

NLWJC - Kagan

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Gambling Commission [1]

Is Now Putting Some Big Chips on Clinton as Well

By GLENN R. SIMPSON
And MICHAEL K. FRISBY

Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON—Just three weeks ago, casino mogul Steve Wynn was being derided by Democrats for having rolled snake eyes by placing a huge bet last year on the campaign of GOP presidential candidate Bob Dole.

But as every gambler knows, the surest way to bet successfully in a two-horse race is to put money on both. Mr. Wynn has now committed to placing some big Vegas chips on President Clinton as well. After some courting by Democrats, party officials say, the founder of Mirage Resorts Inc. has agreed to raise or contribute a significant sum for the Democratic National Committee.



This comes almost in tandem with a game of golf that Mr. Clinton played with Mr. Wynn last Friday at the exclusive Congressional Country Club in Potomac, Md. This weekend, Mr. Clinton will help cement his rapprochement with the gambling industry by traveling to Las Vegas for a Sunday fund-raiser hosted by Democratic Gov. Bob Miller and Las Vegas Sun publisher Brian Greenspun. Mr. Greenspun says gambling industry officials,

including Mr. Wynn, are expected at the event, although he said the guest list is "predominantly nongaming."

"We're going to be very successful," Mr. Greenspun adds. A Democratic Party official estimates that the event, to be held at Mr. Greenspun's home in Henderson, is expected to raise \$500,000. Mr. Wynn's commitment to the party is separate and will be fulfilled later, according to this official.

Mr. Wynn couldn't be reached for comment. A spokesman, Alan Feldman, denies that Mr. Wynn has made a commitment to the Democratic committee. But a top party official and a Nevada Democrat well informed about Mr. Wynn's recent dealings with President Clinton both say that Mr. Wynn has made a pledge to raise or contribute a six-figure amount.

Mr. Greenspun, a Republican, says he has had conversations with Mr. Wynn recently about supporting Mr. Clinton but wasn't aware of Mr. Wynn's pledge. He says that at last week's golf game, which he and Gov. Miller joined, the matter wasn't discussed. "There was discussion of golf. Why I'm slicing, why hooking, why I'm hitting it into the trees." Mr. Greenspun and Gov. Miller teamed up to defeat Mr. Clinton and Mr. Wynn. Mr. Greenspun, an old friend of Mr. Clinton, says the president lost because he was coming down with the flu. "That's the only reason I beat him. He usually wins."

According to people familiar with the matter, Democratic fund-raisers had wanted Mr. Clinton to play golf this weekend with Mr. Wynn at Shadow Creek, Mr. Wynn's private course in Nevada. But that plan never was approved at the White House, which, instead, has Mr. Clinton leaving Las Vegas for a fund-raiser at the home of another prominent Democrat, California Sen. Dianne Feinstein, in San Francisco.

Mr. Wynn, a Democrat, has had a complicated relationship with Mr. Clinton. He strongly backed the Arkansas governor in 1992, but had a bitter falling out with the administration over its plan to pay for an overhaul of the welfare system with a 4% tax on gambling proceeds. Mr. Wynn was widely reported to be infuriated by the proposal. "This is like a reign of terror for us," he said at the time, claiming the tax "would be tantamount to bankrupting the industry."

In the fall of 1993, Mr. Wynn met with Republican National Committee Chairman Haley Barbour, and soon after, Mr. Wynn's Golden Nugget casino gave that group \$230,000. He became even more critical of Mr. Clinton, saying in 1994 that the administration's operating philosophy was "ready, fire, aim."

Last year, Mr. Wynn made a prodigious effort for Mr. Dole, hosting an event for the Senate Majority Leader at Shadow Creek, which raised \$477,450. But the GOP had its own problems with gambling, an issue of increasing concern for social conservatives. Earlier this year, a bill emerged from the House calling for a federal commission to investigate the effects of the gambling explosion on society and gave the panel power to subpoena casino companies. The Christian Coalition's Ralph Reed, whose tacit backing for Mr. Dole was crucial in the presidential primaries, endorsed the bill, as did Mr. Dole. Sen. Dole is trying to pass the bill before he leaves the Senate shortly.

Casino operators hate the idea of a government commission having the power to subpoena their books, and Mr. Wynn's enthusiasm for Mr. Dole now appears to be waning. He and other executives were recently heckled by Democratic Sen. Richard Bryan, an ally of the industry. "The Christian far right has a marker and they called it in with the Republican leadership," Sen. Bryan told a convention of Nevada Democrats two weeks ago. Casino operators who backed Sen. Dole "made a bad bet, and they rolled snake eyes."

Democrats, who haven't been shy about pilfering Mr. Dole's issues, may see

a chance to steal back some contributors from the Kansan. After meeting with Gov. Miller and other top Nevada Democrats three weeks ago, DNC Chairman Don Fowler cryptically predicted that the subpoena-powers provision will be dropped from the legislation before it reaches the president's desk. But gambling industry supporters may be disappointed again. While Gov. Miller said three weeks ago that Mr. Clinton "has indicated to me personally he's not in favor of a witch hunt," Clinton campaign spokesman Joe Lockhart said yesterday that the president supports giving the commission subpoena power.



Steve Wynn

Mirage's Mr. Feldman agrees that Mr. Wynn has warmed to Mr. Clinton recently. "I think Mr. Clinton has come to a much stronger understanding of gaming's role, legalized and regulated, in American business today," Mr. Feldman says. "I think he's become much more sensitive to it." He blames the gambling commission on "a small clique of right wing conservatives who are on a witch hunt."

Frank Fahrenkopf, the former GOP chairman who heads the industry's trade group, the American Gaming Association, argues that the gambling industry is simply bipartisan.

Senate Republicans Move to Thwart Measure Increasing the Minimum Wage

By CHRISTOPHER GEORGES

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—Just weeks after the House narrowly passed a minimum wage increase, Senate Republicans are plotting to scuttle the measure—a move that could also doom a popular small-business tax cut.

The latest hurdle for the controversial wage increase, which passed the House last month over objections of GOP leaders, reflects the changing dynamics of the Senate as Majority Leader Robert Dole prepares for retirement next week. Freed from the need to protect the presumptive GOP presidential nominee from Democrats' attacks over blocking the wage increase, Republican leaders are planning to load the measure with provisions the Democrats find unacceptable.

"A lot of us don't want the bill to pass," said Sen. Don Nickles (R., Okla.), a member of the Finance Committee, referring to the proposed wage increase from \$4.25 an hour to \$5.15. "It's not a done deal." Senate Republicans also said that in opposing the wage increase, they're willing to sacrifice a popular package of small-business tax cuts that is part of the wage-increase measure.

Senate Republicans plan to add a provision that would exempt small businesses from all minimum wage and overtime provisions of federal law. Any such changes in the House bill, warned Senate

Democratic Leader Tom Daschle of South Dakota, "would destroy the prospects" for Senate passage. Administration officials, too, have said they would not accept a wage increase with such a "poison pill."

House Republican leaders, ceding to demands of small businesses, sought—unsuccessfully—to add a similar exemption to their bill before passage.

The battle over the minimum wage increase has been at the heart of an election-year political chess match between the parties. Originally, Republicans, led by Sen. Dole of Kansas refused to buckle to Democrat demands for the wage increase, but backed down after President Clinton offered, in return, to support a Republican priority—a repeal of the 4.3 cents-a-gallon gas-tax increase passed in 1993.

Sen. Dole, who had proposed the gas-tax reduction, in part to demonstrate his commitment to cutting taxes, signaled that he would support such a compromise. To help make the wage increase more palatable to House conservatives and the GOP's small-business allies, Republicans added a sweetener: a package of small-business tax cuts totaling \$3.6 billion over five years. That package included provisions liberalizing small business's write-off for equipment purchases.

The wage increase-business tax cut package passed the House, though narrowly, and now it's the Senate's turn. But with Sen. Dole leaving, GOP support for his proposed gas-tax cut is significantly weaker. Many Senate Republicans are scouting around for a bigger—or at least different—set of concessions as the price for their votes on the wage increase.

Though the business tax cut has bipartisan support, Democrats have said that, for the time being, they would only support it attached to the minimum-wage measure. For their part, the GOP's small-business allies have said they would rather see the whole package go away.

Even so, the Senate Finance Committee continued this week to debate changes to the House-passed small-business tax cut measure. GOP Sen. Orrin Hatch of Utah, among others, has been pushing to amend the measure to include a capital gains tax cut and Senate Democrats are seeking to add a tax break for employers who help pay for workers' graduate school tuition. But final decisions on the package's details won't be available until next week, when the measure—along with a House-passed tax credit for parents who adopt—will come before the full committee.

THE WALL STREET JOURNAL

FRIDAY, JUNE 7, 1996

Unexpected Treasury-Market Rally Is Set Off By Buying Rumors, Fed Remarks, Copper Prices

By SUZANNE MCGEE

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — A plunge in the price of copper, a flurry of positive remarks by Federal Reserve officials and rumors of heavy speculative buying fueled a surprise rally in the Treasury market yesterday.

The magnitude of the gains, which in some issues topped $\frac{1}{2}$ point, startled many dealers and investors who had expected the market to remain sluggish ahead of the release this morning of the closely watched employment data. As fears mounted that more people than expected might have found work in May, tempting the Federal Reserve to hike interest rates, investors cut their holdings, or shunned Treasuries altogether, in search of alternative fixed-income investments that are less sensitive to interest-rate gyrations.

But by late yesterday, the 30-year bellwether bond was trading $\frac{1}{2}$ point higher, or \$6.25 for every \$1,000 bond, at 88.19. The yield, which moves in the opposite direction to the price, dropped to 6.9% from 6.95% late Wednesday.

"There clearly was a large buyer in this market," said James Kenney, chief government trader at Prudential Securities Inc. The name most frequently mentioned was that of George Soros, manager of a giant hedge fund. Traders said rumors linked Mr. Soros to a large purchase of five-year notes and 30-year bonds, while other speculators were spotted buying two-year notes and the bonds. A spokesman for Mr. Soros's firm said the company doesn't comment on market rumors.

Traders said they were surprised by the magnitude of the rally, given the market's recent jitters and fears that an unexpectedly large jump in employment could trigger a sell-off in bonds, as it did in early March and April. Economists, on average, expect 180,000 more people to have found work in May, but individual estimates range from a low of 150,000 to as many as 250,000, reflecting the sharp difference of opinion that exists on the economy's direction, and the chances of the Fed raising rates to guard against inflation.

"The markets have become obsessed with these numbers," said Donald Straszheim, chief economist at Merrill Lynch & Co., referring to the employment data. "But these data show gyrations that we don't see in the real economy. . . . Sooner or later, people will conclude that they ought not to bet the ranch each month on these numbers." In particular, Mr. Straszheim notes that the May data will include changes to the way the figures are calculated. That, he said, makes accurate forecasting more difficult.

Still, bond-market participants are drawing some comfort from signs that commodity price inflation is waning, and from a spate of comments by Fed officials apparently anxious to contradict the market's earlier impression that the central bank is poised to raise rates.

Yesterday's blood bath in the copper market, which left base-metals traders shell shocked, cheered bond-market bulls seeking signs that the economy is slowing.

"All the commodity prices recently seem to have rolled over and died, and that's given a bit of confidence back to the market," said John Wambold, chief government trader at Citicorp Securities Inc. Indeed, not only did copper prices plunge about \$143 to \$2,107 a ton, in London Metal Exchange trading yesterday, but crude prices have fallen as much as 15% from their recent highs, and grain prices, after

reaching their highest levels in decades, are showing signs of weakness.

"Drawing inflation conclusions from the movement in price of one commodity, however important, isn't a great idea," cautions Merrill's Mr. Straszheim. He nevertheless believes that the economy is far from overheating, and expects the rise in interest rates early this year to curb growth before it accelerates to the point where the Fed's intervention is required.

Fed officials themselves appear to be adopting a similar tone in their recent public pronouncements. In recent days, some have retreated from earlier statements warning that the Fed was keeping an eagle eye on labor-market pressures. Most recently, a range of senior Fed officials have stressed that they see signs of stable prices and slower growth going forward into the second half of the year, helping diminish anxiety among traders.

Foreign Bonds

Some European government-bond markets rallied after surprise interest-rate cuts in Britain, France and Denmark. But price gains generally were limited, and trading was cautious ahead of today's scheduled release of U.S. May employment figures, which could cause volatility in markets in Europe as well as in the U.S.

Denmark's central bank cut the two-week repo rate to 3.7% from 3.8%. The Bank of England cut its key minimum lending rate to 5.75% from 6%. The Bank of France trimmed its intervention rate to 3.6% from 3.7%.

French treasury issues ended higher, in part, because of a successful bond auction. Among 10-year benchmarks, the 7.25% French treasury obligations (OAT) of 2006 ended in Europe at 105.57, up 0.32. Its yield stood at 6.47%, down from 6.51%. The 7.5% British gilt of 2006 closed at 96 20/32, up 16/32. Its yield fell to 7.97% from 8.05%.

Corporate & Junk Bonds

Traders said spreads of blue-chip corporate issues from General Motors Corp. and Philip Morris Cos. widened substantially yesterday, bringing into sharp focus what traders said is a correction in the investment-grade market.

Philip Morris's 6.95% notes due 2006, with a put option after five years, widened by 0.07 percentage point to a spread of 0.42 percentage point above Treasuries, after breaking syndicate yesterday morning, traders said. The issue was priced Wednesday at 0.35 percentage point above Treasuries.

General Motors' 8.1% notes due 2024, callable after 12 years, also widened by 0.07 percentage point to a spread of 1.17 percentage points, after being priced Wednesday at a spread of 1.1 percentage points above Treasuries.

Market players say investors have turned cautious this week after a months-long rally in the corporate-bond market.

Shortly after the stock market's close, Enterprise Rent-A-Car Co. priced the session's sole straight corporate-debt issue, a \$450 million Rule 144a offering.

Asset-Backed Securities

Morgan Stanley & Co. yesterday put the finishing touches on the sale of \$215 million of asset-backed securities for New York City.

The deal, priced on Wednesday, involves a complex structure where the city transferred about \$250 million in its delinquent property taxes to a trust, which then sold \$215 million in asset-backed securities. City officials say buyers were easy to find, despite New York's fiscal problems, because the securities offered better-than-average returns.

The vast majority of the city's delinquent property taxes is ultimately paid off, meaning that investors are largely assured of getting their money back, city officials say.

— Charles Gasparino, Robert Fisher and Victoria M. Zunitch contributed to this article.

HR 497: THE NATIONAL GAMBLING IMPACT AND POLICY COMMISSION ACT

HR 497, The National Gambling Impact and Policy Commission Act (Wolf (R) VA and 143 cosponsors), would create a commission that would be charged with conducting a comprehensive study of gambling in the United States and Federal, State, and local policy and practices regarding the legalization or prohibition of gambling. The bill also authorizes the Commission to hold hearings, to subpoena testimony and materials, and to seek information from Federal agencies. This bill passed the House in April of this year. Its Senate companion bill, S704 (Simon, IL and 24 cosponsors), has passed the Government Affairs Committee, but has not yet been scheduled for a vote on the floor.

Hot Issue for Nevada

Senators Bryan and Reid (along with Governor Miller) have adamantly opposed any form of subpoena powers for the commission and are unhappy with the House bill and the current version of the Senate Bill. Also, The American Gaming Association, while publicly stating that it does not oppose a national study of gambling, sees HR497 (and the current Senate version) as just the first step in an effort by Congress to impose some federal rules on an industry that has so far been largely regulated by the states.

The Administration has taken no official position on the specific subpoena issues.

Administration Position to Date

In late-October, You wrote the bill's sponsor (Rep. Wolf), stating that he had "long shared your view about the need to consider carefully all of the effects of gambling, and I support the establishment of a commission for that purpose." In March of this year, the Administration sent up a Statement of Administration Position supporting HR 497.

This spring, You told Governor Miller that You oppose the subpoena power currently in the bill, but did not indicate that the bill would be vetoed if it passes in its current form. In mid-May, Carol Rasco met with a group of 6-7 Gambling CEOs at Governor Miller's request and gave them no further indication of our position on the subpoena issue.

During hearings on the bill, the Justice Department voiced concerns about the mandatory subpoena power of the Commission in respect to federal law-enforcement agencies. In response to these concerns, the Committee amended H.R. 497 to allow the head of an agency to withhold sensitive law enforcement information from the Commission.

Description of the Act

H.R. 497 would create a nine-member National Gambling Impact and Policy Commission, with three each appointed by the President, Speaker of the House, and the Majority Leader of the Senate, to study the impact of gambling in the United States. The principal issues the bill directs the Commission to study include:

- the economic impact, both positive and negative, of gambling at the local, State and Federal levels and on Indian tribes;
- a review and assessment of political contributions and their effect on development of public policy regulating gambling;
- the relationship between gambling and crime;
- an assessment of problem gambling on individuals, families, social institutions, criminal activity, and the economy;
- the effectiveness of existing law enforcement, judicial administration, and corrections to deter illegal gambling;
- gambling that uses interactive technology, including the Internet; and
- the extent to which casino gambling provides economic opportunity to residents of economically depressed regions and to Indian tribes.

The Commission is required to report to the President and the Congress, within two years of its first meeting, on its findings and conclusions and any recommendations for legislative or administrative actions it considers appropriate.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 4498

FILE NO: 1485

5/20/96

LEGISLATIVE REFERRAL MEMORANDUM

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(for) Assistant Director for Legislative Reference

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jones_re@a1.eop.gov

JUSTICE

SUBJECT: ~~TREASURY~~ Proposed Report RE: S704, Gambling Impact Study Commission

DEADLINE: 3:00 PM FIRM Monday, May 20, 1996 *

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

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*Justice believes S. 704 ~~is~~ may
come to ~~the~~ the floor at any
moment.*



U. S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

DRAFT

The Honorable Ted Stevens
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing in regard to S. 704, the National Gambling Impact and Policy Commission Act, which the Committee ordered reported this week. I especially want to express my appreciation to you for your staff's cooperation in resolving several concerns expressed by the Department.

As President Clinton recently stated in letters to Senators Simon and Lugar, the Administration supports the establishment of this Commission. One of the duties of this panel is to conduct a comprehensive study, which will include an assessment of the relationship between gambling and crime.

The Committee-approved version of S. 704 addresses a number of issues of concern to the Department of Justice. For example, section 5(b)(1) gives the Commission the power to subpoena certain information, but also provides that the "Commission shall transmit to the Attorney General a confidential, written notice at least ten days in advance of the issuance of any such subpoena." This provision would allow the Department to learn in advance who is being subpoenaed and the subject matter of the subpoena. In addition to keeping us abreast of what the Commission is doing, this would permit the Department to object or make our views known regarding such subpoena.

However, we understand that this provision does not constitute any kind of approval process. No inference should be drawn if the Department is notified of the pending issuance of a subpoena and does or does not object or comment. For example, such silence should not be construed as approval or endorsement of the subpoena or its subject matter. Nor should the presence

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or absence of a comment be construed to indicate the presence or absence of a criminal investigation, on which the Department as a matter of policy does not comment.

We understand that Section 5(b) does not grant the Commission authority to subpoena federal agencies. However, section 5(c) of the bill gives the Commission the authority to obtain information directly from federal agencies. This provision says that "[u]pon request of the Commission, the head of such department or agency may furnish such information to the Commission." This language is intended to preserve the ability of a federal agency, including the Department of Justice, to use its discretion and judgment in withholding privileged and sensitive information.

We would appreciate it if you would include this letter in the record of consideration of this legislation. Again, we thank you and your staff for your cooperation in resolving these important issues.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Please do not hesitate to contact me if I may be of assistance on this or any other matter.

Sincerely,

Andrew Fois
Assistant Attorney General

cc: The Honorable John Glenn
Ranking Minority Member

S. 704 as ordered reported

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AMENDMENT intended to be proposed by MR. STEVENS

Viz: Strike all after the enacting clause and insert in lieu thereof the following:

1 SECTION 1. SHORT TITLE.

**2 This Act may be cited as the "National Gambling Impact Study
3 Commission Act".**

4 SEC. 2. FINDINGS.

5 The Congress finds that --

**6 (1) the most recent Federal study of gambling in the United
7 States was completed in 1976;**

**8 (2) legalization of gambling has increased substantially over the
9 past 20 years, and State, local, and Native American Tribal governments
10 have established gambling as a source of jobs and additional revenue;**

**11 (3) the growth of various forms of gambling, including electronic
12 gambling and gambling over the Internet, could affect interstate and
13 international matters under the jurisdiction of the Federal Government;**

**14 (4) questions have been raised regarding the social and economic
15 impacts of gambling, and Federal, State, local, and Native American
16 Tribal governments lack recent, comprehensive information regarding
17 those impacts; and**

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1 (5) a Federal commission should be established to conduct a
2 comprehensive study of the social and economic impacts of gambling in
3 the United States.

4 **SEC. 3. NATIONAL GAMBLING IMPACT STUDY COMMISSION.**

5 (a) ESTABLISHMENT OF COMMISSION.--There is established a
6 commission to be known as the National Gambling Impact Study Commission
7 (hereinafter referred to in this Act as "the Commission"). The Commission
8 shall be composed of nine members appointed in accordance with subsection
9 (b) and shall conduct its business in accordance with the provisions of this Act.

10 (b) MEMBERSHIP.--

11 (1) IN GENERAL.--The Commissioners shall be appointed for
12 the life of the Commission as follows:

13 (A) three shall be appointed by the President of the
14 United States;

15 (B) three shall be appointed by the Speaker of the House
16 of Representatives; and

17 (C) three shall be appointed by the Majority Leader of
18 the Senate.

19 (2) PERSONS ELIGIBLE.--The members of the Commission
20 shall be individuals who have knowledge or expertise, whether by

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1 experience or training, in matters to be studied by the Commission
2 under section 4. The members may be from the public or private
3 sector, and may include Federal, State, local, or Native American Tribal
4 officers or employees, members of academia, non-profit organizations,
5 or industry, or other interested individuals.

6 (3) CONSULTATION REQUIRED.--The President, the Speaker
7 of the House of Representatives, and the Majority Leader of the Senate
8 shall consult among themselves prior to the appointment of the members
9 of the Commission in order to achieve, to the maximum extent possible,
10 fair and equitable representation of various points of view with respect
11 to the matters to be studied by the Commission under section 4.

12 (4) COMPLETION OF APPOINTMENTS; VACANCIES.--The
13 President, the Speaker of the House of Representatives, and the Majority
14 Leader of the Senate shall conduct the consultation required under
15 paragraph (3) and shall each make their respective appointments not
16 later than 60 days after the date of enactment of this Act. Any vacancy
17 that occurs during the life of the Commission shall not affect the powers
18 of the Commission, and shall be filled in the same manner as the
19 original appointment not later than 60 days after the vacancy occurs.

May 9, 1996 (9:45am)

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1 (5) OPERATION OF THE COMMISSION.--

2 (A) CHAIRMANSHIP.--The President, the Speaker of the
 3 House of Representatives, and the Majority Leader of the Senate
 4 shall jointly designate one member as the Chairman of the
 5 Commission. In the event of a disagreement among the
 6 appointing authorities, then the Chairman shall be determined by
 7 a majority vote of the appointing authorities. The determination
 8 of which member shall be Chairman shall be made not later than
 9 15 days after the appointment of the last member of the
 10 Commission, but in no case later than 75 days after the date of
 11 enactment of this Act.

12 (B) MEETINGS.--The Commission shall meet at the call
 13 of the Chairman. The initial meeting of the Commission shall be
 14 conducted not later than 30 days after the appointment of the last
 15 member of the Commission, or not later than 30 days after the
 16 date on which appropriated funds are available for the
 17 Commission, whichever is later.

18 (C) QUORUM; VOTING; RULES.--A majority of the
 19 members of the Commission shall constitute a quorum to
 20 conduct business, but the Commission may establish a lesser

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1 quorum for conducting hearings scheduled by the Commission.
2 Each member of the Commission shall have one vote, and the
3 vote of each member shall be accorded the same weight. The
4 Commission may establish by majority vote any other rules for
5 the conduct of the Commission's business, if such rules are not
6 inconsistent with this Act or other applicable law.

7 **SEC. 4. DUTIES OF THE COMMISSION.**

8 **(a) STUDY.--**

9 **(1) IN GENERAL.--**It shall be the duty of the Commission to
10 conduct a comprehensive legal and factual study of the social and
11 economic impacts of gambling in the United States on--

12 **(A) Federal, State, local, and Native American Tribal**
13 **governments; and**

14 **(B) communities and social institutions generally,**
15 **including individuals, families, and businesses within such**
16 **communities and institutions.**

17 **(2) MATTERS TO BE STUDIED.--**The matters studied by the
18 Commission under paragraph (1) shall at a minimum include--

19 **(A) a review of existing Federal, State, local, and Native**
20 **American Tribal government policies and practices with respect**

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1 to the legalization or prohibition of gambling, including a review
2 of the costs of such policies and practices;

3 (B) an assessment of the relationship between gambling
4 and levels of crime, and of existing enforcement and regulatory
5 practices that are intended to address any such relationship;

6 (C) an assessment of pathological or problem gambling,
7 including its impact on individuals, families, businesses, social
8 institutions, and the economy;

9 (D) an assessment of the impacts of gambling on
10 individuals, families, businesses, social institutions, and the
11 economy generally, including the role of advertising in
12 promoting gambling and the impact of gambling on depressed
13 economic areas;

14 (E) an assessment of the extent to which gambling
15 provides revenues to State, local, and Native American Tribal
16 governments, and the extent to which possible alternative
17 revenue sources may exist for such governments; and

18 (F) an assessment of the interstate and international
19 effects of gambling by electronic means, including the use of
20 interactive technologies and the Internet.

May 9, 1996 (9:45am)

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1 (b) **REPORT.**--No later than two years after the date on which the
2 Commission first meets, the Commission shall submit to the President, the
3 Congress, State Governors, and Native American Tribal governments a
4 comprehensive report of the Commission's findings and conclusions, together
5 with any recommendations of the Commission. Such report shall include a
6 summary of the reports submitted to the Commission by the Advisory
7 Committee on Intergovernmental Relations and National Research Council
8 under section 7, as well as a summary of any other material relied on by the
9 Commission in the preparation of its report.

10 **SEC. 5. POWERS OF THE COMMISSION.**

11 (a) **HEARINGS.**--

12 (1) **IN GENERAL.**--The Commission may hold such hearings,
13 sit and act at such times and places, administer such oaths, take such
14 testimony, and receive such evidence as the Commission considers
15 advisable to carry out its duties under section 4.

16 (2) **WITNESS EXPENSES.**--Witnesses requested to appear
17 before the Commission shall be paid the same fees as are paid to
18 witnesses under section 1821 of title 28, United States Code. The per
19 diem and mileage allowances for witnesses shall be paid from funds
20 appropriated to the Commission.

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(b) SUBPOENAS.—

(1) IN GENERAL.—If a person fails to supply information requested by the Commission, then the Commission may require by subpoena the production of any written or recorded information, document, report, answer, record, account, paper, computer file, or other data or documentary evidence necessary to carry out its duties under section 4. The Commission shall transmit to the Attorney General a confidential, written notice at least ten days in advance of the issuance of any such subpoena. A subpoena under this paragraph may require the production of materials from any place within the United States.

(2) INTERROGATORIES.—The Commission may, with respect only to information necessary to understand any materials obtained through a subpoena under paragraph (1), issue a subpoena requiring the person producing such materials to answer, either through a sworn deposition or through written answers provided under oath (at the election of the person upon whom the subpoena is served), to interrogatories from the Commission regarding such information. A complete recording or transcription shall be made of any deposition made under this paragraph.

(3) CERTIFICATION.—Each person who submits materials or

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1 information to the Commission pursuant to a subpoena issued under
2 paragraph (1) or (2) shall certify to the Commission the authenticity and
3 completeness of all materials or information submitted. The provisions
4 of section 1001 of title 18, United States Code, shall apply to any false
5 statements made with respect to the certification required under this
6 paragraph.

7 (4) TREATMENT OF SUBPOENAS.--Any subpoena issued by
8 the Commission under paragraph (1) or (2) shall comply with the
9 requirements for subpoenas issued by a United States district court
10 under the Federal Rules of Civil Procedure.

11 (5) FAILURE TO OBEY A SUBPOENA.--If a person refuses to
12 obey a subpoena issued by the Commission under paragraph (1) or (2),
13 the Commission may apply to a United States district court for an order
14 requiring that person to comply with such subpoena. The application
15 may be made within the judicial district in which that person is found,
16 resides, or transacts business. Any failure to obey the order of the court
17 may be punished by the court as civil contempt.

18 (c) INFORMATION FROM FEDERAL AGENCIES.--The Commission
19 may secure directly from any Federal department or agency such information as
20 the Commission considers necessary to carry out its duties under section 4.

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1 Upon the request of the Commission, the head of such department or agency
2 may furnish such information to the Commission.

3 (d) INFORMATION TO BE KEPT CONFIDENTIAL.--The
4 Commission shall be considered an agency of the Federal Government for
5 purposes of section 1905 of title 18, United States Code, and any individual
6 employed by an individual, entity, or organization under contract to the
7 Commission under section 7 shall be considered an employee of the
8 Commission for the purposes of section 1905 of title 18, United States Code.
9 Information obtained by the Commission as the result of a subpoena issued
10 under subsection (b)(1) or subsection (b)(2) shall not be disclosed to any person
11 in any manner, except--

12 (1) to Commission employees or employees of any individual,
13 entity, or organization under contract to the Commission under section 7
14 for the purpose of receiving, reviewing, or processing such information;

15 (2) upon court order; or

16 (3) when publicly released by the Commission in an aggregate or
17 summary form that does not directly or indirectly--

18 (A) disclose the identity of any person or business entity;

19 or

20 (B) any information which could not be released under

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1 section 1905 of title 18, United States Code.

2 **SEC. 6. COMMISSION PERSONNEL MATTERS.**

3 (a) **COMPENSATION OF MEMBERS.**-- Each member of the
4 Commission who is not an officer or employee of the Federal Government, or
5 whose compensation is not precluded by a State, local, or Native American
6 Tribal government position, shall be compensated at a rate equal to the daily
7 equivalent of the annual rate of basic pay prescribed for Level IV of the
8 Executive Schedule under section 5315 of title 5, United States Code, for each
9 day (including travel time) during which such member is engaged in the
10 performance of the duties of the Commission. All members of the Commission
11 who are officers or employees of the United States shall serve without
12 compensation in addition to that received for their services as officers or
13 employees of the United States.

14 (b) **TRAVEL EXPENSES.**-- The members of the Commission shall be
15 allowed travel expenses, including per diem in lieu of subsistence, at rates
16 authorized for employees of agencies under subchapter I of chapter 57 of title
17 5, United States Code, while away from their homes or regular places of
18 business in the performance of service for the Commission.

19 (c) **STAFF.**--

20 (1) **IN GENERAL.**--The Chairman of the Commission may,

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1 without regard to the civil service laws and regulations, appoint and
2 terminate an executive director and such other additional personnel as
3 may be necessary to enable the Commission to perform its duties. The
4 employment and termination of an executive director shall be subject to
5 confirmation by a majority of the members of the Commission.

6 (2) COMPENSATION.--The executive director shall be
7 compensated at a rate not to exceed the rate payable for level V of the
8 Executive Schedule under section 5316 of title 5, United States Code.
9 The Chairman may fix the compensation of other personnel without
10 regard to the provisions of chapter 51 and subchapter III of chapter 53
11 of title 5, United States Code, relating to classification of positions and
12 General Schedule pay rates, except that the rate of pay for such
13 personnel may not exceed the rate payable for level V of the Executive
14 Schedule under section 5316 of such title.

15 (3) DETAIL OF GOVERNMENT EMPLOYEES.-- Any Federal
16 government employee, with the approval of the head of the appropriate
17 Federal agency, may be detailed to the Commission without
18 reimbursement, and such detail shall be without interruption or loss of
19 civil service status, benefits, or privilege.

20 (d) PROCUREMENT OF TEMPORARY AND INTERMITTENT

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1 SERVICES.-- The Chairman of the Commission may procure temporary and
2 intermittent services under section 3109(b) of title 5, United States Code, at
3 rates for individuals not to exceed the daily equivalent of the annual rate of
4 basic pay prescribed for Level V of the Executive Schedule under section 5316
5 of such title.

6 **SEC. 7. CONTRACTS FOR RESEARCH.**

7 (a) **ADVISORY COMMISSION ON INTERGOVERNMENTAL**
8 **RELATIONS.--**

9 (1) **IN GENERAL.--**In carrying out its duties under section 4,
10 the Commission shall contract with the Advisory Committee on
11 Intergovernmental Relations for--

12 (A) a thorough review and cataloging of all applicable
13 Federal, State, local, and Native American Tribal laws,
14 regulations, and ordinances that pertain to gambling in the
15 United States; and

16 (B) assistance in conducting the studies required by the
17 Commission under section 4(a), and in particular the review and
18 assessments required in subparagraphs (A), (B), and (E) of
19 paragraph (2) of such section.

20 (2) **REPORT REQUIRED.--**The contract entered into under

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1 paragraph (1) shall require that the Advisory Committee on
2 Intergovernmental Relations submit a report to the Commission detailing
3 the results of its efforts under the contract no later than 15 months after
4 the date upon which the Commission first meets.

5 (b) NATIONAL RESEARCH COUNCIL.--

6 (1) IN GENERAL.--In carrying out its duties under section 4,
7 the Commission shall contract with the National Research Council of
8 the National Academy of Sciences for assistance in conducting the
9 studies required by the Commission under section 4(a), and in particular
10 the assessment required under subparagraph (C) of paragraph (2) of such
11 section.

12 (2) REPORT REQUIRED.--The contract entered into under
13 paragraph (1) shall require that the National Research Council submit a
14 report to the Commission detailing the results of its efforts under the
15 contract no later than 15 months after the date upon which the
16 Commission first meets.

17 (c) OTHER ORGANIZATIONS.--Nothing in this section shall be
18 construed to limit the ability of the Commission to enter into contracts with
19 other entities or organizations for research necessary to carry out the
20 Commission's duties under section 4.

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SEC. 8. DEFINITIONS.

For the purposes of this Act:

(1) **GAMBLING.**--The term "gambling" means any legalized form of wagering or betting conducted in a casino, on a riverboat, on an Indian reservation, or at any other location under the jurisdiction of the United States. Such term includes any casino game, parimutuel betting, sports-related betting, lottery, pull-tab game, slot machine, any type of video gaming, computerized wagering or betting activities (including any such activity conducted over the Internet), and philanthropic or charitable gaming activities.

(2) **NATIVE AMERICAN TRIBAL GOVERNMENT.**--The term "Native American Tribal government" means an Indian Tribe, as defined under section 4(5) of the Indian Gaming Regulatory Act of 1988 (25 U.S.C. 2703(5)).

(3) **STATE.**--The term "State" means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

SEC. 9. AUTHORIZATION OF APPROPRIATIONS.

(a) **IN GENERAL.**--There are authorized to be appropriated to the

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1 Commission, the Advisory Commission on Intergovernmental Relations, and
2 the National Academy of Sciences such sums as may be necessary to carry out
3 the purposes of this Act. Any sums appropriated shall remain available,
4 without fiscal year limitation, until expended.

5 (b) LIMITATION.--No payment may be made under sections 6 and 7 of
6 this Act except to the extent provided for in advance in an appropriation Act.

7 **SEC. 10. TERMINATION OF THE COMMISSION.**

8 The Commission shall terminate 60 days after the Commission submits
9 the report required under section 4(b).

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30,000 units that were deemed unsafe or uninhabitable.

Encourage authorities to allow tenants to buy their units in suitable circumstances.

Strengthen the authority of local agencies to evict trouble-making tenants and combat criminal activity, such as drug-peddling.

(EDITORS: STORY CAN END HERE)

HUD now oversees some 3,400 local housing agencies that manage 13,200 developments containing 1.4 million housing units. When fully occupied, the public housing system provides shelter for about 4.3 million people. The average rent paid is \$169 a month.

About half the people now living in public-housing units are in families with children, one third are elderly, and one in 10 is disabled.

Chronic mismanagement has prompted HUD to intervene with housing authorities in several cities. HUD has taken complete control of agencies in Chicago and San Francisco, and has gone into forced partnerships with authorities in Philadelphia and Detroit. In addition, federal courts have appointed receivers to take over management of the housing authorities in Chester, Pa.; Kansas City, Kan.; and the District of Columbia.

But the vast majority of local agencies are doing a good job, according to HUD. Less than 1 percent of the agencies are classified as troubled by the department.

Congress expected to approve federal commission to study gambling in U.S. By Derrick DePledge Knight-Ridder Newspapers(KRT)

WASHINGTON A federal commission to study the explosive growth of legal gambling in the United States is closer to clearing Congress now that key Senate lawmakers have resolved a dispute over giving the new panel subpoena power.

Under an agreement reached this week, the commission would be able to issue subpoenas for financial and marketing records, something the gaming industry has strongly resisted. The commission could also ask gambling executives to explain the documents in person or in writing.

Specific information from companies would not be made public, but the data could be applied to draw conclusions about the \$40 billion-a-year gaming industry.

A push for a national commission comes in response to the astounding growth in gambling since the last federal commission studied the issue 20 years ago. Some form of legal gambling is now available in every state except Hawaii and Utah, with 24 states allowing casino-style games like blackjack and roulette.

Money legally wagered in the United States has increased from \$17 billion in 1974 to \$482 billion in 1994.

Opponents of a new federal commission complain that subpoena power is too broad and fear that it could be used to embarrass or harass gambling executives. But some lawmakers consider it an essential fact-finding tool that will enable the commission to get all the information available.

Gambling opponents are hoping that the commission will use its subpoena power to determine whether the gaming industry targets problem gamblers and young people.

"The point is, we get the records," said Tom Grey, a Methodist minister and the executive director of the National Coalition Against Legalized Gambling. "They know the gambler better than the gambler knows themselves. No one does business in America without targeting."

Frank Fahrenkopf, president of the American Gaming Association, an industry lobbying group, said that some supporters of the commission appear hostile and confrontational toward a legal industry with nothing to hide.

He said the gaming industry has no objection to releasing financial information, much of which is already public. But, he said, because of competition, the industry is uncomfortable about being forced to disclose details of

how casinos attract and retain customers.

Fahrenkopf described Grey's suggestion that gambling companies rely on problem gamblers as "bulls---."

"There is a real problem here for abuse," Fahrenkopf said. "There ought to be trade secrets. There ought to be protection of all of that."

With the compromise on subpoena power, the Senate Governmental Affairs Committee is expected to approve the commission on Friday, and there is a good chance it will be embraced by the rest of the Senate. Majority Leader Bob Dole has expressed his support.

House Speaker Newt Gingrich, however, recently told a Las Vegas audience that he was against giving the commission subpoena power. But it is not known whether Gingrich would try to alter the bill in a House-Senate conference committee.

President Clinton favors a gambling commission.

"I think this thing is greased," said Sen. Richard Bryan, D-Nev., who opposes the idea. "This is going to rocket out of here."

Bryan said he would not attempt to filibuster the bill in the Senate, although he is adamant that the commission is a waste of time. He said state and local governments are able to decide the virtues of gambling without federal intrusion.

Bryan predicted that Congress will quickly approve the Senate version to avoid a protracted debate in which Republicans would have to choose between the gaming industry which has contributed heavily to Dole's presidential campaign and religious conservatives who reject gambling on moral grounds.

The compromise on subpoena power was negotiated by Sen. Ted Stevens, R-Alaska, governmental affairs chairman, and the bill's sponsors, Sen. Paul Simon, D-Ill., and Sen. Richard Lugar, R-Ind.

(EDITORS: NEXT 4 GRAFS OPTIONAL TRIM)

Last month, Simon asked Stevens to remove the bill from the committee's agenda because he worried that it was being weakened. Simon and Lugar's original proposal did not include subpoena power, but they subsequently decided it was necessary for the commission to be effective. A version of the bill by Rep. Frank Wolf, R-Va., which passed the House of Representatives in March, granted the commission subpoena power.

In a letter this week to Wolf, Charles H. Morin, the chairman of the 1970's gambling commission, argued that subpoena power was a valuable tool even though his commission never used it. "As we found out from our years of experience, the knowledge that we had the power and would not hesitate to use it provided all the persuasion we needed," he wrote.

Wolf said it would be an "embarrassment" if lawmakers fail to create the commission.

"If this bill is not passed, I think there is going to have to be

a lot of explanation to the American people," he said.

(END OPTIONAL TRIM)

The new commission made up of nine members appointed by the president and the congressional leadership would spend two years examining the economic and social impacts of legal gambling, particularly on families, low-income neighborhoods, state and local governments, Indian tribes and the Internet. The panel would assess the relationship, if any, between gambling and addictive or criminal behavior. It would also look at the role of advertising in promoting gambling.

At the same time, the federal Advisory Commission on Intergovernmental Relations would survey federal, state and local gaming laws. And the National Research Council would weigh studies on the social and economic aspects of gambling.

The commission could hold public hearings, and would release a final report detailing its findings and recommendations.

and Dole) can reach an agreement, they would both

Yet there's the rub.

If both Clinton and Dole gain equally from a budget deal, that wouldn't help the Kansas senator close the gap in the polls between him and the president.

Indeed, the GOP seems to want to use the budget to make Clinton politically uncomfortable. In an unusual strategy, Republicans will break their budget-balancing legislation into three parts this year.

The first installment would give control over welfare to the states, and reduce the growth of Medicaid, the health care program for the poor. It would also provide a \$500-per-child tax credit that helps many middle-class families. Republicans want to give Clinton the bill to sign or veto right after Independence Day. They may hit a nerve.

"I think the American people want us to do welfare reform, and the side that's perceived as blocking meaningful welfare reform is going to end up getting some negative spin on that," said Rep. Gary Condit, D-Calif., who supports a balanced budget. He predicted conservative Democrats would feel pressure to vote for the GOP bill.

On Clinton's side of the political divide, there's also risk in bargaining with the Republicans. Any deal is going to involve substantial reductions in Medicare, Medicaid and other social programs that are important to Democratic constituencies.

Politically, both sides may be better off using the budget as material for campaign commercials. The deficit could increase.

"There's a very real danger we're going to backslide a bit because of election-year pressure," said economist Robert Reischauer, former head of the Congressional Budget Office.

That would leave the job to the next president and Congress. But there's a price for delay. Average Americans, many of them elderly, could well end up paying it. Here's why:

Medicare is getting financially weaker every year. The program's hospital trust fund is now projected to go bankrupt in 2001, instead of 2002.

Last year, the government would have had seven years to phase in changes.

Next year, the need to act on Medicare will be more urgent. But benefit cuts may have to be deeper, since the program will be only four years away from bankruptcy.

"This neither makes good fiscal policy sense, nor does it make sense in terms of broader public policy," said Carol Cox Wait of the Committee for a Responsible Federal Budget, a nonpartisan group that favors a balanced budget. "But it's good politics."

House votes to revamp the nation's public-housing programs By David Hess Knight-Ridder Newspapers (KRT)

WASHINGTON The House voted Thursday to overhaul the nation's public-housing programs by giving local authorities more latitude to raise rents, oust troublemakers and attract more working people to serve as role models.

The five-year, \$65.5 billion bill, approved on a 315-107 vote, would substantially reduce the federal government's financing of public housing. By the turn of the century, federal spending for public housing would be about 60 percent less than what it might have been under the law in 1995.

Although the bill incorporates many of the reforms already put in place by the Clinton administration, it also contains several provisions the president opposes. The administration said the president does not support the bill in its current form.

One of the controversial provisions would raise the income threshold in determining eligibility for space in public housing. The average income now ranges between \$6,420 and \$6,900. Under the House-passed bill, critics complained, some families earning up to \$40,000 theoretically would be eligible.

Another controversial provision would eliminate existing rules that set aside up to 85 percent of public-housing units for the poorest tenants, lowering the set-asides to 35 percent.

Sponsors said this would draw in more working families that could serve as role models and encourage more diversity in project populations. Critics, including the Clinton administration's Department of Housing and Urban Development, say many near-destitute people could be precluded from decent housing.

The Senate earlier passed its own version of the bill, which differs in key respects from the House measure and is much closer to what the administration wants. HUD Secretary Henry Cisneros expressed the hope Thursday that Senate negotiators would prevail in a House-Senate conference to reconcile the differences.

"The House was right to make permanent the Clinton public-housing reforms," the secretary said, "but wrong to allow rents to be raised on the working poor and to deny scarce federal housing aid to families most in need."

A major change in the House bill would transform the 3,400 existing public-housing authorities around the nation into new Local Management Housing Authorities (LMHAs) with far greater flexibility in managing local public-housing facilities, tailoring the projects to local needs.

New 12-member boards, which would have to include at least two recipients of public-housing aid, would set broad policy for each local housing authority and monitor its compliance with the policy. Each authority would have a free hand to set rents for tenants and control the income mix of renters.

That provision sparked a raucous debate between Republican sponsors of the bill and opponents, in both parties, over whether some low-income families would be priced out of some rentals and made homeless.

Rep. Rick Lazio, R-N.Y., the chief sponsor, insisted that "the most vulnerable tenants," the elderly, disabled and very poor, would be shielded from unreasonable rent hikes. But he also argued that housing-authority managers needed more room to raise rents for other tenants to earn enough revenue to maintain the properties.

Opponents argued that higher rents could drive many low-income working families from the projects and leave them with few other housing choices.

Opponents tried and failed to retain an existing provision, named after former Sen. Edward Brooke, R-Mass., that restricts housing agencies from charging rents higher than 30 percent of a tenant's monthly income.

"A rent ceiling doesn't hurt the working poor, it helps them by establishing a safeguard against escalating rents beyond their ability to pay," said Rep. Bruce Vento, D-Minn.

But Lazio contended that "income-based rent is a disincentive for tenants to work and improve their incomes because, as their incomes rise, so does their rent."

Noting that the bill calls for a declining level of federal support for public housing, Rep. Joseph Kennedy, D-Mass., said the combination of shrinking federal aid and the exemption from higher rents for the aged and disabled would force local housing authorities to boost the rent for working tenants.

"Mr. Lazio," he said, "your bill would hurt the very tenants you purport to want to help the working poor."

Major provisions in the bill would:

Lump federal aid to local authorities into one large block grant. Proponents say this would give the local housing authorities greater flexibility to manage their housing projects. Opponents, including HUD, say it could spawn fraud and mismanagement by making spending harder to account for.

Expand rent vouchers to encourage more low-income people to obtain housing from private landlords.

Permit local housing authorities to demolish or dispose of housing units if they find the units are no longer economically feasible. HUD already has torn down some

THE WHITE HOUSE

WASHINGTON

Dear Senator Simon:

I deeply appreciate your efforts to draw attention to the growth of the gambling industry and its consequences. Too often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic, and political costs. I have long shared your view about the need to consider carefully all of the effects of gambling, and I support the establishment of a commission for this purpose.

My Administration is eager to work with you in designing such a commission and ensuring that its work is completed in a timely and effective manner. Your and Senator Lugar's bill, S. 704, and Congressman Wolf's bill, H.R. 497, provide a very sound basis for this process, which I hope will include further discussion of the exact composition of the commission and the exact scope of its duties and powers.

Again, I applaud your efforts to place this important matter on the nation's agenda.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Clinton". The signature is written in dark ink and is positioned below the typed word "Sincerely,".

The Honorable Paul Simon
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Representative Wolf:

I deeply appreciate your efforts to draw attention to the growth of the gambling industry and its consequences. Too often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic, and political costs. I have long shared your view about the need to consider carefully all of the effects of gambling, and I support the establishment of a commission for this purpose.

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Again, I applaud your efforts to place this important matter on the nation's agenda.

Sincerely,

A handwritten signature in cursive script, reading "Bill Clinton".

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Foreign Affairs

THOMAS L. FRIEDMAN

The Real Bosnia Debate

SARAJEVO, Bosnia and Herzegovina — For the past few months U.S. and NATO officials have been saying how pleased they are at how well the cease-fire and separation of forces in Bosnia has been implemented, but how upset they are that the political clauses of the Dayton peace agreement — such as the return of refugees and the holding of elections — have not been carried out. This is not an accident. This is a structural contradiction at the heart of Dayton. And it may soon become the foreign policy issue in the U.S. election.

The very reason the Bosnia cease-fire holds so well is the very reason the political clauses are not being implemented. The cease-fire holds because each of the Bosnian factions is led by authoritarian-nationalist figures, who can give an order to halt the fighting and it will be obeyed right down the line. The reason the political clauses are not being implemented is because they threaten the power bases of many of these same leaders, who have an interest in keeping Bosnia divided and the conflict defined in nationalist terms to insure their hold on power. When it comes to implementing the cease-fire, says Lieut. Gen. Michael Walker, commander of NATO ground forces in Bosnia, the Serbian, Muslim and Croatian leaders give all the right orders. But when it comes to the political clauses, "What we are getting is not only a failure to instruct" but rather "instructions in the opposite direction." General Walker said the actions of Serbian, Croatian and Muslim leaders "indicate a preference for partition."

NATO can live with partition. It just wants a quiet Bosnia until it leaves. But the diplomats believe that the West must try to achieve the unification of Bosnia that Dayton promised. That's only possible if NATO removes Radovan Karadzic and Ratko Mladic, the two indicted Serbian war criminals who remain in charge in the separatist Bosnian Serb Republic. Because if elections were held now Mr. Karadzic would be re-elected as president, giving him a democratic mandate sanctioned by the international community — the last thing the West wants to promote.

A contradiction at the Dayton treaty's heart.

The NATO allies had been hoping that the Serbs themselves would eliminate Messrs. Mladic and Karadzic. But that's not happening. So the pressure is rising on NATO to capture them to promote unity, and NATO doesn't want to do that for fear of upsetting stability — and for fear of making NATO a party to the conflict.

What to do? That depends on what you believe is really possible in Bosnia. I believe that the best that is possible, for the next few years, is a stable but loose partition into Serbian, Croatian and Muslim cantons. In this scenario, Bosnia does not need elections right now, but just an ongoing NATO presence to keep the peace, as the parties themselves figure out how, and how much, they want to live and trade together. Any faction that doesn't turn over war criminals should be diplomatically and economically isolated.

But the Clinton Administration's view is that, if possible, Bosnia should be unified into a single federal state, beginning with elections by September for a revolving presidency. But you cannot realize that vision for Bosnia without removing Messrs. Karadzic and Mladic. Ejup Ganic, Bosnia's Muslim Vice President, told me that after NATO recently tracked down an Iranian terrorist center in Bosnia and seized it with helicopters and tanks he told NATO "that was a perfect dry run for how you should go in and get Mladic and Karadzic." Added Mr. Ganic: "Could you have succeeded in developing democracy in Germany if Hitler were allowed to stay around? You Americans told us Bosnia is a single state and we stick to that sentence."

But in the Bosnian Serb capital of Pale, Momcilo Krajsnik, the president of the Serb Republic's parliament, told me: "The people here really do not believe Mladic and Karadzic are war criminals. NATO is a great force, which only a foolish leadership would ignore. But if I could give any advice, I would advise NATO never to try taking Mladic and Karadzic by force. Some things have to remain taboo."

This is the real issue that President Clinton and Bob Dole are going to have to debate this fall — not the phony issue of Iranian arms transfers. If the U.S. is committed to elections in Bosnia and to its unification, then it must remove the Serb war criminals still in charge. If it is ready to accept de facto partition as the least bad option then it will have to forgo elections. Mr. President, Mr. Dole, which will it be? □

Journal

FRANK RICH

Loving Las Vegas

LAS VEGAS, Nev.

If anyone is still wondering what ever happened to the 60's, the answer may be here, in a pristine patch of desert a short drive from the Liberace Museum. The Hard Rock Casino has an autographed Bob Dylan guitar above the window where you cash in your chips, a handwritten Jim Morrison lyric sheet along the corridor where you weave your way to the bathroom, and four slot machines whose profits (a flashing sign announces) are proudly dedicated to saving the rain forest. You hear John Lennon sing "Imagine" while you lose your shirt at craps.

Peter Morton, owner of the Hard Rock empire, reports that his first venture into gambling, now a year old, is "out of the ball park," exceeding revenue projections by 50 percent; the adjoining Hard Rock Hotel, which turned away 10,000 customers last month, is already planning to expand. You might ask: Who would have guessed that the Woodstock generation would trade in peace and love for video poker and Keno? But a more realistic question might be: Why should the boomers be different from anyone else?

America is punch-drunk with gambling. At \$40 billion a year, the self-described "gaming" industry is rapidly catching up to our most profitable addiction, tobacco (\$45 billion). In 1994, more Americans gambled than went to movies, theater, opera and concerts combined — and spent six times as much money on gambling as on all spectator sports combined. Casinos, limited to Nevada and New Jersey only eight years ago, are now legal in 24 states; lotteries are now ubiquitous in 37.

With such growing competition, you might expect Las Vegas to suffer. Far from it. It's the fastest-growing city in America. Hotel occupancy is at a staggering 90 percent, and new resorts can't be built fast enough on the Strip. One of them, the half-complete New York-New York, in the shape of a Crayola-colored Manhattan skyline. Its marketing executive, Martin Moore, explains: "What we're seeing is a more relaxed attitude about gambling. People who'd never think about Las Vegas come out now because they've tried it locally and say, 'Let's try the real thing.'"

What does this mean for American civilization as we know it? No one is sure. Already such gambling-saturated towns as Biloxi, Miss., are looking like Jimmy Stewart's nightmare

vision of Bedford Falls in "It's a Wonderful Life." The stench of influence-peddling suffuses some state governments where gambling rules. In the Midwest, riverboat casinos can be an economic boon but sometimes suck local retail businesses dry. Statistics suggest that crime, domestic abuse and alcoholism rise in gambling's wake — while the poor get most conspicuously poorer.

No wonder the House, with a bipartisan unity stretching from religious conservatives to secular liberals, unanimously passed a bill creating a commission to weigh gambling's national impact. But the bill now languishes in the Senate, where Richard Bryan, Democrat of Nevada, and G.O.P. allies have worked to weaken

America's new role model.

the commission and could yet kill it.

Surely, you'd think, Bob Dole, our foremost scourge of cultural depravity, would help speed and toughen this legislation. To do so, however, he'll have to buck the No. 1 casino potentate, Stephen Wynn of Mirage Resorts, who raised \$477,000 for Mr. Dole at a luncheon here last year, the very day after the Senator's famous speech excoriating Hollywood. Gambling may also have an ally in Newt Gingrich, who had his own, private dinner with Mr. Wynn here last week and promptly declared himself sympathetic to an emasculated commission, shorn of subpoena powers.

My libertarian side says that if Americans want to throw their money away, that's certainly their right. But taking in the "new," corporate Vegas, which swallows up one new generation at the Hard Rock and befriends still younger ones with wan theme-park attractions, I wonder where the national addiction will lead. Even Don Rickles, the hilariously misanthropic comic who's outlasted Elvis and Sinatra as a headliner here, laments the dehumanization of a town where the hotel lounges once synonymous with live entertainment have been razed to meet the insatiable demand for more gambling acreage. The onetime capital of sin is now a prototype for the mall of the future, destined to be replicated on a strip of highway near you. □

Cleaning Up Stalin's Act

By Adam Hochschild

EVERY field of history seems to have its revisionists. Some 15 years ago, for example, a school of German historians began claiming that Hitler in some ways wasn't quite so bad after all. The last few years have seen a curious burst of revisionism about the other great villain of the 20th century, Stalin.

An opening salvo came in a 1993 article by three historians in the *American Historical Review* that said far fewer people were arrested in the Great Purge of the late 1930's than had been previously thought. The authors also claimed to have found records proving that nearly 400,000 prisoners had "escaped" from gulag camps, a claim that would draw a roar of laughter from any camp veteran alive today.

Now comes Robert W. Thurston's "Life and Terror in Stalin's Russia 1934-1941," which has a similar air of unreality. Mr. Thurston, an associate professor of history at Miami University in Oxford, Ohio, is evasive about total numbers, but he says that that "many widely accepted orthodox estimates of the toll were much too high" and that the generally accepted figures on unnatural deaths "must be reduced substantially."

In his book, a map of major prison camps shows only a single site in the notorious Kolyma area of northeastern Siberia, the coldest and deadliest region of the gulag, where other historians have documented more than 120 camps. I've walked through the ruins of several of them, surrounded by barbed wire rusting in snow, they dot the landscape still.

Such revisionist claims invariably offer few human voices or faces. Instead, they have only the dry, cold feeling of studies based largely on

Adam Hochschild is the author of "The Unquiet Ghost: Russians Remember Stalin."

official documents. This is sometimes a legitimate way to write history, but it's an oddly limited method for a period from which there are millions of living survivors. And where the Soviet Union is concerned, official documents can easily lead into a dream world.

I've seen some of these documents. In 1991, I was the first American writer (or so I was told by Soviet officials) to go inside the Moscow K.G.B. archives, a few blocks from Red Square, and examine material on the shelves. There were Stalin-era arrest and interrogation records of 120,000 Muscovites in the building. But, as my guide stressed, these were just the files that had survived.

What in the world are revisionists thinking of?

On other occasions, two former secret police officers told me that they had witnessed a large number of records being burned or otherwise destroyed soon after Stalin's death.

The officer who took me through the archives, Col. Nikolai Grashoven, said that 18 million Soviet citizens were arrested between 1935 and 1945; of that number, seven million were sentenced to death. No one knows how many others died in the gulag.

The late Gen. Dmitri Volkogonov, a historian whose rank gave him the better access to the archives than anyone else, said that there were 21.5 million people arrested between 1929 and 1953, of whom one-third were shot. And this does not include the victims of the famine caused by Stalin's forced collectivization in the 1930's. When Churchill asked Stalin how many million people died in the famine, the Soviet leader did not need an interpreter. He held up 10 fingers.

Cold-war politics helped create confusion in the West over the num-

ber of Soviet dead. Hawks had a stake in keeping estimates high so they could scare American leaders into spending more on nuclear weapons, while some opponents of proliferation may have allowed Soviet crimes to be minimized. But many outspoken opponents of the arms race, from Bertrand Russell to George Kennan, also saw the institutionalized mass murder of the Soviet Union for what it was.

Today, however, what motivates revisionists is likely something banal and mundane. Every academic orthodoxy creates a counter-orthodoxy. Careers are built, institutes are founded and tenure is granted on the basis of someone's claim to having a new interpretation of something. New interpretations can help shed light on the mysteries of the past, but when the need to provide one becomes an end in itself, it leads to a sterile, artificial history that loses all connection with human beings and with events that never found their way into official records.

The hundreds of mass graves across Siberia, where you can still reach down and pick up skull after dirt-yellowed skull with a bullet hole through it, and the memories of tens of thousands of gulag survivors tell a very different story indeed. □

No Defense

By Joseph Cirincione

HOLLYWOOD is preparing another sequel to "Star Wars." So are Congressional Republicans.

Next week, the House is scheduled to vote on a plan sponsored by Speaker Newt Gingrich to construct a missile defense system by 2003. The bases would probably cost more than \$50 billion, require hundreds of interceptor rockets, dozens of new radar sites and ground-support installations, and new rings of satellites.

We don't need this rerun of Ronald Reagan's Strategic Defense Initiative, and the Defense Department doesn't even want it. But Republicans, led by Senator Bob Dole, argue that we have no defense against nuclear-missile attacks by China, Russia and rogue states, and they criticize President Clinton for vetoing missile-defense legislation in 1995.

They want to budget more than \$4 billion for a missile defense in the next fiscal year and have put language into the legislation that would make deployment mandatory. They expect President Clinton to veto it, and want him to because they believe he will look weak on defense in opposing what they think is a popular plan.

But missiles are not a looming menace. Only Russia and China have nuclear-armed ICBM's that can reach America. Russia's arsenal is shrinking. China has only a few ICBM's; even if it builds more, our arsenal is a formidable deterrent.

Joseph Cirincione is a senior associate at the Henry L. Stimson Center, a defense research organization.

About 25 countries have short-range missiles like the Scuds used in the Gulf war, but Scuds travel less than 370 miles. Intelligence officials agree that no lesser powers — including Iran, Iraq, North Korea and Libya — are likely to build ICBM's in the next 15 years. If they do, we are likely to know about it early on.

Champions of Star Wars say it would be an insurance policy in case American intelligence happens to be wrong. But such a policy would carry an exorbitant premium. Since 1962, we have spent \$99 billion on research for missile defenses — in vain. The Republicans' system would cost at

Attention, G.O.P.: Americans don't want 'Star Wars.'

least \$29 billion for the initial bases and, if fully deployed, as much as \$54 billion.

The small threat and high cost explain why in January the Joint Chiefs of Staff recommended a \$2.8 billion annual cap on the entire missile defense effort, with \$2.3 billion set aside for defending against short-range missiles that pose an actual threat to our troops in a theater of war.

Opinion polls show that most Americans are far more worried about terrorist truck bombs than about missile attacks from afar. The nation would be better served by efforts to help Russia dismantle its nuclear missiles, including the huge SS-18, which, in the 1980's, started the Star Wars campaign in the first place. □

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Thomas F. McLarty
Counselor to the President

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REMARKS:

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DAVID ASMAN
EDITORIAL FEATURES EDITOR

May 1, 1996

*Fax to
Cleve.*

(Fax No. 202 456-2215)

Mr. Thomas F. McLarty
Counselor to the President
The White House
Washington, D.C. 20500

Dear Mr. ^{Mac} McLarty:

The Wall Street Journal editorial page will publish a survey of informed opinion-makers on America's booming legalized gambling economy. We respectfully ask for President Clinton's view.

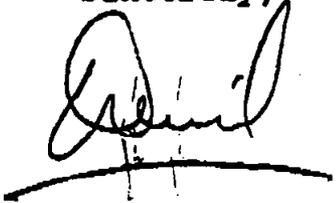
A highly controversial issue, the House unanimously passed a bipartisan bill to establish a national commission to study the current and long-term social and economic impact of gambling on the country. This bill has been blocked from Senate action; the companion Senate bill has been stymied. Since Congress's interest comes at the same time we are seeing a spreading grass-roots antigambling backlash, we believe the Journal's national audience would be interested to know:

What are the pros/cons of legalized gambling in the United States? Specifically, what recommendations/changes would you have Congress explore?

Please call me at 212-416-2861, if you have any questions and also to let us know if we can expect a comment from the President. A fax reply (not later than Monday May 6th) can go to Karen Cuddy, editorial submissions editor, 212-416-2658; her telephone no. is 212-416-3061.

Many thanks for taking the time to review this request.

Sincerely,



Essay

WILLIAM SAFIRE

Don't Gamble With Gamblers

WASHINGTON
Sometimes the good guys get so taken with the justice of their cause that — as they approach their goal — they blow the whole thing.

The goal is to focus the nation's attention on the spreading evil of state-sponsored and government-encouraged gambling. The need is urgent because state lotteries are a tax fraud, and because the sales pitches enticing suckers into tax-dodging casinos and debilitating debt are corrupt public policy.

Now, finally, with public and private-gambling predators skimming billions from their prey, and with phony Indian tribal leaders ("casino-owning Americans") turning our aboriginals into a nation of croupiers, the non-suckers are awakening. The way pious politicians help hook young people into a lifelong addiction to gambling and its get-rich-quick philosophy is a national disgrace.

National, not just local. To meet the menace of gambling, step one is to set up a national commission to marshal the damning facts about gambling's phony promises and ruined lives.

Bills to do that were offered in House and Senate. The National Coalition Against Legalized Gambling organized grass-roots support, and with some prodding from moralizing pundits, the Christian Coalition joined its crusade. In response, the gambling lobby raised a \$2 million ante and hired Frank Fahrenkopf and Ken Duberstein, the Republican lobbyists, to delay, weaken, and — if unable to stop the legislation — to subvert the commission with pro-gambling members from Nevada slotpots and Indian "reservations."

Get a study while the getting's good.

Thanks to House Judiciary Chairman Henry Hyde, a bill giving the commission real authority to hold hearings and subpoena witnesses, written by Frank Wolf, Republican of Virginia, passed the House without a dissenting vote.

The weaker Senate version, sponsored by Paul Simon and Richard Lugar, and shepherded by Governmental Affairs Chairman Ted Stevens, was better funded and given more time. But Simon-Lugar never had subpoena power and went into the markup session burdened with amendments hamstringing the commission, appointing at least one high roller and protecting casino operators from embarrassment.

Not acceptable, but negotiable from strength by the good guys because Bob Dole's four-word order to Stevens was "get the bill through." At that point, a sophisticated anti-gambling lobbyist would have gone to Stevens, cut the cards and cut a deal: Let the gambling lobbyists have a few face-savers to justify their whopping fees, let the Nevada Democratic Senators similarly mollify their Las Vegas constituents — all with the clear understanding that subpoena power, direct commission investigation and open hearings would prevail in House-Senate conference.

Unfortunately, the good guys, heady from belated media attention and a House triumph, are not wise in the ways of getting most of a loaf. They read the horrendous amendments and got great press for hitting the panic button, denouncing Stevens for "gutting" the bill and for selling out to the monied immoralists.

Steaming, Stevens yanked the bill off the passage track. He asks: You insist on subpoena power in the Senate bill, which never had it? That'll require hearings. With 40 legislative days left, Nevada's Richard Bryan, the gamblers' friend, could conduct a semi-filibuster, effectively killing the bill for 1996.

I asked Stevens, a co-worker in the 1960 Nixon campaign and a closet good guy, what was needed to rescue the commission. "These fellows have got to settle down," he says of irate moralists, "because I'm not about to get a hot foot twice." (Who today remembers the "hot foot"?)

Advice to my side: Don't demonize Stevens; deal with him to get a Senate bill passed. Then put the heat on Dole to appoint non-Nevada conferees who will agree with the House on ways to seriously investigate gambling's economic impact and personal ruinations.

The purpose is to publicize, not prosecute. Shame is the weapon. In New York, Gov. George Pataki just caught the wave of the future by telling his state's lottery to stop fooling the people by advertising fantasies of wealth.

Cut the fulminations and get a gambling study going now. We have watchmen to watch the watchmen. □

Brave New Ball Game

By Raymond J. Keating and Matthew Carolan

Assemblyman Richard L. Brodsky, Democrat of Scarsdale, has offered the quintessential New York solution to keeping the Yankees in the Bronx. If George Steinbrenner tries to flee to New Jersey, invoke eminent domain and have the state take over the team.

Brodsky no doubt figures that since Yankee Stadium is government-owned — stadium socialism, if you will — the Yankees might as well be, too. Given New York's history, we can imagine the following scenario:

In a fit of Albany bipartisanship, Republicans and Democrats vote to seize control of the Yankees. Immediately, a Department of Baseball Development (D.B.D.) is created, and for his bold vision Brodsky is named commissioner. With a first-year budget of almost \$1 billion, the department buys Yankee Stadium from New York City.

Mayor Rudolph Giuliani announces that the city will put the money from the sale into a new Baseball Assistance Ticket program: Under B.A.T., the city will guarantee every resident's right to attend games, no matter what his or her

income. Public Advocate Mark Green states: "Yankee baseball cannot become elitist, the domain of only those individuals who can afford to buy a ticket."

The Department of Baseball Development's Office of Baseball Protocol and Sensitivity holds a news conference, during which community activists ask New Yorkers to stop calling the Yankees the Bronx Bombers — a nickname, they say, with a negative connotation in the Bronx. Fernando Ferrer, the borough president, declares: "The Bronx is a vital

A fantasy: The state takes over the Yankees.

community, not a bombed-out city."

Brodsky ends the Yankees' relationships with the Madison Square Garden and WPIX television stations and WABC radio, and games are broadcast on public television and radio stations. While Phil Rizzuto agrees to announce a handful of games, the other Yankee announcers leave. Officials announce the new Yankee broadcast team of Mario Cuomo and Alan Chartock, the Albany radio host. Reacting to the reuniting of the former public-radio duo, one public radio bureaucrat declares: "If they bring the same compassion and compelling insights to

baseball that they brought to New York State politics, the horizons of baseball fans will be expanded greatly. I see a new era for sports and social awareness."

Meanwhile, the state budget is once again late, and the Yankees, citing lack of funds, forfeit their first dozen games.

When the season gets under way, the Cuomo-Chartock team brings protests from the New York Conservative Party. Its chairman, Michael Long, opposes Cuomo's ramblings about Newt Gingrich, Rush Limbaugh and the need for infrastructure improvements. For balance, the conservative columnist and baseball savant George Will joins the broadcasts. Ideological conflicts lead Rizzuto to retire once again, declaring: "Holy cow, what a bunch of huckleberries!"

PBS adds a post-game show with Charlie Rose as host. In an interview, Rose is punched in the nose by the Cincinnati Reds manager, Ray Knight, who explains: "I couldn't get a word in edgewise."

The Department of Baseball Development, citing job creation measures, moves all Yankee minor league teams to New York and builds new stadiums for them. Debates rage in Albany over Yankee salary differentials: Is there a glass ceiling over weak-hitting shortstops? State job-retraining programs expand to meet the needs of players forced out of baseball because of deteriorating skills. The Yankees struggle to emerge from last place, and fans begin longing for the good old days under Steinbrenner. □

Raymond J. Keating is chief economist with the Small Business Survival Committee, a private Washington-based group. Matthew Carolan is executive editor of National Review.

I.N.S. Detains African Woman Despite Lack of Security Risk

To the Editor:

Re "Woman's Plea for Asylum Puts Tribal Ritual on Trial" (front page, April 15): There is more to know about Fauziya Kasinga, the young woman who fled Togo more than a year ago to avoid female genital mutilation and who has been held in detention since then by United States immigration authorities.

In October 1995, Ms. Kasinga's attorneys petitioned Scott Blackman, a district director of the Immigration and Naturalization Service, to release her on parole, on the grounds that she did not pose a security risk, was unlikely to abscond and had relatives in the United States into whose custody she could be released.

The agency's guidelines recommend release of asylum-seekers in these categories. Representatives Patricia Schroeder and Cynthia A. McKinney sent supporting letters.

Mr. Blackman refused to release Ms. Kasinga, despite receiving the I.N.S. general counsel's recommendation to do so. Her attorneys have filed a habeas corpus petition in United States District Court, contending that Mr. Blackman's denial was "arbitrary, capricious and abuse of discretion, and otherwise not in accordance with the law."

In March, a psychiatrist visited Ms. Kasinga in prison and declared that she was so seriously depressed that she should be released immediately as a suicide risk.

What purposes are served by keeping this young woman and hundreds of other asylum-seekers in prison and subjecting them to psychological and physical abuse?

Prisons make a profit from the maintenance payments they receive from the Federal Government for detaining illegal aliens.

Some asylum-seekers become so demoralized by the conditions and length of their detention that they ask to be sent home, despite fears of persecution. Their time spent in United States prisons amounts to trial by ordeal, a classic example of cruel and unusual punishment and a clear violation of their human rights.

LINDA RABBEN
Takoma Park, Md., April 18, 1996
The writer is a member of Amnesty International.

Why Gay Couples Should Rally for Marriage

To the Editor:

Re "Why Marry?" (Op-Ed, April 17): I disagree with Frank Browning regarding the effects of legalized marriage on gay family structure. Couples, married or otherwise, either isolate themselves from their friends or they don't. Individuals, gay or straight, remain friends with their former mates or they don't.

And gay families with children contend with complicated issues of parental status or they don't. A marriage contract has little influence over how a couple choose to organize their family unit. And if legalized marriage includes homosexuals, it will remain as much a choice for homosexuals as for heterosexuals.

Gay marriage will spawn new and unforeseen problems. The object is to remedy civil injustices facing homosexuals, however, and there is no better route than through the legalization of gay marriages.

As to the "civic and legal support" Mr. Browning suggests as an alternative, those are the types of measures that religious conservatives like to refer to as "special rights." Homosexuals need to strive for the rights

that heterosexuals are accustomed to and rally around legalized marriage.

MICHAEL CUMMINGS
New York, April 16, 1996

To the Editor:

Frank Browning (Op-Ed, April 17) misses the big picture. While it may be true that living outside of a "traditional" family gives rise to a rich family experience, it is an oversimplification to say that same-sex couples live more like extended families than heterosexual couples, especially in these stressful times.

Further, an individual's family and support system merely reflect the character of the individual. To say the problem is "the shape of marriage itself" confuses the key issue. Marriage may not be for Mr. Browning and his partner, Gene, but if, for example, Sally and Evelyn want to get married — for whatever reason, from the frivolous (registering for china) to the more solemn (health care benefits) — that should be their choice.

SUSAN LEVITIN
Armonk, N.Y., April 18, 1996

Help New York's Media Entrepreneurs Now

To the Editor:

Our organization was the lead sponsor of the New York new-media industry survey (editorial, April 16). We conceived the idea, applied for the grant and directed execution of the Coopers & Lybrand survey.

New media are an example of a model of economic development that has worked wonders in other regions in the last decade, driven by entrepreneurs who create new industry clusters at a regional level.

Metropolitan areas like San Francisco (computers and software), San Diego (biotechnology) and Nashville (health-care services) have benefited from the sweat and pluck of entrepreneurs. National statistics support the role of small business as the generator of job growth in the last decade.

New York has not given this trend much heed. Our economic-development culture is heavily invested in supporting the monolithic private and public institutions that have been the mainstays of the economy but cannot

provide growth today. At the same time, our tax code has tilted the playing field against the entrepreneur.

You highlight these obstacles to growth, but have no call to action to remove them. Yes, the fiscal vise on Mayor Rudolph W. Giuliani is tight, but the ultimate solution to the problem is growth in the private sector.

Any delay in the effort to create a fertile economic climate for entrepreneurs sends the wrong signal to these job creators. The Giuliani administration has proposed a number of policy changes that will improve the lot of entrepreneurs. When considering the tradeoffs that the city's fiscal condition requires, we urge the administration to protect these measures from the temptation to wait until next year.

BRIAN T. HOREY
Pres., New York New Media Assn.
New York, April 18, 1996

The Conscious Mind

To the Editor:

Re "The Conscious Mind Is Still Baffling to Experts of All Stripes" (Science Times, April 16):

Those who argue that the conscious mind "doesn't exist except in the eye of the beholder" must be juggling words. The physical world may be an illusion — I may have been dreaming about it for 70-odd years. But Descartes was right: Consciousness exists. Cogito ergo sum.

HILLEL A. FINE
New York, April 17, 1996

Tobacco Documentary Died After a Lawsuit

To the Editor:

Paul Friedman, executive vice president of ABC News, says we refused to edit our one-hour tobacco documentary into a smaller story for one of the network's magazine programs (TV Notes column, April 17).

At no time did anyone connected with "Turning Point" suggest airing any part of our story after March 24, 1994, the day Philip Morris filed a lawsuit against the network. Mr. Friedman would ask us to believe that the lawsuit played no role in the decision; rather, he says, the hour just "would not hold people's attention ... in prime time."

At the time our program was canceled, the "Turning Point" series had tackled such subject matter as an update on Charles Manson and an investigation of sextuplets.

Little wonder Mr. Friedman worried that an investigation into the politics of tobacco was too boring for viewers.

MARTIN KOUGHAN
President, MQN Productions
Bethesda, Md., April 17, 1996

First-Person Dole

To the Editor:

Has anyone else noticed Bob Dole's revolutionary statement? "As a candidate, I've got to have my own agenda. I'm the one running for President. People want to know what I'm going to do" (news article, April 18). Notice those four first-person pronouns; not one "Bob Dole." Is this a whole new strategy?

HOWARD L. REITER
Cover ry, Conn., April 18, 1996



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U. S. Department of Justice

Criminal Division

Office of the Assistant Attorney General

Washington, D.C. 20530

EXECUTIVE SUMMARY

MEMORANDUM FOR THE ATTORNEY GENERAL

THROUGH: THE DEPUTY ATTORNEY GENERAL

FROM: John C. Keeney
Acting Assistant Attorney General

SUBJECT: Gambling and Federal Law Enforcement

PURPOSE: To present an overview of federal law enforcement strategy regarding gambling, with particular reference to gambling on vessels, Indian gaming, and Internet gambling.

TIMETABLE: Immediate

SYNOPSIS:

The Criminal Division has been asked to prepare a memorandum proposing a Departmental strategy regarding all facets of gambling. In particular, we have been asked to propose a strategy regarding gambling on vessels, Indian gaming, and Internet gambling.

As the attached memorandum discusses, we have made separate recommendations as to each form of gambling. There is, however, a single federal law enforcement strategy that underlies all of these recommendations: the Department should direct its limited resources primarily to detecting and punishing fraud and corruption in gambling enterprises, and to excluding organized criminal elements; and, as a corollary of this, the Department should seek to ensure that mere interjurisdictional disputes -- whether they involve states, tribes, or foreign countries -- are resolved noncriminally whenever possible, through either civil remedies or legislation.

This strategy derives directly from the federal statutes regarding gambling. At least to present, Congress has decided that the federal government's role in gambling should be limited primarily to preventing corruption and resolving interstate

disputes. Historically, Congress has largely left to the states the power to determine whether or not gambling should be legal.

In recent months, however, there have been some signs that Congress may reconsider this allocation of power. As legalized gambling has rapidly spread across the United States in recent years, and as the social costs of gambling have become increasingly apparent, there have been calls by a number of legislators and citizens for reconsideration of the process of decriminalization. In Congress, bipartisan legislation has been introduced that would establish a national commission to study gambling; this proposal has been endorsed by the President and the Department of Justice.

The Department should participate fully in any such commission on gambling. In the interim, however, the Department's law enforcement strategy must be based on current federal law, rather than speculation as to what the law might become. That strategy also must take into account that many states have not only decriminalized gambling, but now officially encourage their citizens to gamble on state lotteries or other activities. Accordingly, we have proposed a strategy that focuses the Department's resources on conduct that remains clearly criminal even in an era of decriminalization.

The following recommendations are based on the discussion set out in the attached memorandum, which has been reviewed and approved by other relevant components, with the following reservations. As a general matter, the members of the AGAC have expressed divided views on the question whether Congress should expand the federal regulation of gambling. In addition, with regard to the first of the particular issues presented here -- gambling on vessels -- the AGAC has expressed the view that gambling on the Great Lakes should be addressed by legislation, but is opposed to any requirement of prior approval for prosecutions of gambling on vessels. With regard to Indian gaming, the Office of Tribal Justice favors drafting legislation that would decriminalize uncompact gaming and would leave regulatory enforcement against such gaming to the National Indian Gaming Commission; in this regard, the Environment and Natural Resources Division has expressed willingness to cooperate on a plan for solely civil enforcement of IGRA, if a decision is made to explore decriminalization. Finally, the Office of Legislative Affairs has no objections to the legislative recommendations of this memorandum, but notes that consultation with key members of Congress would be necessary prior to proceeding with any of the legislative proposals.

RECOMMENDATIONS:

1. **Gambling on Vessels:**

a. In order to ensure uniformity, the Department should prepare a blue sheet requiring Criminal Division review of all proposed prosecutions under the Johnson Act or the Gambling Ship Act regarding gambling on vessels.

Approve _____

Disapprove _____

b. In order to eliminate the anomalous treatment of gambling on vessels in the Great Lakes, the Department should draft or support legislation to amend the Johnson Act to allow state laws to govern gambling on the Great Lakes in the same way that those laws govern inland waterways and the territorial seas.

Approve _____

Disapprove _____

2. **Indian Gaming:**

a. The Department should adhere to its current policy regarding uncompact gaming by Tribes.

Approve _____

Disapprove _____

b. The formulation of the Department's position on the legality of the proposed National Indian Lottery should be deferred until such time as the Office of Legal Counsel completes its analysis.

Approve _____

Disapprove _____

3. Internet Gambling:

In order to address the possibilities for international fraud presented by gambling on the Internet, the Department should draft legislation to amend the federal gambling statutes, and in particular 18 U.S.C. §1084, to the extent necessary to ensure that they apply to overseas gambling businesses.

Approve _____

Disapprove _____

Attachment



U. S. Department of Justice

Criminal Division

Office of the Assistant Attorney General

Washington, D.C. 20530

MEMORANDUM FOR THE ATTORNEY GENERAL

THROUGH: The Deputy Attorney General

FROM: John C. Keeney
Acting Assistant Attorney General

SUBJECT: Gambling and Federal Law Enforcement

PURPOSE: To present an overview of federal law enforcement strategy regarding gambling, with particular reference to gambling on vessels, Indian gaming, and Internet gambling.

SUMMARY:

In recent years, legalized gambling in the United States has grown at an explosive rate: approximately three-quarters of the states now have lotteries; casinos operate in almost half the states; and Congress has passed legislation facilitating gambling on cruise ships and on Indian reservations. Enormous sums of money are now spent on legalized gambling: in 1994, for instance, approximately \$34 billion of state lottery tickets were sold, while the legal gambling industry as a whole had over \$500 billion in gross income.

But this explosive growth also has fueled a new national debate about gambling. In increasing numbers, voices have been raised against the trend towards the decriminalization of gambling. Bills with bipartisan support have been introduced in Congress to create a national commission to study the effects of the growth of legalized gambling. President Clinton has endorsed the idea of such a commission, noting that "[t]oo often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic and political costs." The Department of Justice likewise has endorsed the establishment of a national commission on gambling.

In many respects, the current debate over gambling has deep historical roots. From its colonial days, this country has had

an ambivalent attitude towards gambling, with periods of governmental tolerance or even encouragement, followed by periods of curtailment. Historically, the federal government has played only a limited role in the regulation of this gambling activity. Rather than setting a national policy on whether gambling is "criminal" or "immoral" in and of itself -- a matter typically left to individual states -- the federal government traditionally has sought primarily (a) to prevent interference by one state with the gambling policies of another state, and (b) to detect and punish fraud and corruption, and in particular to prevent organized crime from controlling and corrupting gambling activities.

The Department is now faced with three forms of gambling activity -- gambling on vessels, Indian gaming, and Internet gambling -- that test the limits of current federal law. These three forms of gambling are alike in having "transjurisdictional" aspects that potentially interfere with the gambling policies of various states, and that cannot be reached by the laws of any one state. These three types of gambling are also alike in presenting issues that are not clearly resolved by current federal criminal law.

Viewing each of these forms of gambling on its own terms, distinct federal responses are required. Thus, the few remaining "transjurisdictional" issues presented by gambling on vessels may be dealt with by minor amendments to the recent federal legislation that has largely decriminalized such gambling. In contrast, the legality of the proposed National Indian Lottery is not clearly resolved by current law; while we are seeking review of the legality of the Lottery from the Office of Legal Counsel, history suggests that the competing interests of the states and the tribes will eventually have to be balanced by Congress. Finally, new statutory language will be necessary to address the opportunities for fraud created by the emerging technologies involved in Internet gambling; moreover, because Internet gambling is unique in presenting transnational conflicts, international agreements also may be required.

But despite the superficial differences in the proposed responses to these three forms of gambling, a single federal law enforcement strategy does underlie our proposals. That underlying strategy is that the Department's limited resources should be directed in the first instance to the detection and punishment of fraud, corruption, and organized criminal activity in gambling enterprises. The corollary of this strategy is that the Department should seek to ensure that mere interjurisdictional disputes among competing "sovereigns" -- whether they involve states, Indian tribes, or foreign countries -- are resolved, if at all possible, outside of the criminal context, either through congressional action or through civil remedies. At the same time, while respecting the varying state

policies on gambling, the Department should participate fully in any national commission established by Congress to study gambling, to ensure that the perspective of federal law enforcement is heard.

The federal law enforcement strategy we have proposed is one upon which both foes and proponents of legalized gambling should be able to agree. It recognizes that Congress has largely left to the states the power to determine whether or not gambling should be legal; and it takes into account, as any realistic strategy must, that in many states there has been a trend towards decriminalization and official encouragement of gambling. But the proposed strategy does not in any way endorse that trend, which many believe has resulted in unacceptably high social costs. Instead, the strategy seeks only to ensure that disputes between "sovereigns" with different viewpoints are resolved civilly whenever possible; and it further seeks common ground by ensuring that the Department's resources are focused on the undisputed evils of fraud, corruption, and infiltration by organized crime -- evils that frequently are difficult for any one state to reach.

DISCUSSION:

1. The Origins of Federal Gambling Law: Gambling was not illegal at common law. National Institute of Law Enforcement and Criminal Justice, LEAA/DOJ, The Development of the Law of Gambling: 1776-1976 at xxiii (1977). Efforts to control gambling historically have rested less on moral judgments than on an assessment of the social costs that flow from particular forms of gambling. Id. at 931. At various times, for instance, gambling has been restricted in efforts to curtail idleness, to maintain public order, and -- in England -- to protect the upper classes of society from the consequences of losses at gaming. Id. at xxiii-xxiv.

At other times in our history, however, government has sought to encourage gambling. Lotteries were widely used to raise public funds in England, in the colonies, and in the Republic during its early years. Id. Indeed, the early development of the federal law of gambling was closely linked to challenges to state-chartered lotteries. Id. at 470. Initially, federal law -- and in particular the Federalist interpretation of the Contract Clause in Dartmouth College v. Woodward, 17 U.S. (4 Wheat) 518 (1819) -- served as a bulwark that protected state-chartered monopolies from challenges. Id. at 471-81. But with the rise of the Jacksonian Democrats, and the Supreme Court's subsequent Contract Clause cases, federal law permitted state efforts to bring lotteries under control. Id.

Eventually, following the Civil War, Congress passed the first federal limitation on state lotteries in the form of a ban

on the mailing of letters or circulars concerning lotteries. Id. at 501-02. There followed a long series of federal statutes during the latter half of the 19th Century designed to control -- primarily through regulation of the mails and interstate commerce -- the perceived excesses and corruption of state-chartered lotteries, including the notorious Louisiana lottery, which essentially operated as a national lottery. Id. at 493-523. Thus, "[i]rony seems to run throughout the history of the development of the law of gambling," and does so here in particular: federal law first served as barrier to reform of lotteries; it then permitted state-initiated reform; and finally, it put an end to such lotteries, "creating a federal police power where none had existed before." Id. at 523.

There was then a hiatus in federal legislation regarding gambling: "[w]ith the exception of the extension of the anti-lottery statutes to radio broadcasting in 1934, between 1895 and 1948, no federal statutes were enacted that directly affected gambling," other than statutes concerning the District of Columbia. Id. at 557-59. "Gambling regulation was returned to the state governments, where it had rested exclusively before the nineteenth century lottery scandals." Id. at 559.

Following World War II, however, "the federal role in the regulation of gambling ... expanded significantly" as a result of the federal response to organized crime. Id. at 559. "The principal [federal] legislation concerning gambling was enacted in three cycles, corresponding roughly with the Kefauver investigations [into organized crime] of 1950-51, Attorney General Robert F. Kennedy's program against organized crime in 1961-62, and the new [Nixon] administration's anti-crime efforts of 1969-70." Id. at 559-60 (footnotes omitted).

But while the federal government sought to attack organized crime through gambling legislation, that legislation also left room for states to set their own policies with regard to gambling. Id. at 95. The "federal statutes define the parameters of permissible activity but leave the states with sufficient flexibility to experiment with various forms of gambling." Id. Thus, the modern role of the federal government in gambling became twofold: "fighting syndicated gambling"; and "acting as a federal arbiter of conflicting state policies in the context of decriminalization." Id. at 470.

This limited federal role was reemphasized by the 1976 Report of the Commission on the Review of the National Policy Toward Gambling. Created by Title VIII of the Organized Crime Control Act of 1970, the Commission was charged by Congress to "conduct a comprehensive legal and factual study of gambling in the United States and existing Federal, State, and local policy and practices ... and to formulate and propose such changes in those policies and practices as the Commission may deem

appropriate." See Gambling in America, Final Report of the Commission on the Review of the National Policy Toward Gambling 181 (1976).¹

The Commission "concluded that States should have the primary responsibility for determining what forms of gambling may legally take place within their borders." Id. at 2. The Commission reasoned that this is so because gambling is a "social issue," and therefore it "is the proper responsibility of the government entity closest to the lives of citizens -- the State." Id. at 1. Accordingly, the Report stated, "the only role of the Federal Government should be to prevent interference by one State with the gambling policies of another and to protect identifiable national interests with regard to gambling issues." Id. at 2. Senator John L. McClellan stressed the same point in his statement of separate views, noting that while he personally questioned "the wisdom of the trend in this country toward legalizing big business gambling operations," he "completely agree[d] with the conclusion ... that Federal involvement should generally be limited (1) to preventing one State from imposing its gambling policies on another State and (2) to dealing with matters of obvious national concern, such as organized crime or large-scale illegal gambling." Id. at 181.

2. The Current Gambling Debate: In the years since the National Commission's 1976 Report, the legalization of gambling in the United States has rapidly accelerated. Thirty-seven states now have lotteries. See The Explosive Growth of Gambling in the U.S., Report to the Senate of Senator Paul Simon, at 1 (July 31, 1995)[hereinafter Simon Report]. Twenty-three states permit casino gambling. Id. at 2. In fact, according to the American Gaming Association -- the trade association of the gambling industry -- 48 of the 50 states, plus the District of Columbia and Puerto Rico, have some form of legalized gambling.² As Senator Simon explained, "[e]ven states that technically outlaw gambling frequently manage to have some form of it." Simon Report at 1.

The sums of money involved have likewise grown explosively. In 1974, approximately \$17 billion was legally wagered in the United States. Simon Report at 2. Just twenty years later, in

¹ The Committee was chaired by Charles H. Morin, and had as legislative members Senators McClellan, Cannon, Scott, and Taft, and Representatives Hanley, Wiggins, Steiger, and Spellman.

² See Testimony by Frank J. Fahrenkopf, Jr., President of the American Gaming Association, Before the House Committee on the Judiciary on H.R. 497, at 3 (September 29, 1995)[hereinafter Fahrenkopf Testimony].

1994, the legalized gambling industry had over \$500 billion in gross income. Simon Report at 2; Letter from Frank Fahrenkopf, Jr., American Gaming Association, to Senator Simon, at 4 (August 3, 1995) [hereinafter Fahrenkopf Letter]. Moreover, a number of states have come to depend on gambling related-revenue, either through the sale of state lottery tickets or through taxes. Approximately \$34 billion in state lottery tickets were sold in 1994. Simon Report at 1. During the same time period, taxes on casinos provided \$1.4 billion in state and local revenues. Fahrenkopf Testimony at 9.

But the rapid growth of legalized gambling also has begun to give rise to increasing opposition. In 1994, state or local initiatives to permit gambling were defeated in 11 of 16 states, as well as in the Navajo Nation. Fahrenkopf Testimony at 5. Moreover, in recent months, a number of legislators, editorials, and citizens have called for a re-examination of legalization.³ Most prominently, Representative Frank Wolf and Senators Richard Lugar and Paul Simon have proposed legislation that would establish a national commission to study the impact of gambling in the United States. President Clinton has endorsed the concept of such a commission. In a letter to Representative Wolf, President Clinton stated that "[t]oo often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic and political costs." Likewise, the Department of the Justice supported the establishment of such a commission in a views letter sent to the House Judiciary Committee on November 7, 1995.

Representative Wolf's proposed bill, H.R. 497, the "National Gambling Impact and Policy Commission Act," would create a commission to "conduct a comprehensive legal and factual study of gambling in the United States and existing Federal, State, and local policy and practices with respect to the legalization or prohibition of gambling activities" This study would include the "economic impact" of gambling, the political influence of gambling businesses, the "relationship between gambling and crime," "pathological" gambling, and "the effectiveness of existing practices in law enforcement." The commission also would be charged "to formulate and propose such changes in those policies and practices as the Commission shall deem appropriate."

³ See, e.g., Tydings & Reuter, "Casino Gambling: Bring in the Feds," The Washington Post, 2/6/96, at A15; Goodman, "Wheel of Misfortune," The Washington Post, 11/12/95, at C3; Phillips, "They've Got Your Number," The Washington Post, 11/12/95, at C3; Niebuhr, "A Gambling Boom Pits A Church Against Its City," The New York Times, 12/15/95, at A22.

But as the House Judiciary Committee hearing held on Representative Wolf's bill indicates, even the proposal of a federal commission is controversial. At the September 29, 1995 hearing, Representative Wolf contended that gambling was not simply a state problem; instead, he contended, it was a "nationwide phenomenon," incapable of being controlled or even objectively studied by any one state, and a proper subject of Congress's power under the Commerce Clause. See Representative Wolf, Statement on H.R. 497 before the House Judiciary Committee, at 1 (September 29, 1995). Senator Lugar expressed his concern over the effect of gambling on the "moral fiber of our nation," arguing that "gambling weakens our ability to teach our children the basic, Cal Ripkin-like values of hard work, patience, human achievement and personal responsibility." See Testimony of U.S. Senator Richard G. Lugar, at 1.

Predictably, Members of Congress from Nevada and New Jersey, joined by representatives of the gambling industry, vigorously opposed the creation of such a commission, arguing that gambling is a matter that should be left to state and local governments. Representative Barbara Vucanovich of Nevada asserted, for instance, that the testimony of the bill's sponsors revealed that their real goal was not to create an objective study of gambling, but rather to bring about "a complete federal prohibition of gambling." Testimony of Representative Vucanovich at 2. Further, she objected, this bill would "repudiate[] the efforts being made by this Congress to remove the Federal Government from those areas where the local and state governments should have authority." Id. at 1.

The Wolf bill has been reported out of the Judiciary Committee, but has been referred to the Resource Committee, which plans another set of hearings on the bill.⁴ The similar bill sponsored by Senators Lugar and Simon (S. 704), is still before the Senate Committee on Governmental Affairs. If such bills are passed, it is of course possible that a new national commission might call for, and Congress thereafter enact, a radical change in the federal policy toward gambling. But that is speculation. The gambling issues that the Department of Justice is called upon to address must be answered within the present framework of the federal and state law of gambling. That legal framework, as we have noted above, suggests that the Department's strategy should have two goals: (i) the detection and punishment of fraud, corruption, and organized criminal activity in gambling enterprises; and (ii) the civil resolution, whenever possible, of

⁴ See "The Gambling Lobby v. Frank Wolf," The Washington Post, 2/7/96, at A18 (editorial suggesting that the Resource Committee hearings "might be used to further delay consideration" of the Wolf bill, and that "the danger is that the bill will be killed not directly but by endless delay and amendment").

interjurisdictional disputes over gambling among competing states, Indian tribes, or foreign countries.

3. Gambling on Vessels: It is in its role as "federal arbiter of conflicting state policies" that the federal government is called upon to deal with gambling activity on vessels. That activity arises in two different contexts: on the high seas; and on inland waterways, including the Great Lakes. In both contexts, gambling vessels frequently traverse territorial waters of states with differing gambling policies. By so doing, such vessels create potential "transjurisdictional" conflicts.

Federal criminal law has traditionally resolved such conflicts by seeking to protect the interests of the non-gambling state. Recent legislation, however, has resolved most of the major transjurisdictional issues formerly presented by gambling on the high seas; that legislation has, for the most part, decriminalized the transit through state waters of ships that provide gambling on the high seas. Any remaining issues of uniform application of federal law in this regard can be dealt with by Criminal Division review of proposed prosecutive decisions. In contrast, new legislation will be necessary if gambling is to be permitted on the Great Lakes to the same extent now permitted on inland waterways and the territorial seas.

a. The High Seas: In accordance with the federal policy to protect the gambling policies of the various states, gambling inside a particular state's territorial waters is, in almost all cases, controlled by the laws of that state. Until recently, however, there was no uniform federal policy to deal with so-called "cruises-to-nowhere," in which commercial gambling ship owners would leave state territorial waters, open gambling casinos while on the high seas, and then close them when they returned to state territorial waters.

To address this issue, in 1992, Congress amended the Johnson Act, 15 U.S.C. §§1171-78, which prohibits the use and transportation of certain types of gaming devices. The amendment allows American flag vessels to transport gaming devices through state waters as part of a voyage onto the high seas, but does not allow the use of those devices within a state's waters; furthermore, the amendment provides that if the voyage begins and ends in the same state, with no intervening stop in another state or foreign country, that state may prohibit the use of gambling devices on such a voyage. §1175(b). In 1993, Congress amended the Gambling Ship Act, 18 U.S.C. §§1081-83, which prohibits offshore gambling ships, to make clear that "cruises-to-nowhere" fall outside the prohibition of that Act as well.

It is the view of the Criminal Division that these amendments have eliminated most of the serious issues previously

presented in this area. Nonetheless, to ensure that unusual gambling scenarios do not give rise to uneven application of the Johnson Act and the Gambling Ship Act, we recommend that all prosecutive decisions under these statutes be reviewed and approved by the Criminal Division, and that a blue sheet be prepared to this effect.⁵ Should review by the Criminal Division reveal serious questions of fairness -- in particular, with regard to the treatment of U.S. flag ships operating from foreign ports (which do not fall within the Gambling Ship Act's exception) -- the Department may wish to propose further legislative amendments in the future.

b. Inland Waterways and The Great Lakes: Gambling on inland waterways falls within the primary jurisdiction of the bordering states. Thus, if state law permits such gambling, transportation of gaming devices to that state is not a federal offense. No significant controversies exist regarding unequal or uneven enforcement of federal gambling law on inland waterways, with the exception of the Great Lakes.

Under the Johnson Act, voyages on the Great Lakes are subject to the prohibition of the use or transportation of gambling devices. 15 U.S.C. §1175. The 1992 amendment to the Act that permitted "cruises-to-nowhere" on the high seas did not extend to the Great Lakes; indeed, even where gambling otherwise would be permitted on that portion of a Great Lake "subject to" the jurisdiction of a bordering state, the Johnson Act preempts state law.

To eliminate this anomaly -- which has been the subject of inquiry from United States Attorneys -- we recommend that the Department seek legislation that would amend the Johnson Act to allow state laws to govern gambling on the Great Lakes in the same way that those laws govern inland waterways and the territorial seas. Significantly, in 1995, Congressman Visclosky introduced legislation that would allow gambling on that portion of the Great Lakes within Indiana's territorial waters; this bill was passed by the House as part of H.R. 1361. It should be noted in this regard, however, that Congress failed to enact a version of the 1992 amendments to the Johnson Act that would have permitted gambling on the Great Lakes.

4. Indian Gaming: In contrast to the relatively settled state of the law regarding gambling on vessels, Indian gaming presents important unresolved issues. Indian gaming issues arise in two contexts: allegedly "uncompacted" gaming on Indian lands;

⁵ While the AGAC has expressed opposition to a prior approval requirement in this regard, we believe that such approval is appropriate in light of the "transjurisdictional" nature of these prosecutions and their relative rarity.

and the proposed National Indian Lottery. Uncompacted gaming, although it is the source of much current controversy, reduces to fact-specific inquiries regarding the nature of the gaming at issue and the conduct of the particular state and tribe involved. For the most part, federal law in this area is clear -- uncompacted gambling is unlawful -- and the question is one simply of appropriate means of enforcement in particular cases.

The proposed National Indian lottery, on the other hand, requires the Department to face the unresolved issue of the lawfulness of such a lottery. While a final judgment on that question must await the actual operation of such a lottery, the Tribe has advanced several arguments as to why the lottery would be lawful if operated in the manner proposed. Given those arguments, and the differing views that have been expressed within the Department on this question, we have arranged to refer this issue to the Office of Legal Counsel for an opinion. In the final analysis, however, we believe that this question is likely to be decided by Congress at the behest of either the Tribe or the affected states. At stake are not "moral" or "criminal" principles, but the competing economic interests of the states and Indian tribes. The balance between those interests is for Congress to strike.

a. Uncompacted Gaming: Indian gaming is governed by the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et seq. ("IGRA"), which was enacted following the Supreme Court's holding in Cabazon Band that states could not regulate gaming on Indian lands.⁶ IGRA seeks to balance state and tribal interests. Under IGRA, tribal governments are authorized to permit and regulate traditional social games (Class I gaming). Bingo and associated games (Class II gaming) must be jointly regulated by tribal governments and the National Indian Gaming Commission ("NIGC"). In order to conduct Class III gaming -- which includes both lotteries and casino-style gambling -- an Indian tribe must negotiate a compact with the state in which the proposed gaming would take place.⁷

IGRA authorizes suit by a tribe against a state where the state refuses to negotiate a compact, or fails to negotiate in good faith. Several states have objected to this provision on the grounds that they are immune from suit under the 11th Amendment and that imposing regulatory authority on them violates

⁶ California v. Cabazon Band of Mission Indians, 480 U.S. 202 (1987).

⁷ Class III gaming also must be approved by a resolution or ordinance adopted by the tribe, must be approved by the NIGC, and must be located in a state that permits such gaming for any purpose by anyone. 25 U.S.C. §2710(d)(1).

the 10th Amendment. The Department's position on these issues is clear: it has intervened as amicus in support of IGRA's validity both in the 11th Amendment challenge before the Supreme Court and in the 10th Amendment challenge pending in the Ninth Circuit.

The Department's position on uncompact gaming also is clear. On March 25, 1994, and again on August 18, 1994, the Attorney General issued a memorandum to all United States Attorneys calling upon them to take steps to achieve "[t]he Department's overall goal [of] ... 'the peaceful termination of ... illegal operations ... within a brief but reasonable time.'" Whether this position has been effectively implemented is less clear. Several United States Attorneys have entered into formal or informal "stand still" agreements with tribes within their jurisdictions, with varying results. In part, this variance is the result of shifting state policies on gambling. An even greater factor -- particularly in California -- is the continuing uncertainty over what, if any, forms of gambling are permitted by the various states, and therefore also are permitted to the tribes.

Thus, in the "compact" context, the Department has sought both to ensure that states do not refuse to negotiate with tribes, and to ensure that tribes do not engage in uncompact gaming. However difficult it may be to put this policy into effect, the Department's approach accurately reflects the balance IGRA itself strikes between the interests of the states and the tribes.

Unfortunately, this necessarily places the Department in the middle of what are essentially political struggles between the states and the tribes. One remedy for this would be for the Department to seek legislation that would decriminalize uncompact gaming, and leave regulatory enforcement against such gaming to the NIGC. Decriminalization would have the further benefit of allowing the Department to concentrate its resources on preventing infiltration of Indian gaming by criminal organizations. This is the position favored by the Office of Tribal Justice. OTJ understands, however, that before recommending such a change, the Administration would have to examine whether decriminalization is politically feasible at this time.

It is the view of OLA and the Criminal Division that such legislation would generate substantial opposition, and would have little chance of success. Under these circumstances, we believe that it would be unwise to seek such legislation, since doing so might undercut the Department's current efforts to seek

compliance by tribes and states in this area.⁸

b. The National Indian Lottery: The proposed National Indian Lottery also places the Department in the middle of what is essentially a political dispute. As noted above, this country has had long experience with lotteries, beginning with their extensive use by the colonies to raise funds for public works. In fact, there already has been what was in essence a national lottery: the Louisiana Lottery, which flourished in the last half of the 19th Century, and drew funds from across the country. There followed, however, a period of repression of lotteries through state and federal law. In turn, that repression gave way in the second half of this century to the revival of official state lotteries, with the federal government continuing to have the role of protecting the policies of non-gambling states. Thirty-seven of the states currently have some form of official lottery.

The Coeur d'Alene Indian Tribe now proposes to institute a National Indian Lottery. In 1992, the Tribe entered into a compact with the State of Idaho, within which its lands are located. That compact, which has been approved by the United States Secretary of the Interior, authorizes the Tribe to conduct certain gaming operations, including lotteries. Relying on this compact, the Tribe now plans to create a national lottery -- i.e., a lottery in which persons outside Idaho could use their credit cards to purchase tickets by an "800" number telephone call or by mail.

The Tribe has sought to structure these out-of-state purchases in a manner designed to avoid challenges under federal or state law. Thus, in order to forestall objections to the Lottery from states that do not permit lotteries, telephone and mail orders will be accepted only from states that have their own state-conducted lottery. Similarly, in an effort to avoid federal laws prohibiting the interstate transportation of lottery tickets, 18 U.S.C. §1302, or wagering paraphernalia, 18 U.S.C. §1953, only transaction confirmation slips, not the lottery tickets themselves, will be sent through the mails.

Nonetheless, the legality of the National Indian Lottery has been challenged by the Attorney Generals of Minnesota and Florida. Various sections of the Criminal Division also have

⁸ The Environment and Natural Resources Division has expressed willingness to continue to work with the Criminal Division and the United States Attorneys on the use of civil remedies to address uncompacted gaming in the first instance; if, however, a decision is made to explore decriminalization, ENRD also has made clear its willingness to cooperate on a plan for solely civil enforcement of IGRA.

analyzed the legality of the Lottery, with differing results. The Organized Crime and Racketeering Section has suggested that the Lottery may violate a number of federal statutes.⁹ Focusing on a single federal statute, the Appellate Section also has questioned the legality of the Lottery.¹⁰ In contrast, the General Litigation and Legal Advice Section has argued that challenges to the Lottery may founder not only on the ambiguities of the federal statutes themselves, but also on the fact that interpretation of those statutes is likely to be driven by the unique status of Indian tribes under federal law.

We have concluded that these differing conclusions make it appropriate to seek review of this question by the Office of Legal Counsel. Such review is particularly important in light of the arguments in the Tribe's favor, many of which have been set out in memoranda provided to the Department by the four law firms that the Tribe has retained.

In particular, IGRA expressly provides that, "[c]onsistent with the requirements of this chapter, [the federal anti-lottery statutes,] sections 1301, 1302, 1303 and 1304 shall not apply to any gaming conducted by an Indian tribe pursuant to this chapter." 25 U.S.C. §2720. On its face, this provision gives the Tribe an argument that it is exempt from the federal statutes most directly aimed at lotteries, and that it would be inconsistent to undercut that exemption by applying other federal

⁹ The Organized Crime section has suggested that the Lottery may violate the following federal statutes: 18 U.S.C. §§1301-07 (prohibiting, inter alia, the interstate transportation or mailing of lottery tickets or advertisements, with the exception of advertisements of state-conducted lotteries); 18 U.S.C. §1953 (prohibiting interstate transportation of wagering paraphernalia); 18 U.S.C. §1955 (prohibiting gambling businesses illegal under state law); 18 U.S.C. §1952 (prohibiting using mail or facilities in interstate commerce to carry on gambling businesses illegal under state law); 18 U.S.C. §1084 (prohibiting persons "engaged in the business of betting or wagering" from using wire communication facilities for "the placing of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest").

¹⁰ The Appellate Section has suggested that the Lottery may violate §1084, which prohibits use of a wire communication facility for the interstate transportation of "bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest" The Appellate Section acknowledged, however, that an argument can be made that §1084 is limited to sports gambling; indeed, the Appellate Section further noted that the Organized Crime Section has limited application of §1084 to sports betting as a matter of policy.

gambling statutes that are only marginally relevant.

To be sure, the states can make a counter-argument that the National Lottery does not take place on "Indian lands" as IGRA requires, since persons can call from outside the reservation. Therefore, this argument proceeds, the gaming is not permitted by IGRA, and IGRA's exemption does not apply. But it is far from clear that such an argument would succeed on either the facts or the law. See, e.g., Cabazon Band of Mission Indians v. Wilson, 37 F.3d 430 (9th Cir. 1994) (offtrack betting on reservation not subject to state tax; not necessary "that the entire value of the on-reservation activity come from within the reservation's border"). Furthermore, since the Lottery is limited to states that themselves conduct lotteries, any challenging state will itself be subject to the argument that the Commerce Clause and the Indian Commerce Clause do not permit the state to favor its own lottery.

In addition, general principles of Indian law are likely to favor the Tribe in any judicial challenge to the Lottery. IGRA itself witnesses to the congressional judgment that authorizing Indian gaming is an important "means of promoting tribal economic self-development, self-sufficiency, and strong tribal governments." 25 U.S.C. §2702(1). Moreover, ambiguities in statutes concerning regulation of Indian activities are to be construed in favor of the tribes. See, e.g., County of Oneida v. Oneida Indian Nation, 470 U.S. 226, 247 (1989). Indeed, as counsel for the Coeur D'Alene also point out, the Senate Report regarding IGRA specifically suggests that ambiguities in the Act should be interpreted by courts "in a manner that will be most favorable to tribal interests consistent with the legal standard used by courts for over 150 years in deciding cases involving Indian tribes." S. Rep. No. 446, 100th Cong., 2d Sess. 15 (1988).

In the final analysis, however, the issues presented by the National Indian Lottery not only should be, but most likely will be, resolved by Congress. In 1994, for instance, Congress amended 18 U.S.C. §1301, the anti-lottery statute, to criminalize the business of procuring tickets for lotteries in other states, unless the business is permitted under an agreement between the states.¹¹ Just as that amendment resolved what was essentially

¹¹ This amendment effectively overruled the district court decision in Pic-A-State Pa, Inc. v. Pennsylvania, 1993 WL 325539, No. CV-93-081 (M.D. Pa. July 23, 1993) (holding that dormant Commerce Clause forbids a state that conducts its own lottery from prohibiting a business that sells tickets from other state lotteries), rev'd, 42 F.3d 175 (3d Cir. 1994) (reversing on basis of intervening amendment to §1301). Subsequently, Pic-A-State filed a pre-enforcement challenge to the amended statute on the

a political and economic dispute between states engaged in lotteries, so here only new legislation will definitively resolve the similar issues posed by the National Indian Lottery.

5. Gambling on the Internet: Difficult as the issues presented by Indian gaming may be, it is gambling on the Internet that poses the most serious potential challenge to federal law enforcement. When viewed in the light of history, it is clear that both gambling on vessels and Indian gaming present old issues, albeit in new guises. The current debate over gambling on vessels and over Indian gaming has not seriously focused on morality, or fraud, or the possibility of infiltration by organized crime. Instead, the central issue has been to determine how Congress has chosen to reconcile the competing interests of the states either vis-a-vis each other (gambling on vessels) or vis-a-vis the tribes (Indian gaming). Indeed, the "transjurisdictional" issues raised by the states in these areas may be seen as really being disguised questions of economics, given that virtually all the states involved raise revenue by some form of state-sanctioned gambling. In the final analysis, the balancing of these competing state interests is a matter for Congress.

In contrast, gambling on the Internet presents issues that transcend congressional balancing of state interests. In the first place, the Internet presents transnational issues. In the second place, unlike gambling on vessels or Indian gaming, Internet gambling poses new and serious dangers of fraud and infiltration by organized crime. These latter dangers make Internet gambling a particularly appropriate concern of federal law enforcement. To meet those dangers, new federal legislation, and perhaps new treaties, will be required.

While gambling on the Internet has not been a serious problem to date, we expect that the network will be increasingly used for gambling purposes. In the first place, it provides a new and inexpensive means of transmitting gambling information or bets that traditionally have been transmitted by telephone. Such use of the Internet by a gaming enterprise may already be punishable under various federal criminal statutes.¹² But while

grounds that it violated the Commerce Clause and other provisions of the Constitution; the district court granted the United States' motion to dismiss, and the case is now pending before the Third Circuit.

¹² See, e.g., 18 U.S.C. §1084(a) (proscribing use of a wire communication facility -- which would include the Internet -- to transmit wagering information in interstate or foreign commerce by those in business of betting); 18 U.S.C. §1952 (prohibiting

these statutes provide authority to prosecute gambling businesses in the United States that attempt to use the Internet in contravention of federal and state law, it is far less clear that they will permit effective enforcement against overseas gambling businesses that merely accept bets from gamblers within the United States -- particularly when gambling is legal in the foreign country. Prior to the advent of the Internet such international gambling was prohibitively expensive; now it is very cheap.

Moreover, the Internet will permit a new "interactive" form of gambling that goes beyond simply the transmission of bets. Gaming enterprises will be able to set up, for instance, "virtual" blackjack or poker games, with players at different locations around the world who make bets and receive responses immediately, as if they were at an actual casino. Even if such gambling were legal, it obviously presents a high risk of fraud. Cheating by the virtual "casino" requires only a slight software modification. For practical purposes, such fraud would be undetectable. The problem is compounded because the Internet casinos may be located in foreign countries.

Finally, the imminent advent of inexpensive encryption technology -- and the emergence of digital cash ("digicash"), which permits the anonymous transfer of funds over the Internet -- also will make it difficult to investigate and prosecute cases involving gambling on the Internet.

But while the dangers of Internet gambling are clear, the legislative solutions are less so. Section 1084 -- the primary statutory bar to the use of wire facilities for gambling by those in the business of betting -- should be amended to provide explicitly that it applies even when the gambling business is overseas and only the bettor is in the United States.¹³ It also should be amended to clarify that it applies to all betting

use of any "facility in interstate or foreign commerce" with intent to facilitate carrying on of business enterprise involving gambling offenses in violation of laws of state in which they are committed or the United States); 18 U.S.C. §1955 (prohibiting large-scale "illegal gambling business" that is in violation of law of state in which it is conducted); 18 U.S.C. §1961 (RICO).

¹³ Encryption and digicash present broader issues that transcend gambling; any legislation that addresses those issues, however, should also deal with the use of these devices in gambling as well.

and wagering, and not simply to sports betting.¹⁴

Such amendments, however, will not answer the transnational enforcement problem presented by non-fraudulent Internet gambling conducted from countries where such gambling is legal. Federal law (including §1084) focuses not on the casual bettor, but on the gambling enterprise. Shifting the focus to the individual bettor -- which would in any event require new legislation -- would not appear to be a wise use of federal resources. Absent, however, either such a change in focus or the creation of international agreements, international non-fraudulent Internet gambling may prove to be effectively beyond the reach of federal law.

* * *

In sum, then, these three different forms of gambling highlight a common issue: in an era in which gambling is not only increasingly decriminalized by the states, but is on the verge of becoming "internationalized," what is the appropriate gambling strategy for federal law enforcement? As noted above, it is our conclusion that the primary strategy of the Department must be to focus its limited resources on attacking conduct that remains clearly criminal even in an age of decriminalization -- fraud, corruption, and efforts by organized criminal groups to control gambling activities. At the same time, the Department should seek whenever possible to further the non-criminal resolution of "interjurisdictional" disputes, either through appropriate legislation or through civil remedies.

¹⁴ While the Criminal Division does not believe that the proposed changes to § 1084 will have any effect on otherwise legal gaming under IGRA, OTJ will be consulted regarding the final form of these amendments.

House creates commission to study social, economic effects of gambling

By Larry Witham
THE WASHINGTON TIMES

The House yesterday voted to empanel a national commission to begin a study of the gambling industry to determine its effects on the economy and social behavior.

The measure, introduced by Rep. Frank R. Wolf, Virginia Republican, is mirrored by a similar bill in the Senate, co-sponsored by Sens. Paul Simon, Illinois Democrat, and Richard G. Lugar, Indiana Republican.

President Clinton has said he supports the measure, which will cost \$4 million over its two-year life.

"The political tide has turned," said Tom Grey, executive director of the National Coalition Against Legalized Gambling. "The gambling industry is becoming a political liability, and congressmen know it."

The supporting lawmakers said the nine-member commission, which will not recommend federal regulations, is necessary to determine the true impact of gambling on state tax revenue, local economies and social behavior.

While the American Gaming Association last year opposed pro-

posals for the study, it now has welcomed the project. Last month, with industry money, the group opened its own National Center for Responsible Gambling in Kansas City, Mo.

"While costly and duplicative of state-sponsored studies, a fair and balanced study of the gaming-entertainment industry will find what we already know: Our industry has a positive track record and a great story to tell," Frank Fahrenkopf, president of the gaming association, said yesterday.

The Kansas City center, with a \$1.8 million budget for 10 years, will back academic research, be an information clearinghouse and will address "problem gambling" and prevention strategies for the industry.

Mr. Simon promised that the Senate would produce a matching bill and gain the president's signature.

"To get to this point, we've had to overcome vigorous opposition from some elements of the gambling industry, and especially from their lobbying office in Washington," Mr. Simon said.

Americans wager nearly \$500 billion a year, up from \$329 billion in 1992 and \$17 billion in 1974,

making gambling the nation's fastest-growing industry. Forty-two states now have legal gambling, 37 have state lotteries, and 23 allow casinos.

Several church organizations, forming a rare coalition of liberals and conservatives, called for a speedy enactment of the measure.

"Legalized gambling continues to spread with astonishing speed and scope, from electronic slot machines to new casinos on riverboats and Indian reservations," said a statement, signed by 16 national religious leaders and denomination heads.

"We are concerned, as religious leaders, about the potential impact of gambling on families and communities," the statement said.

The main congressional opponents to the bill are lawmakers from states with large gaming industries, like New Jersey and California, where some Indian tribes benefit from operating casinos.

"This is already the most taxed, regulated and inspected industry in America today," Rep. Robert G. Torricelli, New Jersey Democrat, said yesterday in floor debate.

The voice vote to approve the bill, however, had no audible "nays."

DOT inspector general still unhappy with lack of accountability at FAA

By Ruth Larson
THE WASHINGTON TIMES

Senior managers at the Federal Aviation Administration have yet to be held accountable for abuses uncovered at the agency, says the Transportation Department's inspector general.

A. Mary Schiavo is expected to tell the House Appropriations subcommittee on transportation today about what she sees as the FAA's failure to act on cases of misconduct or poor judgment.

Months after her office issued reports on what she called "significant abuses" by FAA employees, Ms. Schiavo said, "we were hard pressed to find any disciplinary action taken against these people."

"The biggest disappointment was that nobody was held accountable," she told The Washington Times. "You can't get control of a problem if nobody's ever made accountable."

Rep. Frank R. Wolf, Virginia Republican and subcommittee chairman, agreed: "The accountability question is probably the most difficult with the FAA — it's a hard agency to move."

But FAA Administrator David R. Hinson contends the agency is well on its way to changing that.

"Both the IG and Chairman Wolf have had some very valid criticisms of the management culture here in the past, but I think we've moved reasonably aggressively to address those issues," he said.

For example, 18 months ago, Mr. Hinson restructured the FAA

to make the leaders of its seven principal divisions directly accountable to him. Beginning April 1, the agency also will be free of many of the most restrictive personnel and contracting rules.

Mr. Hinson acknowledged that changes at the FAA sometimes come more slowly than he'd like. But he also cautioned against acting too quickly, at the expense of flight safety.

"I don't want it to be characterized as saying I'm having a feud with the IG — I'm not. But the issues are not as simple as they may appear," he said.

The IG's latest target involved FAA safety inspectors and air traffic controllers who took free trips to destinations like Las Vegas and Florida, under the guise of training and cockpit familiarization.

But there were other abuses, notably the FAA's long-time employment of Gregory May, private management consultant and psychologist, to train senior FAA managers from 1984 until 1993. May is awaiting sentencing in April on a felony count of mail fraud.

May's questionable techniques included using abusive language on FAA employees, apparently to break down individuals' resistance so they would be more receptive to his "New Age" concepts. Some students later required psychiatric counseling as a result.

Mr. Wolf praised the IG's efforts at bringing May's abuses to light. "If there were no IG, I think there'd basically still be a cult operating at the FAA."

But he was critical of the agency's response: "There's been

almost no punishment for the diversity training and the Gregory May training."

A congressional source reports Ms. Schiavo also is growing frustrated with the FAA.

Ms. Schiavo vented her frustrations in a January memo to Mr. Hinson, citing a litany of FAA abuses involving buyouts, relocation moves, training and travel.

"While each of these abuses are vastly different, there is a common thread... the mind-set within FAA that managers are not held accountable for decisions that reflect poor judgment.

"Until senior FAA management is willing to send a different message, I suspect that the pattern will unfortunately continue," she wrote.

Ms. Schiavo was quick to point out that Mr. Hinson had inherited many of the problems from his predecessors. "I'm not placing all the blame on him. Gregory May, for example, started before he arrived. But it's his watch now, and he has to deal with these problems."

Mr. Hinson played down the effect of May's training on FAA senior managers. "There are no lingering, residual adverse effects. I made it a point to ask," he said. After interviewing 30 to 40 people who underwent the training, Mr. Hinson said only two or three found the training objectionable.

"Had I been here, would I have approved this kind of training? The answer is no," he said.

The Washington Times

★ WEDNESDAY, MARCH 6, 1996

Troubled freshman to leave House

Waldholtz won't seek re-election

By George Archibald
THE WASHINGTON TIMES

Rep. Enid Greene Waldholtz, faced with overwhelmingly negative public opinion about her personal financial problems and public feud with her estranged husband, yesterday announced she will not seek re-election.

The first-term Utah Republican faxed a statement to news organizations saying it would be too burdensome to mount a re-election campaign while serving in the current Congress and trying "to clear my name of the wrongdoing of my former husband."

"Thus, for these reasons and for the sake of my family, friends and supporters, I will not be a candidate for Congress in 1996," the 37-year-old lawmaker said.

Joseph Waldholtz, 32, said he was "very surprised and very, very saddened" by his wife's announcement.

Mr. Waldholtz, who disappeared from the couple's Georgetown home for six days in November and has since returned to his family home in Pittsburgh, said he was unaware of any political pressures from Utah Republican leaders for his wife to step aside in the wake of their personal and political financial scandal.

"I have no idea what they want and how they're handling it," he said of reports that Sen. Orrin Hatch and Gov. Mike Leavitt, both Utah Republicans, had privately insisted that Mrs. Waldholtz not seek re-election.

"The past four months have been a living hell for Enid, for me, for our families, for the [congressional] staffs in both offices in D.C. and Salt Lake — and I had always thought that Enid would run again," Mr. Waldholtz said in an interview.

"And while I understand her decision, we worked as a team for a very long time to elect her, and today I'm very, very sad," he said, his voice breaking with emotion.

Mrs. Waldholtz, a corporate lawyer before her election to the House, promptly filed for divorce after news of the couple's financial scandal broke. She is cooperating with a federal investigation of a \$1.7 million check-kiting scheme that she says was orchestrated by Mr. Waldholtz.

Federal authorities also are investigating Mrs. Waldholtz's improper use of almost \$2 million of her father's money to finance her 1994 election campaign. Family members are limited to \$1,000 contributions under federal law.

Mrs. Waldholtz claimed her husband tricked her into believing he had a family fortune that would finance the 1994 campaign and their lavish lifestyle.



Rep. Enid Greene Waldholtz

"We worked . . . for a very long time to elect her, and today I'm very, very sad."

— Joseph Waldholtz

She said in a marathon 4½-hour news conference Dec. 11 that her father, stock trader D. Forrest Greene of Salt Lake City, gave \$4 million to the couple during the 1994 campaign because Mr. Waldholtz said his family money was tied up in investments. She said Mr. Greene and Mr. Waldholtz agreed to an "asset swap," which she has charged turned out to be a swindle on the part of her husband.

The congresswoman also accused her husband of embezzling her personal and campaign funds, forging her name on checks, falsifying campaign reports to the Federal Election Commission, and stealing the remaining funds from her father's \$4 million bequest.

She recently acknowledged owing \$90,000 to \$130,000 in federal and state taxes for 1992 to 1994. She blamed her husband for nonpayment, even though the couple were not married until 1993.

Public opinion polls show that Mrs. Waldholtz's support in Utah has plummeted. After her December news conference, 64 percent of adults surveyed said they did not want her to run again. In a January poll, 75 percent said she should retire from politics and 14 percent said she should run again.

An overwhelming 78 percent said Mrs. Waldholtz must accept equal or most of the blame for the financial problems, while just 16 percent accepted her claim that her husband was totally to blame.

Mr. Leavitt recently invited industrialist Merrill Cook, who won 18 percent of the vote against Mrs. Waldholtz as an independent in 1994, to join the Republican Party.

Political polls in Utah in the last month showed Mrs. Waldholtz running well behind Mr. Cook and all probable opponents. Former Rep. Karen Shepherd, the Democrat who Mrs. Waldholtz narrowly defeated in a three-way House race, has not announced whether she will run again. The filing deadline is March 18, and party primaries will be held June 25.

Mrs. Waldholtz disclosed in her most recent campaign reports to the FEC that she still owed nearly \$3,000 from her 1994 campaign and had less than \$30,000 on hand for the 1996 campaign.

GOP lawmaker seeks criminal probe of Gephardt

Statements conflict on taxes, loan

By George Archibald
THE WASHINGTON TIMES

A Republican member of the House Judiciary Committee has asked the Justice Department to open a criminal probe of possibly fraudulent tax and real estate loan actions by House Minority Leader Richard A. Gephardt.

Rep. Bob Barr of Georgia, former U.S. attorney in Atlanta, formally requested the probe in a letter March 1 to John Keeney, acting assistant attorney general, who heads the department's criminal division.

Mr. Barr said in his letter that a criminal "investigation is compelled" by inconsistencies in Mr. Gephardt's financial-disclosure reports, bank loan documents and federal tax filings, which were questioned in a House ethics complaint filed Feb. 2 by Rep. Jennifer Dunn, Washington Republican.

The Georgia congressman asked Justice to determine whether the House Democratic leader had violated Title 18, Section 1001, a federal false-statement statute.

Miss Dunn noted in her complaint that Mr. Gephardt had made inconsistent claims to escape about \$17,680 in capital gains taxes on a seafront real estate deal on North Carolina's Outer Banks.

To avoid the taxes, Mr. Gephardt claimed on his 1991 federal tax return that he sold a rental condominium in Duck, N.C., in exchange for other rental property at a more exclusive oceanfront resort in nearby Corolla, N.C.

But Mr. Gephardt also claimed, in failing to report the transaction on his 1991 House financial disclosure statement, that the condominium was not a rental property that year.

And on real estate deeds securing a \$493,100 loan to build a new seafront home, the Missouri Democrat and co-owners of the vacation retreat pledged it would be used only as a second home, not for rental purposes, in order to obtain less expensive loan terms.

"If you are dealing with a federally chartered [lending] institution, you certify when you sign this that there is not something false or fraudulent in this document, and you do it under penalty of 18 U.S.C. 1001," Mr. Barr said in an interview yesterday.

Mr. Gephardt violated the deed terms from 1993 to 1995, his House financial-disclosure reports show. He reported \$15,000 to \$50,000 a year in rental income from the \$900,000 three-story seafront home at Corolla.

Mr. Gephardt, who has refused to be interviewed, denies any wrongdoing.

His attorney, Robert F. Bauer, told the ethics committee in response to Miss Dunn's complaint that "the requirements of the Internal Revenue Code and the Ethics in Government Act are different, imposed for different



Richard A. Gephardt

purposes under different federal statutes."

Federal prosecutors said yesterday that the federal false-statement statute cited by Mr. Barr prohibits unsworn lies to executive branch agencies, such as the IRS, but no longer applies to lies on House financial disclosure reports and other congressional documents.

Last May, the Supreme Court voted 6-3 to overturn a longtime practice of prosecutors to apply the law to unsworn lies to Congress or federal courts.

Meanwhile, House Democratic Whip David E. Bonior of Michigan, who has accused House Speaker Newt Gingrich of multiple ethics violations, came to Mr. Gephardt's defense.

"He doesn't have a problem. These are charges that are being leveled to deflect the problems that the speaker of the House has," Mr. Bonior said Sunday on the syndicated TV show "John McLaughlin's One-on-One."

"These charges have been out there since 1994. Numerous newspapers have looked at them. They have dismissed them. . . . There's nothing there," he said.

Insight magazine, which first disclosed inconsistencies in Mr. Gephardt's real estate dealings, reported Feb. 16 that Mr. Bauer also may have violated federal laws by representing the Missouri Democrat's campaign committee before the Federal Election Commission while he was a salaried member of the congressman's House staff.

Insight reported that Mr. Bauer was paid \$1,200 to \$5,000 a month as a congressional employee in Mr. Gephardt's office until 1994, according to monthly payroll certifications signed by the Democratic leader.

However, sections 203 and 205 of Title 18, incorporated into the House ethics manual, "bar federal employees from representing any person or organization before any federal agency — with or without compensation," the magazine reported.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

29-Feb-1996 06:59pm

TO: Elena Kagan

FROM: Ronald E. Jones
 Office of Mgmt and Budget, LRD

SUBJECT: DRAFT SAP ON HR 497 -- NAT'L GAMBLING COMMISSION

We've received only one comment- DOJ asked that we change the punchline to read we support "House passage" rather than "enactment."

REASON: The Office of Tribal Justice would like to get the bill amended in the Senate to specifically state that charitable gambling should be examined. The current version directs the Commission to study gambling in the US and specifically mentions State-sponsored lotteries, casino gambling, pari-mutuel betting, and sports betting. Charitable gambling could presumably be covered under the Commission's charge to also look at "other such relevant topics and issues as considered appropriate by the Chairman of the Commission" but the Office of Tribal Justice would like to make it explicit.

DOJ's suggestion seems OK to me -- in fact we use "House passage" more than enactment. I chose the latter because of the President's letter.

Do you have any objection to making this change?

Growth of legal gambling poses variety of problems, GAO says

Illegal money laundering at casinos tops list of woes

ASSOCIATED PRESS

The rapid expansion of legalized gambling across the nation, combined with limited resources for enforcement, has opened opportunities for laundering ill-gotten cash, the government says.

"The extraordinary growth of the gaming industry in recent years — especially riverboat and Indian gaming — may create new scenarios for money laundering for which we are not prepared," Sen. Sam Nunn, Georgia Democrat, said yesterday.

A report Mr. Nunn requested from Congress' investigative branch, the General Accounting Office, said casinos are most at risk to money laundering because they handle more than 80 percent of the money bet legally nationwide.

Cash betting in casinos grew from \$117 billion in 1984 to \$407 billion in 1994, reports International Gaming and Wagering Business, an industry trade publication.

As partial safeguards without having to pay for more Internal Revenue Service inspectors, the GAO recommended considering

federal limits on casino transactions. It noted that Nevada has banned cash exchanges totaling \$2,500 or more.

But Stanley Morris, director of the Treasury Department's Financial Crimes Enforcement Network, said the department wants to focus on reporting of transactions rather than placing limits on them.

Forty-eight states allow some legalized gambling. Almost 60 riverboat casinos were launched between 1991 and March 1995. American Indians began 237 gaming operations, including 119 casinos, in the decade ending in March 1995, the GAO said.

While most gambling businesses follow federal laws that require reporting cash transactions of at least \$10,000, a person could buy slightly less than \$10,000 worth of chips, "do little or no gaming and then redeem the chips for a casino check without any record of the transactions," the report said.

Under an agreement with the Treasury Department, Nevada casinos avoid some federal reporting requirements because the state

has its own, some more stringent.

"Nevada prohibits certain cash transactions that could lend themselves to money laundering, such as cash-for-cash exchanges involving small denomination bills for larger denomination bills in amounts of \$2,500," the GAO said.

Noting funding cutbacks for the IRS' examination division since 1989, even as casino gaming increased, the GAO urged the Treasury secretary to consider potential federal legislation prohibiting some casino transactions nationwide.

But Mr. Morris said the report fails to prove "that prohibited transactions do in fact deter money laundering to any appreciable extent." Individual states should make decisions on curbing transactions, he said.

Mr. Nunn, top Democrat on the Senate Governmental Affairs Committee's permanent investigations subcommittee, said he is "concerned that we do not have adequate resources in place to regulate these rapidly growing areas of the legal gaming industry to prevent illegal money laundering."

The Washington Times

WEDNESDAY, FEBRUARY 14, 1996

Release of spying documents probed

Secret intelligence data on Iraq posted on the Internet

By Bill Gertz
THE WASHINGTON TIMES

The U.S. intelligence community is investigating how documents revealing sensitive intelligence collection methods for Iraq were posted on an Internet site, the Defense Department said yesterday.

Pentagon spokesman Ken Bacon said a large block of what he described as "intelligence community documents" were declassified last fall and posted to the Internet site called GulfLink, which was set up as an information source on the mysterious illness called Gulf War syndrome.

"In retrospect, some of them may have been improperly declassified," Mr. Bacon said. "We are

investigating, one, how this happened, and we're investigating, obviously studying, what the impact of this was."

The improper disclosure of classified documents was first reported in the current edition of U.S. News & World Report.

The magazine said one intelligence document revealed U.S. spy agencies were unable to check on the damage to a bombed Iraqi chemical weapons plant because of a lack of human agents on the ground.

Mr. Bacon said the documents were "removed temporarily from the Internet."

"They are being reappraised, and they will be put back on the Internet as soon as possible," he said.

Asked if the Pentagon was responsible for the accidental release of the documents, Mr. Bacon said "it was an intelligence community effort to declassify the documents."

"I don't know exactly who was responsible for the declassification," he said, noting that the review is being carried out by "the intelligence community," including the Defense Intelligence Agency.

Intelligence sources said the DIA did not properly check the materials.

CIA spokesman David Christian said the agency is working closely with DIA and other spy agencies to determine how the material was released.

Kemp panel aims to be like charity in IRS eyes

Wants donations to be deductible

ASSOCIATED PRESS

The Republican-appointed tax commission — the one pushing a single-rate system with few deductions — wants the IRS to give it tax-exempt status so contributors can write off their donations.

The foundation set up to finance Jack Kemp's National Commission on Economic Growth and Tax Reform has asked the Internal Revenue Service to classify it as a Section 501(c)(3) organization.

That would make contributors eligible to deduct their donations from their income — the same break taxpayers get when they contribute to charities such as the United Way or educational organizations such as colleges.

The report last month, while calling for a drastically simpler tax system, steered clear of recommending the elimination of charitable deductions "at a time when America needs a renaissance of private giving."

Two senior House Democrats say the tax break for charities isn't designed for politically oriented groups such as Mr. Kemp's. They say taxpayers shouldn't have to subsidize it any more than they should have to subsidize the Republican and Democratic parties.

"They sound just like an offshoot of the Republican National Committee — headed by a political figure and composed of political figures, all of one party," said Rep. Sam M. Gibbons of Florida, senior Democrat on the House Ways and Means Committee, which has jurisdiction over tax law.

Senate Majority Leader Bob Dole and House Speaker Newt Gingrich created the commission in April and named Mr. Kemp chairman. At the time, Mr. Dole was preparing to run for president, and Mr. Gingrich was contemplating running.

Mr. Kemp, a former Republican congressman from New York and the Bush administration's secretary of housing and urban development, had decided not to run.

The commission's members include such prominent Republicans as former Govs. Pete du Pont of Delaware and Carroll Campbell of South Carolina and former IRS Commissioner Shirley D. Peter-

son.

"Was this truly a national commission, or was it merely another Republican front? The evidence to date suggests the latter," said Rep. John D. Dingell of Michigan, senior Democrat on the House Commerce Committee.

Grace-Marie Arnett, executive director of the tax commission and now an aide in Steve Forbes' presidential campaign, said the panel's purpose was educational.

It conducted a study, which it has offered to the public, and solicited views from a wide range of people, including House Minority Leader Richard A. Gephardt and Democratic Sens. Sam Nunn of Georgia and Bill Bradley of New Jersey, she said.

"The only motivation is to help people understand the tax-reform debate," Ms. Arnett said. "Nothing we have done has anything to do with partisanship."

Mr. Dole did say in April, however, that he hoped the commission's report would become "one of the major vehicles as we go into the 1996 election." Mr. Kemp said he hoped it would serve as a document "upon which our party can reach out to the American people."

The IRS has not ruled on the commission's request to be declared tax-exempt.

The Washington Times

WEDNESDAY, FEBRUARY 14, 1996

Council likely to back Barry crony for PSC

By Jeanne Dewey
THE WASHINGTON TIMES

Mayor Marion Barry's nominee to head the city's utility commission appears likely to win confirmation to the post despite concerns about her strong ties to the mayor that date back more than a decade.

More than 40 people signed up to speak at lawyer Marlene L. Johnson's D.C. Council confirmation hearing yesterday as chairman of the powerful Public Service Commission.

The commission decides utility rates and oversees lucrative city contracts. It will be particularly important in coming months because of the changes expected from the new federal telecommunications law.

Critics say Miss Johnson, a senior adviser to the mayor in his previous terms, should not be approved to head the commission because she does not have an impeccable ethics record.

But only a handful of advisory neighborhood commissioners signed up to speak in opposition to Miss Johnson's nomination for the \$81,855 yearly job because they remember her none-too-fondly as chairman of the city's

Alcoholic Beverage Control Board in the mid-1980s.

During Mr. Barry's 1990 trial on drug-possession charges, prosecution witness Charles Lewis testified that he also saw Miss Johnson use cocaine, a charge she denied.

Miss Johnson was accused by the council of having a conflict of interest in the late 1980s when it was discovered she was being paid by both the District and the Virgin Islands government in a city project helping the island establish its own personnel system.

Dorothy Brizill, a community activist from Columbia Heights, said Miss Johnson was "unfit" for the post because of her involvement in the Virgin Islands project and because she was a poor administrator on the ABC board. She urged council members to "do their homework."

But council member John Ray, at-large Democrat, who chairs the Committee on Consumer and Regulatory Affairs, which oversees the commission, pointed out that the council investigation took place during an election year and suggested it was an attempt to discredit Mr. Barry.

Joseph Tydings
And Peter Reuter

WASHINGTON POST - Feb. 6, 1996

Casino Gambling: Bring In The Feds

The recent opening of slot machines at two Delaware race tracks is a small event in itself but is yet another step along the path to coast-to-coast casinos that many states are reluctantly and uncertainly following. Notwithstanding the pressure from the Delaware move, Maryland's Joint Executive Legislative Task Force to Study Commercial Gaming, on which we served as chair and executive director, recommended against casinos last November.

One of the task force's major conclusions has been largely ignored by the media—namely, that the problem of legal casino gambling is a national one; Maryland cannot deal with this on its own. The problem cries out for attention from the president and Congress. Unfortunately, the casino industry has mobilized cash and lobbyists to prevent federal action on the issue.

The Maryland Task Force, in its full report, unhappily noted that, lacking a significant federally funded study, it had a very limited basis for making projections of what would happen if Maryland opened its doors to casinos, which nowadays get 70 percent of their revenues from slot machines. Given the limited statistical and economic analysis available, its opposition to casinos reflected a sensible caution.

Casinos do provide a credible promise of substantial financial gains to those states that are the first in their region to introduce them. Foxwoods casino in Connecticut (owned by the Mashantucket Pequot tribe under 1988 federal legislation that allows Indian tribes to operate casinos on certain tribal lands) now yields that state \$115 million in tax revenues. Most of it comes from residents of Massachusetts, Rhode Island and New York who come to play in the world's largest casino. It employs more than 10,000 workers, offering good wages and benefits to many who would otherwise have more menial and unreliable jobs.

Not surprisingly, the state of Massachusetts feels it must also allow slots to compete and is now negotiating with the Wampanoag Indians to let the tribe operate a casino. The state of New York, which created a long legislative and referendum process to prevent a rash decision on casinos, has also responded to Connecticut by starting down a path that could lead to their introduction in 1998.

But the economic gains that entice states to open their doors to casinos are only substantial if neighboring states aren't competing for the same customers. If Maryland were the only state in its region to allow casinos, it might be able to justify building casinos that relied heavily on spending by Virginians, Pennsylvanians, Washingtonians and West Virginians. However, just as the Foxwoods' success has caused Connecticut's neighbors to move toward casinos, so would Maryland's advantage, if any, be short-lived.

The case for casinos has an element of voodoo economics—namely, the claim that providing a new form of entertainment will increase the economic base of the community or state by increasing local spending. Casino expenditures by Maryland citizens would come entirely through reductions in other leisure spending or even in spending on food, shelter and education. Casinos can provide economic development only by attracting spending from other states. Moreover, if casinos lead to greater consumer spending nationally, then clearly it has to come from reductions in people's savings—scarcely a desirable change for a country that chronically under-saves.

There are also important social costs to having casinos readily accessible. Many people have difficulty controlling their gambling, particularly in the artificial environment of a casino where liquor is freely offered and the game is available at all hours. Big gambling losses and the obsessive pursuit of gambling opportunities may lead to family breakdown and loss of productivity and community involvement. Embezzlement would probably rise. Casino patrons might also make attractive victims for criminal offenses. But whether this is a major problem or just a modest incidental to the simple pleasures of millions is still a matter of debate and in need of serious research.

The opponents of casinos often weaken their case by making exaggerated claims about the social consequences of gambling. Typical is the claim that "40 percent of all white-collar crimes come from pathological gambling," a hardy perennial that appears in all anti-casino writings. It is supposedly the product of the American Insurance Institute. In fact, no such organization exists, and no one has ever been able to locate a copy of a report documenting the claim. Nor is there much more basis for the frequent claim that each problem gambler costs society \$30,000 annually.

An authoritative and independent assessment of the economic and social consequences of casinos would help states a great deal. A federal commission needs to do systematic analysis of the kind that state task forces, with their short time horizons and minuscule budgets (ours had six months and a total of \$50,000 for its work), cannot muster. There seems to be strong congressional support for such a commission, notwithstanding aggressive lobbying against it by the casino industry.

The national commission would also have to focus on the very troubling issue of Indian tribal gambling. Providing Indian tribes with better economic opportunities is clearly an important and legitimate goal, but when those opportunities result in large costs being borne by the entire nation, then the issue needs to be revisited.

In the meantime, states like Maryland will feel a constant pressure from their neighbors to avoid having good Maryland money turn into Delaware gambling revenues. The growing burden of social services on state finances as the federal government cuts back its support will increase that pressure, so that in the next downturn many states may reluctantly, but irreversibly, become casino states as well. A federal commission and some sensible national policy are needed, and soon.

Joseph Tydings is a former Democratic senator from Maryland. Peter Reuter is a professor in the School of Public Affairs and Department of Criminology at the University of Maryland.

THE WHITE HOUSE

WASHINGTON

October 11, 1995

THE PRESIDENT HAS SEEN
10/11/95

MR. PRESIDENT:

The attached memo from Ab Mikva and Elena Kagan considers whether you should endorse the idea of a national commission to study gambling. Rep. Frank Wolf and Senators Simon and Lugar have introduced bills to establish a nine-person commission (three appointees each from President, Speaker and Senate Majority Leader) to study the effects of gambling and the adequacy of current regulation.

Gambling has fast become an enormous industry, with casinos operating in 25 states and legal wagering up 1800% since 1976 to some \$330 billion.

The bills are strongly supported by the Christian Coalition as well as many Members of Congress and newspapers with no links to that group. Opponents include the Nevada and New Jersey delegations and the American Gaming Association. The Indian Gaming Association has indicated it wouldn't oppose the bills if an Indian tribal representative were on the Commission and lotteries were covered.

Ab and Elena recommend that you endorse the Commission idea. George, Carol Rasco and Rahm concur. George urges that you send letters to Wolf, Simon and Lugar saying that you'll sign legislation passed by Congress.

Approve

Disapprove

Discuss

I want to see
the White House
do it

Todd Stern

THE PRESIDENT
101195

THE WHITE HOUSE

WASHINGTON
October 5, 1995

95 OCT 11 AIO: 32

MEMORANDUM FOR THE PRESIDENT

FROM: ABNER J. MIKVA *ajm*
Counsel to the President

ELENA KAGAN *ek*
Associate Counsel to the President

THROUGH: LEON PANETTA, GEORGE STEPHANOPOULOS

SUBJECT: PROPOSAL FOR NATIONAL GAMBLING COMMISSION

Rep. Frank Wolf (R. Va.) and Sens. Paul Simon and Richard Lugar have introduced bills to establish a federal commission to study the extent and effects of gambling and the adequacy of current regulation. Rep. Wolf's bill was the subject of a hearing in the full House Judiciary Committee last week. No action has yet been taken in the Senate.

Both bills would establish a commission of nine persons, three to be appointed by the President, three by the House Speaker, and three by the Senate Majority Leader. The bills charge the commission with undertaking a study of gambling in the United States, including the economic effects of gambling on other businesses and surrounding communities, the relationship between gambling and crime, the extent and impact of pathological gambling, and the costs and effectiveness of current regulatory policy.

Supporters of the proposal note that it does not impose any new restrictions on gambling, but merely recognizes the need for greater information on the scope and effects of the gambling industry. Gambling is one of the fastest growing businesses in the nation. One recent study found that \$330 billion was wagered legally in 1992 (including in lotteries), up 1800% since 1976. Casinos now operate in 25 states, and in 1993 Americans made more trips to casinos than to major league baseball parks. As you said at the Sperling lunch, the introduction of gambling in a community, though providing a quick way to raise revenues, may impose hidden social, economic, and political costs, including those associated with corruption, crime, and addictive behavior. Supporters of these bills argue that we should take a hard look at such matters to ensure sensible regulatory policy.

Opponents of the proposal allege that it is a sort of stalking horse for the religious right -- a first step in a moralistic effort to prohibit gambling altogether. (The Christian Coalition is indeed a fervent supporter of this legislation, but so are many representatives and newspaper editorial writers not associated with that organization.)

Opponents also claim that a national commission will serve little purpose because conditions vary so much from state to state and community to community; sometimes opponents go so far as to frame this argument in terms of "states' rights." Finally, of course, opponents dispute the notion that gambling is linked to corruption or crime and claim it is a boon to local economies.

The only groups so far to oppose the legislation are industry associations, including most prominently the American Gaming Association, headed by Frank Fahrenkopf, former Chair of the RNC. The National Indian Gaming Association, which believes gaming by Indian tribes to be essential to tribal economic development, has indicated that it would not oppose the bills so long as the Commission includes an Indian tribal representative and addresses state lotteries as well as other forms of gambling. Senators and representatives from Nevada are vehement in their opposition to the bills; those from New Jersey, though less openly hostile at this time, may be subject to similar pressures. Finally, state governments may oppose the proposal if they believe it represents a threat to state lotteries.

Recommendation

We recommend that you endorse the idea of a commission to study gambling. Such a commission can perform a useful function in collecting information about the effects of gambling and thus enabling better decisions -- whether on the federal, state, local, or tribal level -- as to appropriate regulation. To the extent formation of such a commission suggests a sort of moralistic discomfort with gambling, this may be perfectly appropriate. We thus believe an endorsement of a national gambling commission is warranted.

1. Oppose the creation of a gambling commission
2. Take no position on the creation of a gambling commission
3. Endorse the creation of a gambling commission
4. Let's discuss

Wheel of Misfortune

Is the Casino Craze Really a Political Wager Against America?

By Robert Goodman

ACROSS AMERICA, gambling casinos are being proposed as a magic bullet for a host of economic problems. Promoters promise to bail out Chicago's overbuilt hotel business; substitute for devastated steel factories in Gary, Ind.; counterbalance the effects of declining oil prices in Louisiana; replace vanishing jobs in Connecticut's defense industry; provide work for idle New England fishermen, and reverse more than a century of poverty on Indian reservations throughout the country.

While everyone is generally aware that legalized gambling has expanded, the amount of money and people involved is startling. From 1988 to 1994, total yearly revenues in casinos alone nearly doubled—from \$8 billion to about \$15 billion. Casinos are now operating in 23 states and under consideration in many others. In Maryland a task force headed by former senator Joseph Tydings is expected to recommend rejection of casino gambling this week. Last week New York City officials proposed allowing casino boats to dock at city piers and then cruise into international waters in order to avoid state laws against casino gambling. In Mississippi alone, more gambling space has been constructed in less than two years than was built in Atlantic City in 16 years. Legal gambling in all forms (including casinos, lotteries, parimutuel racing and other government-promoted ventures) now generates about \$40 billion a year.

As a result gambling is rapidly becoming a new national political issue that is dividing both parties. For Republicans, the issue pits major campaign contributors from the gaming industry against the party's "traditional values" activists dismayed by emerging research that links gambling with crime and family break-up. Democrats are similarly split between gambling interests and the party's loyalists in poor neighborhoods, such as black ministers, who fear the effects of gambling on the poor.

Sens. Paul Simon (D-Ill.) and Richard Lugar (R-Ind.) and Rep. Frank Wolf (R-Va.) have recently introduced similar bills with bipartisan support in Congress to create a national commission to study the effects of gambling proliferation. President Clinton has endorsed the idea, noting in a letter to Simon, "Too often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic and political costs."

A major campaign to defeat this legislation has been launched by the gambling industry's lobbying wing, the American Gaming Association. The association, which has a budget of \$2 million, is headed by Frank Fahrenkopf, the former head of the Republican National Committee.

Before the actual consequences of the gambling boom became widely known, there was little organized oppo-

sition to America's gambling boom. But in spite of increasing amounts of money being spent by the gambling lobby, anti-gambling sentiment is growing. Despite unprecedented lobbying by the gambling industry, a Florida referendum to legalize casinos was defeated by more than 60 percent. And in Rhode Island, four ballot measures for casinos were decisively defeated. This year, a statewide poll in Louisiana showed that nearly two-thirds of its voters were more likely to vote for a candidate who would cut back on gambling than one who supported it. There has not been a single statewide vote in favor of casinos with unlimited gambling losses since New Jersey voters agreed to allow casinos in Atlantic City 18 years ago.

Until recently, the gambling industry was enjoying something of a free ride. As revenues from state lotteries declined in the late 1980s, governments turned to more hard-core gambling ventures, including the creation of mini-casinos, installation of slot machines in bars and convenience stores and promotion of full-scale casinos. Iowa's legalization of riverboat gambling in 1989 became the model for other state lawmakers. Passage by Congress of the Indian Gaming Regulatory Act in 1988 also expanded opportunities for casino gambling in areas with Native American populations.

By focusing its public relations campaign on how much fun it is to play, the gambling industry has been able to avoid discussion of how much people lose, how the rise in gambling opportunities encourages addictive behavior and how it creates enormous costs for the rest of society. And mostly, gambling interests don't talk about how the actual results have not matched the promises.

A few years ago, Phil Satre, president of Harrah's casinos, went so far as to say that more "casino entertainment" would be a positive step for equal opportunity in America, predicting that every man, woman and child in the country would soon live in a state with casinos in which there was "no gender-based, race-based or physical barriers to access."

For the promoters, the word "gambling" doesn't exist. In the language of their gamble-babble, they call it "gaming" and they call those of us who win and lose money in their establishments "players," never gamblers. Put a theme park next to the casino and it becomes a "family entertainment center." According to Paul Dworin, the former editor of a leading gambling industry trade journal, gambling company surveys show that most people go to casinos simply to be entertained: "They do not go because they have or want to win money."

In order to legalize riverboat casinos, Louisiana lawmakers used the gaming word to get around a prohibition in the state constitution against state-sponsored gambling. New York State politicians argued that their recently introduced electronic keno gambling in bars, restaurants and convenience stores was nothing more than another lottery game—not the creation of mini-casinos.

But the results of America's gambling boom are quite different from the successful Las Vegas tourist model of many politicians' dreams. Most of the country's new gambling is "convenience gambling" at local casinos, riverboats and mini-casinos in bars and convenience stores. It is the kind of gambling that relies on local residents, not tourists, for the bulk of its customers. As a result, rather than providing economic stimulation, it cannibalizes the local economy.

Robert Goodman is the author of "The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion." (The Free Press).

PHOTOCOPY
PRESERVATION

In the process of expanding into ever more gambling, governments are becoming its leading promoters rather than its regulators. Instead of protecting their citizens, they are now preying upon them.

The public costs of gambling show up in many ways. Consumer spending is diverted into gambling from restaurants, movie theaters, sports venues, bowling alleys, clothing stores and other local businesses, while police departments, courts and prison systems find themselves dealing with the criminal activity of addicted gamblers who don't pay their bills and taxes, write bad checks, embezzle money and commit fraud.

A recent Wisconsin Policy Research Institute report concluded that the costs of compulsive gamblers in that state were running at more than \$160 million a year. An Iowa Department of Human Services research report stated that problem gambling had more than tripled there since riverboat casinos were legalized in 1989.

But even more disturbing than the financial costs are the human tragedies. State and local governments are creating a climate in which many ordinary people are being drawn into criminal activities that destroy their lives. Durand F. Jacobs, a professor of psychiatry at California's Loma Linda University, found that most of the people who commit crimes to support their compulsive gambling had no prior criminal records.

Jeffrey Bloomberg, a South Dakota state's attorney, last year gave a congressional committee a devastating description of the impact of newly legalized casinos on the town of Deadwood, S.D. "We have seen individuals who, prior to their exposure to gambling, had no criminal history, who were not junkies or alcoholics, many of whom had good jobs, who became hooked on slot machines and, after losing all their assets and running all credit resources to their maximum, began committing some type of crime to support their addiction."

Bloomberg described a rise in child abuse and neglect cases, including children left in cars all night while their parents gambled and families without groceries because they had gambled away their paychecks. He told of a restaurant manager who embezzled \$45,000; of a bookkeeper who committed suicide as the result of mounting gambling debts; and of an Air Force sergeant with an exemplary military career who murdered a casino operator after trying to retrieve bad checks he had written.

These costs are admittedly hard to quantify but they are real. A preliminary report written by Peter Reuter, executive director of the Maryland task force on casino gambling, concluded that there is "no convincing estimate of the average social costs of an individual becoming a pathological gambler," but added that "a reasonable view is that increased pathological and compulsive gambling may well impose annual costs of \$100 million or more on Maryland society."

Citizens' groups have become more organized, vocal and effective. In 1994, voters turned down casinos in every state-wide ballot proposal to legalize new casinos. They were perhaps influenced by the emergence of the recently formed National Coalition Against Legalized Gambling. This unique group, headed by Tom Grey, a former Methodist minister and Vietnam veteran, encompasses a broad grass-roots spectrum of left- and right-wing politics—from those who argue against the morality of gambling to others concerned about the economic impact on workers and owners of non-gambling businesses. Some of the strongest opposition has come from local chambers of commerce and statewide restaurant associations, which are worried about how new gambling ventures siphon consumer dollars from other local businesses.

The question that politicians and the rest of us should ask ourselves is: If the gambling industry really believes it is just promoting an innocent form of family entertainment, why is it afraid of a national commission to study the impact of gambling? Could it possibly fear that Congress will see through all the gamble-babble and understand just how risky this bet really is?

PHOTOCOPY
PRESERVATION

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 3056

FILE NO: 1485

11/7/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 7

TO: Legislative Liaison Officer - See Distribution below:

FROM: James JUKES *[Signature]* (for) Assistant Director for Legislative Reference

OMB CONTACT: Ronald JONES 395-3386
Legislative Assistant's line (for simple responses): 395-3454

SUBJECT: JUSTICE Proposed Report RE: HR497, National Gambling Impact and Policy Commission Act

DEADLINE: 5:00 PM TODAY Tuesday, November 07, 1995 *[Handwritten mark]*

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The House Judiciary Committee is scheduled to markup this bill tomorrow morning. Therefore, we will assume you have no objection to this letter if we do not hear from you by 5:00 PM today.

DISTRIBUTION LIST:

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U. S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

DRAFT

Honorable Henry J. Hyde
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20015

Dear Mr. Chairman:

As the Committee prepares to mark up H.R. 497, I am writing to convey the views of the Department of Justice on this bill, the National Gambling Impact and Policy Commission Act.

One of the duties of the Commission to be established by the bill is to conduct a comprehensive study, which will include an assessment of the relationship between gambling and crime. As President Clinton recently stated in a letter to Congressman Wolf, we support the establishment of this commission. However, we have serious concerns about the provision relating to the manner in which information for the study may be gathered.

Specifically, Section 5(b) of the bill states that the "Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out the provisions of this Act. Upon request of the Chairman of the Commission, the head of such department or agency shall furnish such information to the Commission." (emphasis added). We believe that this provision is too broad. This provision appears to empower the Commission to ask for and receive information that an agency (and specifically the Department of Justice) is not in a position to release. Several examples of such information come immediately to mind: comments on or information relating to any pending or planned investigation; grand jury materials; Title III electronic surveillance information; information falling within the executive privilege; etc.

Accordingly, we believe that this provision of the proposed bill should be drafted more narrowly to take into account the legal obligations, rights, duties, and constraints under which the

- 2 -

various federal agencies operate. We would be pleased to work with you or your staff on this issue.

Please do not hesitate to contact me if I may be of assistance on this or any other matter.

Sincerely,

Andrew Fois
Assistant Attorney General

cc: Honorable John Conyers, Jr.
Ranking Minority Member

Honorable Frank R. Wolf

**RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM**

LRM NO: 3055
FILE NO: 1485

If your response to this request for views is simple (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.

If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

- (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
- (2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Ronald JONES 395-3386
Office of Management and Budget
Fax Number: 395-3109
Branch-Wide Line (to reach legislative assistant): 395-3454

FROM: 11/7/95 (Date)
Elena Kagan (Name)
White House Council's Office (Agency)
456-7594 (Telephone)

SUBJECT: JUSTICE Proposed Report RE: HR497, National Gambling Impact and Policy Commission Act

The following is the response of our agency to your request for views on the above-captioned subject:

- Concur
- No Objection
- No Comment
- See proposed edits on pages _____
- Other: _____
- FAX RETURN of _____ pages, attached to this response sheet

Other cases hold up Foster review

O.J. Simpson murder trial proved crucial to the defense, met with Whitewater investigators last month to discuss the report and a timetable for its release.

By Jerry Seper
THE WASHINGTON TIMES

Forensic scientist Henry C. Lee's review of White House Deputy Counsel Vincent W. Foster Jr.'s death is not yet complete.

Robert J. Mills, Mr. Lee's top assistant, said yesterday that "evidentiary material" was still being examined. He did not elaborate, nor would he speculate on when the process would be finished.

Mr. Mills said Mr. Lee, who was not available for comment, has been working on several criminal cases in Connecticut, where he heads the Connecticut State Police Crime Laboratory, and recently traveled to Croatia, where he helped government authorities identify the remains of civilians found in mass graves.

"There is evidentiary material that needs to be documented and examined thoroughly, and Dr. Lee, who is involved in a number of tasks, is addressing it as quickly as possible," Mr. Mills said, adding that the completed report would be sent to Whitewater independent counsel Kenneth W. Starr.

Mr. Lee, whose testimony in the

Mr. Fiske reviewed the findings and reported the wound was "self-inflicted." They also said Mr. Foster "shot himself where he was found."

The experts were Dr. Charles S. Hirsch, chief medical examiner in New York City; Dr. James L. Luke, forensic consultant for the FBI and professor of pathology at Georgetown and George Washington universities; Dr. Ronald T. Reay, chief medical examiner in King County, Wash.; and Dr. Charles J. Stahl, medical examiner at the Armed Forces Institute of Pathology in the District.

The suicide ruling, supported by U.S. Park Police, who investigated the death because the body was found on park property.

Mr. Lee has been an expert witness in several noteworthy trials, including the Simpson case and the William Kennedy Smith rape trial.

"I'll have to work nights, holidays and weekends on this, so I'm not sure when it will be done, but I will do the best I can do," he told The Washington Times earlier. "There are a lot of documents to read."

He was asked in June by assistant independent counsel Mark Tuohy to review documents and re-examine the findings of a four-member panel of forensic experts who ruled that the Foster death in July 1993 was a suicide.

Former Whitewater special counsel Robert B. Fiske Jr. said in a June 1994 report that Mr. Foster died by his own hand at Fort Marcy Park in suburban Virginia, where his body was found. Mr. Fiske said an investigation found that Mr. Foster committed suicide "by firing a bullet from a .38-caliber revolver into his mouth."

Mr. Fiske said evidence "overwhelmingly" supported the conclusion, and "there is no evidence to the contrary." He also said there was no evidence that Whitewater Development Corp. "or other personal legal matters of President Clinton or his wife, first lady Hillary Rodham Clinton, were a factor in Foster's suicide."

The forensics experts hired by

The Washington Times

TUESDAY, NOVEMBER 7, 1995

Reservations grow as states cash in on gambling boom

By David R. Sands
THE WASHINGTON TIMES

Gambling has been one of the capitalist success stories of the 1990s, and it is giving the market-loving, tax-cutting, deregulating new Republican majorities in Congress fits.

The gambling industry, a booming 48-state, \$39-billion-plus-a-year phenomenon, has sharply divided industry supporters from a growing band of conservatives and liberals worried about the unprecedented spread of casinos, state lotteries, Indian gaming halls, convenience-store slot machines, even computerized wagering over the Internet.

"The government used to protect us from dangers, whether it was the police, or the fire department, or health and safety inspectors," said Rep. Frank R. Wolf, Virginia Republican and a leading anti-gambling activist.

"With the spread of gambling, however, the government either has become the predator or invited the predator in to prey on the population."

The House Judiciary Committee tomorrow is expected to approve a bill backed by Mr. Wolf and 102 House co-sponsors to establish a national commission to study the gambling phenomenon. But the industry and its many congressional allies have lined up to fight the idea, claiming the bill's sponsors hope to use the study as a pretext for federal regulation, taxation and eventual elimination.

Rep. Frank A. LoBiondo, New Jersey Republican whose district includes the strip of casinos in Atlantic City, condemned the Wolf bill as a "thinly veiled attempt to lead the federal government on a path to eventually prohibit gaming nationwide."

Frank J. Fahrenkopf Jr., former Republican Party chairman and now American Gaming Association president and chief executive officer, told a Senate hearing last week looking into a similar bill, "Frankly, it is a lot like someone telling you, 'We're going to appoint a special counsel to look into your tax returns and personal finances — and you ought to welcome it. Because if you are innocent, it will clear the air.'"

The Senate bill, sponsored by Sen. Paul Simon, Illinois Democrat, and Sen. Richard G. Lugar, Indiana Republican, would provide a very modest \$250,000 for an 18-month study into such issues as gambling's economic spinoffs, problem gambling, gambling on Indian reservations and the industry's ties to organized crime.

Sen. Ted Stevens, Alaska Republican and chairman of the Senate Governmental Affairs Committee, questioned at a hearing last week if a national commission was needed and whether the funding was enough to do the job.

"I'm afraid this thing is just going to get dusty on the shelf," Mr. Stevens said.

But the commission idea was endorsed late last month by President Clinton, and a number of conservative family-values groups such as the Christian Coalition are lobbying in support of it.

Critics say the industry's explosive growth in recent years is reasonable enough for a national study, the first on the subject since 1976.

Mr. Wolf noted that at the time of that study, only two states — Nevada and New Jersey — had legalized casino gambling. Now just two states — Utah and Hawaii — ban all forms of gambling; casinos are authorized or operating in 23 states; and Virginia, Maryland, the District of Columbia and West Virginia are all expected to consider allowing new forms of legalized gaming in the coming year.

Mr. Wolf recalls growing up in Philadelphia and watching the slow decline of Atlantic City.

"It's depressing," he said. "I don't want that coming to Virginia."

But industry defenders say the economic payoffs are real and the social dangers from legalized gambling are vastly overstated.

Rep. John Ensign, a freshman Nevada Republican who worked in his father's casino growing up, noted that Nevada's gaming industry provides 43 cents out of every dollar in the state's general fund, including \$611 million dedicated to state elementary, secondary and postsecondary schools.

"I'm very disappointed with my party," said Mr. Wolf.

"I think it is morally wrong for our party to be taking this money,"

FDA urged to OK drug for AIDS

ASSOCIATED PRESS

The drug 3TC should be approved as the first new initial therapy to treat AIDS since the original AIDS drug AZT, scientific advisers told the Food and Drug Administration yesterday.

A combination of 3TC and AZT boosted the immune system of patients and lowered the amount of the human immunodeficiency virus (HIV), which causes AIDS, in their blood.

But more significantly, the drug combination showed more effect in patients who had never taken AZT than in those who had taken AZT alone, as is standard for most patients, manufacturer Glaxo Wellcome said.

The FDA advisers agreed, although they cautioned there are a lot of unanswered questions that patients must be aware of before choosing to try the combination therapy over AZT alone.

"I am very uncomfortable giving this regimen in a widespread way" because of all the questions, said Dr. Douglas Mayers of Walter Reed Army Institute of Research.

Early data "support the argument for initial aggressive therapy," said Glaxo research chief Marc Rubin. The combination of "3TC-AZT was consistently associated with greater and more sustained response."

The experimental drug is in the same family as AZT, the standard therapy. These drugs work by blocking a protein vital in the early reproduction phase of HIV.

But patients develop resistance to AZT's effect rapidly. Early data indicate that adding 3TC to AZT postpones that resistance — and in some patients might even restore their AZT sensitivity, Glaxo said.

Tests of several hundred patients show the combination boosts the level of vital immune cells called CD4. It also reduces the amount of HIV in the blood by 85 percent to 92 percent, a drop that lasts at least six months, Glaxo said.

The panel agreed that these early data were sufficient to approve 3TC for moderately to advanced AIDS patients as well as offering it as an initial therapy.

The advisers also recommended that the FDA allow Glaxo to sell strawberry-banana-flavored drops of the drug for children, although there is little evidence that children benefit greatly from the drug.

Despite the lack of evidence, doctors argued that children shouldn't be denied the potential that the therapy holds.

"We have to realize the options for kids are quite limited," said Dr. Scott Hammer of New England Deaconess Hospital in Boston.

But the committee cautioned the drug must carry a warning that it may cause dangerous pancreatitis in children — a 14 percent incidence in one study.

The FDA is not obliged to accept the recommendations of advisory panels, but it usually does.

The panel stressed that 3TC should not be used alone.

Glaxo is seeking approval under a special FDA program that allows drugs for fatal diseases to undergo less rigorous testing than usually required.

FCC leaning against mandating kids' TV

By Doug Abrahms
THE WASHINGTON TIMES

The Federal Communications Commission is likely to vote against a rule that would force television stations to air at least three hours of children's educational programming a week.

FCC Commissioner Rachele Chong, who is the swing vote on the proposed rule before the five-member commission, said last week that there is no need to impose mandatory rules since broadcasters have voluntarily in-

creased the amount of children's programming over the past few years.

She said the government should move very deliberately before passing rules that would mandate program-

ming. "Should there be a health epidemic, should the commission impose a quantitative requirement that every broadcaster in the land be required to air one hour a week, say, on sexually transmitted diseases?" she asked.

The FCC will make a decision early next year on the proposed rule requir-

ing broadcasters to show three hours per week of educational programs. The rule has provoked intense lobbying from industry and interest groups, and the issue has severely divided the five FCC commissioners.

Ms. Chong has been considered the pivotal vote, and is receiving more than 50 calls a day from concerned parents, a staff aide said.

"It looks bad for the Children's Television Act now," said Jeff Chester, executive director of the Center for Media Education, a consumer advocacy group. "This is a defining moment for Rachele Chong."

The Center for Media Education has been in the forefront of trying to convince the FCC that broadcasters must be forced to air more kids' educational programming. Otherwise, television stations will continue to air shows like "The Jetsons" and "G.I. Joe" and label them as "educational," he said.

"Rachele Chong is deluding herself if she thinks that a voluntary approach

see FCC, page B10

FCC

From page B6

to education will help kids," he said. "Without real quantitative guidelines, broadcasters will resort to just airing less than 30 minutes of educational programming a week."

Broadcasters oppose mandatory requirements, especially if it would allow government officials to define what shows are educational, said Patti McNeill, a spokeswoman for the National Association of Broadcasters. Television stations have doubled the amount of educational programming to an average of four hours a week since the Children's Television Act passed in 1990, she said.

"We honestly feel that we've lived up to our responsibilities under the Children's Television Act," she said. "It's an emotional issue, too. Parents are very involved in this issue. No one wants to hurt kids."

FCC Chairman Reed Hundt supports the three-hour-a-week rule, which has the support of the Clinton administration. Mr. Hundt believes that broadcasters have a responsibility to provide educational television in return for the use of public airwaves.

But FCC Commissioner Jim Quello opposes the mandate, saying that it would run into First Amendment issues.

Ms. Chong said she would like the public to receive more information on which shows are considered educational, said Jane Mago, Ms. Chong's assistant.

"Our current definition of what is 'children's educational and information television' was so broad you could drive a truck through," Ms. Chong said. "The commission has proposed to fix this definition by setting out an improved definition that ensures our licensees know that entertainment cartoons and the nightly news do not qualify for credit."

Some Republican lawmakers, including Sen. Larry Pressler, South Dakota Republican, think that the marketplace will voluntarily offer more educational fare.

Market forces already are driving some investments in public television programming. For example, Reader's Digest yesterday agreed to invest up to \$75 million in a venture with the Public Broadcasting Service over five years to develop family-oriented and children's programs.

Reader's Digest expects to receive royalties from home videos and CD-ROMs that are spun off from the PBS shows.

The Washington Times

TUESDAY, NOVEMBER 7, 1995

cc. Elena Kagan

THE WHITE HOUSE
WASHINGTON

October 18, 1995

Mr. President:

These are proposed letters in support of the gambling legislation sponsored by Senators Simon and Lugar and Representative Wolf. You asked to see the letters before they go out.

Letter/Articles *TJ*
Todd Stern

①

We need to discuss
how to get this out

② have you run our traps
on? — this, Native Am.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

06-Nov-1995 10:04am

TO: Elena Kagan
TO: Michael T. Schmidt
TO: James C. Murr
TO: James J. Jukes
TO: Bruce D. Beard

FROM: Ronald E. Jones
 Office of Mgmt and Budget, LRD

SUBJECT: National Gambling Commission Bill

Justice tells me the House judiciary has scheduled a markup of HR 497 (Wolf's gambling commission bill) for tomorrow. They are preparing a letter to send. The letter is expected to be very similar to the memo they forwarded last month -- the do not object to the study but do have problems with Sec. 5(b), which authorizes the Commission to obtain information from any Federal agency. DOJ believes the authority is too broad and could jeopardize ongoing investigations.

They are aware of the President's letter and have been told their letter should cross reference that letter.

The Nation

There Are Two Sides To Every Game in Town

By KEVIN SACK

PERHAPS no American industry this decade, with the possible exception of computer software and on-line technology, has grown as rapidly and pervaded society as thoroughly as legalized gambling.

In 1988 casino gambling was legal in only two states — Nevada and New Jersey. Today casinos, including those on Indian reservations, operate or are authorized in 23 states. In 1994 gamblers armed with lottery tickets, chips and slot machines wagered a whopping \$482 billion in this country, which is more than the gross national product of China and represents a 22 percent increase over the previous year. In the

Legal gambling is everywhere, and spreading. But now, second thoughts about gambling are spreading, too.

same year consumers spent nearly three times as much on lottery tickets as they did on movie tickets, according to International Gaming and Wagering Business magazine.

Yet the first signs of a grassroots backlash also appeared last year, and the nascent revolt is taking hold in state capitals and in Washington. Last week the Senate Governmental Affairs Committee heard testimony on legislation that would establish a national commission to study the economic and social effects of legalized gambling. The House Judiciary Committee held a similar hearing in late September.

It comes as no surprise that such a measure is strongly opposed by the gambling industry, which has become a large contributor to political campaigns. President Clinton, however, announced his support last week. "Too often," Mr. Clinton wrote in a letter to sponsors of the bill, "public officials view gambling as a

quick and easy way to raise revenues, without focusing on gambling's hidden social, economic and political costs."

Two Republican Presidential candidates, Senator Richard G. Lugar of Indiana and Patrick J. Buchanan, a conservative columnist, have taken strong stands against the expansion of gambling: The Christian Coalition, which is devoting more attention to the issue, has pledged resources toward establishing a Washington branch of the National Coalition Against Legalized Gambling, a network based in Illinois.

In November 1994, from Florida to Wyoming, an overwhelming majority of state and local referendums to start or expand gambling went down to defeat. In response the gambling industry established a Washington lobbying group, the American Gaming Association, and hired Frank J. Fahrenkopf Jr., a former chairman of the Republican National Committee, as its president and chief executive officer.

Mr. Fahrenkopf, a Nevada lawyer, rejects the notion that the tide has turned against gambling. "All our polls show that the vast majority of Americans still support gaming and casino gaming," he said. "They've spoken with their feet and with their pocketbooks."

But opponents argue that the rapid proliferation of gambling, from riverboats that ply the Mississippi to Indian casinos in Connecticut and New York, has magnified the industry's shortcomings.

It has become clear, they say, that the benefits of new jobs and growing revenue for states' coffers have been more than offset by a draining of dollars from other industries, by crime, addiction among those gamblers who can least afford it — especially at a time of economic uncertainty and stagnating wages — an undermining of the work ethic and corruption of the political system. Casino jobs are often low paying, and sometimes temporary. And as the market for gambling has neared saturation, some outlets, riverboats in particular, have started to fail.

'An Economic Bust'

"There's always been moral opposition to it," said Robert Goodman, author of "The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion." (Free Press 1995). "I think what's new is people realizing that it has been an economic bust, that it's sucking jobs out of cities, that you go to city after city and shops and restaurants are



In New York delis, games of chance share the aisles with groceries.

Carrie Boretz for The New York Times

closing while the only things opening are pawn shops." In some states, gambling has revealed its dark yet familiar side: corruption. In Louisiana, a state chronically reeling from disclosures involving shady deals and good old boys, the F.B.I. is investigating a pattern of alleged payoffs to state lawmakers who orchestrated the defeat of legislation that would have allowed a vote on whether to eliminate video poker at truck stops. Voter disgust is playing a significant role in this year's gubernatorial campaign, and leading the candidates to try to outdo each other's anti-gambling proposals.

Mr. Fahrenkopf, who says the latest scandal has more to do with Louisiana than with gambling, stated that in general, "when a little mud splashes up in one corner of this industry, inevitably everybody gets coated."

Regardless of its many pitfalls, gambling may continue to be driven by the same forces that have been driving it for the last seven years — competition among states and competition between the states and the

Indian reservations within their borders.

After Congress passed a 1988 law enabling tribes to open casinos, state officials decided that they wanted a share in the industry. And as the first states began to allow gambling, their neighbors moved quickly to join them in order to stanch the flow of revenue across state lines. That instinct led New York's Legislature this year to begin the process that would allow a vote on a constitutional amendment to permit casino gambling in places other than Indian reservations. Casinos are well established in New Jersey and Connecticut.

The End Game

Tom Grey, executive director of the National Coalition Against Legalized Gambling, said he does not underestimate the determination of the gambling industry to expand.

"This is a predatory enterprise," he said, "and it needs new markets."

PHOTOCOPY
PRESERVATION

Panel delays PAC probe, pushes rest of Gingrich inquiry

By George Archibald
THE WASHINGTON TIMES

The House ethics committee set aside its inquiry into House Speaker Newt Gingrich's political action committee and will attempt to conclude examination of collateral charges before Thanksgiving.

The 10-member panel, evenly divided between Republicans and Democrats, will await the outcome of a Federal Election Commission lawsuit against GOPAC, the Gingrich political action committee, before deciding how to proceed on charges related to its activities.

The panel is not deadlocked on the case, members from both parties said.

While there is partisan disagreement over calls for a special counsel, the committee continues

to consider Democratic allegations that the Georgia Republican violated House rules on outside income and use of official resources in his college course and book ventures, lawmakers said.

Sources said the committee is awaiting a U.S. District Court decision on a suit brought by the FEC against GOPAC before launching its own probe of allegations that Mr. Gingrich violated financial reporting and conflict-of-interest rules as GOPAC chairman from 1986 until May.

The allegations were made by former Rep. Ben Jones, Georgia Democrat, and Common Cause, a government watchdog.

The ethics panel met Tuesday and yesterday to work on other elements of the case involving Mr. Gingrich's book deal with Harper-

By midsummer, the panel had more than 300 pending cases and requests for opinions.

Collins, publisher of his best-selling "To Renew America," the sources said, speaking on the condition of anonymity.

Rep. Nancy L. Johnson, Connecticut Republican and committee chairman, "has told us she wants to wrap it up by Thanksgiving," one panel member said.

Rep. Jim McDermott of Washington, the panel's ranking Democrat, would not comment on specifics of the Gingrich inquiry but acknowledged the panel is working a hectic schedule in an effort to resolve the case.

Mrs. Johnson was embarrassed

by earlier news reports that she had set a Fourth of July deadline for completion of the Gingrich case — a deadline the panel could not meet because of partisan disagreements and a heavy workload in other areas.

By midsummer, the panel had more than 300 pending cases and requests for advisory opinions from House members, committee sources said. The panel's workload now is a third greater, with the Gingrich case eclipsing other matters because of its political importance, the sources said.

Mr. Gingrich's role in launching the 1988-89 ethics probe that top-

pled Democratic House Speaker Jim Wright of Texas has prompted Democrats to focus on purported parallels between the book deals of Mr. Wright and Mr. Gingrich.

Mr. Wright was cited for ethics violations relating to a scheme to use bulk sales of his autobiography, "Reflections of a Public Man," to obtain tens of thousands of dollars in excess of yearly House limits on honorariums.

According to a committee report in April 1989, Mr. Wright and his staff pressured lobbyists and corporate executives to purchase the privately published book in bulk instead of paying him for speeches.

Mr. Wright received 55 percent of the price of the books as "royalties" under an agreement with a business associate who published

the autobiography, according to the report.

House Minority Whip David E. Bonior, Michigan Democrat, has filed a complaint about Mr. Gingrich's book deal and criticized the speaker for five "bulk sales" of "To Renew America."

Mr. Bonior compared bulk sales of Mr. Gingrich's book to those of Mr. Wright's book. The House's No. 2 Democrat said the parallel to the Wright case demonstrates the need for a special counsel to probe the book deal.

But HarperCollins and publishing experts disagree, saying Mr. Gingrich's book is a legitimate commercial success that earns him royalty income on the same terms enjoyed by other political authors, including Vice President Al Gore.

FBI sniper questioned without his lawyer at Ruby Ridge

By Jerry Seper
THE WASHINGTON TIMES

An FBI sniper involved in the government's siege of white separatist Randall Weaver's Idaho cabin was ordered last month to a re-enactment of the 1992 standoff and, without his attorney present, forced to answer questions by prosecutors looking into the shooting death of Mr. Weaver's wife.

The sniper, Dale Monroe, was teamed during the siege with Lon Horiuchi, whose Aug. 22, 1992, shot killed Vicki Weaver as she stood behind the cabin door holding her 10-month-old daughter. Mr. Horiuchi and other agents are under investigation by the U.S. Attorney's Office and Idaho prosecutors for possible criminal charges in Mrs. Weaver's death.

"Apparently the agents had rights as long as the cameras were

turned on, but as soon as they were clicked off, so were their rights," said a veteran FBI agent who asked not to be identified. "Their whole careers, their whole lives, are at stake. It's outrageous they would be treated this way."

A second agent, who also requested anonymity, said comments made by any of the agents to prosecutors without their attorneys present could be used against them in any pending trial. Describing the on-site interrogations as "questionable at best," he said the tactic could backfire and damage any case the government might seek if due process was violated.

A Senate subcommittee chaired by Sen. Arlen Specter, Pennsylvania Republican, recently ended 14 public sessions — all televised — into the government's handling of the Weaver standoff.

Mr. Monroe's attorney, Victoria Tbensing, a former deputy assistant attorney general, declined to discuss the case or the re-enactment.

But according to FBI sources, Mrs. Tbensing objected — in an Oct. 19 letter to the Justice Department — that her client was ordered to the re-enactment at the Weaver cabin near Naples, Idaho, and was questioned by prosecutors looking to possible criminal indictments.

She told the department, the sources said, that her client was denied due process, that she was not contacted about his required involvement in the re-enactment, and that she was not told that Mr. Monroe and others would be questioned or that it would be mandatory.

The sources said Mrs. Tbensing reminded prosecutors that she

represented Mr. Monroe in all matters and questioned the department for a lack of professionalism.

Justice Department spokesman Carl Stern declined comment, saying the matter is "an open investigation."

John Sennett, president of the FBI Agents Association, said his organization is concerned about the loss of due process for any agents and, without taking a position in the Weaver inquiry, believes a "standard of fair play should not be set aside."

"These people are being called to task, and they shouldn't go naked or blind into the proceedings," said Mr. Sennett, whose organization represents about 7,500 of the FBI's 10,000 agents. "We support a process aimed at learning the truth, whatever that might be, but the process ought to be fair for

everyone."

The Weaver probe, part of an inquiry into a suspected cover-up involving a change in the FBI's standard deadly force policy for the siege, is headed by U.S. Attorney Michael Stiles of Philadelphia, who was involved last month in the three-day re-enactment.

Federal and state officials are looking into concerns that some agents might be liable for criminal prosecution in the death of Mrs. Weaver, including Mr. Horiuchi, who fired the fatal shot; Richard A. Rogers, former head of the FBI's hostage rescue team, who wrote revised lethal force rules; and former Deputy Director Larry A. Potts, accused of approving the new rules.

Three persons died during the siege — Mrs. Weaver; her 14-year-old son, Samuel; and Deputy U.S. Marshal William F. Degan. The

boy and Marshal Degan died Aug. 21, 1992, during a separate shooting.

A Justice Department task force said the shot that killed Mrs. Weaver was unconstitutional and recommended that Mr. Horiuchi be investigated.

Citing his Fifth Amendment rights, Mr. Horiuchi refused to testify before the Senate subcommittee. He testified during a trial in the Degan death that he was aiming at Kevin Harris, a Weaver family friend who lived at the cabin, when he accidentally hit Mrs. Weaver.

The sources said Mrs. Tbensing also complained that concerns by her client that the re-enactment took place on a clear and sunny day in October while the actual shooting occurred on an overcast and rainy day in August went unheeded.

Clinton denies telling Wattenberg he 'missed boat'

By Paul Bedard
THE WASHINGTON TIMES

The White House yesterday disputed syndicated columnist Ben Wattenberg's claim in a column printed in *The Washington Times* today that President Clinton told him he feels he "missed the boat" by not pressing New Democrat values once in office.

White House spokesman Mike McCurry said the president disputes a quote attributed to the president in which he says he changed philosophically from a moderate-styled "New Democrat."

"He's disputing that quotation. He does not believe that he said that," Mr. McCurry said.

In the key passage of the column printed in today's Commentary section, Mr. Wattenberg writes that the president:

"Says that in 1993 and 1994 he was too interested in the legislative scorecard rather than in philosophy. He was 'so anxious to fix the economy' that he 'changed philosophically and missed the boat.' He 'lost the language' that had shaped him as a New Democrat concentrating on values. He behaved 'like a prime minister, not a president.' After the 1994 election, he realized he had created 'a cardboard cutout' of himself."

Mr. McCurry said the president also had problems with other statements attributed to him by Mr. Wattenberg, a senior fellow at the American Enterprise Institute who endorsed Mr. Clinton's 1992

candidacy.

The president phoned Mr. Wattenberg after reading his book "Values Matter Most." Mr. Wattenberg said the call came through to his hotel room in Coronado Island, Calif., this month as he was lying down for a nap.

Mr. Wattenberg said the president called to discuss his book and praise its criticism and support for the administration.

During the hourlong call, the two discussed current issues and Mr. Clinton's shift to the left once in office. Mr. Wattenberg took notes on a pad of paper.

On Page 5 of his notes, he wrote "Missed boat, obsessed, fixed economy, changed philosophy."

He explained yesterday that his column is an accurate reflection of what the president told him.

After taking issue with Mr. Wattenberg in a late-afternoon briefing yesterday, Mr. McCurry called the columnist to detail the administration's concerns and also to note that no one at the White House is angry with the writer.

Mr. McCurry said the president simply said "Look, there's some stuff in here" — you know, he said, "Look, Ben's characterized about half of this conversation." I would suggest that in an hourlong conversation in one column you probably don't even get to characterize half."

Mr. Wattenberg, who seemed amused by the administration's reaction to his column, said, "What I said he said in my column is what he said."

The Washington Times

THURSDAY, NOVEMBER 2, 1995

UPDATE CALIFORNIA

Bono upsets allies with gaming stand

By Mark Henry
RIVERSIDE PRESS-ENTERPRISE

RIVERSIDE, Calif. — Rep. Sonny Bono, California Republican, has raised eyebrows on the religious right after drafting a series of amendments that critics say would undermine a national study of the gambling industry.

On Tuesday, Mr. Bono put himself in the middle of the politically charged debate over gambling by suggesting the study should not include a review of Indian gaming or gambling addiction.

His draft amendments also would prevent a proposed nine-member commission from making recommendations or studying the political influence of the \$40 billion gambling industry on public policy, critics said.

The congressman's plans drew an immediate response from the normally supportive Rev. Lou Sheldon, a minister and founder of the Traditional Values Coalition in Anaheim, Calif.

"I don't feel we are on the same sheet of music" on the issue, Mr. Sheldon said, predicting the amendments related to tribal gaming would widen the gulf between Indians and the rest of the community. "I just didn't realize that Sonny is so pro-gaming," he added.

The Rev. Tom Grey, director of the Chicago-based National Coalition Against Legalized Gambling, said the draft amendments caught his organization by surprise.

"If you're not going to look at pathological gambling, native American gambling and political contributions, why study anything?" Mr. Grey asked.

Mr. Bono had planned to introduce his amendments Tuesday in the House Judiciary Committee, but the proposed legislation to create the National Gambling Impact and Policy Commission was delayed for further review.

Introduced earlier this year by gaming critic Rep. Frank R.

Wolf, Virginia Republican, the legislation would create a commission to embark on a wide-ranging study of the effects of the gaming industry on American society. Mr. Wolf declined to comment Tuesday.

Mr. Bono, who wants the legislation to require the appointment of at least one American Indian to the commission, said he drafted the amendments because he wants a "good, healthy debate" on the issues.

"I'm not resisting the study," the congressman said, adding he doesn't expect to get everything he asked for in the bill's final version. "I was just trying to get the bill to be a little more equitable, really."

Mr. Bono said he is aware gaming is a major issue to many Indian tribes because it represents their livelihood. Tribes operate more than 20 casinos across California.

Richard Milanovich, tribal chairman of the Agua Caliente Indians in Palm Springs, said the tribe told Mr. Bono it fears a national gambling study could turn into a witch hunt involving Indian gaming.

Mark Nichols, chief executive officer of the Cabazon Band of Mission Indians in Indio, said the gambling industry is wary of legislation sponsored by an outspoken gaming foe.

The industry fears the study will conclude gaming is a social illness instead of a form of entertainment that people have a right to choose, Mr. Nichols said.

Mr. Sheldon left Tuesday for Washington, saying he will meet with Mr. Bono and other GOP members of the committee.

Mr. Sheldon said he does not have a hidden agenda to eliminate gambling altogether, but opposes unlimited expansion.

The clergyman speculated that Mr. Bono may have drafted many amendments to get what he really wants — appointment of an American Indian to the commission.

• Distributed by Scripps Howard.

Appeal on liquor ads has tobacco overtones

By Frank J. Murray
THE WASHINGTON TIMES

Cigarettes were never mentioned during Supreme Court arguments yesterday on banning liquor price advertising, but many people involved in the case believe the smoking lamp will dim if the practice is upheld.

Rhode Island bans prices from beer and liquor ads in the belief that high prices cut sales in "promotion of temperance," but the state admits it has no proof the tactic actually works.

Justices scoffed when Rebecca T. Partington, special assistant attorney general, conceded consumption didn't increase during the 16 months when a lower-court order lifted the ban on price advertising, enacted in 1956.

"Those citizens who are so inclined to consume will do so anyway," she said at one point.

But she argued the state didn't have to prove a virtually unprovable theory because alcoholic beverages are unique and the constitutional amendment repealing prohibition gave states special powers to control it.

"The 21st Amendment gives the state something more than ordinary police powers," she said, an assertion challenged by Justices Sandra Day O'Connor and Antonin Scalia.

That could be a key point if a ban is upheld, since a ruling on a basis other than the 21st Amendment would apply more broadly and strengthen Clinton administration initiatives to crimp advertising and marketing of cigarettes.

Tobacco companies and the advertising industry attacked that initiative in federal court lawsuits.

"I don't think the court will write an opinion that is sufficiently broad either way that it will control what will happen in the tobacco case," said lawyer Dan

Troy of Wiley, Rein & Fielding, which represents advertising interests in both cases.

He cited disagreement among justices about corporate First Amendment rights but said that Justice O'Connor, who seemed inclined to uphold the regulation, "said she's not going to hold that the 21st Amendment somehow gives the state super police powers when it comes to alcohol."

First Amendment rights for "commercial speech" of businesses are less broad than for individuals. Rhode Island depends largely on a 1986 ruling permitting Puerto Rico to bar advertising by a legal gambling casino on grounds it could outlaw the casino.

Under a 1980 ruling, commercial speech that is truthful, is not misleading and concerns a legal activity may be limited if government has a substantial interest, directly advanced by a restriction no more extensive than necessary.

Evan T. Lawson, who represented the liquor stores, proposed less-restrictive ways the state might curb drinking, such as minimum price rules rather than forbidding ads.

"To say you have the power to ban speech about something you're not banning is quite a different matter," Mr. Lawson said.

He said the court's Coors decision overturning a federal ban on placing alcohol content on beer labels supports his case.

Justice Stephen Breyer opened the door to other bans, asking why a state couldn't regulate ads for food that was fattening or linked to unhealthy lifestyles.

"Is there a stopping point?" Justice Breyer asked.

"What this state can do because it hates alcohol, another state should be able to do because it hates red meat," Justice Scalia said.

Art of Tweaking: White House's Altered Forecast On Economy Underlies Capitol Hill Budget Duel

By DAVID WESSEL

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—When President Clinton's economists updated their long-term forecast this summer, they changed an obscure detail. Reversing their earlier view, they predicted a surge in corporate profits over the next few years.

It was no accident.

The more money companies make, the more the government gets in taxes and the smaller the budget deficit. And the smaller the deficit, the easier to reach the fiscal nirvana of a balanced budget.

By tweaking the economic forecast, administration economists made it possible for Mr. Clinton to show how to balance the budget by cutting projected spending much less than Republicans would.

Differences between the White House and congressional economic forecasts are now a big issue in the budget tug-of-war. "One of the things that has caused all this difference between us," Mr. Clinton said recently, "is their assumption that if their budget is passed, we will have lower growth and lower business profits than we have averaged for the last 25 years. Now, that's amazing to me."

If Congress adopted Mr. Clinton's more optimistic view of the economy and health-care spending trends, administration estimates show, it could spend \$475 billion more than it plans over the next seven years — and still eliminate the deficit by 2002. Congress could, for instance, scrap its plan to pare projected Medicare spending by \$270 billion over seven years. Top Republicans have dug in their heels, though, and say they won't rely on White House numbers.

The White House and the Congressional Budget Office always see the future differently, and politicians often score rhetorical points by citing the contrast. But this year it matters. The economic assumptions determine how much politicians have to restrain spending to reach a balanced budget by a specific date.

"On most of the assumptions, they [Congress] tend to be excessively pessimistic," says Mr. Clinton's top economist, Joseph Stiglitz. "The consequences in this particular case of the degree of excessive pessimism are really severe." Namely, deeper spending cuts.

CBO Director June O'Neill denies the accusation, and notes, "The history over the past 20 years is that both of us are too optimistic."

'Tendency Towards Overoptimism'

Alan Auerbach, an economist at the University of California at Berkeley who has examined White House and CBO projections, agrees. "I've become convinced that there's a pervasive tendency towards overoptimism in both agencies," he says.

Superficially, the two forecasts seem similar, and neither is very far from the consensus of private forecasters. The White House sees 2.5% economic growth in the years ahead, after adjusting for inflation. Congress, relying on a CBO forecast made in March, sees slightly slower 2.3% growth. The White House sees consumer prices rising 3.1% a year; Congress at 3.2%. An updated CBO forecast would make the deficit problem look somewhat smaller in the next few years but somewhat larger by 2002.

Small differences, compounded over seven years, make a big difference in projected government revenues and spending. But they don't account for the huge gap. Roughly \$410 billion of the \$475 billion seven-year gap stems from the different economic assumptions, the administration estimates.

The Future: Two Views

Economic forecasts for the year 2000, congressional vs. White House balanced-budget

	WHITE HOUSE	CONGRESS
Gross domestic product (in trillions)	\$9.25	\$9.13
Total taxable income (percent of GDP)	77.2%	76.1%
Pretax corporate profits (percent of GDP)	9.0%	6.8%
Inflation-adjusted growth (year-over-year)	2.5%	2.3%
GDP deflator	2.9%	2.8%
Consumer price index	3.1%	3.2%
Yield on 10-year Treasury notes	7.0%	6.7%

NOTE: White House forecast, July 1995. Congressional forecast from budget resolution, based on Congressional Budget Office March 1995 forecast

The bulk of that results from contrasting predictions about the way the nation's economic pie will be divided over the next several years. How the pie is sliced has a big influence on the budget projections: A dollar of corporate profits yields more taxes than a dollar of employer-provided health benefits, for instance; corporate profits are taxed at both the corporate and shareholder level, and health benefits aren't taxed at all.

History of Adjustments

A poorly kept secret among budget analysts is that economists in both Republican and Democratic administrations have adjusted the size of the pie slices to improve the projected deficit numbers.

The latest White House forecast projects that pretax corporate profits, measured as a share of the gross domestic product (the value of all goods and services produced in the economy) will rise to 9% by the end of the decade. The forecast it made at the beginning of the year showed profits at 7.7% of GDP in 2002.

In contrast, the comparable forecast used for the congressional budget pegs profits at 6.8% of GDP; the CBO has since boosted its estimate to 7.2% in an updated forecast that isn't reflected in the congressional budget plan. Put another way, the White House predicts corporate profits in 2000 will be \$836 billion, while Congress expects them to be \$617 billion. As a result, the White House expects a lot more tax revenue.

Administration economists deny they cooked the books. Mr. Stiglitz, who is chairman of the president's Council of Economic Advisers, calls these assumptions "sort of sausage that goes into a very complicated technical machine." All economic forecasting involves judgment, he argues. "The number that we focus on more is what is the share of GDP that's raised in tax revenue," he says. On that crucial point, he points out, the White House and CBO are close.

But why the big change between January and July?

Both Mr. Stiglitz and another administration official note that the later forecast projected that interest rates would fall if the budget was balanced. And lower interest rates, they say, tend to boost corporate profits and reduce household interest income.

Ironically, this puts the administration in the somewhat awkward position of predicting that the president's plan for balancing the budget would fatten profits at

the expense of the rest of the economy. The White House economic forecast assumes the president's policies are adopted; in general, the CBO forecast assumes current policies continue.

Private forecasts for this variable appear to be somewhere between the two government views. Over the past 25 years, profits as a share of GDP have been trending downward, but they bounced back beginning in the late 1980s. The White House forecast projects profits will continue to climb; CBO anticipates a resumption of the downward trend.

The other significant disparity between the White House and CBO involves the two primary measures of inflation, the widely tracked consumer price index and the GDP deflator, which only economists look at. On this discrepancy, the congressional forecast appears closer to private forecasts than the administration's.

For deficit projections, a smaller increase in the CPI reduces the deficit by

restraining cost-of-living adjustments to Social Security benefits. Paradoxically, a bigger increase in the GDP deflator reduces the deficit because it increases the dollar value of the tax base and, therefore, total tax revenues.

The White House projects a smaller increase in the CPI and a bigger increase in the GDP deflator than Congress; as a result, the White House projects a smaller deficit even before any spending cuts are made. Again, the differences are small, measured in tenths of a percentage point, but the bucks are big.

Skirmishes between White House and congressional economists have plagued deficit-reduction negotiations for years. Mr. Clinton sought to change that by building his first budget on CBO numbers.

"I did this so that no one could say I was estimating my way out of this difficulty," he told Congress in February 1993. "Let's at least argue about the same set of numbers...."

Backers of Anti-Affirmative-Action Plan In California Claim to Be Out of Money

By G. PASCAL ZACHARY

Staff Reporter of THE WALL STREET JOURNAL
Backers of California's proposed anti-affirmative-action measure say they are out of money and have stopped gathering signatures to place their measure on the November 1996 ballot.

Without a big cash infusion, the campaign, which earlier this year ignited a national debate over affirmative-action practices, will shut down. "We have to make sure funds come in very quickly, or the situation will be irreversible," said Joseph Gelman, campaign manager for the California Civil Rights Initiative.

California's measure is considered a bellwether for the entire national campaign by opponents of affirmative action to roll back the policy. Polls consistently show that California's measure, which would forbid the government to use policies or programs designed to benefit women and racial minorities in hiring, contracts and school admissions, would pass handily if it reaches the voters. But supporters say they have gathered only 150,000 of the one million signatures needed to readily qualify the measure.

Nonetheless, given all the publicity for the measure, "it would be a stunning surprise if it didn't make the ballot," said Craig Holman, an analyst at the Center for Governmental Studies, a Los Angeles think tank. Opponents of the measure, mainly Democrats and civil-rights groups, were unconvinced that the state's anti-affirmative-action campaign was broke.

"I think it's phony. I think it's a fund-raising scam," said Bill Press, chairman of the California Democratic Party. "We fully expect them to be on the ballot."

Mr. Press and others assume that the

state Republican Party will bail out the flagging campaign.

But backers of the measure say that isn't a sure thing. A spokeswoman for the state Republican Party said only that party officials "are going to relook at the situation."

Mr. Gelman, the campaign manager, said, "There is still time to make this succeed." But he said that large corporations and that even wealthy individuals are reluctant to back this measure because they don't want to be publicly identified with it. The campaign has raised \$450,000 so far and needs to raise an equal amount by year's end, he said.

Political observers say it was clear all along that the campaign would either have to draw on many small donors or a big sugar daddy, and that the principal authors of the initiative — two conservative college professors — have been unrealistic in thinking they could draw moderate Democrats into their fold.

"They are amateurs," said state Sen. Quentin Kopp, an independent who supports the measure.

If the measure failed to qualify for the ballot, "it would be regrettable," Sen. Kopp added. "But it might have the therapeutic effect" of opening the way for a less-inflammatory initiative to reach voters by the next general election in November 1998.

Opponents of the measure say they plan to make a final decision over the next few weeks about whether to try to place an alternative initiative on the November 1996 ballot. "The idea of a progressive alternative is being discussed," said Mr. Press, the Democratic Party chairman. "No final decision has been made."

Voters Face Few Proposals on Gambling As Casino Firms Shun Tossing the Dice

By MICHAEL BROWN

Dow Jones News Service

Voters next Tuesday will face few gambling-related questions, as casino companies lie low and test the political winds.

The most significant possibility for expanded gambling comes in Washington state, where three Indian tribes are seeking voter approval to lift most state restrictions on tribal casinos.

Elsewhere, only a smattering of non-binding referendums at the local and county levels marks the casino industry's efforts to open new markets.

"It's going to be a pretty boring election from a gaming point of view," said analyst Jim Murren of C.J. Lawrence.

Sharp Contrast to '94

This year's muted lobbying effort to seek approval for new gambling venues stands in sharp contrast to November 1994, when voters were asked to approve slot machines in Missouri, casinos in Florida and various gambling referendums around the country.

Although the Missouri proposal passed, many others didn't, including the Florida referendum, an early indication that gambling may not be as popular as some in the industry have maintained.

Most credited for the change is a more conservative political tone, helped by large Republican gains in last year's elections and furthered by next year's presidential election, those in the industry say.

"The mood of the country has turned very conservative, and gaming doesn't fit the picture," said Paul Rubell, president and chief executive officer of Artar Corp., a casino company based in Phoenix.

Candidates' Stand

Two candidates for the Republican presidential nomination, Sen. Richard Lugar and Patrick Buchanan, already have spoken out against gambling. Despite their apparently slim chances of winning the nomination, their antigambling message was crafted to play well with the politically important right wing of the GOP.

The new antigambling political talk has had an unintended side effect, leading some companies to distance themselves from the notion that Las Vegas was becoming a vacation destination for the entire family.

Many analysts are also waiting uneasily for the outcome of a runoff in Louisiana on Nov. 18, when voters choose a new governor and 14 state legislators.

Last month's elections closely followed a Federal Bureau of Investigation probe into alleged kickbacks by video poker operators to state politicians, a scandal highly publicized in the weeks leading up to the elections. Almost without exception,

those candidates most closely identified as allies of the gambling industry either chose not to run, were defeated or now face a runoff.

A special session of Louisiana's legislature is expected to be called early in 1996, and gambling will be high on the agenda, with an outright ban seen on video lottery terminals and some restrictions placed on the further expansion of riverboat casinos.

"It will be very difficult for the gambling forces to find anybody to speak up for them in either legislative body," said state Rep. Chuck McMains, who is running for House speaker.

Given that most pro-gambling referendums are heavily financed by the industry, the lack of overt political activity has benefited casino companies' income statements.

"It was cheaper to participate in Connecticut and lose than to participate in Florida and lose," said Mirage Resorts Inc.'s chief financial officer, Dan Lee, speaking at a gambling industry conference in Las Vegas hosted by Salomon Brothers Inc. Mirage recently lost out on a bid to develop a casino in Bridgeport, Conn.

In Washington, three Indian tribes have promised to pay all registered voters 10% a year of casino profits, should full-scale gambling be approved in the state. If it passes, the measure will probably face a legal challenge from the state.

In Massachusetts, voters in Chicopee and Springfield will decide a nonbinding referendum to approve an Indian-owned casino. The same question failed last year in Springfield.

Two counties in Indiana, where gambling initiatives failed last year, are to vote again in a nonbinding referendum on riverboat casinos.

One county in Illinois will also hold a referendum on riverboats. Even if the bid is successful, the state legislature still needs to approve the issuance of additional riverboat licenses.

UNITED INSURANCE COS.

United Insurance Cos., Dallas, said it had acquired four separate companies. Prices weren't disclosed. One of the companies, Winter Brook Holdings Inc. of Fairfield, Conn., was founded in 1993 by United Insurance's president and chief executive officer, W. Brian Harrigan. The other three Dallas-area companies, International Insurance Administrators Inc., Insurdata Inc. and U.S. Informations Systems, were all founded and managed by Raymond C. Morrison Jr. Mr. Morrison will remain as chairman and chief executive officer of the three companies.

cc: Elena Kagan

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WASHINGTON

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Todd/Stern

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Casinos' 'new economy' ups the anti-

Gambling said to spread a 'culture of luck'

The Washington Times
FRIDAY, OCTOBER 27, 1995 *

By Larry Witham
THE WASHINGTON TIMES

Quietly as the spin of a roulette wheel, the Duquesne Casino Belle began to ply its riverboat trade on the Mississippi River in 1989.

Iowa hoped it would draw tourist dollars to the recession-hit city, and it was supposed to stay incorruptible under wager limits of \$5 and loss limits of \$200.

Since then, however, the use of gambling to raise state revenues has spread so fast that a flood tide reaction has taken place nationwide and on Capitol Hill.

Some have called the "new economy of gambling" an economic card trick. The FBI has targeted it for political corruption, and philosophers ask whether it is replacing America's work ethic with a "culture of luck."

Today, Americans wager nearly \$500 billion a year, up from \$329 billion in 1992 and \$17 billion in 1974 — making gambling the nation's fastest-growing industry. Forty-two states now have legal gambling, 37 have state lotteries, and 23 allow casinos.

Back in Iowa, the Department of Human Services just reported that the number of "problem gamblers" has jumped from 1.7 percent in 1989 to 5.4 percent this year.

"It's going to be the family-values issue of the 1996 presidential campaign," said the Rev. Tom Grey, a United Methodist minister who heads the Coalition Against Legalized Gambling. "We have a 12-month war ahead."

The coalition, which opens its first national conference in Orlando, Fla., today, claims to have thwarted 18 of 20 state initiatives to expand gambling this year.

The cause has been galvanized, he said, by August reports that the

FBI found Louisiana lawmakers took bribes to pass pro-gambling bills.

Earlier this year, Congress began considering legislation to form a commission to investigate, with subpoena power, the extent and effect of gambling.

And this summer, the newly formed American Gaming Association opened the gambling industry's first lobby in Washington, with what critics claim to be a \$2 million to \$3 million war chest.

"For the past 200 years, gambling has been a matter left to the states," said Frank Fahrenkopf, president of AGA, which organized last year when the Clinton administration suggested a 4 percent gross-receipts tax on gambling.

The call for the federal government to step in, he said, is a drive by "people who are opposed to gambling on moral grounds. They

want to abolish it."

That's a bit alarmist, said proponents of the bill, calling it a fact-finding project over three years. If the economy of gambling is so promising, they say, the investigation should prove the case. The last federal commission was in 1976, and it recommended that gambling be a state decision.

"I'm not suggesting at this point that the federal government will do anything," said Sen. Paul Simon, Illinois Democrat and co-sponsor of the Senate bill. "We should recognize at this point that gambling is a national problem."

In a floor speech in July, Mr. Simon raised the specter of local politicians being bought by gambling interests. "I think it is bipartisan," he said in an interview. "I don't think the gambling gentry give two hoots which party. They just want friends in high places."

While the money may be spread evenly, pro-family Republicans face a unique dilemma.

"Pro-gambling is not pro-family and if not, our party should not as a party take money from the gambling interests," Rep. Frank R. Wolf, Virginia Republican, said in an August letter to Republican Party Chairman Haley Barbour.

He said it is awkward that Mr. Fahrenkopf, former GOP party chairman, now is chief lobbyist for gambling and also on the party's Presidential Debate Committee.

Mr. Wolfe, who will give the keynote address to the anti-gambling coalition conference, introduced legislation in January for a fact-finding commission.

Republican leaders such as Mr. Barbour have said regulated political contributions don't taint a party, and both Sen. Bob Dole, Kansas Republican, and Sen. Phil

Gramm, Texas Republican, two presidential hopefuls, have received large campaign donations from gambling interests.

The Senate bill is also sponsored by Sen. Richard G. Lugar, Indiana Republican, who has made the crusade against gambling part of his bid for the GOP presidential nomination.

"National prohibition of gambling, like prohibition of alcohol, is not a sound option," Mr. Lugar said in a recent speech to the Christian Coalition. "But we can educate communities and change public attitudes about the costs of gambling."

The pro-family groups say that for the first time gambling is being promoted by governments. "When you see the states engineering it, gambling is hard to stand against," said Paul Hetrick, vice president of Focus on the Family, which has issued a critical report, "You Bet Your Life."

Robert Goodman, who is on a book tour for his study, "The Luck Industry," said the illusion of economic development arose from Las Vegas. As a city, it drew revenue from all over the country because it had a "monopoly export economy."

That was replicated in Atlantic City, N.J., where gambling has generated \$35 billion in revenue — but where the economic model began to break down. Though out-of-

town money flowed to Atlantic City, a quarter of its population has left, and hundreds of businesses folded.

Mr. Goodman said the "new economy" of gambling is based on 75 percent to 98 percent in-state residents who usually live within 50 miles of gambling sites. "That just cannibalizes the local economy," Mr. Goodman said.

Money that would have been spent on clothing or other recreation, goes into betting. Such communities must also begin spending more on police, welfare services, and bailing out bad checks and bankruptcies. "These are the costs that states are starting to look at now," Mr. Goodman said. "It's not a free ride."

The increase in gambling is not surprising as the culture becomes more secular, said Wayne E. Oates, emeritus psychiatry professor at the University of Louisville and author of "Luck: A Secular Faith."

"Gambling is the antithesis of the work ethic," he said. Those who wager money aren't real gamblers, he said, ignorant as they are of mathematical probabilities.

"They believe in irrational luck," he said. "What used to be a belief in God's providence has become reliance on fate."

Public acceptance of legalized gambling, he said, is related to "a lack of a religious ethic."

Plethora of presidents marks Truman legacy

Gerald Ford, as well as Vice President Al Gore, Georgia Sen. Sam Nunn and Truman biographer David McCullough.

Mr. Clinton's rousing address touched on the 33rd president but zeroed in on — what else? — peace in Bosnia.

"My fellow Americans, if you want four years of bloody conflict to end, you have to support the United States being involved with NATO in enforcing the peace agreement," he declared, adding that when he met with Pope John Paul II recently, the pope had asked him not to "let the 20th century end with a war in Sarajevo."

How many guests got to hear Mr. Clinton was questionable since no one seemed to be able to stop the waiters from clearing and clattering the dinner plates during his keynote address.

It was interesting watching the contrasting styles of the two former presidents as they worked the crowds of wellwishers before the dinner. Mr. Carter was on the go, shaking hands with such old cronies as former Attorney General Griffin Bell.

Mr. Ford, however, stood his ground as people came up to him. "I'm 82 and I've skied for 40 years," he told one visitor almost incredulously. "I'm just trying to keep out of trouble," he added, almost tripping over former Rep. Lindy Boggs. "Are you still in Palm Springs?" someone asked. "We're there until we go to Vail," he murmured.

He seemed to get the most excited when he met Mr. McCullough. "I've read it!" he told the Pulitzer Prize-winning author, whose Truman biography was



mentioned more than once that evening as the reason behind a resurgence in Truman's popularity.

When he got to the dais, Mr. Ford thoughtfully recalled meeting Truman while serving on the congressional committee to rebuild the White House.

"I met him, shook his hand, I was overwhelmed," Mr. Ford

said. "And he gave us a personal tour of the White House. President Clinton, President Carter, you can't imagine — the ceiling had fallen 18 inches!"

"It was very firm decisions that exhibited Truman leadership," Mr. Ford said, touting the late president's "gutsy" leadership as Mr. Clinton took notes.

"Our foreign policy in the post-World War II period was one of the finest eras in U.S. history in its 200-plus years," he added, underscoring the spirit of bipartisan cooperation Truman crafted with the support of Republican Sen. Arthur Vandenburg.

Mr. Clinton picked up on the bipartisan theme in his speech, as if sending out a flare to Sen. Bob Dole. But Mr. Carter stayed on the subject when he spoke — succinctly — about how he cried when Franklin D. Roosevelt died.

"I first heard about Harry Truman as a naval officer who wept with both sorrow and despair when Franklin Roosevelt passed away," Mr. Carter said, "not recognizing at that time that Harry Truman would become, in my opinion, the greatest president of the 20th century."

—Patrick Butters

Stephanopoulos incident was no pain, just privilege

Once again it seems that the Clinton administration pulls

special favors to get 'out of legal difficulties. When presidential aide George Stephanopoulos got into a fender-bender accident and then apparently violated the law by leaving, he should have been treated like a normal citizen.

On top of that, Mr. Stephanopoulos had an expired driver's license and expired registration.

Remember President Clinton has said he and his staff feel our pain? To me it looks like it is a ploy to make us feel as if he and his staff are of the people, by the people and for the people.

I had to go through three weeks trying to get my driver's license renewed. Mr. Stephanopoulos, it seems, got his without a wait. It is examples like these that show change in the Clinton administration is more like business as usual.

I am glad to see at least the Republicans in Congress have shown that real change comes with actions. It is about time Mr. Clinton gets to actions, not just feeling-our-pain propaganda.

TRENT BARTON
Alexandria

THE WHITE HOUSE
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Washington, D.C. 20510

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I deeply appreciate your efforts to draw attention to the growth of the gambling industry and its consequences. Too often, public officials view gambling as a quick and easy way to raise revenues, without focusing on gambling's hidden social, economic, and political costs. I have long shared your view about the need to consider carefully all of the effects of gambling, and I support the establishment of a commission for this purpose.

My Administration is eager to work with you in designing such a commission and ensuring that its work is completed in a timely and effective manner. Your and Senator Simon's bill, S. 704, and Congressman Wolf's bill, H.R. 497, provide a very sound basis for this process, which I hope will include further discussion of the exact composition of the commission and the exact scope of its duties and powers.

Again, I applaud your efforts to place this important matter on the nation's agenda.

Sincerely,

William Jefferson Clinton

THE WHITE HOUSE

WASHINGTON

October 15, 1995

The Honorable Frank R. Wolf
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Wolf:

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