

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

TOM BELL

CHAIRMAN JAMES: I would like call us back to order. I see that we have been joined now by Mr. Bell. Mr. Bell, I'd like to thank you for your flexibility and I also wanted you to know that your testimony has been indeed distributed to all the Commissioners. I would dare say, most if not all of them, have read it. So if you would like to just do a summary and then we will give you the opportunity to answer any questions that the Commissioners may have and then we will move to our next panel. So with that, are there any remarks of a summary nature that you'd like to make?

MR. BELL: Yes. Thank you, Madam Chair. Members of the Commission, ladies and gentlemen, I'm Tom Bell with the Cato Institute. I'm the Director of Communications and Technology Studies there.

CHAIRMAN JAMES: Could I get you to pull the mike a little closer?

MR. BELL: I'm Tom Bell, Director of Tele-Communications and Technology Studies at the Cato Institute, Washington, D.C. I want to thank you for giving me the chance to testify here today about the merits of outlawing Internet gambling versus legalizing it.

Essentially I just want to make one main point and that is that sooner or later Americans will legally gamble over the Internet. That is a virtual certainty. We can get there quickly and easily or slowly and painfully, but all the facts indicate that sooner or later gambling will be legal over the Internet.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealrross.com

1 Now, I'd like to describe for you quickly some
2 reasons why that's not such a bad outcome and some of the factors
3 that I think compel this result. I should probably begin by
4 offering this disclosure. It's not in my testimony, but it's
5 true. I myself am now involved in a conspiracy to gamble over
6 the Internet. It's true.

7 Just earlier this week, my wife and I, we have our
8 first child that's going to be born in June and we're very
9 excited about that.

10 CHAIRMAN JAMES: Is this the part where I should
11 remind you that you're under oath?

12 MR. BELL: Did I take an oath? It's true, though. I
13 would be willing to take the oath, because this isn't illegal yet
14 but it would be if Kyl's bill or the other bill were made into
15 law.

16 So we set up a betting pool. Some of our friends
17 were interested, as we are, as to whether or not our child will
18 be a girl or boy, when it will be born, whether it will have red
19 hair. I hope not, but it might. And our friends were
20 interested, our co-workers. We set up a betting pool. Two
21 dollars and you got to bet on these things. My wife, so I could
22 lure my co-workers into this conspiracy, it started at her
23 office, she E-mailed to me the form that you have to fill out in
24 order to enter into this little bet.

25 She E-mailed it to me and those of you who have read
26 closely the Kyl bill and the Goodlatte/LoBiando bill, those are
27 the Senate and House bills that have been introduced, I could be
28 prosecuted, my wife too, for a felony if those bills were made
29 into law. Now, that should strike I think everyone as pretty

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealrgross.com

1 ridiculous. You could respond that well, no prosecutor, Tom,
2 would come after you for that. But if it's left at prosecutorial
3 discretion, I think we'd stop living in a government of laws and
4 we live in a government where the whim of a prosecutor calls the
5 shots. And I don't want to live in that kind of world.

6 But not only is that unfair, the point I want to make
7 is it would be unenforceable if the Kyl and LoBiando/Goodlatte
8 bills were on the books, they would never catch my wife and I.
9 Well, they would now. But they wouldn't have. I want to tell
10 you why laws like that will be unenforceable. For basically
11 three reasons.

12 First of all, Internet technology, the very
13 architecture of the Internet, renders such prohibitions futile.
14 Secondly, as an international network, the Internet provides a
15 safe haven to anyone who wants an instant detour around U.S.
16 laws. That's just a fact. We're going to have to live with
17 that. And third, consumer demand for Internet gambling and the
18 states' demand for tax revenues creates incredible political
19 pressure to legalize Internet gambling. So far the prosecutors
20 have called the shots in the public debate. They've told us
21 scary stories, demanded new powers, they've grabbed the
22 spotlight. In the long run governors are going to see potential
23 tax dollars going out of their states and they're going to say,
24 just as they did with regard to riverboat gambling and casino
25 gambling and lotteries, we want a piece of the action.

26 So as I said, eventually all the facts indicate we
27 will have legal gambling on the Internet for U.S. citizens. Now,
28 is that such a terrible result? I really don't think so. I
29 understand the concerns of moralists and people who are worried

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealrgross.com

1 about Internet gambling addiction. But there are also some
2 bonuses to Internet gambling that I think deserves serious
3 consideration.

4 First of all, Internet gambling will drive network
5 development. This is a way to get the private sector to fund the
6 development of high band width lines to homes. It's a way to get
7 the private sector to develop the equivalent of these fancy
8 casinos you see built in Las Vegas and Atlantic City, to get them
9 to build the equivalent of those casinos online. That means that
10 they'll be developing nice user interfaces, the foundations for
11 commerce on the Internet, good software. We can barter all that
12 and use it for other types of commerce.

13 Secondly, Internet gambling provides a more wholesome
14 environment for gambling than casinos, at least as some people
15 describe casinos. They're these dank pits; there's no windows;
16 no clocks; free booze; lot of bare flesh; handles at every turn.
17 You can't escape. People say it's another world. You get sucked
18 in. Well, I don't know whether that's true, frankly. But the
19 point is, Internet gambling at home is not like that. You have
20 the dog barking in the background; your kids probably saying when
21 can I use the phone, dad. It's just not like going to casinos.
22 It's arguably a more wholesome environment.

23 And thirdly, while you may or may not like gambling,
24 I'm sure some people here don't, the fact is right now it is a
25 consumer driven industry. It's a service offered to people who
26 want to bet and insofar as those consumers deserve all the
27 protections offered consumers in other spheres of our economy,
28 they deserve competition. Consumers will benefit from the
29 competition provided by new sources of gambling on the Internet.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealrgross.com

1 It will drive down prices. It will give them better odds. We
2 all know the lotteries run by states frankly are not a very good
3 investment.

4 Well, there very briefly, are the reasons why I think
5 Internet gambling is inevitable. The very architecture of the
6 Internet will render prohibition futile. It's an international
7 network. We cannot force our domestic laws overseas. And also
8 political forces will eventually compel legalization. And also I
9 don't think it's a bad thing, all told, at least we should give
10 fair weight to the upside of legalized Internet gambling. We
11 might as well consider those bonuses, because I'm telling you,
12 it's going to happen. Sooner or later, for better or worse, it
13 will be legal in the U.S. eventually and again we can get there
14 the easy way or the hard way, but everything indicates it's
15 inevitable.

16 That's the extent of my comments. If you have any
17 questions, I'd be happy to answer them.

18 CHAIRMAN JAMES: Thank you. We will have questions
19 now for Mr. Bell. Any questions, comments?

NEAL R. GROSSCOURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealrgross.com