Gambling Economics: Summary Facts

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- **Independent research since 1991 – Not funded by gambling or anti-gambling organizations**
- **Gambling attracts clientele disproportionately**
  - 30% don't gamble at all; most gamble rarely, minority 10% accounts for 2/3rd - 4/5^{ths} of wagers.
  - 30-50% of revenues derive from problem and pathological gamblers (e.g. 48.2% of gaming machine revenue, Aus. Inst. for Gambling Research, 2001; 37% of Montana keno machines & 58% of machine revenue, Ontario Problem Gambling Research Center, 2004; and other studies).
  - Convenience gambling draws from nearby (ex.: IL, over 70% from less than 35 miles).
- **Slot machines, electronic gaming devices (EGDs), video lottery terminals (VLTs)**
  - Most damaging and quickly addicting form of gambling (e.g. Breen and Zimmerman, 2002 - shorter times to addiction for those who `got hooked' on video gambling, 1 year vs 3.5 for other forms).
  - 80% of casino revenues, sometimes more, are from slot machines.
  - Causation: Bridwell and Quinn, 2002 - remove slot machines from SC. & 6 months later Horry C. Hotline (Myrtle Beach) calls fell from 200 to 0 per month & Gambler Anonymous groups smaller by 2/3.
  - Confirming evidence on causation from National Gambling Impact Study Commission research.
- **Gambling creates economic costs for society and taxpayers, including non-users**

	Per Pathologic Gambler	Per Adult Capita
Crime: e.g. aggravated assault, rape, robbery, larceny, burglary, auto theft, embezzlement, fraud	$3591	$53-75
Business and Employment Costs: lost productivity, lost work time, unemployment-related employer costs	$2358	$58
Bankruptcy	$251	$3
Suicide		
Illness: e.g. stress-related, cardiovascular, anxiety, depression, cognitive disorders	$773	$9
Social Service Costs: treatment, unemployment & other social services	$425	$20
Direct Regulatory Costs		$16
Family Costs: e.g. Divorce, separation, child abuse, child neglect, domestic violence	$62	$1
Abused dollars	$2880	$60
TOTALS	$10,330	$219

- **Gambling fails a cost-benefit test**
  - Even using conservative cost & benefit estimates, costs to benefits are greater than $3:$1.
  - Social costs (mid-range) from gambling are approximately $219 per adult annually (of which crime = $53-75). Costs of introducing gambling depend on starting base, but typically exceed $143 per adult.
  - Social benefits (preferred number) are less than $46 per adult.
  - On a per pathologic gambler basis, studies in different parts of the nation conducted since 1994 conservatively estimate costs to be $10,330 per year, $11,304 including publicly borne taxes.
- **Economic development - Failure of impact studies**
  - IMPACT STUDIES ARE NOT COST-BENEFIT STUDIES. More people working next door to you may have nothing to do with the well being of citizens in your area. Well being may actually decline.
  - An additional job has been estimated to be worth as little as zero to the community, or could range zero to $1,500.[i] In a typical county of 100,000 adults, the introduction of class III gambling would create additional social costs of $14.3 m annually and social benefits of $4.6 m. Using $750 as the average value to the rest of the county for a gambling job means the total number of jobs in the county would have to be increased by more than 12,933 to improve well being of all residents - an unlikely outcome.

- Gambling promoters argue gambling creates regional jobs. This is sometimes possible, as in the case of an Atlantic City or Las Vegas where the area has effectively converted itself into one large casino and entertainment center that serves primarily tourists. In general, however, gambling:
    — Loses area jobs when local gambler dollars are removed from the area (when they otherwise would not have been) in the form of taxes or are spent by the casino owners or employees outside the area;
    — Creates area jobs when outside gambler dollars are spent locally by the casino; and
    — Loses net jobs when the first flow is larger than the second.
    — Therefore, a full accounting is needed to determine if gambling creates more jobs than it loses.
- **Crime: Baylor University & University of Georgia – Grinols and Mustard Study**
  - Approximately 9% of total crime (FBI Index I) due to gambling in counties with Class III gambling.
  - 8.6% of property crime; 12.6% of violent crime.
  - For the average county with a population of 100,000, this implies 615 more larcenies, 325 more burglaries, 272 more auto thefts, 10 more rapes, 65 more robberies, and 100 more aggravated assaults.
- **How can we conclude that gambling increases crime?**
  - Class III gambling has largely expanded geographically since 1991, a period when crime has decreased substantially. Because crime is caused by many factors, we want to take those into consideration when we estimate the effect of gambling on crime.
  - A better comparison is to look at the drop in crime rates for counties that have class III gambling and for those that don't. Crime rates drop much more in non-gambling-counties than gambling-counties. The divergence between the two sets of counties is greatest since 1992 after gambling expansions.
  - In many areas, such as Florida, casino-county crime rates as a fraction of non-gambling-county rates increased from 2-25% less in 1977 to much higher in 1996. FBI Index I Crimes (-6% to 11%), Violent Crimes (-17% to -2%), Aggravated assault (-8% to 9%), Rape (-9% to 13%), Robbery (-25% to -14%), Murder (-23% to 0%), Property Crimes (-4% to 13%), Larceny (-4% to 13%), Larceny (-2% to 12%), Burglary (-5% to 2%), Auto Theft (-20% to 14%). All individual crimes switched from negative to positive, except robbery, which still moved in the direction consistent with the rest.
  - On Indian reservations, compact-counties had higher crime rates than noncompact-counties, but the difference was stable until the early 1990s, when the crime rates in compact-counties increased by even more. By 1996 compact-counties had significantly higher crime rates than non-compact counties.
- **Gambling taxes are worse than a conventional tax that collects identical revenue**
  - A conventional tax implies social costs per extra dollar collected of $1.17-$1.59.
  - Taxes on gambling revenues conservatively cost $1.95 per dollar of tax collected if the tax rate is 30%.
- **Gambling is a slippery slope**
  - What is easy for one state to do, others can do.
  - Gambling generates a race to the bottom. End result – while some states benefit from gambling revenues and all states bear some of the cost at present, all will bear the cost when gambling is legal in all states.
- **National Gambling Impact Study Commission, 1999**
  - ~3 m problem and pathological gamblers, 15 million more at risk (8.5 m potential according to other studies)
  - ~$5 b costs now, (vs. $20 b - $85 b potential based on other studies: my research implies ~ $30-$53 b).
  - Gambling is like losing the lost output of another 1990-91 recession very decade.
- **For many, gambling merely transfers dollars from one pocket to another without creating a tangible product.**
  - Some gamble for recreation (such gamblers are presumably provided recreation value for their lost dollars), but many gamble to acquire money. Instead of creating a product or offering a service to earn money, this second group of gamblers doesn't accomplish anything and yet expects to acquire money.
  - As the number of people who gamble to acquire money increases, society becomes poorer.
  - If everyone gambled to acquire his money, we would all starve.

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[i] Rappaport, Jordan and Chad Wilkerson, 2001, What are the Benefits of Hosting a Major League Sports Franchise? *Economic Review*, Federal Reserve Bank of Kansas City, 86, 1, 55-86.