

SOCIAL EFFECTS OF GAMBLING ON FLOATING VESSELS

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FOREWORD

This study was undertaken in response to House Resolution No. 392, adopted during the Regular Session of 1994. The Resolution requests the Bureau to study the *social* effects of shipboard gaming. This study examines, in general, the impact of legalized gambling on crime and problem gambling. Data regarding the impact of casino gambling on floating vessels, where available, are evaluated. Studies conducted by other states are reviewed. In addition, programs operated or funded by other states for problem gamblers are canvassed.

We extend our sincere appreciation to all who contributed and without whose cooperation this study would not have been possible.

Samuel B. K. Chang
Director

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Chapter 1

INTRODUCTION

House Resolution No. 392: House Resolution No. 392, 1994 (Appendix A), directs the Bureau to study "the *social* impacts of shipboard gaming" and directs the Department of Business, Economic Development, and Tourism (DBEDT) to study "the *economic* aspects of shipboard gaming." *[Emphasis added]* In addition, both the Bureau and the DBEDT are requested "to exchange information and data as necessary."

In a letter to the DBEDT dated June 22, 1994 (Appendix B), the Bureau expressed its willingness to share data, identified the researcher assigned to this study, and asked for the DBEDT's study liaison. In response, the Director of the DBEDT named their liaison in a letter dated June 28 (Appendix C-1).¹ However, a follow-up letter from the DBEDT dated July 12 (Appendix C-2) noted that no concurrent resolution was passed and that it is the administration's policy to address only those resolutions passed by both houses. Consequently, the DBEDT declined to conduct the study of the economic aspects of shipboard gaming as requested. Nonetheless, we have included an Appendix F listing resources that may be helpful to the DBEDT should it perform the requested study in the future.

Riverboat Casino Gambling: As explained further in chapter 3, *riverboat* casino gambling overwhelmingly dominates the "shipboard" market. In comparison, cruise ship gambling on the high seas offers negligible competition. Unlike some cruise ships, riverboats are fully dedicated to gambling. Usually, a full complement of casino-type games are available to riverboat patrons. (See chapter 5 regarding the current ban on slot machines on Missouri riverboats.)

Riverboats in five of the six states that allow riverboat casino gambling are required to actually set sail before gambling can occur.² (See chapter 6 discussing recent amendments to Iowa's laws that appear to allow dockside gambling in which riverboat casinos need not actually set sail on cruises.) Most conduct six or more cruises daily, each lasting two hours or longer. In some states, gamblers are allowed to board the first morning cruise and remain on board all day. In Illinois, one riverboat even advertises "18-hours of non-stop fun."³ On popular cruises, such as those on Saturday night, a gambler must pay again the admission fee, usually from \$4 to \$18, to remain on board for a second cruise.⁴

On the other hand, Mississippi has allowed dockside gambling from the beginning. Such dockside "riverboats" need only be capable of floating. Most are permanently attached to land and are not self-propelled. Some are completely landlocked and float in artificially-dug trenches. In fact, it has been reported that the more recent Mississippi riverboats have even

had their trenches filled in with dirt so that there is no longer any visible connection with water.⁵

Cruise Ship Gambling: As for cruise ships, according to the Transportation Institute:⁶

On March 9, 1992, a major breakthrough in federal maritime legislation was achieved. P. L. 102-251 was enacted into law with the intent of permitting U. S.-flag vessels to conduct gaming on the high seas to the same extent that it is permitted on foreign-flag vessels. P. L. 102-251 leaves the states to determine if casino-style gaming should be permitted on intrastate voyages and cruises-to-nowhere. In fact, the first U. S.-flag cruise-to-nowhere vessel to begin operating since the enactment of P. L. 102-251 is the *Crown Princess*, which started service from John's Pass near St. Petersburg, Florida in September of 1992. [Emphasis added]

Both domestic and foreign "cruises-to-nowhere" have operated beyond Florida's state waters. "Cruises-to-nowhere" are those "... that begin and end at the same U. S. port and do not stop at another U. S. or foreign port."⁷ However, Florida has not amended its laws in response to P.L. 102-251 and state law continues to prohibit domestic intrastate gambling voyages and cruises-to-nowhere. Florida reportedly sidesteps the issue by claiming that, according to all available information, no gambling takes place until domestic cruise ships cross the state boundary, placing them under *federal* jurisdiction.⁸ (See also chapter 5.) Louisiana law also allows cruise ship gambling, but in effect, only from the port of New Orleans. This is neither cost effective nor competitive with riverboats because no gambling can take place during the eight hours it takes to reach the high seas (and the nine hours to return). (See chapter 5.) With the emphasis on in-state riverboats and the huge land-based casino complex in New Orleans, there appears to be little interest in taking steps to make cruise ship gambling competitive in Louisiana.

Use of Terms and Focus of Study: For the purposes of this study, the term "shipboard" is interpreted to include both riverboats and cruise ships. The concept is better reflected in the term "floating vessels" and is used in place of "shipboard." The focus of this study is on riverboat rather than cruise ship gambling for several reasons. *First*, state legislation is required to legalize either riverboat or intrastate cruise ship gambling. *Second*, the types of games typically available on both riverboats and cruise ships are basically the same -- casino-type games that are available in land-based casinos. *Third*, cruise ship gambling, even though technically available in a few states, is almost non-existent. Its scale is insignificant compared to riverboat gambling. *Fourth*, gambling on cruise ships, such as it is, may be *incidental*, comprising only one component in a package of on-board entertainment activities. The diminished role of gambling on cruise ships may not accurately reflect the intent of House Resolution No. 392 to ascertain the *full* social impact of gambling. *Fifth*, because of the minimal presence of cruise ship gambling, there has been almost no research interest in its social impact. Certainly, no studies have been located that deal with the narrow issue of crime or problem gambling relating only to casino gambling on cruise ships.

INTRODUCTION

Relevant studies examine gambling on riverboats, not cruise ships. *Lastly*, it is gambling on riverboats and not cruise ships that is cited when the relative advantages of control, as opposed to land-based casinos, are discussed.

Organization of Study: Chapter 2 presents general background which discusses the universality and history of gambling and the nature and theories of gambling including sociological and psychological approaches. Chapter 2 also introduces the concept of gambling as an activity on a behavioral continuum ranging from normal to abnormal. Chapter 3 begins with a review of early *casino* gambling and its historical links with crime. It also examines casino gambling's capacity for criminal involvement. Finally, chapter 3 reviews studies from various states that have examined riverboat casino gambling and crime. Chapter 4 focuses on another social impact of gambling -- that of "problem" and "pathological" gambling. Various studies that attempt to examine the non-crime social effects of gambling are also reviewed. Most of these are so-called "prevalence" studies which attempt to measure the incidence and distribution of problem and pathological gamblers within a geographical area. Chapter 5 reviews programs in other states for problem and pathological gamblers. Chapter 6 examines "socially responsible" models of casino gambling against the panoply of ever-expanding numbers of floating and land-based casinos and escalating gambling activity throughout America. Models from Europe are also examined. It also reviews the dynamic of the dilution of gambling restrictions even as gambling spreads and the market is threatened with saturation. Chapter 6 ends with a set of possible restrictions and limitations on casino gambling on floating vessels should further consideration be given to legalizing such gambling in Hawaii.

Endnotes

1. The liaison named was Mr. Bob Shore, Chief of the Economic Analysis Branch of the Research and Economic Analysis Division.
2. Inclement weather is an exception. For example, in Illinois, boats can stay docked during high winds and still conduct gambling activity.
3. Gretchen Reynolds, "Rollin' on the River" in Chicago, June, 1993, p. 106.
4. Ibid.
5. Earle Harrison, "A Dirt-Poor Town Has Bumper Crop of Glitzy Casinos" in the Los Angeles Times, October 10, 1994, p. D2.
6. Transportation Institute, Guide to Riverboat & Shipboard Gaming Legislation, May 23, 1994 update (unpaginated looseleaf).
7. Ibid.
8. Telephone interview with John Topa, Legal Counsel, Florida House Committee on Regulated Industries, July 19, 1994.

Chapter 2

NORMAL AND ABNORMAL GAMBLING

When I was young, people called me a gambler. As the scale of my operations increased I became known as a speculator. Now I am called a banker. But I have been doing the same thing all the time.

Sir Ernest Cassel, private banker to King Edward VII of England¹

I. Background

Universality and History of Gambling

Gambling is rooted in antiquity. Humans have been fascinated by fate and the vagaries of chance since time immemorial. Gambling is also universal and has frequently been institutionalized:²

If we know anything at all about gambling, we know that its popularity cuts across all class, racial, and ethnic lines; and that in many cases a greater portion of any society are gamblers than are nongamblers ... [and] it is a persistent and institutionalized form of behavior.

Among the major conclusions drawn by the Commission on the Review of the National Policy toward Gambling in its 1976 report, Gambling in America, were the following:³

- (1) Betting seems to be a universal phenomenon -- less than 50% participation was found only among: (a) those over age 55; (b) those with incomes of less than \$5,000; (c) the widowed; (d) Southerners; and (e) those without a high school degree;
- (2) Most people bet to have fun with friends; to have a good time; for the excitement; or for the challenge;
- (3) Few bet to make money, except in lotteries; and
- (4) Only 30% of bettors would be deterred by laws prohibiting gambling and most would continue to bet even if it were illegal.

The Commission further observed that "[G]ambling seemed to be essentially rational behavior tied to 'realistic assessment of income available.' This was not the case for the 1 percent or so who could be classified as compulsive gamblers."⁴ Orford (1985) reports that almost one-sixth of the United States population said they bet whether some event would

happen or where it would happen. For example, the hour of birth, the first snowfall, whether someone would resign -- or the date of that resignation -- were all fair game for wagers.⁵

Brief History: The literature is replete with documentation attesting to the antediluvian, persistent, and pervasive nature of gambling behavior. Suffice it to mention the most frequently cited examples. For example, cave dwellers used knucklebones or anklebones of animals as auguries to divine the future. By Roman times, these clearly evolved into the modern shape of dice or "fritillus."⁶ Gambling predates China's written history. Confucius records and inveighs against wagering one's right hand: the loser was obliged to cut it off and present it to the winner.⁷ Inhabitants of the Indian subcontinent wagered on chariot races and dice as early as 2500 B.C.⁸ The Greeks wagered with their own dice, which were oblong-shaped with rounded ends, on similar chariot races outside the walls of Troy.⁹ The Greeks invoked their own god, Tyche, for luck. The Romans later embraced this particular divinity and renamed her Fortuna.¹⁰ Roman soldiers cast lots for Christ's clothing at the crucifixion. Playing cards originated in Hindustan in about 800 A.D.¹¹ In his autobiography, the Italian Renaissance mathematician, G. Cardan, devoted more space to his career as a professional gambler than to his discoveries in probability that have preserved his name.¹²

In 1388, the first English anti-gaming regulation proscribed "loggattin in the field" (throwing pieces of wood at a stake fixed in the ground with the player throwing the nearest piece winning). The game is like pitching pennies.¹³ The American colonists, perhaps more than tea, took umbrage at the tax imposed by the infamous Stamp Act on each pack of playing cards and all dice sold or used. George Washington and Benjamin Franklin both organized lotteries to raise money for the war of independence. In fact, the early colonists' emigration to the New World was made possible largely with funds raised from lotteries. Institutions such as Harvard, Yale, and Dartmouth, as well as numerous churches, schools, bridges, and the like were initially funded from the proceeds of lotteries.¹⁴ Thomas Jefferson and his wife kept records of winnings and losses at backgammon and lotto. Martin Van Buren actually bet \$40,000 (a huge wager in the 1830s) and a suit of evening wear on his chance of being elected the eighth president of the United States. Andrew Jackson, his predecessor, is famous for raising, racing, and betting on his horses and fighting his gamecocks.¹⁵ Latter day presidents famous for their poker playing include Harding, Truman, Eisenhower, and Nixon.

Historical Proscriptions

Social Stability: Laws against gambling were rooted in the attempt to maintain social stability. Lawmakers aimed to curb the number of gamblers defaulting on losses, especially those with lower incomes whose losses may have a measurable societal effect. The following comment typifies this thinking:¹⁶

I think that, in respect to society commercially, the great harm happens to clerks; but I think that, with respect to a rich man, it does not signify whether he loses his money as long as the money is distributed among the public. [Though the poor should be protected, what] should I care what a rich man does with his own . . . it signifies very little to the working people and the prosperity of the country, whether those men are ruined [by gambling losses]. If a man of a hundred thousand pounds a year loses it, the country will be the better for it; but if persons engaged in mercantile or banking establishments were induced to lose money that did not belong to them, the commercial and banking community would be very much injured.

Working-class leisure was also perceived as a threat to ordered society. The concern was with "crime" rates and idleness. Gambling was linked with both, and with more. The propertied classes feared that riots and revolutions may be precipitated by the large crowds that gathered for lottery drawings.¹⁷

Societal Efficiency: Another motivation behind the earlier English proscriptions (and in the later Massachusetts colony) was the promotion of work efficiency. Gambling was seen to waste time. The issue of the morality of gambling *per se* was not the focal issue (except for the Puritan colonists for whom idleness, exemplified by gambling, was ungodly).¹⁸ The first recorded English gambling proscription, a 1388 statute, stressed civil defense. It directed servants and laborers to have bows and arrows, use them on Sundays and holidays, and stop playing tennis, football, coits, dice, casting of stone kaileg, and other such importune games.¹⁹ However, it is also generally acknowledged that the declining fortunes of the domestic armorer industry, particularly bowyers, played no small part in getting these gambling proscriptions implemented. According to Brenner (1990), gambling was condemned not for the taking of unnecessary risks, but because it was an "unproductive" activity where wealth is merely redistributed and not created. Gambling was said to inculcate a less productive attitude, that gain was possible without the pain of work.²⁰

Primacy of Religion: Widespread public belief in chance and uncertainty that is manifest in gambling behavior would imperil the legitimacy of traditional religious institutions. Any threat to the primacy and legitimacy of the church, where it functioned institutionally to provide and maintain social stability, automatically threatened that stability. Western religions with their varied doctrines of predestination, divine will, and papal infallibility were especially vulnerable.²¹

[I]f there was a common theme that ran through the writings of the Protestant theologians . . . it was the denial of the very possibility of chance or accident. . . . Calvin condemned the widespread belief in chance.

Maintenance of Social Strata: Brenner (1990) pointed out still another reason for societal condemnation of gambling:²²

Games of chance were condemned for additional reasons linked with matters of status . . . gambling was condemned because of the relative ease with which people

from a lower class interacted during games with those from a higher, because winners from the lower class seemed to be accepted, because of the bad example the upper classes gave the lower, and because these changes were interpreted as reflecting the diminished power of the established classes.

II. Gambling and Uncertainty

Gambling As Risky Behavior and Vice Versa

Gambling is risky behavior. Individual outcomes are always uncertain although, in some cases, a degree of skill may matter in games that are not based purely on chance. This uncertainty is the basis for the inherent risk in gambling. This is not to say that the odds of winning (for the gambler as well as the house) for any particular type of game cannot be calculated. It is each discrete outcome, win or lose, of any individual play that is uncertain.

Risk and Uncertainty: Gambling Games: For example, in American roulette -- a game of pure chance devoid of any player skill -- the house advantage is about 5.26% on most spins for a straight bet and about 7.89% on a five-number bet (with chips spread on lines dividing the numbers on the wheel).²³ [Note: The house advantage lies in not paying off on true odds. The payoff on one number out of 38 on the wheel should be 37 to 1. In fact, the house pays off at only 35 to 1. The difference ($37 - 35 = 2$) is the house advantage: $2/38 = 5.26\%$ edge.]²⁴ In blackjack, which involves both chance and skill, the house edge is 18% or more against the poor player; about 0% against the good player; and actually about -2.3% against the expert player.²⁵ Regardless of whether or not skill is involved, one knows only the *probability* of winning or losing each play or hand, not whether it will actually be won or lost. Probability illuminates, but does not banish, risk.

Risk and Uncertainty: Other Risky Behavior As Gambling: This element of risk underlies other types of risky behavior which are often considered gambling. This is the obverse of gambling as risky behavior. For example, Sasuly describes insurance as a form of gambling, or risk-taking for monetary reward:²⁶

An oration of Demosthenes records, with a twinge of aristocratic contempt, the manner in which Greeks of his time insured marine cargo. In effect, the insurer advanced, as a loan, somewhat less than the value of the ship and its cargo. The insurer received back, on successful completion of the voyage, a much larger sum. . . the insurer took a chance, he gambled, on the safe passage of ship and cargo. Just so did the venture capitalists, predecessors of Lloyd's, [and] so, equally, does the modern insurer sitting snug behind a battery of actuarial tables when, in the form of term insurance, he makes a three-cornered bet with you and your estate on the length of your life.

Skolnick (1978) draws a parallel between gambling and insurance by describing a lottery as a mirror image of insurance. Instead of a large group insuring against the uncertain chance of loss and payment to a beneficiary, a large group pools its resources and selects, through chance, a beneficiary for certain payment.²⁷ In a similar vein, parallels between various types of business undertakings, with varying degrees of attendant risks, have been compared to gambling.²⁸

The riskier sorts of business have seemed the most pleasant of games to some traders. Conversely, what appears to be recreational gaming has rather often been practiced as a business. Perhaps, the clearest difference between the business and recreational forms of gambling lies neither in pleasure nor in profit, but in the amount of social stigma attached to the practice.

Speculation on a Grand Scale

Business endeavors, in a world replete with uncertainty, occupy various places on a continuum of risk. John Kenneth Galbraith (1990) pithily recounts some speculative episodes of the more unbridled variety in his A Short History of Financial Euphoria. It is his opinion that "Recurrent speculative insanity and the associated financial deprivation and larger devastation are . . . inherent in the system. Perhaps it is better that this be recognized and accepted."²⁹

Tulipomania: Galbraith relates one of the most infamous episodes: Tulipomania in Holland in 1636-1637 where a single tulip bulb sold for as much as 3,000 florins (up to \$50,000 today):³⁰

At first, as in all these gambling mania, confidence was at its height, and every body gained. The tulip-jobbers speculated in the rise and fall of the tulip stocks, and made large profits by buying when prices fell, and by selling when they rose. . . . In the aftermath . . . those who had contracted to buy at the enormously inflated prices defaulted en masse. Angry sellers sought enforcement of their contracts of sale; the courts, identifying it as a gambling operation, were unhelpful. [*Emphasis added*]

The Banque Royale Affair -- or the French South Seas Bubble: Less than a century later in 1716, another speculative episode in France mirrored the South Seas Bubble debacle in England at about the same time. In France, an Englishman named John Law obtained permission to establish the Banque Royale. In the course of business, it issued notes to pay government expenses including debts run up by the newly deceased Sun King, Louis XIV, and his corrupt government. The paper notes could be changed into hard coin, but there was not enough to meet demand. To remedy this, the Compagnie d'Occident (Mississippi Company) and the Company of the Indies were created to pursue gold deposits presumed to exist in the Louisiana Territory in North America. When shares in the companies were offered to the public, prices skyrocketed. "Rational" investors valued the Mississippi Company at 80

times all the gold and silver in France.³¹ Never mind that there was no evidence of such gold and no efforts were made to search for it. The end came in 1720 when some speculators began to redeem their shares in the companies for gold. The bubble burst with the inevitable run on the Banque Royale.³²

It is interesting to note that, even in the wildest of speculative endeavors where the element of chance and perhaps some degree of skill in forecasting are involved, there are some winners. Statistically, some small minority always wins. This is best illustrated by lotteries. This fact encourages risk-taking behavior on a societal level. On an individual level, most problem gamblers experience at least one big win early in their careers. This encourages them to continue gambling only to lose it all and more later. Winners, however, include Bernard Baruch and Joseph P. Kennedy who won big and exited the stock market early before it crashed in 1929. On the other hand, King George I and Sir Issac Newton, who was head of the mint at the time, lost heavily in the South Seas Bubble affair in 1720.³³

State of Denial: Galbraith notes that investigators, observers, and participants have never owned up to the role of either greed or speculation in speculative disasters. Indeed, official investigations of the 1987 market crash by the New York Stock Exchange, the Securities and Exchange Commission (SEC), and a presidential task force made no mention of either. Instead, the SEC study pointed to computer-based program trading that reduced the element of human control. Strongly objecting to this approach, Galbraith (1990) contends that:³⁴

Index and option trading had, indeed, added casino effects to the market. Found innocent, however, were those individuals, speculative funds, pension funds, and other institutions that had so unwisely, in naivete and high expectation, repaired to the casino. Hearings on the crash were convened by Congress. Legislation on certain of the casino effects were considered, but none was passed. *[Emphasis added]*

Although Galbraith (1990) decries speculative risk-taking, he admits that such behavior will always abide in human nature:³⁵

Yet beyond a better perception of the speculative tendency and process itself, there probably is not a great deal that can be done. Regulation outlawing financial incredulity or mass euphoria is not a practical possibility. If applied generally to such human condition, the result would be an impressive, perhaps oppressive, and certainly ineffective body of law.

III. Theories Of Gambling

Sociological Approach

Structural and Functional Theories: Theories of gambling have been propounded to explain gambling as a general societal phenomenon. Among these are sociological theories of system maintenance. The system -- or societal functioning -- needs to be kept in equilibrium. According to a review by Frey (1984),³⁶ a typical structural-functional theory has it that culture demands routine, controlled orderliness, and predictability. Counterbalancing this is pressure to experiment, to take a chance. Consequently, many people need to seek substitute activities that compensate for the lack of thrills and the dominance of order in their daily lives. Gambling and other aleatory activities not only fulfill personal needs but also contribute to societal stability by displacing potentially disrupting forces. Gambling meets a societal need for tension management. It acts as an institutional safety valve to divert feelings of hostility. Frustration is postulated as being built into a capitalistic system in which not everyone can be successful but those who do succeed are highly visible. Thus, gambling serves as a channel for cathartic release from strain in a socially acceptable manner and hostility is diverted from objects of jealousy. Gambling permits one to indulge in a symbolic and safe protest against budgetary restraints and rationality. At the same time, it permits thrill-seeking, competitive aggression, and problem solving. This structural-functional approach, exemplified by Devereux in Gambling and the Social Structure, rejects the pathological and individualistic views of gambling.

Anomie Theory: A logical extension of the functional approach is typified by Merton's anomie theory. Typically, then, society pressures individuals to be successful, but denies equal access to the means for attaining that success.³⁷ The result is a series of adaptations, one of which can be innovative behavior that seeks approved goals (success) via culturally unapproved means, including illegal activity such as gambling. Furthermore, gambling can also help to relieve the frustrations of trying to succeed. Gambling provides the opportunity for success, experimentation, self-reliance, and other expressive modes of thought not available in the traditional economic system. At the same time, anomie theory also helps to explain the prevalence of gambling among lower-income groups who are denied the opportunity to succeed.

Alienation Theory: Alienation theory also adopts a functional approach to gambling. Individuals frustrated in their jobs feel powerless and a lack of job autonomy. Gambling gives them a feeling of self-reliance and control. The lower the status of a person's job, the more likely it denies self-expression and the more likely that person will gamble by seeking thrills and self-indulgent behavior.

Action Analysis: In action analysis,³⁸ gambling is a voluntary and risk-taking "action" in which something of value is committed and may be lost which is determined by fate.

Western cultures, especially American, value highly the pursuit of action. In everyday life, individuals have little chance to participate in action. Gambling is a socially acceptable action in which a person can demonstrate character or performance under stress. One is judged not for demonstrated skill (winning at gambling) but by certain behavioral and moral traits exhibited while winning or losing. These include include courage, gameness, integrity, gallantry, compromise, and presence of mind. Gambling can also be stabilizing for society in that individuals have access to controlled, action-oriented outlets.

Maintenance of Frame of Reference: Rosecrance (1986) rejects the psychological or pathological view of gambling (below) in favor of a sociological perspective.³⁹ Rosecrance examined three naturally occurring groups: off-track horseracing gamblers; sports bettors; and poker players. (*Ages, occupations, race, sex, and other information were not reported.*) According to Rosecrance, gamblers are not necessarily compulsive but sustain their gambling to signify a commitment to maintain their frame of reference despite the psychological and economic costs. They view giving up gambling and the social relationships built up among regulars as unacceptable. The claim is that gambling commitments are developed and strengthened through binding social arrangements among regular gamblers:

- (1) Information is collected and shared to further betting by members of a group;
- (2) The groups provides sources for loans;
- (3) The group shares "contingencies" -- experiences of losing at gambling which cannot be understood by non-gamblers;
- (4) The groups provides a locus for social interaction and empathy.

Psychological Approach

Classical Theory: Bergler (1958) represents the classical, though outdated, psychological view of gamblers. The theory is that "[T]he gambler is not simply a rational though 'weak' individual who is willing to run the risk of failure and moral censure in order to get money the easy way, but a neurotic with an unconscious wish to lose."⁴⁰ A result of this theory is Bergler's observation that gamblers always lose in the long run. However, a more realistic reason is that games of chance are designed so that the odds favor the house. Nonetheless, Bergler expounds: "[N]ot everyone who gambles is a gambler. There are millions of 'harmless' gamblers who play for diversion or sociability."⁴¹ Bergler distinguishes between the sucker-gambler and the gangster-racketeer. The former "is unconsciously driven to gambling" and, as a neurotic, is an appropriate subject for study in the field of psychopathology. However, even Freud discarded his own theory that the gambler unconsciously wishes to lose to punish himself stemming from a death wish for his father.⁴²

Psychological Addictions: Another psychological model sees gambling as one of many addictions. Individuals may be addicted to gambling in the same way that they may be addicted to eating, drinking, spending, or sex.⁴³ Addicted individuals are seen to share some set of underlying and predisposing personality traits. Addicted individuals are also seen to share common cognitive and emotional states. The most common is the "dissociative" state in which a person's sense of reality and identity are altered as a result of engaging in the addictive behavior. (Note that casinos consciously attempt to create such a dissociative state through the design of the casino environment. Clocks are banned so gamblers are not reminded of the time or its passage. The layout of the floor is such that it is difficult to find one's way out. There are no convenient seats for resting but only to gamble in. One spends chips like "play" money. This feeling is similar to the easy spending of unfamiliar foreign currency while on vacation in a foreign land. It does not look like "real" money and its real worth easily becomes obscured.)

Gambling as Medical Pathology: Lesieur and Custer (1984) describe compulsive gamblers as:⁴⁴

[P]ersons who have a chronic and progressive failure to resist impulses to gambling and gambling behavior, a failure that compromises, disrupts, or damages personal, family, or vocational pursuits. The cardinal features are emotional dependence on gambling, loss of control, and interference with normal functioning.

In recognition of this, the American Psychiatric Association (APA) designated pathological gambling as a "disorder of impulse control" in 1980⁴⁵ as did the World Health Organization in 1978. By 1986, six states had set aside funds for education and treatment for pathological gambling.⁴⁶ (See chapter 5 for a discussion of how various states are dealing with problem gambling. See also chapter 4 for a discussion of the South Oaks Gambling Screen tool (SOGS), which is based on the DSM criteria of the APA, used to identify "problem" and "pathological" gamblers in gambling prevalence studies.)

Defining Criteria for "Pathological Gambling" -- DSM-III: The APA's 1980 criteria are as follows:⁴⁷

A. The individual is chronically and progressively unable to resist impulses to gamble.

B. Gambling compromises, disrupts, or damages family, personal, and vocational pursuits, as indicated by at least three of the following:

- (1) Arrest for forgery, fraud, embezzlement, or income tax evasion because of attempts to obtain money for gambling;
- (2) Default on debts or other financial responsibilities;
- (3) Disrupted family or spouse relationship because of gambling;

NORMAL AND ABNORMAL GAMBLING

- (4) Borrowing of money from illegal sources (loan sharks);
- (5) Inability to account for loss of money or to produce evidence of winning money, if this is claimed;
- (6) Loss of work because of absenteeism to pursue gambling activity;
- (7) Necessity for another person to provide money to relieve a desperate financial situation.

Revised Criteria for "Pathological Gambling" -- DSM-III-R: Seven years later in 1987, the APA updated its definitional criteria (DSM-III-R) that emphasized the addictive nature of the disorder:⁴⁸

Maladaptive gambling behavior is indicated by at least four of the following:

- (1) Frequent preoccupation with gambling or with obtaining money to gamble;
- (2) Frequent gambling of larger amounts of money or over a longer period of time than intended;
- (3) A need to increase the size or frequency of bets to achieve the desired excitement;
- (4) Restlessness or irritability if unable to gamble;
- (5) Repeated loss of money by gambling and returning another day to win back losses ("chasing");
- (6) Repeated efforts to reduce or stop gambling;
- (7) Frequent gambling when expected to meet social or occupational obligations;
- (8) Sacrifice of some important social, occupational, or recreational activity to gamble;
- (9) Continuation of gambling despite inability to pay mounting debts, or despite other significant social, occupational, or legal problems that the person knows to be exacerbated by gambling.

Defining Criteria for "Pathological Gambling" -- 1994 Revision DSM-IV: Some DSM-III-R criteria were criticized as being too subjective and ambiguous. Overlap among items (7) through (9) has also been pointed out. They were also thought to be of limited use for diagnosing borderline cases. As a result, in 1994, further revisions were made to the definitional criteria of pathological gambling. Pathological gambling is listed as an "impulse control disorder." Under the official coding system -- International Classification of Diseases,

9th Revision, Clinical Modification (ICD-9-CM) -- it is assigned the ICD-9-CM code number 312.31. Below are the most recent definitional criteria for pathological gambling:⁴⁹

A. Persistent and recurrent maladaptive gambling behavior as indicated by five (or more) of the following:

- (1) is preoccupied 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)
- (2) needs to gamble with increasing amounts of money in order to achieve the desired excitement
- (3) has repeated unsuccessful efforts to control, cut back, or stop gambling
- (4) is restless or irritable when attempting to cut down or stop gambling
- (5) gambling is a way of escaping from problems or of relieving a dysphoric mood (e.g., feelings of helplessness, guilt, anxiety, depression)
- (6) after losing money gambling, often returns another day to get even ("chasing" ones losses)
- (7) lies to family members, therapist, or others to conceal the extent of gambling
- (8) has committed illegal acts such as forgery, fraud, theft, or embezzlement to finance gambling
- (9) has jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling
- (10) relies on others to provide money to relieve a desperate financial situation caused by gambling

B. The gambling behavior is not better accounted for by a Manic Episode.

Medical Model -- Theory and Treatment: The study of "compulsive" gambling in America, especially prevalence studies using the SOGS, is ultimately based on the APA's DSM criteria for pathological gambling. This is basically a medical-compulsion model. Public and institutional treatment for problem gamblers in America is mostly based on this model. The self-help approach of Gamblers Anonymous is popular but is rarely used exclusively in publicly funded treatment programs. *(There is also a medical-physiological version of the medical model which focuses on measurable biological characteristics such as brain hemispheric differences, neurological formations, and brain chemistry.)* Under the mental illness version of the medical model, pathological gambling is a *disorder of impulse control* and requires therapeutic intervention. This may involve both individual and group counselling and therapy to correct the compulsive condition to achieve total abstinence.

NORMAL AND ABNORMAL GAMBLING

Although it is unlikely that any one theory can fully explain a multi-dimensional phenomenon like problem gambling, hewing to one particular theory, rightly or wrongly, has broad appeal. As some have pointed out:⁵⁰

[T]he implications of acceptance of a medical/disease model for problem gambling are political and practical as well as scientific. It makes funding for research on problem gambling easier to come by; it allows for insurance company payment for treatment program costs; it removes the "thorny issues" of motivation, choice, goal, and personal responsibility from discussion and thereby removes the moral stigma from excessive gambling; it places the problem in the hands of medical doctors, to whom have been attributed past successes in the treatment and cure of many illnesses; and its demarcation between recreational and pathological gambling allows governments to promote gambling as play and continue generating revenues from "normal" gambling.

Typical Career Phases of a Pathological Gambler: Lesieur and Custer (1984) describe the three career stages of the classic pathological gambler as winning, losing, and desperation. The three stages are presented in summary form below:⁵¹

- **PHASE ONE: WINNING.** Gambling is fun, exciting, enjoyable and a boost to self-esteem and up to half of all gamblers report a big win early, some equaling one's annual salary which reinforces gambling even if losses occur. Wagering involves physiological pleasure and pain. Wins are attributed to personal ability, losses to bad luck, external accidents, or cheating. Amounts are borrowed and short-term loans are paid back.
- **PHASE TWO: LOSING.** The gambler believes "chasing" is smart strategy (gambling more to recoup losses). Borrowing increases and loans become a threat to self-esteem. Loans are hidden from the family; arguments begin at home; the gambler becomes aloof and reticent; "chasing" increases; and more forms of gambling are tried to recoup losses. Work interferes with gambling; job absences increase; jobs are lost or changed; and civil fraud and forgery may begin.
- **PHASE THREE: DESPERATION.** The gambler is obsessed with breaking even and paying off debts and gambling becomes full-time. Spouses begin to seek help. Loan options dry up. Panic increases irrational risk-taking and further gambling even as optimism of winning wanes. Sleep is disturbed and eating is erratic, leading to physical and physiological exhaustion. An occasional win may occur but which only leads to heavier losses. The gambler feels depressed, alienated, hopeless, helpless, and suicidal. One of every four are on the verge of divorce. Only four options are considered: suicide; jail; running away (to Las Vegas); and seeking help.

However, Lesieur and Custer (1984) cite studies of Indian tribes that suggest that heavy gambling can be controlled. For example, with the Gros Ventre, betting on the promissory principle is forbidden, i.e., no gambling on credit. The Yakima of Washington

adjusted betting patterns so that the amounts bet are limited to what was in the person's possession at the time, i.e., no credit extension and, in effect, maximum bet limits.⁵²

Pathological Gambling: Part of a Mosaic of Abnormal Behaviors: Pathological gambling behavior usually does not occur in isolation. It is often part of a mosaic of abnormal cross-behaviors and cross-conditions which are mutually exacerbating. According to the American Psychiatric Association's 1994 edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV):⁵³

Individuals with Pathological Gambling . . . may be prone to developing general medical conditions that are associated with stress (e.g., hypertension, peptic ulcer disease, migraine). Increased rates of Mood Disorders, Attention-Deficit/Hyperactivity Disorders, Substance Abuse or Dependence, and Antisocial, Narcissistic and Borderline Personality Disorders have been reported in individuals with Pathological Gambling. Of individuals in treatment for Pathological Gambling, 20% are reported to have attempted suicide.

Possible Multiple Factors Influencing Pathological Gambling: In addition to the multiple problems often encountered by pathological gamblers, it appears that multiple factors also influence the development and behavior of pathological gamblers. Among the factors cited by Taber et al., (1986)⁵⁴ are culture, availability of gambling, psychological state, other addictive behavior, maturation, success and implied social mobility, previous win experience, self-control, degree of socialization and regard for social mores, degree of independence, and frustration tolerance, etc. This characterization of the pathological gambler seems to adopt elements of most of the theories of gambling. Taber et al. (1986) found that:⁵⁵

[T]he desire to gamble varies greatly between and within individuals, the disposition being influenced by forces such as cultural expectations, availability of gaming and personal characteristics such as depression, other addictive behaviors, maturity level and personal success at gambling. Other relevant personal characteristics which seem to control susceptibility to the development of gambling problems include degree of impulse control, regard for social convention, dependency on others, frustration tolerance, and narcissism. . . . the pathological gambler tends to respond, think, and experience emotions at less mature, rather childlike levels.

It appears that Taber et al. (1986) were only summarizing the various ways in which the subject has been viewed rather than proffering a unified theory consolidating elements of various other theories. In any case, they do state that:⁵⁶

While pathological gambling becomes a disorder in its own right, it seems to develop to its final stages only when some other personality problem is present. These risk factors can run from enduring personality disorders to acute psychoses. . . . In the opinions of those who have worked most closely with pathological gamblers, pathological gambling is a state of mind characteristic of a limited number of individuals who, if they do not find gambling in one form, are likely to find it in other forms or to practice other addictions. . . . The pathological gambler is at unusually

greater risk of poly-addiction and must be on guard against substituting alcohol or other addictive behavior. *[Emphasis added]*

The implication is that a compulsive gambler may not have been "created" solely due to engaging in gambling alone. The compulsive gambler very possibly already possesses tendencies toward excessive or addictive behavior, most commonly addiction to alcohol or drugs. Excessive gambling would then be one of several channels through which a person could express compulsive behavior. That is not to say that access to gambling would not exacerbate a poly-addict's problems. Problem gamblers do exist and availability of gambling is an outlet, albeit only one among many, for a person to act out compulsions that harm both the individual and others in society. However, any attempt to assign easy causation must be tempered with the thought that a problem gambler may already be addicted even before the first roll of the dice.

Gambling -- One Among Multiple Addictions: Durand Jacobs emphasizes the commonalities between all addictions. He believes that addictions to alcohol, drugs, gambling, overeating, and other behaviors are not so much the problem of the addict as they are the addict's attempted solution to his or her underlying problems. Jacobs states that:⁵⁷

By viewing addiction as the solution rather than the person itself, *[sic]* then the clinician takes a different approach in treatment planning to incorporate additional emphasis on solving the underlying causes rather than abstinence alone. . . . My research indicates that persons known to be addictive to a wide set of substances and activities will experience a common dissociative state while indulging in alcohol, gambling or overeating that will differentiate them from non-addicts participating in the same activities or substances.

Durand further defines addiction, whether to food, alcohol, drugs, or gambling as a:⁵⁸

[d]ependent state acquired over an extended period of time by a predisposed person in a conscious attempt to relieve a chronic stress condition. . . . Recognition of the effects of the predisposing physiological and psychological factors holds the patient responsible for actively seeking alternative coping mechanisms rather than indulging in maladaptive substances or activities. *[Emphasis added]*

This approach, according to Jacobs, offers an advantage for engaging the addict in treatment. Two predisposing factors indicated by Jacobs were:⁵⁹

- Physiological -- characterized by the addict having abnormal stimuli response; and
- Psychological -- characterized by the addict's deep feelings of inadequacy, rejection, and an intense need for success, recognition, and approval that results in wishful thinking and fantasy.

IV. Gambling: Normal to Abnormal on a Behavioral Continuum

One common view of gambling is that it is an activity like any other that ranges from normal to abnormal on a behavioral continuum. Like alcohol consumption, it can become addicting; if done to excess, pathological. In moderation, gambling can be entertaining and recreational, imbued as it is with the thrill of possibly winning large amounts with a single throw of the dice. The possibility of the fantastic -- of winning instantaneously what would otherwise require the ordinariness and drudgery of countless days of labor to earn -- gives gambling its thrill.

Gambling as a Normal Socializing Force: Echoing several of the sociological theories of gambling, above, gambling can be seen as a normal, socializing activity. For elders, going through the motions of gambling, especially bingo, can restore activity to barren lives. Losses in the long run are outweighed by the occasional win and the perpetual promise of positive social interaction. Play that is not excessive becomes a normal channel for social activity.

Professional gamblers, according to the American Psychiatric Association, are not necessarily pathological gamblers but neither are they social gamblers.⁶⁰

Pathological Gambling must be distinguished from social gambling and professional gambling. **Social gambling** typically occurs with friends or colleagues and lasts for a limited period of time, with predetermined acceptable losses. In **professional gambling**, risks are limited and discipline is central. Some individuals can experience problems associated with this gambling (e.g., short-term chasing behavior and loss of control) that do not meet the full criteria for Pathological Gambling.

Loss of judgement and excessive gambling may occur during a **Manic Episode**. An additional diagnosis of Pathological Gambling should only be given if the gambling behavior is not better accounted for by the **Manic Episode** (e.g., a history of maladaptive gambling behavior at times other than during a Manic Episode). Alternatively, an individual with Pathological Gambling may exhibit behavior during a gambling binge that resembles a Manic Episode. However, once the individual is away from the gambling, these manic-like features dissipate. Problems with gambling may occur in individuals with **Antisocial Personality Disorder**; if criteria are met for both disorders, both can be diagnosed.

Gambling as Entertainment: Three-fourths of respondents in a poll by Harrah's indicated that casino gambling can be a fun night out.⁶¹ The overwhelming majority of Americans view gambling as normal entertainment. In 1993, Americans made 92 million visits to casinos, more than the 70 million visits to major league baseball games but less than 964.2 million visits to the movies. Legal gambling revenues reached \$30 billion, which is more than the combined take for movies, books, recorded music, and park and arcade attractions.⁶²

As part of this entertainment, the house strives to create an aura of excitement, a sense of fantasy and distance from reality (*the dissociative state*) that fosters a feeling that

anything is possible, including a big win. Flashy decor and headline entertainers and elaborate shows are designed to block out the outside world and the passage of time. The house also dispenses complimentary perquisites to encourage longer stays (the longer the stay, the greater the possibility of gambling, and losing). "Perks" can include free or discounted accommodations, drinks, and food, services such as valet parking, prizes, and invitations to tournaments and parties.

More and more casino-hotel complexes use sophisticated on-line player tracking systems. This marketing tool uses credit card-like player identification cards that are inserted into slot machines to track individual player patterns. Casinos can track exactly how long each person plays, how much is bet, and how much is won or lost. Loyal players can then be identified and rewarded with "perks." The Eldorado Hotel-Casino in Reno has installed devices to track *table* game play as well as slot machines in September, 1994.⁶³

On the floor itself, the house supplies strategically placed, attractive female shills to encourage play and to add to the high-roller ambience. Alcohol is freely available at the gaming tables themselves, unlike British casinos. One can say that losses under these circumstances constitute a form of payment for being entertained although some pay more heavily than others.

Small Stakes Gambling for Entertainment: Brenner (1990) suggests looking at gamblers in two groups. The first group comprises those who mainly gamble with stakes and prizes that are small relative to one's wealth. *(The second group comprises those who engage in games which take no time to play, thus affording no opportunity to enjoy leisure time. They are discussed later.)* As a leisure activity, a social pastime, or entertainment, losses incurred by the first group are merely the price of the entertainment -- much like paying the conductor in advance for the fun of pulling the emergency brake cord. These gamblers are not characterized so much by their willingness to take risks as by the manner in which they choose to entertain themselves.⁶⁴ Most people who gamble lose what they had originally decided they could afford to lose, and perhaps a little more, in return for the entertainment.⁶⁵ Gambling activity by individuals in this group characteristically fall within the normal range in the gambling continuum.

Gambling for Economic Gain and Upward Mobility: A gambler in Brenner's second group engages in games which take no time to play, thus affording no opportunity to enjoy leisure time. They are willing to risk more of their money for the chance to win large sums. They are typified by lottery players.

[Note: One can argue that slot machines are designed to appeal to gamblers in both groups. The low outlay for each discrete play for a chance at a big win is made much more attractive and entertaining by using a huge, shiny, and brassy machine rather than a prosaic lottery ticket. The results are instant and the thrill

of play can be continuous. Video poker "lottery" machines successfully mimic and enhance the addictive attraction of playing ordinary slot machines while offering the pleasures of casino table games such as keno, poker, and blackjack. Their actual play, although hardly a social interaction, can be said to be entertaining for them. Many slot players visit casinos with friends and socialize (and perhaps commiserate) before, during, and after their play. To this extent, they fit the first group profile. However, a fair amount of greed may characterize a number of slot players who try to win big with a minimal outlay. Nevertheless, on the whole, they seem mesmerized more by the repeated high of instant wins or losses, a thrill circumscribed only by the strength of their arms and the size of their purses, than by how much is gambled. Slot players, then, are not always an easy fit because they are entertained, may socialize to an extent, and may wager large amounts.]

Thus, if carried to excess, this second type of gambling could develop into an abnormal activity. The notion that gambling can be a means of unconventional, if not abnormal, upward social mobility in some societies has been advanced:⁶⁶

Devereux (1980) and Tec (1964), among many others, have argued that when conventional avenues for social mobility are closed, people will find nonconventional ones, which may include crime and gambling. . . . [but t]here have been numerous very inequalitarian societies where there was no social mobility and yet there was not much crime and not much gambling either.

For some younger people, gambling represents a chance, however slim, to advance in otherwise dull and unpleasant lives. Winning puts a person in command of one's life.⁶⁷ Gambling can be an earnest attempt to win money to better their lives. Although it could, this intent does not automatically render gambling abnormal, excessive, compulsive, nor addictive. Again, moderate play could be enough to satisfy or assuage the need to gamble for this purpose.

Weinstein and Deitch (1974) reviewed often-cited motivations for normal, non-compulsive gambling: desire for economic gain, entertainment, social intercourse, status enhancement through exercise of skill or knowledge, and satisfaction of neurotic needs.⁶⁸ Expanding on this, Weinstein and Deitch state:⁶⁹

Gambling can serve to express social as well as personal frustration. A study of betting on soccer pools by Swedish males concluded that the men who experienced the most socially-derived frustrations were those who bet on the pools. Men who had risen to the top of their socioeconomic level but could not bridge the gap to the next level, came from the lower social classes but had relatively high incomes, as well as men reporting job frustration, were those most likely to gamble.

Gamblers in the Normal Range -- A Profile: Brenner (1990) reviewed the literature profiling gamblers, the great majority of whom gamble but not necessarily to excess.⁷⁰ The following summary of Brenner's review describes people who engage in normal gambling as rather ordinary people:

- Gamblers were as aware as non-gamblers of the unprofitable nature of gambling and did not overestimate their chances to win.
- Although no distinction has been made between lottery-only gamblers and those who engage in other gambling activities including casino-type games, the following leisure activities characterize gamblers (according to the U.S. government's report Gambling in America): (1) They watch somewhat less television than non-gamblers; (2) read more newspapers and magazines; (3) read about as many books; (4) devote more time to opera, lectures, museum, nightclubs, dancing, movies, theater, and active sports; (5) socialize more with friends and relatives and participate more in community activities; and (6) spend much less time on home improvements, gardening, knitting, sewing, and going to church.
- In their book Gambling, Work and Leisure, Downes et al. (1976) provide little evidence to support the view that the majority of gamblers spend their money recklessly, whether it is money laid out on stakes or money earned from winnings. People budget their expenditures and gamblers use any large win thriftily and sensibly, spending it on home-centered items.
- Devereux noted that, in the more stable working-class neighborhoods, gambling takes the form of disciplined petty gambling. In betting on horse races, too, small wins are rebet more often than large ones. Rebetting is largely confined to regular punters, although even among this latter group, three times as many save their winnings or spend them on household goods as rebet them.
- A somewhat similar picture emerges from Newman's (1972, 1975) examination of the British evidence. Two-thirds of adult Britons gamble regularly, some more and others less. Manual wage earners predominate, especially among those who play more frequently. But Newman concludes that their "self-restraint, exercised in the interest of prolonged participation, reduces their proportionate losses enabling them to recoup a larger proportion of their stakes," and adds that gamblers had a greater budget awareness than non-gamblers. He also notes that these regular gamblers are tough-minded, emphasize the virtues of self-interest, personal effort, and independence, and are suspicious of strangers, of outsiders, and in particular of government bureaucracies, displaying a pronounced hostility toward the openhandedness of the welfare state.

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- Kusyszyn (1985) found five psychological studies done since 1928 comparing people who gambled with those who did not. The studies reached the same conclusion: the differences were insignificant. Kusyszyn did his own study (in collaboration with Roxana Rutter) in 1978, and not only found heavy gamblers to be "as psychologically healthy as the non-gamblers" but also that light gambling did not lead to more intense gambling (the light gamblers had been playing for fifteen years on average). Thus, their conclusion was similar to that of Weinstein and Deitch (1974) that light gambling is not a stepping-stone to heavy gambling.
- The Royal Commission on gambling in the United Kingdom also found that "... the great majority of those who take part in gambling do not spend money on it recklessly and without regard to the effect of their expenditure on the standard of living of themselves and their families. . . . We find no support for the belief that gambling, provided that it is kept within reasonable bounds, does serious harm either to the character of those who take part in it or to their family circle and the community generally. . . . The conclusion we have reached on the whole from the evidence, is that gambling is of no significance as a direct cause of serious crime, and of little importance as a direct cause of minor offences of dishonesty."
- Neither in Sweden and England, nor in Ireland, Gibraltar, or Norway was there any evidence that gambling and crime are related. Nor was such evidence found in the United States, where the myth that gamblers are criminals seems to prevail. The evidence is that the American bettor is not involved in criminal acts other than the placing of the illegal bet itself -- an insufficient reason to condemn gambling.
- A similar picture is revealed by a Swedish survey. Gamblers and non-gamblers discharged their familial, occupational, and social duties in a similar fashion. Gambling did not interfere with attempts to advance through conventional channels of social mobility. Rather, it seemed to provide an additional strategy that served this goal. When gamblers and non-gamblers were compared, neither their intention to establish businesses nor their participation rates in training to improve their jobs differed. Nor was any relationship found between gambling and crime, marital instability, or the degree of participation in community activities. On the contrary, gamblers participated in adult education courses more than non-gamblers (41% vs. 33% in the same age group).

The following are more detailed findings in the study by Tec (1964) of football betting by men in Sweden, cited immediately above:⁷¹

- (1) Compared to non-bettors, bettors were not likely to neglect friends nor to become too dependent on them;
- (2) Gamblers were not less likely to be able or willing to assume adult roles, such as spouses;

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- (3) Non-gamblers were not less likely to neglect marital obligations or be less satisfied with their lives at home;
- (4) Although the size of bets increased with incomes, bettors took into consideration their financial conditions and thus did not create financial hardship;
- (5) Lower-income groups also considered their financial conditions and suffered no financial hardship and bet less than expected;
- (6) More bettors than non-bettors were employed;
- (7) More bettors than non-bettors were enrolled in adult education classes to improve their occupational condition;
- (8) An equal proportion of both were engaged in on-the-job training programs;
- (9) Bettors were not inclined to quit unsatisfactory jobs, but they expressed more determination than non-bettors to seek new jobs to compensate for their dissatisfaction; and
- (10) Both bettors and non-bettors were just as likely to be active in community affairs, to belong to and hold office in voluntary organizations, and to vote in national elections.

Citing the same study by Tec (1964), Kaplan (1984) states that:⁷²

Tec's data show that most myths about the harmful effects of gambling are not substantiated by research. These myths typically do not distinguish between the impacts of excessive, addictive gambling and those produced by reasonable, moderate participation.

The key is to recognize that the harmful effects of excessive gambling which plague only a small proportion of all gamblers cannot be generalized to all those who gamble in moderation.

In fact, according to Orford (1985):⁷³

[M]oderate and immoderate forms of gambling were not often clearly separated in the minds of writers on the subject. The idea that people can be more or less clearly separated into one group or another, or at least that we may talk and write on the subject as if they were, is a relatively recent invention.

Excessive Behavior: Orford (1985) typifies the European approach to gambling and examines it under the rubric of "excessive appetitive behavior." "[E]xcessive or 'addictive' behavior is in the last analysis a *social* phenomenon, whether the object of the perceived excess is the opposite sex, gambling activity, food, or a drug."⁷⁴ (The concept of excessive appetitive behavior is also applied by Orford to eating, alcohol drinking, sexual behavior, and

drug-taking.) Orford reports that critics of gambling often draw parallels between excessive alcoholism and gambling regarding the process of addiction. Various types of gambling are described by them as "soft" and "hard." Their theory is that greater participation in "soft" gambling will lead to increasing addiction to "hard" gambling.⁷⁵ Although Orford states that "... the parallels between excessive gambling and excessive drinking are, in fact, many and close,"⁷⁶ he nevertheless reports a contrary view:⁷⁷

Although there is persuasive evidence that the amount of excessive drinking in a population is directly related to the total amount of alcohol consumption in that population as a whole (Kendall, 1979), Cornish (1978), for one, doubted that the same relationship held in the case of gambling behavior. He argued that whereas all alcoholic beverages contain the addictive ingredient alcohol, gambling activities were qualitatively different, for example, in the degree to which they encouraged [addictive] continuous play.

Brenner (1990) also reports that those who gamble relatively more are: (1) the poor who plan to gamble; and (2) those who become suddenly poor. He argues that only the latter have motivation to commit crimes as a result. He further contends that it is no surprise to find no strong correlation between gambling and crime because: (1) most gamblers are not suddenly destitute; and (2) only a small number of these commit crimes while others bet more or engage in other risky ventures like stock market speculation.⁷⁸

Unequal Effects -- Rich and Poor: Regardless of whether gambling behavior is normal or not, critics often charge that gambling exploits the poor or that they are most hurt by it. If one assumes that poverty and gambling sophistication are positively correlated, then the poor are more prone to lose than the rich due to lack of knowledge about gaming and odds. There are those who would dispute this assumption. However, to the extent that this may be true, the poor suffer more even though gambling odds are blind to the size of a gambler's annual household income.

Brenner (1990) cites evidence from England that indicates that, except for casino gambling, a higher proportion of lower-income individuals gamble on lotteries and football pools.⁷⁹ In a reversal of patterns, single men and women, those with fewer children, and younger more than older, tended to gamble more at casino games rather than on the lottery.⁸⁰ He also notes that:⁸¹

Many studies have found that poorer people spend a greater proportion of their income on lotteries. This was the conclusion reached by Rosen and Norton (1966), who examined the buying patterns in New Hampshire; by Brinner and Clotfelter (1975), who did the study of Connecticut, Massachusetts, and Pennsylvania; by Clotfelter (1979), who did a study of Maryland; by Lemelin (1977) and McLoughlin (1979), who did studies of Quebec and Ontario respectively; by Heavey (1978), who did one of Pennsylvania; and by Clotfelter and Cook (1987), who have done studies of California and Maryland.

On the other hand, Weinstein and Deitch (1974) explain a commonly misunderstood notion that the poor apparently gamble more than the rich:⁸²

[V]arious studies indicate that the rich do not necessarily have a lesser propensity to gamble, but that they have more diversified avenues for risk-taking. . . . Wealthier individuals "gamble" on the stock market or engage in other investment enterprises with varying degrees of risk. Their opportunities to make large sums are greater than those open to persons with less capital, and therefore their motivation to buy lottery tickets is lower. . .

Orford (1985) notes that ". . . those [gamblers] particularly at risk were those engaging regularly [more often than weekly] in forms of gambling which involved the possibility of continuous betting, and those who had relatively little personal disposable income."⁸³

Regressivity: Critics of legalized gambling also argue that gambling losses constitute a regressive tax for the poor (taxes and exactions on gambling revenues going to the government). In other words, their losses are proportionately greater than for those with higher incomes. Advocates of gambling counter that, by definition, *everything* is regressive for the poor because they have less disposable income to spend for everything. A \$500 gambling loss for a person with a \$10,000 income will always be proportionately greater (regressive) than for a person with a \$100,000 income. However, \$1.53 for a gallon on gas or \$1.79 for a loaf of bread also cost the poorer person proportionately more. *Everything* will cost the poorer person proportionately more. Gambling losses would be truly regressive for the "poorer" \$10,000 income gambler if they exceed the same *proportion* of losses for the "richer" \$100,000 income gambler, e.g., if the former loses \$500 (five percent of income) while the latter loses a smaller proportion at, say, four percent (\$4,000). The only thing not regressive for lower-income households is the mildly progressive income tax, which compels payment to the government, while gambling is voluntary.

Protection from Potential of Harm: The issue of regressivity aside, Brenner (1990) cautions that:⁸⁴

[G]ambling is a mass phenomenon, and its study must not be confused with that of a pathological minority of compulsive gamblers, just as the examination of a few workaholics, alcoholics, obese people, womanizers, addicted TV watchers, and addicted exercisers are irrelevant for a social judgment on the behavior of the billions who work, drink, eat, love and/or have sex, watch TV or enjoy exercising with customary frequency.

Skolnick draws further parallels between gambling and other activities which are, in the main, normal but which also harbor opportunity for abuse and self-destruction. He questions whether credit cards should be banned to protect some consumers from harming themselves through pathological purchasing.⁸⁵ Should dangerous sports like rock-climbing be made illegal to protect those who will surely die and be permanently maimed? Or, for that

matter, should driving be banned for the more than 50,000 automobile fatalities each year? The issue of addiction aside, driving certainly causes more direct physical harm than legalized gambling. Most traffic fatalities are caused by a small minority of bad drivers and pure bad luck. Yet, no one would ban driving to protect against the potential harm sure to be caused by a small minority of drivers. The right, or option, to drive (depending on one's political perspective) is preserved for the great majority by minimizing the harm caused by a small minority. Efforts ordinarily take the form of preventive education and training, perhaps rehabilitation of bad drivers, and penalties and sanctions including withdrawal of the privilege of driving. These same measures are being taken in some states to moderate the negative effects that gambling may have on a small minority of problem gamblers.

Bad Odds and Addictive Games: That a minority of gamblers do become problem gamblers is indisputable. The general consensus is that the most uninformed and unsophisticated strata of gamblers tend to play games whose odds inordinately favor the house. Among these are slot machines. In a recent New York Times article, it was reported that slot and video games are thought to be more addicting than table games because the action is faster. They also attract less knowledgeable and less affluent gamblers, who are more apt to be local residents and not tourists.⁸⁶

Eadington (1973) also finds that slot machines have certain traits that make them particularly appealing to new, unsophisticated gamblers and women:⁸⁷

First, they are very simple to play and are relatively inexpensive per bet. "Amateur gamblers prefer them because, unlike other games, they virtually make no demands on the player." However, "seasoned gamblers rarely patronize the lowly slots, which they regard as mechanical toys designed to amuse the unsophisticated while systematically relieving them of their spare change." . . . Slots also have the characteristic of frequent payoffs. Thus, according to Herman's⁸⁸ argument, they should appeal to lower class and middle class women who view the payoffs as symbolic rewards. Also slots are one of the few games a person can play without having to confront other individuals; hence, women may vie for the impersonality of a machine rather than playing against an observable adversary, as in "21", or participating in the predominantly male game of craps.

By most accounts, slot machines, including the pervasive video slots, are among the most addictive of gaming products. In testimony before the Massachusetts Senate Committee on Post Audit and Oversight, Massachusetts Attorney General L. Scott Harshbarger testified as follows regarding gambling:⁸⁹

With regard to video poker, there is overwhelming evidence that it is the "crack cocaine of gambling." Just two years after implementing video poker in the Canadian Province of Nova Scotia where 3,500 machines were in operation, the Province is now recalling 2,500 machines. Sergeant Paul Devaux, National Gaming Specialist for the Royal Canadian Mounted Police recounts stories of a husband who smashed several video poker machines with a sledge hammer because his wife had

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developed a gambling problem and a man who pled guilty to second degree murder as a result of a person being killed in his robbery attempt of a McDonald's where he sought money to support his gambling problem. Additionally, many persons arrested in Nova Scotia for crimes of fraud such as forgery, embezzlement, and larceny have asserted that gambling was the cause of their criminal activity.

A 1993 article in State Legislatures actually puts the original figure at 3,900, not 3,500 video slot machines in Nova Scotia. The remaining slots can be placed only in bars. Critics claim that the law prohibiting people under age 19 from playing is not well enforced and thousands have become addicted and impoverished. Nova Scotia will spend \$500,000 to treat gambling addiction and set up a commission to study the issue of legalized gambling.⁹⁰ (See also chapter 4 for additional discussion on video slot machines, their addictiveness, and problems of enforcement in "Addictiveness of Video Slot Machines" under the New Jersey Study of Illegal Video Gambling.)

Slot machines, mechanical or video, offer not only continuous play but instant results. A gambler can get a "hit" -- the thrill or "high" of gambling -- as often and as quickly as the gambler can drop a coin and pull a handle. (Reportedly, one can identify slot players by their blackened hands from continually pulling the handle). According to Representative Joyce Hodges of South Dakota, video gambling is "very, very addictive," particularly for young people, who have grown up with video games and computers. Individuals addicted to the machines, Hodges notes, cannot go to stores or restaurants without encountering their addiction.⁹¹

According to Valerie Lorenz, executive director of the National Center for Pathological Gambling, the new compulsive gambler is likely to be female, low-income or minority, and a loner addicted to playing the lottery. Slot machines provide the ideal appeal for this type of gambler. The play is isolated and impersonal. There is no need for social interaction with the dealer or other gamblers, only with the machine. It requires no sophistication to play.⁹²

Weinstein and Deitch (1974) generally agree that the more dangerous games for the unwary are the low or no-skill pseudo-active games with multiplier betting and short payoff intervals. They include casino games such as dice, roulette, and slot machines as the most likely to encourage over-indulgence. All players are made to feel equally competent and likely to win. Curiously though, the authors also include blackjack (see discussion below) presumably because the majority of blackjack players are not expert enough to change the odds in their favor. They claim that:⁹³

[T]he nearly even bets and immediate payoffs, combined with an attractive social setting and a great deal of action, may draw the bettor in over his head. . . . The potential for harm to the bettor does not, however, mean that such harm will occur. . . . There is no clear evidence that casino gambling has the adverse effects which the lottery and OTB do not seem to exhibit.

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The proportion of slot and video slot machines as opposed to table games in casinos has been increasing. Since 1990, betting at Nevada and Atlantic City table games such as blackjack and craps has fallen 15%, while slot machine revenues have gone up by 40%.⁹⁴ According to Goodman (1994), the proportion of revenues derived from slot machines versus table games for casinos in six states are as follows.⁹⁵

<u>State</u>	<u>Slot Machines</u>	<u>Table Games</u>
Iowa (riverboats)	92.7%	7.3%
Colorado	89.7%	10.3%
New Jersey (Atlantic City)	66.0%	34.0%
Illinois (riverboats)	58.4%	41.6%
Nevada	57.5%	42.5%
Mississippi (riverboats)	52.7%	47.3%

Different forms of gambling, and even different types of games offered in casinos, are likely to attract different groups of players who possess different propensities for excessive betting. Consequently, Weinstein and Deitch propose that legalization should be restricted to those forms of gambling which are likely to reduce the probability of harmful effects while achieving law enforcement, revenue, or other objectives.⁹⁶

The unsophisticated gambler, if addicted to games that have low odds for winning, is in trouble. Chances are that the uninformed gambler is not aware of the low odds. For example, slot machines are set to return anywhere from 50 to 90 cents for each dollar played (a house edge of 10% to 50%).⁹⁷ Other gamblers' handbooks estimate the house advantage at 25% to 70%.⁹⁸ In a 1992 Nevada publication, it was noted that "[t]he profit margin for table games is approximately 25 percent compared to slot and video machines which is 75 to 80 percent."⁹⁹ That statement was made in the context of generating support for restructuring the Nevada gaming tax rates to encourage table game play. Table games are seen as a strength for Nevada casinos because they offer a variety of table games not available elsewhere.

Similarly, the wheel of fortune attracts mostly those who do not appreciate the true odds which are loaded 40% or more against the player.¹⁰⁰ Other estimates place the house advantage for roulette at between 11.1% and 24%.¹⁰¹ Many gamblers would like to believe that their skill at craps (either in throwing the dice or in "money management" and knowing what to bet) contributes to their winning. However, the only decisions they can make is what to bet on and how much to bet. On the average, craps players still lose at least \$0.85 for every \$100 bet, even if only the best possible bets are made: the ability to use one's skills to influence the outcome is not present in craps.¹⁰²

On the other hand, games such as blackjack involve more than pure luck where a player's level of skill could influence the outcome of a game. As mentioned earlier, the house

edge could be neutralized for a good blackjack player and even shift to the expert player at 2.3%. However, the unskilled blackjack player remains prisoner to the house advantage of 18% and more. There is no guarantee that inferior blackjack players will acknowledge their lack of skill and give up the game for slots. On the other hand, it is patently easier to pull a slot handle than to mentally keep count of several decks of cards in blackjack.

With all the talk of casino games, land-based or on water, one tends to forget that the older forms of legalized gambling offer even worse odds for the gambler. For example, the older lotteries typically take 40% to 50% of all bets for administrative costs and lottery profits.¹⁰³ The odds of buying a winning lottery ticket are, of course, very low.

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94. Passell, quoting Robert Goodman, author of Legalized Gambling as a Strategy for Economic Development, United States Gambling Study (Northampton, Mass.: March 1994).
95. Robert Goodman, Legalized Gambling as a Strategy for Economic Development, (Northampton, Mass.: United States Gambling Study 1994), p. 111, citing information from the respective state gaming boards and industry reports cited in Roger Gros, Mike Epifano, and Gary Schnorbus, "Turning the Tables" in Casino Player, January, 1994, p. 14.
96. Weinstein & Deitch, p. 5.
97. Longstreet, p. 20.
98. David Carroll, Playboy's Illustrated Treasury of Gambling (New York: Crown Publishers, 1977) pp. 97, 211.
99. Nevada, Legislative Counsel Bureau, Study of Gaming, Bulletin No. 93-4, September, 1992, p. 29. The "profit margin" is defined as pretax profit divided by total casino-hotel revenues which is the total gross revenue including sales of food and beverage, room sales, other operating department sales, and gross gaming revenue, p. 205.
100. Longstreet, p. 25.
101. See David Carroll, Playboy's Illustrated Treasury of Gambling (New York: Crown Publishers, 1977) p. 211.
102. Eadington, The Economics of Gambling Behavior: A Qualitative Study of Nevada's Gambling Industry, p. 26.
103. State Policy Research, Inc., "Gambling Sweeps the Country" in State Policy Reports, September, 1994, v. 12, n. 18, p. 8.

Chapter 3

GAMBLING AND CRIME

"The problem with trying to arrive at a neat cost-benefit analysis ... is that while objective measures can be applied to 'pluses,' such as taxes, employment, and winnings, the 'negatives' -- the state's image, lifestyle, crime, for example -- are subjective and difficult to measure."

John Paul Doyle, New Jersey General Assembly
Majority Leader¹

I. Introduction

House Resolution No. 392 requested that documented or perceived effects of "shipboard gaming" on "crime rates" be studied.

As explained in chapter 1, for the purposes of this study, the term "shipboard gaming" has been replaced by the working term "gambling on floating vessels." Gambling on board ships is dominated by casino gambling on riverboats. These riverboats, depending on legal requirements of the host state, may never need to cruise but only be capable of floating on water. In contrast, where gambling on cruise ships occurs, this has provided no competition and such activity is insignificant. (See *chapter 1*.) "Crime rates" is interpreted liberally to include not just the relative *rates* of crime, but absolute incidence as well when data are available.

However, several caveats are in order. *First*, riverboat gambling is such a new phenomenon that whatever data that are available are cursory and far from comprehensive. Where time series data are available, it must be remembered that such data cover very short periods of time. Post-introduction of gambling periods are extremely short -- in some cases, only several months. *Second*, there appears to be neither widespread interest in nor commitment to conducting comprehensive primary research into possible links between crime and riverboat casino gambling. *Third*, because gambling on riverboats usually consists of casino games, including slot machines, material relating to such games on land-based casinos are also used. The history and background of casino gambling (land-based in origin) and its historical links with crime and opportunities for criminal activities are also discussed. Naturally, any differences in impact between land-based and riverboat-based casino gambling cannot be discerned because the dynamics of the latter are as yet unknown. *Fourth*, because of the paucity of hard data, anecdotal evidence is also reported but identified as such when used.

This chapter reviews studies done in Virginia, Massachusetts, Iowa, Illinois, and Minnesota. In addition, New Jersey-based illegal slot machines, either mechanical or

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Las Vegas was only a small railroad outpost in 1931 and developed over the next decade more in response to the Boulder Dam project than to an interest in casinos *per se*. Those casinos that existed were small operations, ordinary in the extreme. Activity grew as traffic increased through to the Pacific coast during World War II. Several major hotel developers began building entertainment complexes on the town's outskirts -- later to become the Strip.

Historical Links Between Gambling and Crime: However, it was Benjamin ("Bugsy") Siegel and the Flamingo Hotel in Las Vegas that ushered in the modern American era of casino gambling in 1946. Along with it grew gambling's unsavory reputation. Siegel was a friend and colleague of East Coast crime figures Meyer Lansky (Cuban gambling before Castro), Frank Costello, and Charles ("Lucky") Luciano. His gambling operations extended to California gambling ships and bookmaking in southern California. As the authorities closed down his operations, Siegel wanted to become legitimate and legalized gambling in Las Vegas provided that opportunity. In 1943, his plan to transform Las Vegas into a legal gambling oasis for organized crime was approved by the crime syndicate. Siegel realized the need to lure customers from the competition with top quality but expensive food, accommodations, and entertainment. During the expensive initial post-war years, huge cost overruns persuaded his backers that he was skimming. As a result, in 1947, he was murdered in California (outside of Nevada in an effort to preserve Las Vegas's reputation). Ironically, his death gave the Flamingo Hotel even more publicity and helped to earn him the sobriquet of "the man who invented Las Vegas."

Structural Factors: The connection between Nevada casinos and criminal activities was enhanced by early structural factors. Between 1931 -- when gambling was legalized -- and 1945, gaming control was left to local and county officials. In 1945, the state assumed responsibility for licensing and collecting fees but as a purely revenue measure. It made no attempt to rectify uneven and ineffective gaming control. It was not until 1949 that the Nevada legislature specifically granted the state tax commission the power to investigate applicants for casino licenses. Yet, due to a rule that casino operators could only apply for a license a short period before the start of operations, huge construction and other costs were already sunk by the time of application. Under these circumstances, there was enormous pressure to approve applications when state revenues depended greatly on casino income and where a denial of license was tantamount to a revocation. It was 1953 before the state's power to license was declared to be such as "... to better protect the public health, safety, morals, good order, and general welfare" of the Nevada's residents.⁸ It was two years later in 1955 that Nevada created the State Gaming Control Board, a full-fledged gaming control agency with police powers, which marked the beginning of serious regulation of gambling. However, many of the largest casinos had opened and were operated by gamblers with notorious pasts before 1955 -- a time when there was no pool of legal casino operators to draw from. It was only in 1959 that the Nevada Gaming Commission was organized to

oversee the activities of the Board; and two years later in 1961 that the Gaming Policy Committee was created by the legislature.⁹

The connection between gambling and organized crime was to a degree self-perpetuating and encouraged by other structural limitations. The presence of organized crime made it hard for casinos to raise capital through normal means. This shortcoming encouraged less orthodox methods of generating capital. For example, funding was obtained from the scandal-ridden Teamsters' Central States Pension Fund.¹⁰ Union locals were dominated by organized crime. Pension fund trustees were installed who granted loans in return for revenues skimmed from casinos by casino managers nominated by organized crime.¹¹ The structural limitation lay in Nevada's own regulatory framework. Before 1969's Corporate Gambling Act, Nevada law prevented publicly traded corporations from buying and operating casinos. The rationale was the fear of undesirables holding interests in casinos through the public acquisition of stock. All casino owners were required to be licensed but it was impractical for the state to investigate and license *all stockholders*.

Organized Crime and Anti-Gambling Efforts: Thus, the historical links between Nevada gambling and organized crime became established and which became the focus of a long history of federal investigations. As early as 1950, the Kefauver Committee (Special Senate Committee to Investigate Organized Crime in Interstate Commerce) was established. Its chief concern was organized crime's control of casinos, both legal and illegal, racing wagering, slot machines and the corruption of public officials. Its activities contributed to the passage of the Gambling Devices Act (Johnson Act) in 1951 which limited the interstate transport of gambling devices (mostly slot machines).¹² The Kefauver Committee also gave great publicity to the infiltration of Nevada casinos by organized crime. This was continued in the early 1960s by the McClellan hearings. The upshot was that a widespread belief was engendered among federal officials that "... many casino operations were plagued by problems of hidden ownership interests and by significant skimming of casino profits for the purpose of tax evasion."¹³

The efforts of Attorney General Robert Kennedy's organized crime initiative in the 1960s resulted in the prohibition of the interstate transport of wagering information. This essentially eliminated the race wire service and curtailed interstate betting. The Travel Act also prohibited interstate travel with the intent to engage in gambling. Freestanding, illegal casinos were successfully eliminated. Bookmaking activity was also reduced through the ban of the interstate transport of wagering paraphernalia. The Gambling Devices Act of 1951 was also amended in 1962 to expand terms and to toughen sanctions.¹⁴ 1970 saw the passage of President Nixon's Organized Crime Control Act. Two of its substantive provisions prohibited illegal gambling businesses with proceeds over a certain volume and the obstruction of state law enforcement with the intent to facilitate an illegal gambling business. The Act also prohibited the operation of enterprises in interstate commerce characterized by a pattern of

rackeeteering activity, including gambling. The Act was intended to curb organized crime infiltration into legitimate businesses financed by mob gambling revenues.¹⁵

Legitimacy of Gambling in the Modern Era: In the 1970s, the perception of organized crime influence in Nevada gaming diminished. The entry of the Summa Corporation, owned by Howard Hughes, and the Hilton Hotels helped to legitimize the industry. Casinos began to be operated like ordinary profit-making business concerns. The 1976 report, Gambling in America,¹⁶ declared that Nevada had resolved its difficulties with organized crime between 1960 and 1975. Among its findings were the statements:¹⁷

Although organized crime once was a significant factor in some Nevada casinos, its influence has declined considerably during the past ten years. In comparison with the situation 15 years ago, the presence of organized crime in Nevada today is negligible . . . stringent accounting regulations and sound internal control mechanisms effectively prevent most skimming of casino profits by owners . . . on the whole, State regulations are sufficiently stringent and enforcement is effective.

Eadington (1984) noted that a number of post-1976 events belied the accuracy of these statements. The Stardust Casino and Hotel was involved in two major skimming scandals in 1976 and 1983. Hidden owners of the Aladdin Casino were convicted in Detroit in 1979. There was systematic skimming for organized crime figures based in Kansas City at the Tropicana Casino in the late 1970s.¹⁸

In Atlantic City, Caesar's World had problems obtaining a permanent license for its Boardwalk Regency Casino because of Caesar's alleged ties to organized crime.¹⁹

Eventually New Jersey's Casino Control Commission granted the license, but not without a great deal of public controversy, and not until Caesar's World agreed to the Commission's demand to drop its two top executives. The FBI Abscam investigation, however, tarnished the Commission's reputation somewhat when it was disclosed that Vice-Chairman Kenneth MacDonald did not report a \$50,000 bribe offer from FBI undercover agents, and that U.S. Senator Harrison A. Williams, Jr., (D-N.J.) boasted to agents of using his influence over Commission Chairman Joseph Lordi. Although neither MacDonald nor Lordi was charged with a crime, MacDonald resigned, and Lordi recently retired.

According to Eadington (1984), there continues to be a core of problem casinos, mainly in Las Vegas, with the same kinds of suspect circumstances: hidden ownership, systematic skimming, links to known organized crime figures, and questionable sources of financing.²⁰ On the other hand, Eadington contends that the connections between Nevada gaming and organized crime have diminished since the 1960s.²¹ Negative social impacts have remained uneven, however. As recently as this year, Eadington (1994) points out that:²²

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There had been considerable variation in experience among jurisdictions that allowed commercial gaming. In some, the issues of corruption, social damage, and adverse impacts were perceived as considerably more severe than in others.

Casinos and Opportunities for Criminal Activity

According to Eadington (1984), gambling and casinos were feared because gambling:²³

- (1) Was perceived to be linked to organized crime and subject to infiltration and control;
- (2) May increase public corruption;
- (3) With its historic links to prostitution and loansharking, was more liable to lead to political corruption; and
- (4) May generate significant negative social effects on the immediate and adjacent communities in the form of increased crime rates, greater transient population, increased presence of prostitution, and a general change in the social tone and tenor of the community.

Cash Flow: Opportunities for Skimming, Tax Evasion, and Money Laundering: Because of the high cash flow of casino gambling, skimming is always a possibility. Legal profits may be diverted illegally to criminal recipients. Legitimate taxes are evaded and other legal exactions are reduced as reported revenues are lowered. Heavy cash flow also creates the possibility of laundering money from illicit activities.

The numbers and types of scams possible are limited only to the criminal imaginations of the people involved. That having been said, it must be noted that gambling, *per se*, does not cause criminal activity. Because of its cash-intensive activity, the potential for abuse is endemic to the gambling industry just as that same potential exists for other similar cash-intensive industries. (The check-cashing industry and diamond exchanges in New York, London, Antwerp, and South Africa come to mind.) However, because of the unique history and structure of gambling -- particularly in Nevada -- that potential was in fact realized in the past. Although the diamond industry also deals in large amounts of cash, criminal activities of the kind commonly linked to gambling are not associated with the diamond industry in the public mind. That they are not is likely due to that industry's particular structure and history.

The Internal Revenue Service has attempted to counter illegal cash movements by requiring casinos to report those who bet more than \$10,000 in cash or \$2,500 on credit during any 24-hour period.²⁴ However, Rose (1986) notes that anyone in a trade or business already was required to report customers who transact more than \$10,000 in cash. Rose argues that:²⁵

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Closing off casinos to underworld cash transactions would have only a marginal impact on drug trafficking. There are literally tens of thousands of banks available for the criminal; in fact, a cottage industry, "smurfing," has grown up around evasion of the Bank Secrecy Act [*requiring the reporting to the IRS of cash transactions over \$10,000*]. Runners known as "smurfs" are employed to go from bank to bank buying cashier's checks for just under the \$10,000 reporting limit. . . . The amounts of cash involved in money laundering are beyond the means of even the biggest casino, but easily handled by banks. According to Stan Hunterton, Deputy Chief Counsel for the President's Commission on organized crime, an estimated \$5 to \$15 billion in drug money is laundered each year. In 1985, it was reported that Crocker Bank failed to report thousands of large cash transactions totaling \$3.89 billion over the last five years [to 1986]. Nearly all the cash traded hands in Crocker's San Francisco headquarters after being shipped there by six banks based in Hong Kong, which had become a substantial center for money-laundering activities.

Furthermore, it should be noted that money launderers at casinos make only token bets to cover the exchange of dirty money for clean money, not in amounts large enough to be reportable. This is not to say that money laundering does not occur, only that casinos do not appear to be a major money laundering tool.

Criminal Control of Peripheral Support Services: Illegal activity may also involve the unfair monopolization of various support services for casinos such as construction firms, maintenance services firms, food and beverage suppliers, laundries, caterers, employee unions, and the like. These entities may either be directly owned or controlled by criminal elements or be subject to extortion or kickbacks.²⁶ In fact, as gaming regulation becomes more stringent, lucrative opportunities for illegal gains increase in the peripheral support industries.

Public Corruption: Public corruption is a fear. Both the cash-intensive nature of casino operations and the casinos' ubiquitous use of various complimentary services contribute to the likelihood of public corruption. In the most obvious way, public officials can influence casino profits by relaxing restraints. They may also gain directly or indirectly through ownership of or participation in casinos themselves or through entities that support them. (Note: See the section titled "Public Corruption" under "Massachusetts Study" below for examples.)

Other Potential Criminal Activities: Other illegal activities associated with gambling enterprises include theft, embezzlement, and cheating by both gamblers and casino employees. Gamblers may steal or embezzle in order to gamble or pay back gambling debts. Employees may do so as a crime of opportunity. Some non-tribal casino managers have been accused or convicted of bribery, charging excessive fees and other improper or exploitive practices.²⁷

Street Crime and Large Crowds: Although large crowds often attract prostitution, many casinos maintain that prostitution is bad for business. On the one hand, it takes away from the time a person could be gambling, and losing, to the house. On the other, many casinos, especially in Las Vegas, are attempting to project an upgraded image as family-oriented resort destinations. Casinos also have to be careful to maintain good relations with gaming regulators and local law enforcement officials. This is not to say that the practice of referring, or even directly procuring prostitutes for certain customers as a perquisite, either as an inducement to or a reward for gambling, is dead. An important controlling factor is the casino's bottom line. If prostitution is perceived as adding to the bottom line, there may be less resistance to it. However, if this illegal activity no longer comfortably fits into a casino's style of operation, its presence may be actively curtailed.

Large crowds also are associated with increases in other types of street crime, if only because of the increase in the transient population:²⁸

The connection [between associated crime -- larceny, assault, murder -- that often occurs in rapidly growing areas where tourists spend conspicuously] is difficult to document. Las Vegas had the nation's highest per capita crime rate last year [1980], with 34,257 serious crimes, 92 of them murders. Yet the Gambling in America²⁹ study held that "Nevada's gambling cannot be held solely, or even primarily responsible for the higher-than-average crime rates in Reno and Las Vegas. Gambling is one of the many factors that affect crime in these cities."

It is commonly known that crime rates in Atlantic City have increased dramatically in the years after gambling was legalized in that city. Nevada also continues to experience high rates of alcoholism and drug abuse, suicide, family problems, and crimes against property and persons. However, as Eadington and Rosecrance (1986) caution:³⁰

The reasons for these negative social indicators are undoubtedly complicated. It is too simplistic to blame all of these woes on the dominance of the casino industry in Nevada and the life-styles and values that arise. On the other hand, it is apparent that there is at least some relationship between gambling and at least some of these problems.

(See the discussion of crime in Las Vegas and Atlantic City in the section titled "Violent and Property Crime" under "Massachusetts Study" below. Others have echoed the Massachusetts study's contention that rising crime rates in certain areas may not necessarily be caused by legalized gambling. For example, cities like Las Vegas and Reno may have somewhat higher crime figures than other resort and tourist areas such as Daytona Beach, Fort Lauderdale, and New Orleans. However, far larger percentages of the population of these other resort areas are not involved with tourism but still generate high crime figures.³¹ Other sources have echoed the same view noting that although crime rates in Las Vegas are very high compared to the nation as a whole, these high rates of

homicides, forcible rapes, burglary, and larceny are quite comparable to those of other western states and to those in Florida resort areas such as Miami, West Palm Beach, and Daytona Beach.³² It has been argued that Nevada, particularly Las Vegas, is unique and operates in an unstable atmosphere which tends to loosen restraints on individual behavior.³³

Las Vegas is isolated; it is primarily a resort, with a lot of promotion through the country. It is also a haven for well-to-do couples seeking a quick divorce. Las Vegas has grown with extraordinary speed. Between 1960 and 1970, the population more than doubled, while other western states grew only 24 percent in the same period. . . . All these factors seem conducive to an atmosphere in which individuals feel anonymous and deprived of stable relationships and institutions with which they can easily identify. Residents in such a community might be expected to show a high level of individual disorientation.

Note: It has also been argued that the suicide rate for Las Vegas, which is double the national rate, may be artificially inflated because Nevada counts everyone who stays as briefly as six weeks. The short residence period is required to obtain a divorce, a patently stressful event.³⁴ It has been contended that most of the recorded suicides probably come from this group. Nevada also ranked second to New York in deaths caused by cirrhosis of the liver, and a 1960 study showed Nevada ranking third behind New York and California in the rate of alcoholism. It has been claimed that the high alcoholism rate probably does not result from the availability of gambling per se. Rather, the high alcoholism rate is probably the result of two factors: the bars and entertainment available twenty-four hours a day, and many of those who come to Nevada to work in the gambling and entertainment industries bring with them histories of financial and marital failure.³⁵ In short, it has been asserted that certain of Las Vegas's social problems seem more closely linked to the special role of the city as the entertainment capital of the country, rather than to gambling itself.

Sasuly (1982) pointed out that crime rates or violent crimes and crimes against property in Reno increased between 1970 and 1974 but so did those of other non-gambling towns of similar size.³⁶ Likewise, the doubling of Atlantic City's crime rate from 1977 to 1982 (which is plagued by a decaying central city and high unemployment) ". . . does not necessarily account for the dramatic increase in crime since the inception of casino gambling in late 1976."³⁷

Organized Crime: In 1984, one source reported that:³⁸

By most accounts -- and the Twentieth Century Fund report³⁹ agrees -- New Jersey has succeeded in keeping organized crime out of the [Atlantic City] casinos because of tight regulation, specifically by the Casino Control Commission and the Division of Gambling Enforcement.

By other accounts, the results have been mixed. It was thought that with the benefit of hindsight, Atlantic City could eschew the negative effects of casino gambling with the implementation of stringent gaming regulations. Indeed, New Jersey gaming regulations are stringent but have not completely banished attempts at infiltration by organized crime. Blakey (1984) reports:⁴⁰

Unfortunately, the early experience with the regulatory scheme [for casino gambling in Atlantic City] has been mixed. Challenges to licensees of relations to organized crime or corruption have been made by the attorney general in the application proceedings of Resorts International, Bally Manufacturing Corporation, Caesar's World, Incorporated, and Playboy. The objections of the attorney general were overridden in the Resorts proceedings by the newly formed Casino Control Commission. After allegations surfaced involving possible payoffs to a member of the commission, the commission was reorganized by the governor. The duly reformed commission granted licenses to Bally and Caesar's, but only on the condition that designated personnel be severed from the corporate organizations because of past ties to organized crimes [*sic*]; the Playboy license was denied outright because of a previous bribery scandal. . . . Early in 1978, too, stories began to appear in the press detailing large-scale efforts by organized crime to work its way into various related industries. Organized crime was reportedly making investments in Atlantic City real estate, bars, restaurants, motels, croupiers' schools, a jewelry store, janitorial companies, an airport, limousine companies, and laundries, as well as hotels slated to add casinos. Some of this infiltration was blamed on the lack of cooperation among New Jersey law enforcement agencies in their efforts to keep criminals out of Atlantic City. It appears, then, that the mob intends to try to tap the rich gambling resources of Atlantic City.

Resorts International received its permanent license over the objections of the Division of Gaming Enforcement, which had uncovered evidence linking Resorts personnel with "tainted" backgrounds. Shortly thereafter, during the federal Abscam investigation, the vice chairman of the Casino Control Commission and a couple of state legislators resigned after allegations of wrongdoing. Subsequently, the commission embarked on an extensive campaign to cleanse its image and regain the public's trust.⁴¹

III. Studies Conducted by Various States

Virginia Study

The state of Virginia specifically examined the effect riverboat casino gambling in other states had on crime rates. Alton, Galena, Joliet, Peoria, and Rock Island in Illinois, Bettendorf, Burlington, Clinton, Davenport, and Dubuque in Iowa, and Bay St. Louis and Biloxi in Mississippi were jurisdictions in which riverboat gambling's effect on crime were canvassed. (*Massachusetts conducted a similar study. Although it was not the intent of the*

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Massachusetts study to isolate the social effects of riverboat casino gambling, fortunately, most of the jurisdictions examined were venues for riverboat casino gambling: Alton, Joliet, Peoria, and Rock Island in Illinois, and Dubuque in Iowa. It also surveyed Boston in its own state. The report was issued in January, 1994, 13 months after the Virginia study. See below.)

The report, Impact of Riverboat Gambling on Law Enforcement Activities in Virginia, was issued on December 11, 1992 by the Virginia State Police. The report responded to concerns relating to crime problems stemming from riverboat gambling in jurisdictions where such gambling had been legalized. It did not deal with other possible social effects such as compulsive gambling. The upshot of the report is that while riverboat gambling does increase crime rates somewhat, it has not created a significant negative impact.⁴²

Enforcement problems as revealed by the survey seem to be somewhat of a minor nature. Alcohol violations, disorderly conduct, traffic congestion, traffic crashes, bad checks and petty theft are all considered routine enforcement matters each jurisdiction was faced with prior to legalizing riverboat gambling.

Interviews were conducted with chiefs of police, sheriffs, prosecutors, and security chiefs of riverboat casinos in Illinois, Iowa, Louisiana, Mississippi, and Missouri. Authorities in Indiana were not interviewed because no riverboats were operating at the time. *[Note: Legal problems relating to the issuance of gaming licenses for Indiana riverboats have not been resolved as of the date of this study and riverboats have yet to start operations. The first Missouri riverboat was licensed⁴³ only in May, 1994.]*

Law Enforcement Interviews

Illinois: Law enforcement officials of five localities in Illinois where riverboats casinos were operating were interviewed. Among them were the police chiefs of Alton, Joliet, and Rock Island, the sheriff of JoDaviess County (Galena, Illinois), and a police lieutenant from Peoria. In addition, a lieutenant from the Illinois State Police was interviewed.

Alton, Illinois (pop. 35,000): Chief Downing reported "absolutely no problems of a significant nature associated with riverboat gambling."⁴⁴ The police have received one or two calls a week -- usually public intoxication and disorderly conduct charges. Emergency 911 medical service calls have been the most prevalent. Chief Downing set up a special task force to handle riverboat gambling activity but later dismantled it for lack of activity. No known organized crime activities were reported. *(The press also reported that a spokesman for the Alton police force claimed that "We've had no more calls from the riverboats than we would get from a K-Mart store.")*⁴⁵

Galena, Illinois (pop. 22,000): Sheriff Allendorf reported keeping a list of offenses occurring on and around the riverboat casino but later discarded the list due to inactivity. An

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increase in emergency 911 medical calls was noted as taxing for the local volunteer squad. There were an average of two criminal arrests on the riverboat per month -- mostly inebriation and employee theft. No money laundering or evidence of organized crime was reported.

Joliet, Illinois (pop. 80,000): Chief Beazley reported that riverboat gambling has had very little impact on the city police department. In fact, the police receive more calls for service from their gas stations, convenience stores, and bars than from the riverboat gambling operation. Again, calls dealt with had to do with public intoxication and disorderly conduct, and some traffic offenses. To date, no organized crime activities have been detected. Chief Beazley reported that no undesirable businesses have appeared and several family-style restaurants have opened in the vicinity of the riverboat. (See also below a summary of a report on riverboat gambling and criminal activity in Joliet prepared by the Illinois Criminal Justice Information Authority.)

Peoria, Illinois (pop. 110,000; metro. pop. 350,000): Lieutenant Fiers reported only the usual calls relating to public intoxication and disorderly conduct offenses. These calls were not considered unusual for large gatherings the size of the clientele at the riverboat. An additional officer was especially assigned to help respond to the anticipated increase in requests for service due to the riverboat operation. However, the calls did not materialize and the beat was eliminated. The only noticeable change, it was noted, was that citizens now had to pay to park in the vicinity of the riverboat casino. No signs of organized crime activity were uncovered.

Rock Island, Illinois (pop. 47,000; quad-city metro. pop. 350,000; Moline, East Moline, and Bettendorf and Davenport, Iowa): Chief Scott similarly reported no major crime problems associated with riverboat gambling. Only a few calls relating to car crashes, parking problems, vandalism and public intoxication have been reported. No additional staff were hired or assigned because of riverboat gambling activity. Organized crime has not emerged. No "undesirable establishments" have moved into the riverboat area. An increase in emergency 911 medical calls for heart attacks was reported.

Illinois State Police: Lieutenant McGuaid reported not being aware of an increase in the crime rate to any significant degree due to riverboat gambling. However, their jurisdiction is limited only to enforcing the Illinois Gaming Board's rules. Other criminal violations are handled by private security and local police departments. The Illinois State Police has assigned forty-three agents to the state Gaming Board to enforce gaming rules. Forty-two more are to be assigned to new riverboats coming into operation. Usually six agents and one supervisor are assigned to each riverboat. The state police have not detected any organized crime infiltration of riverboat gambling in Illinois to date.

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Iowa: In Iowa, the police chiefs of Clinton and Dubuque, the assistant police chief of Burlington, the captains of police of Bettendorf and Davenport, and an officer of the Iowa Division of Criminal Investigation were interviewed.

Bettendorf, Iowa (pop. 25,000): Captain Lemmons reported no police problems and hired no additional officers for the period between April, 1991 and June 1992 when a riverboat casino operated from Bettendorf. The biggest concern was fire safety on board the riverboat. Only traffic congestion problems and public intoxication and disorderly conduct offenses were reported. No organized crime activity was detected and very little effort was made to do so because riverboat gambling lasted only a short time in this city.

Burlington, Iowa (pop. 30,000): Assistant Chief Waterburg reported only a minimum number of calls regarding traffic and some thefts from parked vehicles. A few thefts were also reported aboard the riverboat between patrons and by riverboat employees. Riverboat gambling lasted one year in Burlington.

Clinton, Iowa (pop. 30,000): Chief Beinke reported no noticeable increase in crime associated with riverboat gambling. Some calls for parking lot vandalism and public intoxication were received. One case of riverboat employee cheating was reported. Dumping of sewage into the river and sloppy accounting procedures by the riverboat were also dealt with. No new "undesirable" businesses have opened in the area. No additional staff were hired or assigned. It was felt that the increase in crime -- what little there was -- would have resulted from any activity of the same scale. There was an increase in emergency 911 medical calls.

Davenport, Iowa (pop. 100,000): Captain Van Fossen reported problems in parking lots for riverboat patrons including thefts from cars, purse snatchings, and public intoxication. Fencing and lighting solved those problems. There was a noticeable increase in emergency 911 medical calls and the perception was that most casino patrons were middle-aged and older. Prostitution was a problem before riverboat gambling began. An anticipated increase in prostitution in the quad-city area did not materialize. In fact, the areas around the riverboats have taken on a carnival atmosphere.

Dubuque, Iowa (pop. 95,000): Chief Mauss reported traffic control as the biggest problem. No crimes other than those normally associated with large crowds were reported. Again, emergency 911 medical calls have increased. There were some thefts from cars. No signs of organized crime activities connected with riverboat gambling have been detected.

Iowa Division of Criminal Investigation: Agent Brosnham reports moderate to intensive background investigations of riverboat gambling operators. Division agents are stationed on each riverboat to enforce Gaming Commission rules. There is a fear of organized crime

infiltration and money laundering. However, no negative impact on law enforcement attributable to riverboat gambling has been reported.

Mississippi: In Mississippi, the police chief of Bay St. Louis and the Director of Public Safety in Biloxi were interviewed.

Bay St. Louis, Mississippi (pop. 10,000): Chief McNeil reported calls for public intoxication and disorderly conduct but no increases in violent or major crimes. Six additional officers were hired on the basis of projected increases in crime. There was concern about laundering drug money in the casinos and with fire safety aboard the riverboat.

Biloxi, Mississippi (pop. 50,000): Director of Public Safety Swetman reported no increase in calls for service and no increase in prostitution due to the operations of the three casinos open at the time. [Note: According to a New York Times article, as of July, 1994, ten riverboat casinos were in operation and 11 more were being proposed or under construction in Biloxi. For the state as a whole, licenses for 38 riverboats have been approved (30 are in operation and eight riverboats are under construction) and licenses for 38 more are pending as of July, 1994.⁴⁶ Problems were anticipated but had not materialized at the time of the interview. No organized crime activities were detected.

Riverboat gambling operations had not yet begun in Louisiana and Missouri at the time of the Virginia State Police interviews.

Interviews With Prosecutors: Prosecutors in Joliet and Rock Island, Illinois and Clinton, Iowa were also interviewed. Joliet's prosecutor felt it too early to make a definitive statement but reported observing no problems associated with riverboat gambling and has had no noticeable effect on law enforcement. The few cases that had arisen were not violent in nature but involved mostly public intoxication and disorderly conduct. Rock Island's state attorney reported that the anticipated increase in crime associated with riverboat gambling did not materialize. Organized crime and money laundering were feared but had not been detected. He did see a need for support groups such as Gamblers and Alcoholics Anonymous. Clinton's county attorney attributes the relatively small number of problems to extensive training by public safety officials prior to the start of riverboat gambling. There had been a noticeable increase in the number of bad check cases. Again, organized crime involvement was feared although none had been detected. The anticipated increase in crime did not materialize.

Interviews With Riverboat Security Chiefs: Four riverboat security chiefs were interviewed. The security chief for the *Alton Belle* (Alton) argued that, to preserve and enhance the image of the riverboat operation, it is in the owners' interests to minimize the incidence of crime. In addition,⁴⁷

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Mr. Heffernan believes riverboat gambling does not have the normal problems associated with land based casinos because their patrons are strictly controlled, most make reservations for the cruises, the cruises are of short duration, patrons pass through several levels of security, and [because of] the inability of patrons to visit and leave at any time they choose.

The *Isle of Capri's* (Biloxi) security chief advocated rigid, workable rules. In addition to regular security, they also rely on surveillance to stem employee theft. No infiltration by organized crime had been observed. Their security unit routinely cooperates with the local police regarding public intoxication, disorderly conduct, petty theft, vandalism, and minor traffic problems. The *Mississippi Belle II's* security chief reported no problems with law enforcement, only the "usual number of internal problems -- employee theft -- but nothing of a severe nature. The biggest problem seems to be bad checks from patrons."⁴⁸

Massachusetts Study

In January, 1994, Massachusetts issued the first of a two-part study researching the impact of gaming on crime. (*Part II of that study focused on compulsive gambling and was issued in March, 1994. See chapter 4.*) Part I of the Massachusetts study examined the relationship between the introduction of legalized gaming and its impact on crime incidence in and around the host community. Specifically, the study scrutinized violent and property crime -- the two types of crime most frequently assumed associated with gambling -- and organized crime. The study employed statistical data compiled by and for the Federal Bureau of Investigation. This included data for several metropolitan statistical areas within which casino gaming was recently sanctioned.

Organized crime was described as "a continuing and self-perpetuating criminal conspiracy fed by fear and corruption and motivated by greed [extending] far beyond the so-called 'Mafia' [and including] any coordinated effort to defraud, extort, stifle, or encroach upon the legal operation of legally established businesses."⁴⁹ Violent crimes and crimes against property included "murder, non-negligent man-slaughter, forcible rape, robbery, aggravated assault, burglary, larceny-theft, motor vehicle theft, and arson."⁵⁰

General Findings: The study found that there is no statistical evidence proving that the legalization and implementation of gaming in a community will cause an increase in the crime rate of the host municipality, or its greater surrounding area. It refutes the charge or the conventional wisdom that the introduction of casino gambling causes an increase in crimes and criminal behavior. The study states: "The data do not indicate an immediate and sustained relationship between gaming and crime."⁵¹

Organized Crime: The study's authors stated that it "... was unable to obtain any demonstrable representation of the impact of organized crime on the regulated casino gaming

industry."⁵² They also reported that the FBI had observed a continuing effort by organized crime to corrupt casino systems but had not seen any major corruption of casinos in the United States.⁵³ Support for this view was cited from the Chicago Better Government Association in its Staff White Paper:⁵⁴

... ownership of casinos is the most profitable means by which organized crime can steal from the casinos. Money laundering and skimming are simple procedures and particularly difficult to detect when those in charge are involved. However, after years of concerted effort by the Justice Department and Nevada and New Jersey regulatory agencies, organized crime has been largely eliminated from casino ownership. Today, law enforcement experts agree that as long as regulations similar to those existing in New Jersey are used and enforced at new casino sites, organized crime can be prohibited in casino ownership and management.

The Massachusetts study pointed to rigorous background and security checks of gaming license applicants. Recently, investigations have extended to review for potential "straw men" applicants, or people with no criminal records fronting for those who have. According to the FBI, "... state regulatory oversight has successfully terminated 'straw man' scenarios in regulated casino facilities."⁵⁵ Although the report concluded that regulatory oversight has effectively eliminated organized crime from the casino industry, there is concern about infiltration of non-regulated Indian casino gaming. More relevant to Hawaii is the trend towards organized crime infiltration of affiliated service industries such as food companies, hotels, laundry services, and construction companies. Organized crime could exploit these ancillary industries through "false billings, inflated prices, and methods of intimidation to prevent free market competition for business contracts."⁵⁶ Consequently, the report recommended that regulation of the casino industry include oversight of all businesses contracting with state regulated casinos as well as gaming license holders.⁵⁷

Public Corruption: The Massachusetts study was also concerned about the potential for public corruption with the arrival of legalized gaming. Although corrupt practices and influences are as varied as the devious imaginations of individuals involved, the study determined that there were three stages at which policy makers were most susceptible:⁵⁸

- During the final stages of policy development, when industry standards are being crafted (i.e. take-out rates, facility siting locations, siting requirements);
- During the awarding of gaming licenses; and
- During actual gaming operations.

Interviews With Law Enforcement Officials: State and federal law enforcement officials in Iowa, Illinois, and Louisiana were interviewed regarding feared increases in public corruption. In Iowa and Illinois, the response was "no real change" or "no increase" in the

number of indictments or convictions for corruption. However, there were certain problems in Louisiana, according to that state's Department of Justice, which reported the following allegations:⁵⁹

- The Governor's office attempted to override the decision of the Louisiana State Police to not award a gaming license to an individual who "failed" a background security check.
- The member of a siting board voted to award a lease to a gaming facility despite the fact that he held a controlling interest in a company which provided the telephone system to the gaming facility.
- A deputy police chief attempted to obtain employment with a video poker company despite the fact that such employment in the gaming industry violated department policy.

Public Corruption: Examples: A recent New York Times article⁶⁰ (not included in the Massachusetts study) recounted the alleged misdeeds of Mississippi state senator Tommy Gollott, a Biloxian who led the push for legalizing riverboat casinos. First, Gollott was accused of forcing a narrow victory for dockside gambling in the senate by getting eight conservative senators to abstain from voting against it by calling in heavy political favors. Gollott also failed to disclose that in 1987 his family business had bought a 4.2-acre waterfront property at Biloxi's Point Cadet, a prime casino site, until after the victorious senate vote. Furthermore, in March, 1992, one month after Gollott's own county approved dockside gambling, his company leased the land to the Biloxi Casino Corporation for \$1.9 million over the first five years, and another \$47 million in options over the following 85 years.

In Louisiana, allegations were raised involving the four children of governor Edwin W. Edwards who work for companies seeking or doing business with riverboat casinos in Louisiana. Louisiana District Attorney Douglas Moreau investigated the permit awarding process. (ITT Sheraton and Donald Trump were denied casino permits which went to others with less experience and who were not as well-financed.) There is also a grand jury investigation into the riverboat gambling industry and the Louisiana Riverboat Gaming Commission which grants preliminary permits.⁶¹ (See also section IV, below.)

In Pennsylvania, Attorney General Ernest D. Preate Jr. was accused of failing to seek the maximum criminal penalties against distributors of illegal video poker games because they had contributed to his campaign.⁶² In Missouri, allegations of corruption on the part of the Speaker of the State House of Representatives regarding riverboat casino gambling have been surfacing.⁶³

Recommendations to Control Corruption: To counter public corruption, the Massachusetts study recommended that the "responsibilities and functions of policy development and implementation [relating to casino gambling be apportioned] among a wide array of individuals and concerns so as to minimize the impact of any one individual upon said policy."⁶⁴ For example, the study recommended that state policy-makers who craft enabling legislation be prohibited from involvement in awarding gaming licenses. On the other hand, gaming commission authorities, who oversee license background reviews and security checks and who award gaming licenses, should have no part in crafting enabling legislation. Nor should they seek immediate employment with a casino gaming license holder. Finally, gaming facility operators should be prohibited from both of these two activities.

Violent and Property Crime: The Massachusetts study used three data sets. First, it reviewed FBI crime statistics in municipalities of more than 10,000 inhabitants. Crime rates for the riverboat casino municipalities of Alton, Joliet, Peoria, and Rock Island in Illinois and the Iowa municipalities of Davenport and Dubuque were examined. A second set of data covered each municipality's corresponding metropolitan statistical area (MSA): St. Louis (for Alton); Chicago-Gary-Lake County (for Joliet); Peoria; Dubuque; and Davenport-Rock Island-Moline. Four major types of crime were examined: aggravated assault, burglary, larceny-theft, and robbery. A third set of data were supplied by the FBI for municipalities in which casino gaming had been sanctioned. Except for Gulfport, Mississippi, these included cities known more for their land-based casinos: South Lake Tahoe in California, Reno and Las Vegas in Nevada, and Central City, Colorado. The separate FBI data included the FBI's Crime Index cataloging murder, non-negligent manslaughter, forcible rape, robbery, and aggravated assault, burglary, larceny-theft, motor vehicle theft, and arson.

Data Set 1 -- Municipalities: For the six riverboat casino municipalities, the Massachusetts study concluded that the data:⁶⁵

[d]o not support the conventional wisdom that there is a demonstrated link between casino establishment and crime. . . . The data indicate that few statistical patterns or discernable [*sic*] crime trends could be related directly to the introduction of casino gaming into a municipality. While crime incidents may have increased in several communities from 1988 through 1992, much of the reported increases occurred from 1988 through 1990, the period which preceded the legalization of gaming. . . . Other data show that, from 1988 to 1992, the overall number of reported crimes decreased in several communities. Aggravated assaults decreased in Alton, Joliet and Dubuque from 1988 through 1992, as did burglaries in Alton and Joliet, incidents of larceny-theft in Joliet, Rock Island, and Dubuque, and robberies in Joliet and Dubuque. Communities that registered increases in crime statistics showed that these increases were not linked to gaming. Incidents of aggravated assault increased by forty-eight percent in Rock Island from 1988 to 1992. However, incidents in Rock Island decreased from 1991 to 1992, the year after casino gaming was implemented.

Data Set 2 -- Metropolitan Statistical Areas: The second set of data covering the five corresponding MSAs also included the Boston MSA for comparison. Again, aggravated assault, burglary, larceny-theft, and robbery were examined. The MSAs of Alton, Joliet, Peoria, and Davenport-Rock Island-Moline experienced increasing rates of larceny-theft from 1985 and peaked in 1991 but then fell sharply in 1992. Assault rates similarly increased from 1988, peaked in 1991, and fell slightly in 1992 in the Alton, Joliet, Davenport-Rock Island-Moline MSA. The Massachusetts study concluded that:⁶⁶

The data indicate that the crime increases were attributable to crimes committed outside of the host community. . . . Furthermore, several MSA's [sic] recorded a decrease in their crime rates from 1991 through 1992. These declines were of particular interest as they occurred during the first few months of legalized gaming, a period when conventional wisdom would expect crime rates to increase.

Data Set 3 -- FBI Crime Index for Land-Based Casino Jurisdictions: The third set of data consisted of the FBI Crime Index statistics encompassing land-based casino jurisdictions covering the years 1988 through 1992. These data also indicated no clear patterns or discernible trends related directly to the introduction of casino gaming into a municipality.⁶⁷ The study reported the total number of criminal offenses committed within a community increased in five municipalities from 1990 through 1992, and decreased in five other communities. Reno, Las Vegas, Central City, Alton, and Davenport registered increases while South Lake Tahoe, Joliet, Rock Island, Dubuque, and Gulfport registered decreases. (The crime rates -- per 1,000 inhabitants -- increased in four municipalities while decreasing in six: the absolute number of crimes in Reno increased 1.8% but the rate decreased 7.9%.) The study concluded:⁶⁸

The data indicate that the communities surveyed by the FBI which registered high increases in crime rates from 1990 to 1992 were statistically predisposed toward higher crime rates at the beginning of the period. . . . The Committee recognized that crime is a problem in every municipality and urban area in the country. However, it questions the causal relationship between gaming and crime. . . . The data show that communities have experienced increases in crime whether or not they host a casino gaming facility. (Emphasis added)

Controversy Over the Crime Issue: The study argues that the data refute the contention that casino gaming attracts increased crime by showing that there is no immediate and sustained relationship between gaming and crime. Critics of the Massachusetts study reject the immediate and sustained argument, claiming that not enough time had passed since casino gambling was implemented for the results to be meaningful.

On the other hand, other critics of gaming have cited an immediate and sustained increase in criminal activity in Atlantic City after casinos were legalized.

Note: In a separate study, Ochrym (1984) presented evidence that an increase in crime did accompany the legalization of casino gaming in Atlantic City. He analyzed crime figures for Atlantic City before and after gambling was legalized, using New Jersey's FBI classification guidelines including the "crime index" to measure street crime. The index includes murder, rape, robbery, aggravated assault, breaking and entering, larceny, and automobile theft.⁶⁹

In 1981, Atlantic City registered the highest crime rate in the state with roughly 313 crimes for every 1,000 residents, compared with roughly 61 per 1,000 individuals for the rest of the county and the state. Prior to the legalization of gaming, Atlantic City's crime rate increased at a slightly higher rate than the state's. Regression analysis has defined a slope of 5.4 for the city compared to 4.0 for the state for the years 1967 to 1975 (the slope indicates the average increase in crime per year per 1,000 individuals). During the six years following enactment of the law, the city's crime index resulted in a slope of 47.4 compared to 2.3 for the state. While the crime rate has increased in the city, the opposite has occurred in the county, where the slope declined from 4.2 to 2.8 for the same years. Many Atlantic City officials expressed dismay over the crime figures, noting that they do not take into consideration the number of tourists, who in 1982 numbered 23 million, or roughly 63,000 daily. Added to the resident population, this meant well over 100,000 people. Taking account of tourists, however, Atlantic City for the years 1976 to 1981 had a higher rate of increase (slope 13.6) compared to the pre-gaming city (5.4), both pre- and post-gaming Atlantic County (4.2 and 2.8, respectively) and the state (4.0 and 2.3, respectively). The commission has acknowledged that casino gaming has resulted in an increase in crime.

However, the authors of the Massachusetts study believe that Atlantic City and Las Vegas are unique: gambling is the predominant industry in both cities. If the gambling industry is not the only game in town, it is at least the biggest. Crimes committed in these two cities have a much higher chance of being related to gambling if only because of the industry's size. Atlantic City's Mayor James Whelan claims that rampant crime and prostitution, the homeless, high teen pregnancy rates, and infant mortality predate the casinos' arrival.⁷⁰ Even Arnold Wexler, executive director of the Council on Compulsive Gambling of New Jersey, agrees: "Atlantic City was a slum 15 years ago, and today it's a slum with 12 casinos."⁷¹

However, even between Atlantic City and Las Vegas, the clientele differs. Las Vegas attracts more tourists, who may have more diluted gambling ambitions, than Atlantic City. The average visitor to Las Vegas spends more than four days per visit while visitors to Atlantic City spend less than ten hours there.⁷² In 1984, 45 percent of gamblers in Atlantic City were bused in for the day as opposed to 11 percent for Nevada gamblers. At the same time, 40 percent of Nevada's gamblers came by plane as opposed to nine percent for Atlantic City.⁷³ Being able to afford longer visits implies that these visitors are relatively more wealthy and thus less disposed to resorting or contributing to rising street crime.

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A more telling rebuttal may be that casino gambling is a crowd-intensive activity and is subject to those criminal activities normally inherent to most large public gatherings. Thus, increases in crime accompanying the operation of riverboat casino gambling may have more to do with large crowds than with the nature of gambling or the type of people gambling attracts. The Massachusetts study points out that Orlando, Florida (the home of Disney World) has had much larger increases in some categories of crime from 1970 to 1990 than Atlantic City (805% vs. 176% for rape; 443% vs. 85% for robbery; 119% vs. 33% for burglary; and 344% vs. -46% in auto theft).⁷⁴ The study's authors assert that:⁷⁵

Assault, robbery, and theft are not crimes specific to the gaming industry. They are crimes which occur in a diverse number of crowd-intensive settings, such as urban subways and suburban shopping centers. Incidents of assault, robbery, and theft are not, however, used as arguments against mass transportation or retail marketing. Mass transportation providers and large retail merchants accept the fact that crime is endemic to our society, and deal with it as a business expense, as do film exhibitors, hoteliers, restaurateurs, and casino operators.

[Note: Others have pointed out that most studies showing an increase in crime after the introduction of casino gambling did not adjust for the non-resident population. This is important because the FBI Uniform Crime Reports on which most crime studies are based are keyed to the resident population only. For example, not accounting for the very large daily non-resident visitor population in Atlantic City would dramatically skew crime statistics. (Nonetheless, also note Ochrym's findings, above, which did adjust for visitors in Atlantic City and still showed an increase in crime.)

*Research made available by The Promus Companies (a casino group),⁷⁶ purports to have adjusted crime rates for tourist populations in ten selected major tourist destinations, including Atlantic City. These were: Atlanta, Atlantic City, Boston, Chicago, Houston, Las Vegas, Nashville, Orlando, San Francisco, and Wichita. In 1992, among these destinations, Las Vegas had the second to lowest total crime rate and the lowest violent crime rate. Atlantic City ranked fifth in total crime.⁷⁷ The total visitor-adjusted crime rates per 100,000 population were, in descending order: Atlanta (7,547), Wichita (6,992), Houston (6,791), Orlando (6,712), **Atlantic City (6,576)**, San Francisco (6,555), Chicago (6,473), Nashville (6,431), **Las Vegas (5,284)**, and Boston (4,649). For visitor-adjusted violent crimes, the rates were: Chicago (1,221), San Francisco (1,010), Houston (989), Nashville (974), Orlando (940), Atlanta (895), Boston (675), Wichita (659), **Atlantic City (602)**, and **Las Vegas (595)**.]*

Iowa Study

On August 26, 1993, Iowa's Governor Branstad appointed the chair of the Iowa Racing and Gaming Commission and the Commissioner of the Iowa Lottery to head a bipartisan Gaming Study Committee. The Committee was charged with making recommendations for

changes in Iowa's gaming laws. In response, the Committee issued an undated report.⁷⁸ Among other topics, the report also examined the effect of gaming on crime.

In Iowa, three riverboat casinos began operating on April 1, 1991: the Dubuque Casino Belle, the *Diamond Lady*, and the *President*. In May and June, 1991, the *Emerald Lady* and the *Mississippi Belle II*, respectively, began operating. The *Sioux City Sue* was launched in January, 1993. However, the *Diamond Lady*, the *Emerald Lady*, and the Dubuque Casino Belle have since left Iowa.⁷⁹ A fourth riverboat casino has recently begun operations, replacing one of the three that had left.⁸⁰

Interviews With Law Enforcement Agencies: Part III of the Iowa study dealt with the societal impact of gaming, including pari-mutuel dog and horse tracks and riverboat casinos. The following are representative comments from law enforcement agencies of the cities and counties in which racetracks, riverboats, or both, are located:⁸¹

- The industry came to our county, first, the dog track and then riverboat gambling. I can say that I have not seen an increase in the inmate population in the county jail as a result of the gambling industry. . . . The gambling industry so far has not been a problem for the Dubuque County Sheriff's Department. [Dubuque County Sheriff]
- In reference to your inquiry on the impact riverboat gambling has had on crime in Scott County, it had very little impact. There has been no noticeable increase in crime due to the new gaming industry. A possible exception to this may be an increase in car break-ins in our hotel and motel parking lots. [Sheriff of Scott County]
- Overall crime decreased in Davenport, which is one of the largest communities in the Quad Cities. The 1992 crime statistics show larceny/theft down by 521, burglaries down by 399 and robberies down by one from the 1991 crime totals. . . I do not believe that riverboat gambling has brought an increase of crimes as was feared by many. In fact, the President Riverboat's private security has only asked for assistance with a disruptive passenger once or twice over the past two years. [Mayor of Davenport]
- Our statistics show that any recent increases in crime in Black Hawk county [Waterloo Greyhound Track] has been drug related. . . the Black Hawk County Attorney's Office [indicated] no knowledge of any crime relating to the gambling in Black Hawk County. [Sheriff of Black Hawk County]
- Prior to the [Waterloo] Greyhound Park opening there was some concern in the law enforcement community . . . that this type of activity may adversely affect the crime rate in the community. Our experience since that time, however, has not shown this to be a fact. While crime rates have increased over the past several years, this increase is not attributed to the Greyhound Park or its operations. The major cause of any increase in

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the crime rate is due to the increased influx of drugs and narcotics into the community . . . [and] is not caused by or related to the Greyhound Park operation. [Chief of Police, Waterloo]

- Early predictions indicated that we could anticipate an increase in illicit drug trafficking and use, prostitution, and some infiltration of organized crime. We are just beginning our ninth season of [Dubuque] racing and I have to say that none of these negative aspects have come to pass. . . . all our apprehensions have been put to rest. [Assistant Chief of Police, Dubuque]

The Iowa study further stated that the Director of Iowa's Division of Criminal Investigation (DCI) reported no organized crime infiltration through the gambling industries. The DCI conducts background checks and issues licenses to everyone in the gaming industry, from the janitor to management. The DCI also observed no negative impact on the crime rate resulting from the lottery, pari-mutuel, and riverboat casino industries.⁸²

Minority Report: The Iowa study included a minority report which offered vigorous dissent. The following charges made by the minority report relate to the study and the societal impact of gambling:

- The Gaming Study Committee was stacked in favor of proponents of gambling with five of the six members either involved in regulation or promotion of gambling or were legislators representing areas where gambling was in operation.
- The Committee refused to hold state-wide public hearings and refused to hear expert testimony until after it made recommendations. Of the eight individuals called to testify, six were pro-gambling.
- The Committee virtually ignored the societal impact of legalized gambling, including relevant statistics on compulsive gambling.
- The Committee did not consider law enforcement problems except for the "canned responses" from officers in certain cities where gambling is currently legal.

Illinois Study

Two studies touching on the social effects of casino gambling were conducted by two separate Illinois agencies. The first, by the Illinois Criminal Justice Information Authority (ICJIA) was published in May, 1994 and dealt with riverboat gambling and crime. The second, by the Illinois Legislative Research Unit and published in October, 1992, examined the effect of casino gambling on the state's welfare programs and is reviewed in chapter 4.

Riverboat Gambling and Crime in Illinois: The ICJIA gathered extensive crime data for the city of Joliet. The ICJIA used the Police Information Management System at Joliet to obtain five years' worth of data from October, 1988 to August, 1993. These consisted of Illinois Uniform Crime Report (I-UCR) and calls-for-service data. It should be noted that five years is a relatively short period for time series data. At the time of the study, only two riverboats were operating in Joliet. The *Empress* and the *Northern Star* began operations in June, 1992 and May, 1993, respectively. Therefore, it must also be remembered that collected crime data overlap the boats' operation by only 15 and 4 months, respectively. *(Two more riverboats began operations after the study: the Empress II and the Southern Star, both in December, 1993.)*⁸³ In addition to statistical data, interviews were also conducted with Joliet law enforcement officials and casino security personnel for anecdotal perspectives on the impact of riverboat casinos on crime. Anecdotal observations and limited data were also obtained from law enforcement and riverboat security personnel in the riverboat locales of Aurora, East Peoria, and East Dubuque (Galena area).

Riverboats vs. Chicago Land-Based Casino: The Illinois study was prompted in part by an earlier 1992 ICJIA report⁸⁴ regarding a proposed land-based casino complex. That earlier report projected an estimated annual cost of \$41 to \$100 million in increased criminal justice costs related specifically to the impact of the Chicago land-based casino.⁸⁵ However, Illinois legislators and gambling entrepreneurs were in agreement that there were clear distinctions between land-based and riverboat casinos. They also agreed that there was an absence of substantive information about these distinctions. As a result, the ICJIA was asked to help clarify what they were.⁸⁶ The ICJIA identified the following principal differences between riverboat casinos in Illinois and the proposed land-based casino complex in Chicago:⁸⁷

- (1) The riverboat enterprises in operation in Aurora, Galena, East Peoria, and Joliet are relatively small in terms of square feet of city land utilized. They offer none of the array of ancillary programs and services proposed for the Chicago complex which almost equals the size and scope of Disney World;
- (2) The actual gambling occurs away from land during scheduled boat cruises; and
- (3) There tends to be little, if any, possibility of a "criminal subculture" springing up around the boats or docks, since riverboat sites are well controlled and located in previously developed areas of the city.

Limitations of Study: The ICJIA cautioned that the study was intended only as a preliminary review of the impact of riverboat casinos on law enforcement and police workloads. Recognized long-term issues of organized crime infiltration and addictive gambling were *not* addressed in the study. The ICJIA also warned of the difficulty of predicting the nature and outcome of riverboat gambling in larger urban areas such as Chicago based only on limited time series data from the smaller towns surveyed. This is

especially true of larger-scale casino complexes that also offer adjacent land-based amusement and activity areas.

The Empress and the Northern Star: Two riverboats were active at the time of the study. The *Empress* is docked at the edge of the city and opened its doors in June, 1992. The *Empress* takes eight daily cruises and hosts 6,355 gamblers daily, 193,297 monthly, and 2,319,575 yearly.⁸⁸ It has 18,200 square feet of space, 662 gaming positions, 31 tables, and 507 slot machines.⁸⁹ The *Northern Star* is docked in downtown Joliet and admitted its first gambler in May, 1993. Its sister ship, the *Southern Star*, opened in January, 1994. Together, they accommodate 6,100 gamblers daily. Each riverboat makes six daily cruises. One extra excursion is made on weekends by one of the boats.⁹⁰ The two riverboats have a combined 1,200 gaming positions, 63 gambling tables, and 930 slot machines.⁹¹ Nine security personnel are assigned aboard the *Empress* with eight more on land. None are armed although one or two armed Illinois Gaming Board officers are always aboard. The *Northern* and *Southern Star* together employ 96 guards.⁹²

Joliet: Part I and Part II Verified Offenses: The ICJIA used the Police Information Management System to collect detailed data for the city of Joliet. Five years' worth of incident summary reports for every month from October, 1988 to August, 1993 were generated for every police beat in Joliet.⁹³ The data were subjected to statistical analyses. "Verified incidents" for Part I and Part II offenses and verified incidents for total services and activities were examined. Part I offenses include all eight Illinois Uniform Crime Report (I-UCR) indexed crimes: murder, criminal sexual assault, robbery, aggravated assault, burglary, theft, motor vehicle theft, and arson. Part II offenses comprise all non-indexed crimes including deception, criminal damage and property trespass, sex offenses, gambling, violations against the Cannabis Control Act and the Substance Control Act, motor vehicle offenses, kidnapping, and disorderly conduct.⁹⁴ Data was graphed for overall patterns. A time series regression was performed on pre-riverboat data. No adjustment for seasonality was made; the reason cited was the limited data available. Post-riverboat data for each riverboat were then examined for significant changes from extrapolated trend lines.

Findings: The study found that, overall, both Part I and Part II crimes have decreased in Joliet over the past several years.⁹⁵ (Anecdotally, it was reported that all the study's interviewees recollected only one alleged robbery on Route 6 that could have been directly related to the *Empress*.)⁹⁶

Northern Star Police Beats: Specifically, the study examined crime data for Joliet police beats 13, 14, 15, and 21, each of which either covers or is proximate to the *Northern Star* docking area. Three categories of data were analyzed: Part I crime, Part II crime, and the number of calls for service. Trends lines for the periods before and after the *Northern Star* began operations were developed for the three categories. The study made the following observations:⁹⁷

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- (1) Part I verified crime trends increased slightly in three beats after the *Northern Star* became operational. In one beat, (13) the trend turned slightly downward after the boat became operational;
- (2) Part II verified crime trends turned slightly upward in three of the four beats after the *Northern Star* went into operation and remained unchanged in the remaining beat; and
- (3) Trends in calls for service, a possible indicator of citizen concern regarding boat related activities, either dropped off or remained stable for each beat.

Actual examination of the study's 12 charts⁹⁸ depicting trends for Part I and Part II crimes and service calls for the four *Northern Star* beats show that Part I crime increased more than "slightly." Part II crimes also seemed to have increased a slight to moderate degree in only two rather than three of the beats. The rate increased sharply in the third.

The study reports that an unidentified test for significance was applied to the combined data of all four beats. It concluded that "... for the most part, all changes in crime or incident trends were statistically insignificant. . . . Part I crime increases were, however, measured as statistically significant. . ." ⁹⁹ On the other hand, the study also cautions that other factors can influence the number of calls for service in certain areas. For example, it reported that beats 14 and 15 contain four of the city's ten Neighborhood Oriented Policing (NOP) project areas. The NOP project encourages community residents to work with police to reduce crime in the neighborhood. Consequently, it is conjectured that calls for service in NOP areas may increase for reasons other than riverboat casino activity.

Empress Police Beats: The same data were charted for Joliet police beats 24 and 25 which cover or are proximate to the area on the edge of town near Route 6 where the *Empress* docks. The trend lines for the post-riverboat period for the *Empress* are much longer than those for the *Northern Star* because of the former's earlier start date. The study reports the following results:¹⁰⁰

- (1) Part I verified crime trends either remained stable or went down after the *Empress* became operational;
- (2) Part II verified crime trends rose slightly after the *Empress* went into operation; and
- (3) Calls for service levels either remained stable or rose slightly.

Actual examination of the relevant charts bears out these findings. Again, data for the two beats were combined and tested for significance. The study reported that "... for the most part, all changes in crime or incident trends were statistically insignificant. . . . In one case, the decrease in Part I crimes . . . was . . . statistically significant. . ." ¹⁰¹

Non-Riverboat Police Beats: Finally, data for all beats which do not cover or are not proximate to either the *Empress* or the *Northern Star* were combined and analyzed for the same three categories. The study reported that "... the overall trend in Part I, Part II crimes and calls-for-service have been declining for some time and have continued to do so after the arrival of the riverboats."¹⁰²

Limited Data From Aurora, East Dubuque, and East Peoria: In Aurora, two riverboats (*Hollywood Casino*) have operated since June 17, 1993. They accommodate 5,140 patrons daily, 150,000 per month, and 1.8 million per year. Each boat operates six cruises daily lasting just under three hours each. Seven casino security personnel are assigned to each shift, with higher staffing on weekends. It is unknown whether these personnel are all assigned aboard the riverboats or split between boat and shore duty.¹⁰³ They have a combined square footage of 22,000, 929 gaming positions, 614 slot machines, and 63 gaming tables.¹⁰⁴

Aurora's Hollywood Casino: Aurora Chief of Police David L. Stover reported having to spend \$75,000 to \$100,000 to hire replacements for the six officers he lost to the riverboats who left to work as security personnel. Chief Stover also indicated that citizens have reported an increased sense of safety in the downtown area where the riverboats dock due to the increased presence of police and private security. However, as Chief Stover notes below, this may have been augmented by the inception of community policing in Aurora. (See the *Neighborhood Oriented Policing project for Joliet, above.*) Furthermore:¹⁰⁵

According to the Chief, overall crime levels in Aurora have decreased by 2% since the boats became operational. Additionally, DUI's [driving under the influence of alcohol] (associated with disembarking boat patrons) have not increased. While the Chief believes the riverboats have not had any negative impact on public safety, the number of service calls have [sic] increased by 10 to 20 percent. The Chief suspects this increase can be linked more to the community policing initiative than to the riverboats.

Director of security of *Hollywood Casino*, John Beck, reports that disorderly conduct, mainly as a result of too much to drink, is the crime most commonly dealt with by security personnel. Most of these incidents occur in the evenings. An aggressive age verification policy requiring positive picture identification has reduced problems with underage admission. Traffic was not reported to be a problem because cruises are ninety minutes apart.

East Dubuque's Silver Eagle: The *Silver Eagle*, the only riverboat in East Dubuque (Galena area), began operations on June 18, 1992. The boat handles 4,100 to 4,200 patrons on Saturdays and 2,800 on the other six days. In addition to one or two officers from the Illinois Gaming Board, five to seven private security personnel staff the boat. An additional

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three security personnel are based on land.¹⁰⁶ It has 9,250 square feet, 568 gaming positions, 468 slot machines, and 25 gaming tables.¹⁰⁷

Sheriff Steve Allendorf of JoDaviess County reported no significant change in crime levels since riverboat gambling began. Traffic and accidents have increased but with very few drunken driving accidents caused by boat patrons. Sheriff Allendorf attributes this to:¹⁰⁸

[t]he fact that the Galena area is a temporary stopping point for tourists, who visit the boats and other attractions then depart the area. He believes that cities with large permanent populations (like Chicago) would tend to have and attract a criminal element to the boat areas, making riverboat operation in larger cities more problematic.

A new chapter of Gamblers' Anonymous was reported to have opened in Dubuque.

East Peoria's Par-A-Dice: In East Peoria, the *Par-A-Dice* has been cruising since November 20, 1991. The boat has 33,000 square feet, 984 gaming positions, 779 slot machines, 41 gaming tables and can accommodate over 1,000 customers.¹⁰⁹ The boat runs six two-hour cruises daily. Although it has a capacity of 1,200, an average of 500 patrons board each cruise. Seven security personnel are stationed aboard along with one or two Gaming Board officers. Five or six security personnel are based on land.¹¹⁰

Sheriff Allen Misener of Peoria County, Peoria Chief of Police Paul Bazano, and East Peoria Chief of Police Jim D. Druin agreed that, though the potential exists, the riverboat has had no negative impact on law enforcement. There have been incidents involving property damage, traffic accidents, and drunken and disorderly patrons. However, it is claimed that since riverboat gambling began, only two drunk-driving incidents have been caused by boat patrons. They agree that calls for service have not increased or become more serious and that current levels are comparable to those received from other businesses in the city.¹¹¹

The Illinois study summarized its findings by stating: "The analysis of available anecdotal and statistical information leads to the observation that no negative impact on crime levels or police workload can be attributed to the presence of riverboats in the City of Joliet."¹¹² The study repeats its warning that its findings are preliminary and that more research is required including research on the long-term effects of increased gambling sites, particularly on addictive gambling.

Minnesota Study

Minnesota does not have riverboat casinos. It does have tribal casinos. According to a 1993 publication by Minnesota Planning, some 17 tribal casinos are currently operating in Minnesota.¹¹³ Tribal casino revenues were expected to exceed \$500 million 1993, with no

corporate taxes paid to the state.¹¹⁴ Indian tribal gaming now accounts for 45 percent of all gambling revenues in Minnesota, followed by charitable gambling (35 percent), the lottery (19 percent), and horse racing (1.6 percent).¹¹⁵ The economic impact of tribal casinos in ten counties in which they were located was examined for the years 1989 through 1991.¹¹⁶ The social impact of tribal casinos was also examined although it is not clear precisely how much of the analysis was based on data from the same ten counties. Problem gambling and crime were two aspects of the social effects of gambling that were examined. The relationship between the social impact of land-based tribal-casino gaming and casino gaming on floating vessels is unknown. Minnesota's tribal gaming is reviewed because of some evidence of a link between problem gamblers and crime. (*The relationship between tribal casino gambling and problem and pathological gambling is reviewed in chapter 4.*)

Gambling and Crime: The Minnesota study found that:¹¹⁷

- From 1989 through 1991, there was no evidence that tribal gaming caused an increase in serious reported crimes such as murder, rape, robbery, burglaries, and theft. The crime rate for all but five casino counties increased only slightly more than for non-casino counties (14.8 vs. 12.1 percent).
- Evidence from gambling treatment centers, however, showed a strong link between problem gamblers and crime. At one Minnesota facility, 93 percent of clients admitted to committing a crime to cover gambling debts. National figures show that 50 to 60 percent of people seeking help for a gambling problem have engaged in criminal activities to support their gambling problem.
- According to the Gambling Enforcement Division of the Department of Public Safety, Minnesotans illegally wagered more than \$1 billion on sporting activities in Minnesota each year.
- Minnesota agencies with responsibility for regulating and enforcing the state's gambling industry may be understaffed and under-funded to handle this complex and rapidly expanding industry.

New Jersey Study (Illegal Video Gambling)

New Jersey's Commission of Investigation, based on a series of public hearings, issued a report in September, 1991 on the illegal use of video gambling machines.¹¹⁸ The study had nothing to do with legalized gambling in Atlantic City but focused exclusively on the *illegal* use of video slot machines in various New Jersey counties.

In terms of technology, there is virtually no difference between legal slot machines in casinos and illegal video slot machines. It has been said that the only difference is that the former have payout trays while the latter do not. Video slot machines can be dual-programmed to switch between legal amusement games such as the innocuous "PAC-man" and gambling games such as "Joker Poker," "Draw Poker," "Top Draw," "Grand Prix," keno, and eight-liners. In fact, the change is accomplished with the flip of a switch or even by a remote control device.¹¹⁹ Furthermore, even if gambling games are played, as long as the electronic "credits" bet and won are not redeemed for cash but for tokens or merchandise or to play additional games, no law is broken. Some machines do away with coins or tokens entirely and are fitted with devices to accept paper currency up to \$50 and \$100 bills; no change is made.¹²⁰ In illegal use, credits won but not played are paid off in cash and then "knocked off" or reset to zero for the next player. Internally, however, video slots keep an accounting record of plays, wins, and losses to calculate revenue. Odds of payouts (credits won) can also be adjusted.¹²¹

Organized Crime and Illegal Video Slot Machines: The study made extensive connections between organized crime and the manufacture, distribution, and operation of illegal video slot machines. There is a very high demand for these machines. Because of this, they are conveniently located in numerous locations. Outside the strictly regulated casino environment, it is virtually impossible to police their illegal use. Because of their convenience and ubiquitous presence,¹²² trips to Atlantic City were no longer necessary for many New Jersey residents. One could play on impulse on a trip to the corner grocery store, while getting gas, or between drinks in the neighborhood bar.

Issues: In summary, the problems posed by illegal video slot machines portrayed by the study are:

- (1) There is apparently great demand for these machines, especially in lower-income areas, and they are located in numerous diverse locations which make it almost impossible to regulate or police;¹²³
- (2) Enforcement is difficult because it is not illegal to possess or operate these machines as long as winnings are not paid off in cash;
- (3) Most video slot machine operators *do* pay off illegally in cash;
- (4) Organized crime controls the distribution, operation, and sometimes the manufacture of these machines;¹²⁴
- (5) Illegal video slot machine revenues are used for other organized crime purposes such as investing in legitimate businesses;

- (6) The continued illegal operation of video slot machines perpetuates a widespread system of public corruption among police and elected and other public officials;¹²⁵
- (7) Legalization is not a viable alternative because of the logistical difficulties of policing huge numbers of machines dispersed over a multitude of locations. As long as it remains cost-ineffective to prove that any one machine is operating illegally (illegal cash payouts, illegal payout odds, underage play, tax evasion, etc.), illegal practices and organized crime participation will continue; and
- (8) The omnipresence of these machines will contribute to more compulsive gambling, particularly among adolescents, because of the addictiveness of video slot machines and the difficulty of enforcing age requirements in thousands of dispersed locations. (See chapter 4 for discussion of this last item.)

IV. Other Data

The Goodman Study: Goodman (1994) reviewed 14 studies that focused on the economic impact of gambling.¹²⁶ He found that:¹²⁷

- There is a critical lack of objective knowledge and research about the real economic and social costs and benefits of legalizing gambling. The research used by public officials to evaluate projects is often done by the gambling industry itself. There are additional expenditures for criminal justice, regulation, problem gambling, and public infrastructure.
- In the fourteen studies analyzed, claims of economic benefits were exaggerated while costs were understated. Most could not be considered objective descriptions of economic benefits and costs. Ten were either unbalanced or mostly unbalanced.¹²⁸

Goodman strongly implies that the eight "unbalanced" studies are so because of their sponsorship. He states that four are sponsored by the gambling industry or by a tourism and convention commission which presumably supports legalized gambling. (*Arthur Andersen & Co. and Pannell Kerr Forster were authors of two of these. See Appendix D for a complete list.*)¹²⁹ Goodman claims a fifth study to be a "promotional document paid for by a casino company."¹³⁰ However, he also states that the study in question (by Qualls) "... makes no reference to who paid for it." No evidence is provided that the study had, in fact, been commissioned by a casino company. Goodman appears to presume this by association. He cites: "[a] brochure for an un-named casino developer ... [was] used in a lobbying campaign" which mentioned that the Qualls study had been done.¹³¹ A sixth study was said to have been conducted by an organization having members who were interested parties.¹³² A seventh was done by a New Jersey county economic development agency which

presumably favored gambling.¹³³ Sponsorship of the last "unbalanced" study was not ascribed to any particular faction.¹³⁴

Two studies were labeled "mostly unbalanced." One was done by Deloitte & Touche for the City of Chicago Gaming Commission.¹³⁵ The other was a consultant report required by Connecticut law to be done every five years.¹³⁶ The three "mostly balanced" studies were conducted by a New Jersey governor's advisory commission,¹³⁷ a Minnesota state planning agency,¹³⁸ and a South Dakota university.¹³⁹ Only one study, by the University of New Orleans, was labeled "balanced."¹⁴⁰

However, it is unknown whether the selected studies fairly reflect the available research. Goodman "... believed [that the fourteen selected studies] broadly represented the kinds of analysis and documentation being used by public policy makers and the media to analyze, promote or reject legalized gambling." He selected them from "... a large number of reports and public documents which purport to describe the economic and social impacts of existing and proposed legalized gambling ventures."¹⁴¹ Aside from this, the actual selection process and criteria used to determine which studies were "broadly representative" are unknown. There is no evidence that the selection was *proportionally* weighted to fairly represent the available research and not done arbitrarily. If the purpose was to call attention to the lack of objective data, the point has been made.

Goodman strongly implies that *most* gambling studies are unreliable and biased, perhaps intentionally, to hide the bad and exaggerate the good. That *some* gambling studies are "unbalanced" by virtue of lacking data on gambling's harmful effects is certainly true. That *most* of them are, is uncertain; and that they are intentionally so is unproven. (*For a detailed refutation of Goodman's study from a gambling industry perspective, see Appendix E for a 4-page response by IGT (International Gaming Technology) based on research done by the Promus Companies.*)

Goodman also cites anecdotal evidence that legalization of gambling, particularly government support of lotteries, creates new customers for illegal gambling operators. The argument is that legalization tends to legitimize all forms of gambling and that the illegal varieties offer better odds with tax-free payouts.¹⁴²

Colorado: In 1992, it was reported that the Colorado towns of Central City, Black Hawk, and Cripple Creek experienced a three-fold increase in traffic on canyon roads. The number of drunk driving arrests for 1992 was projected to be three times that of 1991. There were also complaints of air, noise, and sewage pollution and litter problems stemming from the increase in the number of cars and visitors. However, one must remember that before the 41 casinos and 7,000 gaming devices were authorized in, for example, Central City, it had a population of under 400 and a government staff of three plus two police and two public works officers.¹⁴³

Wisconsin: Murray (1993)¹⁴⁴ focused on the economic impact of tribal gaming in Wisconsin. The issue of crime was also examined. The total number of crimes in all rural counties increased by 11 percent while the increase in counties with tribal casinos was only five percent. The increase in non-casino counties was 12 percent. At face value, it does not appear that casino gambling had increased the crime rate.

New York: A dated New York study (published in 1979) nonetheless offers the now conventional view of casino gambling and organized crime.¹⁴⁵

The Panel is very aware of the widespread public perception that casino gambling and organized crime are invariably intertwined. The Panel recognize *[sic]* that there is a historical basis for this belief since organized crime did infiltrate and control some casinos in the early days of Las Vegas. We have investigated the development of the casinos in Nevada since the 1950's and have concluded that casinos have substantially moved toward a professional, regulated industry, largely devoid of an all-pervasive influence by organized crime. . . . There seems to be a gap between the public perception and the perception of enforcement professionals in the field. Many law enforcement experts believe that organized crime's influence in the casino industry is controllable and can be minimized or eliminated by vigorous enforcement. Even with such vigilance, there can be no complete assurance that all such activity can be prevented.

Louisiana: In the summer of 1994, the FBI arrested 17 men for using a video poker company to skim profits from some of the 13,256 video poker machines in bars and truck stops in Louisiana for the Marcello, Genovese, and Gambino crime families in Louisiana and New York. About 14,000 video poker machines are operating in Louisiana bars, restaurants, truck stops, race tracks, and off-track betting centers.¹⁴⁶ Since November, 1993, a grand jury in Baton Rouge has been investigating how the state awards licenses for riverboat casinos amid allegations that political ties were more important than economic merit. Governor Edwards' children have been involved in trying to get casino business for personal gain. One allegedly handled casino business queries from the governor's mansion and another was allegedly involved in negotiations with his father at the mansion over a disputed gambling license. It was also reported that the companies that won the first thirteen riverboat casino licenses have been laced with long-time friends and associates of the governor, as well as his son Stephen Edwards, a lawyer who represents four of those companies. A top New Orleans police official was dismissed after it was disclosed that he had also been working for a video poker company in Las Vegas. Louisiana's state senate president, Sammy Nunez, allegedly distributed \$2,500 in campaign contributions from one of the state's gambling boat owners in the senate chambers.¹⁴⁷

Mississippi: Police chief Chuck Bolen of Tunica County says arrests for drunken driving have increased 500 percent since the coming of casinos.¹⁴⁸ Gulf Coast towns had 16

bank robberies in 1993, four times more than in 1992. Police have reported "small rises in drug arrests and prostitution in and around the boats."¹⁴⁹

Hawaii: Illegal video gambling (blackjack, poker, acey-ducey, keno, Wild Arrow) began in the early 1960s and accelerated in the early 1980s. Gamblers win points or credits and are paid off by the operator in cash, not from win trays attached to the machines. In 1986, it was estimated that there were fifty-five illegal video gambling parlors on Oahu. FBI agent Hilton Lui alleged police corruption in the form of payoffs for advance warnings of raids on these illegal parlors.¹⁵⁰

Delaware: According to a federally-funded study by the Delaware Council on admitted compulsive gamblers in that state, as many as eighty-six percent of compulsive gamblers commit felony crimes in support of their addiction.¹⁵¹

Endnotes

1. Daniel Pilcher, "Luck on the Boardwalk: Casino Gambling in New Jersey" in State Legislatures, March, 1984, v. 10, n. 3, p. 21.
2. Jerome H. Skolnick, House of Cards: Legalization and Control of Casino Gambling (Boston: Little, Brown, 1978), pp. 105-113.
3. Nevada, Legislative Counsel Bureau, Study of Gaming, Bulletin No. 93-4, September, 1992, p. 2.
4. The Comstock Lode, first discovered in 1859, was the richest gold and silver deposit found in the United States up until that time.
5. Study of Gaming, p. 3: In 1869, the Nevada legislature overrode Governor Henry Blasdel's veto and legalized gambling but prohibited it in the front rooms of saloons.
6. Ibid. These reformers included the Women's Civic League and the Anti-Gambling League of Reno.
7. Ibid. The 1909 ban was briefly repealed in 1911 but was reimposed in 1913.
8. Skolnick, p. 115.
9. Study of Gaming, p. 5.
10. William R. Eadington, "The Casino Gaming Industry: A Study of Political Economy," in The Annals of the American Academy of Political and Social Science: Gambling: Views from the Social Sciences, James H. Frey and William R. Eadington, eds., July 1984, p. 25.
11. Jerome H. Skolnick, "A Zoning Merit Model for Casino Gambling," in The Annals of the American Academy of Political and Social Science: Gambling: Views from the Social Sciences, James H. Frey and William R. Eadington, eds., July 1984, p. 55.
12. G. Robert Blakey, "Legal Regulation of Gambling Since 1950," in The Annals of the American Academy of

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Political and Social Science; Gambling: Views from the Social Sciences, James H. Frey and William R. Eadington, eds., July 1984, pp. 13-22.

13. Eadington (1984), pp. 29-30.
14. Blakey, pp. 13-22.
15. Ibid., p. 15. Title VIII of the Organized Crime Control Act of 1970 was devoted solely to gambling.
16. Commission on the Review of the National Policy toward Gambling, Gambling in America (Washington D.C.: Government Printing Office, 1976).
17. Eadington (1984), pp. 25-6.
18. Eadington (1984), p. 30.
19. Judy Heffner, "Legalized Gambling in the States: Who Really Wins?" in State Legislatures, September, 1981, v. 7, n. 8, pp. 6-16.
20. Eadington (1984), pp. 25-6.
21. Eadington claims that some Nevada casinos have never been accused of any crime and publicly traded corporations involved in Nevada gaming have seldom been implicated in either skimming or hidden mob ownership.
22. William R. Eadington, "Ethical and Policy Considerations in the Spread of Commercial Gambling," Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno, monograph (1994), p. 1.
23. Eadington (1984), pp. 29, 31.
24. I. Nelson Rose, "Turning in the High Rollers: The Impact of the New Cash Regulations" in Nevada Public Affairs Review, Senator Alan Bible Center for Applied Research, University of Nevada-Reno, no. 2, 1986, p. 21.
25. Ibid., p. 23.
26. Pitcher, "Luck on the Boardwalk: Casino Gambling in New Jersey." These problems were also reported in 1984 by New Jersey legislative staff: "The state says screening labor union leaders for ties to organized crime is necessary to assure the integrity of the casino industry."
27. Daniel F. Ritsche, The Evolution of Legalized Gambling in Wisconsin, Wisconsin Legislative Reference Bureau, Research Bulletin 94-2, March 1994, pp. 40-1.
28. Heffner, "Legalized Gambling in the States: Who Really Wins?"
29. Commission on the Review of the National Policy toward Gambling, Gambling in America (Washington D.C.: Government Printing Office, 1976).
30. William R. Eadington and John Rosecrance, "Betting on the Future: Gambling in Nevada and Elsewhere in Nevada Public Affairs Review, Senator Alan Bible Center for Applied Research, University of Nevada-Reno, no. 2, 1986, pp. 1-3.

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31. Information Aids, Inc., Gambling: Crime or Recreation? Information Series on Current Topics (Plano, Texas: 1986) p. 30.
32. Task Force on Legalized Gambling, Easy Money, (background paper by David Beale and Clifford Goldman) (New York: 1974)
33. Ibid., pp. 79-80.
34. Ibid.
35. Ibid.
36. Richard Sasuly, Bookies and Bettors: Two Hundred Years of Gambling (New York: Holt, Rinehart and Winston, 1982) pp. 237-8.
37. Gambling: Crime or Recreation?, p. 30.
38. Pilcher, "Luck on the Boardwalk: Casino Gambling in New Jersey.
39. George Sternlieb and James W. Hughes, The Atlantic City Gamble, Center for Urban Research, Rutgers University (Cambridge: Harvard University Press, 1983.
40. Blakey, pp. 20-1.
41. Ronald G. Ochrym, "Gambling in Atlantic City: The 'Grand Vision' Blurs" in National Civic Review, December, 1983, v. 72, n. 11, p. 594.
42. Virginia State Police, Impact of Riverboat Gambling on Law Enforcement Activities in Virginia, December 11, 1992, p. 3, hereafter referred to as "Virginia State Police."
43. Telephone interview with Joe Martin, staff, Senate Research Division, Missouri Legislature, July 21, 1994.
44. Virginia State Police, p. 13.
45. Pam Greenberg, "Not Quite the Pot of Gold" in State Legislatures, December, 1992, v. 18, n. 12, pp. 24-27.
46. Gerri Hirshey, "Gambling Nation" in The New York Sunday Times, July 17, 1994; and telephone interview of July 20, 1994 with Cathy Lawrence, Mississippi Gaming Commission, regarding statewide riverboat casino operations.
47. Virginia State Police, p. 21.
48. Ibid., p. 22.
49. Massachusetts, Senate Committee on Post Audit and Oversight, Toward Gaming Regulation: Part I: Crime, prepared by the Senate Post Audit and Oversight Bureau, January, 1993 (referred to as "Mass., Part I"), p. 8.
50. Ibid.
51. Ibid., p. 3.

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52. Ibid., p. 14. However, see Eadington's assertion that problems of this sort persist, especially in Las Vegas.
53. Ibid.
54. Ibid., p. 14, citing Chicago Better Government Association, Staff White Paper, p. 82.
55. Ibid., p. 15. "Straw men" are carefully selected dupes -- persons without criminal records or known associations with criminal figures who are chosen to act as fronts or proxies for criminals.
56. Ibid., p. 16. See also "Criminal Control of Peripheral Support" under "Casinos and Opportunities for Criminal Activity" in Part I, Historical Background.
57. Ibid., pp. 3, 16.
58. Ibid., p. 17.
59. Ibid.
60. Hirshey, "Gambling Nation."
61. Graham Button and Rita Koselka, "Gambling Gumbo" in Forbes, January 17, 1994, v. 153, n. 2, p. 48; and Peter Applebome, "Legal Gambling Bedevils Louisiana" in The New York Times, June 12, 1994, p. A-20.
62. Michael deCourcy Hinds, "Law Enforcer vs. Pennsylvania Crime Commission" in The New York Times, May 14, 1993.
63. Telephone interview with Joe Martin, staff, Senate Research Division, Missouri Legislature, July 21, 1994.
64. Mass., Part I, p. 18.
65. Ibid., pp. 20-1. However, data are from 1985 through 1992, a period of time that may be too brief to produce meaningful results. Furthermore, much of the Massachusetts study's written analysis focuses on the even shorter period from 1988 to 1992. Certainly, the two-year period (1990 to 1992) after riverboat casinos were introduced is too short.
66. Ibid., p. 26.
67. Ibid., p. 23. See note 65 above regarding the need for a lengthier time series.
68. Ibid., pp. 23-5.
69. Ochrym, p. 593. Apparently, non-negligent manslaughter and arson were inadvertently omitted.
70. Wayne King, "Casinos' Unkept Promise Turns 15; Atlantic City Wants to Stop Being Gambling's Bad Example" in The New York Times, June 22, 1993.
71. Ibid.
72. Harvey D. Shapiro, "A Full House" in Hemispheres, October, 1994, p. 83, quoting Steven Eisenberg, a managing director at Oppenheimer & Co., Inc., says "The average patronage [in Atlantic City] is six or seven hours -- only on weekends are hotels full."

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73. Gambling: Crime or Recreation? p. 44.
74. Mass., Part I, Table Four "Crime Increase: 1970-1990" -- source: United States Department of Justice, p. 31.
75. Ibid.
76. The WEFA Group, Consumer Markets Analysis, "Current Information on the Link Between Casinos and Street Crime," (Bala Cynwyd, Penn: WEFA Group, 1994). The WEFA Group is a well-known and respected international consulting firm specializing in analysis and forecasts of economic and industry trends. It was formed from the merger of Wharton Econometric Forecasting Associates and Chase Econometrics in 1987.
77. Ibid., pp. 3-5 and three charts entitled "Crime Rates for Selected Cities: 1992," "1992 Visitor-Adjusted Total Crime Rates," and "1992 Visitor-Adjusted Violent Crime Rates" -- source: FBI Uniform Crime Reports, local convention and visitor centers, The WEFA Group.
78. Iowa, Gaming Study Committee, A Study of the Iowa Gaming Industry; Recommendations for Statutory Changes; and Minority Report, 1994 (referred to as "Iowa Gaming")
79. Ibid., p. 2.
80. Telephone interview with Ann Molis, legislative analyst and legal counsel, Iowa Senate Republican Minority Research Staff, July 20, 1994.
81. Iowa Gaming, pp. 17-18.
82. Ibid., p. 19.
83. "Riverboat Gaming Report," in Passenger Vessel News, Larry A. Pearson, pub. & ed., June, 1993 ("Casino Boat Comparative Chart").
84. Illinois Criminal Justice Information Authority, Casino Gambling and Crime in Chicago (Springfield, Ill.: 1992).
85. Illinois Criminal Justice Information Authority, Riverboat Gambling and Crime in Illinois -- Preliminary Report on Riverboat Gambling in Joliet: Impact on Criminal Activity and Law Enforcement Workloads (Springfield, Ill.: May 1994), p. 3, hereafter cited as "Riverboat Gambling in Joliet."
86. Ibid. The ICJIA was asked to focus particularly on how the two different gambling modalities could affect law enforcement and criminal justice activities in a given community.
87. Ibid.
88. Ibid., p. 8.
89. Passenger Vessel News, Casino Boat Chart.
90. Riverboat Gambling in Joliet, p. 8.
91. Passenger Vessel News, Casino Boat Chart.

92. Riverboat Gambling in Joliet, p. 8.
93. Ibid., p. 32.
94. Ibid., pp. 4, 10, & 32.
95. Ibid., p. 9.
96. Ibid. Also anecdotally, crime incidence has remained stable over the past year with most problems starting after midnight involving mostly younger male patrons.
97. Ibid., p. 10.
98. Ibid., Figures 1 through 12 on pp. 12-17.
99. Ibid., pp. 10-11.
100. Ibid., p. 18 and Figures 13 through 18 on pp. 19-21.
101. Ibid. However, results must be viewed with caution due to the limited time series, particularly for post-gambling trends.
102. Ibid., p. 22 and Figures 19, 20, and 21 on pp. 23-24.
103. Ibid., pp. 5-6.
104. Passenger Vessel News, Casino Boat Chart.
105. Riverboat Gambling in Joliet, pp.5-6.
106. Ibid., p. 6.
107. Passenger Vessel News, Casino Boat Chart.
108. Riverboat Gambling in Joliet, p. 6.
109. Passenger Vessel News, Casino Boat Chart; and "Riverboat Report" in Gaming Technologies, Abby Gardner, ed., pp. 16-17.
110. Riverboat Gambling in Joliet, p. 7.
111. Ibid.
112. Ibid., p. 28.
113. Minnesota, Minnesota Planning, Minnesota Gambling 1993.
114. Ibid., p. 3.
115. Ibid., p. 12.

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116. Ibid., p. 15: These 10 counties were: Carlton, Cass, Cook, Goodhue, Mille Lacs, Redwood, Roseau, St. Louis, Scott, and Yellow Medicine.
117. Ibid., p.7.
118. New Jersey, Commission of Investigation, Video Gambling (Trenton: Commission of Investigation, September 1991).
119. Ibid., p. 9. The report claims that this is one of the factors that makes it difficult to seize these machines and conduct successful prosecutions -- illegal use must be actually witnessed.
120. Ibid., pp. 9, 30. Testimony was given that a video slot machine manufacturer, allegedly created and controlled by organized crime, had eliminated the coin mechanism in favor of a bill acceptor device "for the simple reason, who wants to deal with change?"
121. Ibid., pp. 9-10. These are done in the EPROM (erasable programmable read-only memory) chip. By law, the percentage payout must be 83 percent in casinos. Obviously, in illegal corner store operations, they range much lower, down to 40 percent.
122. Ibid., pp. 28-9. One operator had them in candy stores, bars, gas stations, car washes, fire stations, private homes, and even one funeral parlor. Placement of up to seven machines in the funeral parlor came about from customer demand. Slot players at one candy store could stay only up to closing time at 1 a.m. One of the customers was either an owner or employee of a nearby funeral parlor who suggested installing video slots there in order to play round-the-clock. The operator also testified that, in fact, almost all of his 60 to 70 locations operated the machines on a 24-hour basis.
123. Ibid., p. 18: According to the testimony of George Fresolone, a "made" member of the Bruno/Scarfo crime family in New Jersey, there were "thousands" of these machines throughout the state: "Well, . . . you go to poorer areas of these cities like Elizabeth, Newark, Paterson, Trenton and walk in these stores and you would see a lot of these -- a lot of these games . . . every store I walk in on Ferry Street has got them, and out of the small radius of maybe seven, eight blocks, you're talking -- maybe you got a hundred machines there . . ."
124. Ibid., pp. 7-8, 18: Grayhound Electronics, Inc. of Toms River, N.J., a manufacturer of video slot machines, was the subject of a civil forfeiture action taken by the Attorney General's office which alleged that the firm was "created by and is controlled by associates of" the La Cosa Nostra family of Nicodemo Scarfo and their designees. Their largest distribution extended to Florida locations.
125. Ibid., pp. 14, 26-8: According to testimony by John Januska, an associate of the Bruno/Scarfo crime family who distributed and received profits from illegal video gambling, he had regularly paid off public officials during the 25 years he had been in the business: "We got to some mayors and got to, you know, the police. [When asked about whether he paid off building and safety inspectors] Building inspector, I didn't need none of them for a machine. . . . You have to pay the law somewhat and you pay as little as possible. . . . Well, let's put it this way. You see, between Passaic County and Hudson County, that's a little bit of Hoboken, Jersey City, I did \$290,000 in the numbers business. I kept three percent on the side for the politicians and the cops. And I also had a piece of the numbers business in Jersey City . . . which consists of \$2,000,000. So they had considerable payoffs." According to testimony by Joseph Fay, a vending machine distributor who eventually became partners with organized crime figures, he paid about \$1,000 a month in the beginning to public officials and police to continue operating illegal machines. The police would inform him ahead of time of raids.

126. Robert Goodman, Legalized Gambling as a Strategy for Economic Development, (Northampton, Mass.: United States Gambling Study 1994).
127. Ibid., pp. 16-18.
128. Ibid., p. 68. Goodman determines whether a study is "balanced" according to the following criteria:
 - (1) Unbalanced: Little or no mention is made of the negative costs of casino gambling.
 - (2) Mostly Unbalanced: Some negative aspects are covered, but only marginally so.
 - (3) Mostly Balanced: There is an attempt to be objective, but there are some significant shortcomings.
 - (4) Balanced: There appear to be objective views on most, if not all, issues of gambling.
129. Ibid., pp. 71-72. These were:
 1. Arthur Andersen & Co., Impact of the Proposed Chicago International Entertainment Center on Chicago Metropolitan Area Tourism, Employment, and Tax Revenue, May 21, 1992;
 2. Midwest Hospitality Advisors/Marquette Partners, Impact: Indian Gaming in the State of Minnesota, (Minneapolis, 1992);
 3. Oakland Econometrics, The Economic Impact of a Single Casino on the New Orleans and Louisiana Economies, (New Orleans, 1986); and
 4. Pannell Kerr Forster, Gambling Impact: An Overview of the Effect of Legalized Gambling in the City of New Orleans, for the Gaming Committee of the Greater New Orleans Tourist and Convention Commission, April, 1986.
130. Ibid., p. 74. This was: John H. Qualls, The Economic Impact of Riverboat Gaming on Economic Activity in the Springfield, Massachusetts Area, Micro Economics, Ltd., (St. Louis, Missouri, 1993).
131. Ibid.
132. Ibid., p. 72. This was: Minnesota Indian Gaming Association, Economic Benefits of Tribal Gaming in Minnesota, 1992.
133. Ibid., p. 73. This was: G. M. Slusher, The Casino Gaming Industry and Its Impact on Southern New Jersey, Atlantic County Division of Economic Development, (Atlantic City, N.J., 1991).
134. Ibid., pp. 73-74: Candace E. Fox, Fiscal Impact Analysis -- Casino gambling and the Public Sector, presented at the Eighth International Conference on Risk and Gambling, August, 1990.
135. Ibid., pp. 76-78: Deloitte & Touche, Economic and Other Impacts of a Proposed Gaming, Entertainment and Hotel Facility, Prepared for the City of Chicago Gaming Commission, (Chicago, 1992).
136. Ibid., pp. 78-80: Christiansen/Cummings Associates, Inc., Legal Gambling in Connecticut: Assessment of Current Status & Options for the Future, (New York, 1992).
137. Ibid., pp. 80-81: Governor's Advisory Commission on Gambling, Report and Recommendations of the Governor's Advisory commission on Gambling, (Trenton, N.J., 1988).
138. Minnesota, Minnesota Planning, High Stakes: Gambling in Minnesota (St. Paul, Minnesota, 1992).
139. Ibid., pp. 81-84: Michael K. Madden, Gaming in South Dakota: A Statistical Description and Analysis of Its Socioeconomic Impacts and Rachel A. Volberg and Randall M. Stuefen, Gaming in South Dakota: A Study of Gambling Participation and Problem Gambling (Vermillion, S.D.: University of South Dakota, November, 1991).

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140. Ibid., pp. 85-87. This was: Timothy P. Ryan, Patricia J. Connor, and Janet F. Speyrer, The Impact of Casino Gambling in New Orleans, Division of Business and Economic Research, University of New Orleans, May, 1990.
141. Ibid., p. 68.
142. Ibid., pp. 89-90.
143. Pam Greenberg, "Not Quite the Pot of Gold"; and Kathleen Sylvester, "Casinomania" in Governing, December, 1992, v. 6. n. 3, pp. 22-26.
144. James N. Murray, The Economic Impact of American Indian Gaming on the Government of the State of Wisconsin (Green Bay, Wis.: University of Wisconsin Cooperative Extension, November, 1993).
145. Casino Gambling Study Panel, Final Report of the Casino Gambling Study Panel, (Albany: 1979), pp. 10-11.
146. Honolulu Advertiser "FBI: Mob Snatched Video Poker Profits" June 1, 1994; and Applebome, "Legal Gambling Bedevils Louisiana."
147. Ibid. Also see "Public Corruption: Examples" under "Massachusetts Study," above.
148. James Popkin, "A Mixed Blessing for 'America's Ethiopia': big-time gaming helps but is no cure-all" in U.S. News & World Report, March 14, 1994, pp. 52, 56.
149. Hirshey, "Gambling Nation."
150. Marilyn Kim, "Behind Closed Doors" in Honolulu, April, 1986, pp. 48-51.
151. Heffner, "Legalized Gambling in the States: Who Really Wins?"

Chapter 4

PROBLEM GAMBLING

"It is widely believed among experts on compulsive gambling that availability and proximity to gambling are conducive to abuse."¹

"Clearly, most gamblers are not pathological. Restrictions that are made law for the purpose of protecting the weak minority of compulsive gamblers will at the same time limit the freedom of choice of the majority.... Because the participation in gambling activities is clearly a matter of personal choice, restrictions on gambling for the purpose of protecting some individuals from themselves can create a fundamental conflict between a philosophy that government's role is to attempt to maximize individual choice and freedom and a more paternalistic belief that government should not allow its citizens to become victims of their own weaknesses."²

I. Introduction

Use of Terms: House Resolution No. 392 requested that documented or perceived effects of shipboard gaming on "mental health incidence" be studied. However, the term "mental health incidence" is not customarily employed to describe the harmful effects of excessive gambling. On the other hand, "compulsive gambling" has often been used. Yet even this term has its detractors who suggest that it erroneously implies that gamblers do not enjoy gambling and do so against their wishes. As a result, "compulsive gambling" has been increasingly abandoned by both lay people and professionals in favor of the term "problem gambling" to describe a *continuum* of dysfunctional gambling behaviors. The term "pathological gambling" is also used and is merely a subset of "problem gambling" occupying the extreme end of the spectrum. A word of caution: gambling prevalence studies also use the broader, generic term "problem gambling" to signify a category of behavior less serious than "pathological gambling."

For example, a person classified as a "problem" gambler using the South Oaks Gambling Screen (SOGS) is considered to have a less serious condition than a "pathological" gambler. Because most prevalence studies use the SOGS, the terms "problem" and "pathological" gambling are used here in lieu of "compulsive" gambling as a measure of "mental health incidence." Nonetheless, the term "compulsive gambling" is retained in quotations and where necessary to preserve the original context.

Scarcity of Relevant Data: Hard data relating to the possible creation of problem gamblers because of the increased availability of legalized gambling are scarce. Data examining a direct relationship between *legalized casino gambling* (as opposed to lotteries, bingo, pari-mutuel and off-track betting, and illegal gambling such as numbers) and the

creation of problem gamblers are even more scarce. Data on the even more narrow *social effects of legalized casino gambling on floating vessels* are almost non-existent. In part, this is because riverboat casino gambling is a very recent phenomenon. Casino gambling on ocean-going cruise ships pales in comparison with its inland riverboat competitors. More generally, however, interest in addictive behavior focuses more on psycho-pathological (and some sociological) causation than on direct links to certain types of gambling. As a result, much of the literature dwells on the *prevalence* and characteristics of problem gamblers, including psychological and sociological profiles and treatment methods. Little, if any, focuses on the precise processes and parameters of how, say, casino slot machines may increase the ranks of problem gamblers. (See also chapter 2 for a discussion on addictive or excessive behavior and problem gambling.)

Two Opposing Perspectives: The consensus appears to be that a certain percentage of the population may be categorized as "problem" and "pathological" gamblers, the latter a more serious condition than the former. The percentages vary from source to source and most challenge each other's figures. What is more difficult to determine is whether the introduction of legalized gambling directly causes the number of problem gamblers to increase. In other words, available data do not definitively resolve which of the following two generally opposing views is closer to the truth:

- (1) The introduction of legalized gambling in a community where legalized gambling was previously unavailable will unleash latent compulsive tendencies that lie dormant in certain individuals in the community to create and increase the number of problem gamblers; or
- (2) Problem gamblers already exhibit and engage in a pattern of addictive and risk-taking behaviors including alcohol and drug addiction³ and are not created solely by the introduction of legalized gambling in a community where legalized gambling was previously unavailable.

Both probably contain elements of truth. Kaplan (1984) cites an example of this dilemma:⁴

Nevada has the highest proportion of bettors of any state as well as the greatest proportion of compulsive gamblers. While there might be some self-selective bias at work that attracts gamblers to Nevada, a similar phenomenon is now occurring in and around Atlantic City.⁵

Do individuals who are already burdened by compulsions, including gambling, gravitate to places where these compulsions are more easily indulged? Do these places create compulsions within otherwise non-compulsive individuals? Or perhaps, do these places waken nascent compulsions within individuals that had heretofore lain dormant?

Taber et al. (1986) surveyed substance abuse treatment services in northern Nevada. They reported that 68 percent of the agencies that diagnose, refer, or treat substance abuse disorders estimated that their clients had more than one addiction. An estimated 17.5% of clients also had a gambling problem.⁶ In other words, one view is that many individuals may have problems with gambling while at the same time suffering from other addictions. This evidence of multiple addiction suggests that certain individuals are particularly vulnerable to activities that serve as a means for expressing their compulsive behavior. Food, drink, drugs, sex, gambling, and other behaviors can all serve this purpose. Consequently, theories naming them as direct causes of specific compulsions lose cogency. "Trigger mechanism" rather than "cause" may be more accurate. It is undeniable that a particular compulsion cannot be expressed were an individual unable to access a certain activity. The difficulty is that, in 48 states, all these activities other than drugs (and sex of the illicit kind) are legal. No law protects an individual from over-indulging in legal activities even if they may trigger harmful excessive behavior in some individuals.

A more productive approach may well be to focus on the fact that some individuals are addicted rather than to choose sides in the polemics of causation. However, it is generally agreed that the increased availability of legalized gambling will increase *overall* gambling activity, both normal and excessive. In many cases, it will not reduce the extent of illegal gambling. This is true particularly if legalized gambling cannot compete against the convenience, better odds, and tax-free payouts offered by illegal gambling. For example, illegal bookies in New York, who suffer no restrictions placed on legal off-track betting (OTB) centers, garner most of that state's OTB take.⁷

This chapter, then, reviews available data, such as they are. Riverboat casino gambling is new. As a result, some of the data reviewed here do not relate directly to riverboat gambling or even to casino gambling but to other forms of gambling. Some of this is by way of providing general background to shed light on the incidence of problem gambling. In any case, one needs to remember that casino gambling differs from, say, state lotteries. The nature of the two types of gambling differs and they attract different types of gamblers. Most research efforts tend toward the incidence and distribution of problem gamblers -- so-called prevalence studies. Like chapter 3, data that purport to prove or disprove causative or even correlative relationships between the introduction of legalized gambling and problem gambling need to be viewed with caution if only because the data are sketchy and incomplete.

II. Studies Conducted By Various States

Massachusetts Study

The state of Massachusetts conducted a two-part study on gambling and its effects on crime and compulsive gambling. Part I focused on crime and is discussed in chapter 3. Part II of the Massachusetts study examined problem gambling and was published in March, 1993. That study uses the term "problem gambling" to mean the same as "compulsive" and "excessive" gambling.

Prevalence of Problem Gambling: The study cited the National Gambling Commission in its 1976 report that:⁸

[E]stimates of the number of compulsive gamblers in the United States are few and of doubtful authority. The most commonly cited one is that of Gamblers Anonymous which claims that there are between six million and nine million. The organization cites no basis for this figure; but in the absence of any more credible estimate it has achieved wide currency. No estimate exists of the extent to which widespread legalization would affect this number.

The study recognizes that problem gambling is a public health concern although it considered problem gambling a danger only to a limited number of people.⁹ It argues that, if accessibility to gambling is the determinant of problem gambling behavior, the state's percentage of identified "probable pathological gamblers" of 2.3% should be greater than that of New Jersey's 1.4%. Furthermore, it contends that its 2.1 percentage of "problem gamblers" is similar to those of New Jersey (2.8%), New York (2.8%), California (2.9%), and is greater than that of Iowa (1.7%). Iowa has riverboat casino gambling while New York and California supply most of New Jersey's and Nevada's casino markets, respectively.¹⁰

Accessibility and Problem Gambling: The Massachusetts study recognizes that legalization would encourage more gambling and that a certain percentage "may develop problem gambling tendencies" although it doubts that state policy can be held solely accountable. The study quotes a three-year study (1988-1990) sponsored by the National Institute of Mental Health (NIMH) which concluded that:¹¹

[T]here has been for some time a general consensus among researchers that increasing the availability of gambling opportunities will eventually lead to an increase in problem gambling. The data from the NIMH-funded surveys are the first non-clinical evidence that there may indeed be a link between the availability of wagering opportunities and the prevalence of pathological gambling. Problem gambling is a greater problem in those states where legal wagering has been available for some time. Problem and pathological gamblers are significantly more likely to be men under the age of thirty, to be non-white, and to have lower education than the general population.

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On the other hand, the study asserts that "Problem gamblers gamble regardless of the [legal] status of their venue of choice."¹² That is, problem gamblers will gamble and indulge their addictive behavior regardless of whether gambling is legalized or remains illegal. The implication is that the introduction of legalized gambling would have but a minimal effect on the ranks of problem gamblers.

Findings: The Massachusetts study found that:

- There are no data to support the contention that the introduction of electronic gaming, or casino gaming will cause an exponential increase in a state's problem gamblers. Nor are there data to support the contention that gaming venues "cause" problem gambling.¹³
- The evidence suggests that denying most people the right to enjoy a relatively harmless form of entertainment, denying the state's treasury a much needed boost, and denying the region much-sought after economic development will not protect a troubled but small percentage of society from their gambling compulsion. Simply stated, the problem gambler will gamble whether it is legal or not. However, their behavior should not restrict the recreational choices that could be legally available to others.¹⁴

Economic Considerations: It should be noted that the Massachusetts study seems to give *economic* policy priority over *social* policy. It strongly avers that a decision to expand gambling should be based on economic reality and¹⁵

[n]ot with regard to a social condition [problem gambling] . . . that may, or may not, be exacerbated by the policy. . . . While the issue of problem gambling must be addressed, it should not become the sole determinant of whether or not the industry should be allowed to expand in Massachusetts.

The Massachusetts study buttressed its rationale by appealing to the law of supply and demand. Massachusetts residents can easily travel to the Foxwoods casino in nearby Connecticut run by the Mashantucket Pequot tribe. Foxwoods is the largest grossing casino in the country, generating over \$700,000,000 in 1993 with up to \$3,000,000 bet daily.¹⁶ Two more recent reports have Foxwoods taking in revenues approaching \$800,000,000 and up to \$1 billion in the current fiscal year.¹⁷ It has also been recently reported that Foxwoods "clear[s] an estimated \$400,000,000 a year."¹⁸ The study contends that Massachusetts residents can go to New York, Rhode Island, New Hampshire, or Atlantic City. Philadelphia is considering legalizing riverboat casinos.¹⁹ Detroit will probably have casinos in the near future. That is, the study believes that the supply of gambling venues outside of Massachusetts is large enough to divert and absorb the demand for gambling from Massachusetts residents. By not expanding gaming in Massachusetts, the study argues, the state would suffer a dollar outflow to competitor states and lose potential gambling revenue inflows to boost the state budget. The social corollary to this argument is that Massachusetts residents cannot be insulated from temptations to gamble. State residents cannot be

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protected by keeping casino gambling illegal in the state when they can easily drive across the state line to Foxwoods. In other words: if you can't beat 'em (and you can't protect your residents and lose money doing it), join 'em.

Relevant Recommendations: The Massachusetts study *did* recognize problem gambling as a legitimate issue. As a result, it recommended specific funding from unclaimed prize money and revenues from gaming facilities including five percent of the lottery's annual advertising budget to:²⁰

- (1) Comprehensively measure the prevalence of:
 - (a) Addictive or compulsive behaviors in Massachusetts;
 - (b) The prevalence of problem gamblers in the state;
 - (c) The prevalence of underage problem gamblers in the state; and
 - (d) The social cost of gambling; and
- (2) Develop and coordinate a statewide educational and treatment program for problem gamblers.

Domestic Treatment Programs: The study reported two basic approaches to treatment of problem gambling: self-help groups and psychoanalytic methods. The most familiar of the self-help groups are Gamblers Anonymous, Gam-Anon (for "co-dependents" of the addicted individual), and Gam-A-Teen. Their reported success rates are very low: more than 90% of participants relapse a year after entering the program.²¹ In recent years, substance abuse treatment centers have also developed programs for problem gamblers and reportedly cater mainly to a higher income clientele. Psychoanalytic treatment is the most recent development providing individual and family counseling and drug therapy. Its focus is abstinence. These programs are said to be too new to have their methods and success rates evaluated. In fact, very few problem gambling treatment programs publish outcome data. One exception is the original treatment program, established in 1972 in Brecksville, Ohio at a Department of Veterans Affairs facility. The first-ever inpatient treatment program anywhere for problem gamblers, it was initiated at the request of a local Gamblers Anonymous chapter by the then Veterans Administration.²² In that same year, the National Council on Compulsive Gambling was organized which began educating the public that compulsive gambling is a treatable disease.²³ The Brecksville facility claims a 56% success ratio (abstinence 18 months after finishing treatment.)²⁴

Outpatient programs have also begun appearing in several states including Iowa, New Jersey, Connecticut, California, Florida, Maryland, Massachusetts, Minnesota, and Pennsylvania. It was reported that New Jersey opened its first clinic in 1984 to treat chronic gamblers, serving about 250 patients. Gamblers Anonymous groups increased from 13 in 1978 to 33 in 1983.²⁵ Claims of success rates of up to 70% have been made. However, as

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with all other treatment programs, most participants are self-selected. As a result, they usually demonstrate relatively stronger motivation to succeed than others in the problem gambler population. Nevertheless, many treatment programs also use self-help groups to supplement and reinforce their treatment.

Foreign Treatment Programs: The Massachusetts study also briefly described treatment programs in other countries. These tend more towards "behavioral orientation" based on the premise that pathological behaviors are learned and, thus, can be unlearned. These methods include chemical aversion therapy, cognitive-behavioral therapies (using stimulus control and covert sensitization), behavioral therapies (aversive therapy, imaginal desensitization, relaxation therapy, and brief or prolonged exposure therapy).²⁶ The study also recommended tailoring treatment programs for various income level groups, suggesting that lower-income problem gamblers contend with "different, and possibly more frequent life stressors." Treatment programs should emphasize different goals, use different methods, and use staffing mixes that address the needs of all income strata of problem gamblers.²⁷

Funding and Services: The Massachusetts Department of Public Health re-directs an average of \$230,000 annually from unclaimed lottery prize money to the private, non-profit Massachusetts Council on Compulsive Gambling and the Mount Auburn Center for Problem Gambling. (See also chapter 5.) The Council operates a toll-free problem gambling referral service and conducts public education programs. It receives about 15 calls from problem gamblers and their families a week. The Mount Auburn Center is associated with a short-term, acute care general hospital which treats about 100 individuals for problem gambling at any one time. (See chapter 5 for further discussion of how various state programs deal with problem gambling.)

The study reports that Minnesota, which has more casinos than New Jersey, appropriates less than \$250,000 for compulsive gambling education and treatment programs. Furthermore, New York, Connecticut, and Florida all allocate less than \$150,000 while Louisiana had not appropriated anything.²⁸

Iowa Study

Prevalence Rates: In 1994, the Iowa Gaming Study Committee urged that addicted gamblers be helped. The Committee cited figures from the only national prevalence study to date: Gambling in America,²⁹ the 1976 U.S. Government publication which estimated 0.77% of the population to be compulsive gamblers and another 2.33% as problem gamblers. Extrapolated to Iowa, 1.3% and 2.4% were the estimates for Iowa's compulsive and problem gamblers, respectively. The Iowa study also cited the NIMH report referred to earlier (see Massachusetts study in section I, above). The NIMH national estimates exceeded the 1976

figures: 1.3% and 2.4% for pathological and problem gamblers, respectively. However, for Iowa, the figures were much lower: 0.1% and 1.6%.

These estimates, as well as those put forward by various organizations, should be viewed with some caution. Often, behind the seemingly hard numbers lurks a flawed methodology which generates skepticism. Orford (1985) issues a general warning and illustrates with a specific example:³⁰

A body of epidemiology of knowledge about excessive gambling does not exist to anything like the extent that it does in the case of excessive drinking, although the estimates of the "size of the problem" abound. The best that could be done . . . was to estimate the number of those "at risk" on account of the regularity of their gambling. . . . A survey of gambling behavior in the United States, carried out by the Institute for Social Research at the University of Michigan [*the Gambling in America study, later published by Kallick, et al., University of Michigan, Institute for Social Research, 1979*]³¹ demonstrated the extent of gambling activity but at the same time illustrated some of the difficulties and confusions involved in trying to define and enumerate compulsive gambling. . . .

Orford (1985) faulted the Kallick et al. (1979) estimate of the extent of what Orford termed "excessive" gambling. The Kallick report used the concept of "level of gambling" using the following four tiers: (1) no gambling; (2) gambling only with friends or on legal, commercial games; (3) illegal, but not heavy, gambling; and (4) illegal, heavy gambling (at least \$50 a year). This approach obviously confuses excess with legality. For example, friendly or legal gambling could be deemed excessive while illegal gambling could be deemed minimal.³² Because excessive behavior itself was not accurately measured, estimates of its extent were necessarily misleading. The Kallick estimates further confuse excessive appetitive behavior with character or personality by using a "compulsive gambling scale." This scale included items in eight personality inventories (self-acceptance, risk-taking, anomie, external control orientation, etc.) which best discriminated 120 "compulsive gamblers" and an equal number of church members. The scale was then used to estimate the number of "probable compulsive gamblers" and "potential compulsive gamblers" in the national survey sample. Orford's contention is that labeling a person's behavior on the basis of a personality scale and not on what a person actually does is obviously faulty.³³

Finding: In any case, the Iowa study acknowledged that ". . . a small proportion of the population has and will suffer from gambling addiction but that:³⁴

To date, there has been no evidence submitted which would establish that a statistically significant portion of the Iowa population is suffering from pathologic [*sic*] gambling addiction. . . . the only information readily available comes from the Gamblers' Assistance Program which is operated through the Department of Human Services.

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In 1989, the Iowa Department of Human Services commissioned a study with Iowa State University to investigate correlations between playing lottery games and the development of new compulsive gambling behavior.³⁵ The Iowa Gaming Study Committee reported that the lottery study "... could not link the playing of lottery games to compulsive gambling. ... [but] that follow-ups need to be done since compulsive gambling behavior may take time to develop after the new availability of gambling products."³⁶

Treatment Programs: The Iowa study also incorporated an executive summary, prepared in April, 1992, describing that state's Gamblers Assistance Program (GAP), established through the Department of Human Services. (See also chapter 5.) That program aims to provide quality treatment and rehabilitation services to compulsive or problem gamblers and to disseminate relevant information. Counseling services are available to the gambler, spouses, parents, children, and other people significant to the gambler. In 1992, the GAP converted from a grant to a fee-for-service payment system for outpatient counseling services. There is also a hotline which began in 1987 that provides crisis counseling and information and referral services. The program also performs outreach and prevention services.³⁷

The summary reported that the GAP program provided outpatient counseling to over 200 gamblers and about 100 concerned persons each year from 1990 to 1992.³⁸ Outreach (creating an awareness of the program) and prevention (reducing the risk of gambling) are key components of the GAP program. Outreach has included billboard advertisements of the GAP hotline to television, radio, and newspaper public service announcements.

Gambler's Profile: The Iowa study also included profiles of the GAP's "typical" problem gambler: full-time employed, married, white male with a high school or higher education who gambles mostly legally but sometimes illegally. Women clients were in the minority although both sexes began gambling early (ages 16 and 17 for men and women, respectively). Similarly, they were aged 35 and 36, respectively, when they first sought assistance. However, men took 11 years to seek help after they first realized they had a problem. Women took only two years. Men also lost almost four times as much gambling as did women. Taking into account both frequency of betting and amounts lost, men had the most problem with racetracks, sports betting, and cards. For women, it was bingo, cards, lotteries, and racetracks.³⁹

[Note: According to the American Psychiatric Association: "Approximately one-third of individuals with Pathological Gambling are females. Females with the disorder are more apt to be depressed and to gamble as an escape. Females are under-represented in treatment programs for gambling and represent only 2% - 4% of the population of Gamblers Anonymous. This may be a function of the greater stigma attached to female gamblers."]⁴⁰

Funding: The summary reported a funding reduction which has resulted in restrictions on outreach and prevention activities of local outpatient contractors. However, with more types of legalized gambling becoming available, the summary predicted higher problem gambling prevalence rates and, thus, larger numbers of people requiring counseling. The Iowa study recommended increasing funding for the GAP program to meet demonstrated increasing need. It also recommended the endowment of a research chair funded by gambling taxes to perform ongoing research on both economic and social effects of gambling in Iowa.

South Dakota Study

Background: South Dakota does not have riverboat casino gambling. However, it has had casino gambling with limited stakes in the historic city of Deadwood since November, 1989. Many other forms of legalized gambling are available in South Dakota. Casino gambling in Deadwood is overshadowed by that state's video lottery which began in October, 1989. South Dakota video patrons' net spending of \$106,641,000 in fiscal year 1991 was well over three times greater than net spending of \$32,582,000 in Deadwood casinos.⁴¹ Although a plurality of residents indicated having no favorite gambling activity, the next largest proportion (12.8%) indicated the video lottery as their favorite game. Slot machines followed at 12.3%.⁴² "Video lottery and slot machines attract both the greatest monthly gambling expenditures and high proportions of individuals who spend over \$50 per month."⁴³

(Note: The South Dakota Supreme Court ruled in June, 1994 that state's "video lottery" (electronic games of poker, keno, and blackjack) unconstitutional and thereby cut off the state's second-largest source of revenue. The court declared that electronic games such as blackjack and poker are games of chance, not lotteries, and thus are forbidden by the state constitution. In an attempt to retain the video lottery, a special legislative session, which met in July, 1994, approved the placing of a constitutional amendment question to allow video lotteries on the November, 1994 ballot. The vote was narrowly approved 51 to 49 percent. Revenues from the video lottery generates 20 percent of South Dakota's general fund. The loss of such a large portion of the general fund was a compelling reason to reinstate the video lottery. However, opposition remains very strong, as evidenced by the closeness of the vote. It was ventured that opposition may have been boosted by a realization by voters that state programs cut during the summer after revenues were shut off from the video lottery could, in fact, be done without. Now, the lottery can theoretically be further expanded. However, it is felt that would be unlikely as very strong opposition still exists.)⁴⁴

Initial 1991 Study: Prevalence Rates

Volberg and Stuefen (1991) performed a study of gambling participation and problem gambling in South Dakota and then followed up with a follow-up study published in March, 1994 but based on 1993 data. The initial study generated baseline data for future comparison regarding the prevalence of problem and pathological gambling in South Dakota and gambling participation in that state's various gambling activities. The initial study included a separate report conducted by Professor Michael K. Madden of the University of South Dakota which focused on the economic and social impacts of the state's gambling industry. Both parts are reviewed below.

Use of Terms: The term "compulsive gambling" is often used to describe that extreme type of gambling which causes social and economic harm to gamblers and to the community. Researchers, including Volberg and Stuefen, observe that "compulsive gambling" erroneously implies that gamblers do not enjoy gambling and do so against their wishes. Obviously, gambling can be very exciting and enjoyable, at least up to a gambler's initial big win. For many, gambling often retains the psychic draw of excitement and danger, the high of risk-taking, and the thrill of winning against the odds even after the gambler begins to lose. Taken to an extreme, this becomes a problem. In fact, "compulsive gambling" is frequently discarded by both lay people and professionals for the term "problem gambling" to describe a continuum of dysfunctional gambling behaviors. "Pathological gambling" occupies the extreme end of the spectrum and is merely a subset of problem gambling. For purposes of classification, this and other studies treat "problem" gambling as less serious than "pathological" gambling based on scores on a gambling screening tool. This tool is discussed below.

Methodology: In the first part of the study, Volberg and Stuefen (1991) interviewed a statewide stratified random sample of 1,560 adult residents of South Dakota. Respondents were queried concerning the types of gambling tried, amounts spent on gambling, and problematic gambling-related behavior. The authors assessed the prevalence of both problem and pathological gambling by administering the South Oaks Gambling Screen (SOGS) developed by Lesieur and Blume (1987).⁴⁵ (All but two of the prevalence surveys of problem and pathological gambling carried out in the United States since 1980 have used the SOGS.)⁴⁶ In addition to gambling behavior at any time in the past, respondents were also asked about their gambling behavior within the last six months. Therefore, prevalence figures were reported as both "lifetime" and either "six-month" or "current."

The SOGS is a 20-item scale derived from the diagnostic criteria for pathological gambling published in the 1980 Diagnostic and Statistical Manual of Mental Disorders (DSM-III) of the American Psychiatric Association. In developing SOGS, a large pool of variables was subjected to discriminant analysis and then cross-tabulated with assessments of independent counselors. The scoring system was designed to minimize the number of

false-negatives and false-positives. SOGS has been found to be valid and reliable in distinguishing pathological gamblers from among hospital workers, university and high school students, prison inmates, and inpatients in alcohol and substance abuse treatment programs. Respondents scoring 3 or 4 points on the SOGS screen were classified "problem gamblers" and those scoring 5 or more were classified "probable pathological gamblers."⁴⁷

Possible Limitations of the SOGS: However, several criticisms have been leveled at the SOGS tool, including:⁴⁸

- Individuals score on SOGS as problem or probable pathological gamblers independently of how frequently they gamble.
- The SOGS does not take into account an increase in the false positive rates which occurs in epidemiological surveys when base rates for the examined trait are low.
- It is unclear whether a score of 3 or 4 on the SOGS is a sufficiently sensitive indicator of problem gambling. "Potential pathological gambler" and "problem gambler" are terms not officially recognized by the APA.
- The SOGS is a lifetime-based measure, and may not be the best indicator of the number of people currently experiencing gambling-related problems.
- The SOGS may not be appropriate for estimating the prevalence of problem gambling among adolescents.

Major Findings: The major findings from the Volberg and Stuefen (1991) study are as follows:⁴⁹

- The adult *lifetime* prevalence rate of *problem* gambling in South Dakota is 1.8%. An estimated 5,620 to 12,290 adult residents of South Dakota have been problem gamblers at some time in their lives.
- The *lifetime* adult prevalence rate of *pathological* gambling is 1.0%. An estimated 2,490 to 7,460 residents have been pathological gamblers at some time in their lives.
- The adult *current* prevalence rate for *problem* and *pathological* gambling is 0.8% and 0.6%, respectively, involving between 3,980 and 9,900 adults.
- The greatest monthly expenditures on gambling are for video lottery and slot machines. The highest amounts wagered on a monthly basis are on card games, slot machines, and video lottery. (Types of gambling reported by respondents include: South Dakota (instant) Scratch & Match; bingo; sports pools; video lottery; lotto; South Dakota slot machines; out-

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of-state slot machines; card games; pull-tabs; pari-mutuel wagers; bets with friends or workmates; out-of-state scratch & match; charitable gaming or casino evenings; and dice games.)

- The lifetime prevalence rate of problem and pathological gambling in South Dakota are lower than those in the Northeast but higher than in Iowa and Minnesota.
- The percentage of problem and pathological gamblers who are women is higher in South Dakota than in other states.
- Residents of South Dakota are more likely to have tried instant scratch & match games, lotto, and video lottery.

In considering the South Dakota findings, note that casino gambling (while land-based, is still relevant to this study) is not the dominant gambling activity in that state. Madden (1991) shows the video lottery to be the dominant game in terms of player interest and fiscal returns to state government.⁵⁰ In fiscal year 1991, more than 80% of the \$31.3 million in state gaming revenue was derived from the video lottery game.⁵¹ However, to the extent that the South Dakota findings shed light on gambling behavior in general and casino gambling in certain instances, they are examined here.

Reasons For Gambling: For all those who had ever gambled in their lives without regard to gambling problems, the most frequently cited reason for gambling was entertainment (71%). Socializing followed at 50%. Other reasons included winning money (48%); for excitement and challenge (47%); curiosity (43%); to support worthy causes (31%); and as a hobby (6%).⁵²

Gambling Expenditures: It was estimated that all respondents spent \$23.30 on all gambling activities in a typical month.⁵³ However, men tended to spend twice as much as women gambling (\$32 vs. \$16 per month). Respondents younger than 30 spent more than those over 30 (\$33 vs. \$21 per month). The great majority of players spent modestly but there is a small group of respondents (10% of the sample) who spent over \$50 per month.⁵⁴ *(Although golfing and gambling are different in nature, greens fees and related expenses could easily run into the hundreds of dollars a month for recreational golfers. Greens fees alone at private clubs for a round of golf could easily exceed the Volberg & Stuefen \$50 threshold. One would hesitate to classify all such golfers as "problem" or "pathological.")*

Prevalence Rate Comparisons: Volberg and Stuefen (1991) also caution that demographic findings cannot be generalized to populations in other states. For example, South Dakota's residents are less ethnically diverse and more homogeneous in religious affiliation than residents of the northeastern states of New York, New Jersey, Massachusetts, and Maryland. They also tend to be older and are more likely to be married and have annual

household incomes of under \$25,000.⁵⁵ Thus, it should be no surprise that only nine percent of South Dakota's problem and pathological gambling population are non-white as opposed to 33% for the Northeastern states. Because more of South Dakota's population earn less than \$25,000 a year, it is to be expected that a higher percentage, 59% of problem and pathological gamblers, fall into this category as opposed to 39% for the Northeastern states.⁵⁶

South Dakota's lifetime combined problem and pathological prevalence rates were also compared to those in Massachusetts, New York, New Jersey, Maryland, California, and Iowa. Massachusetts had the highest with 4.4% followed by New York and New Jersey, both at 4.2%. California and Maryland were only slightly behind at 4.1% and 3.9%, respectively. Iowa had the lowest combined rate at 1.7% while South Dakota had 2.8%.⁵⁷

Types of Gambling Activity: With respect to the gambling involvement of problem and pathological gamblers, the study also concluded that:⁵⁸

There are few noticeable differences in the lifetime gambling involvement of problem and pathological gamblers in South Dakota compared to those in other states. Problem and pathological gamblers in South Dakota are somewhat more likely than those in other states to have played bingo and to have wagered on sports. Problem and pathological gamblers in South Dakota are just as likely as those in other states to have wagered on gambling machines, horse and dog races, card games and dice games.

Current Prevalence Rate: Finally, because no other state has collected prevalence rate data for the past six months, South Dakota's *current* rate cannot be compared to other states. However, at 1.4% (0.8% problem plus 0.6% pathological), it is half that of the *lifetime* rate of 2.8%. Those who scored as lifetime problem or pathological gamblers but who did not score as such for the previous six months are considered to be in remission. That proportion in South Dakota is 52%.⁵⁹ The authors caution that more research is needed to test whether this group has actually managed to restrain their gambling urge.

Initial 1991 Study: Social Indicators

In the second part of the initial 1991 study, Madden (1991) examined the social impacts of gambling which are "... limited to those which are quantifiable and are statistically recorded both before and after various gaming activities were first initiated."⁶⁰ Several social indicators that were thought to have a relationship to gambling were selected. These indicators were examined using time series data to generate statistics describing changes, if any, occurring after the introduction of various gambling products.

Limitations of Study: Madden (1991) warns that:⁶¹

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It is important to understand that in this study, the economic and social factors which may be related to gaming activity are associative in nature. That is, the limited time frame and aggregative form of the data limits [sic] a researcher's ability to establish unambiguous causal connections. In this regard, movements in time series' [sic] which are observed subsequent to the establishment of gaming activity are identified as being associated with gaming rather than caused by gaming. Firm causal connections can only be safely determined with additional years' experience with the industry. . . . It is not possible to statistically identify a causal relationship between any [post-gaming social changes] and gaming activity. [Emphasis added]

Gambling Expenditures: Casino type gambling is certainly significant in South Dakota. However, Madden (1991) reports that:⁶²

Deadwood gaming is associated with high net spending levels, but research indicates that only a minority of spending in that town is traceable to South Dakota residents. A survey of Deadwood visitors shows that only 14.6% of all Deadwood visitors are from South Dakota. . . . If one assumes that spending by residency is proportionate to visitation rates, only \$4.76 million of the \$32,582,000 spent by Deadwood gamblers in fiscal years 1991 is derived from South Dakota Residents [sic] [resulting] in an estimated \$10.20 per capita expenditure annually in connection with Deadwood gaming.

Per capita expenditures of \$10.20 in 1991 fiscal year for casino gambling pales in comparison with \$228.58 for the video lottery. South Dakota's instant lottery (scratch & match) totaled \$10.93 per capita expenditures; Lotto America recorded a \$8.78 per capita annual expenditure. However, it must be remembered that these figures are merely arithmetic means and that much of the population spends virtually nothing on these games while others spend significantly more than these averages.⁶³ It is obvious that these expenditure figures are not directly representative of problem or pathological gamblers.

The video lottery has a dominant market share of South Dakota's gambling industry. Because of this and the market shares of other gambling products, casino type gambling can only account for a small share of any social effects described by the South Dakota study.

Social Indicators: A set of social indicators that were thought to have a relationship to gambling was selected. The length of time series data varies from one indicator to another. Some run six or seven years from 1985 or 1986 through 1991. Others run eleven years from 1980 to 1991. Some of these indicators have an *a priori* relationship to gambling. Others have been frequently cited by many in the public sector as possible social indicators. The selected social indicators below cover social assistance, child protection services, and civil and financial legal proceedings:⁶⁴

- (1) Average number of households receiving Aid to Dependent Children (*also known as Aid to Families with Dependent Children or AFDC*);

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- (2) Number of households receiving Food Stamps;
- (3) Number of cases of child abuse and neglect;
- (4) Number of cases of child support in the state's Office of Child Support Enforcement;
- (5) Number of divorce filings;
- (6) Percent of property taxes assessed but not collected;
- (7) Number of bankruptcy filings;
- (8) Number of small claims filings; and
- (9) Number of county real estate foreclosures.

(1) AFDC: The concern is that gamblers will divert AFDC money for gambling or to cover gambling losses. On the other hand, it can be hypothesized that job opportunities from a growing gambling industry may decrease the need for AFDC support. The study finds that "There is no major change in this [AFDC time] series after the inception of gaming in South Dakota."⁶⁵ Of the sixteen counties for which data were analyzed, the number of AFDC households declined in eight and rose in seven. Madden (1991) points out that the counties showing indications of greatest influence from gaming are those in which AFDC households have dropped.⁶⁶ Conversely, three counties experiencing low per capita video lottery expenditure are among the highest in growth of AFDC caseloads.⁶⁷ Obviously, no one would argue that to decrease AFDC caseload, a county ought to encourage its residents to gamble. (Proponents of gaming might urge a county to encourage the development of the gaming industry to decrease caseload.) However, Madden states that:⁶⁸

Aid to families with dependent children has been favorably impacted since Deadwood and Video *[sic]* gaming began in South Dakota. Drops in [AFDC] caseloads have occurred in counties most directly influenced by gaming. Furthermore the rate of increase has been reduced statewide. A possible explanation is that members of households formerly receiving [AFDC] have experienced some growth in available job opportunities. The passing of time will be needed in learning more about this relationship.

(2) Food Stamps: The hypothesis underlying this selected indicator is similar to that for selecting the number of AFDC households. That is, as gamblers become impoverished, the number of households requiring food stamps will increase. The time series examined is the same as for AFDC cases: 1986 through 1991. It was found that the historical movement of the number of households receiving food stamps shows "a definite correlative relationship" with that for AFDC households. That is, increases and decreases in one tend to be similar to movements in the other. Increases were reported in food stamps caseload in ten counties, decreases in five, and virtually no change in one.⁶⁹ Madden (1991) reiterates that "It is

important to note that the five counties experiencing drops in food stamp requirements are those which are most heavily involved with gambling."⁷⁰ Again, a possible hypothesis for the decrease in caseload is that gambling jobs have decreased the demand for food stamps.

(3) Child Abuse and Neglect: It was hypothesized that child abuse and neglect will increase as gambling generates familial discord at home. Under this scenario, parental absence and increased financial, mental, and emotional pressures from gambling would lead to abuse and neglect of the gambler's children. The time series data examined for this variable is lengthier: 12 years from 1980 through 1991. Changes in the number of substantiated child abuse and neglect investigations as well as the total number of investigations were analyzed. It is clear that many factors have influenced movement in the number of investigations over the years including changes in policy, investigative criteria, and local discovery methods. Overall, during the period under examination, the number of cases statewide has increased substantially, tapering off in the last few years. The number of substantiated investigations peaked in 1986 at about 4,700 and has declined steadily to under 4,000 in 1991.⁷¹

After casinos and the video lottery were introduced (from 1989 to 1991) seven of 13 counties had fewer child abuse and neglect cases. Five counties had more and one had virtually no change.⁷² Isolating for physical abuse cases only (not including sexual abuse, physical neglect, and emotional maltreatment cases), nine counties had fewer cases, three had more, and one had no change.⁷³ Deadwood county had one of the largest relative increases in the total number of investigations of all types although "An examination of this data doesn't suggest a positive associative relationship to gaming activity."⁷⁴ It is suggested that Deadwood's increased number of cases may be "... traceable to the increased population of the Lead-Deadwood [area] ..."⁷⁵

(4) Child Support Enforcement: The choice of this indicator is somewhat tenuous. Its importance appears secondary to divorce filings, the next indicator discussed below. The hypothesis is that gambling breaks up marriages resulting in the need for child support payments and child support enforcement services. The time series data for this indicator run from 1986 to 1991. Caseload is divided into AFDC and non-AFDC cases. AFDC cases fell while non-AFDC cases rose. This paired movement began before the introduction of casino and video gambling and has continued. Madden (1991) reports that part of the increase in non-AFDC cases was due to a state response to a 1984 federal mandate requiring equal services for both AFDC and non-AFDC cases.⁷⁶ Federal regulations also required AFDC clients to be transferred into the non-AFDC category when they no longer required support. This helps to account, in large part, for both the decrease in AFDC and the increase in non-AFDC cases. No relationship was seen between these movements and gambling.

A second, more pertinent, set of data regarding arrears in child support payments to AFDC recipients was also analyzed. The implied hypothesis here is more sound: as

gamblers gamble, more money is diverted from child support payments to feed the gambling habit. The length of the time series is the same for this second set of data. It was found that the number of cases in which payments were in arrears dropped from 1986 to 1987 but has risen since. Possible reasons cited for the steady increase include:⁷⁷

- (1) Changes in federal regulations extending to three years the period cases remain active;
- (2) Increased number of births out of wedlock; and
- (3) Increased emphasis on collecting child support payments.

The study concludes that:⁷⁸

Because of significant changes in scope of service provided by this office [of Child Support Enforcement], state and federal regulations and number of social factors associated with clients, it is difficult to attribute any association of gaming activity with increased child support enforcement caseloads.

(5) Divorce Filings: This was chosen as a social indicator on the hypothesis that gambling and gambling losses will generate financial and domestic pressures sufficient to lead to divorce. Time series data extend seven years from 1985 through 1991. It was found that the number of divorce filings has been increasing. In the 1990-1991 period after casino gambling and the video lottery were introduced, overall filings increased. Of the 16 counties examined, five witnessed significant increases while six experienced significant decreases. Of the six counties most heavily influenced by casino and video lottery gambling, three showed decreases while the other three showed increases: Union county (-13.8%); Walworth (-7.1%); Butte (-7.0%); Lawrence (+ 4.3%); Meade (+ 16.5%); and Brown (+ 42.7%).⁷⁹ Three other counties having very low participation in gambling showed mixed results: Lake county (-3.6%); Clay (+ 2.6%); and Brookings (+ 6.5%). It was concluded that "[c]ounty variations in gaming accessibility do not appear to explain the large variations in divorce filings."⁸⁰

(6) Uncollected Property Taxes: The underlying hypothesis for this indicator is that money otherwise used for property taxes is diverted to gambling. Unfortunately, time series data (from 1987 through 1991) report only the *percentage* of total assessed property taxes remaining unpaid, not the total *number* of properties involved. Thus, the elimination of just a few large commercial parcels could completely offset the addition of a large number of smaller individual residential parcels. Data expressed in percentages obscure such imbalances. The finding that there was a steady reduction in the amount of unpaid taxes over the time series should be viewed in this light.⁸¹

(7) Bankruptcy Filings: The choice for this variable is obvious: gambling losses are hypothesized to force a gambler into bankruptcy. Data for the six years from 1986 through 1991 were examined. It was found that the number of bankruptcies declined from 1986

through 1988. However, beginning in 1989, they increased substantially through 1991.⁸² The study indicates that media reports suggest the increase in bankruptcies were due in part to credit card debt and medical expenses. However, these in turn can be traceable to gaming activity.⁸³ In addition, anecdotal evidence supplied by personnel connected with the bankruptcy court suggest "[t]hat some increase in bankruptcy may be gaming related."⁸⁴ Madden (1991) concludes that this factor suggests the possibility of a causal relationship with gaming that merits further study.

(8) Small Claims Filings: It is hypothesized that lenders of money will file small claims actions to recover unpaid debts lent to gamblers. The data cover the seven years from 1985 through 1991. Filings showed little change except for 1986 and 1991. In the two years after casino gambling and the video lottery became legal, filings did not increase in the first year (1990) but increased substantially in 1991.⁸⁵ The report states that it is possible that the increases were due to gambling activity.

However, closer analysis of 16 counties reveals inconsistent results. Six counties experienced declines -- four in double digits ranging from -10.3% to -29.3%. One had virtually no change. Nine counties had increases -- five in double digits ranging from 17% to 58.8%. Of seven counties with high rates of gambling participation, three experienced declines: Meade county (-29.3%); Walworth (-24.2%); and Hughes (-2.7%). The other four experienced increases: Brown county (+6.3%); Butte (+8.7%); Lawrence (+17.0%); and Union (+45.2%). Of the three counties least influenced by gambling, one showed virtually no change: Brookings (+0.5%). One had a slight increase: Lake county (+4.0%). However, the third had a substantial increase: Clay county (+53.5%).⁸⁶ Although the increase in the number of filings in 1990 and 1991 could be linked to gambling activity, it was concluded that more data over a longer period are needed to be certain.

(9) Real Property Foreclosures: The reasoning behind selecting this variable is analogous to that for selecting uncollected property taxes and number of bankruptcies. The data cover the nine years from 1983 through 1991. Unfortunately, the data are woefully incomplete because the state does not record foreclosures and individual counties rarely do so. Many counties did not respond. Based on the very limited data supplied, it appears that more foreclosures occurred in the years before casino and video lottery gambling became legal.⁸⁷ In conclusion, not much can be said about any possible causal relationship between gambling and property foreclosures.

The results of the statistical analysis for these nine selected social indicators are mixed at best. It should also be noted that the data dealt with absolute increases or decreases and not proportional, or per capita, increases. Thus, an increase of about 1,000 cases of bankruptcy filings from 1989 to 1990 may be due to a proportionate increase in the population and not to an increase in gambling. Similarly, an increase of 100 AFDC households in a county may appear significantly large but actually represent a very

insignificant proportional increase. Without per capita data, the true magnitude of movements remains unknown.

Follow-Up 1994 South Dakota Study

Methodology: Volberg and Stuefen (1994) conducted a follow-up of their initial 1991 South Dakota gambling study -- the first such follow-up (as opposed to baseline) gambling study, the authors claim.⁸⁸ The 1994 study was conducted in calendar year 1993 and used a random sample of 1,767 adult South Dakota residents aged 18 and older, roughly the same size as the original 1991 sample of 1,560. The sample was proportionally stratified to reflect county populations.⁸⁹ The same 20-item South Oaks Gambling Screen (SOGS) tool was used. Below are some examples of the weighted items in the SOGS:⁹⁰

- Hiding evidence of gambling;
- Spending more time or money gambling than intended;
- Arguing with family members over gambling; and
- Borrowing money to gamble or to pay gambling debts.

The SOGS is intended to identify individuals whose gambling behavior is excessive. It must be remembered that the great majority of those who have ever gambled are not problem or pathological gamblers. According to Volberg and Stuefen (1994):⁹¹

[M]ost people who gamble do so for entertainment and in order to socialize . . . typically do not risk more than they can afford to lose . . . [and if] they should "chase" their losses to get even, they do so briefly; there is none of the long-term chasing or progression of the pathological gambler.

Two more gambling activities were added to the 14 covered in the 1991 study (see above). The 1994 follow-up study added: (1) betting on sports with a bookmaker; and (2) activity in the stock or commodities markets.⁹² In addition, the same questionnaire was administered to 868 adult Iowa residents to measure changes in prevalence rates in that state, partially to test reliability of the instrument. Furthermore, the concept of pathological gambling had been refined since the earlier study and the changes incorporated in the 1994 follow-up:⁹³

Recent changes have been made to the psychiatric criteria for pathological gambling in order to incorporate empirical research that links pathological gambling to other addictive disorders like alcohol and drug dependence. The essential features of pathological gambling are a continuous or periodic loss of control over gambling; a progression, in frequency and in amount wagered, in the preoccupation with

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gambling and in obtaining monies with which to gamble; and a continuation of the behavior despite adverse consequences (American Psychiatric Association, in press).

Major Findings: The major findings of the follow-up study are:⁹⁴

- The adult *lifetime* prevalence rate of *problem* gambling in South Dakota is 1.4%, down a statistically insignificant 0.4% from 1991.
- The adult *lifetime* prevalence rate of *pathological* gambling is 0.9%, down a statistically insignificant 0.1%.
- The adult *six-month current* prevalence rates for *problem* and *pathological* gambling are 0.7% and 0.5%, respectively, both down a statistically insignificant 0.1%.
- Problem and pathological gamblers in the 1991 survey were significantly more likely than the general population to be male, under 30 years of age, non-Caucasian, and unmarried. They were the same in the 1994 survey except they were more likely to be over 30 years of age and married.
- Prevalence rates were highest among respondents who gambled weekly or more often as well as among those who have ever wagered on pull-tabs, the video lottery, and socially with friends, or on card or dice games.
- Overall, the rate of gambling participation has declined between 1991 and 1993. However, video lottery play has remained stable and participation in slot machines in South Dakota and Lotto America has increased.
- Estimates of spending on most types of gambling have declined although spending has increased on card and dice games as well as on Lotto. Spending on video lottery games has remained stable as a proportion of overall spending on gambling while the proportion of spending on slot machines has risen significantly.
- In fiscal year 1993, the state appropriated \$200,000 for treatment services for problem and pathological gamblers. An initial requirement for 25% matching funds from gamblers or treatment centers was dropped because it would have limited access to these services.

Individuals receiving treatment for gambling represent only five percent of those in 1993 identified as having moderate to severe gambling-related problems and 14% of current pathological gamblers.⁹⁵ The state's Department of Human Services contracts for these treatment services with community mental health centers that: (1) can document substantial requests for services; (2) have provided training for staff; and (3) have access to a Gamblers Anonymous chapter in their service area. In fiscal year 1993, six community mental health

centers received funds. One center is to be added in fiscal year 1994.⁹⁶ In fiscal year 1993, six programs responded to 471 inquiries for information, made clinical assessments of 142 individuals and provided treatment services to 138 individuals.⁹⁷

Prevalence Rate Comparisons: No new lifetime combined problem and pathological gambling prevalence rates were available for the following states: Massachusetts (4.4% in 1989); New York (4.2% in 1986); New Jersey (4.2% in 1988); California (4.1% in 1990); Maryland (3.9% in 1988); and Iowa (1.7% in 1989).⁹⁸ Prevalence rates not presented in the initial study were included for Connecticut for 1991, and for Washington, Texas, Montana, and North Dakota, all for 1992. Connecticut heads the list with a combined prevalence rate of 6.3%. Washington is second with 5.1%. Texas is next at 4.8%. Montana and North Dakota follow Maryland at 3.6% and 3.5%, respectively. South Dakota's own combined rate fell from 2.8% to 2.3%.⁹⁹

Frequency of Gambling: It was also found that 23% of the sample (non-problem as well as problem gamblers) gambled frequently. This was defined as engaging in one or more types of gambling on a weekly basis. About 42% were classified as "occasional gamblers" by virtue of engaging in one or more types of gambling within the past six months but not on a weekly basis. Those who had gambled but not in the past six months (11%) were labeled "infrequent gamblers." Lastly, 24% had never gambled at all.¹⁰⁰ It comes as no surprise that those who gambled most frequently had tried the greatest number of gambling activities. Frequent weekly gamblers had tried a mean of 7.31 types of games, occasional gamblers, 5.46, and infrequent gamblers, only 2.45 types of games.¹⁰¹

Current Prevalence Rate: This statistic provides insight as to how many individuals may have an immediate gambling problem. It also enables one to estimate the proportion of lifetime problem and pathological gamblers in remission. In the follow-up study, 47% who scored as lifetime problem or pathological gamblers did not score as such within the past six months. This figure is down slightly from 52% in 1991.¹⁰²

Those More Likely to Gamble: Men were more likely than women to have wagered on all types of gambling except bingo. White women were more likely than men to be bingo players, especially weekly players. Unlike other states, men were more likely to have participated in charitable casino events than women. As in other jurisdictions, individuals under the age of 30 were more likely than those over the age of 30 to participate in many types of gambling.¹⁰³

Reasons for Gambling: The reasons given for gambling retained the same relative rankings -- the two most important being entertainment and socializing with others. To win money, to experience excitement or challenge, to satisfy a curiosity, to support charitable causes, and to pursue a hobby all retained their respective rankings. However, there were significant declines in the *proportion* of respondents indicating their reasons for gambling. All

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proportions declined except for "as a hobby" which rose insignificantly from six to seven percent. Statistically significant declines occurred for "entertainment" (from 71% to 62%); "to win money" (from 48% to 42%); "for the excitement or challenge" (from 47% to 40%); and "out of curiosity" (from 43% to 38%).¹⁰⁴ It was suggested that the reason for these declines was that:¹⁰⁵

[O]ver time and with continued experience with widespread gambling opportunities, individuals in the general population satisfy their curiosity about new types of gambling and learn how to fit these activities appropriately with other life pursuits that are important to them.

Contrary to findings in the 1992 Texas study (below), households with annual incomes of less than \$25,000 were just as likely as other respondents to gamble for excitement, out of curiosity, or to support worthy causes.¹⁰⁶ The Texas study found that those who were relatively poor were more likely to gamble as a means of socializing and not as a means to get rich to escape their poverty. (See "*Reasons for Gambling*" under "*Texas Adult Study*," below.)

Favorite Gambling Activities: As in 1991, of all people who had ever gambled, regardless of problems, the largest proportion (22%) indicated no one favorite gambling game. The biggest change was for slot machine play, the preference of 19% of gamblers, up from 12%. Cards and dice games and lotto showed moderate increases of about two percent while all other games exhibited a decline. In 1991, the three most popular games were the video lottery, slot machines, and cards and dice. In the follow-up survey, they were slot machines by a wide margin, followed by cards and dice, with the video lottery coming in third.¹⁰⁷

Gambling Expenditures: As noted earlier, respondents spent an estimated \$23.30 per month each on all forms of gambling.¹⁰⁸ In the follow-up survey, that amount declined to an estimated \$21 a month. As in the earlier study, men reported spending twice as much as women gambling (\$29 vs. \$14) per month. Those under age 30 reported spending more (\$27) than those over 30 (\$20). Again, the majority spent modestly but a small group (again, ten percent) spent more than \$50 a month on gambling on all types of gambling. For the "big spenders," the video lottery remained the top draw at about \$27 a month. Slot machines retained second place but showed a strong increase in dollar expenditures from \$19 to \$26 per month, just behind the video lottery. Cards and dice were the only other games that showed an increase (from \$9 to \$12 a month). The lotto and scratch and match showed no change in expenditures. "Big spenders" spent less for all other games (sports betting, out-of-state slot machines, bingo, pari-mutuel wagering, and charitable gaming).¹⁰⁹

Comparison of Demographic Differences Between Problem and Non-Problem Gamblers: The follow-up study makes comparisons between problem and non-problem gamblers in South Dakota that the initial study did not make. According to Volberg and Stuefen (1994),¹¹⁰

Research in Australia, Canada and the United States suggests that behavioral correlates of problem gambling include weekly gambling, regular heavy losses and involvement with continuous forms of gambling (Dickerson 1993; Ladouceur, Gaboury, Dumont & Rochette 1988; Walker 1992).¹¹¹ Continuous forms of gambling are characterized by rapid cycles of play as well as by the ability for players to immediately reinvest their winnings. Continuous forms of gambling in South Dakota include video lottery games, slot machines, casino table games, instant lottery games and pull-tabs.

In South Dakota, it was found that significantly more men than women tend to be problem and pathological gamblers, compared to non-problem gamblers. Contrary to the initial study, this finding shows that South Dakota's trend is beginning to conform to the national pattern.¹¹² All other demographic differences between lifetime problem and non-problem groups were statistically insignificant (age, race, marital status, education, and income). When comparing results between the initial and follow-up studies, only two variables showed somewhat significant differences: marital status and annual household income under \$25,000. Fewer problem and pathological gamblers in the follow-up study were unmarried (42% vs. 64%) and had incomes under \$25,000 (35% vs. 59%).¹¹³

Comparison of Frequency and Types of Gambling: A behavioral correlate of problem gambling is frequency of gambling. In general, problem and pathological gamblers are significantly more likely than non-problem gamblers to gamble frequently. Twenty-nine percent of non-problem gamblers gamble weekly at one or more types of gambling. Sixty-two percent of problem and pathological gamblers do so.¹¹⁴ Lifetime problem and pathological gamblers who gamble at one or more activities weekly gamble significantly more often than non-problem gamblers on lotto (47% vs. 18%), the video lottery (35% vs. 8%), bets with friends (7% vs. 1%), and bets with bookies (5% vs. less than 1%).¹¹⁵

Comparison of Gambling Expenditures: Gambling expenditures enable one to examine one of the behavioral correlates of problem gambling: heavy losses. Problem and pathological gamblers spent five times more than non-problem gamblers per month (\$121.00 vs. \$24.25).¹¹⁶ Only for in-state slot machines and bingo were there no significant differences in spending between the two groups. (Problem gamblers spent \$8.00 vs. \$7.15 for non-problem gamblers at in-state slots, and \$2.22 vs. \$1.27 for bingo.)¹¹⁷ In all other types of gambling, the monthly expenditure differences were either statistically significant ($p \leq .01$) or somewhat significant ($p \leq .05$). For example, problem gamblers significantly outspent non-problem gamblers \$59.37 to \$4.87 in video lottery games; \$13.30 to \$2.06 in card games; \$9.42 to \$0.98 for out-of-state slots; \$7.32 to \$2.94 for lotto; \$5.50 to \$0.32 for bookie bets; \$5.32 to \$1.25 for sports pool bets; and \$1.45 to \$0.28 for pull-tabs. Non-problem gamblers were outspent somewhat significantly each month in the instant lottery \$3.05 to \$1.34, and in bets with friends \$2.52 to \$0.71.¹¹⁸ Volberg and Stuefen (1994) conclude that:¹¹⁹

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On the basis of statistically significant differences in both weekly involvement and reported monthly expenditures, the types of gambling in South Dakota most closely associated with problem and pathological gambling are video lottery games and Lotto.

Comparison of Reasons for Gambling: Problem and pathological gamblers were significantly more likely to say they gamble to win money (85% vs. 54%) and for the excitement and challenge (85% vs. 52%) than non-problem gamblers.¹²⁰ They were somewhat significantly more likely to say they gamble for entertainment or fun than non-problem gamblers (95% vs. 81%). All other reasons given showed no significant differences between the two groups (curiosity, support worthy causes, and as a hobby).

Prevalence By Type of Gambling: Volberg and Stuefen (1994) contend that prevalence rates are highest among those who have ever wagered on pull-tabs (an instant win-lose game), wagered socially on card or dice games, and played the video lottery.¹²¹ These findings may give an indication of the type of gambling that might exacerbate problem and pathological gambling. They also conclude that:¹²²

While weekly participation . . . in video lottery games is presently the riskiest type of gambling in South Dakota, slot machine gambling in the state also merits careful attention. Increases in the preference for slot machine gambling as well as in expenditures on slot machines in South Dakota suggest that this type of gambling may present a future danger to individuals at risk for developing gambling-related problems.

Social Costs of Gambling: Volberg and Stuefen (1994) resort to the South Oaks Gambling Screen (SOGS) for an insight into the social costs of gambling. A positive response to a SOGS item, by definition, means that a respondent had a problem with that item. Those who scored high enough to be classified problem or pathological gamblers responded positively to a large enough number of SOGS items to merit those classifications. The data from the SOGS screening are not quantified but they do provide an indication of the type and magnitude of some negative social effects of gambling. For example, the nine SOGS items below, which all significantly differentiated problem and pathological gamblers from non-problem gamblers, paint a clearly troubling picture. Compared to non-problem gamblers:¹²³

- (1) Far more problem and pathological gamblers spent more time or money than they had originally intended (92% vs. 14%);
- (2) Far more felt guilty about how they gambled (80% vs. 4%);
- (3) Far more attracted criticism from others about their gambling behavior (70% vs. 4%);
- (4) Many more returned to gamble again to try to win back gambling losses (42% vs. 9%);

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- (5) Many more wanted to stop gambling but felt they could not (30% vs. $\leq 1\%$);
- (6) Many more claimed to have won when they had, in fact, lost (25% vs. 2%);
- (7) Many more had hidden evidence of their gambling (22% vs. $< 1\%$);
- (8) Many had family arguments about their gambling behavior (17% vs. $< 1\%$); and
- (9) More lost time from work due to gambling (12%) while no non-problem gamblers had lost any time.

Financial Costs of Gambling: Similarly, the type and extent of financial problems associated with excessive gambling were scrutinized through the use of the following eight SOGS items, which all significantly differentiated problem and pathological gamblers from non-problem gamblers. Compared to non-problem gamblers:¹²⁴

- (1) Many more problem and pathological gamblers borrowed from their households to maintain their gambling (28% vs. $\leq 1\%$). [Lesieur and Custer (1984) estimate that ten to 15 persons are directly affected by the pathological gambler. Treatment includes restitution and redress to the gambler's victims such spouses, employers, and colleagues who have been cheated or stolen from.¹²⁵ Lesieur also cites other studies indicating that "the mean gambling-related debt" excluding auto loans, mortgages, and other legitimate debts of people in compulsive gambling therapy ranged from about \$53,000 to \$92,000.]¹²⁶;
- (2) Many more borrowed from relatives to maintain their gambling (22%) while no non-problem gamblers did so;
- (3) Many borrowed using credit cards to maintain their gambling (20%) while no non-problem gamblers did so;
- (4) More borrowed from banks and loan companies to continue gambling (12% vs. $< 1\%$);
- (5) More passed bad checks (12%) while no non-problem gamblers did so;
- (6) More borrowed from a spouse to continue gambling (10%) while no non-problem gamblers did so;
- (7) More sold personal or family property to continue gambling (7%) while no non-problem gamblers did so; and
- (8) Some borrowed from loan sharks to continue gambling (2%) while no non-problem gamblers did so.

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Minnesota Study

The previous chapter reviewed a 1993 Minnesota study that examined the relationship between tribal casino gambling in Minnesota and crime. That study also examined problem and pathological gambling for the years 1989 through 1991 in ten counties hosting some 17 tribal casinos currently operating in Minnesota.¹²⁷ In addition to gambling and crime, the Minnesota study also examined problem and pathological gambling.

Problem and Pathological Gambling: In summary, these negative social impacts include:¹²⁸

- According to Winters and Stinchfield (1993),¹²⁹ although not statistically significant, there was a slight increase in the adolescent rate for potential pathological gambling from 2.9% (8,300) in 1990 to 3.5% (10,000) in 1992.
- Winters and Stinchfield (1993) also estimated that roughly 52% of Minnesota youth gamble illegally, many with their parents' help. An estimated 10,000 youths aged 16 to 20 were identified as probable compulsive gamblers and another 40,000 youths exhibited gambling behavior that may pose significant future problems short of addiction.¹³⁰ Furthermore, 73% of all underage youths who gamble used their parents to purchase scratch-tabs, pull-tabs, and lottery tickets. Approximately 86% of problem youth gamblers were male.
- Even greater numbers will become problem or compulsive gamblers if video slot machines (offering fast-paced action with instant results that can be repeated indefinitely) are permitted in liquor-serving establishments because of their greater accessibility. The game's unique set of characteristics is thought to be a prime factor in developing compulsive gambling.¹³¹
- Survey results in a study of two Minnesota counties¹³² suggest that low-income families (135% of the poverty level or an annual income of \$18,833 or less for a family of four) are twice as likely as the rest of the population to be problem gamblers in those two counties.
- The average number of monthly Aid to Families with Dependent Children (AFDC) clients for fiscal years 1990 through 1992 declined by 3.1% in ten casino counties (574 families) but increased 14.6% in the rest of the state, saving an estimated \$7 million annually.¹³³ New gambling jobs have gone mainly to Indians and the white population with both groups showing a reduction the AFDC rolls. From 1991 to 1992, Indian participation in AFDC dropped 6.4% from 4,451 to 4,168; white participation dropped 1.4%. However, the number of Indian adults on AFDC in December, 1992 remained at 4,168 and increased for African-Americans (6.6%), for Asians (4.0%), and for Hispanics (13.2%).¹³⁴

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- Six treatment centers for problem gamblers and family members opened in 1992.¹³⁵ Four have already reached capacity and several have waiting lists. The current \$1.4 million biennial funding level is inadequate, particularly in light of the likely increase in problem and pathological gamblers since compulsive behavior is thought to take up to five years to develop.¹³⁶
- Calls to the Gamblers Anonymous hotline doubled in 1992 and attendance at GA meetings have quadrupled. Casino gambling is the most frequently mentioned problem by callers to state hotlines.¹³⁷ Pull-tabs also ranks high as a problem by callers. Callers are predominantly adult males but increasing numbers of youth are also calling.
- According to a 1992 study conducted in Minnesota for the Indian Health Service,¹³⁸ among gamblers, there is some evidence that Indian adolescents and adults are more likely to exhibit problem gambling behavior than their non-Indian peers who gamble. The proportion of adult Indian gamblers classified as pathological gamblers is greater than that of non-Indians (9.1% vs. 4.6%). The proportion of adult Indian problem gamblers is also higher (2.8% vs. 1.6%). Of adolescent Indian gamblers, 14.8% were classified as problem gamblers, as opposed to 10.5% for non-Indians. The proportion of adolescent Indian pathological gamblers was also greater (9.6% vs. 5.6%).¹³⁹
- Indians in the general population spend more on gambling than non-Indians although they gamble at about the same rate and exhibit similar levels of problem and pathological gambling characteristics.

Minnesota Problem Gambler Profile: The Minnesota study also compiled a profile of problem gamblers who exhibited the following characteristics:¹⁴⁰

- Half the gamblers who sought treatment had considered suicide and 13% had actually made an attempt.
- Gamblers' debts averaged \$16,547 and ranged from \$1,000 to \$103,000.
- Of the gamblers who sought treatment, 93% admitted to having committed a crime and 23% had been convicted (unstated, but presumably related to their gambling).¹⁴¹
- Less than half (43%) held full-time jobs; the remainder were either unemployed, retired, or students.
- About half of those who sought treatment were female.

Minnesota Study Policy Recommendations: The Minnesota study made recommendations concerning the regulation and monitoring of gambling as well as treatment

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for problem gamblers and the scope of gambling's expansion in the state. In sum, they are.¹⁴²

- Prohibit the expansion of video gaming devices to liquor-serving establishments to minimize regulation, crime, and compulsive gambling problems. Easy access to video games would encourage compulsive gambling. Adolescent gambling would be harder to control than at the existing tribal casino locations, most of which are situated away from major urban populations. Regulation of over 40,000 video machines in over 4,000 locations would be difficult, costly, and multiply the opportunity for criminal use of the machines. Increased competition from video gaming could also economically jeopardize tribal casino gaming and accompanying revenues for local development.
- Increase funding for treatment centers and prevention activities, with special attention to minority communities, to be partly funded from state gambling revenues including tribal revenues. Preventive efforts should be aimed at adolescent gambling and parental control of gambling.

Texas Study

Background: The Texas Commission on Alcohol and Drug Abuse published two studies authored by Lynn Wallisch focusing on adult and adolescent gambling behavior in 1993. Publication of the adult study¹⁴³ in February, 1993 preceded that of the adolescent study¹⁴⁴ in September, 1993. Texas has pari-mutuel horse and greyhound racing, charitable raffles, and bingo. Class III tribal gaming is in litigation.¹⁴⁵ The state does not have riverboat casinos. The latest proposals to legalize them were defeated during Texas' most recent legislative session in May, 1993. Similar proposals are expected to resurface during the next session in January, 1995.¹⁴⁶

Texas has only recently legalized a state lottery in November, 1991 when a 147-year-old constitutional ban was overturned by voters.¹⁴⁷ The 1991 Texas Lottery Act funded public education, research, and training regarding compulsive gambling and for treatment and prevention of problem or compulsive gambling. The two complementary studies are a result of the mandate to identify adults and juveniles in Texas who are, or who are at risk of, becoming problem or compulsive gamblers. Although the introduction of the lottery was the main impetus for inquiry into gambling's social effects, 13 other types of gambling activities were surveyed.

Texas Adult Study

Methodology: The study used telephone interviews of a random sample of 6,308 adults (aged 18 and older) and 924 adolescents (ages 14 to 17) weighted by age, race/ethnicity, and geographical region to conform to actual demographic distributions.¹⁴⁸ The survey canvassed 254 counties divided into eight geographical regions.¹⁴⁹ Interviews of 77% of the sample were conducted before the end of May, 1992; the remainder were concluded a month later.¹⁵⁰ Most survey questions asked about past-year or lifetime gambling activity so that possible skewing by the sudden introduction of a state lottery could be minimized. *(For example, the lottery may have legitimized in some people's minds, and therefore increased participation in, other forms of gambling to affect prevalence rates. Conversely, the lottery could have affected prevalence rates by diverting gamblers from other types of gambling.)*¹⁵¹ Wallisch (1993a) contends that post-survey comparisons reveal "...virtually no important differences on any gambling behavior except that directly related to the lottery."¹⁵² In other words, the survey results, including the 23% interviewed after the introduction of the lottery, can be considered with confidence to reflect results based on an entirely pre-lottery sample.

The Texas survey's lifetime and past-year gambling questions sought data on:¹⁵³

- Gambling incidence, frequency, and expenditures on 13 kinds of gambling activities (a 14th "other" category is also included).
- Gambling behavior of other household members, family of origin, and peers.
- Gambling preferences and reasons for gambling or not gambling.
- Gamblers' alcohol or substance abuse and utilization of mental health services. *(The Texas study is the only statewide gambling survey to address multiple addiction by obtaining data on substance abuse as well as gambling addiction.)*
- Gamblers' status as problem or probable pathological gamblers using the South Oaks Gambling Screen (SOGS). *(See Volberg & Stuefer's South Dakota study, above.)*

Types of Gambling Activity Queried on Survey: The survey questioned respondents on whether they had ever engaged in certain gambling activities in their lifetimes and within the past year. These are:¹⁵⁴

- (1) Instant lottery games;
- (2) On-line or video lottery games such as Lotto or numbers;
- (3) Casino card or dice games;

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- (4) Casino slot or video poker machines;
- (5) Sports betting at a sports book in Las Vegas or Mexico;
- (6) Bingo, including pull-tabs or instant bingo;
- (7) Speculative investments in real estate or high-risk stocks, stock options, or futures;
- (8) Pari-mutuel dog or horse racing;
- (9) Games of skill such as bowling, pool, or golf;
- (10) Bets with friends on outcomes of various events;
- (11) Dog or cock fights;
- (12) Games at card parlors such as maj-jong or dominoes, but not with friends;
- (13) Sports betting with bookies; and
- (14) Other gambling games.

Limitations of Study: As with any telephone survey, the sample did not cover households not having telephones -- a surprising ten percent¹⁵⁵ of the Texas population. Furthermore, like most other gambling prevalence surveys, data obtained are self-reported. The validity of survey responses are thus subject to varying respondent bias and ultimately depend on respondents' candor, truthfulness and accurate memory. (See "Methodology and Limitations of Study" under the "Texas Adolescent Study" below, regarding over-reporting and under-reporting by adolescents and adults.)

General Findings: The Texas study reported findings with regard to Texas adults and gambling in the following general areas:¹⁵⁶

- (1) General incidence and prevalence of gambling;
- (2) Characteristics of people who gamble;
- (3) Gambling activities of those who gambled within the past year;
- (4) Reasons for gambling;
- (5) Prevalence of problem and pathological gambling;
- (6) Gambling and substance use; and
- (7) Gambling and mental health.

General Incidence and Prevalence of Gambling: Over their lifetimes, 76% of adult Texans had bet money at least once on some activity. Within one year of the survey (approximately March 1991 to March 1992), 49% of adult Texans had gambled at least once on some activity. At some period in their lives, 16% had gambled at least weekly, and 12% had done so within the last year. On average, adults who had ever gambled first did so at age 22. A substantial 19% placed their first bet at age 16.¹⁵⁷

Growing up in a household where adults gamble heavily is considered a risk factor for compulsive gambling.¹⁵⁸ Slightly more than 25% of past year bettors reported that an adult in their household of origin had gambled. About 40% of these household members gambled at least weekly and about 13% appeared to have a gambling problem.

Characteristics of People Who Gamble: Compared to those who did not gamble within the past year, those who did are more likely to be male, young, Catholic, well-educated, single, and have a higher family income. They are only slightly more likely to be white. Non-gamblers are also less likely to have used alcohol and other drugs during the past year (about 38% vs. 72%). Compared to non-gambling substance users, past-year gamblers are more likely to report having had problems related to their substance use.¹⁵⁹

About 25% of past-year gamblers gambled at least weekly and about five percent had serious gambling-related problems in the past year.¹⁶⁰ The likelihood of a person's having ever gambled is positively correlated to the person's income. That is, as income rises, the greater the chances the person had ever gambled. Of individuals with annual incomes of \$40,000 and more, \$20,000 to \$40,000, and under \$20,000, 88%, 80%, and 67%, respectively, had ever gambled.¹⁶¹

Gambling Activities of Those Who Gambled Within the Past Year: Half of all past-year gamblers had bet at least once on sports or other events with friends or co-workers and 12% limited their gambling exclusively to this type of activity. Of all past-year gamblers, 35% gambled on lottery games, 27% on bingo, 23% on pari-mutuel racing, 16% on casino card or dice games, 19% on casino slot machines, 11% at card parlors, and 11% through bookies. As for preferences, 17% favored betting with friends or co-workers, 13% each favored pari-mutuel wagering, casino games, slot machines, and lottery games, and 11% preferred bingo.¹⁶²

Of past-year gamblers, 27% bet on bingo. These players also bet on an average of 3.2 different types of gambling activities. Past-year bingo players tend to be female, black or Hispanic, formerly married, Catholic, and have a low household income and a high school education or lower. Bingo players are more likely than non-bingo players to be regular weekly players and problem or pathological gamblers. However, they are less likely to have either

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used alcohol or drugs or had substance-related problems.¹⁶³ Within the group of past-year bingo players, 9.8% were classified as problem or probable pathological gamblers.¹⁶⁴

Casino slot and video poker machine players had gambled on an average of four different types of games. Casino players are more likely than non-casino players to be white, male, older, college-educated, have higher household incomes, and to gamble at least weekly on other games for entertainment. Although more likely to drink alcohol, the casino player tends to have fewer substance-related problems.¹⁶⁵ Of past-year casino game players, compared to non-casino players, 7.0% were classified as problem or probable pathological gamblers.¹⁶⁶

Reasons for Gambling: Not unexpectedly, the reason given most frequently (65%) for gambling during the past year was entertainment, for the fun and excitement. About 12% gambled to make money, 11% out of curiosity or for the challenge of winning against odds, and 7%, mainly for social reasons.¹⁶⁷ Contrary to the expectation that the poorest see gambling as a way out of poverty, the poorest respondents are less likely to gamble to get rich or make ends meet. Interestingly, the richest respondents are also less likely to gamble for this reason. The poorest reported that they gambled for social reasons while the richest gambled for fun.¹⁶⁸

Prevalence of Problem and Pathological Gambling: Upon screening with the SOGS, 3.5% of Texas adults were classified as lifetime problem gamblers while 1.3% were classified as lifetime probable pathological gamblers. The total of 4.8% translates to about 605,000 Texans who have had gambling problems at some time during their lives. For the current year, 1.7% of Texans were classified as problem gamblers while 0.8% were classified as probable pathological gamblers. The total of 2.5% amounts to about 315,000 Texans currently having gambling problems. Although Texas does not have the highest number of *combined* problem and probable pathological gamblers compared to eight other states, it does have the highest number of *problem* gamblers.¹⁶⁹

Problem and pathological gamblers in Texas are found disproportionately among:¹⁷⁰

- Males;
- Non-whites;
- Young adults (age 18-24);
- Divorced or never-married individuals;
- Blue-collar workers;
- Catholics and people who are not Protestant or Jewish;

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- People with lower educational levels;
- People who do not consider religion to be "very important;"
- People who gamble primarily for economic reasons (to make money); and
- People who used illegal drugs in the past year.

Problem and pathological gamblers come from all income groups in Texas. They are less likely to have medical insurance, and if they did, the insurance was less likely to cover chemical dependency treatment.¹⁷¹ Almost half had begun to gamble regularly by age 19, about four years earlier than other adults who gambled regularly but without problems.¹⁷² Wallisch (1993a) also reports that:¹⁷³

Lack of gambling opportunities was not a deterrent for problem/pathological gamblers, since over one-quarter of them had gone out of state for the specific purpose of gambling in the past year.

Problem and pathological gamblers preferred types of betting different from the general population. They favored card and dice games in casinos or at card parlors, bingo, games of skill, and sports betting at a sports book or bookie. Adults with no gambling problems preferred slot or video poker machines, instant lotteries, pari-mutuel wagering, and bets with friends or co-workers.¹⁷⁴ Problem and pathological gamblers, especially those currently gambling, are more likely than other adults to have had at least one parent who had a gambling problem while they were growing up. Wallisch states that this is consistent with other studies' findings which suggest that parental gambling is a risk factor for becoming a problem gambler.¹⁷⁵ This view is supported by the American Psychiatric Association, though stated in a roundabout way: "Pathological Gambling and Alcohol Dependence are both more common among the parents of individuals with Pathological Gambling than among the general population."¹⁷⁶ Eight percent of probable pathological gamblers reported having been in trouble with the law over their gambling activities.¹⁷⁷

Gambling and Substance Use: Of all past-year gamblers, 70% drank alcohol or used other substances compared to 46% of people who last gambled more than a year ago, and 25% of people who had never gambled.¹⁷⁸ Of the same group of past-year gamblers, almost half had used alcohol exclusively. About 63% of these alcohol-only users had gambled. This is significantly higher than the 49% of the general population who had gambled but did not drink, suggesting that those who drink are also more likely to gamble.¹⁷⁹ Of problem or pathological past-year gamblers, a lower 66% used alcohol or other drugs. Given that smoking tobacco and drinking alcohol at any time and in any amount during the past year would have put an individual into the group of 70% or 66%, these figures must be viewed with caution.

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However, problem or pathological past-year gamblers are twice as likely as other past-year gamblers in general to have used illegal drugs in the past year (15% vs. 7%).¹⁸⁰ This appears consistent with the proposition that substance use is one of several factors that can hasten the progression of social gambling into problem gambling.¹⁸¹ The drug of choice was marijuana for these individuals as well as for all illicit drug users. For problem and pathological past-year gamblers who used substances, 56% reported having had one or more substance problems.¹⁸² Finally, about 1.3% of all Texas adults (125,000 to 200,000 individuals) have had a problem with both gambling and substances at some time in their lives.¹⁸³

Gambling and Mental Health: As a group, lifetime problem and pathological gamblers were more likely to have had contact with a health professional for mental health-related problems¹⁸⁴ than adults with no gambling problem (17.2% vs. 10.1%).¹⁸⁵ Lifetime problem gamblers were more likely than pathological gamblers to have had such contact (19.0% vs. 12.3%).¹⁸⁶ However, current problem and pathological gamblers as a group were no more likely to have visited a mental health professional than other adults. An increased likelihood for pathological gamblers alone is not statistically significant.¹⁸⁷ In sum, less than one percent of Texas adults (0.8%) have had a problem with both gambling and mental health at some time in their lives.¹⁸⁸

Gambling Expenditures: The average monthly amount bet on all gambling activities by all respondents who had gambled in the past year (49%) was reported to be about \$200. It was also reported that these gamblers spent about \$600,000 a month on all gambling activities.¹⁸⁹ (See cautionary footnote. In any case, compare the much lower average monthly gambling expenditure of \$23.30 and \$21 for all respondents in the two South Dakota studies in the preceding section. The average monthly amount bet by problem and pathological gamblers in the South Dakota study was \$121.00. See "Comparison of Gambling Expenditures" under "Follow-Up 1994 South Dakota Study," above.)¹⁹⁰

Wallisch (1993a) reports that more than one of every four past-year gamblers reported having spent more than \$100 monthly on casino games, (about 38%), through bookies (29%), and on sports book (25%).¹⁹¹ Actual expenditures for casino games would probably increase if casino gambling were legalized in Texas. Casino play expenditures were all incurred on out-of-state visits. Men spent almost twice as much as women. Gambling expenditures increased with age, education, and income. As expected, pathological gamblers spent almost twice as much as problem gamblers and almost four times as much as non-problem past-year gamblers.¹⁹²

Texas Adolescent Study

Methodology and Limitations of Study: The methodology for the adolescent survey is generally similar to that for the adult survey. Telephone interviews were conducted with 924 adolescents aged 14 to 17 with parental permission. The adolescent study is limited in the same ways as the adult study but with the addition of several other possible biases.

First, although confidentiality was promised, teen interviewees may not have been completely truthful on sensitive questions regarding illegal drug use and problem gambling. *First*, they could have under-reported. This is possible because parental consent was required and interviewers had no control over whether a parent either remained in the room or listened in on an extension telephone. In fact, Wallisch (1993b) reported that interviewers had no idea whether or not parents were listening in during 81% of all interviews. Interviewers were sure parents did not listen in during only 15% of interviews and sure that they did during 4% of all interviews.¹⁹³ The study reports that an adolescent is slightly less likely to report problem gambling or illicit substance use, but not on other behavior, if a parent were definitely listening (that is, during four percent of interviews).¹⁹⁴ It is logical to assume that teens gave similarly reluctant responses in at least some of the 81% of interviews during which interviewers did not know whether parents listened in or not. *Second*, also unknown is the "brag" factor -- whether or not and by how much teens over-reported by exaggerating their responses on matters they may have considered "adult" or "daring."¹⁹⁵

General Findings: The Texas adolescent survey reported findings in the following general areas:¹⁹⁶

- (1) Prevalence and incidence of adolescent gambling in Texas;
- (2) Adolescent problem and at-risk gamblers;
- (3) Gambling and substance use among Texas adolescents; and
- (4) Comparisons between adult and adolescent gamblers.

Prevalence and Incidence of Adolescent Gambling in Texas: Only 21% of Texas teens have never bet on anything while 79% had. Those who had ever bet in their lives had bet on an average of 3.1 different types of activities.¹⁹⁷ Teens who had ever gambled come from every sociodemographic group but are more likely to be male, work more than ten hours a week, and have a weekly income of \$50 or more. Those who gambled weekly within the past year are more likely to be Hispanic as well. Within the past year, 66% had gambled on something while 14% did so regularly (weekly). The average age of a teen betting for the first time was 12.¹⁹⁸ Teens had bet at least once in their lifetimes on card, dice, or board games with friends and family (59%), on sports or other events with friends (49%), and on games of skill such as bowling or pool (41%).¹⁹⁹ Betting on bingo was also common (23%).²⁰⁰ Of all

past-year teen gamblers, the great majority did not spend much money gambling (69% reported spending less than \$50 for the entire year). About 11% spent between \$50 and \$99 and about 15% spent over \$100 on bets during the year.²⁰¹

Adolescent Problem and At-Risk Gamblers: Of all teens, five percent were classified as problem gamblers with another 11.7% classified as at risk of developing gambling problems.²⁰² A teen was classified as "at-risk" of problem gambling if the teen (1) gambled weekly with no problems; or (2) gambled less intensely with some problems. Problem gamblers were defined as those who either gambled weekly or spent more than \$10 a month on gambling and exhibited several behavioral or borrowing problems.²⁰³ One could argue that this definition of problem gambler is a bit stiff, \$10 a month being a relatively small amount to spend on anything these days. Either spending \$10 a month at McDonald's or eating there weekly would hardly qualify a teen as a problem junk food eater, even if the teen had some behavioral or borrowing problems. Nonetheless, one-third of problem teen gamblers (about 11 teens)²⁰⁴ spent more than \$200 during the past year (at least \$16.67 a month).²⁰⁵

With this in mind, the study reported that at-risk and problem teen gamblers are more likely to skip school, be sent to the principal, have friends who carry weapons and belong to gangs, commit illegal acts, and be arrested than non-problem gamblers. They are also more likely to be male, a member of a minority group, and have a weekly income of more than \$50.²⁰⁶ Problem and at-risk teen gamblers had bet on 4.6 and 3.3 gambling activities in the past year as opposed to 1.3 for non-problem teens.²⁰⁷ On the average, problem teen gamblers first gambled when they were 10.5 years old compared to 12.0 years for at-risk teens and 12.5 for non-problem teens.²⁰⁸

Gambling and Substance Use Among Texas Adolescents: Of all teens, 14.2% were found to have engaged in triple risky behavior (gambling, drinking alcohol, and using illegal drugs at some time in their lives). A larger proportion, 52%, had both gambled and either drank alcohol or used drugs.²⁰⁹ Again, this situation must be put into proper perspective. Wallisch defines "risky behavior" as ever gambled, drank alcohol, or having used drugs in one's lifetime.²¹⁰ Thus, a teen who had bet once on the outcome of a Superbowl game (and never gambled on anything else) and who had drunk a glass of wine at a family wedding (and never drank any other alcohol) would be classified as a dual risky behavior teen. A teen who smokes crack and gambles daily on video slot machines would be similarly classified. Although triple risky behavior automatically takes into account more serious illegal drug-taking, the other two behaviors are too broadly defined. Consequently, reports of dual and triple risky behavior among teens may be overstated and appear more grave than their actions actually merit.

It is reported that of weekly teen gamblers, 78% had drunk alcohol, compared to 69% of past-year gamblers, and 38% of those who had not gambled in the past year.²¹¹ Only nine

percent of teens who had not gambled in the past year had ever used illegal drugs or inhalants, compared to 17% of those who did gamble in the last year and 34% of weekly gamblers.²¹² Children of substance-abusing parents were 2.5 times more likely to have similar substance abuse problems. However, children of parents with gambling problems were no more likely than other teens to have either substance or gambling problems themselves.²¹³ Interestingly, this last finding contradicts an opposite hypothesis asserted in the adult survey -- that growing up in a household of heavy adult gamblers is a risk factor for compulsive gambling. (See "*Prevalence and Incidence of Adolescent Gambling in Texas*" under "*Texas Adult Study*," above.)

Comparisons Between Adult and Adolescent Gamblers: About the same proportions of teens, adults under 30, and adults over 30 had ever gambled: 79%, 78%, and 75%, respectively. As individuals get older, they tend to gamble less on personal games of skill: 41%, 29%, and 17% of teens, adults under 30, and adults over 30, respectively, did so. Adolescent problem gamblers are more likely than adults to be male and Hispanic.²¹⁴

Wallisch (1993b) estimated that 3.7% of Texas adolescents were probable pathological gamblers and 8.7% were lifetime problem gamblers.²¹⁵ However, Wallisch (1993b) elsewhere estimates problem and at-risk teen gambling prevalence to be at 5.0% and 11.7%, respectively. (See "*Adolescent Problem and At-Risk Gamblers*" above.) In the concluding chapter, this is partly clarified:²¹⁶

[A] small percentage [of Texas teens] experience problems related to their gambling. The percentage of serious problem or pathological gamblers is higher for teens (4 to 5 percent, depending on the method used) than for adults (about 1 percent). [*Methods used: multifactor method for 5.0 percent and SOGS for 3.7 percent*]

Illinois Study

The relationship between riverboat gambling and law enforcement and crime was examined by the Illinois Criminal Justice Information Authority in a study published in May, 1994. That study is reviewed in the previous chapter. A second study was published by a separate agency, the Illinois Legislative Research Unit, in October, 1992 which examined the effects of casino gambling on welfare programs.²¹⁷ This latter study is reviewed below.

Effects of Casino Gambling on Welfare Costs: It was feared that legalized casino gambling would impoverish those who could least afford to gamble, throwing them onto the welfare rolls. The study looked at Aid to Families with Dependent Children (AFDC) and food stamp programs in Deadwood, Atlantic City, and the state of Nevada before and after the introduction of casino gambling. Although cautioning that its results were inconclusive, the research showed that there was no adverse effect from gambling.

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South Dakota: (The South Dakota study referred to is that by Volberg and Stuefen, 1991. See "1991 Initial Study: Social Indicators" under "South Dakota Study," above.) According to the 1990 census, Deadwood, South Dakota had a population of 1,830. Limited stakes casino gambling began in November, 1989. By August, 1991, about 80 casinos were operating with almost 2,000 gaming devices including slot machines and poker and blackjack tables. After the introduction of casino gambling, among the 16 counties examined (including the several most directly influenced by Deadwood casino gambling), the number of AFDC households fell in eight and rose in seven counties and the number of households receiving food stamps fell in five and rose in 11 counties.²¹⁸

Atlantic City: Atlantic City's population was about 319,000 in 1990, an increase of 15.6% over 1980.²¹⁹ After casino gambling began, the number of AFDC and food stamp recipients in Atlantic County reportedly declined yearly until 1990.²²⁰ (In 1982, testimony indicated that "Each casino, when it opens, reduces our county welfare roles by approximately 300 cases, or about five percent each."²²¹ However, sharp declines in 1981 and 1982 were attributed primarily to changes in federal law which made it harder for households to qualify. A more gradual decline in neighboring New York and Pennsylvania AFDC caseloads and an increase in Ohio during the same period were cited in support of the view that factors other than casino gambling were involved.²²² The rise in AFDC and food stamp households after 1990 was attributed to the nation's economic slump.²²³

Nevada: In Nevada, the study found that the proportion of public welfare and food stamp households was the lowest compared to three other mountain states with similar populations and per-capita incomes (Utah, Wyoming, and New Mexico). Only 2.8% and 4.1% of Nevada's population received public welfare and food stamps, respectively. New Mexico's rates were 5.7% and 9.6%; Utah's was 3.2% and 5.5%; and Wyoming's was 3.4% and 5.5%.²²⁴

Other Social Effects: The Illinois study also pointed out social effects other than crime and problem gambling, some of which may be peculiar to a specific location. For example, small businesses in Atlantic City, including independent restaurateurs, parking lot operators, and souvenir shop owners who had hoped to capitalize on the casino boom were forced out as land values and property taxes skyrocketed. Neither were individual property owners immune. Casinos built their own free parking lots and provided their own restaurants and souvenir stores. Hundreds of low-rent houses and apartments housing the city's poor and elderly were bulldozed for casinos and their parking lots. Land values rose as casinos gobbled up available scarce land. The city's losing 10.5% of its housing stock due to fire, neglect, and aging from 1980 to 1990 did not help.²²⁵

New Jersey (Illegal Video Gambling)

New Jersey's Commission of Investigation, based on a series of public hearings, issued a report in September, 1991 on the illegal use of video gambling machines.²²⁶ The study had nothing to do with legalized gambling in Atlantic City but focused exclusively on the *illegal* use of video slot machines in various New Jersey counties. (See chapter 3 for a review of the crime issue as reported by this New Jersey study.)

Addictiveness of Video Slot Machines: Arnold Wexler, Executive Director of the Council on Compulsive Gambling of New Jersey, testified before the Commission of Investigation:²²⁷

[P]eople that are experts in the field tell me that [video gambling is] probably the most addictive form of gambling there is today. . . . probably because of the quick, fast action. . . . [In response to the question if Wexler would be opposed to legalizing video gambling] We are not a prohibition group . . . but I could tell you that the State of New Jersey today is addicted to gambling. . . . I don't know where the State of New Jersey is going to stop with this legalization of gambling, but we've created a major epidemic in New Jersey with compulsive gambling . . .

According to testimony by Joseph Fay, a vending machine distributor who eventually became partners with organized crime figures, of his roughly 100 video slot locations, he used eight or nine private homes. Although he maintained the regular 50/50 split of revenues with these individual operators, they usually netted nothing or had a loss because of their own addicted play.²²⁸ Fay also relates a brief vignette of sudden addiction:²²⁹

One day I was in one of my locations collecting money and a guy walks in to buy a pack of cigarettes and he noticed that the machines were mobbed with people. He asked me what it was. I said it's a keno machine and you put a quarter in it and you might win a dollar or two. So he put a couple of quarters in and the first day I think he won about \$100. . . . Then he was back every single day after work and after about two or three weeks he was there every day, nine in the morning. Suddenly his Jaguar disappeared and he lost his job. His wife came looking for him and it was a mess. His wife would come down every day trying to get him out of there because, you know, he was blowing all his money. And what happened -- she started playing the machine. And then they just disappeared off the face of the earth. I guess they didn't have any money left. I didn't see them anymore.

III. Other Data

The Cost of Pathological Gambling: According to a 1993 publication of the National Council on Problem Gambling, Inc. (NCPG):²³⁰

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Since there are no systematic studies of the financial or social impact of pathological gambling, assumptions on the costs to the nation must be made on existing surveys

...

The following summarizes the NCPG's conclusions based on its review of such surveys:²³¹

- A pathological gambler may have generated substantial debts and withdrawn from work and family and social life. A depression develops secondary to the guilt, shame, and helplessness over mounting problems.
- One out of every five pathological gamblers attempts suicide (Moran 1969; Lesieur & Blume 1991; Livingston 1974; Custer & Custer 1978; McCormick et al., 1984).²³² This rate is higher than that for other addictive disorders and second only to rates for certain depressive conditions, schizophrenia, and a few hereditary neurological disorders.
- Other mental disorders which may be suffered by pathological gamblers, such as manic-depressive illness, alcoholism and substance dependence, anxiety states, and various personality disorders, may be exacerbated.
- Families of pathological gamblers suffer neglect and lack of support. Pathological gamblers provoke a reactive form of violence in spouses, of whom 37% have physically abused their children, while becoming more depressed themselves (Lorenz 1981).²³³
- The spouse of the male pathological gambler is three times more likely than other spouses to attempt suicide (Lorenz & Shuttlesworth 1983).²³⁴
- The spouse of a pathological gambler experiences a high rate of stress-related physical illness, e.g., hypertension, headaches, gastrointestinal disturbances, and backaches, which are eight times more common than in the general population (Lorenz & Yaffee, 1986, 1988).²³⁵
- Children of pathological gamblers do worse in school than their peers, are more apt to have alcohol, drug, gambling, or eating disorder problems and are more likely to be depressed. They attempt suicide twice as often as their classmates (Jacobs 1989; Lesieur & Rothschild 1989).²³⁶
- Two of three pathological gamblers commit illegal acts in order to pay gambling-related debts, to continue gambling, or both (Lesieur 1984; Brown 1987; Rosenthal & Lorenz 1992).²³⁷
- A survey of Gamblers Anonymous members found that 47 percent had engaged in insurance fraud or thefts where insurance companies had to pay the victims. The average

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amount of fraud was \$55,000. Pathological gamblers engage in an estimated \$1.3 billion in insurance-related fraud per year (Lesieur & Puig 1987).²³⁸

The Goodman Study: Goodman (1994), who reviewed 14 gambling studies, found that:²³⁹

- The numbers of instant, quick-action, video slot machines²⁴⁰ -- considered highly addictive by counseling professionals -- in highly dispersed locations have increased as states seek to increase, or at least to stem, revenue decreases. Casinos have also increased the proportion of slots as opposed to table games. (See chapter 2.)
- The number of all gamblers, including problem gamblers, is increasing along with the amount of money wagered. Problem gambling behaviors are highest among the poor and minorities. Gambling revenues come disproportionately from lower income residents (although most data are from lotteries and not casinos).

Goodman cites Shaffer (1994) who reported 64% of a random sample of 332 students at one Atlantic City high school had gambled illegally at local casinos in 1985.²⁴¹ Over 40% had so gambled by the age of 14. About 29,000 underaged customers are ejected or prevented from entering Atlantic City's casinos every month. Some in the addiction field predict that adolescent gambling will become a severe problem in the future. Shaffer, director of the Harvard Medical School Center for Addiction Studies, contends that "We will face in the next decade or so more problems with youth gambling than we'll face with drug use."²⁴² (See also Wallisch's *Texas Adolescent Study*, above.)

Games requiring no skill and that are fast-paced with immediate payoffs, like video slot machines, are particularly addictive. "The spreading consciousness [is] that VLT [*video lottery terminals*] is associated with excessive gambling losses."²⁴³ These machines are not limited to casinos. Extrapolating results of lottery studies, Goodman concludes that lower income individuals tend to play video slots as "... a way to invest or make money" rather than for entertainment.²⁴⁴ As a result, they tend to spend more on gambling, per capita, than higher income individuals. Goodman reports that residents of the "poor" cities of Boston, Worcester, and Chelsea in Massachusetts spent \$365, \$366, and \$455, respectively, each year on the state lottery as opposed to only \$30, \$42, and \$62 for the wealthier cities of Weston, Amherst, and Paxton, respectively.²⁴⁵ Slot machines also make it easier for lower income individuals to gamble because many machines allow as low as 25 cents per play. It makes more sense for a player with a small stake to play quarters in a slot machine than to use it up quickly on high-bet table games.

Wisconsin: The following was reported in a 1994 study by the Wisconsin Legislative Reference Bureau:²⁴⁶

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A 1992 study, commissioned by the legislature, estimated there are over 50,000 compulsive gamblers in Wisconsin and another 83,000 are problem gamblers. For the estimated 5% of gamblers who are susceptible to compulsive gambling, the act of playing the games and taking a risk becomes more important than winning or losing. This impulse disorder often requires professional treatment. The time and money spent on obsessive gambling may result in absenteeism from work, lost wages, unemployment, and financial hardship and can lead to spousal and child abuse, family breakdown and suicide. Gamblers may turn to crime to continue betting activity. A national study indicated about 40% of white collar crime can be traced to compulsive gambling and that more than 50% of addicted gamblers resort to crime to finance habits. Taxpayers bear the burden of increased public expenditures for law enforcement, welfare caseloads and treatment programs. The costs of crimes committed by compulsive gamblers are passed on to consumers in the form of higher prices and insurance premiums. Certain types of gambling, such as slot/video machines, are considered more addictive, and therefore may merit more intensive regulation.

This finding appears to be more in the nature of a summation of *potential* negative consequences than a definitive statement of causation. Note, however, that slot and video slot machines are cited once again as potentially one of the most addictive forms of gambling. Kaplan (1984) reports that researchers at the Center for Pathological Gambling at Johns Hopkins University have estimated that the social and economic costs of compulsive gambling run over \$34 billion annually.²⁴⁷

Murray (1993)²⁴⁸ focused on the economic impact of tribal gaming in Wisconsin and claims that gaming removed 820 and 1,400 persons from the welfare and unemployment rolls, respectively in 1992. The savings in payments to the large majority of the 820 receiving AFDC support was estimated to be \$3,265,740 in 1992. An additional \$548,580 was saved in payments to 205 of the 820 individuals receiving benefits from the Relief for Needy Indian Persons program.

Weinstein and Deitch: Weinstein and Deitch (1974) examined the alleged social consequences of legalized gambling (lotteries and off-track betting) on personal, familial, and work behavior including:²⁴⁹

- (1) Increase in property crimes, especially embezzlement of funds by gamblers in distress;
- (2) Pauperization and involvement with usurious money lenders;
- (3) Loss of interest in work and advancement and a reduction in work productivity and self-improvement efforts;
- (4) Abdication of familial support and other obligations resulting in marital breakdown, divorce, and nonsupport;
- (5) Loss of interest in family and friends;

- (6) Increase in total gambling activity and increased participation in illegal gambling ventures; and
- (7) Loss of interest and participation in religious and civic affairs.

They report: "None of these consequences are likely to occur unless the bettor devoted substantial time, energy, and money to his gambling. . . . [I]t is likely that only a small fraction of the total population (less than 1 percent in the case of OTB [off track betting]) is likely to overindulge." ²⁵⁰

Increased Gambling Activity and Increased Numbers of Pathological Gamblers: Lesieur and Custer (1984) cite Kallick (1979a)²⁵¹ for support when maintaining that increased levels of legalized gambling increases the number of pathological gamblers.²⁵² Frey (1984)²⁵³ also cites Kallick (1979b):²⁵⁴

[T]he factors that most consistently differentiate gamblers from non-gamblers are the degree of an individual's exposure to gambling and the availability of that activity. Thus, if one is exposed as a child to gambling -- for example, parental play or the high school poker game; if one knows persons who gamble currently; if opportunities to gamble are available; and if it is legal, one will be more likely to gamble. Therefore, with the widespread legalization of gambling and the increasingly tolerant view of gambling, it is likely that an even greater portion of the population will be gamblers.

Ritsche (1994) echoes the view of opponents of gambling: "[t]he expanded availability of gambling opportunities and the increasing public acceptance and respectability of gambling results in more people becoming addicted."²⁵⁵ Weinstein and Deitch (1974), however, found that:²⁵⁶

[L]egalization has probably not created new gamblers in any sizeable numbers if one counts social gambling and bingo and other legalized betting as gambling At most, one can hypothesize that some new bettors have been created and some persons are gambling more than they did before legalization.

It is important to note that not all new gamblers created by legalizing gambling will necessarily become problem or pathological gamblers. That some may is probably true, regardless of whether or not they are already predisposed to other addictive behaviors.

Mississippi: Judge William L. Stewart of Chancery Court in Gulfport, Mississippi said he had seen at least 20 divorces and numerous failures to pay child support as a result of gambling losses. The number of Gamblers Anonymous chapters has grown from zero to 5. Counselors at Recovery Resources, a private center that helps problem gamblers, say they are seeing an increasing number of middle-income people who have piled up debts of \$25,000

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to \$35,000, taken second mortgages on homes, and emptied savings or retirement accounts.²⁵⁷

The hitherto dominant shrimping industry on the gulf coast is being forced out by casinos taking over the docks. There is no room for shrimpers' boats; processing plants and ice plants are closing. Casinos are even siphoning off some other tourism-related business. For example, ship excursions to offshore barrier islands have dropped off for one company.²⁵⁸

Gamblers in Tunica County, Mississippi have been reported pawning personal property for gas to drive home. The county justice clerk says the number of people who have failed to pay rent or bills have doubled. Many locals are inexperienced bettors. A poultry worker was said to have lost \$20,000 in three months gambling on slot machines. A former corporate headhunter was said to have lost a \$250,000 house, a Cadillac, a Mercedes, and \$60,000 in retirement savings. Attendance is up at Gamblers Anonymous meetings. But Webster Franklin, new director of the Tunica Chamber of Commerce says new jobs and local investment far outweigh the impact of gamblers' losses. The median family income of \$7,685 has tripled to about \$23,000. Before gambling, 53% of Tunica residents were below the poverty line; after, 95% of all adult residents work.²⁵⁹

New pawnshops have opened in Biloxi and Gulfport. "The suicide rate has inexplicably doubled in Harrison County [Mississippi], though no health care official was willing to tie the increase to gambling."²⁶⁰

Minnesota: In Minnesota, 5,000 jobs have been created at a dozen reservation gambling sites. The Mille Lacs band of Chippewas, which in recent years had a 45% unemployment rate and major health and alcoholism problems, now reports nearly full employment after a new casino began producing \$15 million in annual revenues. They are now offering a wide variety of community services.²⁶¹

Hawaii: In Hawaii, illegal video gambling parlors began operating in the 1960s. (See *chapter 3, section IV, "Other Data."*) On the one hand, grandmothers gamble in illegal video parlors in their neighborhoods to socialize with their friends. On the other hand, spouses and children of gamblers complain about their elderly parents losing their life savings. A Gamblers Anonymous spokesman guesses that one of every ten illegal video slot machine players in Hawaii is a compulsive gambler. It was also reported that all women attendees of Honolulu Gamblers Anonymous meetings are slot machine players. One addict says that it is the machine aspect that is addictive. For example, he would not pester friends to play poker but feels compelled to play the slot machines.²⁶²

Endnotes

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2. William R. Eadington, "The Casino Gaming Industry: A Study of Political Economy," in The Annals of the American Academy of Political and Social Science; Gambling: Views from the Social Sciences, James H. Frey and William R. Eadington, eds., July, 1984, p. 33.
3. Massachusetts, Senate Committee on Post Audit and Oversight, Toward Gaming Regulation: Part II: Problem Gambling, and Regulatory Matters, prepared by the Senate Post Audit and Oversight Bureau, March, 1993 (hereafter cited as "Mass., Part II"), p. 23: the Compulsive Gambling Therapy Center of Worcester, Massachusetts testified in senate hearings that 30 percent of all problem gamblers have dual addictions (drug or alcohol abuse in addition to problem gambling). But see the much lower percentages in the Texas study by Wallisch (1993) in section II below.
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50. Madden, p. 8.
51. Ibid., p. 12.
52. Volberg & Stuefen, 1991, p. 7.
53. Ibid., p. 8. This figure does not include amounts spent by non-residents and tourists.
54. Ibid.
55. Ibid., p. 11.
56. Ibid.

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57. Ibid., p. 10. New York figures were obtained in 1986; New Jersey and Maryland figures in 1988; Massachusetts and Iowa figures in 1989; and California data in 1990. See Volberg & Stuefen (1994), below.
58. Ibid., p. 11.
59. Ibid. Volberg & Stuefen warn that comparisons of lifetime and current prevalence rates should be viewed with caution because "measures of lifetime and current prevalence are not identical" (pp. 11-12).
60. Madden, p. 1.
61. Ibid., pp. 2 and 59.
62. Ibid., p. 13.
63. Ibid., pp. 14-15.
64. Ibid., p. 60.
65. Ibid., p. 61. The time series covers 1986 through 1991: video lottery and Deadwood casino gambling began in late 1989.
66. Ibid. These counties include: (1) Butte, Meade, and Lawrence in which the Deadwood gaming industry has had the greatest influence; and (2) Walworth, Brown, and Union which are among those experiencing the highest average video lottery spending levels.
67. Ibid.
68. Ibid., p. 62.
69. Ibid., p. 63.
70. Ibid., p. 63. These are Butte, Meade, Lawrence, Walworth, and Union counties.
71. Ibid., p. 65.
72. Ibid., Table 7 "Total Number of Substantiated Abuse and Neglect Cases by Office by Fiscal Year," p. 66.
73. Ibid., Table 8 "Substantiated Physical Neglect Cases by Office by Fiscal Year," p. 67.
74. Ibid., p. 66.
75. Ibid., p. 67.
76. Ibid., p. 68.
77. Ibid., p. 69.
78. Ibid.
79. Ibid., Table 9 "Relative Changes and Number of Divorce Filings by County," p. 71.

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80. Ibid.
81. In addition, Madden notes that data maintained by the counties such as property taxes included in escrow payments and taxes for rental housing need to be expanded in order for accurate analysis to be done.
82. Ibid., p. 73. The data point for 1991 is a projection based on the number of actual filings through September 13, 1991.
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84. Ibid., p. 74.
85. Ibid., Graph 33 "Small Claims Filings South Dakota, FY 1985 to 1991," p. 74.
86. Ibid., "Table 11 Relative Changes and Number of Small Claims Filings by County," p. 75.
87. Ibid., pp. 76-7.
88. Volberg and Stuefen, 1994, p. 2: "Only one survey of gambling in the general population was carried out in the United States prior to 1980 (Kallick, Suits, Dielman & Hybels 1979). Between 1984 and 1990, state-wide surveys of gambling and problem gambling were carried out in California, Connecticut, Iowa, Maryland, Massachusetts, Minnesota, New Jersey, New York and Ohio (Laundergan, Schaefer, Eckhoff & Pirie 1990; Sommers 1988; Volberg 1991, 1993, 1994; Volberg & Steadman 1988, 1989a, 1989b, 1992) as well as in the Canadian province of Quebec (Ladouceur 1993). Since 1990, prevalence surveys of gambling and problem gambling have been completed in Montana, North Dakota, South Dakota, Texas and Washington (Volberg 1992, 1993; Volberg & Silver 1993; Volberg & Stuefen 1991; Wallisch 1993) as well as in the Canadian provinces of Alberta, British Columbia, Manitoba and New Brunswick (Baseline Market Research 1992; Criterion Research 1993; Smith, Volberg & Wynne 1993; Volberg 1994) and in New Zealand (Abbot & Volberg 1991, 1992).
89. Ibid., p. 4.
90. Ibid., p. 3.
91. Ibid., p. 1.
92. Ibid., p. 4. How similar the second activity is to the category of gambling examined in Volberg & Stuefen's 1992 Texas study (below) that includes speculative investments in real estate or high-risk stocks, stock options, or futures, is unclear.
93. Ibid., p. 1.
94. Ibid., p. ii.
95. Ibid., pp. ii and 30.
96. Ibid., p. 29. Services for gambling-related problems are available in Rapid City, Sioux Falls, Huron, Brookings, Watertown, and Winner.
97. Ibid., pp. 29-30.

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98. Ibid., Table 8 "Comparing Lifetime Prevalence Rates by State," p. 19.
99. Ibid.
100. Ibid., p. 10.
101. Ibid. However, the study does not identify how many frequent gamblers are non-problem, problem, and pathological gamblers. It does make the link between frequency of gambling and problem or pathological gambling in a later section. See "Comparison of Frequency and Types of Gambling," below.
102. See the Volberg & Stuefen warning of the difficulty of comparisons between lifetime and current prevalence rates in the initial study, above.
103. Ibid., p. 11.
104. Ibid., p. 12.
105. Ibid.
106. Ibid.
107. Ibid., Figure 1 "Favorite Gambling Activities," p. 13. Percentages are estimated from a graphical representation.
108. Ibid., p. 14. Figures obtained were based on recollection and self-report and do not include expenditures by non-residents and tourists.
109. Ibid., pp. 14-5.
110. Ibid., p. 20.
111. (1) M. G. 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 Gambling Behavior and Problem Gambling, W. R. Eadington & J. A. Cornelius, eds. (Reno: University of Nevada Press, 1993); (2) R. Ladouceur, A. Gaboury, M. Dumont, & P. Rochette, "Gambling: Relationship Between the Frequency of Wins and Irrational Thinking," in Journal of Psychology, v. 122, pp. 409-414; and (3) M. B. Walker, The Psychology of Gambling (Oxford: Pergamon Press, 1992).
112. Volberg & Stuefen (1994), p. 20.
113. Ibid., p. 21.
114. Ibid.
115. Ibid., Table 11 "Weekly Gambling Involvement of Non-Problem and Problem Gamblers," p. 22. Figures are for only the types of gambling for which weekly participation among problem and probable pathological gamblers was 5% or higher (N = 2).
116. Ibid., p. 23.
117. Ibid., Table 12 "Average Monthly Gambling Expenditures of Problem and Non-Problem Gamblers," p. 23.

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118. Ibid.
119. Ibid., Note that expenditures for casino games did not figure importantly.
120. Ibid., Table 14 "Reasons for Gambling Among Problem and Non-Problem Gamblers," p. 25.
121. Ibid., p. 25 and Figure 4 "Prevalence by Type of Gambling," p. 26. Again, casino games did not play an important role although slot machines (presumably in a casino environment) rated a mention.
122. Ibid., p. 26.
123. Ibid., p. 27.
124. Ibid., p. 28.
125. Lesieur and Custer, p. 147.
126. Robert Goodman, Legalized Gambling as a Strategy for Economic Development, (Northampton, Mass.: United States Gambling Study 1994), p. 60.
127. Minnesota Planning, Minnesota Gambling 1993.
128. Ibid., pp. 5, 7, and 8.
129. Citing Ken C. Winters and Randy D. Stinchfield, Gambling Behavior Among Minnesota Youth: Monitoring Change from 1990 to 1991/1992, University of Minnesota, January, 1993.
130. Ibid., p. 19.
131. Ibid., p. 37. See chapter 2.
132. Ibid., pp. 7, 21, citing a 1993 study by the Lakes and Pines Community Action Council in Aitkin and Carlton counties.
133. Ibid., p. 17 and un-numbered chart "Changes in 10 Casino Counties Compared to Rest of Minnesota," p. 16 -- source: Minnesota Departments of Revenue, Public Safety, and Human Services.
134. Ibid., pp. 17, 19.
135. Ibid., p. 38: These centers are in Bemidji, Duluth, Granite Falls, Minneapolis (2), and St. Cloud.
136. Ibid., pp. 21, 37.
137. Ibid., p. 21 and un-numbered chart "Calls for Help and Information," p. 8; -- source: Minnesota Institute of Public Health, Minnesota Council on Compulsive Gambling and Gamblers Anonymous; includes data from state hotline and hotline services provided by the Council on Compulsive Gambling.
138. Ibid., pp. 5, 19, citing Darryl Zitzow, Indian Health Service, 1992.
139. Ibid., un-numbered figure "Comparison of Gambling Behavior Between Indians and Non-Indians (Adults & Adolescents)," p. 36 -- source: Darryl Zitzow, Indian Health Service 1992.

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140. Ibid., p. 21. The profile was compiled based on gamblers who sought treatment at one Minnesota facility in 1992.
141. It is unclear, however, whether the crimes involved were directly related to the subjects' gambling behavior, related to a dual diagnosis of gambling and substance abuse behavior, related to a triple addiction (gambling, substance, and mental health problems), or to none of these.
142. Ibid., pp. 9, 35, 37.
143. Lynn S. Wallisch, 1992 Texas Survey of Adult Gambling Behavior, (Austin: Texas Commission on Alcohol and Drug Abuse, February 1993) hereafter referred to as "Wallisch (1993a)."
144. Lynn S. Wallisch, 1992 Texas Survey of Adolescent Gambling Behavior, (Austin: Texas Commission on Alcohol and Drug Abuse, September 1993) hereafter referred to as "Wallisch (1993b)."
145. Sue Cox, Public Policy Implications: How Governments Are Addressing Pathological Gambling, Texas Council on Problem and Compulsive Gambling, (Dallas: April 28, 1994), p. 24.
146. Telephone interview with Kellie Dworaczyk, staff, Texas House Research Organization, July 8, 1994.
147. Wallisch (1993a), p. 7.
148. Ibid., pp. 7-8.
149. Ibid., Table B1 "Texas Counties by Survey Region" in Appendix B, p. B-2.
150. Ibid., pp. 1, 7-8. Because of the state's interest in the possible effects of the newly authorized lottery, the study was intended to provide baseline data for later updating by obtaining data before the lottery began operations in the spring of 1992.
151. Ibid., p. 9.
152. Ibid., p. 9.
153. Ibid., pp. 9-10.
154. Ibid., pp. 14-15.
155. Ibid., p. 11. If one assumes that households without telephones also have very low incomes, an important segment of the population may have been missed. However, Wallisch (1993a) contends that the 10 percent of households without telephones is such "a very small component of the general population" that their absence would make little difference in survey results.
156. Ibid. pp. 1-6.
157. Ibid., p. 1, 19.
158. Ibid., p. 19, citing B. Gambino, A Review and Update of Prevalence Estimates for Compulsive Gambling in Massachusetts (Cambridge, Mass: Harvard Medical School, Center for Addiction Studies 1990).
159. Ibid., pp. 1-2, 26.

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160. Ibid., p. 26. Individuals had "serious" gambling-related problems if they were classified as either problem or pathological gamblers.
161. Ibid., p. 36.
162. Ibid., pp. 2-3.
163. Ibid., p. 39.
164. Ibid., p. 41.
165. Ibid., pp. 39-40. Drinking alcohol does not necessarily indicate an alcohol addiction problem.
166. Ibid., p. 41.
167. Ibid., p. 3.
168. Ibid., p. 17.
169. Ibid., pp. 3-4.
170. Ibid., pp. 4, 45.
171. Ibid., p. 46.
172. Ibid.
173. Ibid., pp. 46, 48.
174. Ibid., p. 48.
175. Ibid. However, see "Gambling and Substance Use Among Texas Adolescents" under "Texas Adolescent Study" for a contrary finding for adolescents, below.
176. DSM-IV, p. 617.
177. Ibid., p. 20.
178. Ibid., pp. 5, 57-58. "Substances" includes tobacco, alcohol, marijuana, cocaine/crack, heroin, non-medical use of medical stimulants (uppers), sedatives (downers), and any other illicit drugs (p. 54). Including alcohol and tobacco in this term may exaggerate survey results. Although politically correct to view alcohol and tobacco as toxins, they are a far cry from the effects of crack or heroin. Their inclusion may skew results by including teens who had taken any sort of alcoholic drink, even once, or who had smoked even one cigarette on a dare.
179. Ibid., p. 37.
180. Ibid., pp. 5, 58.
181. Ibid., p. 58, citing Richard J. Rosenthal and V. Lorenz, "The Pathological Gambler as Criminal Offender," in The Psychiatric Clinics of North America: Clinical Forensic Psychiatry, v. 15, n. 3, 1992, pp. 647-660.

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182. Ibid., p. 58.
183. Ibid., pp. 5, 59.
184. Respondents were asked if they had "ever seen a health professional (doctor, nurse, psychologist, therapist) for 'nerves' or emotional or psychological problems" (p. 60).
185. Ibid., p. 61.
186. Ibid., pp. 5, 61. Wallisch (1993a) suggests that one could speculate that mental health contacts may have prevented problem gambling from escalating into pathological gambling as a way of explaining the lower proportion of pathological to problem gambler contacts with mental health professionals. However, many other reasons could explain the disparity, including an increasing tendency to deny a gambling problem exists the more serious it becomes.
187. Ibid., p. 46.
188. Ibid., p. 62. It must be remembered, for this statistic as well as for all cited mental health contact figures, that such contacts are not rated for nature or severity. A contact could be a fleeting question and answer session or an in-depth regimen of treatment for paranoid schizophrenia. Thus, the "general indication of the frequency with which mental health problems may be found in the population" (p.62) may be overstated.
189. Ibid., pp. 51-52.
190. How these and all other figures reported in the Texas study were arrived at must be clarified.

First, Wallisch (1993a) reports that "... a total sample of 6,308 adults ... was chosen" (p. 7.) for the survey and that "... the response rate ... -- calculated as the number of completed interviews divided by the total number of people reached -- was about 67 percent." (p. 10.) However, it is not clear how many of the chosen 6,308 adults were reached and how many interviews were completed. All data are presented in percentages without the actual sample size noted except for data regarding past-year substance users who reported problems with a certain substance where $N = 3,323$ (Table D1 "Percent of Past-Year Substance Users Who Reported Each Problem Indicator," in Appendix D, pp. D-3/4).

Second, Wallisch (1993a) reports that "[a]bout 49 percent of the sample had gambled during the past year" (p. 51). Therefore, in connection with the \$200 monthly gambling expenditure figure, Wallisch apparently intended to convey the assumption that the entire chosen sample of 6,308 had been reached and interviews had been completed with 100 percent of the sample. If, as reported, the total chosen sample was 6,308 and only 67 percent of that sample responded, then the actual number of respondents ("N") would be 4,226 ($6,308 \times .67 = 4,226$). If this is so, then all figures reported in Wallisch (1993a) would be in question.

The alternative would be to take the description of the sample as misworded and consider the 6,308 individuals as the 67 percent who actually responded out of an original sample of 9,415 ($6,308 / .67 = 9,415$). This is borne out by the following calculations. If 49 percent of the total number of respondents ($N = 6,308$) reported having gambled in the past year, then a total of 3,091 individuals were past-year gamblers:

$$6,308 \times .49 = 3,091 \text{ individuals.}$$

Thus, the \$200 average monthly gambling expenditure figure must have been calculated by dividing the total monthly expenditure by 3,091:

$$\$600,000 / 3,091 = \$194.17.$$

Wallisch (1993a) further reports the average gambling expenditure for all respondents to be \$95, "...

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whether or not they had bet in the past year" (p. 52). This figure must have been arrived at by dividing \$600,000 by the entire sample of 6,308:

$$\$600,000 / 6,308 = \$95.12.$$

Nonetheless, it is not clear why this latter figure was either calculated or cited since ascribing gambling expenditure to those who did not gamble is irrelevant and possibly misleading.

191. Ibid., p. 51.
192. Ibid., p. 53.
193. Wallisch (1993b), p. 3.
194. Ibid.
195. Adults have an opposite tendency to minimize and under-report socially unacceptable behavior for the sake of privacy or to reduce possible negative repercussions.
196. Ibid., pp. 4-6.
197. Ibid., pp 4, 13.
198. Ibid., pp. 4, 8-11, 25.
199. Findings regarding betting on card games, sports events, and games of personal skill are consistent with other studies of high school students. Cited: (1) Rachel A. Volberg, Gambling and Problem Gambling Among Adolescents in Washington State, Report to the Washington State Lottery (Albany, N.Y.: Gemini Research, 1993); and (2) D. F. Jacobs, "Illegal and Undocumented: A Review of Teenage Gambling and the Plight of Children of Problem Gamblers in America," in Compulsive Gambling: Theory, Research, and Practice, H.J. Shaffer, S.A. Stein, B. Gambino, and T.N. Cummings (eds.) (Boston: Lexington Books, 1989).
200. Interestingly, even during the adolescent years, Wallisch (1993b) reports that teenage girls were more likely to play and bet on bingo than teenage boys.
201. Wallisch (1993b), pp. 4, 8-11, 13.
202. According to Wallisch (1993b), p. 19, unlike the "non-problem," "problem," and "pathological" gambler classifications used for the adult survey, the adolescent survey substituted an "at-risk gambler" classification for "pathological gambler." A measure called the "multifactor method" was used to determine the prevalence of adolescent problem gambling. The multifactor method uses the SOGS but treats the behavioral and borrowing dimensions of the SOGS separately and incorporates measures of frequency and intensity of gambling.
203. Wallisch (1993b), p. 19.
204. Of the 924 teens, 716 had gambled at least once in their lifetimes. Of the 716, 34 were classified as problem gamblers. "One-third" of this last group is approximately 11 teens. Cite: Table 5 "Demographic Characteristics of Teens in Texas Who Gamble, By Category of Gambling: 1992" on p. 21.
205. Wallisch (1993b), pp. 24-5.

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206. Ibid., pp. 4-5, 19-21.
207. Ibid., p. 24. It should be remembered, however, that playing for pennies in a game of Monopoly with the family qualifies as one gambling activity.
208. Wallisch (1993b), p. 25.
209. Ibid., pp. 4, 30.
210. Ibid., p. 30.
211. Ibid., pp. 4-5.
212. Ibid., p. 31.
213. Ibid., p. 33. See "Prevalence of Problem and Pathological Gambling" under "Texas Adult Study" for a contrary finding for adults, above.
214. Ibid., pp. 5, 34-35.
215. Ibid., p. 34: The South Oaks Gambling Screen (SOGS) was used in the adult survey but not in the adolescent survey. Instead, a multifactor method was used (see footnote on the three classifications of adolescents, above) for the adolescent survey. However, in order to compare proportions of pathological gamblers for both adults and adolescents, Wallisch (1993b) used the SOGS to estimate lifetime problem and probable pathological teen gamblers.
216. Ibid., p. 37.
217. Illinois, Legislative Research Unit, Research Response: Effects of Casino Gambling on Welfare Costs, prepared by Lillian Kinnel, file 10-425, (Springfield, Ill.: October 19, 1992).
218. Ibid., pp. 2-3.
219. Ibid., Table 3 "Atlantic City Metropolitan Statistical Area Population, 1970 - 1990" p. 4.
220. Ibid., Table 4 "Atlantic County AFDC and Food Stamp Caseloads, 1975 - 1992 (rounded)", p. 4 -- cited source: typewritten figures from Karen B. Enous, Deputy Director, Division of Welfare, Department of Social Services, Atlantic County, New Jersey, September 18, 1992.
221. New Jersey, Assembly Independent Authorities and Commissions Committee, Hearings on The Impact of Casino Gambling on Atlantic City and the Surrounding Area, March 16-17, 1982, p. 23A. Testimony of Charles Worthington, county executive of Atlantic County.
222. Effects of Casino Gambling on Welfare Costs, Table 5 "Percentage of Population on AFDC" p. 5 -- source: U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States (1981 - 1991 editions).
223. Ibid., p. 4.
224. Ibid., Table 7 "Welfare Spending in Nevada and Selected Neighbors," p. 7. -- source: U.S. Department of Commerce, Bureau of the Census, State Government Finances (1990), p. 26 Table 12 and Statistical Abstract of the United States (1991 edition), pp. xii, xvii, and xix.

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225. Ibid., pp. 4, 7.
226. New Jersey, Commission of Investigation, Video Gambling (Trenton: Commission of Investigation, September 1991).
227. Ibid., pp. 33-4.
228. Ibid., pp. 21, 29.
229. Ibid., pp. 30-1.
230. The National Council on Problem Gambling, Inc., The Need For A National Policy on Problem and Pathological Gambling in America, New York, November 1, 1993, pp. ii, 7.
231. Ibid., pp. 7-8.
232.
 1. E. Moran, "Taking the Final Risk" in Mental Health, London, 1969, pp. 21-22.
 2. H. R. Lesieur and S. B. Blume, "When Lady Luck Loses: Women and Compulsive Gambling" in Feminist Perspectives on Addictions, N. van den Bergh, ed., (New York: Springer, 1991).
 3. J. Livingston, Compulsive Gamblers, Observations on Action and Abstinence (New York: Harper Torchbooks, 1974)
 4. R. L. Custer and L. F. Custer, Characteristics of the Recovering Compulsive Gambler: A Survey of 150 Members of Gamblers Anonymous, paper presented at the Fourth Annual Conference on Gambling, Reno, Nevada, 1978.
 5. R. A. McCormick, A. M. Russo, L. F. Ramirez, and J. I. Taber, "Affective Disorders Among Pathological Gamblers Seeking Treatment" in American Journal of Psychiatry, 1984, v. 141, pp. 215-218.
233. V. C. Lorenz, Differences Found Among Catholic, Protestant and Jewish Families of Pathological Gamblers, paper presented at the Fifth National Conference on Gambling and Risk Taking at Lake Tahoe, Nevada in October, 1981.
234. V. C. Lorenz and D. E. Shuttlesworth, "The Impact of Pathological Gambling on the Spouse of the Gambler" in Journal of Community Psychology, 1983, v. 11, pp. 67-74.
235.
 1. V. C. Lorenz and R. A. Yaffee, "Pathological Gambling: Psychosomatic, Emotional, and Marital Difficulties as Reported by the Gambler" in Journal of Gambling Behavior, 1986, v. 2, pp. 40-49.
 2. V. C. Lorenz and R. A. Yaffee, "Pathological Gambling: Psychosomatic, Emotional, and Marital Difficulties as Reported by the Gambler" in Journal of Gambling Behavior, 1988, v. 4, pp. 13-26.
236.
 1. D. F. Jacobs, "Illegal and Undocumented: A Review of Teenage Gambling and the Plight of Children of Problem Gamblers" in Compulsive Gambling: Theory, Research and Practice, H. J. Shaffer, S. A. Stein, B. Gambino, and T. N. Cummings, eds., (Lexington, Mass.: Lexington Books, 1989).
 2. H. R. Lesieur and R. J. Rothschild, "Children of Gamblers Anonymous Members" in Journal of Gambling Behavior, 1989, v. 5, pp. 269-282.
237.
 1. H. R. Lesieur, The Chase: Career of the Compulsive Gambler (Cambridge: Scherberman Books, 1984).
 2. R. I. F. Brown, "Pathological Gambling and Associated Patterns of Crime: Comparisons with Alcohol and Other Addictions" in Journal of Gambling Behavior, 1987, v. 3, pp. 98-114.

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3. R. J. Rosenthal and V. C. Lorenz, "The Pathological Gambler as Criminal Offender: Comments on Evaluation and Treatment" in Psychiatric Clinics of North America, 1992, v. 15, pp. 647-660.
238. H. R. Lesieur and K. Puig, "Insurance Problems and Pathological Gambling" in Journal of Gambling Behavior, 1987, v. 3, pp. 123-136.
239. Goodman, pp. 16-18.
240. Ibid. p. 36, citing I. Nelson Rose, "Gambling and the Law" in Indian Gaming, January, 1992, p. 2: The American public apparently has reservations about the spread of video slot machines. A 1992 Gallup poll found that only 38 percent of Americans approve of using video poker machines to raise public revenues.
241. Ibid., pp. 92-93, citing Howard J. Shaffer, The Emergence of Youthful Addiction: The Prevalence of Underage Lottery Use and the Impact of Gambling, Technical Report No. 011394-100, (Boston: Massachusetts Council on Compulsive Gambling, 1994).
242. Robin Widgery, "Warning: Legal Gambling Is a Costly Game" in The Christian Science Monitor, May 24, 1994, v. 86, n. 125, p. 19.
243. Goodman, p. 113, quoting Eugene Martin Christiansen, "Gross Annual 92 Wager" in Gaming and Wagering Business, August 15 - September 14, 1993, p. 12.
244. Ibid., pp. 95-96.
245. Ibid., pp. 95-96, citing Paul Della Valle and Scott Farmelant "A Bad Bet: Who Really Pays for the Massachusetts Lottery's Success" in Worcester Magazine, January 27, 1993.
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247. Kaplan, p. 104, citing Robert Politzer, James S. Morrow, and Sandra B. Leavey, "Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment" in The Gambling Papers: Proceedings of the Fifth National Conference on Gambling and Risk Taking (Reno: Bureau of Business and Economic Research, University of Nevada, 1982), v. 3.
248. James N. Murray, The Economic Impact of American Indian Gaming on the Government of the State of Wisconsin (Green Bay, Wis.: University of Wisconsin Cooperative Extension, November, 1993).
249. David Weinstein and Lillian Deitch, The Impact of Legalized Gambling: The Socioeconomic Consequences of Lotteries and Off-Track Betting (New York: Praeger, 1974) pp. 133-4.
250. Ibid., pp. 134, 136.
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253. James H. Frey, "Gambling: A Sociological Review," in The Annals of the American Academy of Political and Social Science; Gambling: Views from the Social Sciences, James H. Frey and William R. Eadington, eds., July, 1984, p. 120.

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254. Maureen Kallick-Kaufmann, "The Micro and Macro Dimensions of Gambling in the United States," in Journal of Social Issues, v. 35, n. 24, 1979.
255. Ritsche, p. 48.
256. Weinstein and Deitch, p. 144.
257. Peter Applebome, "Casino Boom Along Gulf Coast Brings Fears of Glut and High Cost" in The New York Times, January 10, 1994.
258. Ibid.
259. James Popkin, "A Mixed Blessing for 'America's Ethiopia': big-time gaming helps but is no cure-all" in U.S. News & World Report, March 14, 1994, pp. 52, 56.
260. Gerri Hirshey, "Gambling Nation" in The New York Sunday Times, July 17, 1994.
261. Francis X. Clines, "With Casino Profits, Indian Tribes Thrive" in The New York Times, January 31, 1993. Note however, that revenues from tribal gaming, unlike ordinary gaming revenues in non-Indian casinos, are meant to remain and put to use within the sponsoring tribe.
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Chapter 5

STATE PROGRAMS FOR PROBLEM GAMBLERS

I. Introduction

According to Valerie Lorenz, executive director of the National Center for Pathological Gambling, there are no long-term studies that *definitively* link increases in legal gambling to increases in the prevalence of problem or pathological gambling. However, there is evidence to *suggest* such a link.¹ Relevant research is limited and inconclusive. Most of it deals with casino gambling in general. Casino gambling on floating vessels, in particular, is a much smaller subset if only because the field is so new. Be that as it may, this chapter presents very recent data on state programs for problem gamblers, regardless of whether the gambling involved is land-based or on water, casino-style, or otherwise.

In June, 1994, the Texas Council on Problem and Compulsive Gambling presented data on such state programs at an international conference on gambling in Las Vegas. The Council warned that public policy action on problem gambling is an ongoing process subject to constant change. Consequently, its data were current only as of April 28, 1994. *[Note: subsequent research has indeed shown that many changes have occurred since and a similar caution is issued to the reader that data in this LRB report are accurate but may already be outdated by the date of publication.]*

In 1976, it was estimated that there were 1.1 million probable pathological gamblers in the country, or 0.77% of the population.² These estimates applied to 1974 when only 13 states had lotteries (as opposed to 37 states today) and casinos in Atlantic City had yet to become a reality. At the time, there were no riverboat casinos. As of this writing, about 64 riverboats are operating and 38 more are pending in Mississippi and one in Illinois. *Illinois has a limit of ten riverboat licenses. However, each license can float up to two riverboats each. The tenth license is expected to be granted by the time of this writing.* Iowa, Mississippi, and Missouri have no limits on the number of riverboats that can be licensed and their numbers could further proliferate until saturation takes its toll.³

It would be 14 more years before the Indian Gaming Regulatory Act in 1988 allowed casino-type gambling on Indian reservations. Estimates of the number of tribal casinos vary. One 1993 estimate has it at close to 150 separate sites nationwide.⁴ Other estimates place them at over 100 in at least 19 states, run by at least 61 tribes. A June, 1994 estimate had 20 states operating at least 225 tribal casinos or high stakes bingo parlors.⁵ Lately, their numbers seem to be increasing almost daily. The largest grossing land-based casino in the country, the Foxwoods casino in Connecticut, is run by the Mashantucket Pequot tribe. It reportedly took in up to \$3,000,000 daily in 1992.⁶

The upshot is that there has been a sharp increase in the scale and scope of legalized gambling since the last national estimate of problem gambling prevalence rates. It is generally agreed that increased availability of legalized gambling will result in overall gambling activity. It is the link between this increased activity and problem or pathological gambling that is controversial. The precise mechanisms by which this link might be shown to operate have neither been conclusively proven nor documented. Nevertheless, those states in which casino gambling on floating vessels is legal are reviewed below for their programs to assist problem gamblers. States in which such gambling may be implemented are also reviewed. In addition, those states which have proposed or are operating particularly effective programs, regardless of the type of legalized gambling, are also reviewed.

II. State Programs

Riverboat Casino States

Illinois

Licenses for nine riverboats have been issued in Illinois (the tenth should be issued by the end of 1994). There is also a state lottery, pari-mutuel horse racing and off-track betting (OTB), and charitable gaming. The state does not operate any problem gamblers program funded from riverboat casino activities. All revenues go to the State Gaming Fund, local governments, or the Education Assistance Fund.⁷

However, a bill introduced in the 1994 legislative session is pending which would appropriate up to \$4 million a year to the Illinois Department of Alcoholism and Substance Abuse -- a portion of which would be mandated to the Illinois Council on Problem Gambling. The bill would also mandate the posting of a hotline number at all lottery outlets and gaming facilities including riverboats, on all gaming devices such as slot machines, and on all paper stock provided by gaming operators. A failed 1992 bill to expand video gaming would have appropriated \$2 million for the treatment of problem gamblers.⁸

Indiana

Although riverboat casino gambling was approved in 1993, no boats are as yet operating due to lengthy legal procedures. The enabling legislation required 10 cents from the riverboat casino admission tax to go to the Indiana Division of Mental Health but refrained from specifying how those funds were to be spent. Since then, clarifying legislation was introduced in the 1994 session (but did not pass) to establish a compulsive gambling fund and a gamblers' telephone hotline to be displayed on at least two of the following:⁹

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- (1) Each entrance ticket;
- (2) On a poster or placard displayed in a public area of a casino facility; or
- (3) In a telephone book in every municipality where a floating casino docks.

Iowa

Four riverboats now operate in Iowa. Other gambling operations include a state lottery, pari-mutuel horse and greyhound racing, Class III¹⁰ tribal gaming, and charitable games. Iowa's programs for compulsive gamblers are considered trendsetting:¹¹

The 1986 legislation provided for the development of pathological gambling programs in four areas: public education and awareness; outpatient treatment programs for pathological gamblers; a toll-free hotline providing information and referral services; and training of mental health professionals and others who deal with pathological gamblers. The programs were originally funded by 1/2 of 1% of gross revenues from the Iowa state lottery. In 1992 a 3% tax on adjusted gross revenues from riverboat gambling was added to the gambler's *[sic]* assistance fund. Both sources were sunsetted during the 1992 and 1993 legislative sessions and replaced with a \$250,000 appropriation from the general fund. *[The \$250,000 appropriation was replaced by a mandated earmarking of five percent of adjusted gross receipts into the Gamblers' Assistance Fund per House File 2179, effective March 14, 1994.¹² See chapter 4 for details.]* The Iowa Department of Human Services directs the compulsive gambling program and funds seven treatment centers. The Department also funds a 24-hour hotline (1-800-BETS-OFF) through a contract with Broadlawn's crisis team.

Louisiana

Louisiana allows a maximum of 15 riverboat casinos. All 15 have been licensed; 13 were operational as of July, 1994 and the remaining two should be in the water by 1995.¹³ The state also has a lottery, pari-mutuel horse racing and OTB, charitable gambling, and video poker in various locations. It will also have one land-based casino in New Orleans touted to be the largest in the world and scheduled to open by the end of 1994. Three tribal nations are currently negotiating to operate tribal gaming.¹⁴

Gambling on cruise ships is insignificant compared to the action on riverboats and in New Orleans. A Louisiana statute was amended in 1990 to allow gambling cruise ships to operate on voyages only from port cities of greater than 450,000 population. This effectively limited such cruises to sail only from New Orleans. However, being an inland port, voyages from New Orleans takes eight hours on the outbound leg and nine hours on the return leg. The length of the voyage denies to cruise ship gambling any credible status as a viable competitor to its land-based and riverboat cousins.¹⁵ Despite two attempts, Louisiana still has

not implemented a compulsive gambling program.¹⁶ One failed attempt would have dedicated a small percentage of funds from the New Orleans casino for a hotline.¹⁷

Mississippi

Mississippi had 30 riverboat casinos operating as of July, 1994 with eight more under construction; licenses for 38 more are pending. Compacts for land-based tribal gaming are being negotiated or in litigation. Limited charitable gambling is the only other form of legalized gambling available. *[Note: although part of the original intent was to allow ocean cruise ship gambling, dockside riverboats, which need only float in place to qualify, relegated cruise ship gambling to an insignificant role.]*¹⁸

There are no special problem or compulsive gambling programs funded by gambling revenues. House Bill No. 240, 1994, which failed, would have created a Mississippi Gamblers' Rehabilitation Fund within the Department of Mental Health. The fund would have received the greater of a 0.1% assessment of net casino profits or \$250,000 for a gamblers' rehabilitation program.¹⁹ A second failed measure would have created the Mississippi Gaming Research Institute and its own special fund to receive one percent of all gaming revenues. In addition, the bill would have appropriated \$2 million to the Institute for fiscal year 1995. Of its many purposes, the Institute was to have examined the social as well as the economic impact of gaming including offering "mitigation strategies for coping with negative side effects that might be associated with the presence of the gaming industry."²⁰ Yet a third failed measure would have required all gaming establishments to "... display prominently the phone number of a gambling addiction recovery program or help line on all of the applicant's or licensee's print, electronic, billboard and sign advertising."²¹

As a result of the absence of public funding, both public and private mental health agencies have stepped up training and treatment opportunities. Several casino operators, notably Harrah's and Splash Casino in Tunica County, are voluntarily posting warning signs and a gamblers' hotline number in their facilities. Harrah's also runs a special employee training program to spot customers losing control.²²

Missouri

Missouri has a lottery and has approved pari-mutuel gambling. Riverboat casinos have been approved and five riverboats were operating as of July, 1994 with about ten applications pending.²³ However, slot machines have been ruled games of chance and not skill (such as poker and blackjack) and thus unconstitutional. An attempt to amend the constitution to allow slot and video machines was narrowly defeated on April 5, 1994. Missouri legislation places the responsibility for developing problem gamblers' programs on

local communities by directing that "... a small amount of riverboat revenue be diverted to communities to develop their own programs to address pathological gambling."²⁴

Non-Riverboat Casino States

Texas

Texas does not have riverboat casino gambling. During the last legislative session which ended in May, 1993 (Texas does not have regularly scheduled legislative sessions), proposals to legalize riverboat casinos were defeated. It is likely that similar measures will be presented in its next session to open in January, 1995.²⁵ Texas does have a lottery, pari-mutuel horse and greyhound racing, charitable raffles, and bingo. Class III tribal gaming is in litigation. Texas law also permits casino gambling on cruise ships docking at Texas ports.²⁶

The Texas Lottery Act (1991) required the printing of a help message and gamblers' hotline on all lottery tickets.²⁷ It also created a compulsive gambling program and funded it for \$2 million in fiscal year 1992-1993. A similar amount was appropriated for fiscal year 1994-1995. The Texas Racing Act dedicated 0.25% of a track's simulcast revenue to the Texas Commission on Alcohol and Drug Abuse for compulsive gambling programs. An amendment to the bingo reorganization bill mandated the help message to be posted in bingo halls.

The Texas Commission on Alcohol and Drug Abuse oversees the compulsive gambling program and has funded 26 outpatient treatment centers. The Commission also requires three hours of training on compulsive gambling for all chemical dependency counselors renewing their licenses. A separate organization, the Texas Council on Problem and Compulsive Gambling, is partly funded by the Texas Commission on Alcohol and Drug Abuse. The Council does not provide treatment but focuses on prevention efforts. These include training, curriculum development, production of educational materials, and operation of the gamblers' hotline. Yet a third group, the Texas Association of Alcohol and Drug Abuse Counselors, has developed a specialty certification for compulsive gambling counselors.

As of early 1992, there were fewer than ten chapters of Gamblers Anonymous in Texas but the Council has been working to increase that number.²⁸

Florida

A proposal to legalize casino gambling in Florida was soundly defeated in 1986. However, foreign-flag cruise ships that incidentally offer casino gaming on the high seas have long been a staple of Florida's tourism industry. The passage in 1992 of P.L. 102-251, which

amended part of the Johnson Act (Transportation of Gambling Devices), allows American-flag vessels to operate gambling on every itinerary on which foreign-flag vessels may conduct gaming.²⁹ P.L. 102-251 grants states the discretion to allow such gaming on state waters during intrastate voyages and on "cruises-to-nowhere." This term is usually defined to mean cruises that begin and end at the same U.S. port with no stops at another U.S. or foreign port. At present, Florida law still prohibits the possession of casino-type gambling devices or acts of casino-type gambling. However, American-flagged gambling cruises-to-nowhere have begun with the *Crown Empress* beginning service from John's Pass near St. Petersburg, Florida in September, 1992. The *Discovery I* also cruises into international waters to nowhere from Fort Lauderdale.³⁰ The state allows this by claiming that, according to all available information, casino-type gambling occurs only after U.S.-flag vessels enter the high seas beyond the state boundary, thus placing them out of the state's jurisdiction.³¹

Florida also sanctions pari-mutuel horse and greyhound racing and jai alai, a lottery, charitable gambling and Class II tribal gaming. The Florida Council on Compulsive Gambling receives \$98,500 annually from the advertising budget of the state lottery to operate a statewide helpline for gambling problems.³² The Council is also known for its work on the unique gambling problems of senior citizens.

Nevada

Despite its numerous casinos, Nevada does not provide any public funding nor does it operate any problem gambling programs. The state does run programs to combat drug, alcohol, and even tobacco addiction, but not gambling addiction.³³ Harrah's contributes \$5,000 to the Nevada Council on Compulsive Gambling, comprising its primary funding. There are also about 45 weekly Gamblers Anonymous meetings in the Las Vegas area.

New Jersey

Unlike Nevada, New Jersey actively participates in compulsive gambling initiatives and funds the Council on Compulsive Gambling of New Jersey from fines levied on casinos. This usually amounts to about \$500,000 annually, and is administered through a contract with the Department of Health's Division of Alcohol and Drug Abuse. The Division requires six hours of training on compulsive gambling for alcohol and drug abuse counselors renewing their licenses. Certification standards have been developed by the New Jersey Certification Board for compulsive gambling counselors. The gamblers' hotline number must be shown on all casino advertisements and on all lottery terminals. Most of New Jersey's racetracks also publish the hotline number, periodically announce it on the toteboard or public address system, and contribute financially to the Council. State employees are also reminded of the

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hotline number with messages on their payroll stubs. New Jersey has, in addition to its 12 casinos, a lottery, pari-mutuel horse racing, and charitable gambling.³⁴

South Dakota

South Dakota does not have riverboat casino gambling. However, limited stakes casino gambling is available in the historic town of Deadwood where over 70 casinos are operating. Tribal casino gaming is also expanding and compacts have been signed with at least nine tribal nations. Four are currently operating Class III gaming. Sales from the state lottery come mostly from 7,000 video lottery terminals throughout the state. (Each location is limited to ten machines.) There is charitable gambling and pari-mutuel racing although the greyhound track is now closed.³⁵

The state funds the Department of Mental Health to provide problem gambling treatment through the state's community mental health centers. Some cities dedicate part of their video lottery licensing fees for prevention, training, and education activities. The private sector initiated a gamblers' hotline in 1992 and continues to fund it. Signs advertising the hotline number are also placed in video lottery terminal locations. (*Note: See chapter 4 regarding the \$200,000 appropriation for treatment services for problem and pathological gamblers and other measures taken in 1993.*)

Colorado

Limited stakes casino gambling is available in three historic mining towns in Colorado: Black Hawk, Central City, and Cripple Creek. In addition, there are two tribal gaming operations, pari-mutuel horse and greyhound racing, limited OTB, charitable gambling, and a lottery. Despite all these gambling opportunities, there is no public funding for problem gambling programs.³⁶

Massachusetts

Massachusetts has operated one of the country's most successful lotteries for many years. There is also pari-mutuel greyhound racing and charitable gaming. Recently, Governor Weld has actively advocated the introduction of riverboat casino gambling and video gaming at racetracks.

The Massachusetts Lottery Commission allocates \$230,000 to the Department of Public Health which in turn funds gambling addiction programs. These include \$195,000 for the Massachusetts Council on Compulsive Gambling and \$35,832 for the Mount Auburn

Hospital outpatient treatment center. In 1992, legislation was introduced to allocate \$100,000 from pari-mutuel unclaimed prizes and breakage to problem gambling programs through the Massachusetts Council. The Council provides training and information, a statewide conference, and a hotline for information and referral services.³⁷

Minnesota

Minnesota is the venue for at least 17 tribal casinos, a lottery, very active charitable gambling, and pari-mutuel horse racing (although the track failed to open for the 1994 season). Bingo was legalized for charitable purposes in 1945 and was expanded to include other forms in 1978. Pull-tabs were legalized in 1981. Pari-mutuel betting and Indian tribal gaming were legalized in 1982. The state lottery began in 1990.³⁸ Under consideration is an expansion of video gaming to bars and restaurants and the authorization of video gambling in place of pull-tabs.

In 1989, the state provided for a gambling prevalence study, adolescent prevention activities, a gamblers' hotline, training, treatment, and public education and awareness activities. Initial funding was for \$600,000 for fiscal year 1991-1992 and expanded to \$1.85 million for fiscal year 1993-1994. The Department of Human Services (DHS) funds six outpatient treatment centers. There are two separate gamblers' hotlines: one run by the Minnesota Council on Compulsive Gambling and one by the Minnesota Institute of Public Health and funded through the DHS. "Probably more governmental entities are involved in pathological gambling issues in Minnesota than any other state . . ."³⁹ These include the:

- Minnesota Department of Human Services;
- Minnesota Department of Human Services Advisory Committee on Gambling;
- Minnesota Lottery;
- University of Minnesota, Extension Department;
- University of Minnesota, Duluth, Center for Addiction Studies;
- University of Minnesota, School of Public Health, Division of Epidemiology Data Collection and Support Center;
- Minnesota Planning Commission; and
- Senate Gaming Regulation Committee.

Some tribal nations work individually to curb problem gambling through training and reimbursement for a limited number of patients. The Minnesota Indian Gaming Association also contributes to the Minnesota Council on Compulsive Gambling to train their employees.

Washington

Legalized gambling has a long history in Washington, beginning in 1933 with the legalization of pari-mutuel horse racing. Since then, a lottery, charitable gaming (punch cards, pull-tabs, casino nights, bingo, raffles, amusement games and contests of chance), card rooms, and both Class II and Class III tribal gaming have been legalized.

The Washington Gaming Commission both "... recognizes that compulsive gambling is a problem and guarantees that the commission will provide funds for public education materials and informational and referral services."⁴⁰ The Gaming Commission appropriates \$60,000 annually to the Washington Council on Compulsive Gambling. The Commission has also negotiated tribal gaming compacts to require that civil fines for gambling infractions be paid to the Washington State Council on Problem Gambling. In addition, the Washington Lottery Commission has funded adult and adolescent gambling prevalence studies. It also funds the gamblers' hotline operated by the Washington State Council on Problem Gambling. The Gaming Commission, the Lottery Commission, and the Horseracing Commission are coordinating efforts to develop policies and programs to address pathological gambling disorders. Despite this, proposed legislation to enhance gamblers' programs have failed in each of the last three legislative sessions.⁴¹

Pennsylvania

There is interest in Pennsylvania to legalize riverboat casino gambling, an idea supported by Philadelphia's mayor Edward Rendell. He reportedly predicted riverboat casinos in the Delaware River by September, 1995 with plans to grant licenses to six floating casino barges.⁴² Pennsylvania's current gambling opportunities include a lottery, pari-mutuel horse racing which includes telephone betting, and bingo.

Although treatment centers for gambling disorders do operate, they receive no public funding from gambling revenues. Legislation which would have mandated such funding failed in both 1993 and 1994. If they had passed, 0.1% of the amount wagered each racing day at thoroughbred horse race meetings and at nonprimary locations would have been dedicated equally to the following three programs:⁴³

- (1) Treatment and rehabilitation of gaming disorders;
- (2) Treatment of substance abuse at thoroughbred race tracks; and
- (3) Educational and language programs and "backside" improvement programs.

California

California is home to over 256 card rooms in which over \$7 billion is legally wagered each year. Its \$12.5 billion in total legal wagering ranks third only behind Nevada and New Jersey. In addition to card rooms, the state has tribal gaming (19 tribes), betting on horse racing either live or through a simulcast network, charitable gaming, a lottery, and keno (operated through the lottery).⁴⁴

Despite the high volume of wagering, California does not fund any problem gambling programs. Proposed legislation submitted by the California Council on Compulsive Gambling to provide for programs failed but has served as a model for other states. The Council does operate a gamblers' hotline with limited funding.

Connecticut

A plethora of gambling opportunities abound in Connecticut, albeit riverboat casinos are not among them. The state has a lottery, greyhound racing and OTB, teletheaters, charitable gaming, jai alai, and the largest grossing land-based casino: Foxwoods, operated by the Mashantucket Pequot tribe. Other tribal nations -- the Mohegans, Paucatuck Eastern Pequots, Golden Hill Paugussetts, and Schaghticokes -- are in various stages of negotiations for additional tribal casino gaming.⁴⁵

Connecticut funds outpatient gambling treatment programs from surcharges on the greyhound tracks, the teletheater, and the three jai alai frontons to the tune of \$160,000. The Alcohol and Drug Division of the state's Department of Public Health and Addiction Services supervises these programs. The Foxwoods casino has also provided funding for pathological gambling programs, including funding the Connecticut Council's gamblers' hotline.⁴⁶

New York

Although no riverboat casinos operate in New York, the New York City Council has expressed an interest for six riverboats to operate within its jurisdiction. The state has a lottery, pari-mutuel horse racing and OTB, teletheaters, and tribal gaming. A decision to introduce casino gaming may be on the ballot in November, 1995. New York has been appropriating general funds for pathological gambling programs since 1983 ranging from \$300,000 to \$776,000. This includes funding for three problem gambling treatment centers and for education and awareness programs via the National Council on Problem Gambling.⁴⁷

Oregon

Oregon has no riverboats but otherwise has a wide range of gambling activities. These include pari-mutuel horse and greyhound racing, charitable gaming including bingo, a lottery (which includes keno, a sports lottery, and video poker), OTB, and at least one tribal gaming operation. In 1991, the state mandated three percent of lottery revenues for county mental health programs to treat gambling addiction and another three percent for gambling law enforcement.⁴⁸ However, in 1994, the Oregon Supreme Court ruled it unconstitutional to use lottery proceeds to fund gaming enforcement and gambling addiction programs because such expenditures are not for the purpose of creating jobs and furthering economic development in Oregon.⁴⁹ Treatment advocates hope to place a constitutional amendment on the 1994 November ballot in Oregon to validate these uses of lottery proceeds.

Rhode Island

Riverboats have not been proposed in Rhode Island although casino gambling may be put on the November ballot in 1994. The state does have a lottery, keno, jai alai, pari-mutuel horse and greyhound racing (live and simulcast), and reel-type slot machines and video poker machines at racetracks. The Narragansett tribe is involved in judicial proceedings to operate Class III tribal gaming near Charlestown. Rhode Island does not fund gamblers' programs and several bills failed in 1993 and 1994 which would have required lottery dealers to post a gamblers' hotline.⁵⁰

South Carolina

Few gambling opportunities exist in South Carolina. Pending, however, is a bill calling for six riverboat (dockside) casinos, two each in Myrtle Beach and Charleston, and one each near Savannah and in Columbia. Bills to legalize a state lottery are also pending. Strangely, though, the South Carolina Supreme Court has ruled that payouts on video gaming are legal. All together, some 20,000 of these Type III gaming machines gross \$600 million annually.⁵¹ The state does not currently operate or fund any gamblers' education or treatment programs.

Tennessee

Tennessee is notable not for its legalized gambling, which is very limited, but for its defensive posture against the gambling opportunities proliferating in neighboring states. It shares borders with Mississippi and Missouri, two states which have riverboat casino gambling. Riverboats in Illinois, Indiana, and Louisiana are just a short drive away. Even the

eastern tip of the state is not that far from New Jersey. Pari-mutuel gambling was legalized in 1986 but no tracks have yet been constructed. A failed measure would have created a gamblers' assistance fund, to be funded with 0.1% on horse track revenues.⁵²

Virginia

The introduction of riverboat casino gambling was seriously considered in 1994 but was defeated. The state operates a successful lottery and the state racing commission is close to awarding licenses for the state's first major horse tracks. Virginia does not fund nor does it operate any gamblers' programs.⁵³

West Virginia

Like neighboring Virginia, interest in riverboat casino gaming runs high in West Virginia. The state has a lottery, horse racing, and 400 video lottery terminals at Mountaineer Race Track. Recent legislation allows video lottery machines in three other pari-mutuel facilities although voters in local-option elections must approve them before January 1, 1995.⁵⁴ Neither the state nor the local gaming industry have addressed pathological gambling problems.

Wisconsin

The introduction of legalized gambling in Wisconsin is comparatively recent. However, it has become one of the most active gaming states. The state has a lottery, pari-mutuel racing, and almost 20 tribes operating Class II or III tribal gaming. However, in 1993, a statewide referendum banned the future expansion of gambling in that state.

Failed measures introduced in the 1993 and 1994 legislative sessions would have appropriated \$400,000 from taxes on greyhound tracks and charitable gaming for problem gambling programs.⁵⁵

Endnotes

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6. Francis X. Clines, "Casino Minds Image of Integrity in Hiring Executives" in The New York Times, January 31, 1993.
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8. Sue Cox, Public Policy Implications: How Governments Are Addressing Pathological Gambling, Texas Council on Problem and Compulsive Gambling, (Dallas: April 28, 1994), p. 8.
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11. Ibid., p. 9.
12. House File 2179, 1994, amending chapter 99F Excursion Boat Gambling, Code of Iowa.
13. Telephone interview with Diane M. Burkhart, senior attorney, Louisiana Senate Research Services, July 21, 1994.
14. Cox, p. 10.
15. Burkhart interview.
16. Ibid.
17. Cox, p. 11.
18. Telephone interview with Rhonda Ann Kaiser, Mississippi House Management Committee Attorney and Committee Counsel, August 1, 1994.
19. Mississippi House Bill No. 240, 1994 (94\HR07\R563), p. 2.
20. Mississippi House Bill No. 1451, 1994 (94\HR13\R1847), p. 3.
21. Mississippi House Bill No. 1527, 1994 (94\HR07\R411), p. 3.

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22. Cox, p. 15 and Gerri Hirshey, "Gambling Nation" in The New York Sunday Times, July 17, 1994.
23. Telephone interview with Joe Martin, Missouri Senate Research Division staff, July 21, 1994.
24. Cox, p. 15.
25. Telephone interview with Kellie Dworaczyk, staff, Texas House Research Organization, July 8, 1994.
26. Cox, p. 24.
27. Ironically, the printing of Maryland's hotline number on that state's lottery tickets may have helped derail the hotline established by the privately run Compulsive Gambling Center. The Maryland hotline shut down in July, 1994 after receiving a state appropriation of \$24,000 (increased from \$7,500 in the hotline's first year), much less than the \$100,000 the Center says is required. It appears that after the hotline number was printed on lottery tickets, there was a huge increase in callers asking about winning numbers and not seeking help for compulsive gambling. Eventually, the number had to be removed from lottery tickets. Source: "A Hotline for Compulsive Gamblers Grows Cold," in Governing, v. 7, n. 12, September, 1994, p. 20.
28. Lynn S. Wallisch, 1992 Texas Survey of Adult Gambling Behavior, (Austin: Texas Commission on Alcohol and Drug Abuse, February, 1993), p. 64.
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32. Cox, p. 7.
33. Ibid., p. 17.
34. Ibid., pp. 17-8.
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36. Telephone interview with Nancy McCallin, Colorado Legislative Council staff, August 3, 1994.
37. Cox, p. 12.
38. Minnesota Planning, Minnesota Gambling 1993, p. 34.
39. Ibid., p. 13.
40. Ibid., p. 26.
41. Ibid., pp. 26-7.
42. Randall Lane, "Keeping the Money At Home," in Forbes, November 8, 1993, v. 152, n. 11, p. 214.

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43. Cox, p. 21.
44. Ibid., p. 4.
45. Ibid., p. 5.
46. Ibid.
47. Ibid., pp. 18-9.
48. Ibid., p. 20.
49. Ibid., p. 21.
50. Ibid., pp. 21-2.
51. Ibid., p. 22.
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53. Ibid., pp. 25-6.
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Chapter 6

A "SOCIAL RESPONSIBILITY" MODEL

Casino gambling is not a 'try it and see' experiment. Once the casino opens and the dice begin to roll, gambling creates an instant constituency. People depend on it for jobs. Governments depend on it for revenues.

Stephen P. Perskie, New Jersey Casino Control Commission¹

That's one of the problems with economic development that floats. It can just up and leave. [Referring to the riverboats that abandoned Iowa for Mississippi's more unrestricted environment.]

Ken Schloemer, Executive Vice President of the Illinois Restaurant Association and restaurant owner in Moline, Illinois²

The problem is that the gamblers on the boats are day-trippers, the same as in Atlantic City. They gamble, get on the boat, and leave. The only place that benefits is the boat.

William P. Cowhey, President, Chicago Civic Federation and opponent of gambling as economic development tool.³

I. A "Social Responsibility" Model

Current Attitudes and Extent of Gambling

Growth of Gambling and Lingering Doubts: Despite the increasing acceptance of gambling in mainstream America, legalizing or expanding it is still done with some hesitancy and trepidation. Eadington (1994) speculates that gambling is still stigmatized by old perceptions of ties to organized crime, political corruption, and moral decay.⁴ Frey and Eadington (1984) observe that:⁵

Though the expansion of commercial gaming seems to follow the same pattern of other legitimate industries in this country, there is something that causes legislatures to hold back, to move slowly in broadening the presence of this morally ambiguous activity. Certainly, legal gaming has created jobs, stimulated new investment, contributed to tax coffers, and allowed many gamblers to play for fun

and the prospect of unanticipated income. Still, many feel gambling does not represent the best ideals of America. Like the Europeans, we fear that the poor may gamble away money better spent on themselves or their families than in the casinos or the betting parlors. On the other hand, we do not believe in legalizing this or any activity solely for the wealthy or well-to-do. The moral ambiguity of gambling translates to political ambiguity. We acknowledge that gambling is far too popular an activity to be banned outright, so we attempt to legalize it and then restrict it through regulation. However, the beneficiaries of the presence of gambling then argue, often successfully, that the restrictions are paternalistic and unnecessary, and only serve to slow the rate of growth of gaming-related employment, investment, profits, or tax revenues. The opponents of gambling lack the hard data necessary to document the social costs that could be expected from widespread gambling, and legislators are wary of the abilities of the various states to regulate effectively an industry as potentially volatile as gambling.

Increasing Participation in Gambling: In 1976, some 80% of Americans were reported in favor of legalizing some form of gambling and two-thirds had actually gambled.⁶ Certainly by now, more than that have gambled. With the transformation of Las Vegas into a family-oriented, mega-gambling theme park and the proliferation of riverboat casinos and tribal gaming, gambling mania has taken a firm hold in America.

Twenty-three states have legalized casino gambling in some form. Only Hawaii and Utah prohibit any form of gambling.⁷ Thirty-seven states, home to about 80% of the American population, have created lotteries since 1964. There are some 300 legal casinos in the United States. Las Vegas has about one hundred of them.⁸ Since 1990, an estimated 50 replica riverboats have been put into operation and 50 more are being planned or built.⁹ (Riverboats need not be "replica-style" in some states. For example, the *Silver Eagle*, *Northern Star*, *Alton Belle II*, *Par-A-Dice*, and the *Odyssey II* are modern, sleek, passenger-type casino yachts.) About 70% of the country's population, estimated to rise to 95% by the year 2000, live within 300 miles of a casino. In 1990, the first tribal casino opened in Minnesota. According to Michael Rose, chairman and CEO of the Promus Cos., at least a dozen states are now at some stage of considering casino legalization.¹⁰ Mike Mueller, securities analyst for Montgomery Securities, says that gambling will be on the ballot in Florida, Alabama, and Arkansas.¹¹ According to Rose, legalization efforts are underway in Texas, Pennsylvania, Massachusetts, Virginia, West Virginia, Ohio, and Florida. New York already has legal casino gambling, but only on unregulated tribal lands. Rose estimates that by the year 2000, as many as 40 states will have legal casinos in one of four forms: full-scale land-based casinos; riverboat or dockside casinos; tribal casinos; and limited stakes casinos. He predicts that "Early in the 21st century, more than 90% of the U. S. population will live in a state where some kind of casino gaming entertainment is legal."¹² He adds that cities like New Orleans, Chicago, St. Louis, Kansas City, Detroit, Philadelphia, and Pittsburgh may become major markets in the near future.

In Florida, the "Proposition for Limited Casinos" that would have authorized 47 casinos statewide was put on the November ballot.¹³ It was rejected by Florida voters who had previously rejected casinos in 1978 and 1986. Of the 47 casinos, 30 would have been located at the state's parimutuel horse and dog tracks and jai-alai frontons. Twelve more casinos were slated for construction in nine designated counties. The remaining five casinos in the form of riverboats rounded out the total.¹⁴ Arkansas is considering authorizing casino gambling at racetracks, legalizing charitable bingo, and creating a lottery. Another measure would allow a casino resort along the Mississippi River in West Memphis.¹⁵ Rhode Islanders are considering a casino in Providence. Wyoming residents are considering allowing counties to legalize limited stakes casinos similar to those in Deadwood, South Dakota and in Colorado with a bet limit of \$25. In turn, Colorado voters are to decide whether or not to expand limited stakes casino gambling to Manitou Springs and at public airports.¹⁶ According to Rose, there is a reasonable chance that Pennsylvania voters will approve casinos in early 1995.¹⁷

In an industry-sponsored (Harrah's) survey,¹⁸ it was found that in 1993, 51% of adults in the United States felt that casino entertainment (gambling) was "acceptable for anyone." This proportion actually declined from 55% in 1992. Another 35% (unchanged from 1992) felt that casino entertainment was acceptable for others but "not for me." The remaining 14% (up from 10% in 1992) opposed casino gambling for anyone.¹⁹

[Results were based on a survey conducted by the Home Testing Institute, NPD Group, Inc. with the Yankelovich MONITOR Callback -- an annual national survey of American values and attitudes conducted by Yankelovich Partners, Inc. The survey derived a "nationally representative sample" of 18,600 casino players from a total of 69,250 respondents to a mailing to 100,000 households, with a margin of error of +/- 1 percent. The Yankelovich survey examined acceptance of and attitudes towards casino gambling. The margin of error for the Yankelovich survey was +/- 4 percent.]

Three-fourths of those polled believed that "casino gambling can be a fun night out." The total number of casino visits made by American households doubled from 46 million visits in 1990 to 92 million visits in 1993.²⁰ Casino gambling ranked ahead of visits to major league baseball games (70 million visits) but lagged behind going to the movies (964.2 million visits).

It was also found that the number of households that gambled in a casino (what the industry calls "penetration") increased 10% in just three years from 17% in 1990 to 27% in 1993. This penetration represents 28 million American households. In 1990, 15 metropolitan areas each generated more than 500,000 household casino visits. By 1993, the number had risen to 41 metropolitan areas.²¹ The number of states generating more than 1,000,000 household casino visits annually was only nine in 1990. In 1991, the number increased to 13. By 1993, 21 states, representing 71% of the American population, generated more than 1,000,000 such visits a year.²² By the year 2000, 95% of Americans are expected to live

within a three- to four-hour drive of a casino.²³ From 1990 to 1993, visits to traditional casinos in Nevada and Atlantic City increased a substantial 39% from 41 million to 57 million. Visits to new casino destinations such as riverboats, Indian reservations, and low-stakes, land-based casinos increased an astounding 600% from 5 million visits to 35 million. These 35 million visits to new casinos in 1993 accounted for 38% of all casino visits.²⁴

Need For Continued Vigilance: Casino gambling has mostly abandoned the dark days of Bugsy Siegel for corporate respectability. However, in light of the current pervasiveness of gambling in America, the warning issued in 1976 by the Gambling in America report for adequate regulation, especially where gambling may overwhelm smaller jurisdictions, is still valid:²⁵

There is a danger that a gambling industry's growth can overtake a State's ability to regulate or control that industry. This is especially true for small States where the regulators are few in number and the State is dependent in large part on the income that industry generates. This danger exists, of course, when any industry dominates a State's economy, but States should be especially careful to monitor and control the special interests involved in gambling.

Need For Balance: According to Orford (1985):²⁶

Massive public participation . . . contrasts with continuing criticism of gambling on moral, social, and economic grounds, and continued awareness of the dangers of excess. Thus, gambling presents society with . . . the problem of how to arrive at a balanced response which helps to minimize the dangers of immoderate use while at the same time detracting as little as possible from the enjoyment associated with the moderate use by the majority of citizens.

In the final analysis, the issue is a matter of public policy so well-stated by Eadington (above). On the one hand, states can act to protect residents from being "victimized" into becoming problem gamblers. On the other, they can allow gambling to generate private profits and public revenues while permitting the public to purchase entertainment. Problem gamblers are as inevitable as unsafe drivers, alcoholics, or compulsively obese or anorexic individuals. States have not outlawed driving, food, or alcohol to alleviate personal responsibility for, and from being victimized by, traffic accidents or eating or drinking too much or too little. However, to the extent that government *is* involved and benefits from such activity, it should strive to minimize the inevitable negative effects. To this end, jurisdictions have imposed various "socially responsible" restraints on gambling.

Socially Responsible Restraints

Restraints in General: Various "socially responsible" restraints have been imposed on legalized gambling, particularly casino gambling, here and in other countries. European restrictions appear to be the most comprehensive. In America, of the four main commercial gaming industries that have emerged since the post-World War II era, casino-style gambling has made the biggest inroads into mainstream America. (The other three are lotteries, pari-mutuel wagering, and a fast-growing charitable gambling industry.)²⁷ Government-run lotteries, because of their economic success and scandal-free history, have helped sanitize and popularize commercial gaming in America.²⁸ Jurisdictions that do legalize gambling, especially casino-type games, often do so for "higher purposes" such as increased tax benefits, investment stimuli, job creation, economic development, and revenue enhancement for deserving interests.²⁹

However, enough doubt often remains over corruption, moral decay, organized and street crime, and problem gambling that a variety of mitigating restraints are imposed. For example, Henry Lesieur, editor of the Journal of Gambling Studies was reported in a Christian Science Monitor article to have claimed that "Available evidence suggests that where more forms of gambling are legal, there is a higher incidence of problem and pathological gambling."³⁰ The same article claimed that "Other studies have showed [sic] that compulsive gamblers have a suicide rate five to 10 times higher than other Americans . . . [See chapter 4, part III, "The Cost of Pathological Gambling."] Researchers now say that addiction to gambling is growing fastest among high school and college-age youths.

Fundamental Objectives of Gambling Regulation: Regulation of gambling comprises one form of restraint on gambling. According to Eadington (1994), the basic, fundamental objectives of regulation are:³¹

- To protect the integrity of the games and wagers by regulating against cheating and fraud;
- To protect the integrity of tax collections by requiring acceptable accounting standards and practices; and
- To protect the general integrity of the gaming industry by establishing procedures to guard against infiltration by undesirables into ownership and management positions in gaming operations.

However, some "socially responsible" restraints go beyond the fundamental objectives of gambling regulation. The following sections describe such restraints.

Europe: Examples of "socially responsible" restraints that exceed the "fundamental objectives" of gambling regulation abound in Europe. In general, European casinos operate

as individual firms in highly uncompetitive, often monopolistic environments. All but the United Kingdom consider the casino's role as a complementary tourism resource or tax revenue source. However, the latter is not of primary concern. What is most important is consumer protection. Casinos *themselves* consider civic, social, and governmental goals to be more important than profit maximization. Casinos are often the cultural center of a city, the venue for concerts and other city events. Renewal of a casino gaming license depends on how much the casino has contributed to the cultural, civic, and social well-being of the host community.³²

European casinos also tend to be small, discrete, and inconspicuous. Because of legal and regulatory constraints, they do not automatically expand in response to market demand. Therefore, they tend not to overwhelm the communities in which they exist. They tend to complement rather than dominate community tourist and recreational assets. Consequently, their influence on broad aspects of community life, as well as community image, is limited.³³

United Kingdom: Gambling in the United Kingdom is considered one of the cleanest and most successful in the industry in eliminating organized crime. The near-omnipotent British Gaming Board's approach to gambling is to treat it as a social evil to be repressed -- or at least a nuisance to be tolerated -- and *not as a revenue maker*. The aim is to, as far as possible, restrict gambling to those who make a conscious and planned decision to do so. This approach is implemented by:³⁴

- (1) Limiting new recruits to gambling by avoiding artificial stimulation of demand; and
- (2) Limiting the intensity of gambling by preserving the essential nature of gambling activities which are not in themselves dangerous.

This dual strategy is implemented in practice by the following somewhat paternalistic, but consumer-oriented, rules:³⁵

- (1) Restricting casinos to towns with populations greater than 125,000 to limit general public access to casino gambling. There are some exceptions for tourist areas. Casinos in London are confined to specific areas: Westminster, Chelsea, and Kensington. To protect urban workers, English casinos are not permitted in working-class suburbs. "Membership in the clubs must be sponsored, and is costly enough to bar the average industrial worker. British policy mirrors traditional European concepts of class segregation."³⁶;
- (2) Prohibiting any advertising or promotion of casinos or casino gambling to avoid artificial stimulation of demand;
- (3) Requiring costly membership in casino gaming clubs to limit general access and to limit impulse gambling -- new members must apply in writing 48 hours before

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first being admitted to gamble. (The intent is to protect U.K. residents from impulse gambling but its effects are felt mostly by tourists);

- (4) Restricting casinos' hours of operation to 14 hours daily (from 2 p.m. to 4 a.m.);
- (5) Prohibiting the extension of credit to discourage excessive or reckless betting (tendered checks must be banked and cashed within two days and cannot be redeemed from winnings);
- (6) Imposing dress requirements to limit impulse visits;
- (7) Restricting casino games to roulette, blackjack, craps, and baccarat (i.e., prohibiting slot machines, which are considered more addictive);
- (8) Requiring the publishing and posting of detailed game rules and suggested strategies to educate players against making stupid bets;
- (9) Prohibiting some sucker bets ("big 8" or "big 6" in craps) and reducing the odds in some games in favor of the customer (e.g., by not adding the double zero as in American roulette);
- (10) Prohibiting the serving of alcohol at gaming tables to discourage the loosening of inhibitions which may encourage reckless betting;
- (11) Requiring that any restaurant or bar located within a casino be physically laid out so that members are not forced to first pass by gaming tables on the way;
- (12) Prohibiting live entertainment in order to lessen the attractiveness of gaming clubs to those who would otherwise not gamble;
- (13) Prohibiting the tipping of dealers or croupiers to avoid cheating, conflicts of interest, and artificially increasing casino profits (tips would lower employee wages, thus increasing casino profits);
- (14) Prohibiting gambling by casino employees to avoid cheating or conflicts of interest;
- (15) Structuring the system of sanctions so that only drastic penalties can be imposed against gaming clubs for violations to strengthen the regulatory framework (no intermediate sanctions but only terminal removal of license); and
- (16) Retaining the power to grant licenses without the need to give reasons, thus dooming all appeals to failure, in order to strengthen the regulatory framework.

Germany: In Germany, social considerations are at the heart of the licensing process. Regulations are aimed at minimizing the impact on the economically strong family unit. Along with high casino tax rates, there are high expectations for the casino to make social contributions to the host community in return for a long-term monopoly franchise.³⁷ There is a federal requirement that casinos can only be located in resorts that attract at least 70,000

visitors annually, with at least 15% foreign tourists.³⁸ German casino gaming restrictions include:

- (1) Limiting a casino's hours of operation;
- (2) Imposing betting limits;
- (3) Imposing residency requirements for admission (presentation of a passport or other residency identification required);
- (4) Imposing solvency requirements for admission (presentation of proof of solvency required);
- (5) Requiring an entrance fee; and
- (6) Limiting the types of casino games.

For example, a resident of Baden-Baden requires the mayor's written permission to gamble in the local casino. Unlike casinos in the United Kingdom, German law permits an unlimited number of slot machines. However, these must be physically separated from rest of the casino.³⁹

Austria: In Austria, gambling is a government-owned monopoly. Its major purpose is to complement the tourism industry. Unlike the United Kingdom, advertising is permitted. In addition, the law does not prohibit local residents from gambling but subjects them to a solvency requirement and places the burden of determining fitness to gamble on the casino operator.⁴⁰

[T]he Austrian Gaming Law states that residents: "... shall be admitted to the gaming rooms of the casino only if they can convince the casino management that their participation in the gambling is not likely to jeopardize, economically or socially, their next of kin or those persons economically dependent upon them, or to prejudice the interests of their employers Should substantiated evidence exist to prove that a player lacks personal reliability or that his pecuniary circumstances or income do not allow of participation either at all or to the extent practiced, the manager of the casino shall forbid that person admission to the casino either permanently or for a certain length of time."

France: In France, regulations concerning gambling are detailed and many. Statutes detail all aspects of gambling including dealing, bets, lost money, accounting, and even the quality of the card deck. No credit can be extended. Check cashing is strictly regulated. Local residents are prohibited from gambling and are allowed entry to casinos only for entertainment or dining. Admission fees are charged for casinos and passports are checked. Roulette is even banned in some casinos within 100 kilometers of Paris.⁴¹

As in Germany and Austria, French regulations imply that casinos can create significant social problems, especially for those who live in the vicinity of the casino. Thus, locals are protected from their own weaknesses by prohibitions against gambling in the casino. In a similar vein, protection is provided for a person considered a problem gambler; an individual may request a Certificate of Exclusion which is in effect a prohibition from casino gaming.

Restrictions on Casino Gambling in America

South Dakota: In America, limited-stakes casino gambling got its start in South Dakota's historical mining town of Deadwood in 1989. Deadwood began with a \$5 bet limit. Since then, the limit has been raised to \$25 and again to \$50 on July 1, 1994. It is scheduled to increase to \$100 on July 1, 1995.⁴² Also serving to restrict general access and to mitigate negative social effects is the remoteness of Deadwood's location.⁴³ (On a national level, the relative remoteness of Nevada casinos in earlier times served to naturally restrict access to gambling to those who could afford to travel there. The lack of problem gambling programs for the masses in Nevada may be explained in part because the masses had no easy general access. Times have changed with the threat of negative externalities -- and thus the accompanying need for these programs -- as casinos become established across the country.)⁴⁴

A further restraint on casino gambling in Deadwood is the restriction on casino games to blackjack, poker, and a limited number of slot machines.⁴⁵ Casino operations are further restricted by limiting each casino license to 30 gaming tables or devices. In practice, the number of gaming devices depends on the nature, size, and ownership of the establishment, ranging from 30 in a retail establishment to 320 in a lodging establishment having convention facilities.⁴⁶

Colorado: In 1991, Colorado's Limited Gaming Act authorized poker, blackjack, and slot machines in the three historic and remote mining towns of Central City, Black Hawk, and Cripple Creek.⁴⁷ Again, the remoteness of the three sites makes for a natural restriction to easy public access to gambling. In addition, there is a maximum bet limit of \$5. Also, no more than 35% of a gaming establishment's floor area may be used for gambling. However, the new state gaming commission interpreted the 35% restriction liberally to include all space including bathrooms, halls, storage areas, etc.⁴⁸

Iowa: In Iowa, casino gaming on riverboats was authorized in 1989. A number of restrictions were imposed. Riverboats must "resemble Iowa's riverboat history," be self-propelled, and actually set sail. Gaming was not allowed while the boat was docked. A bet limit of \$5 was imposed, as was a maximum loss limit of \$200 per player per excursion. (See "*Iowa's Relaxed Restrictions*" below.) A cashless wagering system was required. Only 30% of a riverboat's space was permitted to be used for gambling. An admission fee was also

charged. In addition, Iowa earmarked three percent of gross gaming revenues for problem gambling treatment programs in that state.⁴⁹

Erosion of Restrictions on Gambling

Balance Between Economic And Social Impacts: States face a fundamental dilemma in balancing the economic and social impacts of gambling. Many restrictions on the gambling industry are imposed in response to crime and addiction, and perhaps, moral issues. However, the impetus for states to legalize casino gambling is mainly economic. As a result, states are pressured to relax these restrictions when their economic returns are threatened by increasing competition from other states. Eadington (1994) notes that:⁵⁰

In the United States and other countries, many of the constraints that were initially placed upon new commercial gaming industries to protect the "public interest" have become targets for relaxation in response to changes in public and legislative attitudes toward gambling. These may arise as a result of greater understanding of social costs and benefits associated with gambling, but also because of increased competition among commercial gaming industries or governments, and concerns over continued economic viability of established gaming industries.

For example, gambling legislation in both South Dakota and Iowa was designed to "... limit casino gaming's appeal to out-of-state or major corporate interests."⁵¹ That is, better that money comes in rather than goes out and better that out-of-staters become addicted than a state's own residents.

However, according to some, this may not be occurring. For example, Goodman (1994) contends that often gambling attracts more local residents than tourists, thus reducing discretionary spending otherwise spent on cars, major appliances, and clothing from community businesses.⁵² Unfortunately, the strategy to earn visitor dollars in casinos is at least partially undermined as neighboring states adopt successively more permissive casino legislation as they seek a comparative advantage. Eadington (1994) contends that Illinois patterned its statutes after those existing at the time (Iowa and South Dakota) but made them slightly less restrictive to achieve this advantage.⁵³ In doing so, Illinois gave a boost to the lucrative industry phenomenon known as "Gamblers' Ruin" which holds that given enough time and betting leeway, casinos will win all of gamblers' stakes but still leave them relatively satisfied with the memory of an occasional win.⁵⁴ However, the passage of more liberal riverboat gambling laws in Illinois may have been due more to serendipity than design. According to Mark Schwiebert, mayor of Rock Island, Illinois:⁵⁵

The [Illinois riverboat gambling] bill came up right at the end of the session, when there was this mad scramble to get it passed. To the surprise, I think, even of its sponsors, it wound up with no [bet] limits.

The three Colorado casino towns following in the wake of Deadwood, South Dakota did not burden themselves by limiting the number of tables or gambling devices in their casinos. The cycle repeats itself when jurisdictions which had already legalized casinos respond to the newer entrants by diluting their original restrictions.

Iowa's Relaxed Restrictions: For example, on March 14, 1994, House File 2179 was signed by Iowa's Governor Branstad which removed that state's maximum bet and loss limits, among other restrictions. Some amendments relax restrictions while others impose new ones. Those that relax restrictions include the following:⁵⁶

- (1) Repeal of the \$5 bet limit and the \$200 loss limit per excursion for riverboats, subject to county-wide voter approval;
- (2) Elimination of the requirement that only 30% of a riverboat's capacity may be used for gambling;
- (3) Permitting gambling when the riverboat is docked as well as when it is underway. House File 2179 amended Section 99F.4 (17), Code of Iowa to read: "While an excursion gambling boat is docked, passengers may embark or disembark at any time during its business hours." Section 99F.9 (7) was also repealed. The repealed section stated: "A licensee shall not conduct gambling games while the excursion gambling boat is docked . . ."
- (4) Permitting the use of nickels and quarters, rather than tokens or chips, in gambling devices;
- (5) Setting the minimum capacity for riverboat casinos at 250 persons. By administrative rule, the Racing and Gaming Commission has set the minimum capacity at 500 persons;
- (6) Allowing the Racing and Gaming Commission to extend the riverboat excursion season in lieu of the previously set April-to-October excursion season; and
- (7) Permitting 18-year-olds to work in gambling areas.

Amendments to Iowa's riverboat gambling law that represent a further tightening of restrictions include:

- (1) Increasing taxation on adjusted gross receipts over \$3 million for riverboats from 20% to 22% and increasing the tax rate incrementally by two percent each year until the rate reaches 36%;
- (2) Increasing the minimum legal age for gambling from 18 to 21;
- (3) Prohibiting the use of credit cards to purchase chips or tokens;
- (4) Requiring five percent of adjusted gross receipts to be deposited into the Gamblers' Assistance Fund.

Progressively Laxer Regulation and Increased Competitiveness: The removal of some of Iowa's "socially responsible" restrictions was mainly triggered by competition from Illinois riverboats. Gamblers no longer fettered by bet or loss limits are making Iowa boats competitive. Iowa may also gain a potentially significant advantage by allowing gambling when a boat is docked. In contrast, Illinois requires its riverboats to be self-propelled.⁵⁷ Mississippi exploited the advantage of allowing its riverboats to remain immobile *from the beginning*. Mississippi riverboats need only be able to float. For example, a trench was dug in a landlocked area in Tunica County and then subsequently flooded just to accommodate the opening in October, 1992 of the dockside Splash Casino.⁵⁸ However, it has been recently reported that the later casinos in Tunica County have had their dredged trenches filled in so that there is no longer any visible connection with water.⁵⁹ *Casino Magic* in Bay Saint Louis, Mississippi is touted as the largest dockside casino development in the world -- it floats but is permanently attached to a dock.⁶⁰ In May, 1994, Casino America's newly built and self-propelled *Lady of the Isle* (offering 927 slot machines and 58 gaming tables) steamed out of its shipyard up the Red River to Bossier City in northwest Louisiana on its first and last journey. There, it is now permanently docked inside a cofferdam as a 24-hour dockside casino.⁶¹

The amended Iowa gambling law can thus be seen as a second round response to conditions in Mississippi as well as to those in neighboring Illinois. (Earlier, the fully-navigable *Emerald Lady* and *Diamond Lady* left Iowa for Biloxi and Vicksburg, Mississippi, respectively.)⁶²

Market Saturation

As casino mania continues to sweep across the nation, numerous industry figures have cautioned against market saturation. Professor William Thompson of the University of Nevada at Las Vegas warns of social problems with no compensating revenues from the excessive geographic spread of gambling sites which makes access easy for all. "When more than 50 percent of gambling is by locals, gambling is a sure loser."⁶³ (In-state gambling revenue in Las Vegas is about 10% to 20%.) In general, job creation, tax revenue generation, investment stimulation, and other related benefits will become diluted as gambling proliferates into more and more jurisdictions.

Decrease in Private Profits and Public Revenues: Invariably, those states first in the pond initially garner the biggest gains. Then, as the market approaches saturation, profits for casinos and revenues for states decline. With the entry of more gambling operations, the increasing supply of gambling outstrips demand for it from a finite population of gamblers. To illustrate, the Promus Companies (which operates Harrah's casinos) recognized this and has cancelled plans for a riverboat in Biloxi, Mississippi, reportedly due to fears of saturation in

the Gulf Coast market. Alternatively, it decided to invest in a riverboat with 54 gaming tables and 1,460 slot machines and a 92-acre entertainment complex in the St. Louis suburb of Maryland Heights, Missouri.⁶⁴ However, with a ban on slot machines, Missouri riverboats have not fared well against nearby competition. The *Casino St. Charles*, a 387-footer three-decker operating out St. Charles near St. Louis, opened in May, 1994 without slot machines. Frank Fertitta III, chairman and son of Frank Fertitta Jr., has built a second \$26.5 million 292-foot riverboat but does not have a place for it yet. Station Casinos, the Fertitta family's company, has reported losses for its riverboats in the year's first half.⁶⁵ According to I. Nelson Rose, by the time the 13th casino opened in Atlantic City, seven of the 14 had gone through bankruptcy proceedings partly due to market saturation.⁶⁶ Failures in Las Vegas include names like the Aladdin, Bally's, and The Dunes. Gambling stocks tracked by the brokerage firm of Smith Barney have lost 32% of their value in 1994, reflecting investor concern about competition.⁶⁷ An article in State Policy Reports warns that:⁶⁸

The spread of gambling is producing competitive pressures that are reducing the profit margins of early entrants in gambling as well as the revenues available for states and localities. As a result, both the governments and entrepreneurs involved cannot anticipate the continuation of early successes. . .

Signs of declining profits are already emerging in even the newer locations such as Biloxi, Mississippi. Slot machines revenues there have declined from \$207 per machine daily at the beginning to just \$109 after one year.⁶⁹

Saturation and Cost of Externalities: Professor Earl Grinols, a University of Illinois economist, warns that reduced state revenues in a saturated market will shift the spotlight to the costs of the externalities of gambling. According to Grinols, these are problem gambling bred by easy access, reduction in productivity, and white collar crime such as embezzlement and fraud that is linked to gambling. Grinols estimates these costs to ". . . equal roughly half the revenues of casino gambling -- and these costs, ultimately borne by Government, [sic] are far more than the direct and indirect taxes on the industry."⁷⁰ Grinols estimates the average tax collected on gross casino receipts per person at \$40. He compares this to \$200 in average private sector costs per person including regulatory oversight, legal services linked with criminal activity, and lost job productivity associated with addicted gamblers.⁷¹

Saturation and In-State Cannibalization: Professor Thompson contends that "What governments have to learn [is] that gambling is good for economic development only if you can import the gamblers." Otherwise, government is fostering a system that merely redistributes wealth from local citizens to owners of gaming tables and machines.⁷² South Dakota's Deadwood casinos may be avoiding in-state cannibalization. Data indicate that only a minority of gambling expenditures in Deadwood is traceable to South Dakota residents. Of all visitors to Deadwood casinos in 1991, only 14.6% were from South Dakota. State residents spent only \$4.76 million of the \$32.6 million spent by all gamblers in Deadwood in fiscal year 1991.⁷³ Nevada also appears to be still on track. That state's population remains

relatively small compared to the size of its gambling revenues. To this extent, Nevada can remain confident that in-state wealth is not just being redistributed and that such revenues are derived from outside the state.

As early as 1973, Eadington (1973) emphasized the importance of drawing gamblers from outside the host location. He recommended that: (1) new casinos be located far away from their lucrative non-resident middle- and upper-income customers; and (2) the proportion of resident lower- and lower-middle income patrons be minimized.⁷⁴ In explication, he claimed that *resident Nevada gamblers tend to be lower- and lower-middle income individuals and not middle- and upper-income professionals and white collar workers. Thus, the wealthier the gambler, the more likely the gambler was a visitor. (Eadington theorizes that visitors tend to gamble more than long-time residents. Because visitors usually live far from Nevada's casinos, they can view each gambling fling as a discrete event more easily than resident gamblers. Each visit is relatively short. The anticipation of winning and quitting while ahead is strong for each visit. For the resident, this hope is almost non-existent as separate gambling experiences meld into one on-going event.)*⁷⁵ He argues that gambling is an inefficient form of investment for most middle- and upper-income *residents* who have other less costly ways to pursue wealth. However, for lower-income *residents*, gambling *can* be an efficient means of increasing wealth. Consequently, they are more likely to continue gambling than middle- and upper-income residents. Therefore, because resident gamblers tend to be from the lower-income groups, the larger their proportion, the less revenue is generated from out-of-state.⁷⁶

However, as more casinos vie for customers and the market becomes saturated, fewer dollars will be coming in from outside the gambling location. Gambling, as an industry, would merely be cannibalizing the expenditures of other local industries. Intra-industry cannibalization would occur if, for example, casinos take action away from pari-mutuel betting within the same jurisdiction. According to Rose, the host location would merely be consuming discretionary dollars otherwise expended on other activities in the area.⁷⁷

Saturation and Regional Cannibalization: Eadington (1994) says that customers will choose the convenience of gambling venues close to where they live if they are able.⁷⁸ As a result, Atlantic City will see its revenues decline if casinos, land-based or riverboat, are approved in New York City or Philadelphia. Similarly, Biloxi and the entire Gulf Coast will lose revenue when the huge New Orleans casino complex opens.⁷⁹ Nevada casinos would be hard hit if California, where most of Nevada's customers live, were to legalize casino gambling, video lotteries, or tribal gaming. Kentucky, which opposes riverboat gambling to protect its horse-racing industry, is fighting to prevent Indiana riverboats from plying certain stretches of their mutual Ohio River boundary. Nebraska is fighting Iowa over gambling cruises on the Missouri River to stem the exodus of Nebraska dollars across the river.⁸⁰ Gary, Indiana and Illinois's other riverboat locations, especially Joliet, will suffer if Chicago gets its own dockside riverboats moored on the Chicago River in the heart of downtown. The

recently opened casino in Windsor, Ontario, will dilute the profits of any casino Detroit may approve.

Saturation and Progressive Dilution of Restrictions on Casinos: As competition increases, political pressure will increase to mitigate the effects of declining gambling revenues on both casino profits and government coffers. These mitigation efforts usually take the form of relaxing or eliminating restrictions on casino operations. Whether or not the dangers of competition are *bona fide* in any particular instance, casinos have tended to continually advocate lightening their regulatory burden. Eadington (1994) notes that, with regard "... to the potentially damaging social effects linked to gambling, there is a strong asymmetric nature to regulatory and statutory commitments regarding the operation of authorized commercial gambling."⁸¹ Once commercial gambling has been established and accepted, it is difficult to maintain, not to mention increase, "socially responsible" constraints especially under competitive conditions. For states to have, *at the beginning*, a clear policy on what gambling was meant to achieve would go a long way toward resolving difficult choices later on.

Consumer-oriented restrictions usually fall into three broad categories: those regulating casino location, casino operations, and wagering. Iowa's most recent legislation to increase the competitiveness of their riverboats includes changes to all three. As casino gambling becomes more established, its status as a legitimate industry, taxpayer, and corporate citizen makes it all the more difficult to deny it protection from outside competitive forces. Thus, "socially responsible" restraints may be the first to be withdrawn or diluted in hard times.

Consumer Protection and Government Revenues -- A Fundamental Conflict: It must be realized that a fundamental conflict exists between maximizing state gambling revenues and protecting consumers. Minimizing gamblers' economic losses by implementing consumer-oriented protective measures reduces state revenues. The source of state gambling revenues are gamblers' losses. The more people play, the greater their losses and the government's revenues. However, any measure to discourage gambling activity runs counter to the *raison d'etre* of American casinos. (*It could be argued, though, that minimizing gamblers' social losses could preserve state revenues by reducing the expenditure of funds for gamblers' programs.*)

Restricting access to casinos by delimiting their location, circumscribing their number, size, and hours would limit gamblers' access to wagering (and losing). Restricting the types of games allowed and capping maximum bets and losses would limit play and a casino's profits, and thus, state revenues. Banning addicting slot machines would greatly decrease profits. Refusing credit to gamblers would place less money in gamblers' hands to lose, and thus, put less into casino owners' pockets as well as the public treasury.

The point is: government and the people must know what they want up front. Public policy must be clear about why and how much gambling is wanted or needed *before* it is legalized or expanded. States must decide *beforehand* the precise balance to strike between the potential economic benefits of legalized gambling and their possible negative effects. It is easy to support a policy that enhances revenues without direct taxation, exploits job creation, stimulates tourism, revitalizes the local economy, and provides a new type of entertainment. It is just as easy to warn that measures should be taken to ensure that crime and problem gambling are minimized. It is more difficult to decide exactly how far to go in pursuit of the one while minimizing the other. Public policy must be clear about how to respond to gambling's tendency to expand and the industry's concomitant demand to reduce restrictions to fuel this expansion.

Maximization of Profits and the Tendency to Expand: Commentators on the gambling industry in America have cautioned that casino operations tend to expand in order to maximize profits. One observer posits three principles:⁸²

[First,] the size and scope of the operation are very hard to keep under control . . . [second,] casino operators never stop trying to rewrite the rules . . . [and third,] it can be just as hard to keep a casino in town as it was to lure it there in the first place.

Eadington (1984) observes:⁸³

Both [Atlantic City and Nevada casino] industries are set up . . . to react to excess demand and excess profitability by encouraging future growth and expansion of the industry. This is in sharp contrast to legal casino industries in England and other European countries, which restrict, as a matter of policy, the size and therefore the economic importance of the casino industry. Since many of the social concerns related to the legalization of casino gambling in new jurisdictions are related to the absolute size of the proposed industry, it is likely that, as new jurisdictions consider legalizing casino gaming, they will consider the restricted-size approach, rather than follow the Nevada or New Jersey models. . . .

Thus, if a jurisdiction has decided to legalize casinos, the issue of how large the industry should be points out the trade-off of choosing between a large casino industry with significant economic benefits along with substantial costs, and a smaller, constrained casino industry that would create limited social costs along with relatively minor economic benefits.

. . . some jurisdictions . . . are going to want to legalize casinos but also to restrict the social impacts associated with the presence of casinos. In order to do so, it is likely that such jurisdictions will have to constrain artificially the tendency for the casino industry to expand in response to excess profitability. This could be done by limiting the opportunities of a casino to earn excess profits through, for example, restrictions on credit policy or on betting limits, or with strict limitations on the ability of a casino to market its activities.

Such limitation is essentially the approach taken by England, where the stated purpose of national policy toward casino gambling is to allow the operation of casinos only to the extent of accommodating the inherent demand for casino activity among

the populace, but not to allow casinos to generate new demand through their marketing efforts. Such an approach could prevent a casino industry from becoming a major economic, social, and political force in the jurisdiction where it is located, and thus, it is hoped, avoid many of the negative side effects that have been associated with casinos elsewhere over the years. (*Emphasis added*)

II. Casino Gambling on Floating Vessels in Hawaii

At this stage, it is premature to venture an opinion as to whether or not Hawaii should legalize casino gambling on floating vessels. House Resolution No. 392 is preliminary in nature, requesting an examination of the social and economic impact in states that have legalized such gambling. The Resolution does not request a recommendation regarding whether or not casino gambling on floating vessels should be legalized in Hawaii. *Consequently, this study makes no recommendation either for or against the introduction of casino-type gambling on floating vessels in Hawaii.*

Should the Legislature wish to proceed further, it would only be prudent to do so *after* the potential *economic* impact of gambling on floating vessels has been ascertained. Furthermore, as one of only two states that does not have experience with *any* form of legalized gambling, it would be imprudent for Hawaii to jump directly into casino gambling. Most states have acquired experience with legalized gambling only gradually over a long period of time. Usually jurisdictions begin with simpler forms of gambling and those which are subject to more direct government control such as lotteries. Some states begin with bingo or charity gambling. Other states have experience with pari-mutuel wagering. Only later, as states develop expertise in regulating gambling operations do they take on full-scale casino-style gambling. Consequently, it is difficult to imagine Hawaii successfully breaching the gap from no gambling whatsoever to full-scale legalized casino gambling in one jump.

Restricted-Size Approach: This notwithstanding, should casino-style gambling be further considered, it would be wise to heed Eadington's advice to consider the *restricted-size approach*. That is, the choice should be a smaller, constrained casino industry that would create limited social costs along with relatively minor economic benefits. The State should live with limited gains in return for limited costs. It should refrain from giving in to the industry's tendency to expand in response to excess profitability by imposing artificial constraints even if revenues decline.

Floating Vessels vs. Land-Based Casinos -- Possible Advantages: The argument is often made that casino gambling on floating vessels is easier to control than land-based casinos. For example, Mike Lawrence, Illinois governor Edgar's press secretary, espouses this view regardless of whether or not they are required to cruise. "Land-based normally means people can be in those casinos for very long periods of time, perhaps overnight. Even on those occasions, when riverboats don't go out on water [during inclement weather or in

states that allow dockside casinos], the boats are emptied [periodically]. People have to pay an admission fee to get back on. There are much better controls."⁸⁴ However, (as pointed out in chapter 1), most boats allow gamblers to stay the entire day and on busy cruises, to pay another admission fee to stay on. To the extent that these practices are allowed, this particular imputed control advantage is dissipated.

It is argued that riverboats can be located to minimize interference with normal activities. There will always be an impact on the community, if only in terms of increased traffic on access roads. In an area at or close to capacity utilization, even a small-scale casino vessel may cause a disparate amount of interference with normal patterns of activity. In a remote and under-developed area, casino gambling on any scale would probably cause a great amount of disruption. To minimize disruption, it would probably require locating in a remote but fairly developed area. All things being equal, the smaller the scale of casino gambling, the more likely the impact on the host community would be minimized.

It is further contended that floating casinos can be located to minimize criminal activity. It is probably true that the incidence of crime in an area will increase just because of the increase in human traffic, both visitor and local, regardless of the nature of the activity. In some areas where riverboats have been introduced, crime has not increased or has actually decreased. The evidence seems to indicate that in some cases it is increased policing, whether in direct response or incidental to gambling, that has been responsible.

Floating casinos, it is also argued, could be remotely located to reduce the ease of access to residents. However, being a relatively small state geographically, most locations cannot be considered distant enough for most to discourage traveling to gamble. In addition, some argue that riverboats require a minimum of infrastructure development. In general -- all things being equal -- this may be true compared to land-based casinos.

Furthermore, many argue, removal of a floating vessel -- should the State desire it -- would be much easier and less costly than removal of a permanent land-based structure. A vessel could just be towed away. (Or if seaworthy, it may manage an unescorted voyage back to the mainland.) It also means, however, that a floating casino could just as easily abandon the State and take its gambling revenues with it.

The imposition of restrictions to general access, short of a permanent ban, to either land-based or floating casinos would make scant difference to problem gamblers. However, mandatory sailings, short cruises, and a strictly enforced ban against gambling on successive, repeat cruises (*see below*) may decrease access and reduce overall gambling activity for all gamblers. Such restrictions would be difficult, if not impossible, for land-based casinos to achieve. However, these are precisely the types of restrictions that are likely to be easily targeted for relaxation as profits are squeezed.

Chastain (1994) contends that a casino need not dominate a city. He cites the design of the single land-based casino in New Orleans, which is already a world-renowned tourist destination. Chastain argues that the complex will merely *complement* other tourist attractions by offering another form of entertainment. He further asserts that, if successful, the casino complex concept could become the principal form of casino expansion in other cities with a solid tourism base without creating a casino strip.⁸⁵ The implication is that if such a land-based setup could be sufficiently controlled to avoid disrupting the tourism base, floating casino vessels should be relatively easier to control.

A Resort Merit-Zoning Approach: Skolnick (1984) proposed an eclectic scheme to license casinos. His "resort merit-zoning approach" would regulate the environmental impact of casinos on host communities as well as protect against the threat and stigma of an organized crime takeover.⁸⁶ For example, applicants for licenses must provide not only substantial information on corporate background but also extensive social and environmental impact statements in pre-licensing proposals. Because, on average, gamblers lose in the long run, they may be harmed by making frequent impulse visits to casinos as opposed to making less frequent planned trips. To limit such harmful effects, the basic aim of the resort merit-zoning approach is to push casino visits back toward the planned visit end of the continuum. To be more restrictive, this licensing approach could also limit the number, location, and scope of activity of new casinos.

Skolnick judges Atlantic City's "qualification" model to be effective in theory against organized crime but finds that it could have been more forcefully implemented. (The qualification model would accept *whoever* is legally qualified to obtain a license without discrimination.) In contrast, his *zoning* approach would focus on the social, economic, and environmental impact of casino gambling rather than determining who is qualified. The zoning approach would first decide the number and location of potential casino sites.⁸⁷ Although the criteria for licensing would remain essentially the same, under a *merit* approach, bidders must prove themselves to be *competitively* qualified. According to Skolnick:⁸⁸

A merit system of licensing, in contrast to a qualification system, would offer the licensing authority an edge where it suspected, but could not prove, that the applicant could be a potential problem.

According to Skolnick, however, there are two practical problems with his approach. *First*, merit systems are politically impractical in that consensus is difficult to achieve on the various issues of scope and location of casinos. *Second*, any board in which the requisite powers are vested would be very powerful and thus pointedly vulnerable to corruption. Regardless, Skolnick echoes other observers that a state should have maximal control over the location and character of the gambling industry within its jurisdiction from the outset.

Possible Restrictions on Floating Casino Vessels: According to Peter Reuter, an economist at the University of Maryland's School of Public Policy, "To control gambling's

unwanted side effects, 'small is beautiful.'" Reuter contends that the best hope for making gambling compatible with balanced economic development is to mimic the European model of restricting hours and access to discourage gaming by local residents.⁸⁹ (See also recommendation by Eadington (1984), above, for new jurisdictions contemplating legalization of casino gambling to restrict the size of the industry in order to limit the social costs while accepting relatively minor economic benefits. Artificial constraints would restrict the industry's tendency to expand in response to excess profitability. Eadington mentions restricting credit policy, imposing betting limits, and limiting casino marketing.)

For purposes of illustration only, all or a combination of the following restrictions could be imposed on floating casino vessels in Hawaii:

- Require a certain dollar amount or percentage of gambling receipts to fund problem gambler programs.
- Limit the number of licenses and the number of floating casino vessels per license. For example, to have only two vessels, limit the number of licenses to two -- one vessel per license.
- Limit the number of gaming tables per license.
- Limit the use of floor space on a vessel devoted to gaming to a certain percentage (e.g., 30% to 35%).
- Restrict the location of vessels to areas where the visitor count exceeds a certain pre-determined number or percentage to help ensure a predominance of visitor gamblers.
- Specifically prohibit "dockside" gambling.
- Require that a vessel be self-propelled and actually sail on a cruise before gambling can occur. (However, a vessel need not leave state waters and can be a "cruise-to-nowhere.") Exceptions to the mandatory sailing rule may or may not be permitted for inclement weather.
- Prohibit consecutive repeat cruises for individuals under all circumstances.
- Limit casino gambling to one or more "tourist seasons."
- Restrict casino hours of operation (or limit the number of daily gambling cruises).
- Require an admission fee for each cruise to limit impulse visits.

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- Impose a dress requirement for *local residents* or, alternatively, *all* persons, to limit impulse visits.
- Set a high minimum age for entrance (e.g. 21 or higher).
- Specifically prohibit slot machines and video slot terminals. Alternatively, prohibit cheap play slot machines (under \$1.00).
- Set a bet limit for all table games (e.g., in the range of \$25 to \$100).
- Set a loss limit for gamblers per day or per cruise.
- Prohibit the extension of credit to discourage excessive or reckless betting. Require checks to be banked and cashed within two days and prohibit their redemption from winnings to prevent checks from being used as credit.
- Require the use of chips or tokens instead of cash for better cash control and to help limit impulse play.
- Prohibit the use of credit cards to buy chips or tokens.
- Require distribution to customers and publishing and posting in casinos of detailed game rules and suggested strategies to educate players against making stupid bets.⁹⁰
- Prohibit sucker bets (e.g., "big 8" or "big 6" in craps) and reducing the odds against the customer in some games (e.g., allowing only European style roulette with no "double-zero" as an extra number).
- Prohibit the serving of alcohol at gaming tables to discourage the loosening of inhibitions which may encourage reckless betting.
- Require that any restaurant or bar located on a vessel be physically laid out so that no one is forced to first pass by gaming tables on the way.
- Prohibit the tipping of dealers or croupiers to avoid cheating and conflicts of interest.
- Prohibit gambling by casino employees to avoid cheating or conflicts of interest.
- Prohibit advertising or promotion of casinos or casino gambling to avoid artificial stimulation of demand.

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- Place the burden on casino management of admitting *local residents* only if the latter can convince management that "their gambling is not likely to jeopardize, economically or socially, their next of kin or those persons economically dependent upon them, or to prejudice the interests of their employers" (similar to the Austrian Gaming Law). Require casino management to refuse entry to a local resident "either permanently or for a certain length of time" should "substantiated evidence exist to prove that a player lacks personal reliability or that his pecuniary circumstances or income do not allow of participation either at all or to the extent practiced."

Possible Drawbacks of Restrictions: Not all of the restrictions listed above may be practical. It is very unlikely that a casino operator would accept the entire set of restrictions if only because many of them have never been imposed domestically. Arguments will probably be made for equal access to gambling amidst charges of "big brother" paternalism. No American jurisdiction as yet has banned local residents from gambling in casinos like some European countries. Yet, the United States Supreme Court has ruled that jurisdictions *can* prohibit local gambling advertising.⁹¹ Still, it is unlikely that casinos will accept the burden of responsibility of denying entry to local residents by determining if they are financially and socially fit to gamble.

In addition, potential casino operators would view the banning of slot machines as a major obstacle. Missouri riverboats have not been profitable ever since slot machines were ruled games of chance and not games of skill and thus constitutionally prohibited. Goodman claims that:⁹²

[T]he reality is [casinos are] a slot machine-driven business. Some 65 percent of the [casino] revenue is coming out of the slots, and that percentage is increasing. In Atlantic City, they're taking out table games and putting in more slots. I call it "McGambling."

A combination of bet and loss limits and other restrictions cost Iowa several of its riverboats which left for Mississippi and gave neighboring Illinois a comparative advantage. Such limits would give any casino operator pause before plunging into the Hawaii market. With the passage of time, they would almost certainly be targeted for relaxation or repeal by the industry. Extension of credit has been a customary procedure in American casinos. American roulette has profited casinos for many years by having the extra "double-zero" slot. The importance of a liberal alcohol policy at gambling tables has not been lost on mainland casinos. Ways have been found to circumvent limits on the number of gambling tables or devices in some states. Limits on the amount of floor space usable for gambling have been liberalized in other states. In short, any restriction would tend to deter a casino operator from entering the market and at the same time become fair game for later relaxation or repeal.

Unique Location of Hawaii: Early Nevada casinos were remote enough to bar access to gambling by the general public except for those who could afford the trip. Gamblers in

early Nevada casinos were mostly visitors who had discretionary income to spend on such trips.⁹³ To a large extent this is still true today. Nonetheless, geographical remoteness as a means of reducing access is less significant today due to the spread of gambling venues on the mainland.

On the other hand, Hawaii is still distant enough to discourage general access to gambling except for those who have the time and resources to plan a visit here. Like Nevada, Hawaii is also a state with a small population and a large number of visitors relative to its resident population.⁹⁴ This makes it likely that visitors will dominate the mix of casino customers,⁹⁵ especially if casino vessels are required to be located in heavily frequented visitor areas. If so, a positive cash flow to the State is likely. Furthermore, the conventional wisdom is that private profits and public revenues will be enhanced if a casino is part of a *destination resort* rather than one catering to local day-trippers.⁹⁶ Eadington, among other industry experts, has frequently warned that "If a jurisdiction is to realize the economic benefits of gambling, its casinos must get most of their patronage from tourists."⁹⁷ Fears of reallocating *local* dollars from other recreation or entertainment industries to gambling may be mitigated to the extent that visitor dollars dominate. On the other hand, there is no guarantee that other local industries will not have *visitor* dollars reallocated away from them to gambling.

It may be easier to impose restrictions on gambling in Hawaii than in a mainland location with similar resort destination characteristics. This may be true simply because Hawaii has no viable geographic competitors.⁹⁸ There are no convenient state borders for gamblers to drive across to free themselves of the yoke of gambling restrictions. Furthermore, for many local residents, the comparative convenience of a short drive anywhere in the Islands to gamble would outweigh a more cumbersome flight and stay in Las Vegas. By the same token, restricted casino gambling in Hawaii will probably not offer much, if any, competition to mainland resorts that offer unrestricted gambling. If restricted and small enough, casino gambling in Hawaii may constitute a unique market niche relatively immune to mainland trends. Visitors would gamble as an incidental activity, complementing other visitor activities. Again, such gambling would offer no real competition to mainland casinos while competition from the mainland would be diluted here. Serious mainland gamblers can find much heavier action without the cost and effort of coming to Hawaii.

Of course, this must be balanced against increased access to new gamblers who would otherwise not have traveled to the mainland just to gamble. As mentioned before, an increase in overall gambling activity is to be expected when gambling is first legalized. However, recent data from South Dakota indicate that overall gambling activity has *decreased* from 1991 to 1993.⁹⁹ Participation in 12 of 14 gambling activities studied by Volberg and Stuefen (1994) *declined*. Eleven of these changes were statistically significant. The decline in the twelfth (the video lottery) was "somewhat significant" ($p \leq .05$). Only two of the 14 activities showed increased participation: Lotto America and South Dakota slot machines. The changes were:¹⁰⁰

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	1991	1993
1. South Dakota Scratch & Match	56%	44%
2. Bingo	49%	34%
3. Sports pools	43%	35%
4. Video lottery	42%	40%
5. Lotto	39%	44%
6. South Dakota slot machines	38%	47%
7. Out-of-state-slot machines	35%	29%
8. Card games	30%	26%
9. Horse or dog races	30%	22%
10. Pull-tabs	30%	21%
11. Bets with friends	24%	18%
12. Charitable gaming	20%	16%
13. Out-of-state scratch & match	20%	12%
14. Dice games	12%	9%

Volberg and Stuefen (1994) venture that the across-the-board declines in gambling participation may be explained by the aging of South Dakota's population and a weaker tendency for younger adults to gamble.¹⁰¹ It is also possible that the novelty of gambling has worn off for most mature-minded gamblers after a year or two of heightened participation. The decline in gambling would reflect how those who gambled then fit gambling as just another non-dominant entertainment activity into their lives.

It is possible (although just how likely is unknown) that this could also occur in Hawaii. However, it is unlikely that resident *problem* or *pathological* gamblers can fully indulge their compulsions with restricted local gambling. They and other serious but non-problem local gamblers would probably continue to gamble in unrestricted mainland casinos.

It is unknown how many more visitors, if any, legalized casino gambling on floating vessels may bring to Hawaii. Because of restrictions, gambling would probably operate only as an incidental visitor activity and not a major reason for visiting. It is hard to imagine visitors flying in only to engage in restricted-play gambling and not in customary visitor activities in a world-class destination resort. Large-scale gambling Las Vegas-style in the State may harm or otherwise dilute Hawaii's unique appeal as a visitor destination. If kept small-scale and limited, gambling has a chance to enhance Hawaii's attraction although hardly to the extent of an upscale -- and unlimited stakes -- Monte Carlo. The trade-off between hosting an upscale casino environment and protecting the public with limited stakes betting is one of many that must be faced.

Hawaii's situation as a tourist destination is vastly different from Bridgeport, Connecticut, a distinctly non-tourist destination. Stephen Wynn of Mirage Resorts gives the following warning about building a casino there:¹⁰²

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Get it straight . . . there is no reason on earth for any of you to expect for more than one second that just because there are people here [to gamble in Bridgeport], they're going to run into your store, or restaurant, or bar It is illogical to expect that people who won't come to Bridgeport and go to your restaurants or your stores today will go to your restaurants and stores just because we happen to build this [casino] building here.

The same can be said for Tunica County, Mississippi, which has no resort attractions except for its numerous dockside riverboats. Its casinos draw almost exclusively day-trippers -- mostly from Memphis -- who cannot patronize Tunica's other non-gambling establishments because there are none.¹⁰³ Even in Las Vegas, which is being transformed into a more family-oriented resort destination, Professor William Thompson of the University of Nevada at Las Vegas says: "While we're getting a lot more people here, the average gambling is going down."¹⁰⁴

Within an environment of well-developed visitor attractions in Hawaii, gambling in restricted-play casinos would be unlikely to dominate visitor activities. Because of bet limits and other restrictions, visitors would lose less, reducing the likelihood of their resorting to crime to recoup losses or to continue gambling at relatively small stakes. (Those who do would need to recoup more than just gas money to drive home.) They would also win less, providing a proportionately less attractive target for thieves and burglars. It is unlikely that introducing small, restricted-play casinos on floating vessels into a "clean" environment here will have the same effect that introducing large-scale, land-based casinos into a slum environment like Atlantic City has had.

Eadington (1994) points out that benefits to a region may only be sustainable if that jurisdiction can hold its monopoly on gambling for some period of time.¹⁰⁵ If restricted gambling becomes a reality and establishes itself as a gambling "specialty" market niche, Hawaii may have a chance to hold on to its monopoly for the reasons given above. It must be remembered, however, that such "niche" gambling cannot be counted on to be a substantial revenue source and once gambling gains entry, the temptation will be great to expand and to relax restrictions. To the extent that Hawaii may escape ordinary competitive pressures, this tendency may be diluted.

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94. Hawaii, Department of Business, Economic Development, and Tourism, State of Hawaii Data Book 1993-1994: A Statistical Abstract, (Honolulu: DBEDT, June, 1994), Table 1.4 "Residential and De Facto Population, By Residence Status: 1980 - 1993," p. 15: On July 1, 1993, the total residential population was 1,171,600, including a 12-month moving average of 49,100 residents temporarily absent from the State. The 12-month moving average of visitors for 1993 was 148,800, accounting for 12.7 percent of the population. Discounting the absent residents, visitors accounted for 13.3 percent of the population.
95. See Popkin & Hetter, "America's Gambling Craze."
96. See Steven D. Gold, "It's Not a Miracle, It's a Mirage" in State Legislatures, February, 1994, v. 20, n. 2, pp. 28-31.
97. William R. Eadington, "Viewpoints: Casinos Are No Economic Cure-All" in The New York Times, June 13, 1993.
98. See Laura Michaelis, "Fighting for River Gold."
99. Rachel A. Volberg and Randall M. Stuefen, A Study of Gambling Participation and Problem Gambling: A Follow-Up Survey (Vermillion, S.D.: University of South Dakota, March, 1994), pp. ii, 8, 9.
100. Ibid., Table 3 "Lifetime Participation in Gambling" p. 8.
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102. Robert Goodman, Legalized Gambling as a Strategy for Economic Development, (Northampton, Mass.: United States Gambling Study 1994), pp. 55-56, quoting from George Judson, "Mirage Resorts Offers Plan for Gambling on the Bridgeport Waterfront" in The New York Times, November 13, 1992.
103. Harrison, "A Dirt-Poor Town Has Bumper Crop of Glitzy Casinos."
104. Shapiro, "A Full House."
105. Eadington, 1994, p. 19.

HOUSE RESOLUTION

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO STUDY THE SOCIAL IMPACTS AND THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO STUDY THE ECONOMIC IMPACTS OF SHIPBOARD GAMING ON HAWAII.

1 WHEREAS, an aggressive effort is needed to diversify
2 Hawaii's revenue resources to meet the growing needs for
3 education and human services funding; and

4
5 WHEREAS, the downturn in tourism has not only placed a
6 strain on the economy and reduced revenue, it has emphasized the
7 need to diversify Hawaii's visitor attractions if Hawaii is to
8 remain a competitive destination; and

9
10 WHEREAS, shipboard gaming has been legalized in six states
11 bordering the Missouri, Ohio, and Mississippi Rivers, and fifteen
12 other states, from Texas to New Hampshire, are considering making
13 it legal; and

14
15 WHEREAS, a recent issue of the Wall Street Journal estimated
16 \$1,000,000,000 in gross revenues for the existing twenty-two
17 waterborne United States casinos last year. Shipboard gaming is
18 especially attractive because it provides a specific boundary
19 where gaming may take place and allows for greater control by
20 states; and

21
22 WHEREAS, federal law permits the use of gaming devices on
23 interstate or foreign segments of voyages, on state inland waters
24 to the extent permitted by state statute, and on cruises-to-
25 nowhere and intrastate segments of a voyage if not prohibited by
26 state statute. Shipboard gaming poses an economic opportunity to
27 coastal states which deserves further investigation; now,
28 therefore,

29
30 BE IT RESOLVED by the House of Representatives of the
31 Seventeenth Legislature of the State of Hawaii, Regular Session
32 of 1994, that the Legislative Reference Bureau is requested to
33 study the social impacts of shipboard gaming within state-
34 controlled waters, including the documented or perceived effects
35 on crime rates and mental health incidence, as well as other
36 social impacts of shipboard gaming in states where shipboard
37 gaming has been legalized; and

38

1 BE IT FURTHER RESOLVED the Department of Business, Economic
2 Development, and Tourism is requested to study the economic
3 aspects of shipboard gaming within state-controlled waters,
4 including ship building and operation opportunities for Hawaii-
5 based companies, employment opportunities for state residents,
6 and the attraction of gaming to mainland and overseas visitors.
7 The department is requested to consult with local bank economists
8 in conducting its study; and
9

10 BE IT FURTHER RESOLVED that the Legislative Reference Bureau
11 and the Department of Business, Economic Development, and Tourism
12 are requested to review studies conducted by other states that
13 have considered legislation providing for shipboard gaming,
14 whether or not those states have adopted some form of shipboard
15 gaming; and
16

17 BE IT FURTHER RESOLVED that the Legislative Reference Bureau
18 and the Department of Business, Economic Development, and Tourism
19 are requested to exchange information and data as necessary in
20 conducting their respective studies and preparing their findings
21 and recommendations; and
22

23 BE IT FURTHER RESOLVED that the Legislative Reference Bureau
24 and the Department of Business, Economic Development, and Tourism
25 are requested to submit their respective findings and
26 recommendations to the Legislature no later than twenty days
27 before the convening of the Regular Session of 1995; and
28

29 BE IT FURTHER RESOLVED that certified copies of this
30 Resolution be transmitted to the the Director of the Legislative
31 Reference Bureau and the Director of Business, Economic
32 Development, and Tourism.
33
34
35
36

OFFERED BY: *Angel R. Fajardo*

Appendix B

Samuel B. K. Chang
Director



Research (808) 587-0666
Revisor (808) 587-0670
Fax (808) 587-0681

LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

June 22, 1994

5362-A

Mr. Mufi Hannemann, Director
Department of Business,
Economic Development and Tourism
Central Pacific Plaza
220 South King Street
Honolulu, Hawaii 96813

Dear Mr. Hannemann:

The Legislature, through House Resolution No. 392, has directed the Bureau to study the social impact of shipboard gaming within state-controlled waters. These social impacts are to include documented or perceived effects of legalized shipboard gaming on crime rates and mental health incidence.

As you know, that same resolution requested the DBEDT to study the economic aspects of shipboard gaming. Our two offices were further requested to exchange information and data as necessary in conducting our respective studies. We would be pleased to share whatever information, data, or sources we come across in the course of our research that may be helpful to your study of the economic impacts. By the same token, we would appreciate receiving any information you may have that might be relevant to our study of the social impacts.

The researcher responsible for the Bureau's examination of the social impacts of shipboard gaming is Mr. Peter G. Pan. Please let us know the name of your liaison or the staff person responsible for the DBEDT's study. You can either call me at 587-0654, or call Mr. Pan directly at 587-0665.

Sincerely,


Samuel B. K. Chang
Director

SBKC:jv



Appendix C-1

JUL - 8 1994

JOHN WAIHEE
GOVERNOR

MUFI HANNEMANN
DIRECTOR

BARBARA KIM STANTON
DEPUTY DIRECTOR

RICK H. EGGED
DEPUTY DIRECTOR

TAKESHI YOSHIHARA
DEPUTY DIRECTOR

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

CENTRAL PACIFIC PLAZA, 220 SOUTH KING ST., 4TH FLOOR, HONOLULU, HAWAII
MAILING ADDRESS: P.O. BOX 2359, HONOLULU, HAWAII 96804 TELEPHONE: (808) 586-2406 FAX: (808) 586-2452

June 28, 1994

RECEIVED

JUL 8

**LEGISLATIVE
REFERENCE BUREAU**

Mr. Samuel B. K. Chang
Director
Legislative Reference Bureau
State of Hawaii
State Capitol
Honolulu, HI 96813

Dear Mr. Chang:

This is in response to your letter of June 22, 1994 (Reference No. 5362-A), requesting the name of our liaison or staff person who will serve as the contact person for DBEDT's study of the economic aspects of shipboard gaming, as required by House Resolution No. 392.

Please have Mr. Peter G. Pan of your staff contact Bob Shore, Chief of the Economic Analysis Branch of our Research and Economic Analysis Division, at 586-2475 to discuss the proposed study.

Sincerely,


Mufi Hannemann

c: Richard Y. P. Joun
Bob Shore



Appendix C-2

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

CENTRAL PACIFIC PLAZA, 220 SOUTH KING ST., 4TH FLOOR, HONOLULU, HAWAII
MAILING ADDRESS: P.O. BOX 2359, HONOLULU, HAWAII 96804 TELEPHONE: (808) 586-2406 FAX: (808) 586-2452

JOHN WAIHEE
GOVERNOR

MUFI HANNEMANN
DIRECTOR

BARBARA KIM STANTON
DEPUTY DIRECTOR

RICK H. EGGED
DEPUTY DIRECTOR

TAKESHI YOSHIHARA
DEPUTY DIRECTOR

July 12, 1994

Mr. Samuel B.K. Chang
Director
Legislative Reference Bureau
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

Dear Mr. Chang:

This is a follow up to my letter of June 28, 1994 informing you of the DBEDT contact person for matters related to House Resolution No. 392, regarding shipboard gaming. Our review has indicated that no concurrent resolution was passed on this issue. Since it is the administration's policy to address only those resolutions passed by both houses, DBEDT will not be conducting an economic study of shipboard gaming as requested in HR 392.

If we may help by providing any information available to us which you may need for your study, please feel free to have your staff contact Mr. Robert Shore (586-2475) as indicated in my earlier letter.

Sincerely,


Mufi Hannemann

c: Richard Y.P. Joun
Robert Shore

Appendix D

UNBALANCED

Arthur Andersen & Co., Impact of the Proposed Chicago International Entertainment Center on Chicago Metropolitan Area Tourism, Employment, and Tax Revenue, (May 21, 1992).

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Panell, Kerr, and Forster, Gambling Impact: An Overview of the Effect of Legalized Gambling in the City of New Orleans, Prepared for the Gaming Committee of the Greater New Orleans Tourist and Convention Commission, New Orleans, LA, (April, 1986).

John H. Qualls, The economic Impact of Riverboat Gaming on Economic Activity in the Springfield, Massachusetts Area, Micro Economics, Ltd., St. Louis, MO, (April, 1993).

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MOSTLY BALANCED

Michael K. Madden, Rachel A. Volberg, Randall M. Stuefen, Gaming in South Dakota: A Study of Gambling Participation and Problem Gambling and a Statistical Description and Analysis of its Socioeconomic Impacts, Business Research Bureau, University of South Dakota, Vermillion, SD, (November, 1991).

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GAMBLING REVIEW HITS A NERVE

Editor:

Your June issue contains a review of Robert Goodman's "study," *Legalized Gambling as a Strategy for Economic Development*. The reviewer, Christine Miliken of the National Association of Attorneys General, claims that Goodman "takes a dispassionate, analytical look at gambling as an industry and as a tool of state economic development." I can assure you that nothing can be further from the truth.

First, this is not a study at all. Goodman conducted little or no primary research. Rather, the vast majority of his work comes from other studies, most of which were written by vocal opponents of the gaming industry and contain no factual support. It is ironic that Goodman utterly fails to evaluate the basis of these negative conclusions since he makes such a big deal about his alleged evaluation of pro-gaming studies. In reality, however, his "evaluation" of the pro-gaming studies is almost as shallow, since he fails to compare the projected economic benefits with the actual results. If he had done so, he would have found that in Iowa, Mississippi, Illinois and, yes, even Atlantic City, the gaming industry produced more jobs, more capital investment and more tax revenue than projected.

Second, Goodman completely ignores all of the positive benefits of the gaming industry that have been found in independent studies conducted by state agencies or universities. For example, in Minnesota and South Dakota AFDC caseloads fell in the counties most closely connected

with legal gaming while they rose in the rest of the state.

Goodman ignores studies by the state police in Illinois and Virginia and the Massachusetts Senate that found no connection between legal gaming and increased crime. Goodman ignores a recent South Dakota study that found no increase in compulsive gambling (in fact, the number of compulsive gamblers decreased) after two years of legalized gaming.

Finally, despite the title of his work, Goodman virtually ignores the proven economic development benefits of legalized gaming.

While legalizing gambling is not a panacea for a state, the legitimate gaming industry has a proven track record of expanding the tax base by creating jobs and economic development. And, while communities legalizing gaming can expect some "growing pains" resulting from the influx of tourists and job-seekers, these problems can be minimized through proper planning and regulation.

I invite your readers to contact me for a more detailed response to the Goodman "study."

Scott Scherer
Executive Director
Corporate Development
International Game Technology
Las Vegas, Nev.

LEADERSHIP PACS AND CAMPAIGNS

Editor:

I have read "Two Ways to Restrict the Campaign-Money Flow" in the March issue of *State Legislatures*.

New Jersey Senate President Donald DiFrancesco was correct when he stated that "other legislators" did not favor the campaign finance law

passed in 1993. The most fundamental problem with the legislation was its establishment and "validation" of leadership PACs.

I can agree with the premise that strengthening political parties will help overcome abuses of campaign financing. However, leadership PACs under the New Jersey law are single-person entities with immense fundraising power.

Since the number of these PACs is limited to four (legislative leaders of the two major parties), counsel to the New Jersey Legislature gave an opinion that they were unconstitutional. In New Jersey we have no Rules Committee to resolve committee assignment and bill posting matters. This entire function is performed by the leader of each house, a tremendous power for policy-making as well as fundraising.

The Center for Analysis of Public Issues, a Princeton-based independent policy group, has issued a first year analysis of the 1993 New Jersey law. It calls it a "flop." In February 1993, the New Jersey Election Law Enforcement Commission took a unanimous position against leadership PACs in this legislation when it wrote to former Governor Jim Florio urging that he veto this part of the law:

"The provision dealing with legislative leadership committees would drastically change the system of democratic government traditional in New Jersey in that it would endow legislative leaders with enormous fundraising ability, out of proportion to all other legislators and the established political parties. ELEC has repeatedly called for strengthening the two-party system, and the leadership committees created by [the bill] tend to weaken our

Appendix E-2

RESPONSE TO ROBERT GOODMAN'S "LEGALIZED GAMBLING AS A STRATEGY FOR ECONOMIC DEVELOPMENT"

- o IGT takes full responsibility for the content of this summary. This summary is based on material written and researched by Promus Companies in response to the release of Robert Goodman's study entitled *Legalized Gambling as a Strategy for Economic Development*. Goodman's work, however, contains little real research and is riddled with factual errors and errors of omission, some of which are detailed below.
- o Goodman bills himself as the Director of the "United States Gambling Study." This is misleading, first because the author did not do extensive study or interviews throughout the country. Goodman states that he interviewed "over fifty public officials, business and media people" to gather primary data for his report. However, 47 of those came from 5 states -- Oregon, Minnesota, Massachusetts, Connecticut, and Iowa. Collectively, these 5 states represent about 18,000 direct casino jobs, or less than 7% of total casino jobs in the U.S. He interviewed no one from New Jersey or Louisiana, only 1 person each from Nevada and Mississippi, and 2 from Illinois. Goodman stated that his "primary concern" was "to assess the economic, social, and legal consequences that occur when governments try to use gambling as a way to improve their economies," however he overlooked the most appropriate persons and places for perspectives on the actual impact of casino gambling on host communities.

Secondly, the word "Study" itself is also misleading because the report, which press reports indicate was the result of a "two-year" analysis of gambling, presents very little real, factual data. Virtually no primary data was gathered by the project team. Instead, Goodman spent more than 200 pages mostly reproducing anecdotal data reported previously by others, mostly writers for newspapers and magazines.

- o Goodman has not produced an objective study. His general strategy is to not mention or to dismiss as insignificant or deceptive any positive impacts that various forms of gambling might have in terms of economic development.
- o Goodman does not distinguish between the different forms of gambling -- all forms of legalized gambling are discussed as one entity, when in fact the dynamics and characteristics of casino entertainment and lotteries differ significantly, especially in terms of accessibility, reasons for consumer participation, and the role of government as promoter.
- o Goodman seems unaware of the distinction between handle and win. He compares total wagering with retail sales in Minnesota when the figure he ought to use is gambling revenues, which represent actual customer losses.
- o Goodman suggests that data show "the shifting of large amounts of consumer spending to state-sponsored gambling." However, a recent study by the WEFA Group rejects the so-called "substitution effect" and in fact finds that the total consumer income "pie" grows over time following the introduction of casino entertainment. Casinos, like any other job-creating industry, contribute to that growth. While a consumer spending adjustment may occur in the short term, continued decline in certain expenditures is more likely the result of changing consumer tastes.
- o The point of Goodman's study is to validate or void the results of various gaming studies, yet six of the fourteen impact analyses that he judges estimate the impacts of projects that to date have not been built. In analyzing the other studies, he makes no effort to compare the predicted effects with actual effects, only the extent to which the analyses dwell on the supposed negative impacts of gambling.

- Studies by experts in the field suggest that between 2%-5% of Americans have ever reported symptoms of problem gambling. It should be noted, however, that problem gambling exists in states regardless of whether that state has some form of legalized gambling. Problem gambling has never been proven to be an "effect" resulting from the "cause" of legalized gambling. Also, according to a study conducted by Dr. Rachel Volberg for the South Dakota Governor's Office, the number of problem gamblers actually went down in South Dakota following the legalization of gaming.

In addition, the statement that gaming revenues come disproportionately from lower income residents is not true for casinos, where the typical patron is white-collar, well-educated, and has a higher-than-average household income.

- Contrary to the author's statements that more competing casino jurisdictions leads to less regulation, most new jurisdictions are more regulated than the original Nevada model. Casinos are among the most heavily regulated industries in the country.
- Goodman's comments about states being in the gambling promotion business apply only to lotteries, not to casinos. In fact, casino advertising is highly regulated by the FCC and operators are not permitted to show or mention gambling in their television advertising.
- Goodman cites Connecticut as an example of a state that passed a state lottery in order to avoid a state income tax, but then went ahead and instituted an income tax anyway. He fails to mention that two decades passed between those two events and that income from the state lottery did manage to stave off a state income tax for twenty years.
- Regarding New Jersey, Goodman cites horse racing as having produced 10% of the state's general fund revenue in the mid-1950s and the combined lottery/casino/racing industries now producing about 6% of general fund revenues. He fails to mention, however, that the state's total budget in 1955 was \$235.4 million, compared to the current 1994 budget of \$15.5 billion.
- Goodman states that, "More than 16 years ago, New Jersey residents became the last group to vote in favor of high-stakes gambling when they approved casinos for Atlantic City. The methods used in all of the new ventures since Atlantic City were laws passed by legislators and the interpretation of existing laws." However, the entire state of Missouri approved high-stakes casino gaming in November 1992 and local referenda have been approved in more than a dozen communities along the Missouri and Mississippi Rivers. In Mississippi, voters in nine counties along the Mississippi River and the Gulf Coast approved high-stakes casino gaming in referenda, while in Indiana, voters in five counties and three municipalities have approved high-stakes gambling in local referenda. Additionally, voters in Colorado and South Dakota have approved limited stakes casino gaming.
- Goodman failed to supply even the most basic factual data, easily compiled from state regulators or casino owners, on the economic effects of casino gaming. He does not supply information on the amount of state and local tax revenue generated from casinos, the number of jobs generated, payrolls associated with these jobs, numbers of indirect and induced jobs, amounts of capital investment by casino companies, and increases in local tourism. For example, in Atlantic City (the industry's supposed "bad example") proponents of casino gaming in 1976 promised \$57 million in annual non-gaming tax revenue for city, county, and state governments. As of 1991, the industry was paying over \$130 million in those taxes. Casino gambling proponents promised \$31 million annually in benefits for seniors and the disabled. Today, the industry delivers more than \$250 million. In 1976, gaming proponents promised over \$700 million in new capital investment in the Atlantic City economy. So far, the industry has invested over \$5 billion.

Other economic factors about Atlantic City not reported: (1) The casino industry directly employs more than 40,000 people; (2) Whereas per capita income in Atlantic City was 4% less than the national average in 1960, it was 35% higher than the national average in 1989; (3) The casino industry directly created more than \$3 billion in expenditures in South Jersey in 1989; (4) The total direct and indirect impact of the casino industry on the economy of South Jersey is estimated to be approximately \$6.2 billion in expenditures, 69,376 full-time jobs, and more than \$2 billion in household wages, salaries, and benefits; (5) The casino industry paid approximately 65% of all Atlantic City property taxes and 29% of Atlantic County property taxes, beyond the more than \$222 million the industry paid to the state via the tax on adjusted gross casino receipts.

- o Goodman implies that it is common practice for riverboat owners to pull up stakes and abandon their host communities, leaving them with debt for infrastructure improvements designed specifically for gaming developments. In fact, a total of three boats in three years has ever done this among the approximately 40 riverboats currently operating. In addition, the operators who left were inexperienced in the casino business. Those who have stayed are experienced operators and are enjoying good profits.
- o Although Goodman is correct when he states that casino cities can expect higher costs for such services as police; health inspectors; emergency medical teams; and upgrading transportation, water, and sewer systems, this is true of any economic development that increases visitor traffic, including a shopping mall or theme park. Taxes paid by casinos dwarf any increased costs.
- o Goodman cites Michael Madden's South Dakota Study as saying that the state showed "significant declines for selected activities such as clothing stores, recreation services, business services, auto dealers, and service stations." However, he neglects to mention the author's conclusion that for the recreation services sector, it is "likely that businesses within this classification have experienced offsetting increases in business sales volume due to video lottery play." Goodman is wrong in concluding that the business services sector showed "significant declines." Rather, growth in business services occurred at a slower rate. In addition, according to Madden, "Given the type of businesses included within this classification, it is not obvious how any gaming impact could reach this sector." Similarly, auto dealers and service stations experienced "some reduction in the rate of growth of taxable sales," not the "significant declines" that Goodman claims. Most important, he fails to report the study's finding of increased business volume in eating and drinking establishments, despite the fact that the nation was in the midst of a recession at the time of the study (which also could explain the slower rate of growth in certain sectors).
- o Goodman cites a magazine article's claim that restaurant business in Minnesota saw a 20%-50% decline within a 30-mile radius of casinos. However, according to the Minnesota Planning Agency, in May 1993, "revenues of bars and restaurants in casino counties grew by 10.7% between 1989 and 1991, compared to 5.4% for non-casino counties. These figures do not include bars and restaurants in casinos." (Emphasis added)
- o Goodman cites Atlantic City as an example of how the crime rate increases in a city with the introduction of casino gambling. However, when the number of tourists is accounted for, the crime rate in the Atlantic City metropolitan area is not significantly different from other non-casino metropolitan areas that entertain a significant number of tourists and other visitors. In fact, the visitor-adjusted total crime rate is higher in Atlanta, Austin, Dallas, Houston, Orlando, and San Antonio. In addition, Las Vegas' visitor adjusted total crime rate is also lower than the aforementioned cities.

In new riverboat gaming communities, riverboat casino gaming has, for the most part, caused reductions in crime, partly because gaming has revitalized decaying and crime-ridden areas and partly because it has brought considerable economic development. According to a survey conducted by the Southern Indiana Chamber of Commerce in August 1993, 19 communities that are host to riverboats have observed no serious problems with property crimes. While traffic-related citations increased because of the increase in traffic volume from the new tourist attractions, not one community reported significant increases in overall levels of crime, while several communities reported decreases in overall crime.

You only need to refer to the Massachusetts Senate's study (a summary is available) to realize that there is not a direct correlation between casinos and crime.

Appendix F

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