TOM BELL

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

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

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

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

Essentially I just want to make one main point and that is that sooner or later Americans will legally gamble over the Internet. That is a virtual certainty. We can get there quickly and easily or slowly and painfully, but all the facts indicate that sooner or later gambling will be legal over the Internet.
Now, I'd like to describe for you quickly some reasons why that's not such a bad outcome and some of the factors that I think compel this result. I should probably begin by offering this disclosure. It's not in my testimony, but it's true. I myself am now involved in a conspiracy to gamble over the Internet. It's true.

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

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

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

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

She E-mailed it to me and those of you who have read closely the Kyl bill and the Goodlatte/LoBiando bill, those are the Senate and House bills that have been introduced, I could be prosecuted, my wife too, for a felony if those bills were made into law. Now, that should strike I think everyone as pretty
ridiculous. You could respond that well, no prosecutor, Tom, would come after you for that. But if it's left at prosecutorial discretion, I think we'd stop living in a government of laws and we live in a government where the whim of a prosecutor calls the shots. And I don't want to live in that kind of world.

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

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

So as I said, eventually all the facts indicate we will have legal gambling on the Internet for U.S. citizens. Now, is that such a terrible result? I really don't think so. I understand the concerns of moralists and people who are worried
about Internet gambling addiction. But there are also some
bonuses to Internet gambling that I think deserves serious
consideration.

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

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

And thirdly, while you may or may not like gambling,
I'm sure some people here don't, the fact is right now it is a
consumer driven industry. It's a service offered to people who
want to bet and insofar as those consumers deserve all the
protections offered consumers in other spheres of our economy,
they deserve competition. Consumers will benefit from the
competition provided by new sources of gambling on the Internet.
It will drive down prices. It will give them better odds. We all know the lotteries run by states frankly are not a very good investment.

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

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

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