NATIONAL GAMBLING IMPACT STUDY COMMISSION
800 North Capitol Street, N.W., Suite 450, Washington, D.C. 20002
Tel: 202-523-8217; Fax: 202-523-4394

Riverboat Casinos

Douglas Seay

Note: the first five pages of this paper comprise an overview of the issues relating to riverboat casinos, followed by a more in-depth examination of some of the principal areas of contention between proponents and opponents of gambling, including economic impact, social impact, and the impact of inter-state competition on state regulation of the industry.

I. Introduction and Overview

The past two decades has witnessed a rapid expansion of legalized gambling across the U.S., from state lotteries to Indian gambling to the Internet. Prominent in this expansion has been casino gambling, of note both because of its size ($16.2 billion in revenues for non-Indian casinos in 1996) and its image to opponents and the general population alike as the very epitome of gambling.

This transformation of the casino industry has taken many by surprise, including some of its most ardent advocates. As it has expanded geographically, it has taken on new forms as well, including Atlantic City's attempt to remake itself in Las Vegas' image, the multiplication of casinos on Native American reservations, and the spread of video gambling devices that increasingly have the look and feel of slot machines and other games once found only in casinos.

As casino gambling has penetrated ever further into the general population, its popular image has undergone an extensive evolution as well, exchanging its status as a dangerous vice confined to distant deserts for that of a nearby convenience competing for inclusion in the family entertainment budget. Even archtypal Las Vegas has embarked on a long-term effort to reinvent itself as a destination of more generalized fantasy entertainment, in which gambling would be only one of many attractions.

Among the most prominent of these new forms of casino gambling are the riverboats. Riverboat casinos began operating in Iowa in 1991, and quickly expanded throughout the Midwest. Concentrated in the stolid heartland states of Iowa, Illinois, Indiana, and Missouri, along with the much different contexts of Louisiana and Mississippi, this new form has done much to make casino gambling a common experience for mainstream America. And the list is far from closed: other states are considering some version of riverboats or land-based casinos designed to compete with riverboats.

Creating the Industry

Riverboat casinos are a relatively new, and uniquely American, phenomenon, their modern incarnation having existed for less than a decade. Of the principal forms of legal gambling, casinos have been more warily regarded by the general population than other, seemingly benign, forms such as lotteries, with opponents alleging a direct connection between casino gambling and the presence of organized crime, of a rise in street crimes, and a variety of negative social consequences. For these and other reasons, casino gambling had been largely confined to Nevada until 1978 when Atlantic City inaugurated large-scale casino gambling on the East Coast. Even with this beachhead, expansion in other areas remained very slow until the 1990's.

The reasons behind Iowa's decision to license casinos on riverboats originally were modest in extent, and focused largely on their potential contribution to promoting tourism and economic development. But the impact has been far different than imagined: after the first riverboat casinos began operating in Iowa in April of 1991, they quickly spread to the other Midwestern states of Illinois, Missouri, and Indiana, as well as to Mississippi and Louisiana. By 1998, there were over 40 riverboat casinos in operation in Illinois, Indiana, Missouri, Iowa, and nearly 50 riverboat and dockside casinos in Louisiana and Mississippi.[1] In 1996, revenues for riverboats totaled $5.5 billion, 29% of non-Indian casino revenues. The same year, riverboats paid over $940 million in gambling privilege taxes. And growth has continued, with revenues up 19.2% from 1995 to 1996.[2]

So, almost overnight, riverboat casinos have become a major industry in the states where they are located. Although the potential benefits of riverboats to tourism and economic development continue to be touted, an increasingly important argument has been their generation of tax revenues. This was an especially salient point during the economic downturn of the early 1990's when taxpayer resistance to additional levies left legislatures throughout the country searching for novel ways of raising money for the services their constituents demanded of them. Gambling, especially casino gambling, promised a relatively painless and popular bonanza.

With these original states now approaching saturation point, several state governments have decided to take a closer look at the record compiled so rapidly by this industry. Iowa, the pioneer state, recently legislated a 5-year moratorium on the expansion of casinos, in part to allow time to assess the impact to date; Indiana has established a commission to examine and report on the economic and social effects stemming from the state's experience with gambling; Missouri's Supreme Court has thrown the entire industry into turmoil by ruling that much of it is operating illegally.

In this regional pause, advocates for and against casinos strive to make their arguments heard. What has been the economic, social, and political impact of riverboat casinos? Have they lived up to their original promises? Has the record been better or worse than forecast? What, in fact, are the benefits, what are the costs, and how do they fare in comparison?

The Outline of the Debate

In the public mind, modern riverboat casinos evoke romantic images of 19th century, cotton-loaded paddlewheels plying the Mississippi, each with its fabled complement of minstrel troupes and professional gamblers. This connection is not coincidental: one of the original arguments in favor of authorizing casinos on riverboats was their potential to draw visitors to the depressed river towns along the Mississippi as part of a larger effort of economic development centered on tourism promotion. In addition to this expectation, there was the more prosaic argument that casinos on

[1] The term "riverboat" casinos refers to boats that are capable of self-contained operations away from land, whether or not they ever leave the dock. "Dockside" casinos float on water, but are permanently moored.
[2] Gross Annual Wager, International Gaming and Wagering Business, August 1997, pp. 34, 35, 24.

riverboats would produce a windfall in tax revenues. But clinching the argument was the belief that riverboats could be a mechanism by which casino gambling could be harnessed to produce the public goods of economic development and enhanced public revenues, even as society was insulated from its feared negative aspects.

Of the many differences between riverboat casinos and their land-based counterparts, the most important is the most obvious: although physically located in the communities in which they are moored, they remain separated from them by gangplanks and other devices limiting access and interaction. In effect, they are not a true "part" of the community, physically and psychologically floating offshore. This unique combination prompted advocates to put forward riverboats as a means for insulating the world on-shore from the activities onboard. Persuasive to many in theory, riverboats have yet to demonstrate any conclusive record, including if these original assumptions have survived their encounter with the real world.

Gains, Losses, and Taxes

Throughout the gambling industry – and casino gambling in particular – proponents stress the potential economic benefits – jobs, economic development, and enhanced public revenue – while opponents underscore the alleged social costs – crime, problem gambling, and social decay. But neither camp holds uncontested territory even in their preferred areas of emphasis: opponents of casino gambling assert that the economic costs to society of problem gamblers exceed any economic benefits in the general economy; proponents maintain that the industry is as legitimate a form of entertainment as movies or professional sports and point to repeated demonstrations of public approval to counter charges of extensive social harm.

Which of these arguments is true? Can either be conclusively demonstrated? Were opponents to demolish the idea that casinos have a net positive economic impact or were proponents to establish that the costs of problem gambling are far smaller than estimated, the road would be cleared for an advance of their forces.

Central to the debate is the subject of problem gamblers, with both sides eager to demonstrate their concern. All sides concede the existence of compulsive gamblers, and all agree that this disorder is sufficiently troubling to deserve extensive remedial action. But agreement ends there.

The heartrending stories of the ravaged lives of compulsive gamblers imbues the subject with raw emotional immediacy. No one but the truly cold-hearted or politically inept would dismiss these tragedies as irrelevant to the public debate. But their emotive power does not translate into useable information for comparative purposes, and in fact raise many difficult questions: How should problem gamblers be viewed: as isolated, tragic cases or as the visible sign of deeper cracks in society? A subject for compassion or an immediate call for root-and-branch action? How widespread is the problem? What are the true costs? What should be done? And who should pay for it?

Given the enormous importance of the estimates, both for their emotional import and their persuasiveness to those more interested in the bottom-line, along with a scarcity of uncontested data, suffice it say that this area is perhaps the most contentious of all. And for good reason: along with economic benefit, it represents the commanding heights of the battles over legalized gambling, the uncontested possession of which would profoundly alter the outcome of current battles and those yet to be fought.

Lack of Data

Despite the many studies and authoritative conclusions, for many observers it remains unclear whether or not riverboats have met the expectations regarding tourism promotion and economic development: the phenomenon is too recent and too unstudied, the hard data too scanty, and the record too mixed, to allow confident independent judgment. This ambiguity has only ensured that the debate between advocates and opponents is even more heated. As might be expected, both sides vociferously contest the operational definitions and measurements employed by their counterparts, to say nothing of their intelligence, motivation, and integrity.

This lack of conclusive data not only prompts some advocates to paper over the resulting gaps and ambiguities with sweeping declarations but also ensures that those subject areas for which at least *some* data exist become, de facto, the battlegrounds of the debate. Of necessity, the debate has been driven to focus on quantifiable indices, which tends to mean money. The impact on jobs, income, taxes, and so forth takes center stage. Not surprisingly, there are few assumptions and conclusions in these areas that are not heatedly disputed. In addition to the usual savaging by academics of opponents' qualifications, methodologies, and conclusions, the real world debate is sharpened by the large sums of money and the livelihoods of large numbers of people at stake. Yet, the sophistication of the econometric models does not hide the fact that the field is a relatively new one, and that the data and record of experience on which to draw do not yet exist in sufficient quantity. To a disturbing extent, many economists and other analysts have readily found the results they were looking for.

Other People's Money

Finally, there is the matter of the state's role. In a representative democracy, divisive social questions often must be settled through the political process, for good or ill. What should be the government's goals in the area of casino gambling: Maximizing tax revenues and economic development? Legalizing a new industry, but heavily regulating it to protect society from any potential downside? Does the industry even require special regulation, or should government treat it as just another segment of the economy and get out of the way of rational adults spending their own money?

The record of state decision-making regarding riverboats is not comforting. In the hierarchy of considerations of state policymakers, the original arguments in favor of tourism and economic development have often been displaced by the need to generate and maintain tax revenues. Here, the record demonstrates that the various states' decisions have been driven to a surprising extent not by a steadfast concern for the public welfare but by a fierce interstate competition for tax dollars (and in the process revealing remarkably similar patterns of decision-making).

Prominent in each state's calculations have been the twin desires of securing tax revenues from the citizenry of neighboring states while also blocking those same states from undertaking a similar raid of their own. Riverboat casinos seemed to be ideal instruments for delivering this budgetary nirvana: when located on the borders of other states, often conveniently near major population centers across the river, they could be assured of drawing at least some of their revenues (and thus tax receipts) from the populations of their benighted neighbors. Unfortunately, the spectacle of their citizens' taxes going to benefit other jurisdictions proved too stress-inducing for the public officials in the targeted states, who quickly retaliated with riverboats of their own in the name of "recapturing" the revenues of their wayward citizens. The fact that they were not above attempting their own raids by locating a portion of their new boats near the casino-deprived populations in states far afield from the original aggressor meant that the pattern tended to be self-propagating.

A look at a map of riverboat casinos clearly demonstrates the strategy: the riverboat sites form a ring around their host states, with only a handful moored in the internal reaches. Despite the intense search for money from outside their borders, the resulting counteractions have meant that the net revenue gains from, and losses to, non-resident populations tend to cancel each other out. But the very same strategy has ensured that every state's population is now within an easy commute of the casinos. In setting out to tap into their neighbors' pocketbooks, state governments have ended up tapping into that of their own citizens.

Whether this is a positive, negative, or neutral result, the fact is that – at least in terms of the public rationales put forward – no state set out to do that. Which raises the very important question: what role, if any, does concern for the public interest play in state decision-making on the subject?

II. Economic Development

Inspired by the 1977 New Jersey Casino Control Act that specified casinos as "a unique tool of urban redevelopment for Atlantic City," a similar mandate is contained in the respective states' enabling legislation for riverboat casinos: The Illinois Riverboat Gambling Act of 1990 declares that these facilities are "to benefit the people of the State of Illinois by assisting economic development and promoting Illinois tourism," with an emphasis on assisting economically depressed areas.[3] Indiana's Riverboat Gambling Act of 1993 requires a boat's potential contribution to its host area's economic development to be considered as one of the principal factors in its licensing. Other states have similar provisions.

Economic benefit can come in many forms: capital investment in the construction and outfitting of the riverboats; ongoing purchases of supplies and services; significant employment opportunities in what is a labor-intensive industry; development of associated businesses, such as hotels and restaurants; and other elements of a tourism-related economy. Beyond the direct expenditures in and by casinos, there is the indirect, multiplier effect on the general economy, where a dollar spent by any one industry stimulates a host of expenditures in others far afield, such as housing, retail businesses, and other non-casino enterprises.

Economists differ considerably regarding the measurement of the overall economic impact of riverboats and of gambling in general. Looking at the same figures, analysts have come to opposite conclusions, with some identifying a considerable overall economic gain while others maintain that there is no net economic benefit. Some have even concluded that riverboat casinos have a net negative impact on both the local economy and that of the state. Still others divide the impact into often widely varying local and state impacts, the benefits to one being offset by the negative impact in the other.

Local Impact

The economic benefits of riverboat casinos can be separately measured for local economies and the general state economy. Regarding the former, one study by a private firm of the experiences of Shreveport/Bossier City, Louisiana; Biloxi/Gulfport, Mississippi; and Joliet, Illinois concluded that the impact had been unambiguously positive, citing thousands of new jobs created at relatively high wage levels; hundreds of millions of dollars in tax revenues generated; growth in "almost all [non-gambling] areas: retail sales, commercial and housing construction, restaurants, etc"; and a "significant" drop in the number of people on welfare rolls.[4]

On its face, the addition of a new business to a community must be counted as a net economic benefit, at least in the short term. And as evidenced by the considerable competition for their siting, the governments of the host communities clearly believe

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[3] Lawrence J. Truitt, "Casino Gambling in Illinois: Riverboats, Revenues, and Economic Development," Journal of Travel Research, Winter 1996, p. 90.

[4] "Economic Impacts of Casino Gaming in the United States: Volume 2: Micro Study," Arthur Andersen, May 1997, p. 9.

riverboats to be a major economic plus for their citizens; none has yet reported a net negative impact. But the larger questions of how much riverboats contribute to overall economic development, especially in the non-casino related businesses, and how the operations of the riverboats affect the local host economies over the long term, are more ambiguous.

Measuring the impact of a single industry in a dynamic economy is often complicated by an inability to determine a clear cause-and-effect relationship. For example, a 1994 study by the Illinois Economic and Fiscal Commission on the impact of riverboats found that there had in fact been a measurable increase in non-gambling-related commercial activity in the riverboat communities, but concluded that although some locations did appear to have benefited economically from the casinos, in most locations the improvement was more likely due to an upturn in the general economy than to the riverboats. It did find, however, that those gains that did occur tended to be greater the smaller the community.[5]

Similarly, a separate study of the Illinois riverboat communities concluded that "[o]ne fact is clear: any city fortunate enough to be selected as a site for a riverboat casino is guaranteed a windfall." However, the same report continues with the caveat that "little is known about the impact that gambling has had on the dozens of municipalities in the region surrounding each riverboat."[6] Thus, it is possible that the benefits to a host community may come at the expense of the surrounding area.

Opponents counter claims of local benefit with the specter of "cannibalization." This term refers to the phenomenon where the apparent increased economic activity produced by a casino may actually be the result of its having drained money away from local non-gambling businesses. The fate of an area's restaurants is a commonly used example: subsidized facilities on riverboats may thrive by taking customers away from their land-based, non-casino counterparts. Thus, opponents allege, what appears as an increase in spending on restaurants due to the presence of a casino may in fact represent only a simple transfer of customers and spending from one place to another. While economists may see such phenomena as an economic wash, those expecting a visible boost in development from casinos tend to interpret them as evidence of a negative impact. Certainly, that has been the view of those non-casino businesses which have experienced greater competition from casinos without any apparent benefit. As might be expected, the subject is heatedly debated.

Tourism

A prominent rationale for legalizing riverboat casinos has been their hoped-for boost to the local tourist industries in depressed river towns. In Iowa, the original plan called for introducing small casinos as a means to "save" the poorly faring riverboat industry. Since then, a number of states and communities have cited tourism development as a reason to introduce riverboat casinos. This use of casinos to promote tourism is further evidence of the blurring of once-distinct barriers between gambling and the general "entertainment" industry, a phenomenon perhaps best represented by Las

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[5] Truitt, pp. 92-94.
[6] Truitt, p. 92

Vegas' attempt to reinvent itself in recent decades into a family entertainment center in which gambling is but one element among many other attractions.

However, the record of riverboat casinos in promoting general tourism development is mixed: it appears to have been most successful in places such as Galena, Illinois, where the tourism industry was already well-established.[7] But in other places, the expected boom has yet to appear. The most important reason for this lagging development is that the "evidence shows that most gambling at riverboat casinos is from regional, or day-trip, patrons who do not incur the expense of an overnight stay." These day-trippers, or "excursionists," tend to concentrate almost entirely on gambling and to spend little or no time and money at non-gambling locations. Thus, there is often little boost to the local tourist industry in the form of hotel occupancy, retail sales, increased patronage at restaurants, etc.[8]

The key to large-scale tourism development is inducing gamblers to stay a least one night, and preferably more, which requires attracting individuals from beyond a range of 200 miles – that is, beyond the radius of an easy roundtrip by car. Becoming such a "destination" resort, including the lucrative market of mainstream conventioneers, however, involves considerably more investment of capital than has been the case with the vast majority of riverboats, including the creation of an infrastructure of non-gambling-related attractions, such as golf courses and theme parks, as well as airports and highways. According to one casino executive on Mississippi's booming Gulf coast: "The idea is to use non-gambling amenities to expand the Coast market from 250 to 500 miles."[9] The potential results may be commensurately greater as well. In Tunica, Mississippi, for example, in the six years since casino gambling was first introduced in 1992, the inventory of hotel rooms has increased from 16 to 6000, with several additional large projects under construction or planned. Unemployment in the once-depressed area has fallen from 26.2% in 1992 to 5.2% in early 1998, despite heavy in-migration of individuals seeking work in the casinos.[10]

Tunica's success is an exceptional one, however, and relies to a considerable extent on location – 30 miles from casino-free Memphis and across the river from non-gambling Arkansas – as well as the lack of competition. Vicksburg, Mississippi, offers a contrast: with a client base restricted to day-trippers because of competition from riverboat casinos in Louisiana and the nearby Indian casino in Philadelphia, Mississippi, there have been far fewer net economic gains. And benefits can be ephemeral, especially due to the vagaries of competition: after opening in the spring of 1991, Iowa's boats met their promoters' early expectations by swelling the tourist trade and stimulating other riverfront activity in the communities in which they were moored. But this bubble quickly burst when Illinois opened competing riverboats across the river in the fall of the same year. As Illinois' boats operated under less restrictive rules than Iowa's, there was a dramatic fall-off in attendance for the Iowa boats, and several of these eventually raised their anchors and floated downriver to the more promising market in Mississippi.

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[7] Truitt, op. 91-92.

[8] "The Economic and Fiscal Impacts of Riverboat Casino Gambling in Illinois: Phase One: Direct Impact Data 1991-1995" Illinois Gaming Board, p. 12

[9] Janet Plume, :Mississippi Casinos Approach a Defining Moment as 'Las Vegas of the South,'" Casino Journal, May 1998, p. 45.

[10] Janet Plume, :Mississippi Casinos Approach a Defining Moment as 'Las Vegas of the South,'" Casino Journal, May 1998, p. 46.

The State Impact

The impact on the economies of the respective states is even more disputed. A recent study of gambling in Missouri concluded that, as of 1997, 18,000 net new jobs had resulted, personal income had grown by more than $500 million, and state and local governments received over $225 million, with a net economic impact for the state of over $750 million.[11]

The situation in Illinois is broadly similar. In 1995, Illinois gained almost $300 million in revenues for state and local governments, the casinos employ over 12,000 people, and so forth.[12] Yet, an analysis of the economic impact of casino gambling in Illinois looking at indices similar to those in the Missouri study (capital investments, wages, supplies, taxes, etc.) concluded that there had been a net *negative* impact. It also found a negative economic impact at the local level: "the casinos have not resulted in economic revitalization of depressed river communities. Instead it appears that casinos have had the opposite economic effect." And this conclusion was reached even though the study specifically omitted any estimates of the economic costs imposed by compulsive gamblers.[13]

State-Created Monopoly or Free Market?

One of the most important variables in determining the economic impact of riverboat casinos is the regulatory model adopted by each state. Those which wish to emphasize limiting the social impact of riverboat casinos while simultaneously extracting the maximum amount of revenue from them often resort to establishing local de facto monopolies: in return for relatively high profits for the casino made possible by the state's suppression of competition, the state takes a large share of those profits in taxes. The pattern is similar to the monopolies the states maintain for their lotteries.

Although this arrangement may seem good for all concerned – the population gets an opportunity to gamble but the impact on society is limited in scope, the casinos can have greater confidence in their profitability over the long run, the state extracts a high level of taxes – several economists question the wisdom of this approach. Many of those who believe that casinos have a net negative impact on the economy place much of the blame on the consequences stemming from the casinos' monopoly status. As monopolies are inherently inefficient, they reduce any net contribution to the general economy. Not only are the overall economic benefits reduced, but the consumer (the casino gambler) is also said to be negatively impacted by the lack of competition, commonly by having to pay a higher price for the privilege of gambling in the form of lower chances of winning.

Most riverboat gambling states have adopted this model, each restricting the number of permitted riverboats in the local area of a riverboat and throughout the state as a whole. In Iowa the number is set at 10, in Illinois 10, in Indiana 9, in Louisiana 15, and

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[11] Charels Leven and Don Phares "The Economic Impact of Gaming in Missouri," March 1998, p. 74.
[12] "The Economic and Fiscal Impacts of Riverboat Casino Gambling in Illinois: Phase One: Direct Impact Data 1991-1995" Illinois Gaming Board, p. 12
[13] William N. Thompson and Ricardo C. Gazel, "The Monetary Impacts of Riverboat Casino gambling in Illinois," p. 10.

in Missouri 16. These limits have been established either in the original legislation or as moratoria imposed by the respective gambling commission.

Mississippi has elected a much different course, modeled largely on Nevada's experience, which consciously promotes a free market approach toward the gambling industry. For example, the state sets no numerical limit on casinos, and in fact encourages new entrants, although the local community must have first approved riverboat casinos in a referendum. As a consequence the number of riverboat casinos (or, more properly, "dockside" casinos: most are permanently moored because Mississippi does not require them to "cruise") has expanded to 32, quickly earning Mississippi the # 3 spot in terms of gambling income by state (Nevada and New Jersey are #s 1 and 2, respectively), with projections of displacing New Jersey in the near future. In only six years, the industry has become the largest in the state, with single companies employing more than the state government.[14]

The key difference resulting from this approach is that riverboat casinos in Mississippi operate with far fewer restraints than their counterparts in the more heavily regulated Midwest. As a consequence, they also face much greater competition from one another, one result being the occasional failure, a rare occurrence in the other states. Despite the seemingly greater economic uncertainty for the individual casino operators resulting from this laissez-faire approach, they undoubtedly prefer it to the more highly regulated model.[15]

The economic impacts on the local and state economies from these two very different models appear to differ considerably. As yet, however, no definitive comparison has been conducted. In addition, it need be pointed out that in no state, be it Iowa or Mississippi, has the industry been established for a sufficient length of time to allow the likely long-term economic consequences to be assessed. Needless to say, the relationship between economic impact and social impact in general, to say nothing of the many differences in both that may result from these two models, has yet to draw significant attention.

Regressive Impact?

Some critics assert that riverboat casinos that draw their customers primarily from the local population have a regressive economic impact on the community because the profits go to owners outside of the community and the benefits of taxes raised locally are distributed throughout the state. This is one reason that William Thompson at the University of Las Vegas argues against any the imposition of any special tax on the gambling industry: it imposes a significant penalty on the host community in return for a relatively small benefit for the entire state.[16]

The possibility of a regressive impact becomes more clouded when placed in the context of economic development. Riverboat casinos have often been located in poorer neighborhoods with the specific intention of stimulating economic development there. However, some observers contend that, as a result, a disproportionate amount of the casino's winnings are drawn from residents of this same community who tend to be

[14] Conversations with casino officials at the Southern Gaming Summit, Biloxi Mississippi, May 4-6.
[15] Ibid.
[16] Conversation with Professor William Thompson, University of Nevada at Las Vegas.

poorer and less educated than the state average, thereby hurting the very people the riverboat casino was intended to help.[17] According to one critic, "casinos have drawn monetary resources away from depressed communities and away from individuals who are economically poor – those who can least afford the costs of gambling."[18] Published demographic profiles are not conclusive but do seem to indicate that, in general, riverboat casino players mirror the population of the state as a whole, with the important exception of being from older age groups than the norm; the available data does not indicate a disproportionate amount of casino revenue coming from the economically disadvantaged segments of the population. But the situation may vary widely between locations, especially between urban and rural locations. For example, several critics have alleged that the riverboats in economically depressed areas such as Gary Indiana and East St. Louis, Illinois, do in fact draw a significant portion of their clientele and revenues from these poor communities.

Government Revenues

For state and local officials, the most important impact of riverboats has been their contribution to government revenues through taxes and fees. In 1996, riverboat casinos paid an estimated $940 million in so-called gambling privilege taxes (taxes specifically imposed on the industry outside of those applicable to other sectors).[19] Each state with riverboat casinos splits the revenues between the coffers of local governments and the state. Probably as a result of the direct competition between states, taxation has tended to fall into similar patterns. For example, Iowa, Illinois, Indiana, and Missouri all set their initial gambling tax rates at around 20% of Adjusted Gross Receipts (AGR, the amount of the casinos' winnings minus their payouts). Mississippi, the odd man out, has adopted Nevada's tax rate of 8%.

Up to 99% of the revenues from these taxes may end up in the hands of state government, as in Iowa, but most states share part of this wealth with those local jurisdictions hosting riverboat casinos. An additional source of revenue in many states is a per capita admissions fee for casino patrons of $1 to $3. Theoretically, the casinos collect this fee from their customers and then turn the money over to the state, but for reasons of competition, several casinos have chosen to waive the fee for their customers and instead pay the state out of their own winnings. Typically, half of these revenues are kept by the state, half by local governments, as in Illinois and Indiana, but Iowa earmarks all of its $0.50 admission fee for local host governments. Additional revenues come from state corporate income taxes, local property taxes, and fees of various kinds. All told, riverboats have proven to be a very productive source of government revenue.

Some state have broken ranks on taxing. Beginning in 1998, Illinois increased its top tax rate on riverboats to 35% on amounts over $1 million. Other states eager for additional revenues at a time of declining rates of growth in the industry are monitoring the reaction closely. Although casino owners and advocates have predicted dire consequences in the form of the cancellation of investment projects and even layoffs,

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[17] Conversation with Terrence Brunner,

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[19] Eugene Martin Christiansen, "Gambling and the American Economy," Annals of the American Academy of Political and Social Science, March 1998, p. 36

given their large sunk costs and continuing, albeit lower, profits, the expectation is that riverboat casino owners will opt to continue their operations in Illinois, with the likely result that neighboring states will increase the taxes on their own boats.

Spending the Money: Local Governments

Riverboat casinos can have a dramatic impact on local government revenues in the jurisdictions in which they are located, comprising up to 75% of the city's revenues in places such as Riverside, Missouri. (By contrast, the comparable figure for St. Louis is 1.5%).[20]

Uses of the revenues vary. Local governments generally are free to use their funds as they see fit, typically for infrastructure improvements and other capital investments, often in the name of economic development. In Illinois, although there are many different uses, almost every riverboat community had directed some portion of its revenues toward redevelopment of its downtown area and for capital improvements such as repaving streets and expanding sewers. Other uses have included financing city services and promoting economic development, such as tourism.[21]

But there are as many uses as jurisdictions. For example, after Metropolis, Illinois tripled its budget from $1.5 million in FY1993 to $4.5 million the following year, it was decided that, in addition to repaving roads and other local improvements, the revenues from the riverboat casinos would be used to pay the "utility tax" for the town's residents (the utility tax was a "temporary" measure imposed years earlier but which proved too important a source of revenue for the impoverished town to subsequently abolish). Riverboats have not been around long enough for fixed trends to emerge in local government spending, but a preliminary survey indicates that a favorite priority are long-delayed, general-purpose projects.

Mississippi ensures a wide distribution of its local governments' share of the revenues from gambling, with 40% going into the general funds of the host city, 20% to the city's public safety budget, 20% to the city school system, 10% to the school system in the surrounding county, and 10% to the county public safety budget.

Government revenues from riverboat casinos have proven to be volatile; those jurisdictions which regard them as a replacement source for other revenues may be taking a risky course. Nevertheless, even taking in account their newness and volatility, those local jurisdictions which have access to riverboat revenues have seen their bond ratings improve, making the cost of raising money less expensive.[22]

Spending the Money: State Governments

In theory, a state's share of revenues from riverboat casinos is used to provide a general benefit to the entire population, as opposed to the direct benefits reaped by local host jurisdictions. Education is a favorite beneficiary. In Missouri, the state constitution mandates that the state's share of the revenues from the gambling privilege tax must be

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[20] Leven and Phares, p.42.
[21] Truitt, p. 91.
[22] "Standard and Poor's Credit Week Municipal" June 2, 1997, p. 26-28

used for spending on education.[23] Currently, these revenues form an important part of the Foundation Fund, a mechanism for increasing state aid to local education budgets. Many states also use these revenues for capital improvements, especially those not regularly funded from other sources. In Iowa, for example, a portion of the riverboat casino revenues is employed in restoration of the state capitol. And in Missouri, the state uses its share of the admissions tax for capital improvement projects, as well as paying the state's costs in regulating the industry.

As is the case regarding the use of lottery revenues, it is unclear if "earmarking" funds for specific purposes actually results in an increase in the state's spending on that activity from what it otherwise would have been. In Illinois, the legislature mandated that education be the principal recipient of revenues from riverboat gambling, but one study concluded that "education dollars normally appropriated from the general fund were reduced almost dollar for dollar by the revenues that education received from casino gambling via the Education Assistance Fund." From 1990 to 1994, education budgets increased only slightly.[24]

[23] Leven and Phares, p. 28
[24] Truitt, p. 95.

III. Social Impact

Although advocates of legalized gambling routinely include it in the more general category of "entertainment," considerable resistance to this classification remains, primarily due to a concern regarding its possible negative impact on society, a concern reflected in its resilient image as a "vice." For some, the negative social consequences of gambling outweigh any potential benefits, be they economic or other, and are central to any consideration of the subject. In the words of one strident critique of gambling, "[w]ere it not for the social problems and costs associated with gambling, there would be little concern about how much gambling there is – any more than one cares about how much tennis, movie attendance, or any other recreational activity there is."[25]

Although many of the issues concerning riverboat casinos overlap those of more traditional casinos – such as the alleged impact on compulsive gambling, crime, underage gambling, etc. – they bring their own subset of concerns. One reason for the original popularity and quick spread of riverboats was that they were thought to offer a means to limit the possible negative impact of casino gambling. Has this proven true?

Problem Gambling

In essence, the issue of problem gambling is no different for riverboat casinos than for traditional casinos as the available games are the same and the stories of individual compulsive gamblers demonstrate the same patterns. States have attempted to use the riverboat format to lessen the general population's exposure to casino gambling and to place additional obstacles in the way of excesses by means of measures such as limiting boarding times, establishing per capita loss limits, making access to cash and credit more difficult, etc. To date, however, there is too little evidence to make any definitive conclusions regarding the effectiveness of these or other proposed measures.

As studies have shown that "the prevalence of problem and pathological gambling has increased in states where the availability of gambling has increased as well,"[26] (although a separate study on youth gambling concluded that it did not increase with the availability of gambling),[27] it would be reasonable to expect that states that have licensed riverboat casinos have experienced an increase in problem gamblers. If so, what has been the cost?

Typically, compulsive gamblers are pointed to by opponents of gambling as an example of the human costs resulting from the industry. As this impact is difficult, if not impossible, to measure in any agreed-upon manner, a number of analysts stress the more quantifiable indices of economic cost. Even were opponents to concede that casino-style gambling can contribute to general economic development and enhanced tax revenues

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[25] Earl L. Grinols and J.D. Omorov, "Development or Dreamfield Delusions? Assessing Casino Gambling's Costs and Benefits." University of Illinois, Department of Economics, 1995, p. 3

[26] Henry R. Lesieur, "Costs and Treatment of Pathological Gambling," Annals of the American Academy of Political and Social Science, p. 155.

[27] Randy Stinchfield and Ken C. Winters, "Gambling and Problem Gambling Among Youths," Annals of the American Academy of Political and Social Science, March 1998.

(an unlikely event: few opponents would in fact concede this, and the evidence is contentious), their counter is that the *economic* costs to society from problem gambling alone outweigh any benefits. These costs include the personal ones of bankruptcy, theft from family members, unpaid bills, etc; as well as the more general costs to society from decreased work productivity; crimes committed by problem gamblers that are directly related to their need for money; the resulting increased costs of law enforcement, courts, and prisons; the treatment costs of compulsive gamblers; etc. As might be expected, not only do the estimates for each differ enormously, but these large multiples are given added orders of magnitude by the widely divergent estimates of the prevalence of problem gamblers in the general population.

Estimates of the prevalence of compulsive gamblers differ enormously, ranging from 0.6% to 8% of the general population, in part a reflection of the lack of rigorous surveys and problems of definition.[28] Dr. Howard Shaffer, acknowledged by gambling opponents and proponents alike as an authority in the field, estimates the rate of those gamblers with a "serious" problem at 1.6%, and 4% for those with "some" problem.[29] Part of the difficulty in determining the rate lies in the fact that the disorder is only now gaining widespread recognition in the medical and academic communities, with highly respected authorities locked in disagreement even regarding its basic definition.[30]

The enormous difference in estimates of prevalence is further widened by the various attempts to estimate the economic costs to society imposed by problem gamblers. As might be expected, most estimates have been constructed by opponents of gambling. Counting reduced productivity, unemployment compensation, lost work hours, bad debts, criminal justice costs, therapy, welfare, and so forth, one study concluded the annual per capita costs to society of the "serious" problem gambler at $9,500. [31] Another estimated the cost of the "average bottomed-out gambler" could be as high as $61,000, with the "more average" problem gambler costing $26,000, an estimate that included such assumptions as an 80% reduction in work productivity.[32] A more widely used estimate is that of Robert Goodman, who puts the "costs to government and the private economy" from each compulsive gambler at $13,200 per year.[33] A survey of other studies reveals ranges between $15,000 and $53,000.[34][35] When combined with the wide ranges of the percentages of problem gamblers in society, the results differ wildly.

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[28] William N. Thompson, Ricardo Gazel, and Dan Rickman, "Social and Legal Costs of Compulsive Gambling," Gaming Law Review, Vol. 1, No. 1, p. 88-89.

[29]

[30] Regarding diagnosis, the DSM IV criteria of the American Psychological Association are increasingly regarded as the standard, but are far from being universally accepted. Even the applicable terminology is contested, as in the adjectives "problem," "pathological," "compulsive," "disordered," etc. applied to the same syndrome. What they all agree on, however, is the presence of "irrational" behavior.

[31] William N. Thompson, Ricardo Gazel, and Dan Rickman, "Social and Legal Costs of Compulsive Gambling," Gaming Law Review, Vol. 1, No. 1, p. 88-89.

[32] William N. Thompson, Ricardo Gazel, and Dan Rickman, "Social and Legal Costs of Compulsive Gambling," Gaming Law Review, Vol. 1, No. 1, p. 83

[33] Robert Goodman, "Legalized Gambling as a Strategy for Economic Development," (Northampton, MA: U.S. Gambling Study, 1994).

[34] Earl L. Grinols and J.D. Omorov, "Development or Dreamfield Delusions? Assessing Casino Gambling's Costs and Benefits." University of Illinois, Department of Economics, 1995.

[35] John Warren Kindt, "The Economic Impacts of Legalized Gambling Activities," Drake Law Review, 1994,

By contrast, a recent critique of these and other numbers concludes that there is no social impact from compulsive gambling that "from an economic perspective, warrants the restriction of personal freedom." The inevitable subjective factors are noted: "The lack of a clear definition [of social cost] has encouraged cost-benefit analyses that reflect the personal biases of their authors." Unfortunately, this critique does not provide a its own best estimate.[36]

A further problem exists regarding the problem's manageability, not just regarding the identification and treatment of sufferers, but also in terms of prevention, especially through state regulation. Is outright prohibition of gambling the most effective means of prevention, or can the incidence be lowered to "acceptable" levels by other means, including state regulation. And, the ever-present question, who should pay for treatment and prevention?

One critic estimates that "problem gamblers account for anywhere from 23 to 41 percent of gambling revenues," figures very much disputed by the gambling industry and other analysts.[37] Needless to say, such estimates have prompted demands that the gambling industry pay the costs of treating problem gamblers. Others emphasize the government's responsibility, but most states are only beginning to address the problem. For its part, Iowa will spend $1.6 million for treatment of problem gamblers, funded by a mandatory 0.3% of the state's proceeds from the lottery and the gambling tax on riverboats.[38]

The problem is not one confined to riverboat gambling, but instead extends across the entire industry. Gross gambling revenues went from $3.3 billion in 1974 to $44.4 billion in 1995, yet the total amount of resources from the gambling industry and the states for research, education, and treatment of the problem totals less than $20 million.[39] As yet, no comprehensive studies exist relating riverboat casinos to problem gamblers; the subject awaits the interests of credentialed specialists and the necessary funding.

Crime

The relationship between crime and casino gambling in any of its various forms – traditional land-based, riverboat, Native American – is a prominent feature in any discussion of the subject, but little hard data exists regarding linkages. Whether the subject is "street crimes" such as robbery, burglary, murder, rape, and other assaults; or "white collar crimes" such as embezzlement; or even family crimes such as domestic abuse, very little data is compiled by law enforcement authorities relating crimes to gambling. 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." 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."[40] A number of law enforcement

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[36] Douglas M. Walker and A. H. Barnett, "The Social Costs of Legalized Casino Gambling: An Economic Perspective," (Auburn University?) March 1998, p. 24.
[37] Lesieur, p. 166
[38] "Casino Journal's National Gaming Summary," April 13, 1998, p. 8
[39] Lesieur, p. 166.
[40] William J. Miller and Martin D. Schwartz, "Casino Gambling and Street Crime," Annals: Gambling: Socioeconomic Impacts and Public Policy, March 1998, p. 127.,

officials admit that the relevant questions regarding motivation are seldom or never asked of accused or convicted felons.[41]

The subject thus devolves into rough comparisons of the crime rate before and after the introduction of casinos. Because casino gambling outside of the unique setting of Las Vegas is a relatively new phenomenon, little work has been done regarding other jurisdictions. Atlantic City has received the bulk of that limited attention, with wholly opposite conclusions being drawn by different observers. When the problem is measured in terms of comparing the gross number of crimes committed before and after 1978, the result is a clear increase, leading some to conclude that there is a direct link between casinos and increased crime. One study reported figures of a 230% increase in the overall crime totals for Atlantic City 1977-1990 with rapes up 156%, robberies up 159%, aggravated assaults 316%, and larcenies up 451%.[42]

More important 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 a locale, they often reveal a sharp increase in the rate of crime, with the implication that life has become more perilous for the average citizen. However, when the 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 usually much lower, and may even drop, leading some to conclude that casinos actually *reduce* an individual's likelihood of being the victim of a crime.[43]

Atlantic City and Orlando, Florida are frequently compared to demonstrate this effect, pitting casino-based tourism against a more traditional variant. In both regions, there are large daily increases in the numbers of people in the area due to the respective draws of the casinos and Disney World, thus considerably swelling the daily population figures far beyond that of permanent residents. In both cases, the absolute number of crimes has increased since the introduction of the respective attractions; in both cases the rate of crime measured against the resident population has increased; in both cases, the rate of crime measured against population figures that include visitors has decreased. Some gambling proponents argue that, when measured against this larger population figure, 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 wholesome crowd drawn to Disney World. 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.[44]

Suffice it to say that, if such debates rage over the comparatively well-established phenomenon of casino gambling in Atlantic City, then there is even less chance of a consensus on the far-less-examined impact of riverboat gambling. One study on the subject that surveyed local law enforcement officers in Illinois towns with riverboat casinos showed no increase at all in either the rate or absolute number of crimes. Yet, this information was largely impressionistic; as stated earlier, there is no consistent

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[41] Conversation with the author.

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

[43] Jeremy Margolis, "Casinos and Crime: An Analysis of the Evidence," Altheimer and Gray, December 1997.

[44] Sternlieb, Geroge and James W. Hughes. The Atlantic City Gamble. (Cambridge, MA: Harvard University Press, 1983)

reporting or collection of crime statistics by local and state jurisdictions, and very few white collar crimes are ever studied for links to gambling.

As most riverboat casinos are located in relatively small urban areas, Atlantic City is not necessarily a good model for comparative purposes. But other comparisons have their own problems. A county-by-county examination of the relationship between crime and Indian 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. But the relevance of these findings to the impact of riverboats is unclear: casino gambling in Wisconsin is Indian-based and confined primarily to rural areas where rates of crime are significantly different than in urban areas with their higher incidence of a professional criminal class.[45]

More usefully, a 1992 report on a proposed land-based casino in Chicago estimated that it would produce a $41 to $100 million increase in annual criminal justice costs, including expenditures for law enforcement, pretrial detention, court, probation, and correctional costs. However, the report added that there was a "clear difference" in impact between land-based casinos and their riverboat counterparts in small 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."[46] However, the report added the caveat that this conclusion was the product of a "preliminary review."[47]

By contrast, a 1992 report by the Illinois State Police concluded that "the majority of policing agencies contacted 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." (All these cities were outside of Illinois).[48]

Clearly, this is an area in great need of additional attention.

Underage Gambling

Researchers estimate that between 4.4% and 7.4% of 12-18 year olds have a "serious gambling problem," with some estimates as high as 8%. The authors add that this figures compares with an estimated rate for adults of from 1% to 3%.[49] And, despite stringent legal prohibitions, some youths apparently do find ways to gain entry to casinos. A survey of Atlantic City high school students reported that 64% had gambled in a casino, with 9% gambling once a week.

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

[46] "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.

[47] Ibid., P. 2

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

[49] Randy Stinchfield and Ken C. Winters, "Gambling and Problem Gambling Among Youths," Annals, p. 174.

But the problem of underage gambling at riverboat casinos does not appear to be a major one; although the phenomenon certainly exists, by all available evidence, it is not blatant. The reasons are obvious: access to the casinos is relatively easy to control, and riverboat casinos have significant incentives to police their patrons closely in this area, as state regulatory officials, political figures, and the press can be expected to react quite negatively to substantiated reports of underage gamblers. As might be expected the problem is generally one of 18-to-20-year-olds passing for 21 and older, a situation similar to that involving underage drinking. The Hollywood Casino in Aurora, Illinois has a policy of requiring a picture ID for anyone "suspected" of being under 25. If none is available, the individual is not allowed to board.[50] Others set the age of suspicion at 30. Nevertheless, the issue cannot be ignored: one sting operation by state police in Louisiana found a 7-year-old boy playing a slot machine, and parents have been known to bring their children onto the casino floor.[51]

Social Values

Opponents often cite the alleged negative impact of casinos in many areas of social values. These include a diminution of the value of hard work vs. luck; self-discipline vs. hedonism; and a host of less-than-positive messages to the young given stature by backing from authorities in the state government, community; etc. Unquestionably, the spread of riverboats has resulted in a much greater exposure of the general population to casino-style gambling. This is not accidental: it has been a deliberate policy of the respective state governments. The goal has not necessarily been to induce citizens of their own states to visit casinos: in fact, it is the populations of neighboring states that have been targeted. For that reason, riverboats have usually been sited on the borders of the state, the aim being to attract gamblers from other states. But, as a result, there are few areas in any state with riverboats that are more than a couple of hours from a casino. Thus, in their search for revenues, state governments have effectively chosen to dramatically expand the presence of gambling among their own state's population.

The question of whether or not this is a good thing goes beyond mere normative considerations. The long-term effects are impossible to study simply because the phenomenon is relatively new. Previously, those wishing to experience casino-style gambling had to make the often considerable effort to go to Las Vegas, Atlantic City, or some place outside the country. Now, however, the experience is often only a short drive away, a day-trip that has ceased to be an isolated and exotic excursion and is becoming part of the popular culture. This latter development is accentuated by efforts to wrap riverboat casinos into an overall package of tourism promotion or of general entertainment that aim at attracting families.

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[50] "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. 5.

[51] Scott Dyer, "'Operation Underage' Targets Young Gamblers," The Advocate, Baton Rouge, Louisiana, February 4, 1998, p. 17A. The article notes that the casino itself reported the incident to police and took disciplinary action against the responsible security personnel.

The pro-gambling case is more difficult to make in the area of social impact, but it can be extended to include some of those who question the assumptions, methodology, and empirical data of those asserting significant social costs. Definitions of such costs are notoriously subjective and highly contentious, and the field cries out for greater rigor and even skepticism, especially regarding the economic costs of social impacts.

Even the most extreme estimate of the prevalence of problem gamblers in society accepts the fact that they are a minority of the population. What, then, is the social impact of casinos on the majority? The case can be made that as casinos are demonstrably popular; often winning approval through public referenda, they are a net addition to public enjoyment and entertainment, one more facet of the elusive yet central theme of "the pursuit of happiness" that animates American democracy. To that can be added a libertarian argument of the inherently positive nature of greater individual freedom: i.e., the freedom to make decisions is good in itself even if the results are generally regarded as negative. These elements, although impossible to quantify and thus to compare to the listed negative social impacts, are realities nonetheless. In fact, they are among the most important considerations in the public policy process.

IV. Regulation and Inter-State Competition

Because of the supposed ability of riverboats to dampen problems while maintaining benefits, it has proven to be easier to persuade state legislatures and populations to approve riverboat casinos than has been the case with traditional casinos. The trend began in Iowa in the late 1980's with riverboats approved for sites on the Mississippi River. A key argument in their favor was their potential contribution to the economic development of depressed river towns. In this scenario, riverboat casino gambling was intended as one part of a larger package of incentives to attract tourists, one which consciously aimed at exploiting the historical association of riverboats with the Mississippi River.

However, once the first riverboats were approved, an unexpected dynamic appeared: competition from other states. As has been documented in the example of lotteries, one of the major arguments prompting those states without lotteries (or riverboats) to institute them was the need to "recapture" the revenues from their citizens going to neighboring states with lotteries (or riverboats). Thus, seeing its citizens gambling away their money for the benefit of Iowa's treasury, Illinois soon countered with riverboats of its own on the Mississippi and Ohio, along with a clutch on the Des Plaines River at Joliet. Here, the purpose expanded from recapturing revenues to enhancing those of Illinois at the expense of neighboring states. Indiana and Missouri followed in turn. In Indiana's case, its riverboats on the Ohio River have prompted Kentucky and Ohio to debate licensing their own riverboats or land-based casinos, again to recapture "lost" revenues.

"When it becomes clear that citizens from a state that prohibits gambling will cross borders to gamble in a nearby jurisdiction, there is pressure on the first state to permit gambling as well."[52] Much of the motivation is defensive: states without casinos can suffer considerable economic loss to neighboring states that permit them. A study of the economic impact on Missouri from riverboat casinos concluded that there was a net positive impact, but added that "[p]art of the positive contribution that casinos have made to the Missouri economy has come via the reduction of outflows from the state that otherwise would be diverted by the availability of casinos" in neighboring states.[53]

But there is also the incentive to "raid" the populations of other states. A look at the attached map readily demonstrates that virtually all riverboats are strategically located along state borders, often near major population centers of neighboring states. Thus, Iowa situated its first riverboats at Davenport on the Mississippi, across the river from Rock Island, Illinois; Illinois retaliated against Iowa with riverboats at Galena and Rock Island, but also inaugurated a boat in East St. Louis across the river from St. Louis, Missouri; Missouri responded to that but added boats all around its borders; Indiana placed boats near Chicago; Louisville, Kentucky; and Cincinnati, Ohio; Mississippi centered its on Tunica, just south of Memphis, Tennessee and across the river from

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[52] William R. Eadington, "Contributions of Casino-Style Gambling to Local Economies," Annals, p. 62.
[53] Leven and Phares

Arkansas; Louisiana has a riverboat at Shreveport to tap into the Texas and Arkansas market. Some riverboat states have no riverboats except on their borders.

Illinois' experience with competition from other states is outlined in the state Gambling Board's 1998 annual report: after rapid growth, state revenue from legalized gambling plateaued in 1997. The major reason for this halt is that "increased competition has emerged from other states also offering riverboat/casino gambling." "Since Indiana's entrance into riverboat gambling, Illinois' AGR has been on a modest decline...The timing of the change in Illinois' AGR also appears to correspond to an increase in Missouri's AGR." Interestingly, although admissions to Illinois's boats are not down, apparently the amount of money gambled is. There have even been casualties: the closing of the Silver Eagle riverboat in JoDaviess County in 1997 was due primarily to competition from Iowa, with that state's lack of a cruise restriction identified as the chief cause. The report warns that "competition for the gambling dollar will intensify...out-of-state competition is likely going to continue to challenge for gambling dollars currently being spent in Illinois."[54] And "competition may intensify to the point that just maintaining a constant share of the waged [sic] dollar becomes a challenge."[55]

The same competition between the states complicates, and effectively limits, state regulation of riverboats. Attempts to impose limits on the public's exposure to, and losses at, casinos on riverboats by means of restrictions of various types have proven difficult to maintain because of the competitive pressures from other states. In the words of one analyst, interstate competition produces "demands to level the playing field with respect to new competition by way of additional legislative permissions."[56] For example, the ongoing competition between Illinois and Iowa regarding their respective riverboats on the Mississippi has produced a definite pressure in favor of the progressive removal of restrictions, from shorter intervals between boarding times (the public can embark and debark only at designated times, regardless of whether or not they are playing) to higher individual loss limits. Originally, Iowa wanted only to promote "social" gambling, and then as an aid to tourism and economic development. As a result, it allowed a maximum wager of only $5 and a maximum daily per capita loss of $200 per cruise. There were other restrictions concerning the amount of space that a boat could devote to gambling, etc.[57] When Illinois opened its riverboats with higher stake losses, Iowa's boats suffered financially. As a result, in 1994 Iowa's loss-limits were raised and its cruise restrictions lifted.[58] As a result, the Iowa boats now enjoy a decided advantage over their Illinois rivals, as the riverboats in latter are still required to observe their "cruise limits."[59] State

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[54] "Wagering in Illinois: A Report Updating the Economic Impact of Gambling Activities" Illinois Economic and Fiscal Commission, January 1998, p. i.

[55] "Wagering in illinois: A Report Updating the Economic Impact of Gambling Activities" Illinois Economic and Fiscal Commission, January 1998, p. 21

[56] Willaim R. Eadington, "Contributions of Casino-Style Gambling to Local Economies," Annals of the American Academy of Political and Social Science, March 1998, p. 63

[57] Lawrence J. Truitt, "Casino Gambling in Illinois: Riverboats, Revenues, and Economic Development," Journal of Travel Research, Winter 1996, p. 89.

[58] Douglas M. Turco and Roger W. Riley, "Choice Factors and Alternative Activities for Riverboat Gamblers" Journal of Travel Research Winter 1996, p. 25.

[59] Some states require their riverboats to "cruise," i.e., leave the dock, usually for a period of two hours at a time, during which passengers cannot embark or disembark. Missouri allows so-called "phantom cruising" during which the vessel does not actually leave its

officials in Illinois are regularly lobbied to consider removing these limits, not only by casino owners but by local officials and those worried about their jobs. A similar action may occur in Missouri. There the state imposes a $500 per capita loss limit per cruise, but casino owners argue they cannot compete with the Illinois boats.

Tighter restrictions in one state relative to its neighbor in any area relating to customer convenience are invariably pointed to by casino owners and their supporters in that state as reasons for low profits and shortfalls of revenue, leading to calls for equity with the neighboring state and a consequent see-saw effect back and forth, but always in the direction of loosening restrictions. The states end up competing for the available gambling population by progressively removing restrictions. This inter-state competition calls into question the ability of states to regulate the industry because the original restrictions and assurances imposed at the time of legalization are invariably set aside over time, in a process driven more by market forces than by policy choices.

The choices open to state officials are limited by the prevailing political realities. In the view of one expert: "As one state adopts casino gambling, politicians in adjacent states are pressured to legalize it in order to keep residents and their money at home. Even governors and legislative leaders who are philosophically opposed to gambling are forced to consider legalization because of the jobs and revenue that casinos generate."[60]

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dock (oftentimes the casino is permanently moored in a moat specially designed for it) but "passengers" can only board or leave at two hour intervals. Mississippi does not require its "riverboats" to leave dock; as a result, most are permanently moored.

[60] Lawrence J. Truitt, "Casino Gambling in Illinois: Riverboats, Revenues, and Economic Development," Journal of Travel Research, Winter 1996, p. 89.

V. Conclusion

The debate over riverboat casinos is a hotly contested one, made all the more fierce by the lack of reliable data in virtually every major area of concern. Both proponents and opponents must labor in a field of unknowns, seeking to persuade lawmakers, regulators, and the general public of propositions which lack the potential for a knockout blow. Often emotion substitutes for the lack of empirical rigor.

Unquestionably, riverboat and dockside casinos have brought the casino experience into the heart of the U.S. and into areas once thought permanently hostile to the industry. And it is happening largely without direction. The explosion of gambling in Mississippi caught virtually everyone by surprise, from the state government that authorized it to several long-established industry titans whose experience did not prepare them to regard a poor, isolated community as a potential major "resort" destination.

All of which points to the fact the phenomenon is so new and so unstudied that informed decisions may be something of an oxymoron, although progressively less so. For those in the industry and for the communities hosting the riverboats, this means a wide range of uncertainties, from projections of revenue to the impact on employment. For state officials charged with regulating the industry in the public interest, the problem is even more daunting, even if more abstract. If "the business of America is business," then surely one task of government is to promote it. But does gambling do that? Does it contribute to the local economy and to the general economy or subtract from them? And is the effect large or negligible? And how can economic gain be measured against social loss, if any?

These issues may be moot. States have responded to them by continuing to move in the direction of ever more legal forms of gambling, their imitation of their neighbors demonstrating the sincerity of their flattery. But the results have been so rapid and so unexpected, that many are pausing to catch their breath and to attempt some type of preliminary assessment of what has been wrought.