the
25 legalization.

26 MR. PHARES: Not the same type that would be at
27 riverboat casinos. There's sport betting and other betting which
28 in Missouri may still be illegal. How much of that has shifted
29 from that type to riverboat casinos, I'm just not aware of it.

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1 COMMISSIONER BIBLE: In your survey, you asked
2 patrons if they engaged in illegal wagering?

3 MR. PHARES: It would have been a good question to
4 ask. At the time we just didn't think of it.

5 COMMISSIONER BIBLE: The only reason I think of the
6 question is last night the Bulls were in town and I assume there
7 was a little wagering going on in Chicago, and if that had been
8 subject to taxation, it would have produced some revenues for the
9 city.

10 MR. PHARES: Right.

11 COMMISSIONER LEONE: I can't resist this. A lot of
12 economists that I spend my time arguing with would say that
13 subjecting an activity to taxation that wasn't formerly taxed
14 would distort economic activity and be bad for the overall
15 economy. In the old days they might have to argue by the logic
16 of that point of view that we were better off, which is the
17 trouble with that point of view, but that's another discussion.

18 MR. PHARES: If we could tax illegal activity, we
19 could probably eliminate the national debt in a matter of a few
20 years.

21 CHAIRMAN JAMES: COMMISSIONER McCARTHY, did you have
22 a question?

23 COMMISSIONER McCARTHY: Yes, to Mr. Phares, please.
24 Do the members of Civic Progress in St. Louis representing a lot
25 of large corporations in that metropolitan region, did they ask
26 you to design the study that you undertook, that you've given us
27 an outline of the results of?

28 MR. PHARES: Our charge from them was what is the
29 economic impact of gambling in Missouri. They asked us to submit

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1 a budget, which we did and then we had completely free rein from
2 there. We met with them once to give them a progress report on
3 what had been found to date and made a few questions and comments
4 but provided no directions in terms of where we should go from
5 there.

6 COMMISSIONER McCARTHY; So you had fairly good
7 latitude?

8 MR. PHARES; We had complete latitude and good
9 funding to do it.

10 COMMISSIONER McCARTHY: One of the dilemmas we keep
11 facing here is that we hear the good news from the people who are
12 the heads of cities who give us, in effect, a budget report and
13 of course, have no responsibility at the municipal or local
14 level, which I understand having served there in the last
15 century, and that's at least at a state level or a very large
16 regional level to try to search out what the costs are of divorce
17 courts, bankruptcy, crime, to employers for pathological
18 gamblers. So my question to you is if you had brought latitude
19 in designing the study and you knew that social cost data were
20 lacking, and indeed they are because we've been searching for it
21 continuously, why weren't questions on social costs included in
22 your study to give a balanced economic picture of the cost to
23 government, the cost to private sector employers for pathological
24 gamblers?

25 Incidentally I would insert that Dr. Howard Schaffer of
26 the Harvard University Medical School who did an analysis of 120
27 selected studies -- you may be familiar with this -- on problem
28 gambling in America has said, and he's been accused of being very
29 conservative with this number, that there are four and a half

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1 million pathological gamblers in this country. So it's a
2 reasonable assumption that lots of different kinds of costs come
3 out of that. My question is why weren't any social costs,
4 factors, questions included in your study?

5 MR. PHARES: Three reasons, and I'm not by any
6 stretch trying to say that social costs shouldn't be considered.
7 Like I said earlier, they should be. One was simply the fact
8 that what is a social cost and what is problem gaming --

9 COMMISSIONER McCARTHY: I'll leave you define that.

10 MR. PHARES: I don't think it's been defined yet.

11 COMMISSIONER McCARTHY: Let's start right now.

12 MR. PHARES: I can't. What is a social cost and what
13 is an individual cost requires a lot more empirical examination.
14 What is a problem gamer versus someone who spends a large
15 percentage of their money on entertainment as gaming is a
16 question which has not been addressed. Is it \$5,000 for a
17 problem gamer or \$105,000? What is the value of a human life?
18 Why does somebody commit suicide?

19 One of the reasons why is that this issue is simply
20 so wide open that it would have lead into the second two issues.
21 One was a question of time. We had a time frame in which to do
22 this. And the third was a question of budget. To do what you
23 are suggesting would have required a budget several times what we
24 had to the study. We felt it important to do the first part, to
25 address the displacement effect which is key missing part, not to
26 say that the third part that is yet remaining to be done, I think
27 we indicated this in our closing chapter is the issue of problem
28 gaming does need to be addressed. It will vary from state to
29 state. It should be done in Missouri. It's not been done in

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1 Missouri for basically the reasons I indicated. I'd love to see
2 it done. I'd love to have the opportunity to address it.

3 COMMISSIONER McCARTHY: The problem I have as a
4 member of this Commission, getting a handle on trying to weigh
5 all this out, is virtually no one funds studies dealing with
6 social costs. They don't fund it, so we keep asking the
7 questions you do, what is a social gambler versus a problem
8 gambler and it's been defined for us. It's associated with a
9 series of actions in a family, in a community, in a job site but
10 that very imprecision is used as the reason why studies like
11 yours don't ask social cost questions. It's a little bit
12 frustrating to us who are trying to get a handle on this. I'm
13 not heaping all the blame on you. It's sort of a collective
14 thing.

15 MR. PHARES: I appreciate your frustration. I share
16 it.

17 CHAIRMAN JAMES: Commissioner Lanni.

18 COMMISSIONER LANNI: I just actually had a couple
19 questions for Mr. Grinols. I notice in the one report that you
20 had, I think it was exhibit number one. You had indicated
21 revenue per adult, casino revenue.

22 MR. GRINOLS: That's casino revenue per adult. That
23 particular figure in the chart came from a Christensen and
24 Cummings. It's a study for the state of Iowa. Of course, it
25 would vary a little bit by region.

26 COMMISSIONER LANNI: That's just for the state of
27 Iowa?

28 MR. GRINOLS: That represents what an average adult
29 loses per year to casinos in the state of Iowa.

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1 COMMISSIONER LANNI: For the state of Iowa. And then
2 you have social cost, it's looked like about \$340?

3 MR. GRINOLS: That was meant to be a range from
4 around 110 at the low end to maybe as high as 340.

5 COMMISSIONER LANNI: I think it only showed 340. I
6 didn't see a range.

7 MR. GRINOLS: There should have been a little box
8 there showing the 110.

9 COMMISSIONER LANNI: Let's just say it's 110 to 340.
10 What was the basis for that?

11 MR. GRINOLS: Okay. This gets back to the question
12 that was just asked. Social costs consist of loss of
13 productivity.

14 COMMISSIONER LANNI: I'm sorry. I was asking where
15 did the numbers actually come from? Is that in Iowa?

16 MR. GRINOLS: Those numbers come from about three or
17 four, half a dozen studies that have been done since the 1980's
18 that have been put together. I have used parts of different
19 studies. If you make an array and line up all the different
20 social costs that you have associated with gambling, down your
21 columns, line up all your studies across the rows, different
22 studies have analyzed different things, for example, lost
23 productivity, gamblers who lose control of their life over
24 gambling, don't show up for work, they get fired, they have
25 employment problems, so on. Take the studies that have estimated
26 that, stick it into the cell. Then there's crime related costs,
27 adjudication, apprehension, incarceration costs, how many people
28 end up going to jail because of some embezzlement due to
29 gambling. There have been some studies that have estimated those

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1 numbers, stick those into the cell. Continue this way, line up
2 all the cells, take the maximum of the studies and the minimum of
3 the studies, when you have different studies that have gotten
4 equivalent numbers, take those as your range, put them together.
5 That's where the number comes from.

6 COMMISSIONER LANNI: You seem to be saying I think
7 what COMMISSIONER McCARTHY and maybe Dr. Phares was saying, we
8 don't really have very good information on that issue.

9 MR. GRINOLS: No, I'm not saying that. I'm saying we
10 do have studies and they do overlap. They come in fairly
11 consistently. At the low end, one additional pathological
12 gambler is likely to cost society on the order of \$10,000. I'm
13 saying roughly because I can't be too much more precise than
14 that. At the upper end they could be as high as 30,000.

15 The studies are fairly consistent. But what I urge
16 the Commission to do is to redo in three independent studies
17 those studies that now exist and find out with modern data, with
18 new studies, with new people, if the numbers are coming in
19 consistently to what we already have. That's what I'm urging the
20 Commission to do.

21 COMMISSIONER LANNI: On a national basis?

22 MR. GRINOLS: Well, take a team from the East Coast,
23 a team from the Midwest and a team from the West Coast and let
24 them work with different populations, let them do independent
25 work and see what you get.

26 CHAIRMAN JAMES: I think Commissioner Wilhelm has one
27 last question.

28 COMMISSIONER WILHELM: In trying to weigh up the
29 social cost, given not quite enough is known, I don't know if you

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1 heard the testimony from the mayor and the State Senator from
2 Gary, Indiana this morning, but in order to assess the social
3 cost, wouldn't you have to also take into account the elimination
4 of the social cost related to, for example, a person who was
5 unemployed who got a job or a community that has lots of
6 unemployed people that has fewer? Obviously unemployment has
7 lots of social costs associated and lots of people have studied
8 that. Wouldn't you have to balance things like that in order to
9 assess the social costs?

10 MR. GRINOLS: Yes, you would, to the extent that
11 anytime an unemployed person is a burden on resources of all of
12 society, that's a social cost to society.

13 COMMISSIONER WILHELM: It produces lots of other
14 things. It produces crime and some other things. Unemployment
15 is well known to produce a whole range of social costs.

16 MR. GRINOLS: Right, and you would have to take that
17 all into account. But a social cost is a burden, a use of
18 resources because of the existence of an activity, in this case,
19 gambling, that would not have to be expended uselessly in that
20 direction. For example, if a police force has to be doubled in
21 size to handle the crime because a casino is in town, the
22 physical resources of that doubled police force represent a
23 social cost. Those people otherwise could have been doing
24 something else productive.

25 COMMISSIONER WILHELM: I understand, and you started
26 that sentence with if. But if, also -- just in another example,
27 crime was reduced, which was asserted by the mayor and State
28 Senator in Gary, then you have to balance that against your \$300.

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1 MR. GRINOLS: Yes, absolutely. I'm just telling you
2 that you have to do your calculations properly and balance the
3 decreases versus the decline. But yes, of course.

4 COMMISSIONER LEONE: Can I just ask one question?

5 CHAIRMAN JAMES: You can have one quick question.

6 COMMISSIONER LEONE: This is the thing that has
7 always troubled me about the sincerety of economics and gambling
8 poses the question in as difficult a fashion as I know. One of
9 the ways to get at the answer to Commissioner Wilhelm's question
10 and other questions, whether there are net new jobs in the
11 country because of an activity, recognizing that a certain amount
12 of it is shifting around boxes on a table, whether the DDP has
13 expanded, whether there's growth associated in a meaningful way
14 with this activity versus the deployment of resources some other
15 way, and that would tell you something about whether --clearly, a
16 casino opens, a bunch of people get employed, many of them might
17 not have been employed, but are those new jobs nationally or
18 would there have been jobs, different kinds of jobs in some other
19 place as a result of that.

20 It seems to me that one of the toughest assignments
21 we have as a national commission is figuring out a way to get at
22 that question. We don't have say to sort through the details of
23 this particular activity, and there doesn't seem to be any law we
24 can just apply. We've run out of time here, but I would welcome
25 any of you dropping us a note or opining about how we can try to
26 get a better handle on that question, because unless we can, we
27 will never wrestle this particular beast to earth and be able to
28 argue about it in the same terms. We still won't agree. I would
29 argue on the margin many of these issues are not economic. But

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1 we will at least all be talking about the same thing in terms of
2 the effect on our nation's economy. We could use some advice.

3 CHAIRMAN JAMES: I would certainly invite any of you
4 to submit any thoughts that you may have on that or any other
5 subject to the Commission. And I would invite those of you who
6 are attending in the audience who perhaps have not had an
7 opportunity to speak on a panel today to address the Commission
8 on any of the subject areas that you've heard us talk about this
9 morning and this afternoon. These are very complex and very
10 difficult issues and we do struggle and wrestle with them a great
11 deal.

12 Having said that, I do want to thank our panelists
13 for being here, sharing their insights, sharing their thoughts
14 and struggling with us. We're just beginning to really get into
15 some of these areas and we would really welcome the opportunity
16 to submit questions to you in writing and to encourage you to
17 engage in a continuing dialogue with us as we go through this
18 process.

19 It's now 4:00 and I do believe that in order to make
20 it through 90 minutes of public comment period, it would be
21 beneficial to the Commission to have about a five minute break at
22 this point. We will come back together again at about five after
23 4:00.

24 (Whereupon, a recess was taken.)

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