

An Overview of
Gambling and Crime

September 10-11, 1998
On-site meeting in Biloxi, Mississippi & New Orleans, Louisiana

Douglas Seay
Director of Policy

National Gambling Impact Study Commission
800 N. Capitol Street, N.W., Suite 450, Washington, D.C. 20002
Tel: 202-523-8217; Fax: 202-523-4394

Table of Contents

	Page
Introduction -----	1
Atlantic City: A Paradigm? -----	2
Are Casinos the Problem? -----	3
Beyond Atlantic City -----	5
Smaller Communities -----	6
Organized Crime -----	9
Illegal Gambling -----	12
Conclusion -----	13

Gambling and Crime

Douglas Seay

The relationship between crime and gambling, especially casinos in their various forms – riverboat, traditional land-based, Native American, etc. – is a prominent feature of any debate and discussion regarding the legalization of gambling and its consequences. The association is generally not a positive one: in the words of one observer, gambling “tends to raise particular fears of organized and incidental crime, carrying overtones of illicit activity, shady accounting, and even violence. All communities interested in gaming are attracted by the economic benefits, but all are also wary of the potential tangible and intangible costs of crime.”¹ How closely does this image track with reality?

The distance between the partisans in this debate can be measured by the conclusions of two separate studies of proposed land-based casinos. In Maryland, a report by the Attorney General’s office stated: “casinos would bring a *substantial* increase in crime to our State. There would be more violent crime, more crimes against property, more insurance fraud, more white collar crime, more juvenile crime, more drug and alcohol-related crime, more domestic violence and child abuse, and more organized crime. Casinos would bring us exactly what we do not need – a lot more of all kinds of crime.”²

By contrast, in Massachusetts, an examination of the evidence concluded that: “the data indicate that few statistical patterns or discernable crime trends could be related directly to the introduction of casino gaming into a municipality...If gaming causes or attracts crime, crime statistics should rise, and continue to do so in communities that have legalized gaming. Statistics should indicate an immediate and sustained relationship between gaming and crime. They do not.”³

There are many reasons for the wide gulf separating these very different conclusions, but the most tangible is the shortage of reliable information. In the view of one expert, studies of the relationship between crime and tourism (a category in which gambling is often included) range between “sparse” and “rare.”⁴ As recently as 1997, one observer concluded that: “No existing study provides much guidance as the extent to which casinos actually generate these problems” [crime, pathological gambling, domestic abuse, etc.], largely because the subject has received only limited scholarly attention.⁵ More specifically, little hard data exists regarding linkages between the commission of

¹ Patricia A. Stokowski, “Crime Patterns and Gaming Development in Rural Colorado,” Journal of Travel Research, Winter 1996, p. 63.

² Report of Attorney General J. Joseph Curran, Jr. on the Impact of Casino Gaming on Crime. “The House Never Loses and Maryland Cannot Win: Why Casino Gaming is a Bad Idea,” A Report to the Joint Executive-Legislative Task Force to Study Commercial Gaming Activities in Maryland, October 16, 1995, p. E 1.

³ Massachusetts Senate Committee on Post Audit and Oversight. Toward Gaming Regulation: Part I: Crime January 1994, p. 2.

⁴ William J. Miller and Martin D. Schwartz, “Casino Gambling and Street Crime,” The Annals of the American Academy of Political and Social Science, March 1998, p. 127.

⁵ Peter Reuter, “The Impact of Casinos on Crime and other Social Problems: An Analysis of Recent Experiences,” Report for the Greater Baltimore Committee, January 1997, p. i.

individual criminal acts and gambling. Whether the subject is "street crimes" such as robbery, burglary, murder, rape, and other assaults; or "white collar crimes" such as fraud, forgery, and embezzlement; or even "family crimes" such as domestic violence, only rarely do law enforcement authorities compile information regarding motivation. In part, this is a definitional problem: identifying "gambling" as a principal contributing factor in bank robberies, assaults, or white collar crimes is problematic because the phenomenon is "difficult to measure."⁶ Law enforcement officials readily admit that the relevant questions regarding motivation are seldom or never asked of accused or convicted felons.⁷

Atlantic City: A Paradigm?

Given this situation, prospective analyses of the subject usually are forced to adopt a broad perspective, often reduced to rough comparisons of the crime rate before and after the introduction of casinos in a community. Deductions regarding causal relationships frequently follow. Because casino gambling outside the unique setting of Las Vegas is a relatively new phenomenon, comparative analyses involving other jurisdictions are limited. Atlantic City has received the bulk of that attention, with predictably wholly opposite conclusions being drawn by different observers.

When the gross numbers of crimes (based on the FBI's Uniform Crime Report Index [UCR]) in Atlantic City before and after the opening of the first casinos in 1978 are compared, there is little dispute that there was an immediate and substantial increase in virtually all categories of crime. One study of the period from 1977 to 1990 reported a 230% increase in the aggregate crime figures for Atlantic City, with rapes up 156%, robberies up 159%, aggravated assaults up 316%, and larcenies up 451%.⁸ All observers agree that the gross rates of larceny and theft increased dramatically in Atlantic City after legalization, with one study estimating that 64% of crime in Atlantic City was casino-related and that 90% of that was larceny thefts.⁹ According to the same report, the

⁶ William J. Miller and Martin D. Schwartz, "Casino Gambling and Street Crime," The Annals of the American Academy of Political and Social Science, March 1998, p. 127..

⁷ One area in which research on this linkage has been conducted regards compulsive gamblers. For example, a study of individuals undergoing treatment in Gamblers Anonymous found that 54%-68% had committed gambling-related offenses and 15%-23% had been convicted for such crimes. Other studies indicate that 40% of patients in hospital treatment programs for compulsive gamblers had been previously arrested for gambling-related offenses and 19% had been incarcerated. Additional studies estimate that 60% of prison inmates have gambling-related problems and 20%-30% are in prison for related crimes. A separate survey of Gamblers Anonymous members revealed that 47% admitted to some form of insurance fraud, while the American Insurance Institute reports that "40% of all white-collar crimes are committed by pathological gamblers." For these and related studies, see "The Effects of Land-Based and Riverboat Gaming in New Orleans: Task III: Effects of Gaming on Crime and Criminal Justice." A study by the University of New Orleans et. al. Submitted to The City Planning Commission of New Orleans, February 1997, pp. 19-20. This survey of the literature adds that "no systematic studies link increases in pathological gambling or related crime with the legalization of gambling in communities...However, considerable anecdotal evidence indicates that rates of pathological gambling have risen with increases in legalized gambling."

⁸ "How Casino Gambling Affects Law Enforcement," Illinois State Police, Division of Criminal Investigation, Intelligence Bureau, April 16, 1992, p. 3.

⁹ D. Curran and F. Scarpitti, "Crime in Atlantic City: Do Casinos Make a Difference?" Deviant Behavior, 1991, p. 448. The same study also concluded that 70%-80% of all crime in Atlantic City was casino-

"[r]ates of reported property crime rose sharply in the years following the opening of the first casinos, although they have leveled off in recent years."¹⁰

Of more immediate importance to citizens and law enforcement officials than the gross numbers of crimes committed are the per capita figures. When the increases in the total number of crimes are plotted against the resident population of Atlantic City, they reveal a sharp increase in the per capita rate of crime, with the implication that life has become more perilous for the average citizen. In Atlantic City's case, a declining population in the city itself has pushed these alarming figures even higher, leading some to conclude that, regardless of whatever economic benefits may have resulted from the casinos (a vigorously disputed subject in its own right), the average citizen and the community as a whole are markedly less safe because of the upsurge of crime stemming from the casinos.

Yet, a consideration of the actual impact on individuals must take into account the large numbers of tourists drawn by the casinos: when population figures are expanded beyond permanent residents to include the huge daily influx of visitors to the casinos, the increase in the per capita rate of crime is much lower than at first glance, and may even be below that of the pre-casino era, leading some to conclude that although the aggregate amount of crime in the city has increased, an individual's likelihood of being the victim of a crime has actually been reduced.¹¹ For example, one study concluded that when visitors are included in the population figures, "the increase in serious crime in Atlantic City has been more than offset by an increasing population there. The results have been a slight reduction in the likelihood of being victimized there."¹²

In other words, there may be more crime, but it may be entirely commensurate with the larger tourist-padded population base, with the net impact on individuals being more or less benign. This debate is not over marginal numbers: in the case of Atlantic City, the resident population has declined below 40,000, while the average daily influx of tourists is approximately 80,000, totaling over 30,000,000 visits in any one year (obviously, this total includes multiple visits by single individuals).¹³ The consequences for per capita calculations are obvious, even if the specific conclusions regarding individual victimization are not.

Are Casinos the Problem?

The argument can be pushed further: Is there something inherent in gambling in general, and casinos in particular, that triggers crime, or are the observed increases in

related, but added that once the increase in tourism was accounted for, the per capita incidence of crime had not increased. *Ibid.*, p. 446.

¹⁰ The WEFA Group, "Current Information on the Link Between Casinos and Street Crime," The WEFA Group Consumer Markets Analysis, November 10, 1994, p. 2.

¹¹ Jeremy Margolis, Casinos and Crime: An Analysis of the Evidence, Altheimer and Gray, December 1997.

¹² Jay Albanese, "The Effect of Casino Gambling on Crime," Federal Probation, 48, 1985, p. 43. An additional study a decade later supports this conclusion: "Those who raise the specter of an Atlantic City teeming with crime bred by casinos serving as a blueprint for a crime wave in any community that legalizes gaming misunderstand (or intentionally misconstrue) the statistical realities in Atlantic City." Jeremy Margolis, Testimony before the House Judiciary Committee, September 29, 1995, p. 4.

¹³ Carl G. Braunlich, "Lessons from the Atlantic City Casino Experience," Journal of Travel Research, Winter 1996, p. 49.

crime in Atlantic City attributable simply to the greater number of tourists? Is casino gambling more likely to generate crime than other tourism-related industries?

One method for addressing this question is to compare Atlantic City's figures for crime and visitors with those of other tourist destinations. A favorite example of the latter is Orlando, Florida, home to Disney World. In both regions, there are large daily increases in the number of people in the area, considerably swelling the daily population figures far beyond the permanent residents. In both regions, the absolute number of crimes has increased since the opening of the casinos and Disney World respectively, and in both cases the aggregate amount of crimes and the per capita rate of crime measured against the resident population has increased dramatically. However, in both cities, the per capita rate of crime appears to have decreased when measured against population figures that include tourists. Again, looked at from the standpoint of gross figures, the overall level of crime in the community has gone up, but the chances of any one individual being the victim of a crime have declined slightly. (Obviously, the impact on particular individuals will vary enormously).

Nevertheless, some analysts implicate gambling itself as a cause in the rise of crime in Atlantic City, one study concluding that "casinos have 'brought' significantly more crime than the population increase warranted."¹⁴ However, others contend that, when measured against the larger population figures, not only is there no evidence of an increase in the rate of crime due to casinos but that the rate of increase in Atlantic City is *less* than that for the supposedly more family-oriented crowds drawn to Disney World. For example, "[v]isitor adjusted crime rates for Atlantic City and Las Vegas are lower than visitor adjusted rates for Miami, Fort Lauderdale, Orlando and Tampa/St.Pete."¹⁵ One study concludes that "crime rates in Atlantic City, when adjusted for the tourist population, compare favorably with other tourist destination cities in 1992; in fact, Atlantic City has an extremely low rate of violent crime for a major tourist destination."¹⁶

Critics counter that, when Atlantic City is measured against the rest of New Jersey, the rate of increase of crimes in the city is higher than that for the non-casino areas of the state.¹⁷ In addition, there are allegations of a "spillover effect" in the form of higher rates of crime in the surrounding region. One study concluded that "the level of crime in localities adjacent to Atlantic City and along the major nontoll routes to Philadelphia and New York City up to approximately 30 miles from Atlantic City rose significantly following the introduction of casinos. Crime levels are higher than they would have been in the absence of casinos."¹⁸ This relationship was supported by a study of the outlying areas that compared periods before and after the casinos opened, and concluded that "both distance and police outlays were associated with less crime. The further the locality from Atlantic City, the lower the level of imported crimes, with the

¹⁴ Joseph Friedman, Simon Hakim, and J. Weinblatt, "Casino Gambling as a 'Growth Pole' Strategy and its Effect on Crime," *Journal of Regional Science*, Vol. 29, No. 4, 1989, p. 622

¹⁵ Ted Chiricos, "Casinos and Crime: An Assessment of the Evidence," Florida State University (?), October 1994, p. 1.

¹⁶ WEFA, op. cit., p. 2.

¹⁷ George Sternlich and James W. Hughes. *The Atlantic City Gamble*. (Cambridge, MA: Harvard University Press, 1983)

¹⁸ Joseph Friedman, Simon Hakim, and J. Weinblatt, "Casino Gambling as a 'Growth Pole' Strategy and its Effect on Crime," *Journal of Regional Science*, Vol. 29, No. 4, 1989, p. 615.

level of local crime generation variables kept constant...The study shows the possible casino-related export of crime from Atlantic City to localities in its vicinity."¹⁹

Opponents of this view respond that, once again, these figures are based on the resident populations and do not account for the increased numbers due to tourism.²⁰ This is countered with statements to the effect that the "tourists" in question are just passing through these communities on their way to Atlantic City, and therefore cannot be regarded as even a temporary part of the population for purposes of calculating per capita crime rates.

Extending this argument is the contention that the true relationship between casinos and crime can only be measured by taking into account the impact on areas far removed from the casino. In this view, casino-related crime cannot be identified solely in the statistics where the casinos are located. Instead, casinos are said to "export crime. A gambler with debts may commit crimes in his home area, travel to the casinos in Las Vegas and gamble his money away, and then return home to commit more crimes. These crimes may range from simple larceny to writing bad checks, to not even paying property taxes."²¹ Others are more agnostic in their assessment of cause and effect, noting that "where casinos have been introduced, crimes have increased. People can differ as to what portion of the crime is due solely to the nature of casinos and what portion is due to the increased crowds. But, the fact is that, in jurisdictions that have established casinos, crime has increased."²²

Beyond Atlantic City

In the two decades since the inauguration of casino gambling in Atlantic City, a number of other states have legalized casinos and other forms of gambling, albeit usually on a smaller scale. These different venues include riverboat gambling, Native American gambling, and traditional land-based casinos, with Mississippi taking the lead in the latter category. One consequence of this expansion is that the relevant literature has been supplemented with a number of comparative analyses of widely differing situations. In addition to communities with operating casinos, there also have been a number of studies regarding proposed casinos that were never constructed or have yet to open. How do these communities' experiences with crime compare to that of Atlantic City?

In large cities such as St. Louis and Kansas City where legalized gambling remains a relatively small part of the economy, distinguishing the impact of casinos on crime – as opposed to that resulting from other causes – is understandably difficult, and much of the evidence is necessarily anecdotal. For example, after the opening of riverboat casinos in New Orleans, a survey of business owners who had been victims of theft and burglary revealed that one-fifth of them "attributed the crimes to the impact of casino gaming. Thirteen percent of those whose businesses had been robbed felt that the

¹⁹ Simon Hakim and Andrew J. Buck, "Do Casinos Enhance Crime?" *Journal of Criminal Justice*, Vol. 17, (1989), p. 414.

²⁰ D. Curran and F. Scarpitti, "Crime In Atlantic City: Do Casinos Make a Difference?" *Deviant Behavior* 12.

²¹ J. Terrence Brunner, ed., *Better Government Association Staff White Paper: Casino Gambling in Chicago*, October 1992, p. 103.

²² Report by Scott Harshbarger, Massachusetts Attorney General, *The Impact of Expanded Gambling on Law Enforcement: The Cost of Casino Crime*, January 1996, p. 1.

crimes were related to the introduction of casino gaming to the City."²³ But the empirical evidence, if any, for these conclusions was not presented by the report, rendering evaluations of its utility somewhat difficult.

Nevertheless, there are those who conclude that the law enforcement costs imposed by casinos can be substantial. For example, a 1992 study of a proposed land-based casino in Chicago estimated the additional criminal justice costs at \$41 million to \$100 million for additional law enforcement personnel, pretrial detention, court, probation, correctional costs, and so forth.²⁴ However, although some jurisdictions have been forced to increase their expenditures on law enforcement to deal with the impact of legalized gambling, others have seen the increased revenues resulting from casinos and other establishments as an opportunity to invest in long-underfunded police departments and other agencies. Proponents assert that any increase in costs for law enforcement are more than offset by the economic benefit to the community, including revenues from gambling.

Smaller Communities

Some researchers have identified the size of the community as a key variable regarding the impact of legalized gambling on crime. It may be that large cities, with their relatively extensive and permanent criminal class, may experience higher rates of crime following the opening of a casino than would be the case with smaller towns and rural communities. For example, a county-by-county examination of the relationship between crime and rural (in this case, Native American) casinos in Wisconsin for the period 1992-1994 found "no significant relationships" between the introduction of casinos and violent crimes, but it did find that "serious property crimes" such as burglaries did increase.²⁵

Other oft-cited factors include the type of gambling establishment, with riverboats apparently providing a more secure environment than traditional land-based casinos. Although the above-mentioned study examining a proposed land-based casino in Chicago was broadly negative about the projected impact on crime in that city, it also stated that there was a "clear difference" in impact between land-based casinos and their riverboat counterparts in smaller cities such as Galena, Aurora, and Joliet. The report continues: "It appears from data available thus far that riverboat casino enterprises afford a highly controlled and secure setting for legalized gambling. The presence of riverboats in a city does not appear to have any substantial negative impact on overall criminal activity or calls for service in the host jurisdiction." However, the report added the caveat that this conclusion was the product of a "preliminary review."²⁶

Supporting this view are a number of reports with examples drawn from the various Midwest communities with riverboat casinos. In many, police officials are said

²³ "The Effects of Land-Based and Riverboat Gaming in New Orleans: Task III: Effects of Gaming on Crime and Criminal Justice," A Report to The City Planning Commission of New Orleans,

²⁴ "Riverboat Gambling and Crime in Illinois: Preliminary Report on Riverboat Gambling in Joliet: Impact on Criminal Activity and Law Enforcement Workloads." Illinois Criminal Justice Information Authority, May 1994, p. 1.

²⁵ Thompson, William N., Ricardo Gazel, and Dan Rickman, "Casinos and Crime in Wisconsin." Wisconsin Policy Research Institute Report, 1996, pp. 10-12

²⁶ "Riverboat Gambling and Crime in Illinois." *op. cit.*, pp. 1-2.

to report only a small increase in crime or none at all, with some having experienced an actual decrease in crime. For these smaller communities with riverboats, "the changes in crime rates for casino towns ... are quite modest; none of the casino cities has suffered a very large increase in crime as the result of the introduction of casinos." One of the possible reasons for this result is that some of the revenues from gambling have been used to upgrade the police forces in these smaller communities, thereby supposedly resulting in more effective law enforcement and less crime overall.²⁷ "For smaller communities opening casinos since 1991, before and after comparisons more often show a *drop* in crime than a rise."²⁸

For example, law enforcement officials in Joliet are cited as stating that the riverboat casino located downtown "has resulted in 'greatly reduced crime,' most likely because the casino has brought considerable economic activity and pedestrian traffic to a previously run down and depressed area." Similarly, the police in East St. Louis, Illinois have stated that there has been "a reduction in local crime since the introduction of the city's riverboat casino, attributing it to improved street lighting and tight security provided by the boat." In Davenport, Iowa, "police officials report 'no increase in crime and no negatives'" from the riverboat casino, and in East Dubuque "the riverboat has caused no increase in crime."²⁹

These conclusions were supported in yet another survey of local law enforcement officers in Illinois towns with riverboat casinos that revealed no increase in either the absolute number of crimes or the per capita rate. Yet, this information was largely impressionistic and anecdotal; as noted above, there is no consistent reporting or collection of crime statistics by local and state jurisdictions. In addition, very few white collar crimes are ever studied for links to gambling.

The apparent advantages of riverboat casinos may be shared by other forms of gambling. For example, a similar pattern has been observed regarding street crimes in the areas around card clubs in California. One study of this industry found "no relationship between crime and card clubs ... The evidence indicates that crime around the licensed card clubs is no more prevalent and probably less common than would be expected of any business that attracted a large clientele."³⁰

Since its introduction in Mississippi in the early 1990s, casino gambling has rapidly become a major presence in several of the state's regions. A study of crime trends in Mississippi identified a "modest" increase in crime in Biloxi one year after the first casinos had opened there in August 1992, including noticeable increases in economic and property crimes such as larceny, theft, burglary, and fraud. It also found that the patterns of crime had changed, with a greater incidence of prostitution, credit card fraud, and other forms seemingly related to the presence of casinos.³¹ The study

²⁷ Peter Reuter, "The Impact of Casinos on Crime and other Social Problems: An Analysis of Recent Experiences," Report for the Greater Baltimore Committee, January 1997, p. 12.

²⁸ Ted Chiricos, "Casinos and Crime: An Assessment of the Evidence," Florida State University (?), October 1994, p. 1.

²⁹ The WEFA Group "Current Information on the Link Between Casinos and Street Crime" (March, 1994) pp. 6-7.

³⁰ Thomas Gale Moore, "Card Clubs and Crime in California: A Report to Bay 101," (Stanford University: Hoover Institution, March 1997), p. 2

³¹ David Giacopassi and B. Grant Stitt, "Assessing the Impact of Casino Gambling on Crime in Mississippi," American Journal of Criminal Justice, Vol. 18, No. 1, 1993, p. 127.

concluded that states "that legalize casino gambling will almost certainly experience some increases in crime, particularly property crime in and around the casinos," but qualified this finding by adding that the increases in crime were modest and depended to a great degree on the effectiveness of policing by local law enforcement.³² A separate study of Biloxi's experience came to somewhat different conclusions, finding that "a substantial decrease in overall crime rates was noticed during the first full year of casinos. During the second year, however, crime rates appear to have returned to the precasino level. Overall, there was no increase in crime during the first two years of casinos." However, it also cautioned that the "long-term impact of casinos on crime in Biloxi is yet to be tested."³³

A contrasting picture is offered by a study of the three small, former gold-rush towns of Black Hawk, Central City, and Cripple Creek in Colorado, where casinos began operations in October 1991. This report concluded that, when compared to other jurisdictions in Colorado of similar size, "the total numbers of property crimes (larceny and theft, motor vehicle theft, and burglary) and one category of violent crime (aggravated assault) have increased substantially in the gaming counties since gaming development." On the other hand, tourist visits increased faster than crime, "slightly reducing the chance that people will be victims of crime." As with Atlantic City, it is "not evident from these data whether gaming behavior produces increases in crime or whether crime increases are simply the result of huge increases in tourist visits to the towns. A preliminary comparison of crime trends in Colorado gaming counties compared with crime trends in three nongaming resort counties in Colorado...suggests that gaming per se may produce different forms of criminal behavior than occurs in other resort communities, regardless of the visitor increases common to both types of counties."³⁴

Similarly, a study of newly legalized casino gambling in the historic frontier town of Deadwood, South Dakota, pointed to a worrisome increase in crime. Here, too, police reported a 60% rise in felonies one year after gambling was legalized. The majority of these were of the drunk driving/disorderly behavior/property crimes variety; violent crimes, such as rape and murder, apparently were not significantly affected.³⁵ This viewpoint is supported by a 1992 report that concluded that "the majority of policing agencies contacted [in small-town gambling communities in South Dakota, Colorado, and elsewhere] have not conducted studies to ascertain the impact that casino gambling has had on law enforcement. However, all expressed that there was a negative impact on law enforcement and that crimes and/or calls for service have increased dramatically."³⁶

³² David Giacomassi and B. Grant Stitt, "Assessing the Impact of Casino Gambling on Crime in Mississippi," *American Journal of Criminal Justice*, Vol. 19, No. 1, 1993, p. 128.

³³ Semoon Chang, "Impact of Casinos on Crime: The Case of Biloxi, Mississippi," *Journal of Criminal Justice*, Vol. 24, No. 5, p. 436.

³⁴ Patricia A. Stokowski, "Crime Patterns and Gaming Development in Rural Colorado," *Journal of Travel Research*, Winter 1996, p. 68.

³⁵ J. Garner, "Gambling-town Police Brace for Crime," *Rocky Mountain News*, (Denver, Colorado), May 12, pp. C9-C10.

³⁶ "How Casino Gambling Affects Law Enforcement," Illinois State Police, Division of Criminal Investigation, Intelligence Bureau, April 16, 1992.

Organized Crime

Fairly or not, casino gambling is commonly associated in the minds of the general public with organized crime. According to former New Jersey Attorney General John Degnan, "Anybody who goes into gambling should recognize, particularly in an urban center, that organized crime will be attracted to it like sharks to a bloated body."³⁷

Hollywood has helped to fix this image by means of movies and other media, and there is little doubt that, in the past, organized crime did indeed have a major presence in the Nevada casinos. The incentives are not difficult to understand: in addition to whatever legitimate profits they may generate, casinos can also provide organized crime with opportunities for "skimming" money before the daily count (that is, pocketing part of the casino's winnings before the money is counted and reported to regulators, the IRS, to investors/owners, and others), and "laundering" money illegally acquired from other sources, such as the drug trade.³⁸

The attraction may be evident, but is this image an accurate description of present-day reality? Clearly, casinos were once a major source of revenue for organized crime families, with that of Chicago reportedly being among the most prominent and active.³⁹ And organized crime's involvement in the Las Vegas casinos is a matter of public record, first receiving major national attention as the result of the Kefauver Committee's⁴⁰ investigations into organized crime in the early 1950s. One of the conclusions of this Committee was that organized crime subsisted to a large degree on money from both illegal and legal gambling.⁴¹

However, the available evidence is that this situation has since changed considerably. Key developments were Nevada's introduction of comprehensive and effective regulation in the 1950s and 1960s, including the creation of the state's Gaming Commission and the Gaming Control Board with broad powers to regulate gambling. Equally, if not more important, was the decision by state officials to allow corporations to own and operate casinos. According to one observer, "[p]erhaps the most significant factor in the removal of organized crime figures from the ownership (hidden or otherwise) of casinos was the shift from individual to corporate ownership."⁴² This innovation not only changed the scale of the industry, thereby dwarfing organized crime's financial resources and greatly limiting its ability to use intimidation, exercise effective control through infiltration, etc., but it also brought to bear constant and detailed public scrutiny from investors, investment houses, and others, along with extensive reporting requirements to, and regulation by, the federal Securities and Exchange Commission (SEC).

³⁷ Quoted in Better Government Association Staff White Paper: "Casino Gambling in Chicago," October 1992, p. 82.

³⁸ For a more detailed description of money laundering at casinos, see U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Suspicious Activity Reporting and Casinos" July 1998, *passim*.

³⁹ Jay Albanese, "Casino Gambling and Organized Crime: More than Reshuffling the Deck,"

Contemporary Issues in Organized Crime, (Monsey, New York: Criminal Justice Press, 1995), p. 3.

⁴⁰ The U.S. Senate Special Committee to Investigate Organized Crime in Interstate Commerce headed by Senator Estes Kefauver.

⁴¹ Albanese, *op. cit.*, p. 2.

⁴² *Ibid.*, p. 7.

Apparently, the measures implemented by Nevada have been effective, leading the U.S. Commission on the Review of the National Policy Toward Gambling in 1976 to conclude that although organized crime once "was a significant factor in some Nevada casinos...the presence of organized crime in Nevada today is negligible...On the whole [Nevada's] regulations are sufficiently stringent and enforcement is effective."⁴³

When New Jersey authorized casinos for Atlantic City, state lawmakers publicly placed great emphasis on keeping out organized crime. The result was the adoption of a series of regulations drawing heavily on Nevada's experience, with broadly similar results. One study that otherwise was generally negative regarding the impact of casinos on crime concluded that "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."⁴⁴

These accomplishments, however, do not translate into a permanent clean slate; they depend on how effectively the regulatory measures continue to be enforced, with any gaps providing opportunity for organized crime to exploit. According to experts, with sufficient regulation, "organized crime involvement can be readily discovered and minimized when: casino applicants, vendors and their personnel are screened carefully; the games themselves are monitored; and close surveillance is undertaken of opportunities for skimming and labor union infiltration. Only where regulations are substandard, or insufficient emphasis is placed on screening, monitoring, and enforcement, can organized crime operate with impunity."⁴⁵ And there are numerous reports of continuing attempts at infiltration by organized crime into the operations of all types of legal gambling.⁴⁶ According to expert testimony from FBI witnesses: "We see a continuing effort by organized crime to corrupt the casino systems...[However], we don't see any major corruption of casinos in the United States." But the same testimony

⁴³ U.S. Commission on the Review of the National Policy Toward Gambling, 1976, p. 78.

⁴⁴ J. Terrence Brunner, ed., Better Government Association Staff White Paper: Casino Gambling in Chicago, October 1992, p. 82.

⁴⁵ Jay Albanese, "Casino Gambling and Organized Crime: More Than Reshuffling the Deck," in Contemporary Issues in Organized Crime. Jay Albanese, ed. (Monsey, NY: Criminal Justice Press, 1995), p. 1

⁴⁶ See, for example, Chris Ison and Lou Kilzer, "Mafia Associates Had Ties to 5 Casinos," Star Tribune, May 29, 1994, p. 1A; Michael Perlstein, "Arrests Link Mob to Casino Card Scam," (New Orleans) Times-Picavune, June 2, 1995, p. A1; "The Mob and Gambling Scam," Times-Picavune, February 21, 1996, p. B6; Victoria Irwin and Warren Richey, "Holding the Mob at Bay?," Christian Science Monitor, August 23, 1986, p. 18; Associated Press, "Skimming Scheme Overheard. FBI Agent Testifies at Detroit Trial," Las Vegas Sun, March 3, 1998, p. 6B; David Josar, "Defense Rests in Mob Trial," Detroit News, April 9, 1998, p. C2; Mike Soraghan, "Crime Ring Linked to Video Poker," (Charleston, S.C.) Post and Courier, February 15, 1998, p. A1; Joe Gyan, Jr., "Book Closes on Mob Try to Infiltrate Louisiana Gambling," (Baton Rouge, La.) Advocate, October 13, 1996, p. 1A.

indicated that organized crime has directed its attention toward ancillary services, such as food services, laundry, garbage removal, supplies, labor unions, etc.⁴⁷

Given a history of organized crime in New Jersey, officials in that state have made specific efforts to broaden the reach of regulators into businesses that service the gambling industry. This led Atlantic City, and other areas, to "closely monitor or license those working in casinos."⁴⁸ Labor unions have provided a possible avenue of opportunity for organized crime. According to one expert, in 1991, "after lengthy investigations, the Atlantic City chapter of the Hotel Employees and Restaurant Employees International Union [HERE] was forced to accept the appointment of a federal monitor with broad disciplinary and oversight powers. Union officials found to have ties to organized crime were removed from office."⁴⁹ Federal government supervision of the Atlantic City local ended in 1997, with the U.S. Attorney's office asserting that the local chapter was no longer controlled by organized crime.⁵⁰ In 1995, a federal court monitor was also appointed to review the union's national office for any organized crime influence or corruption. During the monitoring period, union officials continued to exercise day-to-day control. According to Robert J. Rotatori, HERE General Counsel, monitorship of the union was concluded on March 5, 1998.⁵¹

Some critics of Native American casinos have alleged that the standards and regulation these operate under are significantly less comprehensive and effective than those of their non-Indian counterparts and that, as a result, organized crime has been able to infiltrate them. There is, in fact, some evidence that, for whatever reason, organized crime has in fact targeted Native American casinos. For example, in 1997, there were a number of federal indictments of alleged members of a Chicago organized crime family regarding the casino operated by the Rincon Indian reservation near San Diego. In these indictments, it was alleged that on this and other Indian reservations, organized crime had owned or infiltrated the "management companies which are employed by the Indian tribes to oversee and run bingo games," one of the major objectives being money laundering.⁵² In addition to the casinos themselves, critics charge that the mob has targeted businesses servicing the Native American casinos.⁵³

Possible supporting evidence for this alleged laxity in regulation may be found in reports of some Native American gambling operations employing convicted felons. For example, Casino Arizona, run by the Salt River Pima-Maricopa Indian Community near Phoenix, has admitted employing felons. One newspaper account says that tribal officials admitted "they don't know how many of the hall's 350 employees have criminal records." However, "felons" is a broad term and need not indicate hardened criminals:

⁴⁷ (Massachusetts) Senate Committee on Post Audit and Oversight. Toward Gaming Regulation: Part I: Crime January 1994, pp. 20, 22.

⁴⁸ *Ibid.*, p. 6.

⁴⁹ Carl G. Braunlich, "Lessons from the Atlantic City Casino Experience," Journal of Travel Research, Winter 1996, p. 54.

⁵⁰ "Government Moves to End Supervision of Atlantic City Union." The Wall Street Journal, February 25, 1997, p. B8.

⁵¹ Letter of Robert J. Rotatori to the National Gambling Impact Study Commission.

⁵² (Massachusetts) Senate Committee, *ibid.*, p. 16. See also "17 Charged with Trying to Control Indian Casino," The New York Times, April 20, 1997.

⁵³ (Massachusetts) Senate Committee, *ibid.*, p. 16. See also Matthew Fordahl, "Indictment Alleges Organized Crime Infiltration of Indian Casino." Associated Press, April 19, 1997.

although critics allege that stories such as these constitute evidence of worryingly loose standards in regulation, defenders respond that many of these individuals were hired as part of an intentional policy of giving wayward tribe members a second chance.⁵⁴

Illegal Gambling

By its very nature, the extent of illegal gambling is difficult, if not impossible, to estimate with any degree of confidence. Much of the problem is definitional: social betting, such as office football pools, may be technically illegal yet not fulfill the definition intended by the term. Yet, there is little dispute that illegal gambling of a more serious nature exists in all sections of the country, and organized crime is generally conceded to play a prominent role in it. One of the many arguments put forward for legalizing gambling is that illegal gambling actually encourages crime in other areas because illegal gambling "is likely to foster other activity which is against the law." By contrast, those running legitimate gambling operations "fearing a loss of their valuable license, have a strong incentive to abide by the law and to cooperate with the police."⁵⁵

A separate, but related, argument for legalizing gambling is the proposition that illegal gambling will necessarily be reduced, and along with it organized crime. This common-sense argument, however, may not always prove true. For example, according to one expert, the creation of the lottery in Massachusetts has not eliminated organized crime's involvement in lottery-type gambling; in fact, organized crime is said to be "thriving" in that state, deriving much of its revenue from illegal numbers games and sports betting.⁵⁶ One high-end estimate of the gross revenues in the state from illegal gambling at \$10.2 billion, much of which is under the control of organized crime.⁵⁷

Even if shut out of casinos, organized crime can still illegally benefit from legalized gambling. Organized crime families have greatly profited "through increased illegal activities when casinos opened in Atlantic City. Their traditional business in loan-sharking, drug sales, prostitution, and illegal numbers and sports betting has multiplied since the casinos opened in Atlantic City."⁵⁸ Even a well-policed casino may provide organized crime with many opportunities because it can provide a "window of opportunity" regarding loan sharking, prostitution, etc.⁵⁹ In addition, "a land-based casino will produce an entirely new base of gamblers, the number of new mob customers offsets the number of people who will forego illegal betting in favor of the casino. Some people will become illegal gamblers with the legalization of casino gambling because

⁵⁴ "Indian Poker Casino in Arizona Acknowledges Hiring Felons," Las Vegas Review-Journal, June 19, 1998.

⁵⁵ Thomas Gale Moore, "Card Clubs and Crime in California: A Report to Bay 101," (Stanford University: Hoover Institution, March 1997), p. 1.

⁵⁶ (Massachusetts) Senate Committee, *ibid.*, p. 11.

⁵⁷ (Massachusetts) Senate Committee, *ibid.*, p. 14.

⁵⁸ J. Terrence Brunner, ed., Better Government Association Staff White Paper: Casino Gambling in Chicago, October 1992, p. 93. However, this data is from 1981.

⁵⁹ Brunner, *ibid.*, p. 92. See also William Thompson, "The Dutch Gamble: A Strategy for the Expansion of Legalized Casino Gambling in the Netherlands" and D. Dixon, "Responses to Illegal Betting in Britain and Australia," in Gambling Research: Proceedings of the Seventh International Conference on Gambling and Risk Taking, William R. Eadington, ed. (Reno, Nevada: University of Nevada, Reno, 1988).

they will find that illegal gambling offers better odds, more credit, and gambling opportunities not offered in casinos."⁶⁰

Support for this viewpoint comes from William Jahoda, a self-confessed former gambling director for an organized crime family in Chicago. Jahoda has testified that "there always existed one solid and dependable constant to those of us in organized crime – any new form or expansion of State-controlled licensed gambling always increased our market share. Simply put, the political dupes or stooges who approved riverboat gambling houses, lotteries, off-track horse betting sites, Las Vegas nights, etc., became our unwitting – and at least to my knowledge – unpaid pimps and front men. Of most benefit to us in the illegal gambling underworld were: (a) Mass media advertising blitzes promoting gambling as a glitzy opportunity or healthy entertainment; (b) The resultant desensitization within the community from the reality that most forms of gambling – whether ruled by the State, corporations, or the Mob – are, by their parasitic nature, an actual and potentially dangerous vice." Further, "any new form or expansion of existing State-controlled licensed gambling always increased our market share."⁶¹

Conclusion

The causes of crime in any context are vigorously disputed, no less so in the debate regarding a possible link with gambling. Some critics maintain that gambling by its very nature encourages crime, or at least certain types of crime. Others strongly dispute any connection between crime and gambling per se, attributing any rise in the former to the inevitable consequences of the large crowds drawn by legalized gambling.

In looking at factors influencing crime, it does appear that its incidence in connection with legalized gambling varies greatly by locale and by the gross numbers of people drawn from outside the local community. In the case of casinos, even the form adopted can have a major impact on crime: riverboats appear to have spared their communities any substantial uptick in crime, at least as measured by the police.

But there are many other possible factors involved in crime, one of the most important being the incidence of problem gamblers in a given population, which it is a fair assumption that legalized gambling tends to increase. One expert estimates that 2 out of 3 compulsive gamblers commit crimes such as insurance fraud or theft from employers in order to finance their gambling, crimes that authorities have made little systematic effort to link to gambling or any other motivation. A variety of environmental factors also come into play, from local economic conditions to the efficiency and capabilities of law enforcement officials. And, not to be slighted, there is the substantive argument that casinos and other forms of commercial gambling can be positive agents for the improvement of public safety because "economic growth and job creation ameliorate crime."⁶²

This subject comprises a rich area of research topics, with threads of cause-and-effect leading into all manner of other disciplines. It is to be hoped that public officials can be made sufficiently aware of its importance to put in place the necessary

⁶⁰ Brunner, *ibid.*, p. 92.

⁶¹ William Jahoda, Statement before the House Judiciary Committee Hearing on the "National Gambling Impact and Policy Commission Act," September 29, 1995, p. 3.

⁶² WEFA, *op. cit.*, p. 9.

bureaucratic machinery needed to produce the raw data that provide the foundation necessary for any intelligent commentary, and that sufficient resources will become available to enable serious researchers to shed greater light on this dimly-lit subject. However, given the stakes involved and the lack of empirical information, it is unlikely that this debate will be resolved anytime soon.