

Warren Buffett Interview with Tom Grey: “Gambling, and the Parable of the St. Bernard”

“I get dozens of letters, almost daily from people who have financial difficulties for one reason or another. And they overwhelmingly come from three sources: One is health problems, people run into unexpected medical bills and it gets them into a tough situation. Second, they get into trouble on credit cards, frequently and a credit card is a temptation to many people. **But the third thing I hear about is people who have an addiction to gambling. And they’ve used thousands and thousands or tens of thousands of dollars that the family needs and they just can’t get off the hook and they find themselves in enormous financial trouble,** sometimes that interacts with the credit card situation.”

“I think that for a state to essentially prey upon its citizens, create more of these addictions, create more of these letters coming in everyday, I just think it’s wrong. I think it’s cynical on the part of the state to raise money from people who basically can’t afford it by promising them a dream that is not going to come true.”

“There’s nothing getting developed. It’s a transfer of money. I mean, basically, if you take the losses of everybody who participates in gambling, (it’s not gaming, it’s gambling), if you take the losses, it goes three places: it will end up going to the state as taxes, to some degree, that’s not development. It will end up paying part of the operating expenses, but any place you spend money with will pay expenses of that establishment. And it will go to the owners.”

“Addictions produce crime. If you have a large group of people that are addicted to drugs, you are going to have more crime. If you have a large group of people that are addicted to gambling, you are going to have more crime. People get into impossible situations when they get into positions like that.”

“For every lucky person, there’s hundreds of thousands, you just keep feeding the kitty and in the end, it’s just a big loser for everyone.”

“It is certainly clear that a given percentage of people will become addicted and use money they’ve got no business using and that percentage is not a small percentage.”

“You’re teaching your citizens something all the time by the actions you take as legislators and as administrators of a state like this [Nebraska]. And essentially they teach you that the state is on the other side of the transaction from you, they’re trying to get you to do something dumb. I think the state ought to be trying to do something *for* its citizens, not do something *to* its citizens.”

“We’re going to have gambling addicts in this country, but I don’t think the state ought to become the sponsor of spreading that addiction.”

On building casinos in other states:

“The argument is that these people are going over to Iowa, but I would say this: If you had a house with a nice lawn and you had a neighbor and they had a Chihuahua and the dog occasionally strayed over to your lawn and fouled the lawn, your reaction would not be to go out and buy him a St. Bernard. You don’t need more of it. [...] I guarantee you if you open up the floodgates: the casinos, the various concentrations of slot machines in the state, you will have multiples of the number. You will have the St. Bernards of addicts, as opposed to the Chihuahuas of addicts that presently exist.”

On advertising winners:

“I think it’s very cynical, of the state of Nebraska to sell false hopes. And if you were taking a million, several hundred thousand people in the state of Nebraska and you’re going to say ‘On behalf of the state, I am going to take hundreds of millions of dollars from practically all of you, so that I can stick a couple peoples’ names up there as winners’, I don’t think there’s anything more cynical than that.”

“Take a million people, fifty of them, thirty, or some number out of that million, are going to change their circumstances dramatically for the better. But you’re going to have the other nine-hundred and ninety-nine thousand plus, who are going to lose the ability to take their family to a movie, to buy a toy for their kid at Christmas, or worse yet, become an addict and lose everything they have, including their self-respect, and break up their family... I just think that’s a terrible trade-off.”