

VIII. Why do People Gamble Too Much?--Pathological and Problem Gambling

To many people, gambling is a simple form of entertainment. But to some others, it becomes an uncontrollable behavior. Many terms are used to describe a person who has a problem with gambling, including pathological gambler, gambling addict, compulsive gambler, or problem gambler. All of these terms are used to describe a person for whom gambling has become more than an innocent diversion.

Some of these terms lack specific meaning. This report will follow the literature and use “problem gambling” to mean an umbrella term to describe a situation where gambling activity disrupts one’s life, but the extent of the disruption is not defined. Problem gambling includes pathological gambling, which is a more severe condition and is a term with specific medical meaning.

Pathological gambling is recognized as a medical disorder by the American Psychiatric Association and has elements of addiction similar to alcohol and drug addiction. It describes a gambler who loses control over gambling behavior with damaging personal, social and financial effects. Very often, the pathological gambler suffers from legal problems. Because the gambler is losing control it is referred to by mental health practitioners as an impulse disorder. Pathological gambling is a progressive disease, meaning that the symptoms will get worse over time. Mental health professionals see it as a complex disease often seen in conjunction with other disorders including depression and chemical dependency.

Graphic Stories Exist of Those Whose Lives Were Destroyed by Pathological Gambling. The media readily tells the tales of those whose lives were destroyed by their uncontrollable gambling. These are some stories that have been pulled from press clippings:¹

- A 40 year old Illinois woman gambled away her family’s savings and her wedding ring on a riverboat casino. When she found out that the sheriff was on his way to evict her and her family for missing 17 consecutive mortgage payments, she drove to a mall parking lot and shot herself. She left a husband who did not even know that his wife gambled, let alone had a gambling problem.
- Jason Berg killed himself after running up a huge gambling loss. He left a suicide note which simply read, “I’m out of control.” He was 19 years old.
- Cuong Thu Cam fatally shot two friends and later committed suicide. He was despondent over his gambling debts and owed as much as \$200,000.
- A bank robbery occurred in San Jose. The robber was found within a couple of hours waiting for a seat at the gaming table inside a club.

- In Oregon, a County Commissioner was recalled in 1995 after pleading guilty to embezzling county funds to fuel his compulsive gambling.
- For those who have forgotten, probably the best-known pathological gambler is Pete Rose. A record-breaking hall of fame player was banned from the game he loved for life because of his gambling problems.

Tragic examples such as these receive an enormous amount of publicity and are often used by anti-gambling groups to fight the spread of legalized gambling. Industry observers credit attention from these stories as blocking laws that would have relaxed betting limit regulations in Missouri.²

Describing the behavior is much simpler than explaining why the problem gambler persists in behavior which is so damaging.³ There are several models that are used to describe the problem gamblers.

Mental-health professionals prefer the term “pathological gambling” because it stresses the disease aspect of the issue. Pathological gambling is a progressive and chronic disorder that is clearly distinguished from social gambling. Psychiatrist Richard J. Rosenthal, who has written the official medical definition, defines it as:

“a progressive disorder characterized by a continuous or periodic loss of control over gambling; a preoccupation with gambling and with obtaining money with which to gamble; irrational thinking; and a continuation of the behavior despite adverse consequences.”⁴

The results can be quite devastating. The disorder is incapacitating. The pathological gambler is unable to maintain solvency or provide basic support for themselves or their family. Further, as noted in the American Psychiatric Association description of the condition, “When the individual’s borrowing resources are strained, the person may resort to antisocial behavior to obtain money.”⁵ That is a vague medical term for theft, embezzlement, fraud, and other crime. A significant percentage of pathological gamblers have a second addiction to drugs or alcohol.

Pathological Gambling Recognized as a Medical Problem. In 1980, the American Psychological Association included pathological gambling in their Diagnostic and Statistical Manual of Mental Disorders, Third Edition (DSM-III). By including pathological gambling, it gave official medical recognition as a disease. Pathological gambling is also identified as a disease by the World Health Organization.

Since 1980, the definition of pathological gambling has undergone some major changes. At first, the emphasis was on the damage and disruption caused by the disease. The motive was of little importance. Subsequent versions have changed this description and revised the diagnostic criteria for pathological gambling, emphasizing the addictive nature

of the disease. It mentions issues concerning tolerance and withdrawal, suggesting a physiological basis for the disorder. In the case of the pathological gambler, tolerance refers to their increasing need for gambling and usually gambling with greater risks to get the same emotional effect. As with chemical dependency, withdrawal refers to the pain and discomfort associated with not practicing the behavior.

According to the latest version of the manual, DSM-IV, a person who exhibits at least five of the following behaviors may be a pathological gambler:⁶

- Preoccupation with gambling (e.g., preoccupied with reliving past gambling experiences, handicapping or planning the next venture, or thinking of ways to get money with which to gamble).
- Needs to gamble with increasing amounts of money in order to achieve the desired excitement.
- Repeated unsuccessful efforts to control, cut back or stop gambling.
- Restlessness or irritability when attempting to cut down or stop gambling.
- Gambles as a way of escaping from problems or of relieving dysphoric mood (e.g., feelings of helplessness, guilt, anxiety, or depression).
- After losing money gambling, often returns another day in order to get even (“chasing” one’s losses).
- Lies to family members, therapists or others to conceal the extent of involvement with gambling.
- Has committed illegal acts such as forgery, fraud, theft or embezzlement, in order to finance gambling.
- Has jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling.
- Reliance on others to provide money to relieve a desperate financial situation caused by gambling.

Researchers consider pathological gambling an invisible problem with symptoms that are hard to distinguish from non-pathological gambling.⁷ This contrasts with drug or alcohol addiction where there are obvious symptoms of intoxication. Further, individual cases will vary greatly.⁸

Who is Most at Risk For Becoming a Pathological Gambler? Research has shown that there are factors that increase the risk of being a pathological gambler. Surveys of pathological gamblers show a greater proportion of:⁹

- males,
- children of pathological gamblers,
- people with the attitude that money causes and is also the solution to all their problems,
- individuals with a poor education,
- single persons, and
- individuals whose household income is below the mean.

These findings are from prevalence surveys, not from studies of who is in treatment. White middle-aged males are the pathological gamblers most likely to end up in treatment.¹⁰

Researchers have been less successful in determining what causes problem gambling and what the differences are between problem and normal gamblers. There are many people who have a variety of risk factors but don't become problem gamblers.

Studies Indicate That There is a One to Five Percent Incidence of Problem Gambling in the Adult Population.¹¹ Specifically, the studies usually show the following results:

- Over their lifetime, about 1 to 5 percent of the population are problem gamblers. This includes individuals who are currently experiencing problems as well as those who may have experienced problems in the past.
- A subset of the problem gamblers, a group that may be as large as one to three percent of the total population, are pathological gamblers. This figure is from the DSM-IV, the most recent encyclopedia of mental illnesses, but there is some dispute over the actual level.

These incidence figures are surveys for the adult population as a whole. The rate of compulsive gambling among teens may be higher, reaching seven to eleven percent.¹²

One of the most comprehensive research projects on compulsive gambling prevalence was conducted by Rachel A. Volberg with funding by the National Institute of Mental Health.¹³ In this study, randomly selected individuals in five states were interviewed by telephone, using a survey instrument that detects pathological gamblers. California was one of the five states surveyed. There have been surveys of other states.

Prevalence over Lifetime			
	Total	Problem Only	Pathological
California, 1990	4.1	2.9	1.2
Average of 13 States	3.9	2.5	1.3
Current Gambling Problems			
	Total	Problem Only	Pathological
Average of 6 States	2	1.3	.7

Controversy Exists Over the Accuracy of the Surveys. The survey instrument used is the South Oaks Gambling Screen (SOGS). This survey instrument is a twenty-item scale that was derived from the diagnostic criteria for pathological gamblers published in DSM-III.¹⁴ Critics of the SOGS say that the instrument is too broad and vague, and it overstates the persuasiveness of the problem.¹⁵ They point out that one incident of an argument with a spouse and some remorse over losses from exceeding gambling limits can lead to a positive result on the screen. The potential for false positives may be increased because gambling may be more likely to lead to occasional problem elements by normal individuals.¹⁶ In other words, there may be some low or occasional incidence of distress that cannot truly be considered problem or pathological, but does result in a positive score according to the test.

Another criticism is that the screen doesn't accurately detect problem gambling in the young. The screen was developed from response and behavioral patterns of adult pathological gamblers. There is also a concern that it based on the criteria in the DSM-III, not the DSM-IV. Those that use the screen retort that it is accurate for many different groups.¹⁷ The screen is in the process of being updated to the new DSM-IV definitions.

Some critics argue, however, that the screen doesn't detect enough problem gamblers. Some observers are concerned that researchers can't realistically conduct phone surveys of problem gamblers. They point out that problem gamblers are at the clubs or afraid to answer the phone because the gamblers don't want to talk to somebody they owe money.¹⁸ Another point of interest is that there is a large rate, 27 percent in the California study, of people who refuse to answer a telephone survey. That is similar to other telephone surveys regarding sensitive questions.¹⁹

Controversy Exists Regarding Whether Prevalence Studies Suggest a Link Between Pathological Gambling and Legal Gaming. Results of the Volberg study suggest that problem gambling is a greater problem in those states where legal wagering has been available for some time.²⁰ This conclusion is arrived at by comparing rates in different states. Drawing conclusions from comparisons of one state over time or a cross-sectional study of multiple states is difficult. Such comparisons are based only on the prevalence rates and not by looking at population differences that could explain the different rates.

Another way that prevalence studies attempt to shed light on the same question is by conducting the studies over time. In South Dakota, prevalence studies show that despite the legalization of casinos, the prevalence did not change in a statistically significant way over time. A study in Iowa came to quite different conclusions. It showed a dramatic increase from 1.7 percent in 1989 to 5.4 percent in 1995.

Mental health professionals who treat pathological gamblers tend to believe that legalization leads to increased compulsive gambling.²¹ The DSM specifically notes that the onset of pathological gambling can result from greater exposure to gambling.²²

Counselors form this belief based on their experience and the nature of addiction. They tend to hold the view that some people may be predisposed to an addiction. If a person was predisposed to have a drinking problem, but never came into contact with alcohol, she or he would not become an alcoholic. The pathology of their predisposing factors may still cause some damage to them and others. They might also be some other kind of addict, but they would not be an alcoholic. In the same way, a person with a predisposition to problem gambling may not see it manifested until access to gambling becomes available. Another element of this is that legalization leads to greater acceptance of gambling and greater exposure for the average person.²³

This behavioral pattern occurs because pathological gambling is a problem of impulse control. The more accessible gambling is, the harder it is to maintain the control. Despite the logic of this line of reasoning, there are no prevalence studies that prove the notion that expanded gambling will lead to increased problem gambling.

Another theory of problem gambling counselors is that electronic games such as slots and video lottery terminals are especially addictive.²⁴ They refer to these as the “crack cocaine of gambling,” because of the low cost per wager and their rapid play.²⁵ This connection is disputed. Those disagreeing point to survey results from South Dakota. The amount of video lottery sales in the state increased, but prevalence of gambling problems remained unchanged.²⁶

Regardless of any possible links, legal gambling probably cannot be blamed for all pathological gambling. Research in Texas before the lottery began operating showed that a small percentage of Texas had gambling problems.²⁷ Conversely in Louisiana, a recent study showed a very high rate of gambling problems and that problem gamblers tended to spend more than those in other states.²⁸ Louisiana has a great deal of accessible legal gambling.

If gambling were prohibited, would problem gambling stop? Probably not. According to Jean Falzon, executive director of the National Council on Problem Gambling, “Problem gambling is going to exist despite the availability of legalized gambling or the lack thereof. Many problem and compulsive gamblers have problems with sports betting which is predominantly illegal in this country.”²⁹

Social Costs in California Could Easily be \$5 Billion. The following table shows how the cost estimates are derived, and shows social costs that range from \$1 billion to \$10 billion. These are derived from cost estimates from other states and prevalence studies both from California and other states. It is not known with accuracy either the social costs or the actual number of problem gamblers. Hence, the table presents a range. The social costs per pathological gambler are in the low range as other studies have shown costs as high as \$50,000 to \$80,000 per gambler.

Estimated Social Costs of Pathological Gaming in California			
Percentage and Number of Pathological Gamblers		Cost Per Pathological Gambler	Total Cost
.5	105,000	\$8,000	\$844 Million
		\$15,000	\$1.6 Billion
1	210,000	\$8,000	\$1.7 Billion
		\$15,000	\$3.2 Billion
1.5	316,000	\$8,000	\$2.5 Billion
		\$15,000	\$4.8 Billion
3	633,235	\$8,000	\$5.0 Billion
		\$15,000	\$9.5 Billion

Source: California Research Bureau

The social costs of pathological gambling are explained in more detail in the economics chapter.

The State of Florida estimated that crime and social costs attributable to casinos would total \$2 billion at a minimum. For California, with slightly over twice the population, the total would then exceed \$4 billion, a figure in line with the above estimates.

Pathological Gamblers Play a Number of Different Games. Surveys have shown that some play a number of games. A study in a state with casinos showed that the majority of problem gamblers were having problems with non-casino gambling, including the state lottery.³⁰ The study also looked at the reasons that people called a help-line. Among these, a small majority said their problem was related to casino gambling. But, significant numbers said that their problem was lotteries or sports and race betting.

There are Two Main Types of Pathological Gamblers. With so many different types of gambling opportunities, the course of the disease can be broken into two types:

- The Escape Gambler: This is the gambler who prefers slot machines, bingo, and lotteries. They are often female and are married to men who are addicts of some kind. They tend to be depressed and use gambling to numb themselves.
- The Action Gambler: These prefer cards, dice, racing, sports, and stocks or commodities. They are competitive and concerned about status. They see themselves exercising skill in their gambling. They are more likely to be male and gamble for much longer before seeking treatment than the escape gambler.

Pathological Gambling and Gamblers Exist Outside of Gaming Establishments. One article points to Donald Trump and Robert Maxwell.³¹ Both men were gambling that their empires would emerge unscathed from the challenges they faced. Both men gambled incorrectly as subsequent events have shown. They are identified because of the nature and size of the risks they took. Experts in pathological gambling point to some of the more notorious financial market trading scandals as evidence of pathological gambling outside of gaming establishments.³²

Resources for Treating Problem Gamblers Have Grown. Historically, problem gambling was regarded as an individual failing rather than as a medical or social problem.³³ As such, little treatment was available.

The original treatment for problem gamblers was Gamblers Anonymous. It is also known by the shorthand GA. GA was established in 1957 and until the 1970's, it was the only treatment program in the United States for problem gamblers. The program of Gamblers Anonymous is based upon Alcoholics Anonymous. AA is a spiritual program that uses twelve steps as a guide to help program participants recover from alcoholism and its effects. GA uses the same basic twelve steps for treating uncontrolled gambling. The program is supported entirely by member contributions. The only requirement for membership is a desire to stop gambling. Like alcoholics, GA members attend meetings and talk of their experiences. GA members believe that they cannot control their gambling and must abstain. They learn to avoid gambling establishments and also learn that gambling won't solve their problems. For the problem gambler, the fellowship of GA represents a source of comfort, friendship, and social activities rather than turning to gambling.

Since its Inception, the Number of Gamblers Anonymous Chapters Has Grown Rapidly. In 1960, there were 16 chapters in the U.S. This number grew to 130 in 1970, and by 1988, 600 chapters existed.

The National Council on Compulsive Gambling (now called the National Council on Problem Gambling) was founded in 1972. The first inpatient treatment program for

compulsive gambling was established at the Veterans Administration Hospital in Ohio in that same year.

With the inclusion of pathological gambling in the DSM-III in 1980, people started to look at this problem as a disease, and paid more attention to treatment. There were an increasing number of treatment programs for compulsive gambling. Some programs were established by state legislatures in response to concerns voiced by the opponents of legalized gambling. There are also a number of private practitioners whose private practices are focused on compulsive gamblers. Generally, treatment is modeled on the treatment of alcoholism and other drug addictions. That consists of 12-step programs, behavioral modification and counseling, including individual, group, and family therapy, although, a review of the literature shows that a variety of treatment forms have been tried, including electric shock treatment and aversion therapy.

Treatment is complicated by the nature of the disease. Addicts are in denial of their disease, hence they cannot be relied upon to accurately report their condition. Many GA members were in therapy prior to joining GA, usually for depression, anxiety, and marital conflict, but their gambling problem was not admitted, recognized, or discussed. The employer can be a valuable tool in requiring an employee receive treatment. But because gambling is a disease that involves loss of control over money, any pathological gambler who is handling money is especially reluctant to let their employer know that they have a problem.

Another complicating factor is that pathological gamblers often don't have insurance to cover treatment. Many are having financial and employment problems so they don't have health insurance. If they have health insurance it may cover alcohol or drug treatment but only rarely gambling.

Effectiveness Rate of Treatment is Not Accurately Known. Although individual pathological gamblers can be quite successfully treated, little is known about the effectiveness of treatment programs. Self-help programs such as GA don't keep track of their success. One study showed that 8 percent of the members haven't gambled two years after joining the program. It is likely the effectiveness is greater because some members take longer than two years to completely refrain from gambling. When GA is combined with outpatient and/or inpatient treatment, the success rate is thought to be more like 50 percent.³⁴ However, many members leave GA because they don't want to abstain or they have difficulty with the concept of admitting a lack of control and having to decide to turn their life over to a power greater than the individual.

There is a school of researchers that argue that prevention is much more cost-effective, because of the high treatment costs and the uncertain success. Prevention programs include public awareness advertising and programs in the schools to make individuals aware of the disease. Again, despite the questions about the overall success rate, clinicians describe the disease as very treatable for any particular individual who has the appropriate motivation and receives the proper treatment.

Very Small Minority of Pathological Gamblers Seek Treatment. Although accurate figures are not known, the consensus of researchers is that it is a small minority. The best estimate for the population of Gamblers Anonymous is about 80,000. There are about 1 to 2 million pathological gamblers in the United States. A much smaller number gets professional treatment without going to GA.

One gambler who did seek treatment was Chet Forte, who was better known as the director of “Monday Night Football.” He also was producer-director of the 1984 Olympics. Mr. Forte won 11 Emmy awards. But he also gambled away nearly \$4 million including his million-dollar home. He was spared from prison only because the judge recognized his cooperation and his efforts in gaining treatment for his gambling addiction. According to press accounts, he paid back his debts, including back taxes, and continued attending Gamblers Anonymous meetings up until his untimely death from a heart attack in May 1996.

Some States Have Directed Significant Resources to the Problem. California is not among their number. Some examples include Texas where the agency that administers alcohol and drug abuse programs also has a gambling responsibility. The agency sponsored a pathological gambling prevalence survey in Texas. Massachusetts funds the Massachusetts Council on Compulsive Gambling with unclaimed lottery winnings. The State of Texas contributes to the Texas Council on Problem and Compulsive Gambling. Other states have sponsored extensive prevalence studies or provided funds directly for treatment and public education. Some states fund their programs through a portion of the lottery proceeds or fees on gaming activities.

The Gaming Industry Has Responded to the Issue of Problem Gambling. Though there is debate over the prevalence of problem gambling, the industry generally accepts that there are problem gamblers. Some gaming companies are participating in programs aimed at educating the public about problem gambling and providing information about the help that is available to those who need it. But participation is far from uniform. One observer has characterized the industry as doing surprisingly little.³⁵

There are different approaches to educating the public about problem gambling. Toll-free help-lines have become popular and one can see posters or stickers with the 1-800 number posted in casinos. Public service announcements on television and radio have also become popular. These announcements are often sponsored by the casino industry or a specific casino company.

While the industry is taking some responsibility and has been an active participant in the education effort, it does not feel its responsibility extends to treatment. The industry view is that pathological gambling should be treated like any other medical condition. Individual members of industry may have donated to charitable organizations that promote the counseling and treatment of problem gamblers.

Could casinos do more? One researcher noted that it is possible that seasoned casino personnel can be quite effective in identifying pathological gamblers. However, once a pathological gambler is identified it is not clear what is the appropriate response. Industry action is complicated by the concern that a gambler may walk down the street to a competing casino or facility.³⁶

There are Regulatory Strategies That Might Reduce Pathological Gambling Problems. The situation is quite different in European countries than in the United States. In Europe, individuals can request to be banned and even family members can request that an individual not be allowed in the casino. Some areas go so far as to prohibit locals from entering casinos.

The British experience with casinos provides an interesting contrast. This discussion is drawn from an article by the noted University of Nevada researcher Dr. William Eadington.³⁷ British casinos are run on a club basis with members and guests as the only allowed patrons. Credit is not granted and alcohol is prohibited. There is not any advertising for the general public. Casinos are required to provide printed material to advise patrons of wise gambling strategies.

Pathological Gamblers Leave High Costs in Their Wake. People seek treatment for compulsive gambling, but not just because of the losses they run up. Pathological gambling is not just a problem of lost money. Compulsive or pathological gamblers seek treatment when other addicts do, when their life is an absolute mess and they can't take it anymore. Mental health professionals point to factors such as widespread borrowing, deception, and crime making the lives of pathological gamblers uncontrollable. Reportedly, a large number of compulsive gamblers are involved in white-collar crime. Not surprisingly given the pathological gambler's need for funds, a significant proportion of those incarcerated may be pathological gamblers.³⁸

These problems don't even begin to detail the impact of their behavior on their family, including children. In other words, pathological gambling is not victimless. Research has shown that children of pathological gamblers had a variety of problems and were much more likely to be abused. In the parlance of the mental health professionals, "Children of pathological gamblers show more signs of serious psycho-social maladjustment."³⁹

Asians and Native Americans (as well as the young) have been identified as being particularly sensitive to pathological gambling problems.⁴⁰ Another study identified the elderly, the poor, minorities, and housewives.⁴¹ Asians have been identified because gambling is a more accepted part of their culture and participation tends to be much higher. The young are at risk because of their immaturity, which can lead to excess.⁴² Those involved in treating pathological gamblers also note large numbers of senior citizens, although this may reflect their high participation rate in gambling.⁴³

Underage Gambling Shows Worrying Trends. Some who are concerned about the issues say that gambling-related problems are overtaking drug addiction as the most prevalent problem among teenagers.⁴⁴ Surveys among young people show that a very large number gamble. The surveys show that about 80 percent responded that they have gambled by the time they were 15.⁴⁵ Approximately one-eighth of the nation's compulsive gamblers are teenagers.⁴⁶

An alternate point of view is that young people engage in a variety of experimental behavior of which gambling is but one example, and can be viewed as relatively normal.⁴⁷

A survey of teenagers in New Jersey showed that 64 percent of high school students had gambled at the casinos.⁴⁸ As reports note, there are tragic stories behind the figures:

- The captain of the football team with a \$5,000 gambling debt.
- A college student drops out 20 units short of graduation because his tuition was gambled away.
- A 16-year old was comped gourmet dinners and front row show seats. She was allowed in even after her father distributed her picture to the casinos. Caesar's and four other casinos eventually paid fines and donated funds to compulsive gambling programs.

A recent story that received considerable press attention involved three students at a New Jersey high school who ran a betting ring. They were charged with extortion, kidnapping and terrorists threats. The ring came to the attention of authorities when they kidnapped a 14-year old student who owed \$500. The student was dropped off at a housing project. The ring took in \$5,000 to \$7,000 per week.

Many played games that were illegal for minors to play and a significant number also bet on sports. Problem gambling counselors find this pattern of behavior worrying because it is illegal, hence it may have implications for those caught and convicted. Second, gambling among minors may lead to increased levels of problem gambling when they become adults.⁴⁹ A significantly larger percentage of pathological gamblers than the population as a whole report starting when they were young. At least some mental health practitioners view problem gambling, like alcoholism, as a family disease.⁵⁰ That is, there is a definite link between parental problem gamblers and their dysfunctional household and a higher level of addiction in their children, including pathological gambling.

The prevalence studies seem to show a consistently higher rate for youthful gambling than adults.⁵¹ One study of college students showed that 87 percent had gambled at some point, 26 percent gambled weekly, and 11 percent said they had gambled more than \$100 in one day. In that study, 5.7 percent were pathological gamblers, a higher figure than that found in adult prevalence studies.

There is some question about the actions taken by regulators and the casinos to deal with the problems of underage gambling. Although there are figures on the thousands of

underage patrons that were turned away or escorted from a casino, according to one researcher, no casino has even been fined for allowing minors to gamble.⁵² His article is several years old, however, and there are recent press reports of such fines, but it is not known how widespread they are.

Recent Louisiana Study Showed High Proportion of Young Problem Gamblers. The study released in July of 1996 showed that one in seven state residents between the ages of 18 and 21 are problem gamblers.⁵³ The rate was three times the adult rate. Technically these are not underage gamblers, because 18 is the legal age for most gambling in Louisiana. They are also not yet pathological gamblers.

Legal Treatment of Pathological Gambling Varies. Despite the recognition of pathological gambling as a medical condition, it is specifically excluded from the Americans with Disabilities Act. It is at least theoretically possible that a pathological gambler could claim disability under social security. Such a claim would not likely be for the gambling itself, as it isn't clear how that would make an individual disabled and unable to work. However, the gambling would probably be an indicator of another disorder. Many pathological gamblers also suffer from another mental illness.

California law has protected the pathological gambler by not allowing enforcement of the collection of gambling debts. The reasoning of the Supreme Court in a recent case was that, "...the law should not invite them to play themselves into debt. The judiciary cannot protect pathological gamblers from themselves, but we can refuse to participate in their financial ruin."⁵⁴

The liability of gaming proprietors is largely unexplored. The courts have been quite ready to hold dispensers of alcoholic beverages liable for damages to third parties from accidents caused by drunk drivers. There have not been any lawsuits yet for third-party damages from pathological gamblers, but the analogy has not been lost on observers.

Test for Gambling Addiction

If you answer yes to any of these questions, you might reconsider your gambling, according to experts on problem gambling.

- Do you ever borrow to pay for your gambling?
- Have you ever sold something in order to gamble?
- Do you have trouble sleeping due to your gambling?
- Do you gamble to escape worry or trouble?
- Do letdowns or disputes make you want to gamble?
- Whenever you feel good, do you want to gamble?
- Has your gambling led you to want to hurt yourself?
- After losing do you start over as soon as possible to win back your losses?
- Do you gamble to pay off other bills?
- Does your gambling money come from your everyday budget?

-
- ¹Irk Johnson, "More Casinos, More Players Who Lose it All," New York Times, 25 September 1995, p. A1.
- ²"Guilt by Association," International Gaming and Wagering Business, 1 July 1995, p. 50.
- ³The WEFA Group, Current Information on Problem and Underage Gambling (Bala Cynwyd, PA: The WEFA Group, 1994), p. 4.
- ⁴William Thompson, Professor of Public Administration at University of Nevada, Las Vegas, "Gambling Boom," CQ Researcher, 8 March 1994, p. 250.
- ⁵American Psychiatric Association, "Diagnostic and Statistical Manual of Mental Disorders," Fourth Ed. (Washington, DC: American Psychiatric Association, 1992) p. 616.
- ⁶*Ibid.*, p. 618.
- ⁷William R. Eadington, "Problem Gambling and Public Policy: Alternatives in Dealing with Problem Gamblers and Commercial Gambling," in Howard Shaffer, ed., Compulsive Gambling (Lexington, MA: Lexington Press, 1989), p. 177.
- ⁸Emanuel Moran, "The Growing Presence of Pathological Gambling in Society: What We Know Now," in Eadington and Cornelius, eds., Gambling Behavior & Problem Gambling (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1993), p. 136.
- ⁹Rachel A. Volberg, "Prevalence Studies of Problem Gambling in the United States," Journal of Gambling Studies vol. 12, no. 2 (Summer 1996), p. 117.
- ¹⁰Rachel A. Volberg, "The Prevalence and Demographics of Pathological Gamblers: Implications for Public Health," American Journal of Public Health vol. 84, no. 2 (February 1994), p. 239.
- ¹¹*Ibid.*, p. 239.
- ¹²Thompson, *op.cit.*, p. 249.
- ¹³Volberg, *op.cit.*, pp. 237- 241.
- ¹⁴Rachel A. Volberg, "Estimating the Prevalence of Pathological Gambling in the United States," in Eadington and Cornelius, eds., Gambling Behavior and Problem Gambling, 1993, p. 368.
- ¹⁵Mark Dickerson, "A Preliminary Exploration of a Two-Stage Methodology in the Assessment of the Extent and Degree of Gambling Related Problems in the Australian Population," in Eadington and Cornelius, eds., Gambling Behavior and Problem Gambling (Reno NV: Institute for the study of Gambling & Commercial Gaming, University of Nevada, 1993), p. 347.
- ¹⁶Moran, *op.cit.*, p. 137.
- ¹⁷Volberg, "Prevalence & Demographics," *op.cit.*, p. 238.
- ¹⁸William Thompson, Ricardo Gazel and Dan Rickman, The Social Costs of Gambling In Wisconsin, Wisconsin Policy Research Institute Report, July 1996, p. 7.
- ¹⁹Rachel A. Volberg, personal comment.
- ²⁰Volberg, "Prevalence & Demographics," *op.cit.*, 239.
- ²¹This assertion is based on conversations with clinicians. Also noted in Volberg, *Ibid.*, p. 239.
- ²²American Psychiatric Association, *op.cit.*, p. 617.
- ²³Dr. Richard Rosenthal, personal comment, 8 July 1996.
- ²⁴Matt Connor, "Guilt by Association," International Gaming and Wagering Business, 1 July 1995, p. 50.
- ²⁵*Ibid.*
- ²⁶"Comments on John Kindt's 'The Economic Impacts of Legalized Gambling Activities,' " Harrah's Entertainment, Inc., 1995, p. 15.
- ²⁷"Response to Robert Goodman's 'Legalized Gambling as a Strategy for Economic Development' " Harrah's Entertainment Inc., 1995, p. 5.
- ²⁸Louisiana Compulsive Gambling Study Committee, Report to the Legislature of the State of Louisiana, 1996, p. 16.
- ²⁹International Gaming And Wagering Business, 1 July 1995, p. 50.
- ³⁰Thompson, Gazel and Rickman, *op.cit.*, p. 9.
- ³¹Gordon Moody, "The Roots, Significant, Value and Legislation of Gambling," Unpublished paper, p. 10.
- ³²Personal comments from a variety of clinicians.

-
- ³³Volberg, "Estimating the Prevalence of Pathological Gambling," op.cit., p. 366.
- ³⁴Henry Lesieur, "Compulsive Gambling--Crime and Drugs," Proceedings of the National Coalition Against Legalized Gambling, 25 October 1995, p.11.
- ³⁵I. Nelson Rose, "Gambling and the Law: Compulsive Gambling from Sin to Vice to Disease," Unpublished paper, 1995, p. 23.
- ³⁶Eadington, op.cit., p. 177.
- ³⁷Ibid., p. 181.
- ³⁸"Pathological Gambling," Harvard Mental Health Newsletter, January 1996, p. 2.
- ³⁹Henry R. Lesieur, "Compulsive Gambling," Society vol. 29, no. 4 (May/June 1992), p. 47.
- ⁴⁰William Thompson, Ricardo Gazel and Dan Rickman, Costs of Gambling in Wisconsin, Wisconsin Policy Research Institute Report, July 1996, p. 5.
- ⁴¹John Kindt, "The Economic Costs of Legalized Gambling Activities," Drake Law Review vol. 43 (1994), p. 66.
- ⁴²Moran, op.cit., p. 141.
- ⁴³Jane Glenn Haas, "Games Seniors Play," Orange County Register, 19 May 1996, p.1.
- ⁴⁴Laurel Shaper Walters, "More Teens Play Games of Chance," Christian Science Monitor, 25 April 1990, p. 12.
- ⁴⁵WEFA Group, op.cit., p. 7.
- ⁴⁶Jennifer Perillo, "Betting Their Lives," Scholastic Choices, March 1994, p. 31.
- ⁴⁷"Response to Robert Goodman's 'Legalized Gambling as a Strategy for Economic Development' " Harrah's Entertainment Inc., 1995, p. 17.
- ⁴⁸Greg Garland, "Gaming Can Lead Teens to Crime, Suicide," Baton Rouge Advocate, 13 March 1994.
- ⁴⁹WEFA Group, op.cit., p. 7.
- ⁵⁰"Treatment: Focus on Teenage Gamblers," Behavior Today vol. 21, no. 11 (2 April 1990), p. 1.
- ⁵¹Walters, op.cit., p. 12.
- ⁵²I. Nelson Rose, "The Rise and Fall of the Third Wave: Gambling will be Outlawed in Forty Years," in Eadington & Cornelius, eds., Gambling and Public Policy (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1991), p. 72.
- ⁵³Louisiana Compulsive Gambling Study Committee, op.cit., p. 10.
- ⁵⁴Metropolitan Creditors Service of Sacramento v. Soheil Sadri1, 9 Cal. Rptr. 2d 646 1993.

IX. Economic Impacts of Gambling

According to one report, there is little reliable information on the social and economic impacts of gambling.¹ A great deal of research does exist, but often it is prepared by groups advocating one position or another and is biased or suffers from such basic flaws as to render it virtually unusable. In short, much of what has been done is not sound.

There is a Debate Over Whether or Not Gambling Can be Good For an Economy.

Proponents of the view that gambling is harmful use a quote of Nobel Laureate Paul Samuelson.²

“(Gambling) involves simply sterile transfers of money or goods between individuals, creating no new money or goods. Although it creates no output, gambling does nevertheless absorb time and resources. When pursued beyond the limits of recreation, where the main purpose after all is to kill time, gambling subtracts from the national income.”

Other economists have taken exception to Samuelson’s characterization of gambling. They point out that his criticism could be applied to movies or Disneyland. These are products that don’t add to the ability of the economy to produce more. But they still have value because they provide satisfaction, or utility in the economist’s jargon, to consumers. These economists are more concerned about the costs of banning gambling, that is the ensuing enforcement costs and the incentives to lobby and bribe public officials to allow illegal gambling to occur.

Gambling Can be a Powerful Economic Development Tool. Las Vegas is a testament of the powerful ability of gambling to foster economic development. Because of gambling, Las Vegas has shown impressive job growth, developed into a major city with a low tax burden that many state and local governments look at with envy, and has spawned significant private and public sector investment. But can the Las Vegas model be duplicated?

There are other questions:

- Are there costs involved that exceed the obvious economic development benefits?
- Who actually gains and who loses?
- If Las Vegas is a model of economic development through gaming, are there any other costs that need to be looked at? Las Vegas tends to have a wide variety of social ills associated with it.³ There is some controversy of the true level of these given the high tourist population. No studies have examined whether those are associated with gambling, the transient population, the growing population, or the low level of social services provided by the state.
- How widespread are the economic benefits? Las Vegas has grown into a large diversified city, but others have not. Atlantic City is a different case.

“But look at Atlantic City. It used to be a slum by the sea, and now, it’s a slum by the sea with casinos.”⁴

Research has attempted to answer these questions. Before we look at the research results, this report will lay out how a gambling development project may affect a local area. For those that are uninterested in the theoretical discussion, there are some conclusions that begin on page IX-7 that may be more interesting. This discussion also tends to focus on casinos but it is true for any type of gambling facility operation.

The Basic Criteria For Economic Development Success is For a Project to Increase a Region’s Net Exports. Specifically, the amount of goods or services that are exported needs to be increased or the amount that are imported decreased. This is the only way that income can increase. Projects can certainly be an overall economic success in terms of profit without doing either of these, but those profits come at the expense of other businesses.

Various Factors Come to Play in Determining if Gaming Has a Positive or Negative Economic Impact. A full accounting of all costs must be done and it is difficult. The economic impacts of legalized gambling are tangible and quantifiable. The basic economic impacts include the construction of a casino which leads to many jobs for construction employees and suppliers, employees to staff the casino, and the suppliers for an ongoing casino. Multiplier effects then ripple throughout the overall economy. But just because a gambling project creates a lot of jobs and a large facility is built doesn’t mean the economic impacts are positive. Non-economic impacts such as social costs are usually intangible, difficult to measure, and on balance negative.

Building a casino creates new jobs, such as a card dealer, in the sense that they did not exist before. But they may not be new jobs for the economy. Money spent on a gambling facility is money that already existed but was spent on other things. That is probably an obvious point, but one that needs to be made. Building and running a gambling facility doesn’t create wealth, it merely transfers it. The benefit for a region is if the transfers are from outside of the region. In contrast, there is not a stimulus or net benefit if development of the casino leads to more money being spent outside of the region.

This stimulus or beneficial impact could happen two main ways:

- Tourists from abroad spend more time and money within the region. For example, if foreign tourists changed their travel patterns so that rather than coming to both California and Las Vegas, they only go to California.
- Local residents who used to travel outside of the region and gamble now stay within the region.

There are also ways that building a casino could result in no increased benefits for the region:

- Local residents who used to go to restaurants now spend their money in the casino. Then the casino has no net economic benefit.
- Tourists who used to spend money on other activities within the region now go to a gambling facility within the region.

Constructing a casino could hurt a region if either of the following occurred:

- Locally-owned businesses go bankrupt because consumers have changed their expenditures to casinos that happen to be owned by out-of-state interests.
- Casinos buy more products from out of state than the businesses they replace.
- Casinos result in increased social costs including police and other public services as well as the costs of pathological and problem gamblers. These issues will be addressed shortly.

Economic Development and Impact on Communities

There is debate about whether or not gambling is an appropriate economic development tool. The argument against using it is that although the number of jobs associated with new gambling facilities is significant it is not a compelling reason to be legalized. For example, one commentator wrote after the Mayor of Chicago proposed a gaming project:⁵

“Ten thousand construction jobs are supposed to be created by this project. This may very well be true. However, we could create plenty of construction jobs by building brothels and opium dens.”

Gambling is Often Legalized to Promote Economic Development of Depressed Areas.

That was an important motivation in Las Vegas, Atlantic City, New Jersey, and many of the other locales for casinos.

Gaming in Atlantic City, like Las Vegas, has been a successful economic development tool. It has resulted in the building of many large facilities and over forty thousand jobs have been created. The success of gambling in Atlantic City, however, has done little to revitalize the rest of Atlantic City and its business community. Atlantic City has been described as two cities.⁶ One is the casinos and the other is a city of boarded-up buildings with a unemployed minority work force.⁷ Gambling has largely failed in achieving the objectives of job growth for local residents and city-wide economic development.⁸

Another criticism of gaming in Atlantic City is that it doesn't support complimentary businesses in the community such as restaurants because these facilities are all in the casinos. In Atlantic City, the number of restaurants dropped 40 percent since 1977. Most

people associated with the industry note that people don't venture far from the casinos. Because of this concern, Louisiana legalized a casino but it cannot have restaurants and hotel facilities.

In Mississippi, the Legislature legalized gambling, in part to promote development in the Mississippi delta. One county, Tunica, was the poorest county in Mississippi, the poorest state. Tunica was once called "America's Ethiopia." Since gambling was made legal, the welfare rate was cut by a third and the proportion of people receiving food stamps has fallen. Unemployment is down to 4.9 percent, its lowest rate in nearly two decades.⁹ On the negative side, crime skyrocketed and by some reports most jobs went to workers from Memphis.¹⁰

Many of the areas that casinos are being sited in Mississippi are heavily minority, almost solely African-American. Most industry observers note that casinos are making more of an effort to hire minorities than other industries.¹¹

One study showed little change in unemployment rates in counties where Illinois casinos are sited.¹² But the study did document substantial numbers of people being employed. The study suggested that the new jobs were just substitutions and/or that out-of-area workers were hired. But another explanation is that people who were unemployed but not looking for work, hence not counted in the labor force became more hopeful and led to increased labor force participation and employment but no change in the unemployment rate.

Localities report that the industry will pressure the communities to rewrite the rules for casinos once they are established.¹³ The casinos are trying to maximize profits as any business should, but this complaint does raise questions about the claims that are made by proponents prior to legalization. Examples of recent liberalizing moves are the extension of Atlantic City gambling hours on weekends at first and then on weekdays. Also, changes in Iowa regarding riverboat gambling rules are another example.

Local Governments have had Difficulty Controlling the Size and Scope of Gambling.¹⁴ Colorado legalized limited stake casinos in October, 1991. These facilities were sited in old mining towns that were in need of funds to preserve their historic structures. Within three years the towns were reaping large sums of money. Residents complained about traffic, crime, and noise and air pollution.¹⁵

Attempts were made to control the impact of gaming. Bets were limited and casinos had to be a small portion of the floor space. However, within a short period there were 7,000 gaming devices and 68 casinos. By December 1992, 21 casinos closed their doors, since then more have moved into bankruptcy.

The growth of the casinos and rising property tax rates lead to a decline in non-casino businesses. The town quickly found that it didn't have a grocery store, laundromat, or filling station as a result of increased taxes which had driven out these other businesses. There was also a considerable strain on the small town's infrastructure.

The City Manager of Central City, one of the cities with legal gaming, was quoted as saying:

"I'd tell anyone who was thinking of opening their community to casino gambling to have his head examined."¹⁶

South Dakota has a limitation on the number of machines per building. Tax revenues have accomplished the goal of restoring old buildings and repaving downtown. Retail sales growth within the community outpaced the state average.¹⁷

California Horse Racing Industry Has Major Impact. In a study prepared for the horse racing industry, the following impacts were noted:¹⁸

- The industry generates more than \$3 billion each year for the agribusiness, tourism and entertainment economies of California.
- Nearly 25,000 Californians work either directly or indirectly in the industry.
- The industry has declined in recent years as horse racing activity has shifted to states with lower state and local taxes or fees.
- The state's share of pari-mutuel receipts is three times higher than the national average.
- Approximately 4,000 jobs have been lost in the last five years.

Wisconsin Study Shows Major Economic Impact of Indian Gaming.¹⁹ This study attempted to describe the size of Indian gaming in Wisconsin. The major conclusions were:

- The revenues to the gaming operations were \$275 million.
- Employment at the casinos totaled 4,500. A significant portion, 1,400, were unemployed prior to obtaining casino employment and 20 percent came from the welfare rolls. Tribal employment supported by casinos constituted 70 percent.
- The multiplier effect led to another 1,500 jobs.
- Employees paid \$2 million in federal income taxes and almost \$4 million in Social Security and pension funds.

This study, along with many other studies supported by the Indian tribes, show the large economic impact of Native American gaming. These studies accurately and exhaustively calculate the direct economic impact of Indian gaming. The Indian casinos pay out wages, social security and Medicare taxes, and federal taxes. Even though the tribes are exempt from state and local taxation, many of their employees pay state and local taxes.

The economic impacts can flow outside of the reservation. A study in Minnesota found an increase in the wages of those in the amusement industry as well as an increase in sales in casino areas.²⁰ Typically, these are smaller rural areas. Little overall impact to the state was noted, however. An interesting spin-off from the construction of Foxwoods at Mashantucket, Connecticut led to a marked increase in the profitability of area savings and loans.²¹

The problem with these types of studies are that they don't document all of the benefits and costs of gaming. They look at the size of the industry, which in many areas is quite significant. They leave unanswered, however, if costs exceed the benefits and what is the impact on a larger area, such as the state or nation. Another problem of the studies is that they are somewhat suspect because they are paid for by groups that have an obvious interest in continued gaming.

Gaming can have a negative impact on rural areas also, depending on the pattern of sales. One study showed that the California state lottery was in effect a \$711 million anti-rural development program.²² This figure was arrived at by totaling the amount of money taken out of rural areas through lottery ticket sales, minus the funds that come back into the schools in those areas.

As noted in the discussion of Colorado, gaming enterprises can impact property values. According to industry material, casino gaming leads to higher property values.²³ This is supported anecdotally by stories of non-gaming firms leaving towns. The closing of small businesses may be another symptom, although both could be a product of a substitution effect as well, meaning that expenditures for gambling were substituted for other goods. The data and anecdotes from Colorado suggest that the impact can be disruptive and create a land-rush type atmosphere, at least initially.

Australia is a good laboratory for determining the socio-economic impacts. The country legalized a very limited number of casinos, allowing for a thoughtful look at the impacts of new casinos.²⁴ One notable and unsurprising impact is that the casinos took more of the gambling dollars, relative to other gambling enterprises. For most of the casinos, the bulk of revenues came from locals. Some casinos have been good at targeting international visitors and most have appeared to help tourism. But some casinos were placed in locations that were not big destination spots before, hence they did not have a significant impact. There was a boom to local restaurants, but a significant harmful impact on other trade. There were harmful effects like congestion, noise, and traffic. Also, the change in the aesthetics was noted. For the small towns it did appear to slow out-migration. It was difficult to ascertain the impacts to the compulsive gambler. The conclusion was that there was not a casino-led regional tourism boom.

Important Conclusions from this Economic Development Discussion Are:

- **Small Regions Benefit More than Large Ones.** The smaller the region the more likely a gambling project will be a benefit to the region. This statement is true for the simple reason that the smaller the region, the more likely the gamblers will come from outside of the region. That suggests that an urban casino will have a much different impact than a rural casino. Also the smaller the region, the greater chance that the costs of gambling, especially those of pathological or problem gamblers will occur outside of the region. Hence, gaming is likely to benefit an Indian reservation or a small city more than an entire state or country.
- **Any Industry that Draws Money From Outside is Helpful.** This is the pattern that Las Vegas followed. It fostered an industry that appealed to tourists and was unique. Gaming is not the only way to follow that pattern. Orlando, Florida owes much to Disney World, another tourist-oriented business that brought in a significant amount of money from outside of the region.
- **The Las Vegas Model can be Copied.** There are stories of success in Atlantic City; Tunica County, Mississippi; Joliet, Illinois; and the Pequot Mashantucket tribal lands in Connecticut to name a few. Clearly all of these places have seen an influx of investment and many new jobs being created. There is some dispute, however, about the positive effects in some of these places. What is in dispute are the social costs and the extent to which the original residents of these communities were helped.
- **How Many Places can Follow Las Vegas?** The fact that others have been able to follow the model makes many more places want to adopt the strategy. How many areas can be successful in luring large numbers of tourists to gamble?
- **Desire to Attract Out-of-State Residents Leads to Competition Between Jurisdictions.** Since the economic benefits occur in attracting out-of-state residents or preventing in-state residents from gambling in another state, legalization has led to competition between states. Once one state sees its residents crossing the river to gamble it creates pressure to make gambling within their own state legal. This pressure on regulating is referred to as a domino theory. A good example of this has been the legalization of riverboat casinos along the Mississippi river basin states.
- **The Freedom of People to Gamble is Worth Something.** Economists believe that the satisfaction of those who want to gamble and now can is worth something. Economists measure this and call it consumer surplus and can, in theory, estimate the dollar value of consumer surplus.
- **Many Claims of Industry Success in Economic Development do not Meet the Strict Criteria for Success.** Again, the criteria is that exports increase or imports decrease. With criteria for success this rigid, you must attract net additional dollars from out of the region, and these additional dollars must pay for any increased social

costs. Many claims of success by proponents, especially when pushing new facilities, are false.

- **Claims that Gambling Never Pays its Way Cannot be Disproven.** As discussed above, the claims that gambling never pays its way appear to be contradicted by the Las Vegas model. However, the assertion that gambling never pays its own way cannot be conclusively refuted because of the difficulty of accurately measuring social costs.

Public Finance

Politicians and the public are naturally attracted to an industry that is willing to pay 20 to 30 percent of its gross revenues as taxes. Also, gambling is seen as a source of money that is easier to obtain because it is not a tax on individuals.²⁵ Gambling has become a very accepted way for governments to raise funds.

Nevada Stands as an Enviably Example of what Gambling can do for Public Finances.

Casino industry revenues make up close to half of the state's tax revenue. But that is not a goal that states can realistically shoot for. Economists doubt that any other state can match that.²⁶ Casino operators agree. The following quote is from a Harrah's publication:

“Despite casino gambling's promise as a source of economic development and tax revenue, gaming should not be viewed as a panacea for the fiscal woes of a state or local jurisdiction. Casino gaming is more appropriately viewed as an amenity that in smaller metropolitan areas can be a cornerstone in the local tourism/entertainment market, and in larger metropolitan areas as simply another component of a regional tourism/entertainment package.”²⁷

Outside of Nevada, Gambling Taxes are a Small Share of State Revenues. The next largest gambling presence is in New Jersey, but there the proportion of state revenues provided by gambling is only about 2.5 percent of total tax revenues because the state is so large. The next largest gambling contributions to state revenues, in absolute numbers, are in Louisiana and Mississippi. Because they are small states, gambling revenues can make a larger proportion, about 8 percent of both states' budgets.

Estimated State & Local Government Revenue From Casinos	
\$ Millions	
Nevada	\$556
New Jersey	\$296
Illinois	\$286
Louisiana	\$204
Mississippi	\$189
Missouri	\$130
Colorado	\$51
Iowa	\$46
South Dakota	\$4

Source: Harrah's

Lotteries Don't Supply a Large Portion of Revenues. Compared to overall tax revenues, lotteries are small, they constitute only about 2.5 percent of total taxes.²⁸ Despite the sizable volumes being wagered, only about 40 percent of the lottery revenues are available for state programs after prizes and administrative costs are paid.

Even in California with more modest facilities, there can be substantial amounts of money earned by local governments. In 1993, the U.S. Conference of Mayors conducted a survey.²⁹ San Jose reported that \$5 million was contributed by cardclubs and charitable gaming. Another 500 jobs were reported in the industry, while Gardena reported 1,000 jobs. Although the City of Los Angeles had reported that bingo declined, in 1992 over 750,000 residents engaged in this activity and the city earned about \$2 million.

With some states earning large sums, other state and local governments look at how they can get a share of the gambling revenues. Because of the state money flowing to New Jersey and Colorado, New York Governor George Pataki has gone on record that gaming would be a way to keep the money at home, reduce income taxes, and control projected budget deficits.³⁰

Could Indian Gaming Help California? California might be able to get revenues from Indian casinos if it signed agreements regarding Indian gaming. Connecticut gains around \$200 million annually from slot machines in an Indian casino. There are about three times as many slot machines in California as in Connecticut. If individual slot machines in Indian casinos in California are as profitable, then California might be able to gain around \$600 million annually. The figure is derived from the profits in Connecticut multiplied by the three-fold greater number of slot machines in California.

This estimate is highly speculative and is based on the following calculations:

	Slots	Profit Per Machine	Revenues to State
Connecticut	4,000	\$120,000	\$200 Million
California	12,000		
As profitable as Connecticut		\$120,000	\$600 Million
As profitable as Atlantic City		\$89,000	\$445 Million
Lower profitability scenario		\$60,000	\$300 Million

The estimate is also based on the following assumptions:

- The tribes must be able to get around the prohibition on banked games and slot machines or be able to offer lottery and non-banked games that are as profitable. Slots and banked games are currently not legal in California.
- If they offer slots under a compact, these may be significantly less profitable in California. There are many more competing opportunities in California. If Indian casinos cannot have banked machines, that could also have an impact on profitability.
- The demand for gambling may be less in California than in New England.

It needs to be pointed out that the state cannot tax or even ask for money from the tribes. The funds must be offered, then the state can accept.

If Indian gaming grows along the lines of what some researchers claim, California could stand to gain even more.³¹ Dr. Marilyn Whitney modeled different scenarios for gambling growth in California. Under one scenario, Indian gaming more than doubled in size. The growth of Indian gaming led to a relative decline in cardroom and lottery activity and state and local revenues fell when adjusted for population growth and inflation. Under that scenario, the state could gain approximately \$1 billion if they could negotiate an agreement similar to what the state of Connecticut was able to negotiate and slots have the same popularity. The tribes would have to meet all the conditions described in the preceding paragraphs.

Ability of Governments to Gain Funds is Dependent on Industry Profitability. As recent events in Louisiana have shown, not all gambling is profitable. Last year, two new riverboat casinos opened in New Orleans. They both closed within nine weeks. The City of New Orleans was left to fight with other creditors over collecting \$3 million in taxes and fees. The City's problems aren't limited to the riverboat casinos. The land-based casino has netted only about one-third of its projected revenue.³² The closing of the land-based casino led to the layoffs of as many as 1,000 city workers and a 5 percent cut in the city budget.³³ In Iowa, the town of Fort Madison was left with a \$2.5 million bond for dock improvements, but the boat left because of lack of profitability.

Iowa County Became Owner of Gambling Hall

When the local racetrack stumbled into bankruptcy, county supervisors converted the clubhouse into a casino. The result is that the county has pulled in a tremendous amount

of money. The value of the casino, if it was to be sold, is estimated at \$300 million.³⁴ According to one report, the county has gone from “rags to riches.”³⁵

Reliance on gaming revenues can be problematic because of changing consumer preferences. Parimutuel wagering is one of the oldest sources of gambling revenues. In most states it is from betting on horses, but it includes dog racing and jai alai. Parimutuel revenues are declining and for all states is 17 percent less than in 1980.

The Reaction of Neighboring Jurisdictions is also a Risk Factor in Gaining Public Revenues. The domino theory plays a large role in whether or not governments get their funds. Iowa was initially quite successful in earning gambling funds. Then Illinois legalized riverboat casinos without some of the restrictions that Iowa had adopted. Traffic declined and two of the five boats moved out of Iowa. Revenues also dropped off.

Iowa responded by relaxing rules that limited operating hours and dropped a restriction that limited each gambler’s loss to \$200 a visit. But Iowa’s countermove had an impact on Illinois. A nearby casino in Rock Island, Illinois had to lay off 200 people and the city now receives only a fraction of the revenues it received last year. These events suggest that gambling can provide a lot of money if you are the first state in the region to legalize gambling, but revenues may be at risk if neighboring states legalize gambling.

Casinos May Hurt State Lottery Revenues. The competition between gaming interests isn’t just between states. Competition also occurs within industries within the state. This competition does have public finance implications. During a battle over casinos in Maryland, the restaurant and horse racing industries united against casinos.³⁶ Studies have shown that wagering on horse races clearly declines when casino-style gaming is made available in the same market.³⁷ A Florida study projected that gaming revenue would be between \$300 and \$450 million while sales tax would decrease about \$85 million and parimutuel and lottery would fall by a small amount.³⁸ In general, for states that rely more on consumption taxes the impact of increased gambling is likely to be greater than for states that rely on income taxes.

There is some debate about the competition between casino gaming and lotteries. Some research suggests that the casino gambler is much different than the lottery gambler.³⁹ That may change as casinos become more widespread. When Illinois opened up riverboat casinos, lottery revenues fell off by about 25 percent.⁴⁰

Similarly, the research for California that forecasted a possible doubling in the size of Indian gaming also showed a decline in lottery revenues.⁴¹ Local government revenues would also fall.

Another issue of competition that is of concern to some observers is the possible competition between legal commercial gaming and charitable gaming. Some hypothesize that charities will have less money as a result.⁴²

Another Element of the Public Finance Discussion is Public Service Costs. University of Illinois commerce professor John Kindt states that for every dollar of taxes, taxpayers spend three on infrastructure, problems gamblers, police, etc.⁴³ This contention is hotly disputed. Additional research has claimed that gambling can pay for services but because of the actual costs to consumers, it is a very expensive way for governments to raise funds.⁴⁴

For example, according to this research a ten thousand dollar police squad car really costs \$120,000 if the funds are received from gambling. That figure is arrived at by adding up how much money must be lost by consumers to earn enough gambling profits to pay \$10,000 in gambling taxes. By using that logic, a ten thousand dollar police squad car costs \$129,000 in meals in California. That is how many meals must be purchased to buy the car with sales tax. Figures such as these make it seem that the public services came at an exceptionally high price, but they ignore the fact that people like to gamble or eat out. They suggest the tax burden is the entire expenditure for the entertainment, not the small portion that it really is.

Social Costs

Problem and pathological gambling may be an invisible or silent disease but it is not a costless disease. Social costs are the costs borne by society as a whole that result from the behavior of the problem gambler. Social costs includes such items as fraud, theft, bad loans, bad checks, lost work time, unemployment and welfare benefits, insured or publicly supported medical costs, and criminal justice system costs. Those types of social costs are easier to quantify than other types of social costs that result from gambling such as increased rates of suicide, car accidents, and incidence of child abuse.⁴⁵ Another study says that social costs should include lost productivity of spouses, impaired judgment and efficiency on the job, divorces, added administrative costs for unemployed, and the costs of depression and physical illness related to the stress and lower quality of family life.⁴⁶

Any Attempt to Quantify Social Costs is Highly Speculative. Most of the studies have asked pathological gamblers who are in treatment or recovery of some kind to make an estimate of what they cost society. The studies look at those social costs that are easier to quantify, such as employment costs, loss of work, bad debts, civil court costs, criminal justice costs, therapy, and welfare. The problem of this research approach is that people in treatment are not representative of the entire population of pathological gamblers.

For example, in the Wisconsin study, 92 of the 95 members of Gamblers Anonymous who responded to the survey were white. This contradicts what is found in prevalence surveys that show a larger incidence proportion among minorities. Another sign of the unrepresentative nature of these surveys is that 52 percent of those responding were married, again that is inconsistent with the prevalence surveys. The second problem with surveying for determining costs is that it requires accurate reporting by the individuals. These are individuals who clearly have some problems or else they would not be diagnosed with this disease. It isn't known how this problem may affect their reporting.

Nevertheless, the results are interesting and, even if not representative, illustrate the high costs of pathological gambling. The lifetime estimates of losses by each gambler ranged from as little as \$100 to \$20 million. The latter high figure was from gambling on the stock market and it included \$8 million of embezzled funds. A study in Wisconsin shows that the social costs were about \$8,600 per year per problem gambler, a figure that is on the low end of the range of available research.⁴⁷ In Grinols and Omorov, a range of \$15,000 to \$33,500 per problem gambler per year is discussed from a survey of other studies.⁴⁸ There are other studies showing different figures and some of the cost figures are much higher, up to \$100,000 per pathological gambler.

Consumer Sovereignty

The economic studies have tended to ignore a very important economic component. That component is what economists call consumer surplus, that is the benefit to people who want to gamble. Economists can and do use methods that attach a dollar value to that consumer surplus. Consumer surplus may sound like a theoretical tool that is not useful, but a simple example may help the reader see that it does exist.

Assume an individual goes to the movies and is planning to pay the normal entrance fee of \$7.00. Upon arriving the individual finds that entrance can be obtained at the matinee price of \$4.00. The individual pays \$4.00 but clearly the movie was worth more since the person was prepared to pay \$7.00. Consumer surplus then is at least \$3.00, the difference between the matinee price and the full price. At least, because maybe it was a movie the person really wanted to see and would have been willing to pay even more.

This concept of consumer surplus is especially relevant in valuing publicly-provided projects such as freeways where a toll is not collected. The value of the freeway can be established by estimating what people would be willing to pay.

Studies also have Neglected the Incidence of Costs and Benefits. Those who are paying the costs are the compulsive gamblers and those whose lives are touched by them. The benefits go to those who enjoy gambling. Also, certain groups of taxpayers may not be well compensated. Typically, Indian gaming doesn't result in the tax revenues from the establishments. Local governments may have to provide services for which they are not paid for. The people who gain from this subsidy are the people who enjoy gambling and the Native Americans, not a small issue given their history of poverty and difficulty in fostering economic development on the reservation. Consistently it has been shown that the poor spend a greater portion of their wealth on gambling. It is still, however, a small amount and generally their gambling is not why they are poor.⁴⁹

Bottom Line--Do Gaming Facilities Pay Their Way?

A Chicago Sun-Times headline said it best:

“Studies of Gambling Deal Few Answers--Conclusions Elusive on Social, Economic Impact of Casinos.”⁵⁰

The article follows with a discussion and a conclusion that ultimately, a decision on how to weigh all the costs and benefits is essentially subjective and moral. How does one weigh a shattered life of a pathological gambler against new jobs for people whose only hope had been welfare?

California-Nevada Gambling Relationship

With the discussion in this section of the economic success of an area being dependent on a place's ability to get out-of-region residents to gamble, it is fitting to discuss California and Nevada. To many observers, it is probably obvious and not worth discussing. The relationship is simple: California sends gamblers and Nevada receives them. A recent newspaper report gives an idea of how most people view the relationship:

“But there is something vaguely parasitical about Nevadans, who try their damndest to suck money from Californians.”⁵¹

With California exporting so much money to Nevada, there are obvious questions as to what might happen if California made gambling legal. A report by the Governor's Office of Planning and Research estimated that it would increase net income in California by about \$1.5 billion.⁵² Any estimate would have to be speculative as nobody knows how attached Californians are to going to Tahoe or Las Vegas. Also, if a California casino was developed it would allow more types of games to be offered in Indian casinos. What effect that might have on gambling behavior and where the dollar is spent is uncertain. Nevertheless, it is possible that California would bear added social costs such as those arising from the pathological gambler if casinos are legalized.

An interesting point to ponder is that California may gain from having the gambling center of North America so near its borders. Although Californians drop a large amount of money in the neighboring state, Nevada orders goods and services from California and California workers bring money or send remittances from Nevada. Nevada orders could never cancel out California spending alone, but when one considers the gambling activity of all the other visitors and all of the orders it generates, that could well be a net plus for California.

-
- ¹“America’s Gambling Fever,” U. S. News and World Report, 15 January 1996, p. 55.
- ²Paul A. Samuelson, Economics, 10th ed., 1976, p. 425.
- ³William R. Eadington, “Economic Development and the Introduction of Casinos: Myths and Realities,” Economic Development Review, Forthcoming, p. 3.
- ⁴“Gambling Proposals a Long Shot,” Los Angeles Daily News, 7 August 1994, p. N1.
- ⁵Mark M. Quinn, “Social Costs of Casino Proposal Are Too High,” Chicago Sun-Times, 4 April 1992, Sec. Forum, p. 16.
- ⁶Robert Goodman, “Legalized Gambling as a Strategy for Economic Development,” United States Gambling Study, March 1994, p. 59.
- ⁷Eadington, “Economic Development,” op.cit., p. 6.
- ⁸“Distressed Cities Increasingly Bank on Casino Gambling,” National Civic Review, Summer 1993, p. 303.
- ⁹“The Economic Impacts of Casino Gaming,” Harrah’s Entertainment Inc., 1995, p. 6.
- ¹⁰Christina and Benjamin Schwarz, “Mississippi Monte Carlo: Gambling Industry in Tunica County,” The Atlantic Monthly, January 1996, p. 67.
- ¹¹David Palermo, “Gaming’s Expansion Aiding Minority Job Seekers,” Las Vegas Review-Journal, 21 November 1993, p. E15.
- ¹²E. L. Grinols and J. D. Omorov, “Development or Dreamfield Delusions? Assessing Casino Gambling’s Costs and Benefits,” (Champaign, IL: University of Illinois, 1995), p. 13.
- ¹³Kathleen Sylvester, “Jackpot Fever,” Governing, December 1992, p. 25.
- ¹⁴“Distressed Cities Increasingly Bank on Casino Gambling,” op.cit., p. 303.
- ¹⁵Ibid.
- ¹⁶Rita Koselka and Christopher Palmeri, “Snake Eyes,” Forbes, 1 March 1993, p. 70.
- ¹⁷The WEFA Group, “The Effects of Casino Gaming on Consumer Spending,” (Bala Cynwyd, PA: The WEFA Group, 1994), p. 8.
- ¹⁸Russell Gould, “An Economic Analysis of the California Horse Racing Industry” Prepared for the California Thoroughbred Breeders Association, The Federation of California Racing Associations, Inc. And The Thoroughbred Owners of California, July 1, 1996.
- ¹⁹Wisconsin Indian Gaming Association and the University of Wisconsin Cooperative Extension Service, “Economic Benefits of American Indian Gaming Facilities in Wisconsin,” March 1993.
- ²⁰National Conference of State Legislatures, “Personal Income Effects of Minnesota Casinos Analyzed,” The Fiscal Letter vol. XVI, no. 3 (1994), p. 5.
- ²¹“Casino’s Winning Streak Lifts Small Thrifts,” American Banker, 13 May 1996, p. 4.
- ²²George Goldman, “The California State Lottery and Rural Areas,” Western Wire, Fall 1994, p. 21.
- ²³“Effects of Casino Gaming on Property Values and Property Taxes,” Harrah’s Entertainment, Inc., 1995, p. 1.
- ²⁴Jan McMillen, “The Impact of Casinos in Australian Cities,” in William R. Eadington and Judy A. Cornelius, eds., Gambling and Public Policy (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1991), p. 89.
- ²⁵Kathleen Sylvester, “Jackpot Fever,” Governing, December 1992, p. 23.
- ²⁶Steven D. Gold, “Are Casinos a Windfall for State Budgets,” State Fiscal Brief, no. 30, State University of New York, p. 1.
- ²⁷Promus Companies Inc., “The Do’s and Don’t of Casino Legislation: Lesson from the Field,” 1994, p. 3.
- ²⁸Steven D. Gold, “It’s Not a Miracle, It’s a Mirage,” State Legislatures, February 1994, p. 28.
- ²⁹U.S. Conference of Mayors, “Gaming and Gambling in America’s Cities,” September 1993.
- ³⁰Donald Hunter and Ernest Bleinberger, “Gaming in America,” Economic Development Commentary vol. 19, no. 1 (Spring 1995), p. 6.
- ³¹Marilyn Whitney, “An Economic Study of California Gambling,” Senate Committee on Rules, September 1995.

-
- ³²“Going for Broke on Casino Gambling,” The Washington Post National Weekly Edition 28 August - 3 September 1995, p. 33.
- ³³Ed Anderson and Alfred Charles, “New Orleans, State Study Options for Dealing with Harrah’s,” The New Orleans Times-Picayune, 23 November 1995, p. 8.
- ³⁴Richard Givson, “Slot Machines Pay Off Big for Iowa County Racetrack,” Wall Street Journal, June 24, 1996, p. B1.
- ³⁵Ibid.
- ³⁶“Going for Broke on Casino Gambling,” The Washington Post National, Weekly Edition, 28 August - 3 September 1995, p. 33.
- ³⁷Eadington in Bulter & Pearce, op.cit., p. 169.
- ³⁸Florida Office of Planning and Budgeting, “Casinos in Florida: An Analysis of the Economic and Social Impacts,” 1994.
- ³⁹The WEFA Group, op.cit., p. 8.
- ⁴⁰“Lottery Official Blaming Sinking Revenues on Riverboat Gambling,” Chicago Tribune, 8 February 1994, p. 2.
- ⁴¹Whitney, op.cit.
- ⁴²Goodman, “Legalized Gambling,” op.cit., p. 125.
- ⁴³“America’s Gambling Fever,” U. S. News and World Report, 15 January 1996, p. 55.
- ⁴⁴William Thompson and Ricardo Gazel, “The Monetary Impacts of Riverboat Casino Gambling in Illinois,” 11 June 1996, Unpublished paper.
- ⁴⁵E. L. Grinols and J. D. Omorov, “Development or Dreamfield Delusions? Assessing Casino Gambling’s Costs and Benefits,” (Champaign, IL: University of Illinois, 1995), p. 4.
- ⁴⁶Goodman, op.cit., p.63.
- ⁴⁷William Thompson, Ricardo Gazel and Dan Rickman, “The Social Costs of Gambling In Wisconsin,” Wisconsin Policy Research Institute Report, July 1996.
- ⁴⁸Grinols and Omorov, op.cit., p. 4.
- ⁴⁹Gabrielle A. and Reuven Brenner, “Gambling: Shaping an Opinion,” in Eadington & Cornelius, eds., Gambling and Public Policy, p. 493.
- ⁵⁰“Studies of Gambling Deal Few Answers--Conclusions Elusive on Social, Economic Impact of Casinos,” Chicago Sun-Times, 1 June 1993, p. 14.
- ⁵¹Dan Walters, “A New Edge for Nevada,” Sacramento Bee, 7 November 1995, p. A3.
- ⁵²Governor’s Office of Planning and Research, “California and Nevada: Subsidy, Monopoly, and Competitive Effects of Legalized Gambling,” December 1992, p. ES-2.

X. Politics and Gambling

The relationship between politics and gambling receives considerable attention. One reason is that people's voting behavior often reflects their attitude about gambling. Another reason is the concern about the possible impact on the political process of contributions from gaming interests.

Voting Patterns on Gambling Issues Have Definitely Changed. Before 1989, only one casino legalization effort was successful during the 1970s and 1980s. The vote to legalize casinos in Atlantic City was the only one out of nearly 20 state elections on casino gambling issues to pass. However, there was a much different record on lotteries. Every state but one, North Dakota, has voted yes on stand-alone lotteries.

Since 1989, eight new casino states have emerged. The success of gambling measures is attributed to economic issues which have appeared to drive out morality issues as the major concern of voters and politicians when it comes to gambling. Gambling has been seen as a way to boost the economy and gain public revenues.¹

The authors of the book on casino campaigns, *The Last Resort*, have suggested that a model for casino campaigns is what they call a veto model.² What they mean is that voters will not approve a casino if there is a significant negative among any of several important factors. These factors include opposition by a Governor or other major political figure, or morality and crime becoming significant campaign issues. The 1996 election has seemed to overturn that rule. Elections on casino gaming were won despite strong negative campaigns and gubernatorial opposition in Michigan, Louisiana, and Arizona. It is surprising that crime did not become an issue that shaped the Louisiana election given the great number of gaming scandals in the state.

Casinos have not required a vote of the people to be approved in every instance. Popular votes occurred in New Jersey, when residents voted for casinos in Atlantic City. Missouri had a statewide election in 1992. Local referenda were required in Missouri, Mississippi, Indiana, and Iowa at various times. These measures passed and paved the way for riverboat gaming's expansion.

Gaming Companies and Tribes Are Large Political Contributors. Evidence of the size and scale of political contributions can be seen in California. In California, the gaming lobby has spent over \$10 million since 1990.³

The 1994 gubernatorial election saw significant Indian tribal involvement. The tribes contributed more than \$1.5 million to the Democratic party in order to support a gubernatorial candidate who they believed would be more receptive to their gaming efforts.⁴ Their gubernatorial involvement was part of a larger effort to elect officeholders who would be friendly to their interests. Tribal contributions made to Democrats went from \$33,000 in 1992-1993 to \$2.4 million in 1994-95. The tribes donated \$740,000 to

the Umberg campaign for attorney general alone. However, they have also begun to increase their contributions to Republicans.⁵

The donations of the tribes are not limited to political causes. The tribes also have made donations for symphonies in San Diego and Sacramento.

Following is a table of political donations in California from gambling organizations.

Political Spending

Company	Lobbying	Campaign Contributions*	Total
Hollywood Park Operating Co.	\$430,391	\$1,420,000	\$1,850,391
California Commerce Club	\$606,349	\$654,360	\$1,260,709
Bell Gardens Bicycle Club	\$372,204	\$773,077	\$1,145,281
Oaks Card Club		\$207,051	\$207,051
Ladbroke Racing Association and affiliated entities	\$240,302		\$240,302
Table Mountain Rancheria	\$52,878	\$146,394	\$199,272
Rumsey Indian Rancheria	\$54,580	\$146,500	\$201,080
Barona Band of Mission Indians, Barona Casino	\$117,774	\$210,951	\$328,725
Viejas Band of Kumeyaay Indians	\$73,559	\$228,600	\$302,159
Sycuan Gaming Center		\$253,745	\$253,745
Los Angeles Turf Club	\$378,607	\$242,720	\$621,327
Bay Meadows Operating Co.	\$84,593	\$178,022	\$262,615
De Bartolo Entertainment, Eddie De Bartolo Jr.	\$10,000	\$167,725	\$177,725
Oak Tree Racing Association	\$69,998	\$207,401	\$277,399
Del Mar Thoroughbred Club	\$52,500	\$175,324	\$227,824
Totals	\$2,543,735	\$5,011,870	\$7,555,605
Source: Sacramento Bee			
*including local initiatives			

On the national level, gambling interests are quite active. The top 10 donations in terms of dollar amount from gambling interests are topped by the Mashantucket Pequot tribe followed by casino companies and technology firms. Gambling is among the top five interest group givers, just below the National Rifle Association.⁶

The amount of campaign money donated by gaming interests has led to press attention on the issue. In the words of two observers, the candidates are "...raking in Las Vegas money as never before."⁷ In certain state races, there have been similar patterns of major contributions by gaming interests. In Louisiana, one-third of the campaign contributions are from the gaming industry.⁸

Gambling Donations and Political Scandals Have Occurred. Because entry into gambling is limited by regulation, there is a potential for corruption in the licensing decision. In Missouri, the attorney general alleges that the house speaker broke the law by accepting funds from casino companies. The aim of the companies, according to the

attorney general, was to influence licensing decisions. The result was a grand jury investigation.

In Louisiana, there has been significant criticism of the licensing decisions for casinos. As the economics section notes, there have been several projects that have not been successful.⁹ Critics blame it on those who received the licenses and the fact that they received the licenses for political reasons rather than merit.¹⁰

Scandals in Louisiana Related to Gambling. Louisiana has been seized by a number of scandals related to the gaming industry.

Influence-Peddling Scheme in the Video Poker Industry. The scandal has led to the resignation or electoral defeat of several legislators. The senate president, the senate's most senior member, and the chair of the house committee which deals with gambling bills were all defeated in election campaigns as a result of the gambling scandal. As a result of the scandal, the new governor proposed a referendum on gambling in Louisiana. The election, which is discussed elsewhere in this section, was held on November 5. Each parish had the opportunity to vote on continuing to allow video poker machines and casino gaming within the parish.

The scandal has also led to an FBI investigation. Affidavits based on FBI tapes portray some lawmakers accepting payoffs or campaign donations from gambling lobbyists. Some of the newly-elected legislators that have ousted the incumbents are distinctly anti-gambling. Twenty-one men were convicted or have pleaded guilty to crimes. Many are connected to New Orleans or New York organized crime families.

Skimming on Construction Contracts: A crony of former Governor Edwin Edwards named William Broadhurst, is awaiting trial on charges he skimmed money off of a construction contract for a riverboat casino.

Improper Influence For Casino License: The State licensing agency conducted its own investigation into the case and then voted to close it without issuing a report. The FBI subpoenaed the records the day after the vote. There are allegations that the licensing agency was improperly influenced through campaign contributions.

Interestingly, many in the industry don't expect that events in Louisiana will have an effect on gambling elsewhere. The reason is the "Louisiana Factor," which to industry observers means a notorious political structure and a haphazard gambling regulatory regimen.¹¹

As a result of the scandals, binding referendums on continuing gaming were placed on each of the 64 parish ballots. Each parish had the option of banning the gaming that was currently legal within the parish. In 30 of the parishes video poker was banned. The most important elections were on the continuation of river-based and land-based casinos. These all passed in the parishes that had casinos. In Orleans parish, the home of the land-based casino, two-thirds of the voters favored maintaining the casino.

Louisiana is not Alone in Having Scandals.

- The speaker of the House in Missouri had to resign because of gambling corruption charges.
- The FBI conducted “Operation Lost Trust” in South Carolina. It resulted in the conviction of 17 legislators and lobbyists for bribes related to votes to legalize parimutuel racing in 1990.
- In the same year, six members of the Arizona Legislature pleaded guilty for accepting bribes on a bill to legalize casino gambling.

There Have Been Some Scandals Associated with California Cardrooms. In Irwindale, a city mayor’s enchilada was spiked in 1972 by a then cardclub proponent who was later convicted of trying to drug the mayor in an effort to blackmail him and win his support for a casino.¹² A scandal has recently occurred in California. A former chairman of the California Republican Party was indicted on charges of trying to influence a GOP Assembly Member. He offered the lawmaker a share of a proposed cardroom in Colma.

More recently, a member of the Compton City Council was indicted. She was charged with extorting money from a company seeking permission to build a cardclub in Compton.

¹William N. Thompson and Ricardo Gazel, "The Last Resort Revisited: The Spread of Casino Gambling as a Prisoner's Dilemma" unpublished paper, (Las Vegas, NV: University of Nevada, May 1994), p. 1.

²Ibid., p. 4.

³"America's Gambling Fever," U. S. News and World Report, 15 January 1996, pp. 54-55.

⁴"Indian Casino Not Ready to Remove Slots," Los Angeles Times, 17 November 1994.

⁵Max Vanzi, "Tribes Political Charitable Causes Get Casino Funds," Los Angeles Times, 6 May 1996, p. A3.

⁶"America's Gambling Fever," U. S. News and World Report, 15 January 1996, p. 61.

⁷"Candidates and Gamblers," Sacramento Bee, 25 September 1996, p. B6.

⁸Tyler Bridges, "You Can't Win (in Louisiana) If You Don't Play," The Wall Street Journal, 21 November 1996..

⁹"Going for Broke on Casino Gambling," The Washington Post National Weekly Edition, 28 August - 3 September 1995, p. 33.

¹⁰Ibid.

¹¹Mike Hughlett, "Facing the Louisiana Factor," The New Orleans Times-Picayune, 17 December 1995, p. 1.

¹²Los Angeles Times, 24 October 1995, p. B3.

XI. Gambling and Crime

Gambling is often associated with crime. The relationship is easy to understand. Many types of gambling have been, indeed still are, illegal. Hence, by definition, criminals were the only operators of games. When gambling restrictions were relaxed, criminals were the first to open up legal gambling establishments. A lax regulatory framework in Nevada did not prevent members of organized crime from openly owning and operating casinos. To some degree, Nevada needed the criminals to make gambling viable because no one else had their expertise and experience.¹

Up to the 1960s, Nevada had a Difficult Time Keeping Mobsters out of the Casinos.

Nevada was plagued by teamster financing, hidden ownership, employment of individuals of questionable character and background, and the clear links to organized crime.² In this context, organized crime doesn't just mean Mafia.³ Nevada improved its regulation only under the threat of federal intervention.⁴ The federal government believed, with good reason, that Nevada casinos were fueling organized crime throughout the country.

Because of this history, the concern about organized crime usually is raised whenever legalizing gambling is discussed. Even when New Hampshire began its state lottery in 1964, there was concern that organized crime would take over.⁵

Much has changed since the days when Bugsy Siegel started the first modern casino in Las Vegas. Organized crime has become part of the mystique of gambling but it is without significant influence today. Las Vegas and the Flamingo are part of an historical association with organized crime.

Modern Casino Gaming Has Safeguards to Protect Against Organized Crime.

Casino gaming has become one of the most highly regulated industries in America. The companies and individuals involved are very carefully scrutinized and held to extremely high standards. The organized crime scare is simply that, a scare according to many observers.⁶ Gambling is indeed associated with crime, specifically political corruption.

The casino companies suggest that they are devoid of organized crime influence because they are:

- Dominated by publicly-held companies, many with household names like Hilton and Sheraton.
- Answerable to their shareholders who are thousands of individuals and institutional investors.
- Answerable to the Securities Exchange Commission.
- Indistinguishable from any other business with accountants, attorneys, payroll specialists, auditors, and market researchers.
- Licensed and tightly-regulated by state governments.

Nevertheless, there remains an ever present concern about organized crime. The sheer volume of money, cash in particular, that is generated by gambling, makes it a tempting target. Organized crime has been successful infiltrating ancillary businesses such as machine maintenance or those that provide other services.⁷ Often labor unions are used as the vehicle to carry out the infiltration.⁸ There are examples of organized crime infiltration. For example, as discussed in the section on gambling and politics, the FBI is investigating allegations that Louisiana state legislators took multimillion dollar payoffs to approve an expansion of video poker. The individuals attempting to buy influence were connected to organized crime families.

Researchers state that organized crime is more of a product of illegal or poorly regulated gambling than well-regulated gambling.⁹ That is especially worrisome because gambling isn't just done within the large casinos. There are many other gambling opportunities and not all are as well-regulated or as free of organized crime influence as casinos. In California, cardrooms and Indian casinos have been a focus of concern about criminal infiltration.

The Role of Organized Crime and Indian Gaming has Been a Controversial One. As noted in the section on Indian gaming, the charge that Indian gaming has been infiltrated by organized crime has been made. Competitors and antigambling interests use that charge as an attack on Indian gaming. Some researchers and industry observers are quick to point out that, however, there is no evidence that organized crime has significantly infiltrated Indian gambling operations.¹⁰ Others counter that inadequate regulation and oversight make it harder to find evidence. But there is ample evidence of attempts, some of which have met with success.

The Los Angeles Times ran a lengthy article on Mafia attempts to take over an Indian gaming operation in California.¹¹ The attempts were ultimately unsuccessful. The information used in the article was from a long-running federal investigation. The same investigation eventually ended with the conviction of Richard Silberman, the former State Director of Finance, on charges unrelated to the gambling infiltration attempt.

There have been other incidents.¹² Two tribal leaders who had complained that Indians weren't getting a fair share of gambling profits at another facility were later murdered. At the Barona Reservation, a bingo manager was caught rigging games so that shills in the audience could win. Later, he testified about mob involvement in a number of Indian casinos throughout the country. Some of what he said has been substantiated. These events did occur, however, during the earlier years of Indian gaming.

Gambling is a Natural Target for Criminals Because of the Large Amounts of Cash. Gambling operations, including cardrooms, earn large amounts of cash and present particular opportunities for skimming and money laundering. Dealers don't have to continually inventory their chips and money while they are working, providing opportunities for fraud. In addition, cheats are drawn to casinos and cardrooms because of the large amount of money generated by the facilities. Dealer skimming of chips by

palming or collusion is probably the greatest risk.¹³ Clubs allow employees to gamble when they aren't working, a situation that can lead to collusion. Other risks include credit abuse, card cheaters, and currency transaction violations. Because of these factors, proper operations and security are very important.

Skimming has been a significant problem. The Kefauver committee found that it was widespread. There were indictments in the early 1960s of casino owners for tax evasion. Skimming can also occur with the granting of credit. Credit can be granted to individuals who aren't required to repay all of the loan. One solution is to prohibit credit, but that can increase the problem of loan sharking.

Money laundering is another problem. Bettors can come in with a large amount of cash and purchase chips. The chips can then be cashed in, labeled as "winnings" and the money is now legal. In California cardrooms, where the house is not the banker, it is harder to dispute claims of large winnings. Federal regulations require that currency transactions of \$10,000 or more must be reported including multiple transactions that exceed \$10,000. Employees have to be alert to the time periods and possibility of multiple transactions.

Another issue is kickbacks. These occur in a variety of different situations. Operators can receive kickbacks for allowing money laundering. Employees can be pressured into giving kickbacks for preferred assignments.

Crime has Been an Issue for Cardclubs. Although there has not been an overall comprehensive study, information is available from a report by the Attorney General, new reports, as well as a report by the City of San Jose Police Chief.¹⁴ According to these sources, there have been robberies and assaults of patrons who had left the cardclubs after making money. In the news reports, the criminals and victims are usually Asian and have been playing Asian games which frequently have high stakes.

There is debate about the role of the clubs and crime. The City of San Jose produced a memorandum showing dramatic increases in crime in the area where a new club opened.¹⁵ But it is hard to know if that is a result of more people coming into the neighborhood or criminals following the money. The police chief of San Bruno states that the club there presents no crime problem.

Some of the crime may be unrelated to the gambling that occurs at the cardclubs. Rather, the club is a suitable place to meet individuals who are willing to buy stolen property, drugs, or cars without registration. Other activities such as loan sharking and credit card/check fraud have been noted. Unfortunately, some of these crimes are difficult to prosecute. There is some belief that gambling crimes are victimless. This thinking ignores the role of organized crime behind some of these. Loan sharking can be difficult to prosecute because the victim doesn't want to be involved.

In the City of Commerce, seven individuals linked to a Chicago crime syndicate were indicted by a federal grand jury for racketeering, extortion, and conspiracy. The

loansharking and bookmaking operations occurred in the California Bell Club before the Gaming Registration Act was fully implemented in 1984.

Since then, however, there have been other incidents. A Santa Clara grand jury indicted 14 individuals associated with the Garden City cardclub. Skimming of approximately \$4 million in club revenues occurred. The subjects were eventually convicted of filing false income tax returns, making illegal campaign contributions, theft of club assets, and perjury. This is a case where upper level management of the club was involved. While less frequent than participation by low or mid-level employees, the scope for criminal activity is greater when upper level management is involved. Another example was the attempted effort of Chinese organized crime figures to purchase a cardclub.

Detailed information about the cardclub in Bell Gardens, the Bicycle Club, sheds light on criminal acts in cardclubs. The Federal government was a part owner. The club had been seized because it was financed through ill-gotten gains. Following is a listing of some important developments at the club.¹⁶

1. In 1986, Asian games were introduced and club revenues went from around \$12 million per year to \$60 million, then \$80 million annually.
2. One of the club's pit bosses was arrested and eventually plead guilty to seven counts of extortion and weapons' violations.
3. Wall Street Journal article identified the Asian Games manager as a member of an Asian crime family.
4. The Internal Revenue Service fined the club \$4.2 million for ignoring laws designed to prevent money laundering.
5. Government audits turned up a lack of adequate cash reporting and internal accounting controls.
6. The Attorney General alleged that the founder is skimming millions in the form of kickbacks from the manager of the Asian games.
7. Three more employees were arrested involving possession of automatic weapons and heroin smuggling. They provided evidence that led to the arrest of the manager for Asian games on conspiracy and extortion charges.
8. A new Asian Games Manager was hired. Part of the job was for her to grant credit to gamblers and pay operating expenses. Her money came from an organized crime figure.

9. The sale of the club was discussed with organized crime figures. One is in Nevada's "Black Book," meaning he is barred from even walking into a casino. The deal eventually fell through.
10. The casino manager suspends the next Asian games manager. The City of Bell Gardens then forced the manager to reverse the action and canceled the work permit of the club security manager. The Department of Justice suspended the license of Asian games manager and that of the Casino manager.
11. The Attorney General alleged that the federal trustee had knowingly allowed illegal activities at the club, including loan sharking, kickbacks, and cheating.

The television news show, "60 Minutes" did a report on the club. They were able to catch on camera the laundering of money at the club.

Loan sharking has also been an issue for the clubs.¹⁷ This crime is particularly dangerous for the problem gambler who needs money for gambling. Because of their compulsion it is easy to end up in debt to a loan shark.

The purpose of detailing some of the crime is to give a general sense of some of the problems that have occurred. A more detailed listing of cardclub crime can be found in the information available from the Department of Justice.

Federal Concern for Money Laundering Evidence by New Regulatory Requirements. During 1996, the U.S. Department of Treasury's Financial Crime Enforcement Network proposed to more tightly regulate cash transactions at California cardrooms and Indian casinos. The federal regulation adds cardclubs and Indian casinos to the definition of financial institutions under the Bank Secrecy Act. The purpose is to prevent fraud and tax evasion. Under this rule, the facilities will be required to maintain a comprehensive record keeping program and establish anti-money laundering safeguards. Part of the justification that the Treasury provided was that California is unable to monitor and regulate the activities of cardclubs absent additional resources and a gaming commission.

Another Crime Issue Associated with Gambling is Street Crime. U.S. News and World Report did a comparison of crime rates in cities with gambling versus those that do not. The crime rates were significantly higher in the places that allowed gambling.¹⁸ Industry researchers dispute the view that cities with gambling have higher crime rates and assert that the rates aren't higher when the tourist population is considered.¹⁹ The article failed to consider that these cities are vacation destinations and their population is swollen by the influx of tourists.

Atlantic City showed a jump in crime when gambling was legalized. The city went from 50th in the nation in per capita crime to first.²⁰ But when the number of tourists are taken into account, Atlantic City doesn't appear to have a crime rate that is much different from other cities.

In Deadwood, there were significant increases in crime and violence when gambling was legalized.²¹ The researcher acknowledges that the influx of people may be the cause. Another possible cause is the boom-town atmosphere.

Another researcher has pointed out that the crime that is attributable to compulsive gamblers is often underreported.²² This includes bad checks, embezzlement, check forgery and fraud. The crime rate is usually for street crimes, which aren't typically attributed to compulsive gamblers.

As noted in the economic section, Australia legalized a number of casinos. As such it offers a kind of a laboratory to see the results of expanded legal gaming. There was a noted increase in minor crimes, including vandalism and property damage by casino patrons. That may just reflect the growing number of tourists. There was not a big crime wave or any infiltration by organized crime.

Illegal Gambling is Still a Significant Problem. How big is illegal gambling? It may run as high as \$100 billion per year.²³ Other estimates put the figure even higher.²⁴ That may seem like a very large figure, but as noted earlier, sports betting is immensely popular and most of it is illegal. The large extent of illegal sports betting is one of the reasons that some used to advocate its legalization. Others claim that business with illegal bookies would not decline because they offer better odds, credit, tax free payouts, and greater convenience in placing bets and collecting winnings.²⁵

Sports books are not the only component of illegal gambling. In San Jose, police raids led to the confiscation of 60 illegal slot machines at 14 different business establishments.

-
- ¹Gabrielle A. and Reuven Brenner, "Gambling: Shaping an Opinion," in Eadington and Cornelius, eds., Gambling and Public Policy, (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1991), p. 493.
- ²Untitled paper, William Eadington, in William Eadington, ed., Indian Gaming and the Law, (Reno, NV: Institute for the Study of Gambling and Commercial Gaming, University of Nevada, 1990) p. 147.
- ³Lee K. Kavanaugh, "The Profile Technique in Bookmaking Investigations," in Eadington and Cornelius, eds., Gambling and Public Policy, p. 599.
- ⁴Jerome H. Skolnick, Untitled paper, in Eadington, ed., Indian Gaming and the Law, p. 145.
- ⁵"Task Force Report on Legalized Gambling to Honorable Evelle J. Younger Attorney General," 21 June 1971, p. 5.
- ⁶Donald Hunter and Ernest Bleinberger, "Gaming in America," Economic Development Commentary vol. 19, no. 1 (Spring 1995), p. 10.
- ⁷"Report and Recommendation of the Governor's Advisory Commission on Gambling" in Robert Goodman, "Legalized Gambling as a Strategy for Economic Development," United States Gambling Study, March 1994, p. 81.
- ⁸"America's Gambling Fever," U. S. News and World Report, 15 January 1996, p. 61.
- ⁹William R. Eadington, "The Legalization of Casinos: Policy Objectives, Regulatory Alternatives, and Cost/Benefit Considerations," Journal of Travel Research vol. XXXIV, no. 3 (Winter 1996) p. 5.
- ¹⁰Robert Goodman, "Legalized Gambling as a Strategy for Economic Development," United States Gambling Study, March 1994, p. 158.
- ¹¹Paul Lieberman, "The Indian's Gamble," Los Angeles Times, 7 October 1991, p. A1.
- ¹²*Ibid.*, p. A1.
- ¹³John Van de Kamp, The Bicycle Club and The City of Bell Gardens, 14 July 1995, p. 8.
- ¹⁴Chief Louis A. Cobarruviaz, Cardroom Analysis, City of San Jose Memorandum, 4 March 1996, and Daniel E. Lungren, Attorney General, "Status of Cardroom Gambling in California and The Proposed Gambling Control Act," February 1995.
- ¹⁵Louis A Cobarruviaz, "City of San Jose Memorandum: Gaming Regulation, October 27, 1995.
- ¹⁶Sam Gideon Anson, "Uncle Sam's House of Cards," Sacramento Bee, 5 May 1996, Sec. Forum, p. 1.
- ¹⁷April Lynch, "Win, Lose or Draw--Card Rooms, Loan Sharks Take Their Cut," San Francisco Chronicle, March 2, 1996, A13.
- ¹⁸"America's Gambling Fever," *op.cit.*, p. 58.
- ¹⁹"Comments on John Kindt's 'The Economic Impacts of Legalized Gambling Activities,' " Harrah's Entertainment, Inc., 1995, p. 17, and Henry Lesieur, "Compulsive Gambling--Crime and Drugs," Proceedings of the National Coalition Against Legalized Gambling, 25 October 1995, p. 2.
- ²⁰Goodman, *op.cit.*, p. 58.
- ²¹John Kindt, "The Economic Costs of Legalized Gambling Activities," Drake Law Review vol. 43, no. 1 (1994), p. 72.
- ²²Henry Lesieur, "Compulsive Gambling--Crime and Drugs," Proceedings of the National Coalition Against Legalized Gambling, 25 October 1995, p. 2.
- ²³"Gambling Boom," CQ Researcher, 18 March 1994, p. 248.
- ²⁴Much of the history of lotteries comes from John Scarne, Scarne's Complete Guide to Gambling (New York, NY: Simon and Schuster, 1961), p. 1.
- ²⁵"Gambling Boom," *op.cit.*, p. 248.

XII. Outlook and Options

It is difficult to forecast what will happen with gambling in California. After years of an almost unbroken string of growing gambling participation and opportunities, two events have intervened to bring the trend to a halt.

- A court case that severely cut back lottery games and threatened to drastically limit Indian casino gaming.
- A moratorium on cardclub expansion.

Added to this is the possible creation of a gaming commission to regulate cardrooms. What effect that might have on the industry is difficult to say.

Another emerging development that may have an impact on California is:

- Federal legislation that would establish a study commission to look at all aspects of gambling.

Gambling may be changing radically for other reasons. Minnesota announced a joint plan to allow gambling at home. Massachusetts also tried a one-year experiment with a telephone lottery system. There is considerable discussion of at home betting on the Internet.¹ Reportedly current Internet gaming operations are quite profitable.² Although illegal in the United States, they are legal in their offshore havens, typically in the Caribbean. If the casinos are outside of the United States it is difficult to prohibit or regulate play. For right now the volume of play is limited because of problems of legality, security and trust.

Nevertheless, there are some successful examples. There is a lottery based in Liechtenstein that is on the World Wide Web. Tickets are purchased with credit cards. It is one example of many that include betting on racing and casino games. Because of the ease of setting up a site the number may grow to thousands soon. In some sense, it is merely an outgrowth of an already existing in-home gambling market through the telephone and cable television. In the United States, it is limited to some off-track betting. Because of the rigorous requirements, it is small.

As gambling seems to find new areas for its growth, airlines have weighed in. British Air is putting gaming machines on their international flights from London to non-U.S. destinations. It is banned on all flights that originate or end at a U.S. destination. The FAA did a study and found that if gambling was offered on foreign carriers only it could be a \$500 million market.

Although the extent and types of gambling in and around California may be changing, it is clear that gambling has already made a major presence in the state. Following is a list of options for the state to consider adopting to deal with some of the impacts and issues

raised by gambling. These are only options and not recommendations. The California Research Bureau does not develop recommendations, merely options for policy makers.

Options

Research Options

Although this paper covers a lot of material, it is evident that there are many things that are unknown about the impacts of gambling, especially as they relate to California. Major issues related to gambling that need more research include pathological and problem gambling, underage gambling, economic impacts, public finance, and crime. Other states are in a similar situation and have tried to resolve the problem in various ways.

- New Jersey, Oregon, and Maryland have set up Commissions charged with studying the entire issue and making recommendations to the Governor. A commission such as those would not necessarily have to look at whether or not to expand gaming, but attempt to identify the impacts and how best to deal with them. Minnesota has an Advisory Council on Gambling. Its charge is to study the conduct of all forms of gambling in Minnesota and advise the governor and legislature on all aspects of state policy on gambling.
- Michigan had a blue ribbon commission that was entitled, “The Governor’s Blue Ribbon Commission on Michigan Gaming.” The commission was asked to assess the issue of expanded gaming. The Commission recommended expanding limited gaming. Their logic was that the state was already having to bear the social costs without any of the benefits. The Governor did not agree with their recommendation.
- Since there is a cardroom moratorium in California, such research could look at the arguments over the appropriate policy once the moratorium ends.
- The state could encourage federal studies which address areas of research needs. Such action would be particularly timely given the federal legislation that sets up a research commission.
- The state could conduct a study that discerns the number of pathological gamblers within the state. Many other states with gaming have conducted such studies.
- The Oregon Commission specifically recommended additional research. It was clear to the commission that very little was known about the costs of gambling. In the words of one of the members:

“Right now, we in Oregon do not know if we have created a monster. Nor do we know the real cost of state-run gambling, social and economic. But we do know we are going to pay the price.”³

Regulatory Options

This paper discusses the regulatory regimens in different states. There are marked differences between states. At one extreme are Utah and Hawaii, where no gambling is legal. At the other extreme is Nevada, where casino gambling is allowed at many locations throughout the state, but of course still subject to state and local regulation.

- Both examples are options for California. California could remove many of the restrictions on gambling in California or increase the restrictions on gambling.

Most states with as much gambling as California have a greater state regulatory presence, including a gaming commission of some kind. California could increase regulation of gambling several different ways.

- Establish a gaming commission to oversee all types of gambling. The jurisdiction could be as broad as cardrooms, charity gaming, and the lottery. The lottery is already state-operated and regulated. One option would be to establish a separate regulatory body to oversee the operations. The commission could also negotiate to gain some oversight of Indian gaming. Another option would be to limit the commission to cardrooms.
- Such a state gaming commission could preempt or share jurisdiction with the existing regulators of charitable gaming and cardrooms, primarily local governments.

Publicly-traded companies are subject to requirements of both federal law and the listing stock exchange. These requirements for audits can eliminate some of the criminal activity that can occur in connection with gambling establishments. Also, these companies have greater access to funding from banks and other mainstream business sources.

- Eliminate any restrictions on the number of cardrooms that publicly-traded companies can own and operate.

In some sense, California law is less strict than Nevada's. Nevada prohibits all gambling unless specifically authorized. California law allows gambling except when prohibited. As a result, the prohibitions contained in California law can be ineffective as new variants of the prohibited activity are developed. Twenty-one is outlawed, but the game of 22 can be played.

- Make all gambling illegal in California unless specifically authorized. The point is not to prohibit more types of gambling, but to make it easier to enact a prohibition of particular activities. This can also allow for standardization of games which can facilitate enforcement and regulation.

Pathological Gambling

Pathological gambling is a serious medical condition that with the proper intervention can lead to recovery for the individual.

- Ensure that there is available a continuum of services that people with gambling problems can take advantage of.
- Require that all gaming establishments post a 1-800 number for gamblers to call for assistance with gambling problems. The number could also be printed on the back of all lottery tickets. The province of Nova Scotia requires an information sticker on all gaming machines.
- Require all Internet information supplied by gambling interests have a direct link to a site that provides information and help for pathological gambling. If this could not be required of private interests, the state sites, such as for the lottery could have such information. The Florida regulatory agency has this feature. The Minnesota State Lottery has a site that contains information to help individuals make choices about whether or not to gamble, help set guidelines for healthy gambling, and talk with someone about gambling problems.
- Institute public education and awareness programs about problem gambling in schools and elsewhere. Part of the motivation for these programs is that problem gamblers are harder to spot than drug addicts or alcoholics. Other states support such programs.
- Fund treatment programs and/or education for mental health professionals. Iowa, New York, and Texas have supported treatment as does New York. Illinois is spending state funds to train gambling addiction counselors.
- Examine whether unclaimed lottery prizes or a fee on current gambling activities could fund pathological gambling programs.

There is disagreement over how best to help the pathological gambler. There are examples of public policies that have been adopted in other areas.

- Fund pathological gambling treatment programs to allow treatment on demand. This suggests a larger government role, but that may not be the case. If the treatment is successful, then those who use the program could end up paying back the money that goes for funding the program.
- Allow gamblers to sign a pledge that requires a casino to refuse entrance. Options could include play limits, rather than complete banning. Illinois and Missouri have such programs in their casinos.
- Gaming establishments may be more supportive of self exclusion programs if their liability is limited. That is, their liability if they make a mistake and allow an excluded gambler entrance to their premises. Conversely this could reduce the effectiveness of such limitations.

- Ban severe problem gamblers from entering gaming establishments.
- Ban advertising of gambling, including the state lottery. There is a significant chance that such a ban would not be constitutional.
- Ban credit card machines in casinos and gambling establishments. Other similar options would be to require ATMs to take deposits so winnings can be put safely away to discourage further gambling. Another option would be to establish limits on withdrawals from ATMs at gaming facilities.
- Ban gaming establishments from cashing checks, or at least government checks.
- Gaming establishments could follow the lead of Harrah's Casino and establish in-house programs to give services to employees and their families if they suffer from compulsive gambling behavior.
- Gaming establishment employees could be trained to recognize compulsive players, to intervene to stop compulsive play, and to direct players to help services. Such training could be expanded for everyone who sells gambling products, including lottery tickets.
- Require closing of gaming establishments for a few hours during a day to break up binges. This is roughly analogous to requiring bars and liquor stores to not sell during certain hours. The rationale behind the option is that a pathological gambler would be forced by the closing to examine his or her behavior.
- Require checks written by gambling patrons to be deposited as soon as possible. Check writing can be a form of lending if the check is not quickly processed.
- Ensure an adequate budget in the Department of Corrections for treating incarcerated pathological gamblers. The State of Wisconsin spends \$500,000 for counseling inmates on gambling problems.⁴
- Don't allow sales of liquor where gambling occurs. This option could apply even to the lottery. In Texas, bars cannot sell lottery tickets.
- Require compulsive gambling education in high schools.
- Ensure that public assistance cannot be accessed at gambling venues through ATMs.

In California, gambling debts cannot be enforced by the courts. There is disagreement over whether this is wise public policy that protects the pathological gambler or poor public policy that encourages loan-sharking.

- Allow gambling debts to be collected.

Economic Development

Gambling facilities are often used to promote economic development.

- Earmark gaming revenues for economic development areas such as enterprise zones. Such a policy would ensure that the money is targeted to those areas that need it.
- Just as Indian casinos have been used for economic development for the tribes, casinos could be allowed in other economically depressed areas.

Underage Gambling

- Making the minimum age for gambling 21 or older for all kinds of gambling within the state.
- Ensure that there are effective penalties for underage gamblers and the establishments that sell to them, including those that sell lottery tickets.

Crime

- Ensure that exclusions lists of known undesirables, petty thieves, and card cheats are shared between jurisdictions.

Indian Gaming

This has been a rapidly growing area without significant state involvement. Some states have increased their say over Indian gaming through state-tribal compacts. The compacts have been agreed to in part because of widespread concern that Indian gambling is not adequately regulated, although tribal leaders disagree.

- Enter into compacts and ensure Indian tribes address such issues as minimum gambling ages and revenue sharing.
- Prohibit sales of alcohol where there is gambling.
- Enter into a compact with Indian tribes to provide for a state regulatory role in Indian gaming.
- Petition the federal government to improve regulation of Indian gaming, including compilation and release of industry statistics.

Fiscal Impacts

- Negotiate voluntary revenue sharing agreements with Nevada. In that Nevada may be less than excited about sharing money, negotiations would probably have to be backed with the threat of casino legalization in California. One option would be to allow intercept casinos within a specific geographic zone, such as within 30 miles of the Nevada border and within 30 miles of a Nevada casino.

- Withhold lottery prizes for more than child support and delinquent taxes. Other states will withhold prizes for compliance with a judicial order or any moneys owed to city, county, state or federal governments.

Lottery Advertising

There is controversy over how lotteries advertise. Critics charge that the advertisements are misleading, suggesting that the lottery is an easy path to riches and promotes a society that believes that you can get something for nothing. Some states have tried to regulate the content of advertisements, the most recent being New York which makes its advertisements portray winners more honestly. It should be pointed out that advertising does help sales which in turn provides funds for California public education.

- Require the California State Lottery to advertise more typical winners than people who win millions.
- Require lottery ads, like those for prizes, show the odds of winning the advertised prize. Wisconsin requires the odds to be shown.
- Prohibit lottery advertising altogether.
- Limit lottery advertising to that which doesn't induce people to play. Wisconsin doesn't run promotional ads, but limits ads to those that are purely informational about how to play the games and what the top prize happens to be.

Recent court cases and Attorney General opinions have sharply reduced the ability of the lottery to raise money.

- Allow the lottery to run banked games and slot machines.
- Allow the lottery to open a casino with profits earmarked for the same worthy cause as presently supported by the California State Lottery.
- Allow private lotteries.

¹Robert Goodman, "Legalized Gambling as a Strategy for Economic Development," United States Gambling Study, March 1994, p. 108.

²Don Bauder, "Internet Casinos Deal From Stacked Deck, Critics Say," San Diego Union-Tribune, 12 May 1996, p. I2.

³Theodore Kulongoski and Peter Bragdon, "In Oregon, Other States Can See the Wages of Gambling," Sacramento Bee, 21 October 1996, p. 7.

⁴William Thompson, Ricardo Gazel and Dan Rickman, The Social Costs of Gambling In Wisconsin, Wisconsin Policy Research Institute Report, July 1996, p. 25.