THE SPREAD OF CASINOS AND THEIR ROLE IN TOURISM DEVELOPMENT

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INTRODUCTION

Casino gaming industries in many countries have experienced substantial growth and expansion in the 1990s. Much of this has been a direct result of explicit strategies adopted by state, provincial or national governments which believe that casinos can be an important catalyst in creating or otherwise stimulating growth and tourism within their borders. However, the success of using casinos as a growth strategy and a tourism strategy has been mixed. The actual impacts of casino developments and their contributions to tourism objectives have depended on a variety of circumstances.

The form of legal gambling that is most associated with tourism is casino gaming. Other popular forms of gambling—such as lotteries, wagering on racing, charitable gambling, and non-casino located gaming devices—cater predominantly to local markets and therefore have little direct impact on tourism or tourism development. On the other hand, famous historic casino centers—such as Las Vegas, Monte Carlo, Sun City and Macao—have attracted visitors from neighboring or distant states or countries as their main source of business. Indeed, Las Vegas—which in 1997 attracted over 30 million visitors per year to its 105,000 hotel rooms and myriad casino and entertainment facilities—had become an ideal tourism destination resort, centered around casinos.

The economic ramifications of the recent spread of casinos and legal gambling have been discussed elsewhere by this author.[1] Inspired by the phenomenal growth and economic

[1] See, for example, William R. Eadington and Judy A. Cornelius (eds.), Gambling: Public Policies and the Social Sciences. Reno: Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno, 1997; Eadington, "Casino Gaming - Origins, Trends and Impacts," in Klaus Meyer-Arendt and Rudi Hartmann (eds.), Casino Gambling in America: Origins, Trends and Impacts. New York: Cognizant Communications, 1998; and Eadington, "The Emergence of Casino Gaming as a Major Factor in Tourism Markets: Policy Issues and Considerations", in Richard Butler and Douglas Pearce (eds.), Change in Tourism: People, Places, Processes. London: Routledge Kegan Paul, 1995.

success of Las Vegas, many other jurisdictions have authorized numerous forms of legal gambling—including casinos—for various reasons, including tourism development.

This analysis examines the wide variety of casino ownership and regulatory regimes that have been introduced—especially since the mid-1980s—in light of their promises and their ability to contribute toward strategic tourism objectives. The first section looks at the recent experiences in the United States, Australia and Canada in the approaches they have taken in legalizing casinos. The next section discusses economic and social impact issues that are implied by the ways casinos have been implemented, especially in light of the political and economic tensions casinos create under varying circumstances. Common social and economic impacts that are associated with casino developments are examined, and factors that lead to increased or diminished controversy with regard to casinos are scrutinized. This section also looks at competitive relationships that exist among various types of gaming alternatives that are considered "hard gambling."[2] The final section looks at some possible futures that casino gaming might encounter in its various manifestations throughout the world.

THE RECENT PROLIFERATION OF LEGAL CASINO GAMING

When gambling is taken from illegal to legal status, it taps into a strong latent demand among some segments of the population who demonstrate a willingness to spend considerable time and money on the activity. It is apparent that legal permitted gambling has much broader appeal than gambling that takes place only in illegal settings. As a result, jurisdictions that have legalized casino-style gambling have seen new gaming industries emerge having substantial impacts on consumer spending patterns, as well as on competing and complementary industries. In varying degrees, these impacts can be noted in the examples noted below.

The United States

In the United States, casino gaming was prohibited everywhere but Nevada from 1931 to 1978, and was then authorized only in Nevada and New Jersey between 1978 and 1989. By the late 1990s, however, the number of states offering casinos expanded to more than 25. Numerous types of casinos became legal, including casinos on riverboats, in historic mining towns, in urban and suburban locations, and on Indian lands.

The size of all commercial gaming industries in the United States, as measured by *gross gaming revenues*—total revenues after payment of prizes, the same as aggregate customer

[2] The distinction between "hard gambling" and "soft gambling" is made by the British Gaming Board and the Home Office as a justification for stricter controls placed upon those forms of gambling at which an individual can risk and lose a significant amount of money in a short period of time (i.e. casinos, slot machines) from those which are not as financially dangerous (i.e. lotteries, bingos, raffles, "amusement with prize" machines, etc.) See, for example, Report of the Gaming Board for Great Britain, 1996/97, p. 7, para. 1.25. London, The Stationery Office.

losses or expenditures—grew from $10 billion in 1982 to $47 billion in 1996.[3] The casino industry generated gross gaming revenues of nearly $25 billion in 1996, up from $5 billion only 10 years earlier.

There are wide variations in the ways in which casino gaming is offered in the U.S. True "full service" destination resort casino hotel entertainment complexes can be found only in Nevada and Atlantic City, New Jersey. Indeed, by the end of the 1990s, the standards for such resorts in Las Vegas call for facilities with 3,000 or more hotel rooms; unique—often spectacular—architecture; extensive entertainment offerings; indoor and outdoor recreational options; extensive culinary and shopping experiences; and, of course, "state of the art" gaming opportunities. The price tag for building a new casino property for the Las Vegas Strip tourist market passed $500 million in the 1990s, with some new properties flirting with capital outlays approaching $2 billion. This trend toward bigness, entertainment, and diversity is being mimicked in other casino centers such as Atlantic City, Reno, and Biloxi and Tunica County, Mississippi, but at not nearly the same scale.

The destination resort casino industry in Las Vegas is the largest and most dynamic of any casino industry in the world. Mega-casino complexes have changed the face and image of Las Vegas from *gambling* to *casino entertainment* in the 1990s. The new casinos along the Las Vegas Strip that opened between 1989 and 1997—The Mirage, Excalibur, Treasure Island, MGM Grand, Luxor, Monte Carlo, and New York New York—accelerated Las Vegas along an unprecedented growth path and transition. By 1997, nearly 50% of revenues accruing to the largest 19 casinos along the Las Vegas Strip came from non-gaming sources. The popularity of this approach is reflected by the fact that—in 1997—over 80% of all the profits earned by the more than 200 major casinos in Nevada came from this clustering of mega-casino complexes.[4]

But the full service competitive casino-hotel complex model developed first in Nevada and modified by Atlantic City did not gain favor in other U.S. jurisdictions. Rather, various hybrids were introduced in some parts of the country, and then copied by other states. Small stakes mining town casinos were authorized by referendum in Deadwood, South Dakota in 1988, which was followed by a similar successful statewide initiative in Colorado benefiting the former mining towns of Central City, Cripple Creek, and Blackhawk in 1990.[5] The mining town casinos are characterized by size limitations, restrictions on the number of gaming devices or gambling tables per location, and by requirements that casinos be permitted only in historic buildings in established commercial areas. Furthermore, a $5 maximum wager requirement precludes the profitable

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[3] Eugene Christiansen, "The United States 1996 Gross Annual Wager,", supplement to International Gaming and Wagering Business Magazine, August 1997, p. 32.

[4] State Gaming Control Board (1998), Nevada Gaming Abstract, schedules 1-2 and 2-26.

[5] For a discussion of many of the new jurisdictions that have introduced casinos in the United States and other countries in the 1990s, see Klaus Meyer-Arendt and Rudi Hartmann (eds.), Casino Gambling in America: Origins, Trends and Impacts. New York: Cognizant Communications, 1998; Journal of Travel Research, Vol. XXXIV, Number 3, Winter, 1996; Economic Development Review, fall, 1995; and Nigel Kent-Lemon (ed.), World Casino Industry Review 1995. London: 1995.

development of table games, so casinos in these towns are heavily dependent on slot machine revenues.

As a result of such statutory limitations, opportunities for growth and evolution of mining town casino industries have been stifled. In 1997, Deadwood, South Dakota's 80 or so casinos produced gaming revenues of $43.5 million, and the dozens of casinos in Colorado's towns generated gaming revenues of $430.6 million. In contrast, two Indian casinos in rural Connecticut—Foxwood's and the Mohegan Sun—experienced slot machines winnings in the amount of $943.8 million, and total gaming winnings of nearly $1.5 billion.[6]

Riverboats provided the milieu for casinos authorized by legislation in Iowa, Illinois, Louisiana, Missouri and Indiana between 1989 and 1993. The fundamental rationale was that by permitting casino gaming only on boats, and—initially—only when boats were sailing, social damages that might accrue from the presence of casino gaming in communities in these states would be mitigated. In reality, the effect of allowing casino gaming only on riverboats has inconvenienced casino gaming customers and increased the costs of operations to casino owners. Indeed, there is virtually no desire on the part of riverboat casino customers or operators to sail.

A variant of riverboat casinos was introduced in Mississippi in 1992. However, unlike other states that authorized riverboat casinos, Mississippi's boats were permitted from the outset to remain dockside. Soon thereafter, the law was more liberally interpreted to define a "boat" for gaming purposes as any structure built over the water along permitted waterways. In other respects, Mississippi statutes and regulations parallel those of Nevada. As a result, casino regions in Mississippi—especially in Tunica County near Memphis, and Biloxi on the Gulf Coast—have experienced considerable evolution toward true tourist oriented destination resort enclaves. Gross gaming revenues in Mississippi grew rapidly from the opening of the first casinos in 1992, climbing to just under $2 billion in 1997.

Urban casinos have had a rocky time in the United States in the 1990s. In New Orleans, an exclusive franchise monopoly casino that opened in May, 1995 declared bankruptcy by November of the same year. By 1998, the owners were still trying to reach an accord with the city and state that would allow them to reorganize and re-open. The causes for the New Orleans bankruptcy were many, but perhaps most important were the substantial tax obligations—annual guarantees of $100 million to the state—placed on the operation by statute, coupled with prohibitions against the casino offering hotel accommodations, restaurants, or retail outlets on premises. Though it was initially hoped that an urban casino in New Orleans would broaden the city's tourist and convention appeal, the political failures and poor performance of land-based and riverboat casinos in New

[6] Salomon Smith Barney (1998), Quarterly Gaming Statistical Abstract, Issue 1997, Fourth Quarter, various pages.

Orleans brought into question the economic viability of casinos when they must compete with many other existing tourist activities.[7]

The city of Detroit began the process of introducing urban casinos following a favorable statewide referendum in Michigan 1996. The referendum allowed for three casinos to be developed within the city of Detroit. The main objectives were to stimulate tourism and convention business to the city, to create jobs for city residents and tax revenues for local governments, and to stem the flood of U.S. dollars that were crossing the international border to the provincially owned casinos in neighboring Windsor, Ontario, Canada. Visitors to the Windsor casinos are mainly residents of the greater Detroit metropolitan area and, as such, are not really tourists. The challenge for Detroit—a somewhat distressed industrial city with a legacy of high crime rates and declining neighborhoods—to develop as an actual tourism draw based on casinos will be formidable.

Indian gaming is the other major form of casino-style gaming in the United States, with over 125 casino-style operations in over 20 states in 1997.[8] Indian gaming came into existence as a result of a 1987 Supreme Court decision and the 1988 passage of the Indian Gaming Regulatory Act.[9] The general form of Indian casinos—in terms of size, location, permitted games, and other significant circumstances—is highly dependent on the state in which the tribal lands are located. Negotiations between tribes and state officials leading to compacts, various court interpretations, and proximity to population centers have had considerable influence on the resulting Indian casinos. For example, Foxwood's Casino in Connecticut is the largest and most profitable casino in the world, with gross gaming revenues approaching $1 billion. It holds that status because of a shared monopoly (with another Indian casino, the Mohegan Sun) for casino-style gaming in New England, and it is relatively close to the major metropolitan concentrations around the cities of Boston and New York. Its compact with the state permits all forms of casino games permitted in Nevada or Atlantic City, along with a full array of gaming devices. Furthermore, there are no other legal forms of casino-style gambling—such as video lottery terminals or video poker machines inside or outside casinos—permitted in the region.

For the most part, Indian casinos service customers within regional markets. A significant portion of customers—well over 90 percent—to Indian casinos reside within 100 miles of the casinos. However, to the extent that Indian tribes are politically and socially independent from the states in which they reside, Indian casino customers are effectively

[7] Riverboats in New Orleans have also not fared well. As of mid-1998, there were no operating riverboats near the center of the city (though there were some successful suburban riverboat casinos in operation), and a number of riverboat casinos had either ceased operations, cancelled construction, or declared bankruptcy.
[8] U.S. General Accounting Office, May, 1997. A Profile of the Indian Gaming Industry, GAO/GGD-97-91. Washington, D.C.
[9] For a discussion of the political and economic dimensions surrounding IGRA, see William R. Eadington (ed.), Indian Gaming and the Law, Reno: University of Nevada (1990). A comprehensive review of legal developments between 1988 and 1994 can be found in Joseph Kelly, "Indian gaming law," Drake Law Review, 1995.

"tourists," and tribal casinos are major sources of income and wealth for their respective tribes.

Variations in casino-style gaming have evolved in a number of other states as well, and these tend to have virtually no tourist component among their customer bases. Slot machines, video poker machines, and other types of electronic gaming devices are permitted in certain non-casino locations in the states of Montana, Louisiana, South Carolina, South Dakota, Nevada and Oregon. These are sometimes referred to as "slot route operations," sometimes as "video lottery terminals." Gaming devices are usually permitted only in age restricted locations such as bars and taverns, though Nevada permits slot machines and video poker machines in a wide variety of businesses, including restaurants, supermarkets, drug stores and car washes. Louisiana permits video poker machines at truck stops, race tracks and off-track betting parlors. The most important implication of such permitted gaming as far as tourism is concerned is to cut into the market potential for more tourist oriented destination resort casinos.

In recent years, race tracks in the states of Iowa, Delaware and New Mexico have been successful in persuading legislatures to allow them to operate large numbers of slot machines. When this is permitted, the net effect has been to transform the tracks from racing establishments to casinos that happen to run races. At Prairie Meadows in Iowa, for example, over 90% of gaming revenues in 1997—$127 million—came from slot machines. In similar fashion, the states of West Virginia and Rhode Island permit video lottery terminals at the tracks. The Hollywood Park race track in California operates a card club casino at the facility. In light of the inherent popularity of casino-style gambling, along with the recent financial distress of the racing industry, it is expected that political pressure for more casino-style gaming at race tracks will continue. As with urban casinos, Indian casinos, and gaming devices located outside casinos, slot machines at tracks cater more to a local and regional customer market than to a true "tourist" market.

Australia

Other countries have had similar experiences as the United States with regard to the expansion of permitted gaming. Australia authorized its first legal casino in the state of Tasmania in 1972. Over the next decade, three additional casinos were introduced in Tasmania and the Northern Territories, in remote and sparsely populated parts of Australia. The continuing prohibitions against casinos in the major cities and states insured tourism travel to these casinos. However, Australia became the first country to permit American style casinos in urban locations when it legalized monopoly casinos in Perth, Adelaide and the Gold Coast near Brisbane in the mid-1980s.

By 1997, casinos had opened in every major city in the country, as well as in some established tourism centers, such as the Gold Coast and along the Great Barrier Reef. Australian casinos are—for the most part—exclusive franchise monopolies run by private sector companies located in or close to city centers. It was little surprise that the tourism draw of the original remote "destination resort" casinos began to decline when new urban casinos opened their doors.

Most states in Australia have also authorized widespread placement of electronic gaming devices in hotels, bars and taverns. In New South Wales, slot machines—locally known as *pokies*—have operated legally in not-for-profit arcades and clubs since the 1950s. By the 1990s, widespread placement of such devices, along with video poker machines, had taken place in every state except for Western Australia.

Though one of the major selling points of the urban casinos in Australia was the potential attraction of such facilities for international tourism, the major customer base for the casinos is the local metropolitan market. Exceptions to this are the casinos in tourist regions such as the Gold Coast and the Great Barrier Reef, and some casinos have been very successful in attracting premium players from southeast Asian capitals such as Hong Kong, Singapore, Taiwan, Bangkok, and Kuala Lumpur. Though few in number, such visitors wager extremely high amounts, especially at the game of Baccarat, and they therefore can have a significant impact on casino earnings and foreign exchange.

Canada

Casino gaming came to Canada by a slightly different path than the United States or Australia. Canadian provinces had established lotteries throughout the country as a revenue raising mechanism in the 1970s, but did not get into the casino business in any serious way until the 1990s. There did exist in the western provinces a so-called "charitable casino industry" from the 1970s onward, where small stakes table games temporary casinos would be used to raise funds for charity and not-for-profit organizations.[10] Government owned monopoly casinos were introduced in various urban and destination resort areas—including Montreal, Halifax, Winnipeg, Hull, Niagara Falls, Regina, and Windsor—between 1990 and 1997. For the most part, Canadian casinos follow an urban monopoly casino model similar to Australia's, though ownership is by government rather than the private sector.

The motivation for some Canadian casinos, such as Windsor, Niagara Falls, and Hull, was to capture out-of-province or foreign customers by locating the casino adjacent to major population centers in the United States or at a provincial border. In other cases, such as Montreal and Halifax, the intent was to provide an additional amenity to simulate tourism, but the effect was to create casinos primarily frequented by local citizens.

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[10] For discussions of policy issues in Canada, see Colin S. Campbell, Gambling in Canada: The Bottom Line, edited by Colin S. Campbell. Vancouver, The Criminology Research Centre, Simon Fraser University, 1994; and Campbell and John Lowman (eds.), Gambling in Canada: Golden Goose or Trojan Horse?, , Simon Fraser University, Burnaby, 1990.

In one respect, the Windsor and Niagara Falls casinos might be classified as “tourist” casinos, as most of their customers are Americans. However, these are “border casinos” that are successful because of prohibitions against casino gambling on the other side of the border, and virtually all of the “tourists” in the casinos are day-trip visitors attracted by the opportunity to gamble. Not surprisingly, the City of Detroit—across from Windsor—legalized three casinos through a statewide referendum in 1996, though the permanent casinos will probably not open until after the year 2000.

By 1997, a number of Canadian provinces had also introduced video lottery terminals widely distributed in cities and communities. However, the customers for this form of gambling are almost all “locals, ” so there is little direct linkage to tourism as a result.

REASONS FOR THE SPREAD OF CASINOS

The spread of casinos in the United States and in other countries occurred for a number of reasons. First, lotteries had generally preceded permitted casinos and whetted government appetites by demonstrating the popularity and revenue generating potential of gambling. Lotteries also softened the public’s attitude regarding the risks associated with gambling.

The major arguments against permitting "hard" gambling—such as casinos—center around three types of argument: links between gambling and criminal influences; claims of the immorality of gambling; and social consequences of problem and pathological gambling. The perception of linkages between casinos and crime has diminished in many countries over the past couple of decades as casino companies have become more mainstream and respectable. Furthermore, regulatory bodies have become more effective in fulfilling public policy mandates and in protecting a variety of public concerns.

Morality arguments against gambling have diminished in many jurisdictions, perhaps reflecting the weakened influence of organized religion in many societies. On the other hand, the issue of problem or pathological gambling remains as the most significant challenge which confronts permitted gambling, especially “hard gambling.”

It is often the economic dimension that has been the driving impetus behind permitting most forms of gambling, especially casinos. However, the desired outcomes of economic development and tourism stimulation have not been universal. In order for significant economic stimulation to occur, a large proportion of custom must come from outside the region where the casinos are located. Alternatively, casino facilities that cater primarily to locals will not have a substantial impact on growth unless they heavily draw business from local residents who would otherwise leave the region in order to gamble.

In general, most customers of urban casinos have not been tourists. Many new casino jurisdictions in the United States provide "casinos of convenience" which cater predominantly to residents of the area where the casinos are located. In such cases, there has been little net economic stimulation to the area, though the casinos themselves have been substantial revenue generators. The same pattern is observable with casinos in most other countries that have recently authorized casinos.

The long term future of casinos and other forms of "hard gambling" depends to a great extent on society's acceptance of gambling as a legitimate consumer pursuit. The last half of the 20th century has been characterized by a steady increase in the degree of acceptance of the general public in the activity of gambling, in spite of the fact that the other vices—alcohol, tobacco, illicit drugs—have been under increasing criticism and sanctions in much of the world.

Permitted gambling has been embraced more for the ancillary economic benefits it creates than for the customer demands that it fulfills. This perspective might be challenged in the future, however, as gambling becomes more localized and less tourist oriented. Furthermore, new technologies will increasingly bring gambling into the home—through the internet, through interactive television wagering systems—whether or not such activities are legally sanctioned. This could further erode gambling's role in tourism and increase public concerns about the wisdom of permitted gambling.[11]

Thus, if permitted gambling continues to expand in society, then the role of gaming in tourism will likely decline unless gambling—especially casino-style—becomes part of a wider range of complementary entertainment offerings. This is a formula that has been well developed by Las Vegas, but not in many other locales. Usually, casinos become tourism generators primarily because of prohibitions of gambling in places where people live. As those prohibitions disappear, then much of tourism-based gambling will diminish as well.

The legislative explosion permitting casino gaming from the mid-1980s onward was a result of a variety of factors. First, many societies have cultivated more positive attitudes about the acceptability of gambling in general. This is reflected in the United States by public attitude surveys that indicate a high proportion of Americans who believe that casino gambling is an appropriate form of entertainment for themselves, or if not for themselves, it is still appropriate for others.[12] Second, governments and policy makers have been willing to utilize this controversial industry as a means to achieve broader ends. Third, there has been a substantial broadening of the base of customers for whom casino gaming has become an entertainment activity of choice. In the United States, over 142 million casino visits were made in 1996.[13] Fourth, there has been a decline in the perceived and real influence of organized crime and other notorious elements in existing casino industries in the United States and abroad;[14]

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[11] See, for example, William R. Eadington (1998), "Contributions Of Casino Style Gambling To Local Economies", Annals of the American Academy of Political and Social Sciences, volume 556 (March), pp. 53-65.

[12] Harrah's Entertainment Corporation (1996), "Harrah's survey of casino entertainment"

[13] Ibid.

[14] For a discussion on the corporatization of the casino industry in America, see David Johnston (1992), Temples of chance: How America Inc. bought out Murder, Inc. to win control of the casino business. New York: Doubleday.

LEGAL AND REGULATORY STRUCTURES AND SOCIAL IMPACTS

The spread of casinos in various countries, states and provinces has occurred with a diverse mix of strategic approaches. In effect, many countries, states and provinces have come to the position that permitting gambling is preferable to prohibition, but having reached that position, they still retain reservations regarding the potential adverse impacts casinos might create for society. Thus jurisdictions have undertaken fundamentally different approaches in introducing casino and casino-style gambling on such issues as ownership, market structure, permitted locations, and operating constraints. These different approaches reflect diverse philosophic, political and cultural views on how best to exploit the gains associated with allowing casinos, while at the same time mitigating negative side effects and political backlash related to permitted gambling.

The types of negative social impacts that have raised the greatest concerns have been linkages between casinos and casino-style gambling and organized crime; neighborhood crime and other crimes against property, such as burglaries, break-ins and embezzlements; and family-related crime and disruptions, such as child abuse, spousal abuse, suicides and divorce. One of the fundamental realities regarding economic and social impacts associated with gambling is that economic impacts—which tend to be positive—are quantifiable, tangible and measurable; whereas social impacts—which tend to be negative—are qualitative, elusive, and very difficult to measure. Thus, one can often readily account for positive economic impacts within new casino industries, such as visitations, revenues, tax collections, jobs created, and new investments undertaken. However, it is very difficult, if not impossible, to come up with meaningful measures of the incidence of many social impacts attributable to an expanded presence of permitted gambling.

The above point notwithstanding, various claims have been made in recent years, primarily by opponents of legalized gambling, about the incidence of negative social impacts linked to casinos and casino-style gambling, and the costs they create for society at large.[15] Such claims have been based on questionable research methods, unverifiable and untraceable numbers, selective data interpretation, incorrect concepts, or just shoddy analysis. Nonetheless, claims made in the popular media tend to take on a life of their own, especially in the politically charged environment that has surrounded recent debate on the overall effects of permitted gambling on society.[16]

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[15] See, for example, Robert Goodman (1995), The Luck Business. New York: Free Press; Earl Grinols and J.D. Omorov (1997), "Development or dreamfield delusions: assessing casino gambling's costs and benefits," Journal of law and commerce, vol. 16, issue 1, pp. 49-87; William N. Thompson, Ricardo Gazel, and Dan Rickman (1997), "Social and legal costs of compulsive gambling," Gaming law review, vol. 1, no. 1, pp. 81-89; and John W. Kindt (1998), "Follow the money: gambling, ethics, and subpoenas," Annals of the American Academy of Political and Social Science, vol. 556, pp. 85-97.

[16] For a discussion of some of the rebuttals of claims made regarding negative social impacts and gambling, see Douglas M. Walker and A.H. Barnett (1997), "The social costs of legalized casino

Measuring social impacts associated with casino gaming is inherently difficult. Conceptually, one would expect that most negative social impacts—including issues of crime and family related problems—are a result of problem or excessive gambling in one form or another. In many respects, negative impacts from gambling consumption parallel those that result from alcohol consumption. For both commodities:

- A high proportion of the population participate as consumers at some time or another;
- A subgroup of all consumers are avid (heavy) consumers of the commodity;
- Within that subgroup there is some proportion of the total who consume to excess, to the point where their consumption patterns become a significant negative influence on their lives and the lives of those to whom they are responsible.

Problem/pathological gamblers thus parallel heavy drinkers/alcoholics, and create difficulties not only for themselves but also for other members of the community and society at large. A conceptual understanding of problem/pathological gambling is far from complete. The empirical dimensions of problem gambling are even more difficult to achieve with any degree of reliability. Measuring prevalence of problem gambling is more difficult than measuring the prevalence of problem drinking, because there are fewer—if any—physical correlates. Problem gambling, to the extent it exists, is a largely invisible phenomenon. Measurement devices commonly used in prevalence studies, such as the South Oaks Gambling Screen (SOGS), were initially designed as clinical diagnostic tools rather than survey instruments, and should therefore be used with caution.[17]

Going to the next stage—linking the prevalence of problem gambling to explicit social costs, such as costs associated with reduced productivity, absenteeism, unpaid gambling debts, criminal justice costs, social welfare costs, etc.—is even more difficult. To undergo such an exercise and come up with apparently precise aggregated cost estimates that can then be plugged into a cost-benefit type of framework, is either academically naïve, academically dishonest, or both. Thus, claims made by some authors that the costs to society from each compulsive gambler ranges from $15,000 to $35,000 per annum simply do not have either conceptual or empirical evidence to sustain them.

Measurement problems notwithstanding, there are legitimate concerns regarding the relative benefits and costs of permitted casino-style gambling as a function of the kinds of protections that regulatory constraints provide. Especially if consumer well-being (consumer surplus) dimensions are not given much priority, the policy trade-off is typically between economic benefits and social costs. Most of the economic benefits from casino-style gambling are attributable to tourism in one way or another.

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gambling reconsidered," (paper presented to the 10th International Conference on Gambling and Risk Taking, Montreal); and Joseph Kelly (1997), "The *American Insurance Institute*, like that bunny that keeps on going and going …" Gaming Law Review, vol. 1, no. 2, pp. 209-212.

[17] For a discussion of the problem gambling literature, see Howard J. Shaffer, Matthew N. Hall and Joni Vander Bilt (1997), "Estimating the prevalence of disordered gambling behavior in the United States and Canada: A meta-analysis," Boston: Harvard Medical School.

Consider the following alternative frameworks for permitting casinos or casino-style gambling:

- Destination resort casinos located away from population centers;
- Casinos in rural (non-urban) locales within reach of population centers;
- Casinos in urban or suburban locations in metropolitan areas;
- Casino-style gaming permitted in a wide range of neighborhood locations;
- Gambling at home.

As we work down this list, the ratio of benefits to costs steadily declines. For destination resorts and for casinos in rural locales not too distant from population centers, casino gaming is exported to residents of other areas (i.e. tourists), and negative social impacts are exported as well. Such jurisdictions are net beneficiaries of economic injections that result in multiplier effects that are job creating and growth inducing.

With urban/suburban casinos, the ratio of benefits to costs declines relatively because the export component largely disappears; this is due to the fact that most of the casinos' customers are drawn from the metropolitan area. Social impacts stay within the area as well. Jobs created in the casino industry are *ceteris paribus* matched by reductions in jobs elsewhere in the metropolitan area, reflecting the shifting of spending patterns.[18] However, depending on expected profitability, such casinos can be important magnets for financial capital for construction and reinvestment.

Casino-style gaming permitted ubiquitously throughout a region—such as in bars and taverns—generates even lower scores on benefit/cost comparisons. This is because such authorization would trigger little in the way of new capital investment (especially in comparison to permitted casinos), and would likely have incrementally greater social impacts because of the increased access to potential consumers. It is possible that such casino-style gaming might be an efficient tax collector, however.

Gambling at home—via the Internet, interactive television, or phone betting—would show the lowest benefit/cost ratio. There would likely be little or no economic spin-offs into the local community. Social impacts could be significant in light of the high degree of access such wagering opportunities would create.

Though one might expect that there should be an increase in crime in areas that introduce casinos, the evidence to support such a hypothesis is neither very strong nor conclusive in its directions.[19] Though, *ceteris paribus*, one might expect crime rates to increase as a result of problem gambling, this might be offset by improved job opportunities for

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[18] For a detailed case study dealing with these issues, see Charles Leven and Don Phares (1998), "The economic impact of gaming in Missouri," a study presented to Civic Progress, St. Louis, Missouri.

[19] See, for example, Jeremy Margolis (1997), "Casinos and crime: An analysis of the evidence," Washington, D.C.: American Gaming Association.

previously unemployed workers. Furthermore, local tax receipts might lead to increases in funding for local law enforcement. That, coupled with increased security provided by casinos themselves, might push crime out of the casino's vicinity or the political jurisdiction where the casinos are located.

The issue of organized crime and systematic corruption with respect to casinos has steadily diminished over the past three decades. With few exceptions, modern permitted casino gaming in most countries has significantly limited any role of organized crime. (There are some exceptions, such as Macao.) This is mainly a result of effective and diligent regulatory regimes, along with new technologies that have made monitoring money within casinos easier to achieve.

One must keep in mind, however, that the commercial gaming industries are among the largest industries created primarily through the process of legislative permission and, as such, are subject to considerable lobbying efforts, or *rent seeking*.[20] Legislative bodies may be more persuaded by arguments based on who will benefit from the economic proceeds that can come from legalization of casino-style gambling than by balancing the trade-offs between economic gains and social costs. Because the economic stakes can be so high, the potential for political corruption, or misplaced policy development, cannot be ignored.

THE FUTURE FOR CASINO GAMING

In terms of public perception, casinos have quickly been transformed from pernicious dens of iniquity to major catalysts for addressing a wide variety of economic concerns. With the exception of Asia, most regions of the world have softened their stance on prohibition against casino gambling, and have instead attempted to use casinos to address various economic objectives, including tourism development, economic development, tax revenue generation, job creation, foreign exchange enhancement, and combating illegal gambling operations.

The clearest regional or national objective when considering casinos has been tourism development, primarily because of the phenomenal growth of Las Vegas in the 1980 and 1990s. However, Las Vegas has set a somewhat unattainable ideal because of its critical mass of destination resort casino complexes; the fact that it had a legal monopoly on casino gaming in America for so long; its infrastructure, especially the airport and freeway linkages; and its geographic position in the western United States—close to Los Angeles and the large population base of Southern California, but not too close. Other jurisdictions may desire to emulate the tourism successes of Las Vegas, but it is unlikely that any will approach Las Vegas, either in size, diversity, or in proportion of customers who are indeed tourists.

Furthermore, if jurisdictions choose to legalize urban casinos as well as destination resort casinos, then much of the potential demand for casino-style gambling will be siphoned

[20] See Walker and Barnett, op. cit., pp. 19-24.

away from the more tourist-oriented resort casinos by the more convenient urban ones. In order for destination resort casinos to prosper, significant limitations need to be placed on casinos and casino-style gaming opportunities in population centers. Urban casinos and slot machines in bars and taverns (slot route operations) tend to draw a high proportion of their customers from the local area and thus, by definition, are not major tourist facilities. On the other hand, there are clearly economic and demographic trends in the industrialized world that strongly suggest a bright future for casino-style gaming industries, as long as legitimacy and political acceptance are present.[21] Discretionary spending on entertainment based activities has grown significantly in the 1980s and 1990s, and casino gaming has proven to be a popular activity for those who enjoy thrill-seeking, but have grown too old to pursue physically challenging endeavors such as skiing or bicycling.

However, the proliferation of casinos has not occurred without detractors. In the United States, political controversy has followed nearly every state's attempt to introduce casino gaming in the 1990s. Various states, including Florida, Ohio, Pennsylvania and Texas, rejected substantial efforts to legalize casino gaming. A grass-roots coalition known as the *National Coalition Against Casino Gambling* led a strong backlash movement that was successful in persuading Congress to establish a National Gambling Impact Study Commission in 1997. Concerns about the morality of gambling, its effects on political corruption and criminal activity, and the specter of pathological gambling and the damage it creates in its wake, have all been by-products of the public discussions that have surrounded the casino question.

There has been a clear dynamic at work with the spread of gambling. It has been legalized primarily as a means to achieve other "higher purposes" such as tourism development, partly because the activity itself is considered—especially by policy makers—to be of questionable merit. Justifications are not found in the demand for gambling from the general public, but rather in the economic spin-offs that are thought to occur when gambling is authorized, especially in markets where it is prohibited.

When casino gambling only existed in destination resort areas—Las Vegas, Monte Carlo, the Caribbean, Atlantic City—associated problems were buffered by distance from where most customers resided. However, trends of the last ten years have resulted in many jurisdictions in urban and suburban casinos as well as slot machines widely placed in neighborhood social gathering places. For better or worse, this has brought very attractive—and seductive—gambling very close to where many people live.

It remains to be seen whether such forms of casino-style gambling are a good idea overall, as the economic and social impacts are quite different among the various approaches. Nonetheless, economic pressures for expansions of the franchise to offer gambling will continue. Possible beneficiaries from newly legal gambling—Indian tribes, racetracks, bar

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[21] See Robert J. Simonson (1998), "Recreation, Leisure, and Gaming Expenditures: Exceptional Long-term Growth Prospects," in William R. Eadington and Judy A. Cornelius (eds.), The Business Of Gaming: Economic And Management Issues. Reno: Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno.

owners, desperate cities, governments, declining tourist areas—will all push for the economic rewards that permitted gambling might bestow. However, what might work for any one of them cannot work for all of them, and many will be disappointed even if they get what they ask for, and especially if they *all* get what they ask for. In economist's jargon, economic rents can only exist as long as the supply of the commodity is constrained. If it is offered in a highly competitive environment, excess profits or rents are bid away.

This implies the ultimate winners in the spread of gambling might be consumers, but only if the negative externalities associated with gambling remain somewhat insignificant in the aggregate. If problem gambling really is as substantial as gambling opponents suggest, then the current course of expansion will lead to future regrets and perhaps future prohibitions. But if problem gambling is only a small part of the picture, or if it can be mitigated to the point that society will tolerate its dimensions, then the current directions are only problematic for the economic winners and losers, as is the case with any other commodity.

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