CHAIRPERSON JAMES:

Mr. Jones?

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

Most of the issues that have been raised here today seem to strike at the heart of one of my philosophies at least, and I think the philosophy of most people involved in lottery business, and that is, indeed, I guess our task is to maximize revenue. But I've never said that phrase nor have I ever been involved in maximizing revenue through a lottery without taking into account the ethical and social responsibilities that go with it.
And many of the remarks that have come from my two previous panelists are really aimed at that, what is the social and ethical responsibility, who has that responsibility, who exercises the power to oversee it?

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

And so it is today, you've heard many times before, public parks in Colorado, college scholarships in Georgia, senior citizens programs in Pennsylvania. A lottery is like no other form of gambling, it is unique. When I was asked to be director of the Illinois Lottery by then Governor James Thompson, I decided to research the subject prior to taking the job.
I found, as you heard this morning, a rather problematic history of successes and failures, of promises met, scandals investigated, and yet I found a new modern government run model of a lottery. And I stumbled upon a formula for a lottery that rings true today. It is a unique enterprise in which consumers risk a small amount of money against very long odds to win a very large prize, with the net proceeds going to the common good. This formula is a very different one from any other form of gambling.

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

(Laughter)

MR. JONES: Most people ignore this fundamental difference between lotteries and, let's say casino gambling. Historically, lotteries because of this have always been considered a rather benign form of gambling, that is, that the social costs associated with its play have been very, very low. It does not take lottery players long, or anybody in the panel who
has played the lottery, to realize that whether they
play a little or a lot, their chances of winning do not
vary appreciably.

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

(Laughter)

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

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

Back before the tidal wave of gaming
expansion began flooding America with riverboats and
Native American casinos, my answer to that question was
a very clear no. The essence of a lottery, I believed was very close to the essence of government, citizens making conscious decisions to play or not to play a game, the outcome of which was uncertain, the prize was huge, the proceeds that effected the common good, I guess you've heard that before, haven't you?

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

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

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

But the most interesting and controversial keynote speaker that I ever invited was Ken Bode, who many of you may know, he is the dean of the new Northwestern University School of Journalism. At the time he was senior correspondent for CNN News, you may have seen him over the weekend hosting "Washington Week in Review". Ken Bode had attended the previous year's riverboat convention, preparing a CNN special on the expansion of gambling in America. I had watched it and thought it was even handed and fair and informative, so I invited Ken to be our keynote speaker, to a hall full of gaming people, suspicious of the press, but open, I hoped, to hearing the press's point of view about their industry.
His remarks were fascinating, I thought. The central thesis of his speech was that government had reserved the power to approve, disapprove, to regulate this incredible expansion of gambling, with almost no knowledge of what they were being asked to regulate, legalize, or continue to make illegal. He maintained that government and government officials were incredibly naive about or ignorant of the gaming options offered to them.

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

He reported that governors and many other politicians equated the state's expansion into harder forms of gambling with the rationale of the previous existence of a lottery. A spin based on what casino developers were telling government officials through
their lobbyists and their PR firms. It was as if one day the sun came up in America and the words lottery and casino were synonyms.

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

As my daughter would say: "Not."

And as we have seen in many states, there were rapid expansions into casino style gaming, it's funny how somewhere along the line the B and the L were lost. If there hadn't been this rapid expansion we wouldn't be sitting here today. I would, dare I say it, bet, can we bet, I guess we can, that there would be little debate on government regulation of gaming entities and a cost-benefit analyses on their effect on Americans if we still lived in only a lottery world. But we don't.
So, as I said earlier, the necessary role of government was clear in the lottery world but I would submit that it has become more clouded and you've heard from a number of speakers to that point in a post-gaming expansion America. If state governments, and indeed this Commission, don't understand the fundamental differences between all other forms of gambling and lotteries and regulate them accordingly, we will never maximize the potential return legalized gaming can produce for the common good. And less obviously, we will never minimize the social problems inherent in all gambling, regardless of its type.

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

I believe most media and legislative calls for restrictions or new regulations on lotteries stem from the expansion of gambling and the seeming inability to differentiate lotteries from casinos. Legislative calls for restrictions on advertising,
limitations on prizes and a rapidly revolving door of lottery directors are all reactions, I think, to harder forms of gambling and the naivete spoken about by Ken Bode.

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

But what we lack in America is an agreed upon gaming policy, one that recognizes the differences in gaming types, one that recognizes the social costs and responsibilities of allowing any form of gambling. One that educates itself to the realities, not just the promises of gaming expansion. A policy that mandates that the chief beneficiaries of gambling expansion and
profits will be the citizens of the jurisdiction, not private interests.

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

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

I'd like to thank the members of the Commission for their time and attention and please
remember that to most Americans, gaming means lottery.

I'd be happy to answer any questions.