

Prof. John Warren Kindt
University of Illinois

Attachments

Before the Subcommittee on Crime, Terrorism, Homeland Security, and Investigations
U.S. House of Representatives, Committee on the Judiciary
Legislative Hearing on H.R. 707: The "Restoration of America's Wire Act"
March 25, 2015

John W. Kindt is a Professor of Business and Legal Policy at the University of Illinois. After receiving a B.A. in business from the College of William and Mary in 1972, Professor Kindt earned several graduate degrees in law and business, specifically, J.D. 1976, and MBA 1977, from the University of Georgia; LL.M. 1978, and SJD 1981, from the University of Virginia.

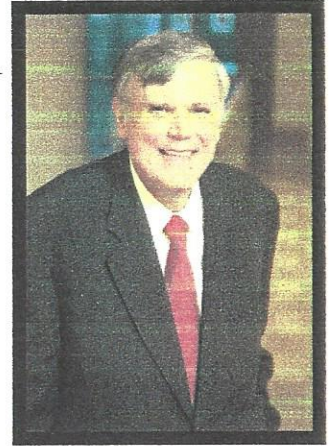


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Professor Kindt's research has resulted in more than 70 academic articles and studies in the areas of antitrust law, commercial law, and environmental law. For 20 years his research has been focused on the societal, business, and economic impacts of decriminalizing gambling activities, particularly gambling's destabilization of international financial institutions and criminal justice systems.

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DEDICATION BIOGRAPHY

➔ *Robert Francis Kennedy*¹ (1925–1968), U.S. Attorney General 1961–1964

Brother of John Fitzgerald Kennedy and Edward Moore Kennedy, grandson of John Francis Fitzgerald, uncle of Patrick J. Kennedy, and father of Joseph Patrick Kennedy II; a Senator from New York; born in Boston, Suffolk County, Mass., November 20, 1925; graduated from Milton Academy (MA); served in the United States Navy Reserve 1944–1946; graduated from Harvard University in 1948 and from the University of Virginia Law School in 1951; admitted to the Massachusetts bar in 1951; attorney, Criminal Division Department of Justice 1951–1952; campaign manager for John F. Kennedy's election to the United States Senate in 1952; assistant counsel, Senate Permanent Subcommittee on Investigations 1953; assistant counsel, Hoover Commission 1953; chief counsel to the minority, Senate Permanent Subcommittee on Investigations 1954, and chief counsel and staff director 1955; chief counsel of Senate Select Committee on Improper Activities in the Labor or Management Field 1957–1960; campaign manager for John F. Kennedy's election to the presidency in 1960; Attorney General of the United States from January 1961 until his resignation September 3, 1964, to be a candidate for the United States Senate; elected as a Democrat from New York to the United States Senate and served from January 3, 1965, until his death; died from the effects of an assassin's bullet at Los Angeles, California, June 6, 1968, while campaigning for the Democratic presidential nomination; interment in Arlington National Cemetery, Arlington, Virginia.

¹ Edited from: Robert F. Kennedy, U.S. Congress, Biography (2013) [hereinafter Robert F. Kennedy Biography], at www.bioguide.congress.gov. Persons in dedications should not necessarily be construed as agreeing with any or all of the comments and/or recommendations contained in this collection of materials.

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* To facilitate the overview provided by the “historical commentaries” introducing each source document, Congressional reports and associated legislative source materials were not necessarily listed chronologically. Source materials were often ranked and listed with preference given to those with more importance to the legislative history of the relevant issue area.

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- Doc. No. 5.60** *Security and Accountability for Every Port Act*, 152 CONG. REC. S10810–17 (daily ed. Sept. 29, 2006) (statement of U.S. Sen. Tim Johnson (D-SD)) [hereinafter *Sen. Johnson Objects to 2006 Internet Gambling Act*], at www.gpoaccess.gov
- Doc. No. 5.61** *Internet Gambling*, 152 CONG. REC. S11045–46 (daily ed. Nov. 16, 2006) (statement of U.S. Sen. Jon L. Kyl (R-AZ)) [hereinafter *Sen. Kyl Summary on Internet Gambling*], at www.gpoaccess.gov
- Doc. No. 5.62** *H.R. 4954: The Safe Port Act: Unlawful Internet Gambling and Enforcement Act Provisions*, 152 CONG. REC. E2152–53 (daily ed. Dec. 8, 2006) (statement of U.S. Rep. Spencer Bachus (R-AL)) [hereinafter *Rep. Leach Honored by Rep. Bachus*], at www.gpoaccess.gov

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Letter supporting the Unlawful Internet Gambling Enforcement Act legislation of 2006, from 49 St. Att'ys Gen., Nat'l Ass'n Att'ys Gen., to the Leadership of the U.S. House of Representatives and Senate, Mar. 21, 2006 (the Nev. Att'y Gen. was unresponsive) [hereinafter 49 St. Att'ys Gen. Support the Unlawful Internet Gambling Enforcement Act Legislation of 2006], at www.naag.org, available at www.heinonline.org

Historical Commentary*

On March 21, 2006, 49 State Attorneys General wrote to the leadership of the U.S. Congress expressing their support for Federal "legislation seeking to combat illegal Internet gambling in the United States."¹ In the letter, the National Association of Attorneys General (NAAG) recognized that, "the potential problems associated with the availability of gambling activities on the Internet are exacerbated because [of] the inability of technology to reliably guard against many of the same hazards that led to the policy considerations used by jurisdictions to construct their gambling regulations."² The 49 Attorneys General concluded the letter by stating that "[w]e encourage the United States Congress to help combat the skirting of state gambling regulations by enacting legislation which would address Internet gambling."³

*REDD on Gambling & Matthew Dowd.

¹ Letter supporting the Unlawful Internet Gambling Enforcement Act legislation of 2006, from 49 St. Att'ys Gen., Nat'l Ass'n Att'ys Gen., to the Leadership of the U.S. House of Representatives and Senate, Mar. 21, 2006 (the Nev. Att'y Gen. was unresponsive) [hereinafter 49 St. Att'ys Gen. Support the Unlawful Internet Gambling Enforcement Act Legislation of 2006], at www.naag.org, available at www.heinonline.org.

² *Id.*

³ *Id.*

NATIONAL ASSOCIATION OF ATTORNEYS GENERAL
750 FIRST STREET NE SUITE 1100
WASHINGTON, D.C. 20002
(202) 326-6259
(202) 349-1922
<http://www.naag.org>

LYNNE M. ROSS
Executive Director

March 21, 2006

PRESIDENT
STEPHEN CARTER
Attorney General of Indiana

PRESIDENT-ELECT
THURBERT BAKER
Attorney General of Georgia

VICE PRESIDENT
LAWRENCE WADEN
Attorney General of Idaho

IMMEDIATE PAST PRESIDENT
WILLIAM H. SORRELL
Attorney General of Vermont

Via Facsimile

The Honorable J. Dennis Hastert, Speaker
United States House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi, Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Bill Frist, Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid, Minority Leader
United States Senate
S-321, The Capitol
Washington, DC 20510

We, the undersigned Attorneys General, wish to express our strong support for the efforts of the 109th Congress to pass legislation seeking to combat illegal Internet gambling in the United States. While we do not support federal preemption of our state laws related to the control of gambling, Internet gambling transcends state and jurisdictional boundaries and requires that all segments of the law enforcement community (state, federal and local) work together to combat its spread.

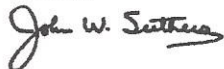
NAAG has historically supported federal efforts to clarify federal prohibitions on Internet gambling. As we stated in a similar letter in 1999, gambling laws and regulations have more state-to-state variety than almost any other area of law. For example, gambling policies range from the absolute prohibition of any gambling, as found in the States of Utah and Hawaii, to full casino gaming as allowed in Nevada and Atlantic City, New Jersey. The myriad of regulatory schemes related to gambling is constructed within the framework of each jurisdiction's moral, law enforcement, consumer protection and revenue concerns. Most jurisdictions believe that they have established the most appropriate combination of law and policy to address their own population's needs and desires.

Internet gambling is a threat to this carefully crafted system. Moreover, the potential problems associated with the availability of gambling activities on the Internet are exacerbated because the inability of technology to reliably guard against many of the same hazards that led to the policy considerations used by jurisdictions to construct their

gambling regulations. These policy considerations include moral attitudes towards gaming, issues of game integrity, effective consumer dispute resolution procedures, access to gambling by minors, cash controls to hinder money laundering and other criminal activity, as well as efforts to recognize and treat problem gamblers.

We encourage the United States Congress to help combat the skirting of state gambling regulations by enacting legislation which would address Internet gambling, while at the same time ensuring that the authority to set overall gambling regulations and policy remains where it has traditionally been most effective: at the state level.

Sincerely,



John Suthers
Attorney General of Colorado



Troy King
Attorney General of Alabama



Terry Goddard
Attorney General of Arizona



Bill Lockyer
Attorney General of California



Carl Danberg
Attorney General of Delaware



David Márquez
Attorney General of Alaska



Mike Beebe
Attorney General of Arkansas



Richard Blumenthal
Attorney General of Connecticut



Charlie Crist
Attorney General of Florida

Thurbet E. Baker

Thurbet E. Baker
Attorney General of Georgia

Douglas B. Moylan

Douglas Moylan
Attorney General of Guam

Mark J. Bennett

Mark J. Bennett
Attorney General of Hawaii

Lawrence Wasden

Lawrence Wasden
Attorney General of Idaho

Lisa Madigan

Lisa Madigan
Attorney General of Illinois

Steve Carter

Steve Carter
Attorney General of Indiana

Tom Miller

Tom Miller
Attorney General of Iowa

Phill Kline

Phill Kline
Attorney General of Kansas

Charles C. Foti, Jr.

Charles C. Foti, Jr.
Attorney General of Louisiana

G. Steven Rowe

G. Steven Rowe
Attorney General of Maine

J. Joseph Curran, Jr.

J. Joseph Curran, Jr.
Attorney General of Maryland

Tom Reilly

Tom Reilly
Attorney General of Massachusetts

Mike Cox

Mike Cox
Attorney General of Michigan

Mike Hatch

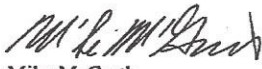
Mike Hatch
Attorney General of Minnesota

Jim Hood

Jim Hood
Attorney General of Mississippi

Jeremiah W. Nixon

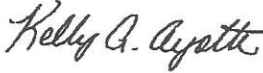
Jeremiah W. Nixon
Attorney General of Missouri



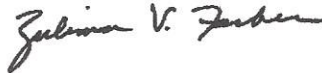
Mike McGrath
Attorney General of Montana



Jon Bruning
Attorney General of Nebraska



Kelly Ayotte
Attorney General of New Hampshire



Zulima V. Farber
Attorney General of New Jersey



Patricia A. Madrid
Attorney General of New Mexico



Eliot Spitzer
Attorney General of New York



Roy Cooper
Attorney General of North Carolina



Wayne Stenehjem
Attorney General of North Dakota



Jim Petro
Attorney General of Ohio



W. A. Drew Edmondson
Attorney General of Oklahoma



Hardy Myers
Attorney General of Oregon



Tom Corbett
Attorney General of Pennsylvania



Patrick Lynch
Attorney General of Rhode Island



Henry McMaster
Attorney General of South Carolina



Lawrence Long
Attorney General of South Dakota



Paul G. Summers
Attorney General of Tennessee



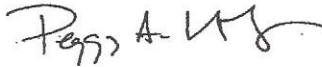
Greg Abbott
Attorney General of Texas



William H. Sorrell
Attorney General of Vermont



Rob McKenna
Attorney General of Washington



Peg Lautenschlager
Attorney General of Wisconsin



Mark Shurtleff
Attorney General of Utah



Robert McDonnell
Attorney General of Virginia



Darrell McGraw, Jr.
Attorney General of West Virginia



Pat Crank
Attorney General of Wyoming

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 Against More Gambling*, OMAHA
 WORLD-HERALD, Sept. 22, 1996, at
 B1.

*Omaha World-Herald 9/22/96
 pl of Midlands Section*

40 Economists Side Against More Gambling

Signers: Costs Likely Higher Than Benefits

BY ROBERT DORR
 WORLD-HERALD BUREAU

Lincoln — Forty Nebraska economists say they oppose the expansion of gambling in Nebraska because the economic costs "are likely to far outweigh the benefits."

Gambling has a better reputation than it deserves because the economic benefits — mainly jobs at casinos — are easy to see, said Lorenza Fairchild, economics professor at Nebraska Wesleyan University in Lincoln.

"The economic costs are hidden," said Dr. Fairchild, the main drafter of a statement released Saturday.

The statement opposes gambling only on the basis of its economic costs related to economic benefits.

The signers, mostly economists teachers at Nebraska colleges and universities, might or might not have moral reasons for opposing the expansion of gambling in Nebraska, Dr. Fairchild said.

Two expanded-gambling petitions in- sines have fallen short of the 98,939 valid signatures needed to get those measures on the Nov. 5 ballot in Nebraska. A federal judge has given the leaders of both efforts until Oct. 8 to come up with evidence that too many signatures were invalidated by local election officials.

One issue, supported by Nebraska racetracks and horse owners, would permit operating casinos at or near the state's tracks. The second issue, backed by some keno parlor owners, would allow local voters to authorize slot machines and other electronic gambling at keno parlors.

The statement signed by the 40 economists reads: "We, the undersigned Nebraska economists, are opposed to the expansion of gambling in Nebraska be-

Please turn to Page 5, Col. 1

SUNDAY WORLD-HERALD

40 Economists Pan Expanded Gambling

Continued from Page 1

cause the additional direct and indirect costs are likely to far outweigh the additional direct and indirect benefits for the state as a whole.

Dr. Fairchild said studies on gambling have indicated that casinos that draw most of their customers from the local area and the surrounding region "siphon consumer dollars away from other local businesses."

"Regional casinos simply recirculate dollars that already exist, bringing little or no new money to the local economy," said Dr. Fairchild, who has a doctorate in economics from Cornell University.

Dr. Fairchild said many people believe that all the money from gambling stays in the state. "That's a myth," she said. "It depends on the ownership structure. Many of the casinos are owned by a few large Las Vegas- or East Coast-based corporations."

In calculating economic benefits, Dr. Fairchild said, economists include new jobs, profits to any in-state owners, additional tax revenues and savings by consumers in traveling to a nearby casino compared with going to one farther away.

Costs include the loss of revenue and job reductions at other retail businesses, sales-tax revenue losses, profits going to out-of-state owners, revenue lost by existing forms of gambling, costs of regulating gambling and costs to businesses because of increased absenteeism and lower productivity.

Other economic costs result from an increase in people with gambling addictions, she said. Those costs include increased crime leading to more police, jails and courts; costs to businesses of embezzlements, forgeries and thefts; and costs of treating addicted gamblers.

In assessing other gambling studies and drafting the statement, Dr. Fairchild worked with Charles Langfear, director of the Bureau of Business Research at the University of Nebraska-Lincoln, and John Anderson, professor

of economics at UNI.

The economists signed as individuals. The statement did not list their employers. The signers in addition to the three coauthors:

UNI economics professors or associate professors: Craig MacPhee, David Rosenbaum, Ann Mari May, Roger Riefler, Jerry Petr and Benjamin Kim.

UNI economics professor emeritus: Wallace C. Peterson.

UNI professors or associate professors of agricultural economics: Michael S. Turner, Glenn A. Hillman, George H. Pfeiffer, Richard K. Perrin, Raymond J. Sappella, James G. Kendrick, Bruce Johnson, Dale Anderson and R. Garth Taylor.

Creighton University economics professors or associate professors: Joseph Phillips, Gerard Stockhausen, Thomas Nitsch, James Knudsen, N.R. Vasudeva Murthy and Edward Fitzsimmons.

Bellevue University: Judd W. Patton, associate professor of economics, and James R. Moore, instructor in economics.

Nebraska Department of Economic Development: James Knowlton, economist, and Kim Newell, recycling economic development advocate.

Doane College, Crete: Les Manns, assistant professor of finance and economics, and Mary Sue Carter, associate economics professor.

Nebraska Wesleyan University: Joyce Giteason, professor, and Clayton D. Fias, retired economics teacher.

Others: Ron Konecny, associate professor of management and marketing, University of Nebraska at Kearney; Mebdi Alfat, Chadron State College business department; William Snyder, professor of business, Peru State College; Meemahali Dalal, economist at Wayne State College; Donna Dufney, business division head, College of St. Mary, Omaha; and Clifton A. Sexton Jr., Lincoln, and Joe Watkins, Grand Island, whose affiliations could not be determined.

Table 2. Annual Social Costs per Pathological Gambler

	MD Poltzer <i>et al.</i> (1981) (\$)	FL Exec. Office of Gov (1994) (\$)	WI Thompson <i>et al.</i> (1996) (\$)	CT Thompson <i>et al.</i> (1998) (\$)	SD SD Leg. Research Council 1998-1999 (\$)	LA Ryan <i>et al.</i> (1999) (\$)	US Gerstein <i>et al.</i> (1999) (\$)	SC Thompson and Quinn (1999) (\$)	Row averages for studies 1994-1999 (\$)
Crime									
Apprehension and increased police costs		44	71	1000		53		116	257
Adjudication (criminal and civil justice costs)	1788	1234	994	27		649		476	676
Incarceration and supervision costs	2828	15 221	758	889	382	690		451	3065
Business and employment costs	11 265								
Lost productivity on job									
Lost time and unemployment			2717	3436		5936	320	1082	1082
Bankruptcy			515					2156	2913
Suicide								118	316
Illness									
Social service costs							700		700
Therapy/treatment costs									
Unemployment and other soc. svc. (incl. welfare and food stamps)			437	114	75	396	30	83	189
Government direct regulatory costs			606	971	549	60	145	318	442
Family costs									
Divorce, separation									
Abused dollars	14 354	3802	9519	240		3175		111	111
								2436	3834
									13 586

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TABLE 18 Net Economic Impact of Indian Casino Gambling in the Rest of Wisconsin

	\$ Millions
Total Positive Economic Impact	339.56
Total Negative Economic Impact	-563.50
<i>Net Economic Impact Before Social and Infrastructure Costs</i>	<i>-223.94</i>
Low-Estimate Social Costs	94.67
Median-Estimate Social Costs	189.35
High-Estimate Social Costs	269.45
NET ECONOMIC IMPACT WITH LOW SOCIAL COSTS	-318.61
NET ECONOMIC IMPACT WITH MEDIAN SOCIAL COSTS	-413.29
NET ECONOMIC IMPACT WITH HIGH SOCIAL COSTS	-493.39

SOCIAL BENEFITS AND COSTS

Thus far in our analysis, we have limited our consideration to direct and indirect economic impacts, both positive and negative. These impacts are susceptible to precise measurements, given that the factual data are accurate. Of course, because of limited access to such factual data, we have had to use estimates based on the best reasonable assumptions we have available to us. Nonetheless, we can use the precision of specific-dollar figures for these impacts. When we attempt to assess the economic impact of social benefits and social costs that necessarily attend the introduction of the gambling enterprise into any economy, we delve into a world of imprecision. However, the fact that much doubt surrounds the financial dollars that should be attached to these costs and benefits should in no way be used to deny their existence and importance. We must address social benefits and costs and suggest how they may fit into the overall economic impact analysis that we are conducting.

Social benefits include the creation of a new work ethic among previously unemployed persons, a spirit of self-sufficiency among previously dependent peoples, a variety of new programs supported by revitalized tribal governments. These programs include housing, health, welfare, education, and economic development. On the negative side, the analysis must take note of criminal activity that may be generated by the presence of casinos and also the costs of gambling addictions that result from the existence of the casinos. Our analysis of most of these areas ends with a textual description of activities and problems. Because there have been many studies of problem gambling, we have attempted to assign dollar figures to this problem area (high, medium, and low range), and we believe that these figures should be juxtaposed with the economic-impact figures we have calculated because they reflect a real cost to society.

1. The benefits of investment and self-sufficiency

The greatest value that gaming provides may be found in the degree of independence it allows tribal governments to have. Economic-development programs instituted through government policies have inevitably required tribes to have all their financial decisions certified and ratified by Bureau of Indian Affairs personnel. These approvals denied opportunities for risk-taking and also for gaining expertise that comes with exercising financial responsibility. Gaming funds are more directly controlled by the tribes. A selective listing of many of the projects that have been funded with gaming revenues illustrates a marked growth in that expertise and the responsibility that will become a foundation for tribal self-sufficiency well into the future.

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