CHAIRPERSON JAMES: I'd like to thank all of our panelists and at this time open it up to
questions from the Commissioners and also encourage the
panelists to engage in dialogue among yourselves as
well.

Commissioner McCarthy?

COMMISSIONER MCCARTHY: Mr. Jones, I wasn't
quite clear on whether you were suggesting Ken Bode was
saying that government officials were naïve only about
private sector gambling casinos and knew about
government sponsored gambling, lotteries; which is it,
are they naive about--

MR. JONES: I think both.

COMMISSIONER MCCARTHY: --or are they naive
about both?

MR. JONES: I think, again, if you look at
the history of the modern day lottery and the success
that it has generated, the kind of profits it has
generated, I think this naivete or ignorance of the
implications of the lottery are what go to a lot of the
budget questions you're considering today, that someone
can just arbitrarily say, I want another 15 percent out
of the lottery, what does that mean?

I think what you see a lot of is states
being forced into modifying the charge of the lottery,
I mean the charge of a lottery is different from other
forms of gambling. But if you are mandated to increase revenue under the umbrella of a lottery, then perhaps you start introducing games that are not lottery type games, that are more like Keno or video lottery or whatever. These are, not to make a moral or an economic question about them, these are things that have significant implications.

COMMISSIONER MCCARTHY: So you are saying that the restraints on how much revenue lotteries should produce to fulfill part of the needs of a particular state government ought to be stated very clearly so the lottery director or the lottery commission, if one exists ought not to be under such pressure annually to maximize revenues?

MR. JONES: Well again, I think that the point that I heard you also make earlier, questions you were asking earlier, it should be very clear what a lottery is designed to do, and what lottery products are and thus, within that a lottery director can fulfill a mandate. If it is merely to maximize revenue and because of the way the law is written, almost any form of gambling is legal under the law, that is not a very clear mandate to a lottery director.
COMMISSIONER MCCARTHY: Of the 37 states that have legalized lotteries are you aware of a single state that has, as part of its public policy on lotteries, a restraint on the amount of revenues that lotteries will produce or is it rather the other case, that unspoken or explicit, there is enormous cumulative pressure to produce more and more lottery revenue each year?

MR. JONES: I can only speak to my experience in Illinois, although I have sat in on many meetings with lottery directors and budget analysts, but for the most part I've never heard that type of discussion, I've never really heard a budget director come to a lottery director and say, you have to produce an extra 15 percent this year to fund this, tell me how you're going to do it? Tell me what new form of gaming you need to accomplish it?

And I think another point that has not come out, I don't think, in any of the other testimony is that I see the problems that people are bringing up about lotteries stemming from really, non-lottery products. I mean, not traditional lottery products. If you have 35 instant games and you have high percentages of pay out and you have a churn effect,
totally against some of the testimony you've heard today, that is not a scenario that attracts higher income, better educated people. And what you have in the United states is the dichotomy of 80 percent of the population of the state approving the lottery, thinking the lottery is good for the state, and only 25 to 30 percent of the population playing the games that are being offered now.

COMMISSIONER MCCARTHY: I want to stick to the core of my line of questioning, and I'll conclude, Madame Chair.

Do you concede that it is an overriding psychology that lottery directors must produce more revenue, if they lose revenue, if they place restraints on the manner of advertising, the sites for vendors selling lottery tickets, if they do those things to restrain revenue, if they lose lottery revenue, will they be around very long?

MR. JONES: Well, I was, I made a note, I forget which speaker said it and I can be corrected by my compatriots behind me, but I can't think of a single lottery director who has ever lost their job because of lack of performance. I know lots of lottery directors who've lost their jobs because of politics.
COMMISSIONER MCCARTHY: One final question.

We've heard testimony over and over again that when lottery revenues go flat the mandate to figure out new mandates of selling, Keno, whatever it might be, new methods of selling to jack up lottery revenues again, the mandate to employ such tools is very clear. We've heard it over and over again. We haven't heard about a single state in the union that allows lottery revenues to decline, particularly if they are earmarked for any particular fund.

But even in a general sense, if they go into the general revenue of a state. There is, in some form, clear enormous pressure on lottery structures to increase revenue and certainly not to allow them to decline. Now, is that an erroneous impression on my part?

MR. JONES: I don't know if it's an erroneous impression on your part as much as it is --. Part of the discussion I've heard today, and I wasn't here yesterday, always is sort of how do you approach the issue and what language do you use to describe it.

And what I mean by that is the lottery industry as a whole is awakening to the fact that increases in sales and increases in profits have to
come from having more people play than having fewer people play. When you have fewer people play, all of the impetus that you just described of, well, we've got to get these people to play more, how do we do it, more drawings, more games, whatever it might be, that happens. And I think we've been through a period of time in lottery business where that did happen.

But hopefully in discussions I have with many lottery directors, they are awakening to the fact that at one point, and this goes back to ten years ago, let's say, when lotteries went from being $80, $90 million a year businesses to a billion dollar a year businesses, what fueled that growth, Lotto. And what was Lotto all about, huge prizes for the first time. And why did sales go up so dramatically? Millions of people who had never played the lottery came in and played it repeatedly, to win those big prizes.

So again, I'm not trying to avoid your question, I'm trying to understand it. I think there is pressure on lottery directors to do their jobs correctly. I don't think I've ever talked to a lottery director, in my experience, where the overriding pressure was what a budget person told them, because you have this great beast out there called the media,
waiting to jump on you if you were engaging in tactics that are unethical or don't--

COMMISSIONER MCCARTHY: I don't want to confuse this, I'm not talking about the media.

MR. JONES: Sure.

COMMISSIONER MCCARTHY: I'm talking about whatever means they needed to jack up annual revenues. they understood, spoken or unspoken, that they needed to produce, that they needed to increase revenues because the demands of the legislature and the respective governors were such, they needed more revenues in an environment where the anti-tax psychology was so overriding, that lottery revenues became, correspondingly, that much more important.

MR. JONES: Right.

COMMISSIONER MCCARTHY: Now, are you, with your knowledge of the industry and as a former lottery director, telling us that you understand in a lot of states there is no such pressure on lottery operations to produce more revenue?

MR. JONES: I don't think it's as black and white as that, but I will say that in the lottery states that my company has been involved in, I have
never had that discussion with a lottery director. And
we've been involved with a number of states.

CHAIRPERSON JAMES: Would any of the other
two panelists like to address that?

MR. GOODMAN: I think what you've heard, if
I hear it correctly, is that the idea is you would
increase revenues. You can either increase it by
getting the existing player base to play more or you
get new people to play, you do it one way or the other.
But the overriding idea is you increase revenues. It's
kind of strange, it sounds like we're sitting here with
a group of lottery officials figuring out what is the
best way to do it. I think the basic point is you've
got to increase the revenues, whichever way you do it.

I've interviewed a number of lottery
directors and I think it's clear, I don't think there
is a legislative mandate that says if you don't produce
the revenues you'll get fired. But I'd be willing to
bet an awful lot of money that if a lottery director--

CHAIRPERSON JAMES: Mr. Goodman!

(Laughter)

MR. GOODMAN: The odds are really good, I'm
telling you.
MR. JONES: I was going to ask what odds he is giving.

(Laughter)

MR. GOODMAN: The odds are very good on this one that if a lottery director consistently produced declining revenues, that lottery director would not hold his or her job for a very long time.

MR. JONES: Again, let me just say, philosophically, as to what a lottery is supposed to do. Yes, it's supposed to maximize revenues but there is an end point to revenues, there is a per capita end point, there is a percentage of people who can play end point.

And I think the most difficult question that a lottery director ever faces, and it goes back, Commissioner McCarthy, to what you were asking about, it's a far, far different thing to say my strategies, my games, my advertising, my philosophy, is to present the question of lottery before as many people as possible and get as many people as possible to play, as opposed to, how do we get the people that are already playing to play more.

And much of what I've heard discussed today is this issue and the social implications of
government, and I'm not trying to put words in the author's mouth, of government trying to get the same people to play more.

And another point that is never brought out, that you see in some European lotteries, is that percentage of people playing does not just have to come from better odds, better games, better advertising, but more belief in where the money goes. I mean, you might take Georgia as an example, I would imagine, although I would never accuse anybody of altruism, that there are people who play the Georgia Lottery because they really believe in what the HOPE scholarships are doing.

CHAIRPERSON JAMES: I think some of the frustration that you may sense is that we have heard testimony here, and some discussion among Commissioners, about the, which gets to the heart of what this particular panel is about, "Can Government Regulate Itself?", when you have a governor who is looking at a shortfall in his budget; when you have a lottery director whose responsibility it is to make sure the the lottery performs as best it can; when you have a legislature that is trying to figure out how it's going to come up with revenue for the programs they want to implement within their states?
And it is sort of -- we've been hearing this in different forms and coming at us in different ways, so it sort of doesn't pass the straight face test at this point, for at least this Commissioner, to say that gee, there is no real problem with that out there and I've never heard that expressed.

MR. GOODMAN: I'm not saying that at all. I mean, the description of the pressures on lottery directors coming from that direction, is something that I'm not particularly familiar with. But I am very familiar with the end product.

CHAIRPERSON JAMES: Well, the pressure may not necessarily be just lottery directors, the pressure may be on governors, the pressure may be on state legislators, the pressure may be on budget directors. But at the heart of what we're discussing this afternoon is the pressure on lotteries to perform for the, either for earmarked funds or for general sources of revenue for state government. And given that, how is it that government can regulate itself, which gets at the heart of the question that we're discussing.

Dr. Dobson?

COMMISSIONER DOBSON: Along that same line, Mr. Jones, I think I hear a contradiction. Did you not
write an article, I think it was recently, in which you
talked about the dependence of lotteries on the core
players--

MR. JONES: Yes, I did.

COMMISSIONER DOBSON: --or the heavy
bettors?

MR. JONES: Yes, I did.

COMMISSIONER DOBSON: Or they are dependent
on them, is there not pressure on them to make more of
them?

MR. JONES: The essence of the article was
that this was one of those few times when good public
policy and good business policy coincided. The
reliance on core players for sales and for sales
growth, I thought was a very narrow point of view and
it had very narrow promise. That if you only did that,
if you were not trying to have games that appealed to
the broadest spectrum of your citizens, if you weren't
using advertising that was appealing to the broadest
spectrum of citizens, you were not running your lottery
correctly.

I mean the essence of the article was to
encourage my fellow lottery people to look to
broadening the base, not to the core audience.
COMMISSIONER DOBSON: I believe, Mr. Goodman, your statistics, and it went by very fast and I wasn't sure I heard it, that 85 percent of the revenue comes from 15 percent of the people, did I get that right?

MR. GOODMAN: Well, I think I was quoting something like, if I recall, it's not all that far from what you've just heard. I think you were saying 30 percent and I think I was quoting 20 or 25 percent, so we're sort of in the same range, playing roughly in the range of 70-80 percent.

COMMISSIONER DOBSON: So a small number of people make it successful?

MR. GOODMAN: A small number of people are making up most of the revenues. I think we're hearing a very strange argument here and I just have to say one thing. If we could just for a minute shift this and take out the word gambling and put in the word tobacco, just for a second, and I were to say to you, as I think is being recommended here, instead of relying on this small group of people that are smoking a lot, we've got to now have lots of people smoking. Now, that's the argument that's being--
MR. JONES: That's not the argument I'm putting forward.

MR. GOODMAN: I think that's the argument that you are putting forth. You are saying that your recommending to other lottery, I haven't read your article but what you said today is, you're saying it would be better as a point of public policy, for more people to be playing the lottery, rather than relying on that limited core, whether it's 20 or 30 percent. So you would like to see more people gambling on the lottery, I think that is pure and simple what we are hearing.

MR. JONES: Well again, I haven't noticed, I don't know and I was being facetious that people playing the lottery suffered potential health problems and death associated with tobacco smoking. Lottery is a rather benign form of gambling, although it is a form of gambling, and indeed I think the whole question of lotteries is a political one.

I really do believe that if people want to support a project, whether it is Harvard College, whether it is HOPE scholarships, and the fundamental decision of government is that they don't want to tax to support that project. Then if you're going to have
a lottery, that lottery should be supported by the
broadest spectrum of its citizens, absolutely.

MR. GOODMAN: I'm just having a problem
hearing a former lottery director and someone who is an
advisor to other lottery directors, saying that there
is no problem, there are no addicts, I know it's not
the same as gambling, but I think a lot of people in
this room, including a lot of people from the gambling
industry, will agree that there is a problem of
addictive and problem gambling. I think we disagree on
the extent of that problem. But I don't think that
there are many people in this room don't think that
gambling can lead to problem gambling--

MR. JONES: I agree with that.

MR. GOODMAN: --some group of people.

MR. JONES: I agree with that.

MR. GOODMAN: It's not the same as smoking,
you don't get lung cancer, you get other kinds of
problems. You may commit suicide or do other things,
but it's a serious problem.

CHAIRPERSON JAMES: Okay, let me tell you
what we're going to do, we're going to go to Dr. Moore
and then down to Mr. Bible and then to Mr. Leone.
COMMISSIONER MOORE: What I'm going to say isn't going to make sense but everyone is going to do something. And the 20-80 figure, you know 20 percent of gallstones are not calcified, 80 percent are – 80 percent of kidney stones are calcified, 20 percent are not. We've got here that 80 percent of the people support the lottery, 20 percent finance them, we could go down to the church or we could go down to Dr. Dobson's organization and my church, which is Presbyterian, 20 percent of the people pay 80 percent of the budget. And I'm just listening to some program where we can get those other eighty percent to contribute a little more to the kitty. And that would make it easier on us.

(Laughter)

COMMISSIONER MOORE: So I'm listening to how we're going to do this.

COMMISSIONER DOBSON: More gall stones.

(Laughter)

REPRESENTATIVE BOSLEY: May I just respond?

CHAIRPERSON JAMES: Yes, you may.

REPRESENTATIVE BOSLEY: I've been kind of quiet here and as a legislator that's very difficult.

(Laughter)
REPRESENTATIVE BOSLEY: This is the longest I've been quiet in five years.

Let me just very briefly, Commissioner, it's inherent, every lottery director knows they have to increase revenues, that's why we've gone from 1975 with one little green ticket bringing in a few million dollars, to $3.2 billion last year. That's what people in Massachusetts spent on the Lottery, $3.2 billion, $60 million a week, $8.5 million a day.

Now, you don't just do that because you decided at the point of purchase that you're going to drive in your car --. It's in every neighborhood because we've expanded it there and why have we expanded it there, because we love the revenue. We feel real good about the Lottery.

And it's sort of like -- listening to this discussion has been sort of like taxes, we want you to tax somebody else, but don't tax us. Every other form of gambling is gambling, but we're the Lottery. Well, the Lottery is gambling too. It's on a different level and granted most people don't get hooked on the action and go in there for the one dollar scratch tickets, but there still are a lot of people who do that.
And we have expanded every year because in 1980 we limited property taxes in Massachusetts, in 1984 we lost federal revenue sharing. So we are trying to now balance that budget with state revenues. And anybody who doesn't realize that over the last decade there has been a predisposition not to raise taxes and indeed, rushing to the front to cut taxes has not picked up a newspaper.

We will not, it's getting more and more difficult to raise taxes so what do people do, they look to the one revenue source that seems to be harmless and we continue to raise that. And in discussions that I've had with my lottery director, and by the way, I don't want to lay this on the lottery directors, their job is to run the lottery and you run the lottery by maximizing your revenues and by making the lottery run correctly.

The other side of that is as you run this, you also run this so you put comprehensive gambling programs in place for addictions, you do other things, but you also maximize your revenues. It's not their decision not to do that, it's the legislature's decision, it's our
decision as to what the public policy is. That's not -
- so I can't lay this on the lottery directors.

But time and time again, I've had
conversations with my lottery director where he has
said if I don't get more advertising, I can't go out
and raise more money or if we don't put this game in,
we can't raise more money. Because the other games are
failing, we need to replace those games with new games,
we need to go out and get new people.

And every time you get new people, you go
out to that other 80 percent, every time you capture
more people with different games but you also capture
more problems with those games too, you create more
problem gamblers because you're going to go out and
you're going to catch them in that net. And I think we
have to be very careful as to how we do that and we
haven't come up with any solutions as to how to
regulate ourselves on that.

CHAIRPERSON JAMES: Bill.

COMMISSIONER BIBLE: And that really
follows into my question, you obviously have worked
through the political process, you've identified a
number of issues with your lottery here. Apparently
you've advanced legislation that sounds to me like it
went to the Ways and Means Committee, I think I know what that means, at least I do in Nevada when a bill such as yours ends up in the Ways and Means Committee I assume that it may not emerge or there is some sort of problem.

We are a federal Commission, we are empowered by the federal government, so we're obviously here to help you.

(Laughter)

COMMISSIONER BIBLE: Do you think there should be federal involvement to address some of the problems you've brought up, to date, do you think there should be federal regulation in the lottery area?

REPRESENTATIVE BOSLEY: I think a lot of what we do is very reactive on what other people do in states around us, as I mentioned, we reacted, we put the big game in and I talked to my lottery director and he said, we're losing money in our weekly drawings because of Power Ball, we need to recapture those revenues or increase revenues, put the Big Game in. We reacted to something another state did.

There are all sorts of rumors over the last two or three months that Rockingham race track in New Hampshire is going to put slot machines in because they
need to fund their education up there. So they have
either got to do slot machines or income tax, they have
no taxes in New Hampshire, so they have to do one or
the other. And everybody is betting that they're going
to put slot machines in. We react to that.

I think that there has to be some I guess I
get frustrated sometimes and the frustration that I
feel over the past two years in going out in going out
and visiting you and visiting out in Las Vegas and
going out around the country and visiting and talking
to other people about how we go forward in
Massachusetts, a lot of the reasons for that
deliberation has been because the federal government
has stepped in with the Indian Gaming Regulatory Act.

We wouldn't be discussing a lot of what we
are discussing if it hadn't been for the fact that one
of our tribes in Massachusetts came forward and said,
we want to put a casino in and so that brought a lot of
other things to the fore. That was a case where we
hoped that there wouldn't be any federal intervention.
But I think that we need to at least have some
guidelines as to what states can and what states can't
do. So that we are not always, we don't have this
ladder effect where one state does it and the next
state feels they are compelled to do something.

   I guess we need some guidelines, I'm not
really sure how far you would go other than that.

COMMISSIONER BIBLE: Well, what kind of
guidelines, could you maybe give us some specificity?
If not today sometime in the future, provide the
Commission with your input as to what you think is an
appropriate federal role. What sort of guidelines you
would suggest as being appropriate.

REPRESENTATIVE BOSLEY: I will go back and
work on that.

CHAIRPERSON JAMES: Not only would it be
helpful to have some sort of guidelines but it would
also be helpful to have some suggestions in terms of
what it would look like if a state wanted to be a model
of regulation for state lotteries. Is there a state
that's doing it well, is there a model that you'd like
to suggest? Not just federal, but also some
recommendations for states, I think would be helpful.

Commissioner Leone?

COMMISSIONER LEONE: I've got to leave
soon, I apologize, but I want to get into some trouble
before I do.
I am not in favor of the Nanny state, as I said before, but I am very much in favor of aggressively educating the public in areas where they seem to be mistaken. I seem to be more forgiving of people in public life than others because I think they are trying to steer a course over very difficult waters.

If you advertise the notion of legalizing the lottery by saying -- the only rational, if you are not going to play the lottery then it is very rational to vote in favor of there being a lottery because that gives you a free ride. The kind of question that is put to people, this will give you an opportunity to do something you want to do and to help schools is now put to them, this will now give you an opportunity to pay for schools and let everybody who doesn't do it off the hook.

We have a remarkable array of taxes that are designed to capture incomes and expenditures from people in order to spread the burden fairly. We are afraid to talk about them, we've become afraid to talk about the taxes that are fair and equitable. We've become afraid to talk about them, I think, not because we have bred a generation of timid politicians,
although we have exercised a kind of euthanasia on
those who are courageous in the last 20 years, in my
experience, but because we are afraid of the public.
And we are afraid of the public, afraid of telling the
public that they're being foolish.

We don't talk honestly and candidly. We
just had a conversation in which I as a former state
official heard somebody saying that there wasn't
pressure to raise more revenues. I feel like I dropped
into another planet. Of course there is pressure to
raise revenues, there is pressure to raise sales tax
revenues and income tax revenues and lottery revenues.

Why do you think people get involved in
legalizing these things, it's not because they're not
desperate for revenues, because they become unpopular
if they cut programs, they've got a public that doesn't
want to pay for programs and doesn't want programs cut.
So we sell them snake oil, we tell them this is a free
ride, this will let you do what you want to do.

Listening to these numbers today, Paul and
I were fooling around with them, this $500 per person
is of course a mythological number because the persons
who actually gamble are a much smaller number than
that. Paul and I were fooling around and you're
talking $1,500 to $1,600 per person for the active people. That is, before I impose the state tax of $1,600 on a family, and we ought to talk about families because it's a family impact. I'd have to say that would have to be a pretty well off family before they can pay a state tax like that, that's a pretty big bite.

And if we were going to go to the public and say we want to impose a $1,600 a year tax on families where the breadwinner makes $20,000 a year, what do you think? And of course some people won't pay that if they don't want to, but the ones that want to, we'll impose a state tax of $1,600 on them. That would be absolute nonsense, that would get voted down. This stuff carries because we talk nonsense about it and we're talking nonsense at this hearing.

I want to say one last thing, Madame Chairman, if we do nothing else on this Commission, we ought to try and get some of the numbers straight, the gambling numbers about a trillion dollars, $500 billion, that's the same money over and over. It's like the New York City Subway, a billion people ride the New York City Subway, that explains why I never recognize any of them.
COMMISSIONER LEONE: I forget how many million people visit Atlantic City. How many individuals roughly are we talking about? How many people go to these places? How much does an individual spend? How much do they lose? What kind of income groups do they come from?

One bit of public education we can do is establish a set of numbers that then other people can refer to as what the Gambling Commission said, on the numbers. And on this lottery number, we ought to get straight who is paying the freight because I think the lotteries, for good or ill, have been sold as a free ride and they are not a free ride, they're very expensive for some people and they are expensive in a way that is letting other people off the hook.

That's a speech, not a question, in case - - I think the legislator recognized it.

CHAIRPERSON JAMES: Mr. Goodman?

MR. GOODMAN: I'd just like to do a little truth in advertising here. Maybe it addresses your point, Commissioner Leone.
You know you always hear, and you heard it here just before, the rationalization for the lottery, people always turn to Thomas Jefferson. Thomas Jefferson said it's a tax only on the willing. What people don't say is why he said that. Thomas Jefferson was a very desperate man when he said that, in your state, Virginia. Thomas Jefferson had been in very desperate, dire straights, he had been trying to sell his estate, he was an old man at the time.

And in order to sell his estate he had to get permission from the Virginia legislature to have a lottery. So he went before the Virginia legislature and he argued for having his lottery, a very specific lottery, not a state lottery, a lottery to sell his property. And he argued, there was that statement, you know, people who will be participating in this lottery to buy my property will be those people who are willing to do it, it will be a tax only on the willing. So I hate to hear it being used as a kind of rationale for all the things that the lotteries have become, they are certainly not that.

The other thing I'm hearing, and I think Commissioner Moore raised this and I think it exhibits the contradiction here and I think it's something to
think about. You were saying you'd like to see the burden spread. And this is tax policy, there is no question about it. Personally, people have different opinions about that, I'd personally like to see taxes spread, that people who get services pay for the services and that it's done fairly.

But when you do it with lotteries, when you do it with gambling, it's inherently going to be unfair. And the only way you can try to make it fair is to promote it and that's what you've been hearing. Some of the examples I gave, and I could give you dozens more of ways of trying to get people who don't gamble to gamble, tell them it's a good deal, tell them it's okay to dream, you might actually win. Tell them anything you can to get them to gamble.

Now you suggest, Commissioner Bible suggested, what can the federal government do? There is one simple thing and this is certainly not the answer, but the federal government could apply the same truth in advertising standards that applies to private companies, to state lotteries. To simply review the kind of information that they're giving out to the public to try to entice them to gamble. That's very simple. There are a lot of other things that could be
done but that's one very simple thing that could be done.

CHAIRPERSON JAMES: Commissioner Wilhelm?

MR. WILHELM: If the Chair will indulge me for a couple of moments, in terms of--

CHAIRPERSON JAMES: The Chair will always indulge you.

MR. WILHELM: You know what, you have and I appreciate it.

I observe there are a couple of Commissioners getting ready to leave, I have some comments, like Commissioner Leone's comments, that could be treated as a question if anybody wants to but to be candid is more of a speech I guess, like his. And they are not really about lotteries so much but some discussion in passing of casinos and this particular panel.

We've talked about casinos during these two days and I want to begin my comments by saying that with respect to Mr. Goodman's proposal that what we should have is some sort of additional agency in the states that would not only do something about lotteries, but according to his proposal they'd do
something about any proposals for increased gambling. I don't see a whole lot of logic in that.

My view, I forget who it was that said, well democracy may not work very well but it works better than anything else we've tried. I think that if the people of Massachusetts, for example, agree with the point of view of the representative that has been so kind to share his time with us today, that they will reelect him and elect more like him and I think that's the way things ought to work. And I think Reverend Gray, who I think may have also left, has been very adept at the ballot box. I think the democratic systems we've got work about as good as anything else and they certainly work better than weird agencies that just kind of float around in the ozone, witness us for example.

(Laughter)

MR. WILHELM: But I want to remind us that the law that brought us here says that we are supposed to talk about the social and economic impact of this subject, gambling, not only lotteries but gambling.

And I am really moved to make these comments because the last time I saw Mr. Goodman he was talking to the Connecticut, last time I saw him in
person, he was talking to the Connecticut Legislature about whether or not there ought to be a casino in Bridgeport, Connecticut. Now that is a subject I happen to know a great deal about and in Mr. Goodman's book he says, among other things, and I'm quoting here from page 63: "The promoter's pitch has been gambling as a path to economic revival for places with little hope for anything else." Then he goes on to suggest that that is bad, that pitch.

Well, you know, I lived in Connecticut for 24 years and when I lived there, New Haven is where I lived, in the City of New Haven, was the seventh poorest city in America. And Bridgeport, which was right down the road, I don't know where it would rank today but I doubt it has improved its position very much. In those days, and I only moved from there ten years ago, was the third poorest city in America. And Bridgeport, I did a lot of work in Bridgeport, organizing and doing other union activities there and I got to know the city quite well.

Bridgeport today is a city that is a majority of racial minorities. In the county in which it sits, Fairfield County, ten percent or less of the people outside of Bridgeport in Fairfield County are
racial minorities. Fairfield County, in 1995, was the third wealthiest county in America. The per capita income in Bridgeport, counting all forms of income, is 40 percent or even less than that, generously, 40 percent of the income in Fairfield County. Unemployment officially measured in Bridgeport is twice as high as in Fairfield County as a whole and everybody knows that unemployment in cities that have a chronic and long standing unemployment problem is severely under-counted in those rates.

Now, the people of Bridgeport voted 80 percent plus, the old-fashioned way, at the ballot box, that they wanted to have a casino. So, a lot of people came from a lot of places to tell the people of Connecticut and the people of Bridgeport that the people of Bridgeport shouldn't have a casino. Mr. Goodman came from Pioneer Valley in Western Massachusetts, which is certainly an idyllic spot, and I don't fault him for that, it's what he does.

And the state legislature, despite the fact that the people of Bridgeport voted by better then 80 percent that they wanted this casino, the state legislature, largely because of the representatives of the wealthy people of Fairfield County, the third
richest county in America, the state legislators said
no, Bridgeport, you can't have it.

Well, in the 24 years that I was familiar
with Bridgeport, again, the third poorest city in
America, nobody invested much of anything in
Bridgeport. There were some exceptions to that,
People's Bank invested a little bit of money there,
here and there a little bit, but basically nobody
invested any money in Bridgeport all of those years.
And to this day, in spite of the near heroic struggles
of the elected leaders of that city and the Chamber of
Commerce of that city, in spite of that work, nobody is
investing money in Bridgeport.

I understand there is now another hope, as
there has been periodically for all the 35 years I've
been familiar with Bridgeport, now there is some other
big scheme. And I pray it's not a pipe dream but
realistically it probably is. But if it isn't, I'll
tell you what it is, if the latest one comes true, it's
a project that has low wage, no benefit, part time,
high turnover, no job security jobs.

So Bridgeport is a place that wanted to
have a casino. Bridgeport is a place that doesn't have
options. None of the people who opposed the casino in
Bridgeport, particularly the wealthy people right around it, third richest county in America, came and said, okay, we didn't let you do that, we're going to do this.

General Electric Corporation, one of the great American corporations, has its corporate headquarters literally, if you've got a pretty good arm, a stone's throw from Bridgeport, right out there in Fairfield, own their own country club even, General Electric does. General Electric is one of the companies that abandoned Bridgeport. And I'm not picking on General Electric, you could pick on a lot of corporations, they just happen to have historically been the biggest employer in the City of Bridgeport, for jobs that ordinary working people could have.

So what is my point with this? I really want to implore the members of this Commission, as we think about social and economic impact, let's not be driving half a car and be pretending we're driving the whole car, let's not be watching the basketball game on television and just keep score by keeping score of one team, without any regard to what the other team is doing. Let's look at the social and economic impact
not just of gambling but let's look at the social and economic impact of people not having jobs.

Now, would I argue that everybody in America should have a casino? Absolutely not, quite the contrary, it would be in the self-interests of the members of my union if we closed down all the casinos outside of Nevada and Atlantic City and maybe a couple of exceptions in the upper midwest and nobody ever had another one because then we'd have all the work and it would all be union and that would be fine from a narrow self-interest point of view.

We went to Atlantic City as a Commission and there has been this hoax perpetrated, until we went there and looked. And the hoax was, well, the economic promise in Atlantic City is all baloney, it's not real, it's fake. Well, I think we all know what we saw there, we heard about the very legitimate problem of compulsive gambling, and that's a problem and we've got to deal with that. I think the gaming industry has to step up to the plate even more than it has and deal with that.

But we also found out, I think it's fair to say, objectively, that the notion that the economic promise of gambling in Atlantic City was not a hoax at
all, we found out from workers and others that it was real. Now, does that mean it should happen somewhere else, no.

But I think first of all, and I would implore the members of this Commission, one, let's think about giving some respect to the democratically expressed views of people in places like Bridgeport, who reach the conclusion that of the available options to them, that's the best one.

Secondly, I would say to those who oppose those kinds of projects in places like that where people want it, and no one can reasonably argue that somehow the people of Bridgeport didn't have enough information and they got hoodwinked. I was there, they knew that if they had a shot at a decent job that was it. So, if the people are going to oppose this I think they have an obligation to say, okay, what's the alternative for communities like that?

And thirdly, this Commission I respectfully submit, must consider the social and economic impact of decisions not to have gambling, even when the community wants it and even when there aren't any alternatives.

I looked at a study that was done at Johns Hopkins which, I don't know, Johns Hopkins was built by
a lottery but I think it's relatively respectable anyway.

(Laughter)

MR. WILHELM: Now think about this for a minute. This study says that for a five year period, a one percent sustained rise in unemployment, just one lousy percent, sustained over a five year period is correlated with the following things: 4.1 percent more suicides; 3.4 percent more state mental hospital admissions; 4 percent more prison admissions; 5.7 percent more homicides; 1.9 percent more deaths from cirrhosis of the liver, cardiovascular and kidney disease; increased incidence of lots of other things, like assault and fraud and traffic accidents.

Now, when you have a place like Bridgeport, which has cascaded these problems down over generations, those impacts that I just described that Johns Hopkins says result from a measly one percent rise over a five year period in unemployment, those things are going to be far more severe than that. And there are lots of other studies that show the same thing and in a place like Bridgeport those phenomenon are imbedded in families in the community because
Bridgeport has been on the rocks for nearly four decades.

And I don't say this to demean Bridgeport in any way shape or form, Bridgeport, I got to know it well, there are a lot of wonderful people in Bridgeport. But Bridgeport is a place where somebody else, not the people of Bridgeport, somebody else decided that gambling wasn't any good for the people of Bridgeport.

There could have been ten thousand, not a fake number, I know enough about casinos, and the one that was planned there first by a private operator, Mirage Resorts and later by the Mashantucket Pequot Tribe, which eventually ended up being the proposed licensee. So I know enough about the plan and enough about casinos to know there really would have been ten thousand good union jobs with full time benefits, full time hours, decent wages, job security, that's real. I'm not even talking about the multiplier effect, I don't know what it would be, another ten, who knows.

Ten thousand good jobs in a place like Bridgeport wouldn't have just helped, Bridgeport is a small city, Bridgeport has just got a few over a
100,000 in it. Folks, that would have been a lifeline for a city to which no one will throw a lifeline. And my point simply is this, when we talk about social and economic impact, let's not be driving half a car and kid ourselves that we're driving a whole car, let's not be watching one team and pretend we're watching the whole game. We've got talk about the social and economic impact of permitting people and of prohibiting people from doing other things.

Now I don't think casinos are right for everywhere but you know, I may think a variety of things about the Foxwoods Casino last night, but anybody who knows of the economic desolation of Eastern Connecticut has to think twice before they say, well, you all shouldn't have built that thing there. And if that's true of Eastern Connecticut it is sure as heck true of Bridgeport, Connecticut.

Before we wind up, I just wanted to make a plea to all of us on this Commission, irrespective of what our point of view might be about anything else, to think about social and economic impact.

And let me wind up this way, I just picked up this article flying out here from the west, a study by Columbia University that says that there are 5.5
million children living in poverty in this country as we speak and that 63 percent of those 5.5 million children living in poverty are living in a household with one or more parents working. I'm not talking about the old stereotype of people laying around collecting checks and doing nothing and all that nonsense that used to be part of the national stereotype.

We have a crisis in this country and as we move towards a service economy, we've got to find a way to have service jobs that people can live on. And by the way, you know what the definition of poverty is for that purpose, they define poverty as income for a family of three of $12,516. Well, you and I know that is a pretty low definition so there is a lot more than five and a half million people living in poverty in households where one or more of the parents are actually working.

We have got to do something about that and it's not sufficient to say, well, there is a bad social and economic impact from building a casino, we've got to talk about the social and economic impact of people having no jobs or of having low wage, high turnover
jobs with no benefits. And I appreciate your indulgence.

CHAIRPERSON JAMES: I'm going to recognize Commissioner Dobson and then I'm going to go to our panel.

COMMISSIONER DOBSON: Well, I would like to clarify one thing from what you just said, John, with regard to Atlantic City. You're talking about the Johns Hopkins study and the devastation of unemployment, I think we all agree with that. My recollection is that the unemployment rate in Atlantic City is 15 percent, where this miracle of gambling has come. That hardly seems as a good illustration of the point that you're making. You go two blocks off the Atlantic Boulevard and it's devastation, the ground is not even in use, it's vacant land.

MR. WILHELM: I don't now if the chair wants us to get into a prolonged debate, Jim?

But first of all, we heard extensive testimony about the condition of Atlantic City prior to the arrival of casino gambling, which was that it was devastated and people worked three or four months of the year if they were lucky.
And secondly, even the reverend from the rescue mission said that casino gaming had saved Atlantic City, so I think the case in Atlantic City is quite clear. Now, does that mean it would be the same case in some other city, no. But I think communities ought to have the opportunity to choose.

COMMISSIONER DOBSON: Address the unemployment rate?

MR. WILHELM: The unemployment rate in Atlantic City is substantially lower than it was before they had casino gaming, if you measure it by year round jobs. The average wages in real dollars, as we had ample testimony about, are dramatically higher. Any of the few --.

See, there is this problem in America, which is there is not enough work for people who don't have advanced education. Why do you think Las Vegas is the fastest growing city in America? One simple reason, Las Vegas is the best place in America for a family to make a living if they don't have a lot of formal education.

We have this terrible bifurcation going on in this country. If people have a lot of formal education, a lot of technical education, for the most
part they have pretty good opportunities today. Las Vegas, Nevada is the best city in America for working families that don't have formal education. So people flock to places like that. I don't think -- 5,000 people a month, net in-migration to Las Vegas every month. And Atlantic City has the same phenomenon.

So, will you ever employ all those people who are streaming in from all of the Bridgeports looking for work? No, of course you won't. But you can count the jobs and you can listen to the people whose parents worked three and four months a year, you heard them, and the rest of the year were on unemployment and welfare, and now they work year round and they support their kids and they can take their kids to the hospital when they need to and they can buy a home.

Is there going to be unemployment, you bet, and that's because people come from the Bridgeports of this nation to the Las Vegases of this nation, that's what is going on.

CHAIRPERSON JAMES: At this point I'm going to suggest, because we're going to be together for another 18 months and we'll have an opportunity to continue this, these gentlemen are going to leave. So,
I'd like to make sure we hear from Mr. Goodman and Mr. Bosley. And I suspect we are going to hear this debate continue.

Let's go to Mr. Bosley and then to Mr. Goodman.

REPRESENTATIVE BOSLEY: Thank you, Madame Chair. I don't know where to start? You just brought in -- we could spend the next 18 months sitting in this room talking about what you were just talking about.

CHAIRPERSON JAMES: Let's not and say we did.

REPRESENTATIVE BOSLEY: I surely hope that we are not suggesting that casino gambling is the answer to all the problems we have for service jobs--

MR. WILHELM: We're not.

REPRESENTATIVE BOSLEY: --in Massachusetts or in the nation.

When I was a kid growing up, I would argue that the typical job in America, or a good job in America was the steel industry. We would mine iron ore with minors, they would put it on trucks, they would put it on barges, they would bring it into Pennsylvania where, if I remember my social studies correctly, using the Bessemer process, we would turn it into steel. And
that steel would then go to places like GE and they
would make refrigerators and they would make cars in
Detroit.

And every place along the way there were
jobs where there was value added to that product.
Today we don't have that because we've changed our
economy into a service economy. It doesn't mean that
the jobs aren't out there, there are still jobs out
there, but they are in the service economy.

What does that tell us? Well, according to
the National Institute of Work and Learning it tells us
that the average person is going to have to be trained
or retrained for their job seven times in their career
because of changes in technology. Yet we don't have a
lot of discussion about where we're going in education,
we don't have a national education plan. What do we
have? We can put ten thousand jobs in Bridgeport,
Connecticut if we put a casino in.

In my travels around the country and I went
to places like, you know, you may become as successful
as Ledyard, you may become as successful as Joliet,
Illinois. Now in Joliet, the employment increased but
unemployment didn't decrease and that happens time and
time again. There are very few success stories that
are going to match what has happened at Foxwoods, very few success stories like that.

You see, you can't say, this is what we need to do, we need to put casinos in because it has worked in Las Vegas. Las Vegas is the place where everybody goes, it's well established, you are not going to do that all over the place.

And if you want to get into the discussion of how you create jobs in America that's different than an impact on gaming, that's a different subject and you have to discuss education, you have to discuss what made us successful in the '50s and '60s. It wasn't, let's put a casino in, open up the doors and we're going to make money. It was, that you can make money and you can get a good job if you work hard at it and if you are trained for the jobs that are available. That's not the discussion that you have today.

And I think it's very simplistic to say, let's put casinos in because casinos will create jobs. In some cases they do, in Joliet, Illinois they create five dollar an hour jobs and they are not unionized, and there is a high turnover. And that happens time and time again when you pick out a community, rather than have a comprehensive strategy for gaming, as they
do in Atlantic City, where it's not just one casino, but it's become a destination point.

Bridgeport, Connecticut would not be a destination point, I don't think, for casinos. And they certainly now would be competing against the two casinos already in Connecticut. I don't know if that's the right answer.

Now, that being said, shame on the politicians down there, and shame on us up here for not taking care of the Fall Rivers and New Bedfords. We have some serious problems. I come from an area in the state where we lost one-third of our manufacturing base in a four year period in the `80s, that's why I ran for the legislature, because I wanted to put jobs back there. We need to address that, we need to address it in a comprehensive fashion.

Maybe part of it is gaming, I don't know, I don't think it's right for Massachusetts. And one of the reasons why -- and I'll end up with this. One of the reasons I don't think it's right is in the case of Bridgeport, Bridgeport may have voted to enact gaming in Bridgeport.

In Salisbury, in Massachusetts they did the same thing. The voters in Salisbury at a town meeting,
it was 411 to 279, they voted to put gaming in Salisbury. We have to decide, or somebody has to decide, whether it's a good policy outside of the strictures of that one community.

And in that community, if you put gaming in, there is a ripple effect in Massachusetts, and I assume in other states, there is a ripple effect in that if you put gaming in that community you then have to consider Indian gaming. You then have, we have venues here, and I don't take this from a moral perspective, I don't think it's a moral decision, it's a public policy decision. We have $3.2 billion in the Lottery, we have horse racing, we have dog racing, I don't think we have a moral out in Massachusetts on this issue.

But if you change the rules in the community there is a ripple effect. There are two or three Indian tribes in Massachusetts that are looking for federal recognition. We have three racetracks that would want slot machines because they are already adversely impacted from other communities. So it's not just, you can't make these decisions based on one community, you have to make these decisions based on what the best public policy is.
And that's what I would assume this Commission is going to do, is try to decide what that public policy is. And by the way, if I could ask a favor of you, if you could put in a little plug for education and for some of the other things we need as a national policy, that would be nice too.

CHAIRPERSON JAMES: Mr. Goodman.

MR. GOODMAN: First I'd like to thank you for your description of Pioneer Valley, it is a very attractive place to live and I've enjoyed living there for many years.

In terms of the argument in Bridgeport, in terms of the effect on labor in Bridgeport, first I'd like to say that I come from a union family, my mother belonged to the garment workers, my father to the machinists. I think a lot of the benefits I received were as a result of people who belonged to unions. I wrote a book, part of which critiqued the anti-union practices by many states in this country and the problems that have been created by that.

William Wimpsinger (ph) of the machinist union, saw fit to comment very favorably on my work. I don't think I have to make excuses or defend myself in terms of being anti-labor in any way.
The point in Bridgeport, I think, is very important to look at in detail and I think Representative Bosley here talked about the regional impact of a casino in Bridgeport. Now the people in Bridgeport could have voted 100 percent for a casino. The fact is, the impact of that casino would have been much broader than on Bridgeport, it would have effected an area of at least a 50 mile radius of Bridgeport, in terms of people who would be effected economically by that.

I debated that issue with the representative from Mirage Casinos, Mark Rivers, head of the economic development administration for that region. And they were arguing that it was going to be an engine for economic development in that area. And I asked them in that debate, name one industry, just one, that will locate in the Bridgeport area if you put a casino here, other than the casino. They couldn't name one. I can name many, I mean, printers will go there, people who have vending machine companies, linen companies, that sort of thing.

The reality is this has a regional impact and it has a regional impact on labor, not just on the people who work in the casino industry. And that's
what, if you put jobs in and you suck a certain amount
of dollars out of that regional economy there are going
to be less people working in other industries, less
union people. Now studies have been done in Illinois
to suggest that and I think that that is the important
thing to look at in terms of labor. You have got to
look at it not just in terms of casino workers.

I respect the fact that you do represent
people who work in casinos, I respect their jobs and I
respect the work you are doing for them. But I think
if it's a labor issue one has to look at it regionally.

Now, the experience of casinos has been in
the past roughly eight years, the places that have
gotten casinos have been places where a small community
essentially, a city or a county, voted in favor of a
casino and the legislature, because they had laws that
allowed that kind of small home rule, were able to get
casinos. There has only been one--

CHAIRPERSON JAMES: Mr. Goodman, can I ask
you to speak into the mic, they're having a hard time
hearing you in the back.

MR. GOODMAN: Yes. There has been only one
statewide vote in favor of high stakes casino gambling
in the past 20 years, more than 20 years actually. The
reality is it does effect a much larger area, in much
the same way that if you put certain facilities in and
I don't want to make a direct comparison, but if you
put a nuclear waste facility in an area, you wouldn't
expect a community that was economically hard pressed
to make a decision to do that. You would expect this
to effect a much larger area and expect to get a
democratic representation, as you said, of that much
larger area that gets effected.

But let me make a more positive suggestion,
if I could. About a year ago, I was asked to discuss
and debate this issue with the mayor of Fall River,
here in Massachusetts, where there was a proposal for a
casino. I suggested at that point -- and the problem
in Fall River and New Bedford, as you may know is a
problem of the fishing industry. George's Bank has
been over-fished, the New England fishing grounds have
been over-fished, basically too many boats looking for
too few fish.

And I asked the mayor, who was promoting a
casino in Fall River, why not offer the same benefit,
the same program, the same proposal that you are
offering to a casino company, to the fishermen in your
area. The mayor said, what do you mean? I said, look,
you're essentially saying, this is going to be a monopoly enterprise, you're only going to allow one company to do it, you're going to cut a deal where you'll share revenues with that company, the state will take a cut, the casino company will take a cut and your city will get a cut.

Do the same thing for the fishing industry, limit the number of people who fish, give them the monopoly in that area to fish, cut the deal with them where you get part of the revenue. In that case, you are not putting fishermen into dealer jobs at casinos or collecting coins out of slot machines or whatever else they would do at casinos.

But you're retaining the fishing industry. And that is serious economic development, that saves jobs. Not only that but you save the infrastructure of fishing which has taken about two centuries to develop. New Bedford is the largest fishing port in New England still, even with the problem. If we put a casino in New Bedford or Fall River and get rid of the fishing industry, we'll never get it back, the whole infrastructure for fishing will die, the people who have the skills to do it won't be there, they'll be able to work in casinos.
That's the kind of serious economic development, I'm not saying that's the answer to every problem and I'm sure you're not saying casinos are the answer to every problem. But that's the way I believe you do economic development. You play to the strength of what you already have and I'm sure that Bridgeport and many other communities in this country have many strengths besides being operators of casinos. In Iowa, they proposed it as an alternative to the farm equipment industry, a major industry in Iowa. They proposed it as an alternative to building automobiles in the Detroit area. They proposed it as an alternative in the Louisiana area to the oil industry. The problem is, what do you do with those industries?

CHAIRPERSON JAMES: I think that's probably a good place to stop this particular discussion. One of the things that I hesitate to do is cut off discussion, however, we have gone a little bit far aground of our original discussion of whether or not government can regulate itself in terms of lotteries. Albeit a very interesting discussion.

I want to thank our panelists. Are there any closing comments that are germane to our particular subject area right now?
MR. JONES: Just briefly, I'd like to say in reaction to the budget pressures we discussed before, surrounding lotteries from government, it may be worthwhile for the panel to discuss and maybe set some standards for what a lottery really is. Whether, beyond tackiness of advertising, whether or not there should be advertising standards or rules and regulations.

Whether there should be fit and proper standards in reaction to question that was asked before about the vending community? And then finally, perhaps to look at some of the more popular illegal forms of gambling which have lottery connotations, I would say especially sports pool gambling, which is very popular in Europe. And video lottery, which as we all know in all of our states there are hundreds of thousands of illegal machines, is there a role for us to regulate that and bring it into the light?

Thank you.

CHAIRPERSON JAMES: Thank you.

Any final comments on this subject from our Commissioners?

(No verbal response)
CHAIRPERSON JAMES: Thank you. I'd like to excuse our panel at this point. Thank you for your expertise, and as I have with other panels, I encourage you to stay in touch with the Commission as we go through our work for the next 18 months or so. And I would encourage you to continue to submit information and data and testimony that you'd like us to consider in our final report. Our report will be ever so much richer if you would do that for us.

Thank you.

Commissioners, usually at this time we have a period where we are open just for general comments. I think we've had some of that within the context of our last panel. If there are any additional comments by Commissioners I would open the floor up for those right now. Otherwise, I would suggest that we take about a 15 minute break before we begin our public comment period.

MR. WILHELM: I just want to complement you and the staff on the quality of several of these panels in the last two days.

CHAIRPERSON JAMES: Well, thank you.

COMMISSIONER DOBSON: And having been critical of Atlantic City, I concur.
CHAIRPERSON JAMES: Thank you, we
appreciate that.
With that, I'm going to stand in recess
until 4:00 and then we'll come back and begin our
public comment period at that time.
(Whereupon, at 3:57 p.m., the proceedings
went off the record until at 4:05 p.m.)