

CHAPTER 7. GAMBLING'S IMPACTS ON PEOPLE AND PLACES

“Gambling is inevitable. No matter what is said or done by advocates or opponents in all its various forms, it is an activity that is practiced, or tacitly endorsed, by a substantial majority of Americans.”¹

Even the members of the previous federal study would be astounded at the exponential growth of gambling, in its availability, forms and dollars wagered, in the 23 years since they chose the words above to begin their work. Today, the various components of legalized gambling have an impact—in many cases, a significant one—on numerous communities and almost every citizen in this nation. The principal task of this Commission was to examine the “social and economic impacts of gambling on individuals, families, businesses, social institutions, and the economy generally.”²

The numbers involved are staggering: “More than \$50 billion spent on legal commercial games in 1997”³ employing more than 600,000 individuals.⁴ In 1976 only a few states allowed gambling; today, 47 states and the District of Columbia permit some form of gambling.⁵ What is even more astonishing is how little is known and has been studied regarding the social and economic impacts of this diverse industry upon our nation. Despite the growing magnitude of the industry and the widespread involvement of a significant portion of the population, there is a paucity of research in this field. Much of what does exist is flawed because of insufficient data,

¹ *Final Report*, Commission on the Review of the National Policy Toward Gambling, p. 1 (Washington: 1976).

² Sec. 4 (a) (P.L. 104-169).

³ E.M. Christiansen, “An Overview of Gambling in the United States,” testimony before the National Gambling Impact Study Commission, p. 2, Virginia Beach, VA (February 8, 1999).

⁴ *Ibid.*, p.7.

⁵ The exceptions are Utah, Hawaii, and Tennessee.

poor or undeveloped methodology, or researchers’ biases.

It is evident to this Commission that there are significant benefits *and* significant costs to *the places*, namely, those communities which embrace gambling and that many of the impacts, both positive and negative, of gambling spill over into the surrounding communities, which often have no say in the matter. In addition, those with compulsive gambling problems take significant costs with them to communities throughout the nation. In an ideal environment, citizens and policy-makers consider all of the relevant data and information as part of their decisionmaking process. Unfortunately, the lack of quality research and the controversy surrounding this industry rarely enable citizens and policymakers to truly determine the *net* impact of gambling in their communities, or, in some cases, their backyards.

Many communities, often those suffering economic hardship and social problems, consider gambling as a panacea to those ills. Indeed, a number of communities plagued by high unemployment have found a form of economic renewal through gambling, particularly through the development of “destination resorts.”⁶ In addition, state, local, and tribal governments have received substantial revenues from taxes on gambling enterprises and lottery receipts. However, there are costs associated with these decisions and gambling cannot be considered a panacea for all economic problems in a community.

To the economist John Kenneth Galbraith, “People are the common denominator of progress.” Economic progress can only be measured by its impact on individuals. Gambling’s impact on *people* represents an even more complicated and understudied area. Certainly, segments of the industry, especially the resort, hotel, and commercial casinos, provide jobs with good pay and benefits. The short and long-term social benefits of work,

⁶ For the purposes of this document, “destination resorts” can be defined as “those tribal or commercial casinos that offer restaurants, retail, recreation, entertainment, and/or hotels in addition to a number and variety of gaming opportunities.”

health care, training and education are undeniable. Some have argued that quality entertainment, in and of itself, is a social benefit to communities and individuals.⁷

Many witnesses before the Commission argued forcefully that gambling has been a good deal for hard pressed families and communities. In fact, if that were the whole story, our task would have been easy. What has made it complex is the fact that along with the real benefits of gambling, come equally undeniable and significant costs.

This Commission heard testimony about the growing numbers of individuals suffering from problem and pathological gambling, which often results in bankruptcy, crime, suicide, divorce, or abuse. While recent studies have attempted to “quantify” these costs to society, the Commission knows that no dollar amount can represent what a lost or impaired parent, spouse or child means to the rest of the family. Furthermore, many of these costs are hidden and it is difficult to quantify the emotional damage and its long-term impact on families and their children. As NORC indicated in its report, “In a number of respects the tangible impacts from problem gambling can be thought of as analogous to the economic impacts of alcohol abuse. In both situations, inappropriate and/or excess participation in a legal and widely pursued leisure activity can exact an undesirable toll in individuals, family, friends, and the surrounding community.” In reality, it is these hidden costs—the emotional costs of addictive behavior—that concern us far more than the annual economic expense of problem and pathological gamblers.

We recognize that some policymakers and citizens have struggled and continue to struggle with these sometimes conflicting impacts. Attempting to determine the appropriate course of action for their communities while considering the introduction, expansion, or restriction of gambling, is a difficult task. The Commission should begin by acknowledging that, at this time and based upon available information, we do not have a definitive

answer for all those and challenge anyone who suggests otherwise. What the Commission does offer in this chapter is a process and factors to consider in assessing the benefits and costs of gambling and its implications for businesses and people.

DETERMINING THE IMPACT OF GAMBLING

As the Commission noted earlier, and as the Commission will explicate in other chapters, the gambling landscape is neither well-studied nor well-understood. Studies have often been generally parochial, limited, and fragmentary. To determine the impact of the various forms of gambling, the Commission has held hearings throughout the country, heard testimony on a number of relevant topics, reviewed thousands of articles and comments, and considered academic research. In addition, the Commission initiated new research through a number of projects, including studies by the National Opinion Research Center (NORC) and an analysis of professional literature by the National Research Council (NRC).

The NRC project involved a review of all existing and relevant studies by representatives of a variety of scientific fields. In the end, NRC recommended that further study be initiated. Study of the benefits and costs of gambling “is still in its infancy.”⁸ Lamenting past studies that utilized “methods so inadequate as to invalidate their conclusions,” the absence of “systematic data,” the substitution of “assumptions for the missing data,” the lack of testing of assumptions, “haphazard” applications of estimations in one study by another, the lack of clear identification of the costs and benefits to be studied, and many other problems, NRC concluded the situation demands a “need for more objective and extensive analysis of the economic impact that gambling has on the economy.”

In addition to these activities, the Commission invited input from a number of sources affected by

⁷ David Ramsey Steele, “Gambling is Productive and Rational,” *Legalized Gambling, For and Against*, Evans and Hance, ed.

⁸ National Research Council, “Pathological Gambling: A Critical Review,” (April 1, 1999) at 5-18.

gambling, particularly governors and other tribal, state, and local officials in jurisdictions in which some form of gambling is legalized, as well as organizations representing those affected by gambling. Regrettably, some segments of the gambling industry were not as forthcoming in responding to information requests as were others. In particular, many of the Indian tribes involved in Class III gambling, as well as the National Indian Gaming Commission, refused to provide information to this Commission.⁹ This is in stark contrast to the assistance provided by many commercial gambling companies, the pari-mutuel industry, and state and local officials. The Commission, taking into account the tribal sovereignty issue, thought it more appropriate for Congress to address this than to utilize the Commission's limited resources for legal remedies and sought information from alternative sources wherever appropriate.

In attempting to determine the impact of gambling on people and places, the Commission offers a number of caveats for policymakers to consider.

First, social and economic impacts are not as easily severable as policymakers would like. In fact, this is considered a false dichotomy for most individuals other than economists. Employment, for instance, is both an economic and a social benefit. Likewise, crime is both an economic and social cost.

Secondly, as was noted in the overview to this chapter, it is extremely difficult to quantify social costs and benefits. Some economists suggest distinguishing between a "private" cost and benefit and a "social" cost and benefit. NRC also notes the confusion of "transfer effects" from "real effects." For instance, in an economic analysis of transfer effects, bankruptcy would not be considered to be a cost by economists because the dollars are merely transferred. Nor would a casino job necessarily be considered a true benefit, since other jobs may be available. While

this may be true to economists, we know that bankruptcy is indeed a "cost" to the individuals and families involved, just as a good job is a tremendous benefit to that family.

Just as only net economic and social benefits should be included on the positive side of legalized gambling's ledger, only net social and economic costs should be tallied on the negative side. Determining net costs associated with pathological gambling, for example, requires an understanding of what researchers call "co-morbidity," described as "the co-occurrence of two or more disorders in a single individual."¹⁰

Reviews of the literature indicate that substance use disorders, mood disorders such as depression, suicidal thoughts, antisocial personality disorder, and attention-deficit hyperactivity disorder may often co-exist with pathological gambling.¹¹ To the extent that researchers can isolate the effects of pathological gambling on, for example, marital stability, from the effects of co-existing conditions like drug abuse can researchers determine the net negative effects of pathological gambling on marriages.

This task is challenging. As the NRC explains, "Evaluating studies of conditions that co-occur with pathological gambling requires careful formulation of research questions, such as: Does gambling precede the onset of other disorders? Do certain disorders exacerbate pathological gambling? Is there a pattern of symptom clustering? Is the severity of one disorder related to the other? And is a standard assessment instrument used to collect data for both gambling and the comorbid condition? Very few pathological gambling studies have addressed even one of these questions."¹²

Third, what society terms "the gambling industry" actually involves segments that are quite different from one another. Destination casino resorts bear little resemblance to convenience gambling. The former provides

⁹ In testimony before the Commission, Rick Hill, the Chairman of the association which represents tribes operating gambling facilities, stated, "We don't trust you to give you the information. It is that clear. Every time we give our financials [information] to someone, someone has used it against us," Virginia Beach, VA (February 9, 1999).

¹⁰ National Research Council, p. 4-13.

¹¹ *Ibid*, pp 4-14 to 4-21.

¹² *Ibid*, p. 4-15.

numerous jobs, restaurants, shopping and entertainment as well as a number of games in a highly regulated setting, while the latter involves a relatively small number and type of games, creates few or no jobs, is far less regulated and fails to create significant beneficial economic impact.

When the public considers “gambling,” they tend to think principally of casino style settings. In fact, there are 10 states with commercial casinos, sixteen states with tribal casinos (23 states have either commercial or tribal casinos or both.) Some of these are mega-resorts that include hotels, retail, dining and entertainment. For the most part, companies involved in this form of gambling are publicly traded and highly regulated. As a result, this is the one area of the industry where some data and analyses of social and economic factors exists.¹³

But, the reality is that the most prevalent forms of gambling are the ones found in most neighborhoods: lotteries and other forms of “convenience” gambling.¹⁴ And in the past few years, Internet gambling sites enabled slot machine and video poker style gambling to come right into our homes. In many ways, these forms of gambling are far more troublesome than any other, as the benefits are negligible, the level of regulation minimal and the likelihood of abuse much greater. Of greater concern to parents, convenience and Internet gambling are far more accessible to children and, unlike casino and pari-mutuel gambling, far more difficult to avoid. Further, the types of games typically offered in convenience gambling facilities or over the Internet tend to be the fastest-paced and, therefore, most addictive forms of gambling.¹⁵

While the Commission has some idea of the impact of gambling on our citizens, we must acknowledge that the state of research is extremely

incomplete and that much more work should be done in the future. However, even without a complete range of measurements, the Commission can begin the process of determining the *net impact* of gambling. To this end, the Commission was able to conduct important analyses of gambling’s economic and social costs and benefits, based not only on the personal experiences of individuals and communities, but also on quantitative and qualitative factors. This represents only a beginning of the process—but it is a beginning. The Commission urges policymakers at all levels of government to accept our challenge to evaluate and to critically test both the economic and social costs and benefits associated with the introduction of, or continuation of, or restriction of gambling activities within their communities.

Legalized gambling has had certain positive economic effects in some of the communities in which it has been introduced. Hundreds of employees in several cities described the new and better jobs they had obtained with the advent of casinos. Some described relocating from other states to the sites of new casinos; others spoke of leaving minimum-wage jobs in which they had no benefits, to accept unionized jobs at the casinos at higher compensation and with significant employment opportunities. Some described the homes and cars they had been able to purchase, and the health and retirement benefits they had obtained by going to work for the casinos. In other locations, tribal members testified that the advent of casinos on tribal lands had provided jobs where none had existed before and had improved hospital and clinic facilities and schools for the benefit of their children. They spoke with evident pride about the economic impact opportunities which legalized gambling had made available to them, providing them with economic resources, both personal and tribal, which they had been unable to obtain before the advent of legalized gambling on their tribal lands. Further, several tribal representatives testified that gambling revenues are providing tribes with enough resources to make investments in other industries and enterprises.

¹³The pari-mutuel industry has also received a significant amount of scrutiny and likewise was open and supportive of our study.

¹⁴“Convenience gambling” have been used to describe legal, stand-alone slot machines, video poker, video keno, and other electronic gambling devices (EGD’s).

¹⁵For more information, see chapter on “Pathological and Problem Gambling.”

The Commission also heard from a number of local officials in jurisdictions where casinos are located. Among those who informed the commissioners with their testimony were Elgin, Illinois, Mayor Kevin Kelly; Mayor Scott King from Gary, Indiana; Mayor James Whelan from Atlantic City; as well as mayors from Bettendorf, Iowa, and Alton, Illinois. The Commission also heard from Mayors A.J. Holloway, Bobby Williams, Bob Short, and Eddy Favre of Biloxi, Tunica, Gulfport, and Bay St. Louis, Mississippi, respectively. Without exception these elected officials expressed support for gambling and recited instances of increased revenues for their cities. They also discussed community improvements made possible since the advent of gambling in their communities and reviewed the general betterment of life for the citizenry in their cities and towns.

In the community analysis conducted by NORC, other communities reported growth in the hotel industry, more money for local government, and increased construction. In two of the ten communities studied, property values were reported to have improved. Three communities reported an increase in retail establishments; two reported a decline. The NORC 100 community database analysis of casino proximity reported that there is a statistically significant casino effect on per capita casino spending; on 4 of 5 employment measures and on 7 of 16 income earnings measures. This analysis also found that there is a marked decrease in the percentage of the labor force that is unemployed; a slight increase in construction earnings; an increase in actual per capita construction earnings; and a substantial percentage increase in earnings in hotel and lodgings and recreation and amusements industries.¹⁶

While pointing out that legalized gambling has social and economic costs, the NRC notes that “the recent institutionalization of gambling appears to have benefited economically depressed communities in which it is offered.”¹⁷

¹⁶National Opinion Research Council (April 1, 1999), pp. 70, 76-77.

¹⁷NRC, (April 1, 1999), p. Exec-1.

More specifically, “the benefits are borne out in reports, for example, of increased employment and income, increased tax revenues, enhanced tourism and recreational opportunities, and rising property values.”¹⁸

But there were other factors brought to the attention of the Commission. In Atlantic City and elsewhere, small business owners testified to the loss of their businesses when casinos came to town.¹⁹ As evidence of this impact, few businesses can be found more than a few blocks from the Atlantic City boardwalk. Many of the “local” businesses remaining are pawnshops, cash-for-gold stores and discount outlets. One witness noted that, “in 1978 [the year the first casino opened], there were 311 taverns and restaurants in Atlantic City. Nineteen years later, only 66 remained, despite the promise that gaming would be good for the city’s own.”²⁰

Other citizens testified to the lack of job security they had encountered in tribal casinos, the absence of federal and state anti-discrimination laws, and the lack of workers’ compensation benefits.

NORC found “no change in overall per capita income” after the introduction of casinos, “as the increases [in certain industries] are offset by reductions in welfare and transfer payments as well as a drop-off in income from restaurants and bars.”²¹

In its survey of leaders in 10 casino communities, NORC found mixed perceptions about the economic impact of casinos. Respondents in 5 of the 10 communities cited new employment opportunities as a “very positive advantage.” However, “Respondents in the other four communities indicated that unemployment remained a problem, despite former hopes to the contrary.” Unemployment

¹⁸Ibid., p. 5-1.

¹⁹See, for instance, testimony of Joseph Faldetta to the National Gambling Impact Study Commission, Atlantic City, N.J., (January 22, 1998).

²⁰Ibid.

²¹NORC, p. 70.

among Indian tribes remains extremely high. Respondents in six of the communities complained that the casinos provided low-paying and/or part-time jobs with no benefits.

It bears stating the obvious in this discussion: A number of formerly struggling communities across this nation have undergone an economic renaissance in recent years without turning to gambling. It is also worth noting that much of a recent wave of casino expansion occurred in the early 1990's, when the country was mired in an economic recession. So, for example, while the Commission heard testimony of the casino-inspired "Mississippi Miracle," in reality the unemployment rate in Mississippi declined at about the same rate as the national average in the years from 1992 to 1998.²²

GROWTH AND EMPLOYMENT

A number of arguments have been advanced to promote gambling in an area or to demonstrate its positive impact. The most significant are associated with economic growth and employment. As was noted earlier, it is important to distinguish among the various forms of gambling. Two segments, casinos and pari-mutuel, are the most labor intensive aspects of gambling.²³ In 1996 more than half a million people were employed by the legal gambling industry, earning more than \$15 billion.²⁴

In 1996 Arthur Anderson conducted a study on behalf of the American Gaming Association to determine the influence of casino gambling on the American economy. They found that in 1995 the casino industry recorded \$22-25 billion in total revenues, paid a total of \$2.9 billion in direct taxes (including federal and state, property, construction sales and use, and gambling taxes), directly

employed almost 300,000 people and paid \$7.3 billion in wages, paid an average national wage of approximately \$26,000 (which exceeds that paid in most related fields) and invested \$3 for every \$1 earned, created 13 direct jobs for every \$1 million in revenues, supported 400,000 indirect jobs paying \$12.5 billion in wages, and spent a large majority of its revenues within the United States on payroll, taxes and other expenses.²⁵

The economic benefits of casino gambling have been especially powerful in economically depressed communities where opportunities for economic development are scarce. State, local, and tribal government officials from other communities with casino gambling testified with near unanimity to the positive economic impact of gambling. Mayor James Whelan of Atlantic City told the Commission that "Atlantic City would be dead without casino gambling."²⁶ When members of the Commission visited the Atlantic City Rescue Mission, its director, Barry Durman, who says he personally opposes gambling, agreed with the Mayor on this point, but also noted that at least 22 percent of the homeless served by the Mission say gambling is the cause of their homelessness.²⁷

State Senator Earline Rogers, whose district includes Gary, described that city's efforts over a 15-year period to replace the 70,000 jobs lost due to the decline of the steel industry:

"Our attempts to recruit major businesses to locate in Northwest Indiana were not successful. The State of Indiana spent millions of dollars luring major manufacturing operations to Indiana, often spending hundreds of thousands of dollars for jobs. Not one was located in Northwest Indiana. We knew something had to be done when we found ourselves championing our economic development successes at a ribbon

²² Mississippi's unemployment rate declined from 8.2 percent in 1992 to 4.8 percent in 1998. The national unemployment rate declined from 7.5 percent to 4.1 percent in that same period.

²³ E.M. Christiansen, *Gambling and the American Economy*, 556 *Annals of the American Academy of Political and Social Science* (James Frey, ed) at 43 (March 1998).

²⁴ *Ibid.*

²⁵ Arthur Anderson L.L.P., *Economic Impacts of Casino Gaming in the United States*, Volume 1: Macro Study (December 1996).

²⁶ James Whelan, testimony Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 21, 1998) (Mayor of Atlantic City).

²⁷ Rev. Barry Durman, written testimony before the National Gambling Impact Study Commission, Atlantic City Site Visit (January 21, 1998) p. 17.

cutting for a McDonald's restaurant in Gary, Indiana."²⁸

Indiana legalized casino gambling in 1993, and within a few years, casinos opened in Gary. Now, the city has started to turn itself around, rebuilding its streets and replacing outmoded police cars.²⁹

Unlike many industries, casino gambling creates full-time, entry-level jobs, which are badly needed in communities suffering from chronic unemployment and underemployment. Dozens of casino workers testified that these economic benefits are felt in the home and not just at city hall. Calvin Chandler, who left college to care for his mother, told the Commission about his efforts to find work in Gary, Indiana, before the legalization of casino gambling:

"The infamous steel mills of Gary were slowly dying and they weren't and haven't been hiring many. So basically I ended up bouncing between temporary jobs such as lifeguarding for the boys and girls club and bartending at a local lounge and off and on doing some substitute work at elementary schools."³⁰

When the Majestic Star Casino opened, Mr. Chandler, a single father, found work as a bartender. Now, he has the financial resources to support his young daughter and finish college.³¹ Before coming to Las Vegas from California 5 years ago, Silvia Amador worked as a maid for \$4.75 an hour and relied on welfare to make ends meet; today, she cleans rooms at the Las Vegas Hilton, no longer depends on welfare, and earns enough money to give her family "anything they need."³²

Other casino workers described how a steady job and secure livelihood enables them to prepare for contingencies and plan for the future. Frances Brewin,³³ a food server at the Atlantic City Hilton, described how important her employer-paid medical benefits became after her husband was disabled and forced to take early retirement. When his medical benefits ran out, she was able to support him through a long period of illness: Olivetta Scott, a booth cashier at the Circus Circus Hotel and Casino, told the Commission, "I am 58 years old and in four years, I can retire if I want to. I will be a burden to no one, my family, or the government. I have my union pension and I have my social security to rely on."³⁴ Rosendo and Gloria Caldera, who live in Inglewood, California, and work at the Hollywood Park Casino, were able to send their children to Boston University and the University of Southern California. According to Mr. Caldera, "We have faith that we'll continue to have good jobs so that we can continue to send them to school. We'd like to give them the best education for their future and for that of the community."³⁵

Research conducted on behalf of the Commission confirms the testimony of these casino workers and government officials that casino gambling creates jobs and reduces levels of unemployment and government assistance in communities that have legalized it. In its analysis of 100 gambling and non-gambling communities, NORC found that in communities close to newly opened casinos, "unemployment rates, welfare outlays, and unemployment insurance decline by about one-seventh."³⁶

²⁸ Earline Rogers, testimony Before the National Gambling Impact Study Commission, Chicago, Illinois (May 30, 1998) (Indiana State Senator).

²⁹ Ibid.

³⁰ Calvin Chandler, testimony before the National Gambling Impact Study Commission, Chicago, Illinois (May 20, 1998).

³¹ Ibid.

³² Silvia Amador, testimony Before the National Gambling Impact Study Commission, Las Vegas, Nevada (November 10, 1998) (Guest Room Attendant, Las Vegas Hilton).

³³ Frances Brewin, testimony Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 21, 1998) (Food Server, Atlantic City Hilton).

³⁴ Olivetta Scott, testimony before the National Gambling Impact Study Commission, Las Vegas, Nevada (November 10, 1998).

³⁵ Rosendo Caldera, Testimony Before the National Gambling Impact Study Commission, Del Mar, California (July 29, 1998) (Food Server, Hollywood Park Casino, Inglewood, California).

³⁶ NORC, "Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission," (April 1, 1999), p. v.

Additionally, NORC found increased per capita income in the construction, hotel and lodging, and recreation and amusement industries. However, “no change is seen in overall per capita income as the increases noted above are offset by reductions in welfare and transfer payments as well as a drop-off in income from restaurants and bars...”³⁷ In other words, there were more jobs in the communities NORC studied after casino gambling was established than before. Although income in those communities stayed the same, more came from paychecks and less from government checks than before.

The Commission also heard testimony quantifying job quality in the casino industry, and these data show that in terms of income, health insurance, and pension, casino jobs in the destination resorts of Las Vegas and Atlantic City are better than comparable service sector jobs. Matthew Walker, director of research and education for the Hotel Employees and Restaurant Employees International Union, which represents approximately 75,000 gambling industry employees nationwide, testified that from 1977 through 1996, real income for Atlantic City casino workers increased at a much higher rate than real income for service-sector employees in New Jersey and the United States as a whole. Moreover, since 1989, real income for Atlantic City casino workers has continued to rise, while real income for New Jersey and U.S. service workers has declined. In 1996, 83 percent of Atlantic City’s unionized casino workers were covered by family health insurance, almost twice the percentage of New Jersey and U.S. service workers with family coverage. In 1993, the most recent year for which comparative data were available, 95 percent of the union’s Atlantic City members were earning pension benefits, as compared to 45 percent of the private-sector workforce nationally.³⁸

Within the casino industry, destination resorts tend to create more and better quality jobs than other kinds of casinos. In the Commission’s casino survey conducted by NORC, the casinos that responded were divided into three groups: the top 25 casinos in terms of revenue; other commercial casinos; and, tribal casinos. Almost all of the casinos in the first group are destination resorts, and all but four are unionized. By contrast, a much smaller proportion of the other two groups are destination resorts. Moreover, fewer of the smaller commercial casinos and none of the tribal casinos are unionized. Annual salaries were, on average, \$26,000 in the largest casinos, \$20,500 in the smaller commercial casinos, and \$18,000 in the tribal casinos. Employer contributions to employee health and retirement plans were also higher in the large casinos.³⁹

Pari-Mutuel

Another segment of the gambling industry with a significant impact on the economy is the pari-mutuel industry, which is legal in 43 states. With over 150 racetracks in the United States, horse racing generates annual gross revenues of approximately \$3.25 billion, based on a handle, or gross revenues, of \$15.357 billion annually.⁴⁰ While comparatively small in terms of revenue, the industry has an extensive network of connections throughout the economy. These are located primarily in the agro-industrial sector where, in addition to the racing industry itself, a number of related occupations—such as veterinarians, owners of stables, and others—owe their livelihoods entirely or partly to the industry. Total employment has been estimated at 119,000, of which track and off-track betting (see below) operations constitute 36,300 jobs, maintenance of

³⁷ Ibid., p. 70.

³⁸ Matthew Walker, testimony before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22,

1998) (Director of Research and Education, Hotel Employees and Restaurant Employees International Union).

³⁹ NORC, p.2.

⁴⁰ E.M. Christiansen, *Gaming and Wagering Business* (July and August, 1998).

competing horses 52,000, and breeding 30,800.⁴¹ A 1994 study for the California Horsemen's Benevolent and Protective Association reported that the horse-racing industry directly created 14,700 jobs in that state. The industry generated over \$800 million in direct expenditures, such as payroll, taxes, and purchases, including \$129 million paid to governments from taxes on wagering, \$306 million spent on operations at the wagering facilities, \$253 million on racing stable operations, and \$123 million for horse breeding operations.⁴² Overall, James Hickey of the American Horse Council has submitted evidence to the Commission that the annual impact of the pari-mutuel industry on the U.S. economy is \$34 billion supporting 473,000 jobs.⁴³

Native American Tribal Government Gambling

Tribal gambling accounted for \$6.7 billion in revenues in 1997.⁴⁴ "Two-hundred and eighty seven tribal gambling facilities operated, most of them small; the eight largest account for more than forty percent of all revenue."⁴⁵ It is estimated that approximately 100,000 individuals are employed in Indian gambling facilities, but a breakdown of employees indicating how many are Indian is not generally available. A study by the *San Francisco Examiner* prior to the state's referendum vote indicated that Indian casinos in California employed nearly 15,000 individuals in 1998, only 10 percent of whom are Native American.⁴⁶ In testimony that same month before the Commission's Indian Gambling Subcommittee in Del Mar, California, Native Americans were

estimated to be approximately five percent of the total gambling industry workforce in the state.⁴⁷

According to the Bureau of Indian Affairs (BIA), 156 tribes are involved in gambling activities. The Indian Gaming Regulatory Act limits use of revenues to three purposes: "1) to fund tribal government operations or programs; 2) to provide for the general welfare of the Indian tribe and its members; and, 3) to promote tribal economic development."⁴⁸ Forty-seven tribes have a per capita payment plan approved by BIA.

Some tribes have used this opportunity to rebuild infrastructure, diversify holdings, reduce unemployment, and contribute to the surrounding communities. Again, the unwillingness of individual tribes, as well as that of the National Indian Gaming Association (the tribes' lobbyists) and the National Indian Gaming Commission (the federal agency that regulates tribal gambling), to provide information to this Commission, after repeated requests and assurances of confidentiality, limited our assessment to testimony and site visits. While the social benefits to some tribes appear evident, information about economic benefits of Indian gambling cannot be factually proven, other than through estimates, because they have not been forthcoming with information they perceive to be "proprietary." One perceived economic benefit to both the tribes and the general population—reduction of the reliance upon taxpayer-funded federal assistance—has not manifested itself to date. For the most part, requests for federal assistance from tribes involved in gambling have continued.⁴⁹ As an example, the Mashantucket Pequots, whose Foxwoods facility in Connecticut is the largest casino in the world and grosses more than \$1 billion in annual

⁴¹ Barents Group, *The Economic Impacts of the Horse Industry in the United States*, Volume 1: National Summary, at 19 (December 9, 1996).

⁴² Thalheimer Research Associates, *The Economic Impact of the California Race Horse Industry*, at iii-iv (January 1994).

⁴³ James J. Hickey, Jr., *Retreat Briefing Materials for the National Gambling Impact Study Commission*, at 1 (February 4, 1999).

⁴⁴ Christiansen, *Op.cit.*, p. 11.

⁴⁵ *Ibid.*, p. 23.

⁴⁶ "Tribal Gaming," *San Francisco Examiner* (August 2, 1998), p. A-14.

⁴⁷ Testimony before the National Gambling Impact Study Commission, Del Mar, CA (July 29, 1998).

⁴⁸ 25 U.S.C. 2710 (b)(1-3).

⁴⁹ One in-depth report noted: "Sudden wealth has not sated the strong sense of entitlement of some tribes. Minnesota's Fond du Lac Chippewas voted against spending \$9 million to replace a dilapidated school even though the tribe had \$30 million in banked casino revenues. The United States has an obligation to Indian people, and I'm going to hold them to it," the tribe's chairman told the Minneapolis Star Tribune recently." (Sean Paige, "Gambling on the Future," *Insight Magazine*, December 12, 1997, p.6.)

revenues for the 550 tribal members, still received \$1.5 million in low-income housing assistance in 1996 and continues to receive other federal funds.⁵⁰

While casinos have been an extraordinary economic success story for a handful of Indian tribes,⁵¹ for most they have brought considerably fewer benefits. Wayne Taylor, chairman of the Hopi tribe, testified, “With the exception of a very few, very small and very fortunate tribes ... who have had extraordinary success with tribal gambling, the majority of tribes across the country still find it very difficult to reconcile the obligation and responsibilities side of their ledger with the income side.”⁵² As of the writing of this report, the unemployment rate among Native Americans continues to hover around 50 percent.⁵³

Other Gambling Industries

Other segments of gambling have a significant economic impact upon places and people, but the benefits do not include large-scale growth or employment. Most lottery directors testified that the impact of lottery revenue was beneficial to the state and its citizens, but, in the cases where revenue distribution was specified, no state could prove that program funding would not exist in the absence of lotteries. To the contrary, several states experienced reductions in actual general funding for programs for which lottery revenue was earmarked. Nor are the economic implications of regressive taxation given much consideration. As Dr. Philip Cook, a leading researcher under contract to the Commission, stated, “It’s astonishingly regressive. The tax that is built into lottery is the most regressive tax we know.”⁵⁴ In

addition, the inordinate number of lottery outlets in poor neighborhoods and the reliance upon a small number of less-educated and poor individuals for the bulk of the proceeds causes us serious concern. In fact, Cook and his colleague, Dr. Charles Clotfelter, found that lottery players with incomes below \$10,000 spend more than any other income group, an estimated \$597 per year. Further, high school dropouts spend four times as much as college graduates. Blacks spend five times as much as whites. In addition, the lotteries rely on a small group of heavy players who are disproportionately poor, black, and have failed to complete a high school education. The top 5 percent of lottery players (who spend \$3,870 or more) account for 51 percent of total lottery sales. Several government officials suggested that a state’s only alternative to a lottery was a tax increase. Limiting spending, reducing the size of government, or seeking alternative revenue sources were rarely mentioned.

No economic benefit to either a place or a person was advanced by proponents of convenience gambling. There are no national statistics that indicate the specific impacts of neighborhood gambling and there are few significant state-wide studies.

We did hear compelling testimony indicating that neighborhood gambling is a phenomenon that should be more widely studied, and therefore should be a serious topic of inquiry in this *Final Report*. Las Vegas Mayor Jan Jones said that, in her view, neighborhood gambling locations are places where children and families routinely visit. She spoke of entering a grocery store and seeing parents playing slot machines with children sitting behind them. Children see gambling as part of the same environment as candy and soda. Such encounters with gambling may lead to higher rates of adolescent gambling and problem/pathological gambling in later life. Such availability also harms economic diversification, because some corporations from both inside and outside the state may object to relocation to an environment that allows neighborhood gambling. And sadly, convenience gambling is often found in neighborhoods where the money spent on

⁵⁰ Ibid.

⁵¹ According to the 1997 NIGC Audit Reports, the 8 largest operations account for more than 40 percent of the more than \$6 billion in gross revenues, 20 operations account for 50 percent of the total, and 45 operations account for 71 percent of revenues.

⁵² Wayne Taylor, testimony before the National Gambling Impact Study Commission (July 30, 1998), Tempe, AZ.

⁵³ Liz Hill, “Senate Oversight Hearing Addresses Welfare Reform and Indian Country,” *Indian Country Today* (April 26, 1999).

⁵⁴ Dr. Philip Cook, Meeting of the National Gambling Impact Study Commission (March 19, 1999).

gambling could otherwise be spent on necessary goods and services.⁵⁵

One commentator has called neighborhood gambling a “paradoxical perversity,” because in Massachusetts convenience stores have become “shrines to the shill” and “neighborhood gambling dens.”⁵⁶ The evidence available to us, so far, indicates there are no measurable societal benefits to be derived from the introduction or continuation of convenience gambling facilities; that these facilities benefit only a few operators, while bringing gambling into neighborhoods in close proximity to children and families. They carry with them all of the negative costs associated with gambling, while offering none of the economic benefits that may be contributed to destination-style casinos.

A Careful Look at Economic Benefits

For some areas, it may well be argued that gambling has a measurable and significant economic impact. For other areas, the boon may be less clear. Even in the face of the apparent benefits touted by many in Atlantic City, at the time the Commission visited in January 1998, the unemployment rate stood at 12.7 percent, notwithstanding the legalization of gambling in 1978. That rate was considerably above both the national rate and the rate of unemployment for the rest of New Jersey at that time. It is unclear, therefore, whether the introduction of casino-style legal gambling in New Jersey has produced all of the benefits that are usually described by those who promote it.

One indirect method to get a qualitative sense of the net effects of gambling is to look at its effect on property values. An increase in property values reflects growing attractiveness of a location. For example, if a new factory increases property values in a metropolitan area, but depresses them near its location, one can draw conclusions about the near-by and the broader

impacts of the factory. This method has been applied to evaluate the effects of airports, waste disposal, and other public sector activities. It has also been used to estimate the consequences of casino gambling on the economy of a community. Needless to say, it is not a simple matter to extract the effect of any particular presumed cause on property values.

One study that looked at counties that added casinos between 1991 and 1994 suggests several conclusions concerning the effect of gambling on property values. First, the counties that introduced gambling had relatively poor growth in property values before the introduction of gambling (compared to similar counties). The introduction of gambling increased the rate of growth of property values, making it similar to that in comparable counties that lacked casinos. The greatest effect of the introduction of gambling is on commercial property values, with residential property values not raised at all, perhaps even lowered by casino gambling.⁵⁷

One theme running through the testimony received before the Commission was that the economic benefits were generally most pronounced within the immediate vicinity of the gambling facilities, while the social costs tended to be diffused throughout a broader geographic region. In Tunica, Mississippi, the advent of legalized gambling provided jobs for an area of extreme poverty. Many citizens of Tunica have undoubtedly benefited by the increase in the wage base and the increased ability of its citizens to purchase homes and other amenities. Some area towns have even been adopted by the industry to improve employee preparation. The Commission heard similar testimony from representatives of other economically depressed communities such as Gary, Indiana and numerous tribal lands in Arizona and elsewhere. But the Commission also received substantial testimony from people outside these communities about losses of business and tourism, infrastructure problems and economic

⁵⁵ Mayor of the City of Las Vegas, Jan Jones, testimony before the National Gambling Impact Study Commission, Las Vegas Nevada, (Nov. 10, 1998) (transcript available at <http://www.ngisc.gov>).

⁵⁶ Get Keno Out of the Corner Store, *The Patriot Ledger* (Quincy, MA), 18 (July 2, 1997) (editorial).

⁵⁷ L.M. George, B.M. Ambrose, and P. Linneman, “What We Need to Know About Casino Gambling,” *Wharton Real Estate Review*, Vol. 11, no. 1 (Spring 1998).

costs related to problem and pathological gambling resultant from the expansion of gambling into nearby communities. (See Table 7-1).

There is general agreement that legalized gambling has offered regulators the opportunity to locate gambling activities where incomes are depressed, thus providing, in some cases, an economic boost to needy people and places. So doing, however, has the negative consequence of placing the lure of gambling proximate to individuals with few financial resources. The Commission is concerned about the significant danger posed by the continuing expansion of legalized gambling into places where the economy is already prospering. In the extreme, the Commission can imagine competition among localities driving the extent and location of gambling toward an outcome in which most gambling establishments are just one more business in prosperous areas, most employees are people who easily could get other jobs, and therefore, the economic benefits are small. Not only are the net benefits in these new areas low, but the benefits to other, more deserving places are diminished due to the new competition. And, as competition for the gambling dollar intensifies, gambling spreads, bringing with it more and more of the social ills that led us to restrict gambling in the first place. It is easy to imagine jurisdictions competing for the gambling dollar, with the consequent overexpansion of legalized gambling; shrinking social benefits are overwhelmed by rising social costs.

What the Commission can agree on is that analysis of the economic effects of gambling is poorly developed and quite incomplete. Further, almost all studies have been conducted by interested parties. These typically have gone no further than to estimate local jobs and income from the gambling industry. But since the economic effect of an activity is its value added above what the same resources would be adding to value if employed elsewhere, these studies are deficient and may mislead readers to conclude that the introduction of gambling activities in an area will result in significant benefits without

attendant costs, which may, in fact, overwhelm the benefits. Without an estimate of the opportunity cost of the resources used in gambling, the Commission can generate no meaningful estimate of its net effect. Beyond this, the social costs of gambling are so important to regulatory decisions that even an accurate estimate of the net income generated by the gambling industry would constitute only the start of a full cost-benefit analysis. No one—not tribal leaders, governors, mayors or citizens—should make, or should be forced to make, a decision without an assessment of both economic and social benefits and costs.

The NRC concluded in its report to the Commission that while gambling appears to have net economic benefits for economically depressed communities, the available data are insufficient to determine with accuracy the overall costs and benefits of legal gambling. The NRC study stated that pervasive methodological problems in almost all existing studies prevent firm conclusions about the social and economic effects of gambling on individuals, families, businesses, and communities, generally.

Crime

Historically, there is a view that the introduction of legalized gambling will increase crime in a community. It is also claimed that legalized gambling reduces crime because it eliminates incentives for illegal gambling. Since the types of crime involved in each of these hypotheses are different, it is not surprising that proponents of both views are able to advance research to support their views. The reliability of many of these studies, however, is questionable. As one commentator observed:

The story of the relationship between legalized casino gambling and street crime is far from written. The problem is that although a great deal has been written on the subject, so much of the writing on all sides is

bombast and blather that it is difficult to discern any strong facts.⁵⁸

Some of the more thorough studies examine crime and pathological gambling. Not surprisingly, the findings reveal that many problem and pathological gamblers steal or commit other crimes to finance their habit. According to the National Research Council, “As access to money becomes more limited, gamblers often resort to crime in order to pay debts, appease bookies, maintain appearances, and garner more money to gamble.”⁵⁹ In Maryland, a report by the Attorney General’s Office stated: “[c]asinos would bring a substantial increase in crime to our State. There would be more violent 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.”⁶⁰ Some commentators link crime to pathological gambling, where addicted gamblers steal or commit other crimes to finance their habit. The Commission heard repeated testimony of desperate gamblers committing illegal acts to finance their problem and pathological gambling, including a Detroit man who faked his own son’s kidnapping to pay back a \$50,000 gambling debt,⁶¹ a 14-year hospital employee in Iowa who embezzled \$151,000 from her employer for gambling,⁶² and the wife of a Louisiana police officer who faced 24 counts of felony theft for stealing to fund her pathological gambling.⁶³ In a survey of nearly

400 Gamblers Anonymous members, 57 percent admitted stealing to finance their gambling. Collectively they stole \$30 million, for an average of \$135,000 per individual.⁶⁴ One witness before the Commission indicated that “80 to 90 percent of people in Gamblers Anonymous will tell you they did something illegal in order to get money to gamble.” A lot of them do white collar crimes, fraud, credit card and employee theft.”⁶⁵ In Louisiana, one man confessed to robbing and murdering six elderly individuals to feed his problem with gambling on electronic gambling devices.⁶⁶

But beyond pathological gambling, tracing the relationship between crime and gambling has proven difficult. One problem is the scope of the studies being done: some look at street crime alone, others include family crimes, still others may simply look at adolescent gambling, and others include white collar crime. Another problem is differentiating the effects of gambling from the effects of tourism in general. Nevada consistently has one of the highest crime rates in the nation. Several researchers suggest this is caused more by tourism than it is by the nature of the gambling industry. Is the crime surrounding an upscale Las Vegas resort similar to crime surrounding an amusement park? Are the volume and types of crimes comparable?

Despite having few answers to these questions, policymakers continue to push or pull gambling based on a real or perceived, positive or negative, relationship between gambling and crime.

The Commission attempted to investigate the relationship between crime and legalized gambling through two studies mentioned here and elsewhere in this *Final Report*: the NRC and NORC reports. The results from these two

⁵⁸ William J. Miller and Martin D. Schwartz, *Casino Gambling and Street Crime*, 556 *Annals supra* note 6 at 133-4.

⁵⁹ Lesieur, 1987; Meyer and Fabian (1992).

⁶⁰ J. Joseph Curran, Jr., *The House Never Loses and Maryland Cannot Win: Why Casino Gaming is a Bad idea: Report to the Joint Executive-Legislative Task Force to Study Commercial Gaming Activities in Maryland* at E1 (October 16, 1995). (Attorney General of Maryland).

⁶¹ Mike Harris, testimony before the National Gambling Impact Study Commission, Chicago, Illinois (May 21, 1998).

⁶² Marlys Popma, testimony before the National Gambling Impact Study Commission, Chicago, Illinois (May 21, 1998).

⁶³ Donna Kelly, testimony before the National Gambling Impact Study Commission, Biloxi, Mississippi (September 10, 1998).

⁶⁴ Henry Lesieur, testimony Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22, 1998) (Institute for Problem Gambling).

⁶⁵ Edward Looney, testimony Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22, 1998) (Executive Director, New Jersey Council on Compulsive Gambling).

⁶⁶ Jarvis DeBerry and Rhonda Bell, *Deadly Compulsion*, *New Orleans Times-Picayune* at A1 (November 23, 1997).

studies suggest that a relationship may exist between gambling activity and the commission of crime, but concluded that insufficient data exists to quantify or define that relationship. More study is necessary to isolate the exact relationship between crime and legalized gambling. This result highlights similar conclusions reached by many in the research field, scholars who lament the paucity of information. Yet, one study also found that people within communities that host legalized gambling believe crime rates are up. We are not prepared to discount these views in the community. Rather, they are troubling and demand greater research, clarity, and knowledge.

The NORC study found that pathological gamblers had higher arrest and imprisonment rates than non-pathological gamblers.⁶⁷ A third of problem and pathological gamblers had been arrested, compared to 10 percent of low-risk gamblers and 4 percent of non-gamblers. About 23 percent of pathological gamblers have been imprisoned, and so had 13 percent of problem gamblers.⁶⁸ There are economic costs associated with arrests and imprisonment. Problem and pathological gamblers account for about \$1,000 in excess lifetime police costs each. The 32 percent of pathological gamblers arrested had a lifetime arrest cost of \$10,000.⁶⁹

Evidence provided to the Commission presented another side to this issue. A study by the chair of the Department of Criminal Justice at Virginia Commonwealth University found that:

An examination of arrest trends for embezzlement, forgery and fraud in nine of the largest casino markets shows no consistent pattern, although more jurisdictions report more decreases than increases in arrests.⁷⁰

Jeremy Margolis, a former director of the Illinois State Police, who also served as assistant U.S. attorney for the Northern District of Illinois and was the Illinois inspector general, published a comprehensive review of available information on gambling and crime. His study, "Casinos and Crime: An Analysis of the Evidence,"⁷¹ was based upon 10 jurisdictions that have commercial casinos. In testimony before the Commission he stated that he found little documentation of a causal relationship between the two. Taken as a whole, the literature shows that communities with casinos are just as safe as communities that do not have casinos.

FINANCIAL AND CREDIT ISSUES

The Commission found wide-spread perception among community leaders that indebtedness tends to increase with legalized gambling, as does youth crime, forgery and credit card theft, domestic violence, child neglect, problem gambling, and alcohol and drug offenses.⁷²

One of the issues of most concern to this Commission is the ready availability of credit in and around casinos, which can lead to irresponsible gambling and problem and pathological gambling behavior. Forty to sixty percent of the cash wagered by individuals in casinos is not physically brought onto the premises.⁷³ Each year casinos extend billions of dollars in loans to their customers in the form of credit markers. Additional sums are charged by casino customer on their credit cards as cash advances. Casinos charge fees for cash advances ranging from 3 percent to 10 percent or more.⁷⁴

According to the Casino Chronicle (as footnoted by I. Nelson Rose), the twelve casinos in Atlantic City issued approximately \$2.13 billion

evidence" Presented at "Gambling and Gaming: Winners or Losers?" (April 30, 1999), p.32.

71 An Analysis of the Evidence, Dec. 1997

72 Ibid.

73 Robyn Taylor Parets, "Cash Advances: Second Generation Money Dispensing Terminals Can Increase Casino Profit," *International Gaming & Wagering Business* (September 1996), p. S8.

74 Ibid., p. S9.

⁶⁷ NORC, *Gambling Impact and Behavior Study* (April 1, 1999).

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Jay S. Albanese, Ph.D., Professor and Chair, Department of Criminal Justice, Virginia Commonwealth University. "Casino Gambling and White Collar Crime: An Examination of the

in credit markers in 1997. Of this extended credit, \$543,174,000 remained outstanding after customers left the casinos. However, through the banking system, an additional \$434,400,000 of outstanding debt is collected, leaving only 1.3 percent left in unpaid loans, which is generally lower than other unpaid consumer debt.⁷⁵ Still, the true debt—that is, the amount the customers owed when they walked out of the casinos, still exceeded \$108 million—20 percent of the debt.

The credit marker policies in Nevada are similar to those of the casinos in Atlantic City. Credit markers are extended to patrons who pass through a background credit check. Nevada and Atlantic City casinos use the services of Central Credit, Inc. to determine a customer's credit history. In addition, both jurisdictions use other national credit agencies. Practices of extending credit markers are reviewed by regulators and independent accountants hired by casinos. Inconsistencies in accounting are reported to the regulators, and Nevada casinos that use improper methods to collect on outstanding debts are subject to disciplinary action. Credit markers extended in Nevada casinos account for approximately ten percent of casino revenues. This figure does not include the third party credit extensions from ATM's, credit cards, or other credit providers.⁷⁶

Providing estimates on the amount of credit extended for gambling purposes through credit cards remains problematic. Unlike casinos, credit card companies do not have to report the amounts borrowed for gambling purposes. Nor do casinos report information on credit card advances, according to the president of Central Credit.⁷⁷ Furthermore, casinos do not know how much money is received by customers directly from a credit card advance or ATM machine. Many ATM's and debit cards have limits on the amount of money dispensed within a 24-hour

period and on each withdrawal. According to International Gaming & Wagering Business, "Casinos have found a way around this dilemma by utilizing credit card cash advance services ... [that] allow players to access as much cash as they want."⁷⁸ As a result, some individuals are able to spend far more than they can afford and incur dangerously high debts.

In at least one tribal casino (Foxwoods), Commissioners were told that ATM machines offered cash advances without even the safeguard of a so-called "PIN" to prevent misuse of stolen or lost credit cards. It seems clear to us that additional consideration of the restriction and regulation of credit practices permitted in and around casinos must be given by policymakers reviewing gambling activities in and near their communities.

During the Commission meeting in Nevada, Thomas Coatis, the Director for Consumer Credit Counseling Services in Des Moines, Iowa, testified on the changes in credit availability and bankruptcy in Iowa with the rise in available gambling outlets. According to his testimony, at the beginning of the project in the late 1980's, two to three percent of the people seeking counseling services attributed their credit problems to gambling. Today, approximately 15 percent of counseling goes to individuals with gambling attributed to the core of their credit concerns. The project has grown to six offices treating over 400 new cases each month. Furthermore, the agency offers a gambling hotline to provide assistance with individuals who feel they have a gambling problem. This hotline, 1-800-BETSOFF, averages almost 300 crisis calls each month.

Coates shared with the Commission a suicide note from one man in Iowa who had accrued \$60,000 in credit card debt at a local casino: "I never thought of gambling prior to two or three years ago. I really can't blame anyone but myself but I sincerely hope that restrictions are placed upon credit card cash availability at casinos. The money is too easy to access and goes in no time. My situation is now one of

75 I. Nelson Rose, "The Role of Credit in the Third Wave of Legal Gambling," *Gambling and The Law* (Anthony Cabot ed) (1999), pp. 3-7.

76 Robert Faiss and Thomas Coats, testimony to the National Gambling Impact Study Commission, Las Vegas, Nevada (November 11, 1998).

77 Rose, *Gambling and the Law*.

78 Parets, Op.Cit., p. S8.

complete despair, isolation and constant anxiety.”

The Commission also heard numerous stories of pathological gamblers forced into bankruptcy as a result of problem and pathological gambling. Nearly one in five (19.2 percent) of the identified pathological gamblers in the NORC survey reported filing bankruptcy. This compares to rates of 4.2 percent for non-gamblers and 5.5 percent for low-risk gamblers.⁷⁹ Twenty-two percent of nearly 400 members of Gamblers Anonymous surveyed had declared bankruptcy.⁸⁰

Personal anecdotes were very compelling. The Commission heard about a couple along the Mississippi Gulf Coast, both of whom began gambling excessively at the casino, who lost approximately \$70,000. When they received a letter from a credit card company demanding \$10,000 in payment, the couple made a last-ditch effort to recoup the money at the casinos. They lost \$2,000, then filed bankruptcy.⁸¹

Nineteen percent of Chapter 13 bankruptcies in the State of Iowa involved gambling-related debt. Bankruptcies in Iowa increased at a rate significantly above the national average in the years following the introduction of casinos. Nine of the 12 Iowa counties with the highest bankruptcy rates in the state had gambling facilities in or directly adjacent to them.

OTHER ECONOMIC IMPACTS

Other economic impacts are mentioned elsewhere in this report. Costs include lost productivity of workers impaired by problem or pathological gambling and the cost to society for treatment programs.⁸² While precise dollar costs

are not yet available to measure these losses, the rapid expansion of gambling into so many communities is likely to produce exponential growth in these costs with attendant burdens in business and social services.

Additional economic benefits, including improvements in community infrastructure, particularly in transportation, as well as a reduction in public assistance spending are evidenced in the Commission’s research. In Biloxi, the Commission received testimony on capital investment, and new development, new car and home purchases. Joliet, Illinois testified as to the reduction in their bond debt and new sources of capital investment. The Commission also received a study from Coopers and Lybrand that highlights employee impacts on charitable giving, volunteerism, and other positive economic impacts. In public comments to the Commission, many individuals recounted personal transformations that they attributed, in part, to a job in the casino industry and the impact these have had in their ability to contribute in a meaningful way to the community. Walter Caron, a cook at Caesars Palace, told the Commission, “I now have an expanded sense of community, and I realize more of my responsibilities to that community.”⁸³

LOCAL EFFECTS

Finally, while the national impact of gambling is significant, the greatest impact is felt at the local level. In some locales, gambling has been a critical component of community economic development strategies. For example, the Nevada Resort Association and the Nevada Commission on Tourism found that the gambling/hospitality industry created gross state-wide revenues of almost \$8 billion in 1997; contributed \$2.2 billion annually to federal, state and local taxes; paid taxes representing one-third of the state’s general fund revenues forecast for 1997-99; generated about \$36.5 million in county-level revenues in

⁷⁹ NORC, p.46.

⁸⁰ Lesieur, testimony before the National Gambling Impact Study Commission, Atlantic City, NJ (January 1998).

⁸¹ McCormick, Biloxi Site Visit

⁸² The gambling industry asserts that it contributes toward state-administered treatment programs through gaming tax revenues. Interestingly, NORC’s analysis of the casino survey states that 96 percent of the 25 largest casinos provide gambling treatment coverage for their employees.

⁸³ Walter Caron, testimony before the National Gambling Impact Study Commission, Las Vegas, NV (November 10, 1998).

fiscal year 1997; directly employed 307,500 people and was directly and indirectly responsible for 60 percent of the state employment total; disbursed salaries of nearly \$6 billion, representing one quarter of all wages paid state-wide in 1996; added \$10.3 billion to personal incomes; and contributed an estimated \$30.6 billion to the state's business receipts, representing 63 percent of Nevada gross state product in 1995.⁸⁴

Nevada, however, is unique. Roughly 85 percent of Nevada's gambling revenues come from out-of-state tourists. Thus, Nevada receives the economic benefits of the dollars lost to gambling, while the attendant social and economic impacts of unaffordable gambling losses are visited on the families and communities in the states from which those individuals come. Every other gambling venue in the United States is far more reliant on spending by citizens in a far more concentrated geographic area. In many cases, gambling operations are overwhelmingly dependent on spending by local citizens. For instance, a survey of 800 riverboat gamblers in Illinois found more than 85 percent lived within 50 miles of the casino in which they were gambling.⁸⁵

In New Jersey, the gambling industry is also a significant factor in the local and state-wide economy. The New Jersey Casino Control Commission, in a report to this Commission, found that the gambling industry created gross casino gambling revenues of \$3.79 billion in 1996; paid revenue taxes totaling \$303.2 million in 1996; generated \$717 million for redevelopment projects in Atlantic City (including investment in low and moderate income housing, historic restoration projects and nonprofit facility improvement) as well as an additional \$69 million for projects state-wide since 1984 through contributions to the Casino Reinvestment Development Authority (CRDA); provided 50,000

full and part-time jobs with a payroll exceeding \$1 billion before fringe benefits; contributed to the creation of another 48,000 indirect jobs with wages of almost \$1 billion in 1994; spent \$1.54 billion on goods and services with more than 3,400 companies in New Jersey and almost \$2.5 billion with more than 8,000 companies across the United States in 1996; and expects to invest \$5 billion or more for the development of casino hotel facilities during the next several years.⁸⁶ Similar pictures of the economic impact of casinos have been found in Mississippi and elsewhere.⁸⁷

Las Vegas is heralded as an economic success story even by those who oppose gambling in other jurisdictions. Las Vegas weathered the recessionary years of the early 90's better than many cities, and its economy performs well even when gambling revenues are flat. During 1998, the city posted significant gains in economic indicators such as employment, taxable sales, and home sales.⁸⁸ At the end of 1998, the city's unemployment rate was just 2.8 percent. Statewide unemployment reached an all-time low of 3.1 percent in December 1998, and Nevada led the nation in job growth for the fourth quarter of 1998.⁸⁹

These are impressive economic statistics, demonstrating a profound economic impact in terms of economic growth employment. However, the economic boons of gambling are not always so clear cut. In a study of four Western mining communities that introduced gambling, one study found that gambling:

“Transformed employment, physical space, and revenues to become the dominant industry in all four towns. Soon retailers from car dealers to ladies' ready-to-wear would sell out or convert to casino operations. The citizens who had voted for gambling with the vision that restaurants and bars,

⁸⁴ Nevada Commission on Tourism, *Gaming, Made in Nevada. Creating Pride, Opportunity and Hope in the Silver State* and Nevada Resort Association, *Media Fact Book* (November 10-11, 1998)..

⁸⁵ Ricardo C. Gazel and William N. Thompson, “Casino Gamblers in Illinois: Who Are They?” Better Government Association, (1996) p.7.

⁸⁶ New Jersey Casino Control Commission, “Casino Gambling in New Jersey,” A Report to the National Gambling Impact Study Commission (January 1998).

⁸⁷ American Gaming Association.

⁸⁸ Monica Caruso, “Economy ends year with gains,” *Las Vegas Review-Journal*, (March 17, 1999), p. 1D.

⁸⁹ “Nevada jobless rate falls to lowest in history,” *Associated Press*, (February 3, 1999).

maybe even the bakery, might each have a few slot machines in the fronts of their businesses necessarily would soon find that businesses necessarily accommodated slot machines first, and only services that supported the playing of slot machines would survive. Everywhere, mostly run-down buildings that had been previously valued at a few thousand dollars were selling for a few hundred thousand. Not only buildings but streets and sewer and water lines would be renovated or, where possible, simply torn down for a new structure. And all of this was happening as roughly four times as many visitors were coming to town to check out the possibilities of getting rich quickly or at least to be able to have fun in ways previously impermissible.⁹⁰

Once gambling enters a small community, the community undergoes many changes. Local government becomes “a dependent partner in the business of gambling.”⁹¹

THE SOCIAL IMPACT OF GAMBLING

In considering the overall net impact of gambling on people and places, it is critical that social costs and benefits be included in this assessment. Unfortunately, because of difficulties in quantifying this impact, it appears that many policymakers have been forced to make decisions about expanding gambling without the benefit of this assessment, or, at best, with only an assessment of the perceived social impact.

Historically, communities have embraced or rejected gambling based upon perceived social impacts, concern about criminal activities and moral positions. Even among our nation’s Founding Fathers, much was written warning about the dangers of gambling. In the past, reasons for outlawing or limiting gambling included its negative impact on character and concern about promoting the myth that “lady

luck” was more likely to improve one’s situation than would hard work, education, and perseverance.

The Commission heard a significant amount of testimony and reviewed advertising materials that clearly suggested that lotteries and convenience gambling, in particular, sometimes preyed upon this kind of thinking among the most vulnerable populations—immigrants, minorities, and economically disadvantaged individuals. Numerous witnesses questioned the apparent contradictory message from states requiring work in exchange for welfare benefits and at the same time, promoting the lotto as a quick and easy means to profit without work.

As was often noted, credible studies of these forms of gambling are especially lacking. How can we begin to measure the social impact of individuals who spend their children’s milk money or cash their welfare checks to buy lottery tickets, as the Commission heard during visits to convenience stores? We cannot, but the Commission can acknowledge that when gambling is promoted as “the only way to get ahead” and, in particular, targets those who do not have “leisure dollars” to spend, the economic and social, indeed, the moral fabric of our nation is damaged.

One of the costs of gambling that the Commission are just beginning to better understand concerns problem and pathological gambling. While the Commission certainly have always known that some individuals have “problems” with gambling, in recent years this has been recognized as a clinical psychological disorder. Today, millions of families throughout the nation suffer from the effects of problem and pathological gambling. As with other addictive disorders, those who suffer from problem or pathological gambling engage in behavior that is destructive to themselves, their families, their work, and even their communities. This includes depression, abuse, divorce, homelessness, and suicide, in addition to the individual economic problems discussed previously. The impact of these problems on the future of our communities and the next generation is indeterminable. (See Table 7-2).

⁹⁰ Katherine Jensen and Audie Blevins, *The Last Gamble: Betting on the Future in Four Rocky Mountain Mining Towns* at 9. (1998). See also Blevins and Jensen, “Gambling as a Community Development Quick Fix,” *Annals*, at 109-123.

⁹¹ *Ibid.*

Today, proponents of gambling argue that, while gambling may be abused like many other activities, it is generally a form of entertainment practiced responsibly by millions of Americans. To its credit, the commercial casino industry has recently promoted several initiatives aimed at encouraging and understanding responsible “gambling” behavior, including the production of professional training materials for casino employees and guidelines for advertising.

But, when one talks about the social benefits of gambling as entertainment, opponents of gambling are quick to qualify this benefit, noting that gambling itself is an inherently flawed product because a certain percentage of those who engage in it will always suffer problems. Proponents point to evidence that the vast majority of those who gamble do not suffer or do not admit to having problem or pathological gambling problems. Yet among those for whom gambling is a regular activity, the risks appear much higher. A survey of 530 patrons at gambling establishments conducted for this Commission showed that 13 percent of those patrons were classified as lifetime problem or pathological gamblers.

In fairness, many segments of the gambling industry have begun to address this issue. But an enormous amount must be done by the public and private sectors, as well as by researchers, treatment providers, insurance programs and individuals to address the negative and harmful consequences of compulsive gambling. This is discussed in greater detail in the chapter on “Problem and Pathological Gambling.” For the purposes of this chapter, the Commission will discuss the impact of problem and pathological gambling behavior on individuals. In discussing our findings, the Commission must rely on the limited research available, anecdotal information and our own observations as the Commission traveled across the nation. While the Commission agree that this discussion should be shaped by scientific analysis, as evidenced by the commitment of more than half of our budget to research studies, the Commission cannot discount the weight of the personal testimony

presented to us by individuals who have experienced these problems first-hand.

PROBLEM AND PATHOLOGICAL GAMBLING

For millions of Americans, problem and pathological gambling is a serious consequence of legal and illegal gambling. Part of our challenge has been to pin down the exact number of individuals suffering from these disorders. Virtually every study varies in these estimations. For example, a Harvard University meta-analysis concluded that approximately 1.6 percent, or 3.2 million, of the American adult population are pathological gamblers.⁹² The combined rate of problem and pathological gambling in 17 states where surveys have been conducted ranges from 1.7 to 7.3 percent.⁹³ In Oregon, the lifetime prevalence of problem and pathological gambling is 4.9 percent.⁹⁴ Recent studies in Mississippi and Louisiana indicate that 7 percent of adults in these states have been classified as problem or pathological gamblers.⁹⁵

The two principal studies sponsored by this Commission found that the prevalence of problem and pathological gambling in America is troubling. NRC estimates that, in a given year, approximately 1.8 million adults in the United States are pathological gamblers. NORC found that approximately 2.5 million adults are pathological gamblers. Another three million of

⁹² Howard Shaffer, et. al., *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-Analysis* (1997).

⁹³ See Rachel Volberg, *Gambling and Problem Gambling in New York: A 10-Year Replication Survey, 1986 to 1996*, Report to the New York Council on Problem Gambling (1996) and Lynn S. Wallich, *Gambling in Texas: 1995 Survey of Adult and Adolescent Behavior*, Texas Commission on Alcohol and Drug Abuse (1996). Cited in Henry R. Lesieur, “Cost and Treatment of Pathological Gambling,” 556 *Annals AAPSS*, at 154 (March 1998).

⁹⁴ Rachel A. Volberg, *Gambling and Problem Gambling in Oregon: Report to the Oregon Gambling Addiction Treatment Foundation* at 37 (August 26, 1997).

⁹⁵ Rachel A. Volberg, *Gambling and Problem Gambling in Mississippi: Report to the Mississippi Council on Compulsive Gambling* at 31 (November 1996).

the adult population are problem gamblers. Over 15 million Americans were identified as at-risk gamblers. About 148 million Americans are low-risk gamblers. Approximately 30 million Americans have never gambled at all.⁹⁶ While some believe that lifetime prevalence rates are overstated, others believe that past year rates are understated.

Reasonable people, including those with clinical expertise, disagree over the exact number of individuals suffering from gambling disorders and the relevance of “problem” versus “at-risk.” While getting an exact number is important for scientists, policymakers and treatment providers, more important is the acknowledgement that a significant number of individuals are pathological, problem or at-risk gamblers. And it is time for the public and private sector to come together in a meaningful way to address these problems.

The Commission is united in our concern for those currently suffering from problem gambling and our desire to prevent this problem in the future. The Commission also agrees that this should be a public-private partnership and that government at all levels should commit resources for research into the study and treatment of problem gambling.

ADOLESCENT GAMBLING

Adolescent gamblers are more likely than adults to become problem or pathological gamblers. NRC estimates that as many as 1.1 million adolescents between the ages of 12 and 18 are pathological gamblers, which is a much higher percentage than adults.⁹⁷ In the NORC study, adolescent problem and pathological gambling was found to be at the same rate as adults, but the at-risk rate was double the adult rate.⁹⁸ NRC noted that “adolescent measures of pathological gambling are not always comparable to adult

measures and that different thresholds for adolescent gambling problems may exist.”

With a growing number of underage gamblers, the social consequences of this illegal behavior are significant. In NRC’s survey of literature, they found that the percentage of adolescents who report having gambled during their lifetime ranges from 39 to 92 percent, with 39 percent functioning as an outlier, with the next highest percentage as 62.⁹⁹ The median was 85 percent. NRC also found that the prevalence of adolescent gambling during the past year ranged from 52 to 89 percent, with a median value of 73 percent.¹⁰⁰

And the impact is felt throughout the nation. In a survey of 12,000 Louisiana adolescents, one-quarter reported playing video poker, 17 percent had gambled on slot machines and one in 10 had bet on horse or dog racing.¹⁰¹ In Oregon, 19 percent of youths ages 13 to 17 reported having gambled in a casino, with 12 percent having done so in the past year.¹⁰² In Massachusetts, 47 percent of seventh-graders, and three-quarters of high school seniors, reported having played the lottery.¹⁰³ (See also Figure 7-1.)

The conclusion is startling, but confirmed by every study: children are gambling, even before they leave high school. NORC did note “adolescents were notably absent from casino play, with barely one percent reporting any casino wagers. This presumably reflects well on the enforcement efforts of casino operators, among other factors.” NRC, however, examined

⁹⁹ NRC at 3-9.

¹⁰⁰ NRC at 3-9.

¹⁰¹ James Westphal, et. al., “Final Report Statewide Baseline Survey Pathological Gambling and Substance Abuse, Louisiana Adolescents (6th Through 12th Grades), School Year 96-97,” Department of Psychiatry, Louisiana State University Medical Center, (April 27, 1998), p. 14.

¹⁰² Matthew J. Carlson and Thomas L. Moore, “Adolescent Gambling in Oregon: A Report to the Oregon Gambling Addiction Treatment Foundation,” (December 1, 1998).

¹⁰³ Howard J. Shaffer, “The Emergence of Youthful Addiction: The Prevalence of Underage Lottery Use and the Impact of Gambling,” Massachusetts Council on Compulsive Gambling (January 13, 1994), p. 12.

⁹⁶ NORC at 6-10.

⁹⁷ NRC at 3-9.

⁹⁸ NORC at 61-4.

Table 7-1

Financial Characteristics and Effects by Type of Gambler

Characteristic	Lifetime Gambling Behavior				
	Non-gambler	Low-Risk	At-Risk	Problem Gambler	Path. Gambler
Any unemployment benefits, 12 mos.	4.6	4.0	10.9	10.9*	15.0**
Received welfare benefits, 12 mos.	1.9	1.3	2.7	7.3*	4.6
Household income, 12 mos. (RDD)	\$36,000	\$47,000	\$48,000	\$45,000	\$40,000
Household debt, current (RDD)	\$22,000	\$38,000	\$37,000	\$14,000	\$48,000
Filed bankruptcy, ever	4.2	5.5	4.7	10.3 ϕ	19.2*

Statistical significance of differences between groups tested using multivariate logistical regression, with control variables for age, gender, ethnicity, education, child in household, and alcohol and drug use/abuse. Gamblers with no problems were used as the base group.

Significance tests: pathological and problem types tested *separately*, statistically significant at the: *** = 0.01 level; ** = 0.05 level. * = 0.10 level. Pathological and problem types *combined* for significance testing; statistically significant at the: $\phi\phi\phi$ = 0.01 level; $\phi\phi$ = 0.05 level. ϕ = 0.10 level.

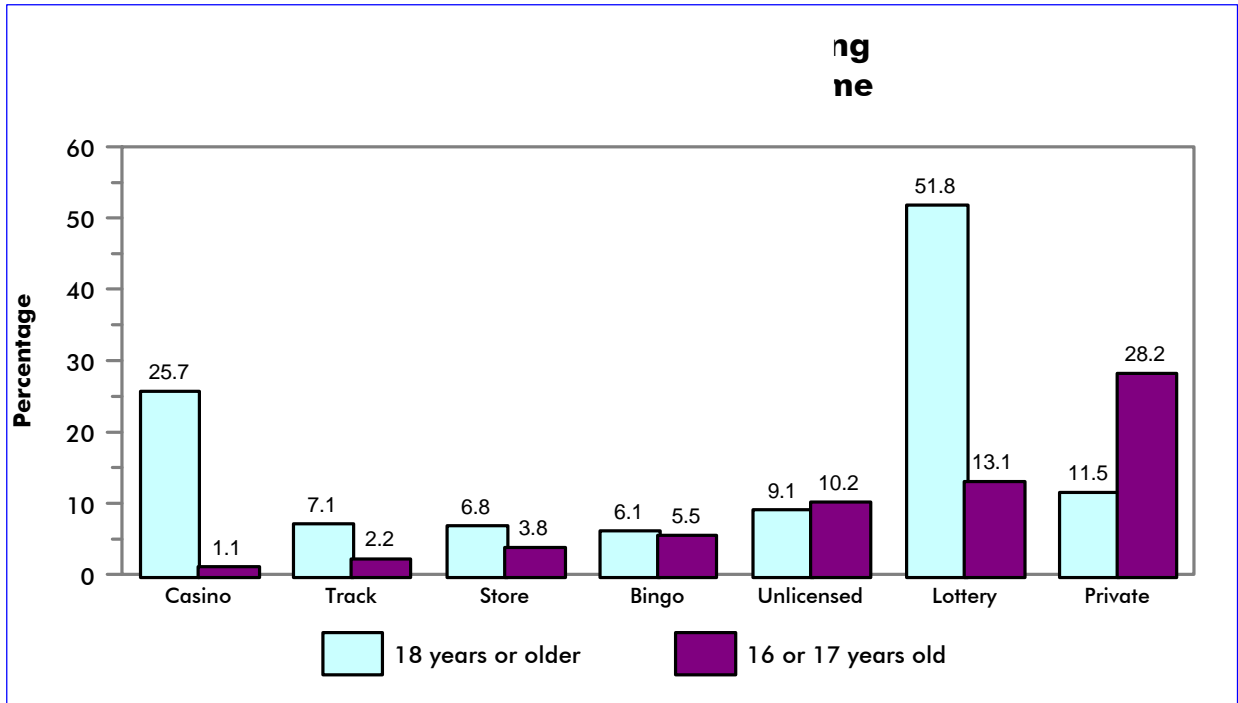
Table 7-2

Percentage of Lifetime and Past-Year Gambler Types by Health, Mental Health, Substance Abuse, and Other Problems

Problem	Non-Gamblers		Low-Risk Gamblers		At-Risk Gamblers		Problem Gamblers		Path. Gamblers	
	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year
Health poor/fair, past year	22.8	21.0	14.0	12.3	15.7	13.2	16.3	22.6	31.1	29.6
Mentally troubled (currently) (RDD only)	10.7	14.6	15.9	17.1	26.5	28.5	42.3	24.2	41.9	66.5
Mental health tx, past year	5.1	6.9	6.8	6.3	6.4	10.1	12.8	5.4	13.3	12.9
Emotionally harmful family argument about gambling	NA	0.5	0.1	0.3	0.8	6.8	15.8	10.5	53.1	65.6
Manic symptoms, ever	NA	0.7	NA	1.6	11.3	17.6	16.8	13.4	32.5	40.1
Depressive episode, ever (RDD only)	NA	0.1	NA	1.0	8.6	17.4	16.9	5.2	29.1	20.0
Alcohol/drug dependent, ever (RDD only)	1.1	0.9	1.3	1.8	5.6	13.3	12.4	13.9	9.9	20.0
Drug use 5+ days, past year	2.0	2.4	4.2	5.1	9.2	13.5	16.8	16.1	8.1	13.9
Any job loss, past year	2.6	4.8	3.9	3.6	5.5	2.1	10.8	0.0	13.8	25.0
Bankruptcy, ever	3.9	3.3	5.5	6.4	4.6	10.9	10.3	13.8	19.2	10.7
Arrested, ever	4.0	7.0	10.0	11.9	21.1	25.7	36.3	25.0	32.3	26.4
Incarcerated, ever (RDD only)	0.4	—	3.7	—	7.8	—	10.4	—	21.4	—

Source: National Opinion Research Center at the University of Chicago, Gemini Research, and The Lewin Group. Gambling Impact and Behavior Study. Report to the National Gambling Impact Study Commission. April 1, 1999. Table 9, p. 29.

Figure 7-1
Adolescent Past-Year Gambling by Type of Game



Source: National Opinion Research Center at the University of Chicago, Gemini Research, and The Lewin Group. Gambling Impact and Behavior Study. Report to the National Gambling Impact Study Commission. April 1, 1999. Figure 9, p. 62.

thirteen relevant studies and found that a median of 27 percent of adolescents reported having gambled in a casino, while 10 percent reported having done so in the past year.¹⁰⁴ While the majority gamble on illegal activities, a significant number gamble on legal forms of gambling. This fact alone raises serious and troubling concerns regarding the accessibility of gambling, particularly convenience type, and the ineffective safeguards that are presently in place.

Parents simply cannot rely upon the government or the industry to prevent underage gambling.

NRC surveyed the relevant research literature on rates of problem and pathological gambling among adolescents. In the past year, the studies found that adolescent problem and pathological gambling combined ranged from 11.3 to 27.7 percent, with a median of 20 percent. For pathological gamblers only, these studies estimated rates between 0.3 to 9.5 percent, with a median of 6.1 percent. For lifetime adolescent pathological and problem gambling, the range of estimates was between 7.7 and 34.9 percent, with a median of 11.2 percent. For pathological gamblers only, the estimates ranged from 1.2 percent to 11.2 percent, with a median of 5.0 percent.¹⁰⁵

NORC, in a survey of 500 youths ages 16 to 17, found that the combined rate of pathological and problem gambling was 1.5 percent. But this figure may be low. The estimate was based on responses by youth who reported they had lost more than \$100 or more in a single day or as a net yearly loss. When this constraint is removed, the figure jumps up to three percent.¹⁰⁶ Other factors may have also led to under-reporting since the consent of a parent or guardian was required in order for a minor to participate in the NORC interview. Youths gambled differently from adults, using private and unlicensed games, such as card games or games of skill, sports

pools, and lotteries, especially instant lottery tickets.¹⁰⁷

It may be important to note the impact of proximity to legalized gambling on adolescents. One study found that college students in New York, New Jersey, and Nevada had higher rates of gambling than did students in Texas and Oklahoma.¹⁰⁸ Oddly, South Carolina law allows for anyone to play video poker, which some researchers have called the “crack-cocaine” of gambling because of its highly addictive nature. There is no age limit to play. But there is an age limit of 21 years on who can collect the earnings of play.¹⁰⁹

Several studies have shown that pathological gambling is associated with alcohol and drug use, truancy, low grades, problematic gambling in parents, and illegal activities to finance gambling. How does one place a dollar value—a cost—on that conduct? How do we, as a nation, quantify the value of lost opportunities to these young individuals?

One recent study found that gambling behavior was significantly associated with multiple drug and alcohol use. For 28 percent of those surveyed in the same study, gambling was associated with carrying a weapon at least once in the past 30 days, and for those who reported a problem with gambling the figure rose to 47 percent. Violence was also associated with gambling: while nearly one-fourth of the non-gambling students reported having fought in the last 30 days, the figure rose to 45 percent for those who reported gambling and 62 percent for those who reported problems attributed to gambling. In addition, the researchers suggested

¹⁰⁷ NORC at 4.

¹⁰⁸ Henry Lesieur, et. al., “Gambling and Pathological Gambling Among University Students,” 16 *Addictive Behavior*, at 517-527 (1991).

¹⁰⁹ *ibid.* Telephone conversation with Thomas Landes, Public Information Officer, Office of the Attorney General of South Carolina, staff of the National Gambling Impact Study Commission, S.C. (December 10, 1998).

¹⁰⁴ NRC, p. 3-24.

¹⁰⁵ NRC at 3-10.

¹⁰⁶ NORC at 57-60.

that the data may have been significantly underreported.¹¹⁰

In the Harvard meta-analysis, it was noted that “... compared to adults, youth have had more exposure to gambling during an age when vulnerability is high and risk-taking behavior is a norm; consequently, these young people have higher rates of disordered gambling than their more mature and less vulnerable counterparts.”¹¹¹

A study presented to the commission by Louisiana State University Professor James Westphal also drew a link between compulsive gambling and criminal behavior among youth. Louisiana adolescents in juvenile detention are roughly four times as likely to have a serious gambling problem as their peers. Further, two-thirds of the juvenile problem gamblers in detention reported stealing to finance their gambling.¹¹²

RESPONDING TO ADOLESCENT GAMBLING

While the chapter, “Problem and Pathological Gambling,” will address the clinical aspects of this subject, there have been a variety of local initiatives to address youth gambling. In Great Britain, “Parents of Young Gamblers,” a support organization, has been developed to directly meet the needs of very young pathological gamblers and their families.¹¹³ Such an approach allows for relaxation training, avoidance of gambling opportunities, and family and peer support, including supervision of a young

person’s money.¹¹⁴ One creative example of outreach is within America’s Southeast Asian community. Several organizations, including the United Cambodian Association of Minnesota and the Lao Family Community of Minnesota, developed a prevention and education program to inform young Southeast Asians about the hazards of adolescent gambling.¹¹⁵ A similar booklet has been created for the general population by the Minnesota Institute of Public Health.¹¹⁶ The Minnesota Council on Compulsive Gambling has prepared a package containing a booklet, loose-leaf papers, and a video targeted to teenage gambling.¹¹⁷ The goal of the materials is to enhance critical thinking and to help identify compulsive behaviors.

Some sectors of the legal gambling industry have taken the initiative to begin to address adolescent gambling. For example, the Nevada Retail Gaming Association has developed a program to post stickers on slot and video poker games to warn against illegal gambling by adolescents. The Nevada Council on Problem Gambling has created literature to distribute to casinos and players. Several conferences have been funded by the gambling industry to increase research and awareness. Recognizing the importance of these problem, the American Gaming Association (AGA) created a task force to develop underage gambling prevention programs and policies and established a partnership with the National Center for Missing and Exploited Children to address the issue of missing and unattended children in casinos. Standards have been set for employee awareness of attempts at underage gambling, communication with employees about how to stop underage gambling, and guest awareness that underage

¹¹⁰ Proimos, et al. “Gambling and Other Risk Behaviors Among 8th and 12th Grade Students,” *Pediatrics*, Vol. 102, No. 2 (August 1998).

¹¹¹ Howard Shaffer, et al., *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-Analysis* (1997), p. 5.

¹¹² James R. Westphal, “Adolescent Gambling Behavior,” Louisiana State University Medical Center—Shreveport, presented to the National Gambling Impact Study Commission, Las Vegas (November 11, 1998).

¹¹³ Jean Schroeder, “Youth and Gambling: A Review of Literature,” *Report of the North American Training Institute* (1995).

¹¹⁴ See Mark D. Griffiths, “Factors in Problem Adolescent Fruit Machine Gambling: Results of Small Postal Survey,” *9 Journal of Gambling Studies*, 31-47 (1993).

¹¹⁵ Roger Svendsen, *Southeast Asian Youth Prevention Education Program* (pamphlet), developed in conjunction with the Minnesota Institute of Public Health (April 1997).

¹¹⁶ Roger Svendsen and Tom Griffin, *Gambling: Choices and Guidelines* (pamphlet) (1993).

¹¹⁷ North American Training Institute, *Wanna Bet* (booklet, papers, and video) (September 1998)

gambling will not be tolerated. On-going training and orientation efforts are underway. The industry has made several statements that adolescent gambling is neither wanted nor acceptable.¹¹⁸ In 1997, both AGA President Frank Fahrenkopf and casino owner Donald Trump spoke against adolescent gambling and urged casino employees to keep adolescents out of casinos.¹¹⁹

These efforts are a start, but far more than posting warning signs and training some employees needs to be done. Adolescent gambling is one issue on which there is considerable common ground among the industry, parents, anti-gambling advocates, clergy, and city officials. The prevalence of adolescent gambling is a serious problem which demands a broad coalition of efforts. The Commission has heard testimony from some who argue that the casino industry should shoulder the burden for funding prevention programs targeting underage gambling. The Commission believes that the responsibility rests with all sectors of the industry, including tribal and state governments.

SUICIDE

For those with destructive and dependent behavioral problems, an additional concern is suicide. Commissioners heard repeated testimony about suicide and attempted suicide on the part of compulsive gamblers. In Atlantic City, the Commission heard about a 16-year-old boy who attempted suicide after losing \$6,000 on lottery tickets.¹²⁰ In Chicago, Commissioners heard about a middle-aged couple in Joliet, Illinois, who both committed suicide after the wife accumulated \$200,000 in casino

debt.¹²¹ When evaluating the economic benefits of a proposed new facility, policymakers should also give serious consideration to consequences such as these.

According to the National Council on Problem Gambling, approximately one in five pathological gamblers attempts suicide. The Council further notes that the suicide rate among pathological gamblers is higher than for any other addictive disorder.¹²²

A survey of nearly 400 Gamblers Anonymous members revealed that two-thirds had contemplated suicide, 47 percent had a definite plan to kill themselves, and 77 percent stated that they have wanted to die.¹²³

University of California-San Diego sociologist Dr. David Phillips found that “visitors to and residents of gaming communities experience significantly elevated suicide levels.” According to Phillips, Las Vegas “displays the highest levels of suicide in the nation, both for residents of Las Vegas and for visitors to that setting.” In Atlantic City, Phillips found that “abnormally high suicide levels for visitors and residents appeared only after gambling casinos were opened.” Visitor suicides account for 4.28 percent of all visitor deaths in Las Vegas, 2.31 percent of visitor deaths in Reno, and 1.87 percent of visitor deaths in Atlantic City. Nationally, suicides account for an average of .97 percent of visitor deaths.¹²⁴

A study commissioned by the American Gaming Association to counter Phillips’ findings explains the suicide rates in Las Vegas not as a result of gambling but rather as a result of the city’s geographic and demographic characteristics.

¹¹⁸ See American Gaming Association, *Responsible Gaming Resource Guide*, Second Edition at 3-11 to 3-19, x-1 to x-5.

¹¹⁹ ABC News 20/20, *Where Are Their Parents?: Children Roam Casinos While Parents Gamble* (air date September 12, 1997).

¹²⁰ Testimony of Edward Looney, Executive Director, Council on Compulsive Gambling of New Jersey, Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22, 1998).

¹²¹ Testimony of Joe Clark, Before the National Gambling Impact Study Commission, Chicago, Illinois (May 20, 1998) (Executive Director, Illinois Family Institute)

¹²² National Council on Problem Gambling, *Problem and Pathological Gambling in America: The National Picture*, at 14-15 (January 1997).

¹²³ Edward Looney

¹²⁴ Elevated Suicide levels Associated with Legalized Gambling, *27 Suicide and Life Threatening Behavior*, at 373-378 (December 1997).

University of California-Irvine Social Ecology professors Richard McCleary and Kenneth Chew, using different methodologies than Phillips, concluded that suicide rates in Las Vegas are comparable to other Western cities. They account for the high rates by analyzing the rapid growth of many Western cities, which results in a large population without established roots to a community. They concluded, “In strong contrast to the Phillips study, our investigation shows that...suicide levels in U.S. Casino resort areas are about average compared to non-gaming areas.”¹²⁵ While these studies may account for the different rates, they both conclude that Las Vegas has the highest resident suicide rate in the nation.

The Centers for Disease Control and Prevention conducted a study of suicide and nowhere in this study was gambling mentioned as a cause. What the study did reveal was that:

A spectrum of social and environmental factors have been associated with suicidal behavior. For example, levels of residential instability, unemployment, and other indicators of limited economic opportunity may be higher in communities with higher suicide. Similarly, suicide rates are higher in communities with low levels of social integration and unstable social environments.¹²⁶

Other observers have noted the fact that Nevada regularly reports the highest rate of suicide among all 50 states. For 1995, that rate was more than twice the national average.¹²⁷ Testimony before the Commission indicated that, for numerous reasons, the magnitude of the link between gambling and suicide may be understated. For instance, Commissioners heard that gambling-related suicides and suicide

attempts often are not reported as suicides,¹²⁸ not tied to gambling, or disguised so as not to look like a suicide.

DIVORCE

The Commission likewise heard abundant testimony and evidence that compulsive gambling introduces a greatly heightened level of stress and tension into marriages and families, often culminating in divorce and other manifestations of familial disharmony. In Las Vegas, Michelle “Mitzi” Schlichter testified how she eventually ended her marriage to former NFL quarterback Art Schlichter after his second incarceration for gambling-related activities.¹²⁹ In Biloxi, Mississippi, a school teacher testified how her 30-year marriage to a prominent Gulf Coast attorney crumbled after the husband developed an obsession with casino gambling.¹³⁰ In Tempe, Arizona, Gwen Bjornson testified before the Commission how her 5- and 7-year-old sons’ “lives are forever changed because I was compelled to divorce their father, a compulsive gambler. Divorce is one of the most painful things that we, as adults, sometimes must face. Yet, without divorce, I am very much in doubt that I would have skirted a complete mental breakdown.”

In NORC’s survey, 53.5 percent of identified pathological gamblers reported having been divorced, versus 18.2 percent of non-gamblers and 29.8 percent of low-risk gamblers. Further, NORC respondents representing two million adults identified a spouse’s gambling as a significant factor in a prior divorce.¹³¹

NRC concluded, “Many families of pathological gamblers suffer from a variety of financial,

¹²⁵ Rob Bhatt, *Industry Engages Suicide Debate*, *Las Vegas Business Press*, at 1 (October 12, 1998)

¹²⁶ Christian Marfels, Ph.D., *Visitor Suicides and Problem Gambling in the Las Vegas Market: A Phenomenon in Search of Evidence*, *Gaming Law Review*, Vol. 2, No. 5 (1998), p.472.

¹²⁷ U.S. Bureau of the Census, *Statistical Abstract of the United States: 1998* [118th Edition], Washington, D.C. at 105 (1998).

¹²⁸ Testimony of Chris Anderson before the National Gambling Impact Study Commission, Chicago, Illinois (May 20, 1998). (Executive Director, Illinois Council on Compulsive Gambling).

¹²⁹ Testimony Before the National Gambling Study Commission, Las Vegas, Nevada (November 8, 1998).

¹³⁰ Testimony of Robin, Before the National Gambling Impact Study Commission, Biloxi, Mississippi (September 10, 1998). (witness)

¹³¹ NORC, at 48,49.

physical, and emotional problems.” NRC reviewed studies showing that spouses of compulsive gamblers suffer high rates of a variety of emotional and physical problems.¹³² In a survey of nearly 400 Gamblers Anonymous members, 18 percent reported experiencing a gambling-related divorce. Another 10 percent said they were separated as a direct consequence of their gambling.¹³³

HOMELESSNESS

Individuals with gambling problems seem to constitute a higher percentage of the homeless population. The Atlantic City Rescue Mission reported to the Commission that 22 percent of its clients are homeless due to a gambling problem.¹³⁴ A survey of homeless service providers in Chicago found that 33 percent considered gambling a contributing factor in the homelessness of people in their program.

Other data presented to the Commission further substantiated this link. In a survey of 1,100 clients at dozens of Rescue Missions across the United States, 18 percent cited gambling as a cause of their homelessness.¹³⁵ Interviews with more than 7,000 homeless individuals in Las Vegas revealed that 20 percent reported a gambling problem.¹³⁶ Again, whether this is caused by gambling or by other factors related to addictive behavior is unclear, but homelessness and gambling should be included in future research.

ABUSE AND NEGLECT

Family strife created by gambling problems also appears in the form of abuse, domestic violence or neglect. In Biloxi, Mississippi, a witness testified before the Commission how her husband’s gambling problem affected their relationship: “I lived in fear daily due to his agitation and outbursts of violence broken doors, overturned furniture, broken lamps, walls with holes in them. I haven’t the words to describe the hell that my life became on a daily basis.”¹³⁷

NRC cites two studies showing that between one quarter and one half of spouses of compulsive gamblers have been abused.¹³⁸ Six of the 10 communities surveyed in NORC’s case studies reported an increase in domestic violence relative to the advent of casinos.¹³⁹

One domestic violence counselor from Harrison County, Mississippi, testified that a shelter there reported a 300 percent increase in the number of requests for domestic abuse intervention after the arrival of casinos. A substantial portion of the women seeking refuge reported that gambling contributed to the abuse.¹⁴⁰

Other casino communities report similar experiences. Rhode Island Attorney General Jeffrey Pine reported a “significant increase” in domestic assaults in the community of Westerly, R.I. after the opening of the Foxwoods casino 20 minutes away.¹⁴¹ Maryland Attorney General J. Joseph Curran, Jr. has likewise reported a linkage between expanded gambling and increases in domestic violence in numerous

¹³² NRC, p. 5-2.

¹³³ Testimony of Henry Lesieur, Before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22, 1998). (Institute for Problem Gambling)

¹³⁴ Atlantic City Mission, “Report to the National Gambling Impact Study Commission” Atlantic City, NJ (January 24, 1998) p. 17.

¹³⁵ International Union of Gospel Missions, “Nationwide Survey: Nearly One in Five at Missions Say Gambling a Factor in Their Homelessness,” (March 12, 1998).

¹³⁶ Denise Cardinal, “More Beds Sought for Area’s Growing Homeless Population,” *Las Vegas Sun*, (May 11, 1998).

¹³⁷ Testimony of L.M., Before the National Gambling Impact Study Commission, Biloxi, Mississippi (September 10, 1998). (Witness)

¹³⁸ NRC, p. 5-2.

¹³⁹ NORC, at 73.

¹⁴⁰ testimony of Rachel Caine before the National Gambling Impact Study Commission, Biloxi, Mississippi (September 10, 1998). (Program Director, Salvation Army Domestic Violence Shelter).

¹⁴¹ Police Chiefs in Westerley and Hopkinton Announce Link of Casino Gambling to Increases in Crime and Economic Hardship for Families, [press release], Department of the [Rhode Island] Attorney General (February 6, 1996).

locales.¹⁴² The Commission even received testimony of several cases of spousal murder and attempted murder linked to problem and pathological gambling.¹⁴³

Children of compulsive gamblers are often prone to suffer abuse, as well as neglect, as a result of parental problem or pathological gambling. The Commission heard testimony of numerous cases in which parents or a caretaker locked children in cars for an extended period of time while they gambled. In at least two cases, the children died.¹⁴⁴ It was brought to the Commission's attention that cases of parents leaving their children in the Foxwoods casino parking lot became so commonplace that Foxwoods management posted signs warning that such incidents would be reported to the police.¹⁴⁵ The well-publicized murder of a seven-year-old girl in a Nevada casino during the formation of this Commission has brought significant attention to the issue of children abandoned by their parents inside gambling establishments.

In its case studies of 10 casino communities, NORC reported, "Six communities had one or more respondents who said they had seen increases in child neglect, and attributed this increase at least in part to parents leaving their children alone at home or in casino lobbies and parking lots while they went to gamble."¹⁴⁶ Respondents in these communities did not report noticeable increases in child abuse. NORC noted that the casino effect was not statistically

significant for the infant mortality measure. The NRC, however, reported on two studies indicating between 10 and 17 percent of children of compulsive gamblers had been abused.¹⁴⁷

LOCAL EFFECT

While it is important for this Commission to acknowledge that, in certain areas, especially those which had been economically depressed, the advent of casino gambling has produced localized benefits to the communities in the form of new and better jobs, increased purchasing power, and social support facilities (such as schools and hospitals), it is not appropriate to speak of those benefits without immediately acknowledging both the unknown, and presently unmeasured negative effects in those same communities experienced by those citizens who develop problem or pathological gambling habits and the wave effects which those persons cause in their families, workplaces, and local communities. Nor is it appropriate to ignore the negative effects that the introduction of legalized gambling in one community may have on the surrounding communities within its area of influence. Elsewhere in this *Report* the Commission has recommended that states require that thorough impact studies be conducted before new gambling facilities are permitted. That is not a reflection of a bias against gambling facilities, but rather an acknowledgment of the paucity of evidence of net impact derived from the introduction of gambling into an area where it does not already exist. The Commission is committed to the idea that local government agencies should make careful and informed decisions about whether to permit gambling into their respective jurisdictions. Since proposals for the introduction of new gambling facilities are usually accompanied by assurances of economic benefit to the community or region, it is reasonable to expect that there should be a careful and well-

¹⁴² "The House Never Loses and Maryland Cannot Win: Why Casino Gaming Is a Bad Idea," Report of Attorney General J. Joseph Curran, Jr. on the Impact of Casino Gaming on Crime, Presented to the Joint Executive-Legislative Task Force to Study Commercial Gaming Activities in Maryland at 32-33 (October 16, 1995).

¹⁴³ Arnie Wexler, before the National Gambling Impact Study Commission, Atlantic City, New Jersey (January 22, 1998). (Wexler Associates); Joe Lambe, Kansas City Woman Found Guilty of '95 Murder, *Kansas City Star* (December 14, 1996), at C1; and Petula Dvorak, Marrero Man Kills Wife, Self; Daughter Hears Shots, *New Orleans Times-Picayune* (May 8, 1998), Pg. A1.

¹⁴⁴ Arnie Wexler, *ibid.*

¹⁴⁵ Stephanie Saul, Tribe Bets on Growth; High Stakes Foxwoods Expansion Not Welcomed by All, *Newsday* (Aug. 11, 1997).

¹⁴⁶ NORC, at 78.

¹⁴⁷ NRC, at 5-2.

documented study of all aspects of gambling, the economic and social benefits and economic and social costs, before new facilities are approved. That is no more than the careful analysis that is required in most zoning and developmental planning decisions.

CONCLUSION

As the Commission noted earlier, in an ideal environment, policymakers and citizens prudently consider all of the relevant facts before committing themselves and their communities to major courses of action. This should be true for those communities considering the legalization or expansion of gambling activities, as the economic and social impacts of gambling are significant. Unfortunately, this is often not the case for a number of reasons. The amount of high quality and relevant research is extremely limited. The perceived lure of enormous economic benefits and tax revenues leads some to disregard potential economic and social costs. And sadly, today's political environment places more emphasis on "spin" than it does on facts, and too many of these decisions are turned into high-priced ballot issues.

The Commission fundamentally respects the wisdom of the American people to decide what is best for themselves and for their families. As Thomas Jefferson wrote more than 200 hundred years ago, "I know of no safe repository of the ultimate power of society but the people themselves." The Commission further values the right of all Americans to make choices regarding the legal activities in which they engage recreationally. The Commission committed our efforts to making certain that both elected officials and their constituents have as much information as possible on this industry from which to make informed decisions. The implications for communities and individuals of introducing, expanding or restricting gambling are far different and more complicated than they were 20 years ago.

In testimony before the Commission in Chicago, Michael Belletire, the Administrator of the Illinois Gaming Board, commented on the difficulties facing policymakers: "Overall, I would observe that riverboat gambling in the heartland has not been as detrimental or as malignant to our social fabric as its critics contend, or as important or as benign as the industry makes it out to be. The answers are not all in and the experience is an evolving one." In a macroeconomic sense, the Commission agrees with this assessment.

In terms of economic impact, the Commission notes that the conventional way of looking at a particular business activity involves citing statistics such as gross sales, revenues and employment. Strictly speaking, however, these gross numbers do not represent a true calculation of the net benefits to society. In the first place, gross wages and profits tell the whole story only when the resources and workers would not have been otherwise engaged. Secondly, policymakers need to be concerned about the extent to which the economic output of a given activity—especially one that involves a closely regulated business—is greater than the costs that it generates.

Gambling, like any other viable business, creates both profits and jobs. But the real question—the reason gambling is an issue in need of substantially more study—is not simply how many people work in the industry, nor how much they earn, nor even what tax revenues flow from gambling. The central issue is whether the net increases in income and well-being are worth the acknowledged social costs of gambling. After much testimony and a review of the existing economic literature, the Commission has concluded that it is currently impossible to obtain even a rough approximation of a true cost-benefit calculation concerning the economic impact of legalized gambling. The Commission believes that further economic research will help, but also understands that gambling's impacts are much too complicated for even the most sophisticated economic models.

Turning to the social impact of gambling, the process of finding ultimate answers is even more

difficult. No reasonable person would argue that gambling is cost free. And no member of the Commission opposes aggressive additional action to deal with problem and pathological gambling. Here, as in the economic sphere, the Commission does believe that more research can lead to greater understanding and more informed policy. After all, making decisions about whether to expand gambling or how to deal with its consequences may not be a science, but decisionmaking surely will be aided by more scientific evidence.

Finally, in other chapters of this report and in our conclusions, the Commission stresses our conviction that we must do more to cope with gambling's impact on the nation. The effects of gambling on people and places is an immensely complicated issue. If the Commission is to chart a sensible course in the future, it will require considerably more research and considerably more good judgment by both citizens and leaders.

RECOMMENDATIONS

7.1 Because of the easy availability of automated teller machines (ATM's) and credit machines encourages some gamblers to wager more than they intended, the Commission recommends that states, tribal governments, and pari-mutuel facilities ban credit card cash advance machines and other devices activated by debit or credit cards from the immediate area where gambling takes place.

7.2 While the Commission recognizes that the responsibility for children and minors lies first and foremost with parents, it recommends that gambling establishments implement policies to help ensure the safety of children on their premises and to prevent underage gambling. Policies that could be implemented include the following:

- Post local curfews and laws in public areas and inform guests traveling with minors of these laws.
- Train employees working in appropriate areas to handle situations involving unattended

children, underage gambling, and alcohol and tobacco consumption or purchase.

7.3 The Commission recommends to state, local and tribal governments that (when considering the legalization of gambling or the repeal of gambling that is already legal) they should recognize that, especially in economically depressed communities, casino gambling has demonstrated the ability to generate economic development through the creation of quality jobs.

7.4 The Commission recommends to state, local and tribal governments that (when considering the legalization of gambling or the repeal of gambling that is already legal) they should recognize that lotteries, Internet gambling, and non-casino electronic gambling devices do not create a concentration of good quality jobs and do not generate significant economic development.

7.5 The Commission recommends to state, local and tribal governments that (when they are considering the legalization of casino gambling) casino development should be targeted for locations where the attendant jobs and economic development will benefit communities with high levels of unemployment and underemployment and a scarcity of jobs for which the residents of such communities are qualified.

7.6 The Commission recommends to state, local and tribal governments that studies of gambling's economic impact and studies contemplating the legalization of gambling or the repeal of gambling that is already legal should include an analysis of gambling industry job quality, specifically income, medical benefits, and retirement benefits, relative to the quality of other jobs available in comparable industries within the labor market.

7.7 The Commission recommends to state, local and tribal governments that when planning for gambling-related economic development, communities with legal gambling or that are considering the legalization of gambling should recognize that destination resorts create more and better quality jobs than casinos catering to a local clientele.

7.8 The Commission recommends to state, local and tribal governments that communities with legal gambling or that are considering the legalization of gambling should look to cooperation between labor unions and management as a means for protecting job quality.

7.9 The Commission recommends that students should be warned of the dangers of gambling, beginning at the elementary level and continuing through college.

