DR. SHOSKY: Thank you, Madam Chair. This is a chapter that is, sort of has its own little structural difficulties, because I think maybe the chapter title is a bit misleading.

We are actually dealing with two large categories of issues in this chapter. One, economic, the other is social costs. And in terms of economic, what we are doing is looking at positive/negative economic aspects of gambling and the expansion of gambling. and, again, with social costs, the same thing, positive and negative.

And so this is a place where issues about economic growth, job creation, impact in the community, family disruption, bankruptcy, suicide, even credit issues have been lumped into this particular chapter.

I have been thinking, I’m not sure I’m in a position to say this, but I have been thinking, as I have been working on it, that it might not be a bad idea to break them in two, and create two chapters out of this instead of one.

But if we do keep it as one chapter, we might want to consider it titling it something different.

The information, of course, that we have been getting from our contractors has some applicability here, but basically the way we have been able to determine most of the information we plan to include, is through studies that have already been done, and through a review of literature, as well as the testimony that we have received in front of the Commission.

CHAIR JAMES: Thank you. I’m going to ask if Dick would open up our area of discussion. In this area he is our resident expert in these matters. What would you like to see that chapter focus on?
COMMISSIONER LEONE: I think that the chapter has to, although I have been admonished by Commissioner McCarthy not to speak again today, I’m asking for special dispensation from --

COMMISSIONER MCCARTHY: That was respecting your self-exclusionary phase.

COMMISSIONER LEONE: I think we might want to do something a little unusual, and at the beginning of this chapter talk about what a true accounting would be of costs and benefits to the gambling communities, the states, and to the nation.

And discuss quite frankly our limitations of being able to do anything of that type for a variety of reasons. Some of the reasons we have talked a lot about, some of the other reasons have nothing to do with gambling, they have to do with consumer expenditures, generally, and particularly in entertainment, where the substitution effect is very important, but people are not very good at measuring it, so that it is not at all clear.

And I would be happy to help, substantially, with this section. I think if anything bothers me about this is the impact discussions, and papers, and other things, it is the claim that they somehow reveal the truth. When we know that we can’t measure some of these things very well, at all, in particular we can only measure bits and pieces of it.

And I also think that right up front in the chapter we should make clear that there are many things we can’t quantify. Or even, and I don’t simply mean that saying the cost of divorce is the price of a lawyer, which is a ludicrous statement, but that even if one could calculate the consequences in terms of single parent households, and different economic circumstances, one still couldn’t quantify that.
And that this Commission, I’m sure, wouldn’t want to claim that if we could count all these things correctly we would have, in fact, on some scale of whether to do something or not, do something, have summarized all the arguments, because there are just many things that are unquantifiable.

Economics is an amoral way of looking at the world. It counts a bullet the same as a piece of chalk. And we should never forget that. So even if we could count the price of every piece, and figure out the cost, we still would not have come to a conclusion about this.

So I think that is the first thing. The second thing is, as you know, as the Commissioners know I have great problems with the Rose paper, and I would not rely on it very much in this. I’m not attacking the author, I think it reflects the larger problem of what is out there.

Now, having said all that, I think we can draw a distinction between forms of gambling that have more pluses than others, because it is somewhat easier to measure some of the pluses, it is hard to measure the minuses.

And, obviously, the gambling that produces jobs, and income, and other activities, and economic development in places like Indian reservations in the middle of the desert in Nevada, or in poor counties in Mississippi, has a greater claim to exceptionalism, in terms of its economic development.

Even in those places I would argue it is not easy to measure the other side of the equation. We have had plenty of people come and testify before us I’m on welfare because I can’t handle gambling, I’m off welfare because I got a job at the new casino.
I mean, no humans can balance those things, I don’t think we should try to in this particular forum. And that is why I have also circulated my view that we should be very modest about what we can say in this chapter.

There is a lack of knowledge, the lack of ability to get the numbers right, even if we got the numbers right we wouldn’t be counting everything. But I do think we can say some things that are different from others.

I think we should be explicit about the lotteries not serving any particular economic function that I can see. They are simply a clever way to raise money for states, and turn some money around. And they probably, on the margins, keep this convenience store, or that convenience store in operation, so do the other convenience gambling. But in a strict sense nobody would claim that was some positive economic effect. And they clearly don’t result in any net new revenues.

Every time people look at that, they can’t find any evidence of that. Money is fungible, like most dedicated capitalists, there are pretexts.

So I think we can talk about that, and I think we can also say what we know from the research we did on communities, those case studies.

My bottom line, Kay, we are not going to add much to that. This is one where we are not adding much to what people knew before this Commission existed. In fact, I would argue that the biggest position we can make is to forcibly bring home to people that they didn’t know as much as they think they do before we met, I mean, found out how little we all know.

CHAIR JAMES: Other comments?
COMMISSIONER DOBSON: The only area of recommendation that I would make on this one has to do with the bankruptcy. Is it feasible, Richard, is it doable for bankruptcy courts to institute a system of collection on the data and information related to bankruptcy?

COMMISSIONER LEONE: That is an interesting -- I don’t see why not. It seems to me that it would not be impossible for people who file for bankruptcy to have to fill out a form. I wouldn’t limit it to this. That would give you interesting information. I don’t know how good it would be.

COMMISSIONER BIBLE: And I haven’t looked at it recently, but I think people get disclosure documents that you make when you file there is certainly a listing of all your creditors, and things of that nature. There is quite a bit of information in those documents.

COMMISSIONER LEONE: People who file for bankruptcy, you know, typical individual, small person, tends to be somebody who is heavily involved in what in the finance world are called PMC credit activities. In other words they will have already gotten down to where they get tired of paying an outrageous interest rates to keep the car, or a second mortgage that has gone to other things.

And I don’t see why the -- I mean, whatever behavior drives them to that might be something that at that point they would talk about. And I think it wouldn’t, obviously, turn out to be I was drinking, using drugs, gambling, and other things. But I don’t see why that wouldn’t be a good idea. Again, that is something states could do, it is not complicated.
COMMISSIONER BIBLE: Well, that data is all collected at the federal level, because it is a federal activity in terms of the bankruptcy court.

CHAIR JAMES: But would the questions that are currently asked get at what we are --

COMMISSIONER BIBLE: Well, I’m trying to remember what is collected in terms of those petitions when they are filed.

CHAIR JAMES: Because it would be creditors and

COMMISSIONER BIBLE: Creditors and things of that nature. And you may not list how you --

CHAIR JAMES: Right.

COMMISSIONER MOORE: I think that they say, I think the principal reason for bankruptcy, ask the question did the bankruptcy, most of them will file personal bankruptcy will be along what Richard is talking about, but then they come along and they all think about it, and you would be surprised at the number that is because of doctor and hospital bills.

COMMISSIONER BIBLE: Well, the lawyer may ask his client, but it may not get transferred into the --

COMMISSIONER MOORE: Right it may not.

COMMISSIONER LEONE: Over-simplified.

DR. SHOSKY: Madam Chair, there is somebody in the audience from Treasury that could answer that question, they have been working on that very issue.

CHAIR JAMES: Do you want to come over to the mike? We are a friendly bunch, don’t worry.

MS. DELVINIO: Hi. I’m Linda Delvinio, I’m the deputy assistant secretary of the Treasury for economic policy. My team has been working on the gambling and bankruptcy study but we have not completed it at this time.
The, I guess the question was, in terms of disclosures on bankruptcy disclosures --

COMMISSIONER BIBLE: On the filing documents.

MS. DELVINIO: The filing documents. At this point there is no question that asks, specifically, a listing of gambling as a part of the different disclosure pieces.

Now, it is very difficult to get at, as you all have already said, because it could be unsecured debt that has increased, and that may have increased because of gambling, so therefore borrowing was included, or even second mortgages, etcetera.

But the specificity of gambling in the disclosure documents, at least at this point to my knowledge, I have not seen that.

COMMISSIONER DOBSON: Is this the study that was done by congressional fiat?

MS. DELVINIO: Yes.

COMMISSIONER DOBSON: About two years ago? When will your report be out?

MS. DELVINIO: We are anticipating that the report will be concluded at the beginning of May.

COMMISSIONER DOBSON: Do you have any preliminary information for us?

MS. DELVINIO: Not today, no, sir.

CHAIR JAMES: Any announcements you want to make?

MS. DELVINIO: No.

COMMISSIONER BIBLE: But you have all the information that this Commission collected for your department?
MS. DELVINIO: Yes, we have worked with the NORC data base, including adult information, community data base, as well as time series analysis and data bases that we collected.

COMMISSIONER BIBLE: And that information will be available in early May?

MS. DELVINIO: Yes.

COMMISSIONER BIBLE: Good.

DR. KELLY: And if I could just recognize the role that Treasury played, I want to publicly thank you for the role you played in supporting our research on this very issue. They contributed significantly to our work.

CHAIR JAMES: Thank you.

COMMISSIONER DOBSON: Is it your impression that --

COMMISSIONER MCCARTHY: Early May, early May.

COMMISSIONER DOBSON: I’d like her to hear my question. This is a different question, Leo, you jumped to a conclusion.

Is it your impression that the recommendation you just heard here is not necessary because of the federal initiative that we talked about? Is it still, in your view, would it still be helpful for states to collect these kinds of data on bankruptcy?

MS. DELVINIO: These kinds of data, I think that is within the purview of the type of research that you all will be wanting to recommend.

COMMISSIONER BIBLE: I think it is a broader question, and the question is, in the filing documents that are submitted to the federal court, would you get meaningful data if you had some sort of an enumeration as to the causes of the bankruptcy filing, whether it be a failed business, medical bills, gaming, you know, a whole variety of sources.
Would that information be a problem to collect? And if you did collect it, would it have some utility? I believe that was your question.

COMMISSIONER DOBSON: That is it.

MS. DELVINIO: At this point we haven’t looked at that issue completely because we haven’t finished our study, and whether that is going to be part of our recommendations or not, I can’t really say at this point.

COMMISSIONER DOBSON: And your four largest conclusions are?

(General laughter.)

CHAIR JAMES: John?

COMMISSIONER WILHELM: I don’t know if you were here earlier when we were having a discussion about the extension of casino credit. But to the extent that a bankrupt person’s debt problems are related to the extension of casino credit, which is not the same thing as gambling, would that show up on these forms, that is if the casino were a creditor?

MS. DELVINIO: I would have to look into that. I would assume that it is part of the listing of creditors that were owed, I suspect it would. But that is not my immediate reaction right now, I would have to look into that.

COMMISSIONER WILHELM: Is your study addressing that question? That is, to what extent do casinos or other gambling institutions appear as creditors?

MS. DELVINIO: We are looking at all aspects.

COMMISSIONER BIBLE: We will see that in May.

CHAIR JAMES: Thank you. Any other comments, directions to staff, on economic development?
COMMISSIONER WILHELM: Yes, I would like to react to Richard’s comments. I would agree with Richard’s comments in full, I think, if the question we were talking about was the economic impact of gaming on the national economy. I don’t have any question that nothing definitively can be said about that.

But I differ, based on the record before this Commission, with the notion that nothing definitive can be said about the economic impact of gaming in particular communities.

I think there is a clear message in the record before us, both in the research, and in the testimony, that does not permit us to say in definitive, quantitative terms, precisely what the economic impact on communities is on some kind of gaming.

And the reason that we can’t say it in precise quantitative terms is because of the inability, thus far, to quantitatively depict the costs of the negatives associated with gambling, the social costs, or whatever term you want to use for that.

But I feel it would be a real mistake, and a disservice to the country to say that because we can’t arrive at a definite quantitative number for the economic impact of certain kinds of gaming on at least some kinds of communities, therefore we should say we don’t know. I think the record doesn’t support that.

On the research side the NORC study says that there was an identifiable decrease on welfare, and unemployment, and other kinds of dependencies like that in communities which introduced casino gaming, and that is true even though, as best I can figure out from the interesting technique that NORC has to respond to questions that they don’t like, as best I can figure out, almost all of the communities they looked at, that had introduced gaming
in the time frame they were looking at, in the data base, has
non-union establishments.

And despite of that, all of these things went down. The National Research Council has a number of pages in a chapter
about economic impact, which basically say what Richard just
said, essentially that who knows.

But even that organization says that there is clear
evidence that in economically depressed communities, that
gambling has a net positive economic benefit.

So I think the research clearly leads in that
direction, at least with respect to economically depressed
communities. And then if you add to that the mountains of
testimony that we had from workers, from mayors, from community
leaders, and all kinds of people, I think to ignore all of that
and say, well gee, who knows, because we can’t put a specific
number on it, is a little bit like saying, there is a forest, it
has trees in it, but we are not going to admit the trees because
we can’t count them all.

Now, again, I agree that we can’t assess the economic
impact of gambling on a national basis. And I agree that we
can’t put a specific number on the economic impact of gambling on
depressed communities.

But I do not agree, I emphatically do not agree, that
it follows from that, that therefore we can’t really say anything
about this. And I think that would be contrary to the record if
we were to reach that kind of conclusion.

I would just, in passing John, point out that in
numbered paragraph 1 of your outline, when you talked about
depressed communities, you should have included, I think, Indian
reservations, or some Indian reservations at any rate.
COMMISSIONER LEONE: Let me expound in two ways to that, John. I did mention, when I talked about gambling that it is obvious that in particular places, particularly places that are economically distressed, and that have gambling when their neighbors do not have gambling, in other words have an exception which allows them to have gambling, and draw on a broader marketplace, crucial if they draw on a broader marketplace, that there is positive economic development.

But I just ask you to think what an experiment would be, suppose every community had gambling around these distressed communities, or that it became a very different proposition to draw from a broader marketplace. We would assume, let’s say the benefits were still positive. I think you would agree with me they aren’t going to be as positive.

And the reason they are not as positive is one begins to, one has to face the fact that the benefits are being drawn in from a larger community. Therefore one wants to get the net costs and benefits, not to the Pequat nation, not even to Connecticut, but maybe to the northeast, and not just to Las Vegas, or Nevada, but maybe to the nation, or even the world, and tally up the pluses and the minuses.

I’m simply saying that it does not at all appear to me if we know whether that number would be a positive number or a negative number. I have no doubt that it is a positive number in Las Vegas, or in the Foxwoods neighborhood, or in Pascagoula, or in Atlantic City, although there are people who disagree with that about Atlantic City.

I’m just saying that we are a national Commission, and I think we should say that this has proven to be a powerful economic engine. I would argue, particularly, on certain Indian
lands, where it has made -- it is quite obvious, but also in other parts of the country.

But as a Commission, a national Commission, the charge is to look at this in a broader context, we can’t conclude anything, particularly, about whether the costs, which are borne by a much broader part of society, and are much harder to get at, how much they subtract to the benefits.

Nobody would argue, the most avid advocate of gambling would not argue that there are no costs. And so the question is, how big are the costs? All I’m saying is we can’t measure the costs, therefore we can’t do a cost benefit analysis.

I mean, we could do a cost benefit analysis if we look at it closely enough. If we look at, you know, and we should acknowledge that, we should say that it has been a powerful -- and I don’t think, of course that should be in here.

But I think we also then have to acknowledge that there is some evidence that it can be quite costly on the other side, and we don’t -- we have a harder time getting at those numbers, that is all.

COMMISSIONER WILHELM: Well, as long as we put both of those concepts in there, I certainly agree with you. I mean, as you know Richard, we don’t run our economy in this country, based on deciding what is good nationally.

I mean, that is why states and cities get into these incredible competitions for who gets the Mercedes plant. Now, people can criticize, you know, the state of Alabama for whatever package it came up with for the Mercedes plant was, but the fact is they made the judgement, and it was worthwhile.

And I think if you go to the area of Alabama where the Mercedes plant is, you might agree with that.
Now, we don’t calculate the national cost of car wrecks when we talk about, you know, whether an automobile plant is a good thing for a particular community, or a particular state. But as long as we have both of those concepts in there, then I don’t disagree with you.

COMMISSIONER LEONE: No, I agree. And, you know, remember in all of these, the state subsidy example, or the state licensing example, we went to a different area where we are not really letting the market call the shots.

When somebody builds a private sector plant, we don’t -- we figure the market will sort out whether this has a positive return or not. If there is an open competitive environment, if somebody can do it more efficiently in another town, or in another state, we let all that work out.

When the Government intervenes to provide a subsidy we believe there ought to be a good reason. It is national defense, and we wouldn’t get enough national defense if we didn’t put up the money, and underwrite it, or something.

Or we want to develop Atlantic City, so we will give them special rights. And that will -- I mean, or we want to get this auto plant, so we will let this -- this plant won’t pay taxes, and all the other plants in town are paying.

CHAIR JAMES: I hear nuances, I’m not sure I hear a great deal of difference.

COMMISSIONER LEONE: Yes, I don’t think there is a great deal of difference.

CHAIR JAMES: Anything else on this particular area?

(No response.)
CHAIR JAMES: It is 6 after 3, why don’t we break until 3:15 and come back and wrap up those last two issues, crime and convenience gambling.