

Casino Gambling and Crime

Testimony

of

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NATIONAL GAMBLING IMPACT STUDY COMMISSION

Hearings
Biloxi, Mississippi
September 10, 1998

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Good day. My name is Jay Albanese. I chair the Department of Criminal Justice at Virginia Commonwealth University. I have conducted several studies of the casino-crime connection, and I thank you for the invitation to share my knowledge and experience with the Commission.

The Commission is in a unique and highly visible position to influence both existing and future policy, law, and government and business decision-making in the broad area of legal gambling. Given the limited time allotted, and in order to facilitate questions from Commission members, I will limit my remarks to 5 fundamental issues that my research, and that of others, has shown to be crucial in assessing the impact of gambling on crime.

These five points are: (1) crime volume versus crime rates, (2) what the evidence says and why, (3) casino gambling and white collar crime, (4) organized crime, and (5) the need for planning, further study, and vigilance.

CRIME VOLUME VERSUS CRIME RATES

The purpose of measuring crime is to assess risk. It was nearly 20 years ago when the then New York State Attorney General issued a report in which he opposed casino gambling, part of his justification being a dramatic increase in crime in Atlantic City since the introduction of casinos there. Having worked in Atlantic City prior to the introduction of casino gambling, I saw with my own eyes how the city's population surged during the summer months with beach-goers and vacationers, and how it was almost a ghost town during the winter months. The addition of 9 large casino-hotels in a period of 5 years obviously expanded the number of visitors year-round.

Therefore, it is only common sense that crime would increase in Atlantic City as the average daily population also rose. I documented this in my 1985 study of crime in Atlantic City.¹ That study found that the increase in Index crimes in Atlantic City was offset by the increase in the average daily population of the city, meaning that the risk of a person being the victim of a serious property or violent crime actually dropped in Atlantic City after the introduction of casinos there.

The risk of crime is measured by the crime rate and that is the most useful measure of crime; changes in the volume of crime does not provide an indication of risk, and that is what most concerns individual citizens and policy makers.

WHAT THE EVIDENCE SAYS AND WHY

Since my study was conducted, there has been a large number of other studies of Atlantic City and elsewhere. With some exceptions, the weight of the evidence clearly shows that the introduction of casino gambling does not have a significant impact on crime rates.² This finding

¹ Jay S Albanese, "The Effect of Casino Gambling on Crime," Federal Probation, vol 64 (June, 1985), pp. 39-44.

² Recent studies include: Peter Reuter, The Impact of Casinos on Crime and Other Social Problems (1997); WEFA Group, A Study Concerning the Effects of Legalized Gambling on the Citizens of the State of Connecticut (1997); Semoon Change, "Impact of Casinos on Crime: The Case of Biloxi, Mississippi," Journal of Criminal Justice, vol. 24 (1996), pp. 431-6; Dennis Nelson, Howard Erickson, and Robert Langan, Indian Gaming and Its Impact on Law Enforcement in Wisconsin (1996); New York State Task Force on Casino Gambling, Report to the Governor (1996); Patricia Stokowski, "Crime Patterns and Gaming Development in Rural Colorado," Journal of Travel Research (1996); Sandra Sutphen et al., "Upping the Ante: Gambling as a Revenue Source for Local Governments," Southeastern Political Review (1994); David Giacopassi and Grant Stitt, "Assessing the Impact of Casino Gambling on Crime in Mississippi," American Journal of Criminal Justice (1993); Daniel Currant and Frank Scarpitti,

has been generally consistent across jurisdictions for several reasons:

- First, the individual risk of being a crime victim does not increase because the average daily law-abiding population in casino jurisdictions is much larger than any increase in the crimes committed.
- Second, in most casino jurisdictions, casino gambling is a very small part of the local economy. No city is dominated by casinos as is Atlantic City and Las Vegas. As a result, the impact is limited in ways similar to other forms of economic development in the recreational sector, such as amusement parks and nightclubs.
- Third, casinos are distinguished from most other forms of economic development in that they contribute to their own regulation. In most casino jurisdictions, casinos help to fund security, law enforcement, and problem gambling initiatives that may contribute to lower crime rates.

WHITE COLLAR CRIME

Existing studies of the casino-crime connection have focused on street crimes. These crimes are committed most often by people aged 16 to 24. Casino patrons are typically much older than that. It has been argued that casino gambling might contribute to white collar crimes by casino patrons who are problem gamblers. These people might steal from their employers, pass bad checks, or engage in other crimes to support their gambling habits. There are anecdotes

"Crime in Atlantic City: Do Casinos Make a Difference?," Deviant Behavior, (1991).

of particular incidents where those who gamble have committed white collar crimes, but there has been no systematic study of the problem to examine the extent to which it is widespread or consists of isolated occurrences.

I have a long-standing interest in white collar crime,³ and was finally able to secure funding to examine the gambling-white collar crime link this year. I am now in the middle of a study of this issue. The study analyzes arrests for the crimes of embezzlement, forgery, and fraud in some of the largest casino jurisdictions. I examine these crimes both before and after the advent of casinos, and also look at arrest trends in comparable non-casino jurisdictions.

My study will be completed before the end of the calendar year, although preliminary results indicate that trends in embezzlement, forgery, and fraud vary considerably among casino jurisdictions. For example, arrests for forgery, fraud, and embezzlement have increased in Gulfport, Mississippi since the introduction of casinos. On the other hand, arrests for these crimes have also risen in Mobile, Alabama and many other jurisdictions that do not have casino gambling. Vicksburg, Mississippi has seen arrests increase for fraud and embezzlement since the introduction of casino gambling, but decreases in forgery arrests. Similarly, Jackson, Mississippi has experienced the exact same trend without having casino gambling. In order to sort this out, it is necessary to determine the extent to which these arrests are gambling-related, which is a difficult task. Except in the most obvious cases, it is difficult to make claims that gambling "caused" a person to commit a white collar crime, or that the person would not have committed the crime anyway without the presence of a local casino.

³ Jay Albanese, White Collar Crime in America (Upper Saddle River, NJ: Prentice Hall, 1995).

Importantly, this study of white collar crime in casino and non-casino jurisdictions will provide the first systematic look at the crimes committed by the persons who typically patronize casinos, rather than the very young adults and teenagers who commit most street crime.

ORGANIZED CRIME

My fourth point is the organized crime issue. As you know, there have been several criminal cases made in recent years against persons involved in casino gambling activities. I have conducted research on organized crime, and wrote an article on the casino-organized crime connection in 1995.⁴ I believe that analysis highlights the significant issues:

- First, organized crime infiltration of the casino industry is a shadow of what it once was. This is due primarily to the entrance of large, publicly-held corporations into the casino industry. The immense size of these companies, and their attention to stock prices, public image, and the regulation of the Securities and Exchange Commission, make it easy for them to resist attempts at organized crime infiltration.
- Second, the primary opportunity for organized crime involvement comes from ancillary businesses that do business with casinos, such as cleaning, construction, furniture, entertainment, liquor, and garbage services. These vendors must be screened carefully and

⁴ Jay S. Albanese, Organized Crime in America, 3rd edition (Cincinnati: Anderson Publishing, 1996); Jay Albanese, "Casino Gambling and Organized Crime: More Than Reshuffling the Deck," in J. Albanese, ed. Contemporary Issues in Organized Crime (Monsey, NY: Willow Tree Press, 1995), pp. 1-17.

continuously for links to organized crime.

- Third, instances of successful organized infiltration are now few, although they do occur. In recent years, there have been criminal charges lodged in several cases of organized skimming and cheating in Mississippi, Louisiana, and Connecticut. In virtually every case, there was cooptation of someone on the inside, pointing to the need for background screening and monitoring of casino employees.

THE NEED FOR PLANNING, FURTHER STUDY, AND VIGILANCE

The National Gambling Impact Study Commission has an important role to play in informing the trend toward legalizing more forms of gambling in more jurisdictions. It appears that many jurisdictions do not properly study or learn from the experiences of the past and as a result some jurisdictions may be condemned to relive it.

The case of Windsor, Ontario is an example of a well-planned effort to introduce a single casino into a city. It may provide a model for other jurisdictions to emulate. Ontario brought together experts in travel, transportation, tourism, crime, and other areas to help plan and project who the visitors would be, where they would come from, and the impact on everything from employment and local businesses to police, parking, and traffic flow.⁵ All economic development has benefits and incurs costs, whether it be casinos, manufacturing, convention centers, or

⁵ Jay S. Albanese, "The Impact of Casino Gambling on Crime and Law Enforcement," in W.R. Eadington and J.A. Cornelius, eds. Gambling: Public Policies and the Social Sciences (Reno, NV: Institute for the Study of Gambling and Commercial Gaming, 1997); Ontario Casino Corporation, Assessment of Casino Windsor (Ernst and Young, 1994).

amusement parks. Too few cities have carried out this assessment objectively to assess the suitability of different forms of economic development, given their geographic location, economy, and local public opinion. The result is a politicized atmosphere of dueling experts and ideology, rather than relying on objective evidence and rational decision making. The National Commission would perform a useful service by providing a framework for jurisdictions considering casino gaming to follow in assessing all aspects of its impact on the community, so that more informed decisions are made and fewer mistakes are repeated.

Further study of the impacts of gambling, both legal and illegal, are sorely needed.

Lotteries and Internet gambling have the potential to reach far more people than casinos ever will. The gambling-crime link has been studied only in a comparatively small number of jurisdictions, most of those studies cover limited time periods, and few examine factors that more time and funds are needed to explore. For example, interviews with white collar and organized crime offenders in different jurisdictions are needed to assess their connection to gambling and the similarities and differences in their opportunities and motivations. Only in this way can we become better informed about what to expect in the future.

Finally, all forms of gambling must be regulated closely wherever they are introduced, due to the speed at which cash is accumulated. Unlike other cash businesses, where a business must wait for a product or service to be used or exhausted (e.g., a drink, food, entertainment) before the customer can be solicited again, games of chance move much more quickly. Multiple bets and pay-outs occur in seconds, permitting many transactions in a short period, resulting in large cash accumulations. This will always be a significant temptation for organized crime elements. Effective models of monitoring and enforcement levels now exist, and the Commission would do

a great service by recognizing and describing those models of regulation and enforcement that are effectively keeping the risks of crime low.

Thank you for your invitation to appear. I would be happy to answer any questions.

Respectfully submitted,

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