

at the State University and at AUA, in the areas of American history and law. We are sponsoring a program with the University of Colorado to help reshape the economics curriculum at the State University. And several scholars from the State University will receive Fulbright fellowships to do research in the United States. In our view, AUA and the State University are partners, not rivals.

To put it simply, AUA is a model of how the Armenian Government, the American Government, and the Armenian-American community are all working together, preparing Armenia for the future, and looking together for solutions to Armenia's problems. Some people say that a pessimist is an optimist who has spent the winter in Armenia. But I have spent the winter in Armenia, and I remain an optimist. When I visit the American University, I know that there is hope for the future. The future of Armenia is the hands and minds of today's students.

#### CONCLUSIONS

In my first year in Armenia, I developed an even deeper respect for the Armenian people. Against terrible adversity, against heavy odds they have kept their faith, their language, their culture and their pride intact. What would happen if, in America, we had to endure the conditions they endure; virtually no light, no heat, no gas, no electricity? The Armenian people have borne this stoically for four winters.

At the beginning of my remarks, I mentioned the First Republic of Armenia. You all know how it ended after roughly two years—divided within, fighting with neighboring Azerbaijan over Nagorno-Karabakh, beset by hunger and cold, warring with Turkey, without substantial help from the West, it was invaded by the Red Army, lost its independence, and became part of the Soviet Empire.

This new Armenian Republic has now lasted longer than the first Republic. Today's Armenia is also beset by many problems; petroleum and transportation embargoes, the same geographic dilemma, and again conflict over Nagorno-Karabakh.

What is different now is that Armenia is a member of the United Nations and the CSCE, a full member in the family of democratic nations. Today, there are international mechanisms for helping resolve conflicts, and for helping newborn countries to get on their feet. Today there is a successful and vigorous Armenian diaspora especially in the U.S. which is actively involved in supporting the reborn Armenian republic. These are now available to the Armenian Republic, and Armenia is using them.

But in the end, what can guarantee the independence of Armenia? In the 1930's, the great Armenian poet Charents wrote an acrostic into one of his poems—the second letter of each line spelled out, "Oh Armenian people, your only salvation is in your united strength." For these words Charents was expelled from the Soviet Writers' Union and died in prison. But what Charents said then is still true today. Ultimately, it is the Armenian people themselves, working together, who can guarantee their independence.

Armenia cannot survive in economic or political isolation. For Armenia to be a successful member of the community of nations, it will have to develop all of its resources. It must and will find ways to end the isolation, to establish new political and economic links with its neighbors, to establish connections with the rest of the world. Armenia has much to offer the world—a unique culture, a rich history, and above all an abundance of talented people—especially young people—who want to make a mark on the future. I hope and believe they will continue to enrich

world culture and to contribute to the welfare of the reborn Armenian state. •

#### INTERSTATE BANKING AND BRANCHING ACT OF 1994

• Mr. BENNETT. Mr. President, last year we worked hard to ensure, after careful consideration by the Senate Banking Committee, the Senate, and the conference committee, that banks providing credit to out-of-State borrowers would be unaffected by other changes made in the new interstate banking and branching law. We considered the interests of the States, financial institutions, and regulators, and consumers on this very important point.

Unfortunately, and notwithstanding the care we took with the words we used, it has come to my attention that a recent court decision has misinterpreted several provisions of the interstate banking law. I want to set the record straight so that there is no confusion or misunderstanding.

Mr. Chairman, the intermediate appellate court in Pennsylvania issued its decision on December 14, 1994, in the so-called Mazaika case. In a 6-3 decision, the court held that a national bank located in Ohio was not authorized by section 85 of the National Bank Act to collect certain credit card charges from Pennsylvania residents—charges that the court acknowledged to be lawful in Ohio. Mr. Chairman, every other final decision by other courts on the merits of this very question has concluded that such charges were authorized by section 85 to be collected from all borrowers, anywhere in the Nation, as long as they were legal in the bank's home State.

In its decision, the majority noted the enactment of the Riegle-Neal Interstate Banking and Branching Act of 1994 and said that the interstate banking law "expressly provides that a national bank is bound, as to operations carried on in a particular State, by the consumer protection laws of each State in which it operates any branches." The majority was referring to the applicable law provision of the interstate law.

Mr. Chairman, it is my view that the Mazaika majority made several mistakes in its reference to the applicable law provision of the interstate banking law. These matters should be clarified.

First, the applicable law provision in the interstate law applies only and by its terms when a bank actually has branches in a second State. And even in such circumstances, the applicable law provision subjects the interstate branch of a bank to certain State laws only where those laws are not preempted by Federal law. This provision has no bearing on or relevance to the Mazaika case because, in that case, no branching by the Ohio bank into Pennsylvania is involved. Moreover, the law has long been settled by the courts that section 85 is preemptive.

Second, the Mazaika majority simply ignored the very important savings

clause in the interstate law. The savings clause is part of section 111 of the interstate law. Mr. Chairman, I well recall that this provision was included in the Senate bill at the request of the Senator from Delaware for two reasons. The clause makes clear that a branch of a bank in one State may charge interest allowed by that State's laws in making loans to borrowers in another State even if the bank has branched interstate into the borrowers' State. In addition, the Senate Banking Committee and the Senate very much wanted this provision in the law in order to ensure that a bank's ability to collect all lending charges had not been affected by other provisions of the interstate law—such as the applicable law provision.

The savings clause provides that nothing in the interstate law affects section 85 of the National Bank Act and also section 27 of the Federal Deposit Insurance Act, which relates to charges by State banks. The savings clause therefore preserves the preexisting lending authority of banks to collect all lending charges in accordance with home State law, without regard to the changes in branching authority made by the interstate law.

Does the Senator agree with my understandings that the majority in Mazaika seriously misconstrued the interstate banking legislation?

Mr. ROTH. Yes, I most certainly do, and I agree that it is very important to confirm these points.

At the Senate Banking Committee, I requested, and the Managers' Amendment included, the savings clause. The savings clause, as I have previously stated, made clear that the adoption of interstate banking legislation will not and was not intended to affect the existing authority with respect to any charges imposed by national and state banks for extensions of credit from out-of-state offices.

The Senate Banking Committee report and the conference report both contain explanatory language that is consistent with this reading of the interstate law. The reports state that, as a result of the savings clause, nothing in the interstate banking law affects existing authorities with respect to any charges under section 85 of the National Bank Act or section 27 of the Federal Deposit Insurance Act that are assessed by banks for loans made to borrowers outside the State where the bank or branch making the loan is located.

I took to the floor of this Chamber on September 13, 1994, to reemphasize these important points.

I very much agree with the Senator from Utah that the majority in Mazaika misread and seriously misconstrued the interstate banking legislation. I hope our discussion today clarifies these matters.

Mr. BENNETT. Mr. Chairman, I also wish to set the record straight about another provision in the interstate banking law. Section 114 establishes a

new procedure concerning when the Federal banking agencies issue interpretive rulings or opinion letters that preempt certain State laws. I have learned that some are arguing that section 114 and its legislative history somehow overrule, or cast doubt upon, interpretations of the word "interest" by the OCC, the FDIC, and the OTS. These interpretations have been repeatedly cited by many courts.

Mr. Chairman, it is my interpretation that nothing in section 114 or the legislative history of the interstate banking law overrules, or casts doubt upon, these prior interpretive letters issued by the Federal banking agencies. The savings clause in section 111 makes this abundantly clear. Indeed, it is my understanding that section 114 addresses only procedural matters, and was not intended to alter or establish any principles of substantive law.

May I ask the Senator from Delaware whether he agrees with my interpretation?

Mr. ROTH. I do. •

#### WHEN GAMBLING COMES TO TOWN

• Mr. SIMON. Mr. President, during the last session of Congress, I introduced a bill to set up a commission to look at the whole question of where we're going in the United States on gambling and what our policy should be. This is a major cultural shift that is taking place that has an impact on our citizens and has an impact on government revenue.

Recently, I heard reference to an article by Stephen J. Simurda in the *Columbia Journalism Review*, and I got a copy of the article. I ask to insert it at the end of my remarks.

My instinct is that we should move with some caution in this field.

The article mentions that the Center for Addiction Studies at Harvard University says that between 3.5 and 5 percent of adults exposed to gambling can be expected to develop into pathological gamblers. Even more disturbing, the percentage is higher, 6 to 8.5 percent, for college and high school students.

I do not know what the answer is, but I know that Congress and our federal government probably should not ignore this phenomenon.

The article follows:

#### WHEN GAMBLING COMES TO TOWN

(By Stephen J. Simurda)

Just five years ago state-authorized casino gambling in the United States was confined to Nevada and Atlantic City, New Jersey. Today, casinos can be found in eighteen states. Many are Indian-owned—as in New York, Connecticut, Minnesota, Michigan, Arizona, and Oregon. Others are floating casinos—like those on the rivers of Illinois, Iowa, and Mississippi.

And more are on the way. Missouri and Indiana have recently approved casinos, and the biggest one in the world is being built in New Orleans. Several more states, including Ohio, Pennsylvania, Massachusetts, and South Carolina, are considering various forms of legal gambling.

"All of a sudden it's like, bang! legalized gambling is the biggest economic development force in almost every state in the country," says Robert Goodman, an urban planner at the University of Massachusetts at Amherst who recently completed a two-year study of the gambling industry.

The current gambling surge can be traced, in part, to state lotteries, which have become a fixture in the American landscape in the thirty years since New Hampshire started the first public lottery of this century. Today, thirty-six states have lotteries, and legislators would be hard pressed to make fiscal ends meet without the millions of dollars they generate.

Taken together, these developments add up to a fundamental shift in the role gambling plays in U.S. society. In 1992, Americans spent a staggering \$30 billion on legal gambling, a figure *The Wall Street Journal* reports was more than was spent on books, movies, recorded music, and attractions (such as amusement and theme parks) combined.

The transformation of America into a gambling society was, of course, greatly accelerated by years of federal cutbacks, compelling cities and states to generate more revenue at a time when few politicians dare to prescribe an old-fashioned formula—raising taxes. So State legislators, mayors, and governors are often quite receptive to gambling promoters, a group that generally includes deep-pocketed developers, prominent local attorneys or financial consultants, and, in some cases, powerful political colleagues. Armed with glowing economic impact studies, promoters set out to convince communities that casino gambling will provide a big boost to their economy.

Journalists across the country who are asked to cover legalized casino gambling may find it a difficult and confusing assignment, for a variety of reasons. "It doesn't fit easily within the framework of a beat that most newspapers have, and there is a certain amount of technical expertise needed," says Robert Franklin, who covers philanthropy and charitable gambling for the *Minneapolis/St. Paul Star Tribune*. "There is no place from which to gather a lot of information in a hurry," adds Steve Wiegand, who has covered gambling for *The Sacramento Bee*. "And so many of the people I speak to are so self-serving it is hard to know how much of what they tell me is true."

These and other problems and potential pitfalls were mentioned by several journalists who have come up against one of the biggest local stories of the decade. What follows, then, is something of a field map for reporters and editors who find themselves suddenly compelled to explore and explain a complicated piece of terrain.

#### THE PROPOSAL

It promises a lot and has a strong marketing effort behind it. In Bridgeport, Connecticut, a city that recently emerged from Chapter 11 bankruptcy protection, Steve Wynn of Mirage Resorts promised 12,000 new jobs, four million visitors a year, and millions in tax revenues. And over the first half of 1993 he and other casino promoters spent more than \$2 million on lobbying, the most ever in Connecticut, to gain approval of a casino bill.

Legislators declined to act on the bill after the Mashantucket Pequot—a tribe that operates a huge and hugely successful casino on tribal lands in Ledyard, Connecticut—agreed to pay the State \$113 million, an amount equal to the State's budget shortfall for the fiscal year, out of slot machine profits. (Indian-owned casinos nationwide enjoy tax-free status; their success has spurred efforts to legalize corporate-owned casinos that would pay taxes.)

Inevitably, casino proposals will promise lots of jobs and tax money, among other incentives, but the promises are just that, and the reality may not match the sales pitch.

In Iowa, residents of Davenport—and the local media—were dazzled in 1989 by promises of a \$76 million investment by a floating-casino developer, including the building of a fifteen-story hotel, a shopping center, and an office building. By last year it was estimated that less than \$20 million had actually been spent, and nothing had been built. "The city was looking for bricks and mortar, land-based development, and that's what we didn't get," says Clark Kauffman, a reporter for the *Quad-City Times* in Davenport.

As a city or state reacts to a gambling plan with its own ideas about how the money might be spent, it's important to examine who will benefit. In many states, lottery revenues, for example, are supposed to contribute to education or services for the elderly. But in California and Illinois, among others, it's been shown that lottery funds have often just replaced legislative appropriations, not supplemented them, as many people thought they were intended to do.

#### GETTING A VARIETY OF OPINIONS

It's never hard to find promoters eager to make the case for gambling. "Reporters can expect to be showered with attention" by gambling promoters, says Daniel Heneghan, who has covered gambling for the *Atlantic City Press* since 1979 and has been offered free trips to other gambling properties by casino owners. (He declined the offers.)

Meanwhile, "informed critics of the industry are very hard to find," says David Johnston, a writer and editor at *The Philadelphia Inquirer* and author of *Temples of Chance: How America Inc. Bought Out Murder Inc. To Win Control of the Casino Business*. As a result, opposition presented in the media often comes from the religious community, which makes moralistic arguments against casinos—the kind of arguments many people don't take very seriously. Last August 20, *The Washington Post* ran a front-page story about gambling headed D.C. CONSIDERING CASINO GAMBLING: OPTION VIEWED AS ECONOMIC BOOSTER. The only opponent quoted in the piece was an assistant pastor at a Baptist church, who said, "We don't support gambling, because it's anti-Biblical and anti-Christ."

Reporters can usually get a more cogent analysis from economists, planners, psychologists, and other professionals. Pauline Yoshihashi of *The Wall Street Journal*, for example, in researching a piece that appeared in the *Journal* last October, asked a cultural anthropologist to explain the lure of gambling, and an entertainment industry analyst from a brokerage house to talk about the effect gambling may have on other entertainment businesses.

In a five-part series in *The Boston Globe* last September, reporters Mitchell Zuckoff and Doug Bailey turned to an architect and regional planner to discuss the government's promotion of legalized gambling, and to a professor of commerce and legal policy to address the parasitic nature of legalized gambling on the economy.

#### LOOKING OUT FOR FINANCIAL CONFLICTS

"Gambling interests suck up everybody," says Vicki Abt, a professor of sociology at Penn State University and author of *The Business of Risk*. Abt says that includes her co-author, Eugene Christiansen, who is often described as a "gambling industry analyst," as he was in *The Boston Globe's* generally first-rate series on gambling.

In fact, Christiansen is a consultant who makes about half of his income working for the gambling industry—a bit of background