

1 CHAIRMAN JAMES: We'll begin with Dr. Albanese.
2 Welcome.

3 DR. ALBANESE: Thank you very much. Good day. My
4 name is Jay Albanese. I chair the Department of Criminal Justice
5 at Virginia Commonwealth University and I have conducted several
6 studies of the casino crime connection and I thank you for the
7 invitation to share my knowledge and experience with the
8 commission.

9 I'm especially pleased to appear before Chairwoman
10 James. It's always good to speak with a fellow Virginian.

11 The commission is in a unique and highly visible
12 position to influence both existing and future policy, law,
13 government and business decision making in the broad area of
14 legal gaming.

15 Given the limited time allotted, and in order to
16 facilitate questions from commission members, I will limit my
17 remarks to five fundamental issues how my research and that of
18 others has been shown to be crucial in looking at the impact of
19 gambling on crime.

20 And my five points are crime volume versus crime
21 rates, what the evidence says and why it says it, casino gambling
22 and white collar crime, organized crime, and the need for further
23 planning, study and vigilance.

24 The purpose of crime, as you know, is to assess risk.
25 It was nearly 20 years ago when the then New York State Attorney
26 General issued a report in which he opposed casino gambling, part
27 of his justification being a dramatic increase in crime in
28 Atlantic City since the introduction of casinos there.

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1 Having worked in Atlantic City in the early '70s,
2 prior to the introduction of casino gambling, I saw with my own
3 eyes how the city's population surged during the summer months
4 with beachgoers and vacationers and how it was almost a ghost
5 town during the winter.

6 The addition of nine large casino hotels with a
7 minimum of 500 hotel rooms each in a period of only five years
8 obviously expanded the number of year-round visitors. Therefore,
9 it's only common sense that you would expect crime to increase in
10 Atlantic City as the average daily population also rose. I
11 documented this in my 1985 study of Atlantic City.

12 That study found that the increase in index crimes in
13 Atlantic City was offset by the increase in the average daily
14 population of the city, meaning that the risk of a person being
15 the victim of a serious property or violent crime there actually
16 dropped in Atlantic City after the introduction of casinos there.

17 The risk of crime is measured by the crime rate and
18 that's the most useful measure of crime. Changes in volume of
19 crime doesn't provide an indication of risk and that's what
20 concerns most policy makers and individual citizens.

21 Since my study, there's been a large number of
22 studies in Atlantic City and elsewhere. With some exceptions,
23 the weight of the evidence clearly shows that the introduction of
24 casino gambling does not have a significant impact on crime
25 rates. This finding has been generally consistent across
26 jurisdictions for several important reasons.

27 First, the individual risk of being a crime victim
28 does not increase because the average daily, law abiding

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1 population in casino jurisdictions is much larger than any
2 increase in crimes committed.

3 Second, in most casino jurisdictions, casino gambling
4 is a very small part of the local economy. No city is dominated
5 by casinos as is Atlantic City and Las Vegas. As a result, the
6 impact is limited in ways similar
7 to other forms of economic development in the recreational
8 sector, such as amusement parks and nightclubs.

9 Third, casinos are distinguished from most other
10 forms of economic development in that they contribute to their
11 own regulation. In most casino jurisdictions, casinos helped to
12 fund security, law enforcement and problem gambling initiatives
13 that may contribute to lower crime rates.

14 Existing studies of casinos and crimes have focused
15 on street crimes. These crimes are committed most often by
16 people age 16 to 24 as FBI crime statistics -- arrest statistics
17 attest. Casino patrons are typically much older than that.

18 It has been argued, therefore, that casino gambling
19 might contribute to white collar crimes by casino patrons who are
20 problem gamblers. These people might steal from their employers,
21 pass bad checks or engage in crimes to support their habits.

22 There are anecdotes of particular incidents where
23 those who gamble have committed white collar crimes but there has
24 been no systematic study of the problem to examine the extent to
25 which it's widespread versus consisting of isolated occurrences.

26 I have a long standing interest in white collar
27 crime. I was finally able to secure funding to examine the
28 gambling white collar crime link this year and I'm now in the
29 middle of a study of this precise issue. This study analyzes

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1 arrests for the crime of embezzlement, forgery and fraud in some
2 of the largest casino jurisdictions.

3 I examine these crimes both before and after the
4 advent of casinos and also look at arrest trends in comparable
5 non-casino jurisdictions. My study will be completed before the
6 end of the calendar year although preliminary results indicate
7 the trends in embezzlement, forgery and fraud vary considerably
8 among casino jurisdictions.

9 For example, arrests for forgery and fraud and
10 embezzlement have increased in Gulfport, Mississippi since the
11 introduction of casinos. On the other hand, arrests for these
12 crimes have also risen in Mobile, Alabama and many other
13 jurisdictions without casino gambling.

14 In Vicksburg, Mississippi, arrests for fraud and
15 embezzlement have increased since the introduction of casinos but
16 there's been a decrease in forgery arrests. Similarly, Jackson,
17 Mississippi has experienced the exact same trend without casino
18 gambling.

19 In order to sort this out, it's necessary to
20 determine the extent to which these arrests are gambling related,
21 which is a difficult task. Except in the most obvious cases,
22 it's difficult to make claims that gambling caused the person to
23 commit a white collar crime or that the person would not have
24 committed the crime anyway without the presence of a local
25 casino.

26 That is, would they have debt with a local bookmaker,
27 bet money in local lotteries gambled on the Internet or engaged
28 in other forms of gambling behavior that don't involve casinos at
29 all?

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1 Importantly, this study of white collar crime -- and
2 I'm still in the middle of the numbers now -- in casino and non-
3 casino jurisdictions will provide the first systematic look at
4 the crimes committed by the persons who typically patronize
5 casinos rather than the very young adults and teenagers who
6 commit more street crime.

7 My fourth point is organized crime. As you know,
8 there have been several criminal cases made in the recent years
9 against persons involved in casino gambling activities.

10 I conducted research on organized crime and wrote an
11 article on this issue in 1995, cited in my testimony, and I
12 believe that analysis highlights several significant issues.

13 First, organized crime infiltration of the casino
14 industry is a shadow of what it once was in the early Nevada
15 days. This is primarily due to the entrance of large, publicly
16 held corporations in the casino business.

17 The immense size of these companies, their attention
18 to stock prices, public image and the regulation of the
19 Securities and Exchange Commission make it easy for them to
20 resist attempts at organized crime infiltration.

21 Second, the primary opportunity for organized crime
22 involvement comes from ancillary businesses that do business with
23 casinos, such as cleaning, construction, furniture,
24 entertainment, liquor, garbage services.

25 These vendors must be screened carefully and
26 continuously for potential links to organized crime. This is the
27 part of any serious regulatory framework.

28 Third, instances of successful organized crime
29 infiltration are now few, although they do occur. In recent

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1 years, as you -- I'm sure you probably know, there have been
2 criminal charges lodged in several cases of organized skimming
3 and cheating in Mississippi, Louisiana, Connecticut.

4 In virtually every case, there was co-optation of
5 someone on the inside, pointing to the need for background
6 screening and monitoring of casino employees to make sure you
7 have honest employees and that they continue to remain honest.

8 The National Gambling Impact Study Commission has an
9 important role to play in forming the trend toward legalizing
10 more forms of gambling in more jurisdictions. It appears that
11 many jurisdictions do not properly study or learn from the
12 experiences of the past. And as a result, some jurisdictions may
13 be condemned to relive the past.

14 The case of Windsor, Ontario, I believe, is an
15 example of a well-planned effort to introduce a single casino
16 into a city, and it may provide a useful model for other
17 jurisdictions to emulate.

18 Ontario brought together experts in travel,
19 transportation, tourism, crime and other areas to project who the
20 visitors would be, where they would come from and the impact on
21 everything from employment to local businesses to police to
22 parking to traffic flow.

23 All economic development has benefits and incurs
24 costs, whether it's casinos, manufacturing, convention centers or
25 amusement parks. Too few cities have carried out this assessment
26 objectively to assess the suitability of different forms of
27 economic development given their geographic location, local
28 economy and local public opinion.

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1 The result is a politicized atmosphere of dueling
2 experts and ideology, rather than relying on objective evidence
3 and rational decision making.

4 The national commission would perform a useful
5 service by providing a framework for jurisdictions considering
6 casino gaming to follow in assessing all aspects of the impact on
7 a community so that more informed decisions are made and fewer
8 mistakes are repeated.

9 Further studies of the impacts of gambling, both
10 legal and illegal, are sorely needed. Lotteries and Internet
11 gambling have the potential to reach far more people than casinos
12 ever will.

13 The gambling crime link has been studied only in a
14 comparatively small number of jurisdictions. Most of those
15 studies cover limited time periods and few examine factors that
16 more time and funds are needed to explore.

17 For example, interviews with white collar and
18 organized crime offenders in different jurisdictions are needed
19 to assess their connection to gambling rather than the anecdotal
20 evidence we rely on now and the similarities and differences in
21 their opportunities and motivations. Only in this way can we
22 become better informed about what to expect in the future.

23 Finally, all forms of gambling must be regulated
24 closely wherever they're introduced due to the speed at which
25 cash is accumulated.

26 Unlike other cash businesses where a business must
27 wait for a product or service to be exhausted or used, like a
28 drink or a meal or entertainment, before the customer can be
29 solicited again, games of chance move a lot more quickly.

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1 Multiple debts and payouts occur in seconds,
2 permitting many transactions in short periods resulting in large
3 cash accumulations. There will always be significant temptation
4 for organized crime elements and criminals in general. They do
5 tend to follow the money.

6 Effective models of monitoring and enforcement now
7 exist, and the commission would do a great service by recognizing
8 and describing those models of regulation in the forming that are
9 working effectively to keep the risk of crime low.

10 Thank you for your invitation to appear and I'll be
11 happy to answer any questions.

12 CHAIRMAN JAMES: Thank you, Dr. Albanese.

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