A-F-T-E-R-N-O-O-N  S-E-S-S-I-O-N
(1:05 p.m.)

CHAIRPERSON JAMES: Thank you, and we really do appreciate your patience. And we have concluded our Executive Session on personnel matters, and are prepared now to move on with the rest of our agenda.

In 1972, Congress created a Commission on the Review of the National Policy Toward Gambling, and this Commission worked for four years and completed a comprehensive study of gambling in America. At the time, most of what we now know as legalized gambling was illegal in the United States. And a copy of that report is, in fact, included in your briefing books at Tab 9.

We're fortunate today to have the Chairman of this effort, Charles Morin, with us to provide some insight into the workings and recommendations of that Commission. Mr. Morin is a retired attorney from Washington, and I do very much appreciate his coming here today.
Mr. Morin?

MR. MORIN: Thanks, Madam Chairman.

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

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

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

I didn't realize that you had copies of that report. I don't know where you got them at. Maybe you made them.
But I had made copies here just of the index, and the makeup of the Commission, and so forth. I think if you'll look at the index alone it will give you some idea of what we did and how we attacked it.

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

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

As I said, times have changed dramatically. And, you know, after all, when we were doing this, casino gambling was pretty much restricted to Nevada, which incidentally was represented on our Commission by the senior Senator Howard Cannon, and
the then Attorney General of Nevada, Bob List, who later become Governor, of course.

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

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

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

From the outset, we were really impressed on how little we knew. You can see it was a fairly diverse commission. We had people from all sorts of walks of life. There were four Senators, four members
of the House of Representatives, and seven public members.

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

But in February of '75, we got the University of Michigan Survey Research Center to conduct a detailed survey of American gambling practices and attitudes. And they spent the better part of two years. They did something in the vicinity of 1,800 individual interviews which last anywhere from two to three hours, in depth, from a scientifically selected -- I don't know how they do
these things, but they do it, and they came up with the information that we really needed and which really helped us enormously.

And that information is also available, of course, but it obviously would need some updating. But I wouldn't be a bit surprised if a lot of it weren't today still valid.

That survey attempted to resolve the following questions. Does legalization encourage or discourage illegal gambling? And I think it became perfectly clear in looking at this that, in fact, it does or did. I shouldn't say does -- did.

Does legalization offer a major new source of government funding? And again, our answer then was no, it did not. The lotteries -- the income, for example, from lotteries and horse betting, and so forth, was relatively insignificant in terms of the overall state budget. And the only state that had a substantial amount of its state budget attributable to gambling is Nevada, and even that was, I believe, less than half.

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

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

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

And another question was: is there a strong sentiment in this country, was there, in favor
of relaxing the current provisions against gambling?
And I think if you will look in your report, the answer
to that is this did seem to be.

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

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

And the police, realizing this apparently,
were inclined simply to turn their backs on this type
of illegal gambling and not do much about it, and that
contributed a great deal to later and more pronounced corruption.

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

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

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

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

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

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

Incidentally, the reason for this is that the government loses no revenue, because losses always exceed winnings, and winnings are offset by losses.
The problem was, of course, that the government never allowed the losses. But the bottom line -- the winnings in gambling belong to the casinos or to the tracks, or to whatever you have, and those are taxed, so that the government should logically lose no revenue.

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

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

I think perhaps I personally might have been the strongest advocate for that particular recommendation, because I had a background in securities law. It always seemed to me that the same
type of disclosure which you must give to wealthy
people buying stock at a stock offering should perhaps
apply to selling lottery tickets to the working man
that is spending part of his paycheck to buy the
lottery ticket. At least you ought to tell him what
he's doing -- that if he bets a dollar, he loses 45
cents immediately, and that his chances are slim to
none to winning anything. But that recommendation
obviously got nowhere either.

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

Don't know whether that is so or not, and
I think that's one of the things that your Commission
intends to try to discover at least. But it appeared
to us, for example, that the reason for Nevada's great
success -- and by the time, incidentally, we had this Commission, Nevada had really straightened out its problems and was a very well-organized and well-run industry.

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

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

That suggestion I think was made to us by the people in Nevada, who incidentally, I might say, were very, very helpful and cooperative all the way through our four years. We had several hearings in Nevada, and I must say that we were very well treated and we were very much surprised. I think there was an
original distrust of us, because they were afraid that the Feds were coming in.

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

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

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

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

But I can see that the enormous explosion of these casinos in the United States, on riverboats
and the Indian reservations, and so forth, have got
to at least scare everybody, because you're looking at
handles in these casinos, I guess, and billions of
dollars. And that money has got to come from
someplace, and it's not coming from Nevada, and it's
not coming from Atlantic City, because they are
booming, at least certainly Nevada is.

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

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

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

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

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

The father would go in and lose a million pounds at the tables, and the next week, gambling
winnings being tax free, the son would go in and win
a million dollars at the same table. And that was a
nice, convenient way to avoid the succession tax and
pass a million dollars on to the son.

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

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

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

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

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

Thank you very much.

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

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

COMMISSIONER MCCARTHY: First of all, since you served your leadership in that Commission, and in your testimony here today -- which I thought was a very thoughtful and very valid presentation -- I missed your first few words, so I didn't know whether you gave an estimate of how much betting, in
dollars, your Commission thought was going on in the mid 1970s. I've heard the number $25 billion at the time. Is that --

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

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

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

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

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

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

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

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

COMMISSIONER McCARTHY: Okay.

MR. MORIN: -- or the mafia.
COMMISSIONER McCARTHY: Okay.

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

COMMISSIONER McCARTHY: Thank you.

CHAIRPERSON JAMES: Any additional questions or comments?

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

MR. MORIN: Well, good.

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

MR. MORIN: Well, thank you for inviting me. I'm flattered. I'm pleased to be here and am delighted to meet all of you.
CHAIRPERSON JAMES: And I'm glad to know that there is -- 20 years later, perhaps someone will be asking me to appear and share some wisdom and expertise.

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

CHAIRPERSON JAMES: Thank you so much for being here.