

**Hawaii: Introducing Casino-Style
Gambling into Pre-existing Economies:
A Summary of Impacts on Tourism, Restaurants,
Hotels, and Small Businesses**

**State of Hawaii: Legislative Briefings
by:
Professor John Warren Kindt
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The U.S. National Gambling Impact Study Commission

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THE NATIONAL GAMBLING IMPACT STUDY COMMISSION



FINAL REPORT

June 1999

John Warren Kindt

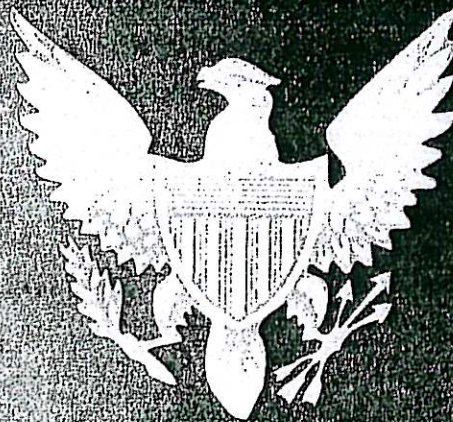
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THE NATIONAL GAMBLING IMPACT STUDY COMMISSION



EXECUTIVE SUMMARY

June 1999

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Therefore, the Commission recommends that states should not authorize any further convenience gambling operations and should cease and roll back existing operations.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Recommendation (SR.3):

Since Federal agencies and state governments influenced by gambling interests have disregarded the recommendations of the 1999 U.S. National Gambling Impact Study Commission for the recriminalization of slot machines convenient to the public and for a moratorium on any type of gambling expansion anywhere, the U.S. Congress should recriminalize all U.S. gambling and transform gambling facilities into educational facilities.

In 1999, the U.S. National Gambling Impact Study Commission (NGISC or 1999 U.S. Gambling Commission) recommended the recriminalization of selected gambling activities, as well as a moratorium on the legalization of any more gambling of any type anywhere in the United States.¹ However, gambling interests continued to use Jack Abramoff tactics to legalize more gambling worldwide—deceiving Third-World governments into believing gambling is economic development and thereby destabilizing the infrastructures and economies of U.S. allies.

In the 2002 Economic Stimulus Act (ESA)² designed to help the U.S. economy after the 9/11 terrorist attack, the Congressional Gaming Caucus bragged that it inserted a \$40-billion tax write-off for casinos (for gambling slots/technologies), a supposed cut from the requested \$133 billion³—more than the \$80 billion cost of the 2003 U.S. incursion into Iraq.⁴ After the 1999 NGISC, it also took Congress 7 years finally to enact

¹ NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT, introduction by Chair Kay C. James (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>; see *id.* at rec. 3.6.

² Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat. 21 (2002) [hereinafter Economic Stimulus Act or ESA].

³ Tony Batt, *Tax Break for Slots OK'd*, LAS VEGAS REV.-J., Oct. 16, 2001, at 1 [hereinafter *Tax Break for Slots*], at www.lvrj.com. Originally, the tax breaks were cut back from \$133 billion to \$40 billion. *Id.*

⁴ See, e.g., *Senate OKs \$80 Billion War Package*, NEWS-GAZETTE (Champaign, Ill.), Apr. 12, 2003, at A3. See also OFFICE OF THE UNDER SECRETARY OF DEFENSE, DEP'T DEFENSE, NATIONAL DEFENSE BUDGET ESTIMATES FOR FY 2002, at Table 1-1 (Aug. 2001).

the 2006 U.S. Unlawful Internet Gambling Enforcement Act (UIGEA),⁵ which was quickly embraced by countries such as France and Germany, as well as emulated by South Korea.⁶ Via the UIGEA, Congress began the recriminalization process for gambling.⁷

After hearing these points made by experts on March 17, 2005, the State Government Administration Committee of the Illinois House favorably reported H.B. 1920 to the House for a vote to recriminalize Illinois casinos. The Committee vote was unanimous except for one dissent from a representative from a casino district. On October 27, 2005, the Illinois House of Representatives voted 67 to 42 (with 7 voting present) in favor of H.B. 1920 to recriminalize all Illinois casinos. The bill then went to the Senate but was blocked procedurally from a vote via the efforts of casino lobbyists.

Just as former Olympics, such as the 1996 Atlanta Olympics, have often transformed their hotels and restaurants into dormitories and cafeterias for students, recriminalized gambling facilities including American Indian gambling facilities could be easily converted into educational and health facilities for long-term benefits.⁸

⁵ Title VIII of the Security and Accountability For Every Port Act of 2006, Pub. L. No. 109-347 (H.R. 4954, signed into law Oct. 13, 2006) ("SAFE Port Act") [hereinafter UIGEA].

⁶ Kim Tae-gyu, *Crackdown Intensifies on Gambling Web Sites*, KOREA TIMES, Sept. 14, 2006, at <http://times.hankooki.com> [hereinafter *South Korea Ban*].

⁷ See, e.g., *Internet Gambling Prohibition Act of 2006: Hearing on H.R. 4777 Before the House Subcomm. on Crime, Terrorism, and Homeland Security*, 109th Cong., 2d Sess. (2006) [hereinafter *Cong. Hearing 2006 on Internet Gambling and Crime, Terrorism, and Homeland Security*], at www.gpoaccess.gov. See also John W. Kindt & Stephen W. Joy, *Internet Gambling and the Destabilization of National and International Economies: Time for a Comprehensive Ban on Gambling Over the World Wide Web*, 80 DENV. U. L. REV. 111, 111-53 (2002) [hereinafter *Gambling's Destabilization of Economies*], available at www.heinonline.org.

⁸ John W. Kindt, *Would Recriminalizing U.S. Gambling Pump-Prime the Economy and Could U.S. Gambling Facilities Be Transformed into Educational and High-Tech Facilities? Will the Legal Discovery of Gambling Companies' Secrets Confirm Research Issues?*, 8 STANFORD J.L. BUS. & FIN. 169, 169-212 (2003) (lead article) [hereinafter *Gambling Facilities Transformed into Educational Facilities*], available at www.heinonline.org.

Legalizing Gambling Does Not Constitute Economic Development.

There is no valid argument
otherwise – only lobbyists'
misdirection.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.3):

Legalizing gambling does not constitute economic development.¹

¹ See, e.g., Robert Dorr, *40 Economists Side Against More Gambling*, OMAHA WORLD-HERALD, Sept. 22, 1996, at B1 [hereinafter *40 Economists Side Against More Gambling*], at www.omaha.com, available at www.heinonline.org. See generally ROBERT GOODMAN, *LEGALIZED GAMBLING AS A STRATEGY FOR ECONOMIC DEVELOPMENT* (Ctr. Econ. Development, U. Mass-Amherst 1994) [hereinafter *CED REPORT*]; Meir Gross, *Legal Gambling as a Strategy for Economic Development*, 12 *ECON. DEV. Q.* 203, 203-12 (1998) [hereinafter *Professor Gross: Legal Gambling Is Not Economic Development*], available at heinonline.org. See also John W. Kindt, *The Economic Impacts of Legalized Gambling Activities*, 43 *DRAKE L. REV.* 51, 51-95 (1994) [hereinafter *Economic Impacts of Gambling*], available at www.heinonline.org.

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Robert Dorr, 40 Economists Side
Against More Gambling, OMAHA
WORLD-HERALD, Sept. 22, 1996, at
B1.

Omaha World-Herald 9/22/96
p1 of Midstate Section

40 Economists Side Against More Gambling

Signers: Costs Likely Higher Than Benefits

BY ROBERT DORR
WORLD-HERALD BUREAU

Lincoln — Forty Nebraska economists say they oppose the expansion of gambling in Nebraska because the economic costs "are likely to far outweigh" the benefits.

Gambling has a better reputation than it deserves because the economic benefits — mainly jobs at casinos — are easy to see, said Lorretta Fairchild, economics professor at Nebraska Wesleyan University in Lincoln.

"The economic costs are hidden," said Dr. Fairchild, the main drafter of a statement released Saturday.

The statement opposes gambling only on the basis of its economic costs related to economic benefits.

The signers, mostly economists teachers at Nebraska colleges and universities, might or might not have moral reasons for opposing the expansion of gambling in Nebraska, Dr. Fairchild said.

Two expanded-gambling petition issues have fallen short of the 98,939 valid signatures needed to get those measures on the Nov. 5 ballot in Nebraska. A federal judge has given the leaders of both efforts until Oct. 8 to come up with evidence that too many signatures were invalidated by local election officials.

One issue, supported by Nebraska racetracks and horse owners, would permit opening casinos at or near the state's tracks. The second issue, backed by some kennel and parlor owners, would allow local voters to authorize slot machines and other electronic gambling at kennel parlors.

The statement signed by the 40 economists reads: "We, the undersigned Nebraska economists, are opposed to the expansion of gambling in Nebraska because..."

Please turn to Page 5, Col. 1

40 Economists Pan Expanded Gambling

Continued from Page 1

cause the additional direct and indirect costs are likely to far outweigh the additional direct and indirect benefits for the state as a whole.

Dr. Fairchild said studies on gambling have indicated that casinos that draw most of their customers from the local area and the surrounding region "siphon consumer dollars away from other local businesses."

"Regional casinos simply recirculate dollars that already exist, bringing little or no new money to the local economy," said Dr. Fairchild, who has a doctorate in economics from Cornell University.

Dr. Fairchild said many people believe that all the money from gambling stays in the state. "That's a myth," she said. "It depends on the ownership structure. Many of the casinos are owned by a few large Las Vegas- or East Coast-based corporations."

In calculating economic benefits, Dr. Fairchild said, economists include new jobs, profits to any in-state owners, additional tax revenues and savings by consumers in traveling to a nearby casino compared with going to one farther away.

Costs include the loss of revenue and job reductions in other retail businesses, sales-tax revenue losses, profits going to out-of-state owners, revenue lost by existing forms of gambling, costs of regulating gambling and costs to businesses because of increased absenteeism and lower productivity.

Other economic costs result from an increase in people with gambling addictions, she said. Those costs include increased crime leading to more police, jails and courts; costs to businesses of embezzlements, forgeries and thefts; and costs of treating addicted gamblers. "In assessing other gambling studies and drafting the statement, Dr. Fairchild worked with Charles Lamphier, director of the Bureau of Business Research at the University of Nebraska-Lincoln, and John Anderson, professor

of economics at UNL. The economists signed as individuals. The statement did not list their employers. The signers in addition to the three coordinators:

UNL economists professors or associate professors: Craig MacPhee, David Rosenbaum, Ann Mari May, Roger Ruetter, Jerry Petr and Benjamin Kim.

UNL economics professor emeritus: Wallace C. Peterson.

UNL professors or associate professors of agricultural economics: Michael S. Turner, Glenn A. Helmers, George H. Pfaffner, Richard K. Perrin, Raymond J. Spallma, James G. Kendrick, Bruce Johnson, Dale Anderson and R. Garth Taylor.

Creighton University economics professors or associate professors: Joseph Phillips, Gerard Stockhausen, Thomas Nitsch, James Knudsen, N.R. Vasudeva Murthy and Edward Fitzsimmons.

Bellevue University: Judd W. Patton, associate professor of economics, and James R. Moore, instructor in economics.

Nebraska Department of Economic Development: James Knorr, economist, and Kim Newell, recycling economic-development advocate.

Doane College, Crete: Les Manns, assistant professor of finance and economics, and Mary Sue Carter, associate economics professor.

Nebraska Wesleyan University: Joyce Gleason, professor, and Clayton D. Fess, retired economics teacher.

Others: Ron Koseoff, associate professor of management and marketing, University of Nebraska at Kearney; Mehdi Afari, Chadron State College business department; William Snyder, professor of business, Penn State College; Macmahali Datal, economist at Wayne State College; Donna Duffney, business division head, College of St. Mary, Omaha; and Clifton A. Sexton Jr., Lincoln, and Joe Watkins, Grand Island, whose affiliations could not be determined.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.4):

Governments, cities, and citizens cannot gamble their way to prosperity.¹

¹ BETTER GOV'T ASS'N, STAFF WHITE PAPER: CASINO GAMBLING IN CHICAGO (1992) [hereinafter BGA REPORT]. See, e.g., John W. Kindt, *Legalized Gambling Activities As Subsidized By Taxpayers*, 48 ARK. L. REV. 889, 889-931 (1995) (lead article) [hereinafter *Gambling Subsidized By Taxpayers*], available at www.heinonline.org.

TABLE 18 Net Economic Impact of Indian Casino Gambling in the Rest of Wisconsin

	\$ Millions
Total Positive Economic Impact	339.56
Total Negative Economic Impact	—563.50
<i>Net Economic Impact Before Social and Infrastructure Costs</i>	—223.94
Low-Estimate Social Costs	94.67
Median-Estimate Social Costs	189.35
High-Estimate Social Costs	269.45
<i>NET ECONOMIC IMPACT WITH LOW SOCIAL COSTS</i>	—318.61
<i>NET ECONOMIC IMPACT WITH MEDIAN SOCIAL COSTS</i>	—413.29
<i>NET ECONOMIC IMPACT WITH HIGH SOCIAL COSTS</i>	—493.39

SOCIAL BENEFITS AND COSTS

Thus far in our analysis, we have limited our consideration to direct and indirect economic impacts, both positive and negative. These impacts are susceptible to precise measurements, given that the factual data are accurate. Of course, because of limited access to such factual data, we have had to use estimates based on the best reasonable assumptions we have available to us. Nonetheless, we can use the precision of specific-dollar figures for these impacts. When we attempt to assess the economic impact of social benefits and social costs that necessarily attend the introduction of the gambling enterprise into any economy, we delve into a world of imprecision. However, the fact that much doubt surrounds the financial dollars that should be attached to these costs and benefits should in no way be used to deny their existence and importance. We must address social benefits and costs and suggest how they may fit into the overall economic impact analysis that we are conducting.

Social benefits include the creation of a new work ethic among previously unemployed persons, a spirit of self-sufficiency among previously dependent peoples, a variety of new programs supported by revitalized tribal governments. These programs include housing, health, welfare, education, and economic development. On the negative side, the analysis must take note of criminal activity that may be generated by the presence of casinos and also the costs of gambling addictions that result from the existence of the casinos. Our analysis of most of these areas ends with a textual description of activities and problems. Because there have been many studies of problem gambling, we have attempted to assign dollar figures to this problem area (high, medium, and low range), and we believe that these figures should be juxtaposed with the economic-impact figures we have calculated because they reflect a real cost to society.

1. The benefits of investment and self-sufficiency

The greatest value that gaming provides may be found in the degree of independence it allows tribal governments to have. Economic-development programs instituted through government policies have inevitably required tribes to have all their financial decisions certified and ratified by Bureau of Indian Affairs personnel. These approvals denied opportunities for risk-taking and also for gaining expertise that comes with exercising financial responsibility. Gaming funds are more directly controlled by the tribes. A selective listing of many of the projects that have been funded with gaming revenues illustrates a marked growth in that expertise and the responsibility that will become a foundation for tribal self-sufficiency well into the future.

Reprinted with permission from: WILLIAM THOMPSON, RICARDO GAZEL, & DAN RICKMAN, *THE ECONOMIC IMPACT OF NATIVE AMERICAN GAMING IN WISCONSIN* (Wis. Pol'y Res. Inst. 1995).

THE COSTS OF ADDICTED GAMBLERS

Table A4*. Bankruptcy Costs—Costs of 1.5 Million New Pathological Gamblers¹ 1994–1997**

Socio-economic costs category	Average cost	Average cost (adjusted ² to current \$)**	Population creating new problem	Total new costs** (1998)
21% filed bankruptcies ³ > 20% (SMR research) ⁴ 23% (Wis., Thompson) ⁶ 28% (Quebec) ⁶	\$113 640 ⁵ (1995)			
Costs per bankruptcy ⁷ (SMR) (WEFA: \$33 308) ⁸	\$29 650 (1997)	\$29 650		
Legal costs ⁸	\$505 → \$1000 (1997)	\$505 → \$1000		
Court costs ⁸	\$418 → \$837 (1997)	\$418 → \$837		
Admin. costs ⁹ (Thompson: 'too low')	\$100 ? (1995)			
> 10% (projected to 15%) of total bankruptcy costs ¹⁰ of \$40 billion per year ¹¹ and 1.35 million filings ¹¹ per year				
Pathological gamblers = 75% of total gambling/bankruptcy problem ¹²				
Problem gamblers = 25% of total gambling/bankruptcy problem ¹²				
Annual Range: ?				
Total new bankruptcy costs due to pathological gamblers, 1994–1997: ?				

Note: Usually ignored by bankruptcy attorneys, it was historically required that anyone filing for bankruptcy indicate money and assets lost because of gambling during the year, including 'dates, names, and places, and the amounts of money . . . lost'.
11 U.S.C. Appendix, Bankruptcy Rules, Form 7, in I. Nelson Rose, *Gambling and the Law* 46 (1986).

* Footnotes at end of this article.

** Numbers may easily be adjusted to current dollars by visiting the 'Consumer Price Index (All Urban Consumers)' of the U.S. Bureau of Labor Statistics at <http://stats.bls.gov/> and utilizing the following formula example:

$$\text{Example: } \$ \text{ Former Year} \times \frac{\text{CPI Current Year}}{\text{CPI Former Year}} = \$ \text{ Current Year}$$

$$\$4000000 (1983) \times \frac{166.6 (1999)}{99.6 (1983)} = \$6690763 (1999)$$

Table A5*. Bankruptcy Costs—Costs of 3.5 Million New Problem Gamblers¹ 1994–1997**

Socio-economic costs category	Average cost	Average cost (adjusted ² to current \$)**	Population creating new problem	Total new costs** (1998)
31% filed bankruptcies ³ (10% Kindt Conservative No.) ⁴	\$40 066 (1995)			
Costs per bankruptcy ⁵ (SMR) (WEFA: \$33 308) ⁶	\$29 650 (1997)	\$29 650		
Legal costs ⁶	\$505 → \$1000 (1997)	\$505 → \$1000		
Court costs ⁷	\$418 → \$837 (1997)	\$418 → \$837		
Admin. costs ⁷ (Thompson: 'too low')	\$100 ? (1995)			
> 10% (projected to 15%) of total bankruptcy costs ⁹ of \$40 billion per year ⁹ and 1.35 million filings ⁹ per year				
Pathological gamblers = 75% of total gambling/bankruptcy problem ¹⁰				
Problem gamblers = 25% of total gambling/bankruptcy problem ¹⁰				
Annual Range: ?				
Total new bankruptcy costs due to pathological gamblers, 1994–1997: ?				

Note: Usually ignored by bankruptcy attorneys, it was historically required that anyone filing for bankruptcy indicate money and assets lost because of gambling during the year, including 'dates, names, and places, and the amounts of money . . . lost'.
11 U.S.C. Appendix, Bankruptcy Rules, Form 7, in I. Nelson Rose, *Gambling and the Law* 46 (1986).

* Footnotes at end of this Article.

** Numbers may easily be adjusted to current dollars by visiting the "Consumer Price Index (All Urban Consumers)" of the U.S. Bureau of Labor Statistics at <http://stats.bls.gov/> and utilizing the following formula example:

$$\text{Example: } \$ \text{ Former Year} \times \frac{\text{CPI Current Year}}{\text{CPI Former Year}} = \$ \text{ Current Year}$$

$$\$4000000 (1983) \times \frac{166.6 (1999)}{99.6 (1983)} = \$6690763 (1999)$$

Crime

(Do the Math.)

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Determination (SD.17):

Countries sponsoring gambling facilitate the growth and funding of organized crime, as exemplified by the FBI's official position that "If you build it, they will come."¹

Historically, legalized gambling venues were rife with money laundering activities often linked to organized crime in the United States² and other countries.³ If the stringent U.S. law enforcement mechanisms have not eliminated all influences from organized crime, *a fortiori*, the governmental authorities and economies of those countries lacking efficient law

¹ Editorial, *Indian Casinos Today*, WALL ST. J., Apr. 4, 2002, at A18 [hereinafter *Indian Casinos Today*], at www.wsj.com. "[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is." James Moody, Chief of the Organized Crime Section, Fed. Bur. Investigation, as quoted in Videotape/Transcript of "60 Minutes," Dec. 13, 1992 (CBS). For extensive lists of similar statements by authoritative officials in the U.S. criminal justice system, see CHICAGO CRIME COMM'N, ANALYSIS OF KEY ISSUES INVOLVED IN THE PROPOSED CHICAGO CASINO GAMBLING PROJECT 9, 11-12 (Robert R. Fuesel, Exec. Dir. 1992) [hereinafter CHICAGO CRIME COMM'N REPORT], available at www.heinonline.org; Testimony of Robert R. Fuesel, Exec. Dir., Chicago Crime Comm'n, Before the Ill. Sen. Subcomm. on Gaming, June 8, 1993, at 1-4. See generally PRESIDENT'S COMM'N ON ORGANIZED CRIME, THE EDGE: ORGANIZED CRIME, BUSINESS, AND LABOR UNIONS (Mar. 1986).

² See, e.g., *id.*; National Gambling Impact & Policy Comm'n Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary, 104th Cong., 1st Sess., 60-89 (1995) (testimony/statement of former organized crime member William Jahoda) [hereinafter *Cong. Hearing 1995 on Gambling*], available at www.heinonline.org. For a summary, see Paul Galloway, *What were the odds?: A pastor and an ex-mobster team up to spread word about gambling*, CHI. TRIB., Jan. 13, 1997, § 2, at 1 [hereinafter *Pastor and mobster team up to spread word about gambling*], at www.chicagotribune.com.

³ See *Edict in Turkey Closes Casinos in Anti-Crime Move*, CHI. TRIB., Feb. 12, 1998, § 1, at 16 [hereinafter *Turkey Closes Casinos in Anti-Crime Move*], at www.chicago.tribune.com; Darren Butler, *Casino Industry Nears Final Days in Turkey*, ST. LOUIS POST-DISPATCH, Feb. 4, 1998, at A8 [hereinafter *Turkey Recriminalizes Casinos*], at www.stltoday.com; Frank Walker, *Casino's Elite Bet Millions, but Lived in Squats*, SUN HERALD (Austl.), May 7, 2000, available at 2000 WL 6351932. For U.S. concerns on casinos and money laundering, see U.S. GEN'L ACCOUNTING OFF., MONEY LAUNDERING: RAPID GROWTH OF CASINOS MAKES THEM VULNERABLE (1996) [hereinafter GAO REPORT ON CASINOS MONEY LAUNDERING], at www.gao.gov; Assoc. Press, Wash., D.C. Bur., *U.S., Allies Want Crackdown on Money Laundering*, June 22, 2001 [hereinafter *U.S., Allies Want Crackdown on Money Laundering*], at www.ap.org.

enforcement infrastructures are at significant risk. In his statement before the U.S. Senate Permanent Subcommittee on Investigations, Russian General Mikhail Yegerov cited gambling as one of the interests (along with money laundering, illegal money transactions, prostitution, and drug related industries) of the 24 Russian organized crime groups operating in the United States.⁴ Furthermore, there is growing evidence that for every dollar in new legalized gambling activities, there are at least one to two dollars in new illegal gambling,⁵ paving the way for increased avenues of operation for the type of international organized crime groups described by General Yegerov.

⁴ *Hearing on Int'l Crime and its Impact on the United States Before the Permanent Subcomm. on Investigations of the Senate Comm. on Gov't Affairs*, 103d Cong., 2d Sess. 76 (1994) (prepared statement of General Mikhail K. Yegerov).

⁵ Statement and Testimony of William G. Hall, Exec. Dir., Ill. Econ. & Fiscal Comm'n, before the Ill. Legislative Gambling Task Force, Springfield, Ill., July 20, 1996. See Statement of William G. Hall, Exec. Dir., Edward Boss, Chief Econ., Ill. Econ. & Fiscal Comm'n, *Gambling in Illinois: Its History, Revenue, and Future Trends*, presented to the Ill. Legislative Gambling Task Force, Springfield, Ill., July 20, 1996. Gambling critics indicated that the series of socioeconomic negatives reported in the seriatim 1996 hearings of the Illinois Legislative Task Force on Gambling were so embarrassing to gambling proponents that those public hearings were never printed for dissemination to the public and press.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Determination (SD.18):

Royal Canadian Mounted Police (RCMP) and FBI data demonstrates that gambling facilities attract criminals¹—and perhaps terrorists' attention.²

In 2006 the Royal Canadian Mounted Police (RCMP) reported that one government-regulated casino, for example, served as a “crime magnet”³ and caused “gambling-related crime to quadruple.”⁴ By comparison, throughout the 1990s and into the 21st Century the Federal Bureau of Investigation’s (FBI) proportionally largest and most successful Criminal Apprehension Program was based in Gambling’s Mecca of Las Vegas, Nevada.⁵ FBI data demonstrates that fugitive criminals are definitely attracted to visit nearby gambling facilities and will travel to concentrated gambling areas.⁶

“Even five of the Sept. 11 hijackers spent time ... [in Las Vegas during] the summer of 2001,”⁷ immediately preceding the terrorist attack on New York City.⁸

“Since the task force was founded in 1992, the squad has plucked more than 6,000 fugitives off the streets of Las Vegas,” capturing, for example 400 fugitives during 2003.⁹ The apprehension of criminal fugi-

¹ Chad Skelton, *Casino A Crime Magnet: RCMP*, VANCOUVER SUN, Oct. 20, 2006, at A1 [hereinafter *Casino A Crime Magnet: RCMP*].

² Adam Goldman, Assoc. Press, *Las Vegas is the end of the line for many fugitives*, ROANOKE TIMES (Roanoke, Va.), Mar. 19, 2004, at A8 [hereinafter *FBI Data Shows Legalized Gambling Attracts Crime*], at www.roanoke.com.

³ *Casino A Crime Magnet: RCMP*, *supra* note 1, at A1.

⁴ *Id.*

⁵ *FBI Data Shows Legalized Gambling Attracts Crime*, *supra* note 2, at A8.

⁶ *Id.*

⁷ *Id.* See generally THE 9/11 COMMISSION REPORT 28, 242, 248, 529 n.132, 531 n.169, 556 n.25 (2004) [hereinafter THE 9/11 COMMISSION REPORT], at www.9-11commission.gov/report/911Report.pdf. See also Rick Green, *Casino Cash: Terrorist Temptation*, THE COURANT (Hartford, Conn.), Sept. 10, 2003, at A1 [hereinafter *Casino Cash: Terrorist Temptation*], available at www.newsbank.com.

⁸ *Id.*

⁹ *FBI Data Shows Legalized Gambling Attracts Crime*, *supra* note 2, at A8.

tives should not be confused with the overall crime rate, particularly since Las Vegas has historically one of the nation's worst crime rates.¹⁰

Getting increased attention from U.S. Federal authorities, "Indian casinos, along with ... [nontribal] casinos around the country, are considered fertile ground for criminals and terrorists,"¹¹ especially for money laundering. "Casinos aren't 'concerned about the source of the money,'"¹² according to University of Nevada Professor William Thompson. He warns: "If we are not watching it becomes a venue for laundering terrorist and drug money."¹³

¹⁰ See, e.g., Staff Reporters, *LV's crime rate worst in nation*, LAS VEGAS SUN, May 6, 1996, at A1 [hereinafter *LV's crime rate worst in nation*], at www.lasvegassun.com.

¹¹ *Casino Cash: Terrorist Temptation*, supra note 7.

¹² *Id.*

¹³ *Id.* See, e.g., Editorial, *Indian Casinos Today*, WALL ST. J., Apr. 4, 2002, at A18 (reporting FBI's long-time position: "If you build it, they will come.") [hereinafter *Indian Casinos Today*], at www.wsj.com; *FBI Data Shows Legalized Gambling Attracts Crime*, supra note 2, at A8. "[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is." James Moody, Chief of the Organized Crime Section, Fed. Bur. Investigation, as quoted in Videotape/Transcript of "60 Minutes," Dec. 13, 1992 (CBS). See PRESIDENT'S COMM'N ON ORGANIZED CRIME, THE EDGE: ORGANIZED CRIME, BUSINESS, AND LABOR UNIONS (Mar. 1986). For U.S. concerns on casinos and money laundering, see U.S. GEN'L ACCOUNTING OFF., MONEY LAUNDERING: RAPID GROWTH OF CASINOS MAKES THEM VULNERABLE (1996) [hereinafter GAO REPORT ON CASINOS MONEY LAUNDERING], at www.gao.gov; Assoc. Press, Wash., D.C. Bur., *U.S., Allies Want Crackdown on Money Laundering*, June 22, 2001 [hereinafter *U.S., Allies Want Crackdown on Money Laundering*], at www.ap.org. For examples of critical statements regarding decriminalized gambling as expressed by authoritative officials in the U.S. criminal justice system and for examples of projected organized crime and general crime increases, see CHI. CRIME COMM'N, ANALYSIS OF KEY ISSUES INVOLVED IN THE PROPOSED CHICAGO CASINO GAMBLING PROJECT (Robert R. Fuesel, Exec. Dir. 1992) [hereinafter CHICAGO CRIME COMM'N REPORT], available at www.heinonline.org; ILL. CRIM. JUSTICE INFORMATION AUTHORITY, CASINO GAMBLING AND CRIME IN CHICAGO (Nov. 1992) [hereinafter GAMBLING CRIME IN CHICAGO], available at www.heinonline.org; ILL. ST. POLICE, DIV. CRIM. INVESTIGATION, INTELLIGENCE BUR., HOW CASINO GAMBLING AFFECTS LAW ENFORCEMENT (1992) [hereinafter ILL. ST. POLICE REPORT], available at www.heinonline.org; Testimony of Robert R. Fuesel, Exec. Dir., Chicago Crime Comm'n, Before the Ill. Sen. Subcomm. on Gaming, June 8, 1993, at 1-4. See also FLA. DEP'T L. ENFORCEMENT, THE QUESTION OF CASINOS IN FLORIDA: INCREASED CRIME: IS IT WORTH THE GAMBLE? (1994) [hereinafter INCREASED CRIME], available at www.heinonline.org; FLA. OFF. GOV., CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS (1994) [hereinafter FLA. GOV. REPORT], available at www.heinonline.org; ROBERT ABRAMS, REPORT OF ATTORNEY GENERAL ROBERT ABRAMS IN OPPOSITION TO LEGALIZED CASINO GAMBLING IN NEW YORK STATE (May 1981) [hereinafter ATTORNEY GENERAL ABRAMS N.Y.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Problem (SP.11):

Increased legalized gambling increases overall crime.¹

In their 35-mile and 50-mile “feeder markets,” the presence of casino-style gambling (which generally consists of 70 percent to 100 percent revenues from electronic gambling devices (EGDs) and slot machines) has been directly linked to crime increases of 8 to 10 percent on average²—the third year after the gambling is legalized and initiated,³ and with continuing crime increases in each subsequent year.⁴

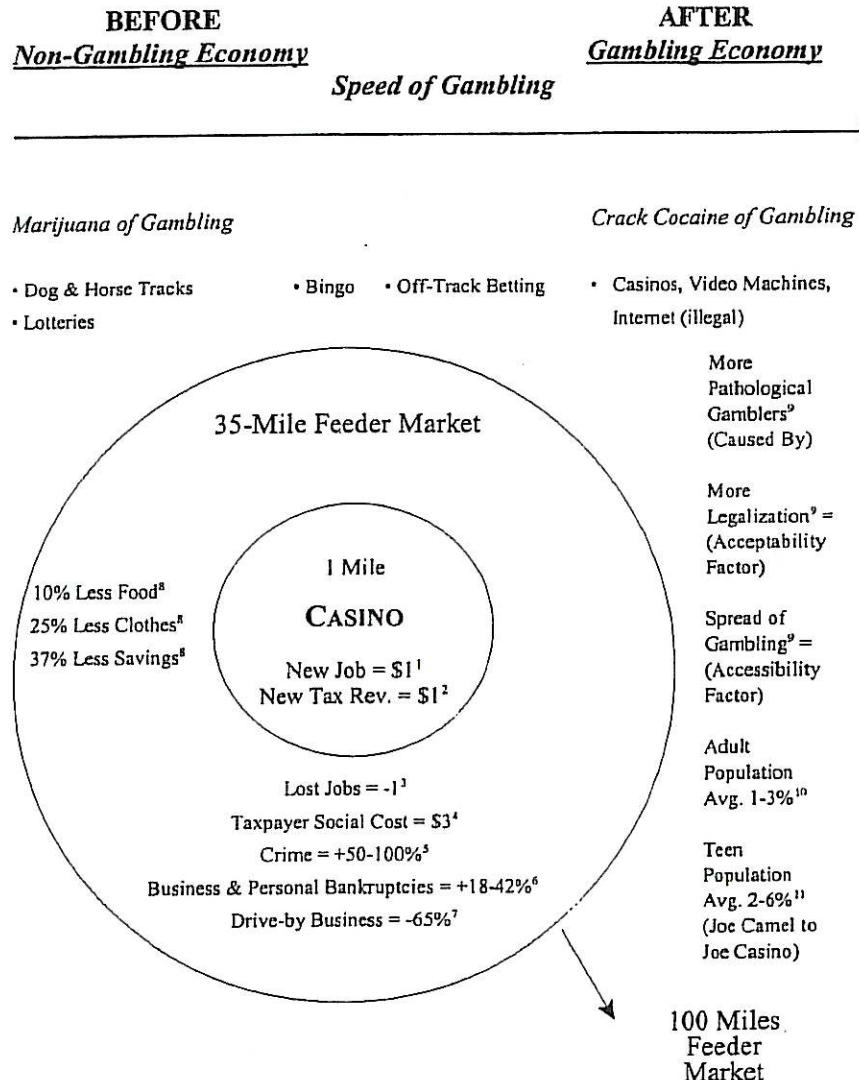
¹ For the most authoritative analysis of new crime costs linked to the accessibility and acceptability of gambling, see Earl L. Grinols & David Mustard, *Casinos, Crime and Community Costs*, 88 REV. ECON. & STAT. 28, 28–45 (© Harvard & Mass. Inst. Tech. 2006) [hereinafter *Casinos Crime Costs*], available at www.heinonline.org. A table of the authoritative academic studies highlights that the socioeconomic public costs of legalized gambling activities are at least \$3 for every \$1 in benefits. Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos*, 22 MANAGERIAL & DECISION ECON. 143, 153, Table 2 (2001) [hereinafter *The Costs of Casinos*], available at www.heinonline.com. This 3:1 ratio has been the ratio for many years. See, e.g., *The National Impact of Casino Gambling Proliferation: Hearing before the House Comm. on Small Business*, 103d Cong., 2d Sess. 77–81 & nn. 9, 12 (1994) [hereinafter *Cong. Hearing 1994 on Gambling*], available at www.heinonline.org.

² *Id.*

³ *Id.*

⁴ *Id.* See, e.g., Editorial, *Indian Casinos Today*, WALL ST. J., Apr. 4, 2002, at A18 (reporting FBI’s long-time position: “If you build it, they will come.”) [hereinafter *Indian Casinos Today*], at www.wsj.com; Adam Goldman, Assoc. Press, *Las Vegas is the end of the line for many fugitives*, ROANOKE TIMES (Roanoke, Va.), Mar. 19, 2004, at A8 [hereinafter *FBI Data Shows Legalized Gambling Attracts Crime*], at www.roanoke.com. “[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is.” James Moody, Chief of the Organized Crime Section, Fed. Bur. Investigation, as quoted in Videotape/Transcript of “60 Minutes,” Dec. 13, 1992 (CBS). See PRESIDENT’S COMM’N ON ORGANIZED CRIME, THE EDGE: ORGANIZED CRIME, BUSINESS, AND LABOR UNIONS (Mar. 1986). For U.S. concerns on casinos and money laundering, see U.S. GEN’L ACCOUNTING OFF., MONEY LAUNDERING: RAPID GROWTH OF CASINOS MAKES THEM VULNERABLE (1996) [hereinafter GAO REPORT ON CASINOS MONEY LAUNDERING], at www.gao.gov; Assoc. Press, Wash., D.C. Bur., U.S., *Allies Want Crackdown on Money Laundering*, June 22, 2001 [hereinafter U.S., *Allies Want Crackdown on Money Laundering*], at www.ap.org. For examples of critical statements regarding decriminalized gambling as expressed by authoritative officials in the U.S.

Appendix: Business Economics of Licensed Organized Gambling



1. See *National Gambling Impact & Policy Commission Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong. 367-405 (1995); Earl L. Grinols, *Bluff or Winning Hand? Riverboat Gambling and Regional Employment and Unemployment*, ILL. BUS. REV., Spring 1994, at 8, 8-11; see also Earl L. Grinols, *Gambling as Economic Policy: Enumerating Why Losses Exceed Gains*, ILL. BUS. REV., Spring 1995, at 6, 6-11.

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2. See FLA. EXECUTIVE OFFICE OF THE GOVERNOR, CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS (1994); ROBERT GOODMAN, LEGALIZED GAMBLING AS A STRATEGY FOR ECONOMIC DEVELOPMENT 49 (1994); Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos*, 22 MANAGERIAL & DECISION ECON. 143 (2001); see also John Warren Kindt, *The Economic Impacts of Legalized Gambling Activities*, 43 DRAKE L. REV. 51, 88-95, tbls.1-3 (1994) [hereinafter Kindt, *Economic Impacts*]; John Warren Kindt, *The Business-Economic Impacts of Licensed Casino Gambling in West Virginia: Short-Term Gain but Long Term Pain*, 13 W. VA. PUB. AFF. REP. 22, 23-24 (1996).

3. See *supra* note 1.

4. See *supra* note 2.

5. See, e.g., Earl L. Grinols et al., *Casinos and Crime* (1999).

6. SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997 (1997); SMR RESEARCH CORP., THE NEW BANKRUPTCY EPIDEMIC: FORECASTS, CAUSES, & RISK CONTROL (2001).

7. William N. Thompson & Ricardo C. Gazel, *The Monetary Impacts of Riverboat Casino Gambling in Illinois* (1996).

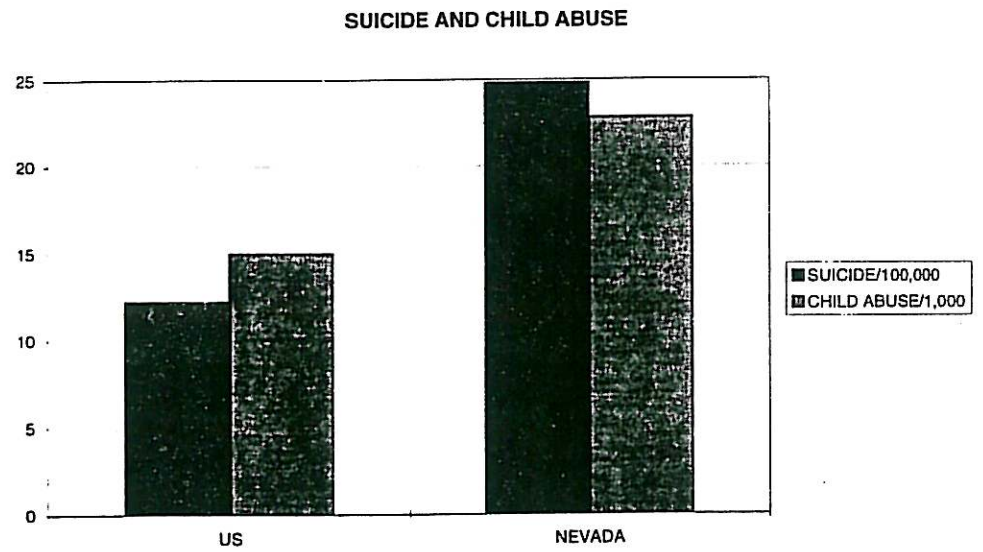
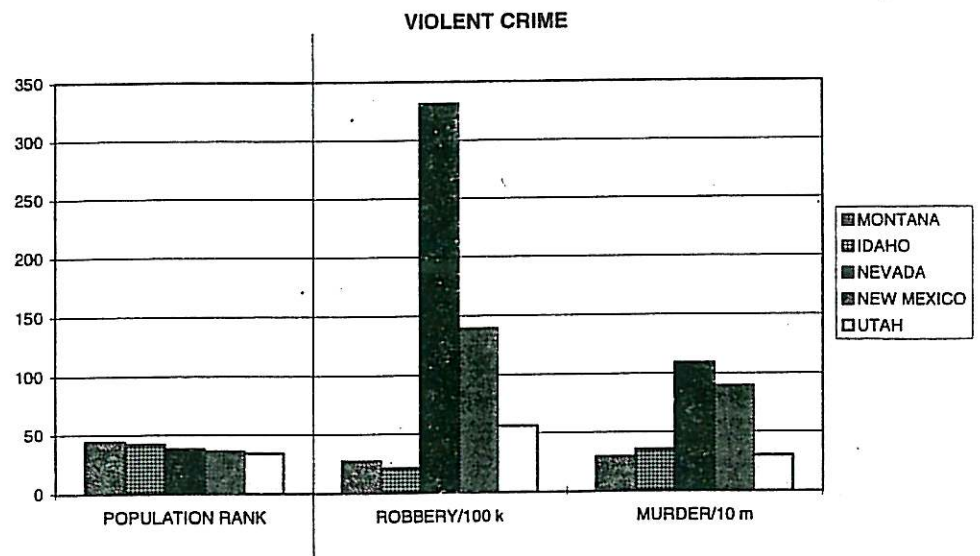
8. WILLIAM THOMPSON ET AL., WIS. POL'Y RESEARCH INST., WISCONSIN POLICY RESEARCH INSTITUTE REPORT: THE ECONOMIC IMPACT OF NATIVE AMERICAN GAMING IN WISCONSIN, APRIL 1995.

9. HOWARD J. SHAFFER ET AL., HARVARD MEDICAL SCHOOL, ESTIMATING THE PREVALENCE OF DISORDERED GAMBLING BEHAVIOR IN THE UNITED STATES AND CANADA: A META-ANALYSIS, app. II (1997); Press Release, Harvard Medical School, Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America (Dec. 4, 1997) (From .84 percent in 1993 "the prevalence rate for 1994-1997 grew to 1.29 percent of the adult population."); see also Kindt, *Economic Impacts*, *supra* note 2, at 88-95, tbls.1-3.

10. See *supra* note 9.

11. For the adolescent population, Dr. Durand Jacobs of the Loma Linda University Medical School was reporting 4% to 6%. See Durand F. Jacobs, *Illegal and Undocumented: A Review of Teenage Gambling and the Plight of Children of Problem Gamblers in America*, in COMPULSIVE GAMBLING: THEORY, RESEARCH, AND PRACTICE 249 (Howard J. Shaffer et al. eds., 1989).

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Tourism and Lost Jobs

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.9):

Legalizing gambling results in significant net lost jobs in regional and national economies,¹ as consumer dollars are misdirected into gambling facilities.²

On average, every electronic gambling device (EGD)/slot machine takes one net job away from the economy every year.³ Each EGD/slot machine takes an average \$300,000 in consumer spending out of the economy (as money is lost into the slot machine).⁴

¹ See, e.g., CAL. GOVERNOR'S OFFICE OF PLANNING & RESEARCH, CALIFORNIA AND NEVADA: SUBSIDY, MONOPOLY, AND COMPETITIVE EFFECTS OF LEGALIZED GAMBLING ES-1 (1992) [hereinafter SUBSIDY, MONOPOLY, GAMBLING], available at www.heinonline.org. For a ground-breaking academic report on the issue of net lost jobs caused by decriminalizing gambling, see Earl L. Grinols, *Bluff or Winning Hand? Riverboat Gambling and Regional Employment and Unemployment*, 51 ILL. BUS. REV. 8, 8-11 [hereinafter *Riverboat Gambling and Regional Unemployment*], available at www.heinonline.org.

² *National Gambling Impact & Policy Comm'n Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 1st Sess. 367-405 (1995) (testimony/statement of Econ. Prof. Earl L. Grinols, Univ. Ill.) [hereinafter *Cong. Hearing 1995 on Gambling*], available at www.heinonline.org; *Riverboat Gambling and Regional Unemployment*, *supra* note 1, at 8-11. See also Earl L. Grinols, *Gambling as Economic Policy: Enumerating Why Losses Exceed Gains*, 52 ILL. BUS. REV. 6, 6-11 [hereinafter *Economic Losses Exceed Gains*], available at www.heinonline.org.

³ Royce Millar, *Councils Eye Odds on Pokie Damage*, AGE CO. LTD., Oct. 22, 2000.

⁴ *Id.*

Introducing Casino-Style Gambling into Pre-existing Economies:

A Summary of Impacts on Tourism, Restaurants, Hotels, and Small Businesses

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Proponents of licensed gambling activities, particularly casino-style gambling, claim that legalized gambling will lead to economic development. In Illinois, for example, one state representative argued that casinos would "spur economic development, create jobs, [and] boost tourism"¹ for the surrounding communities. Proponents also claimed that the increased "tourism count" would benefit local restaurants. However, after the initiation of Illinois riverboat gambling, practical experience in several riverboat communities indicated that only 3 percent of nearby businesses were significantly helped, whereas most businesses experienced neutral impacts or even lost business as a result of the casino gambling.²

Legalized gambling activities, particularly video-terminal gambling in casinos, can easily reduce overall "net" economic activity because of various factors, including market saturation and "cannibalization" of pre-existing businesses (particularly restaurants and tourism). Unlike other business activities, casino-style gambling also creates large social-welfare costs. Furthermore, pre-existing businesses do not compete on a "level playing field" when casinos are introduced to a local economy because casinos can cater to and, in fact, create a market

segment consisting of problem economic gamblers and compulsive gamblers (an addictive behavior recognized by the American Psychiatric Association).

By 1994, twenty-four states had authorized casino gambling. It is estimated that by the turn of the century, 95 percent of Americans will have to travel less than three or four hours to arrive at a casino. The result is that licensed gambling venues are becoming readily "accessible." Florida has the nation's largest tourist industry and receives \$32 billion in tourism revenue, but the Florida Commerce Department (FDC) cautions that market saturation often becomes problematic and that the competition among casinos will increase as the "novelty factors" diminish. The FDC concluded that "[f]rom an economic standpoint this [phenomenon] will eventually encourage governments to provide regulatory, tax and promotional inducements to sustain their investments and the job base now dependent on casinos."³ With rare exceptions, licensed casino-style gambling does not constitute an economic panacea and according to the FDC, research throughout the country indicates that the "consistent result of the introduction of casino gambling has been the cannibalization of pre-existing tourism industry."⁴

The legalized gambling industry's tendency to focus on specialized factors in local communities provides a distorted view of the localized economic positives, while ignoring the business-economic costs to the overall state or region. In 1994, the various experts who testified before the U.S. House of Representatives Committee on Small Business warned of the costs and impacts that legalized gambling activities inflict upon the criminal justice system, the social welfare system, small businesses, and the overall economy.⁵ During the congressional hearing, the practice of employing legalized gambling activities as a strategy for creating economic development was thoroughly discredited. Florida is the only state that has recently conducted a comprehensive statewide analysis of the impacts of legalized gambling activities, and the Florida report concurred with the conclusions of the congressional hearing.⁶

The "cannibalization" of pre-existing tourism and pre-existing businesses occurs when a casino increases its customers at the expense of the local competing restaurants and other entertainment establishments rather than expanding the overall economic base. A typical scenario occurred in Louisiana where the Restaurant Association indicated that "most Mississippi and Louisiana operators



originally believed the riverboats would complement their businesses⁷ and would "grow" the economy. This conclusion is a common public misperception, and it is widespread even among the restaurant, hotel, and tourism industries. Instead, as the casinos went dockside, *Restaurants USA* reported that most local restaurants experienced a decrease in business; similarly in Minnesota, significant losses to local restaurants were also attributed to casinos.⁸

Casinos automatically focus their marketing tools on activities and cluster services that discourage their patrons from leaving the property, for example, hotels, theme parks, amusement centers, and food service operations. The prices for food service in the casinos are often heavily subsidized by the casinos. Accordingly, free-standing restaurants will be forced to compete with the casinos' subsidized food service,⁹ in addition to competing for the diminished amount of disposable income that is caused by casino gambling activities. However, as casino-subsidized food services continue to provide complimentary food to attract gamblers, more restaurateurs are recognizing that it is "impossible to compete with free." In 1995, the vice president of the National Restaurant Association (a Louisiana restaurateur) was concerned that "money that would otherwise be spent on retail is going

to the casinos."¹⁰ In addition, costs that must be borne by free-standing restaurants include higher rents and higher wages to retain competent waitstaff because casinos are able to offer higher tips, free meals, and health and dental benefits to employees.

Developments in Atlantic City as well as research on communities that have developed casino riverboats have largely disproved the claims of gambling proponents, because in practically every economic scenario, casino-style gambling did not "grow the economy" except for the gambling activities and their cluster services. Instead, the casinos cannibalized pre-existing businesses and tourism. Despite the influx of millions of dollars and gambling tourists, Atlantic City's free-standing restaurant industry experienced "40% fewer units competing for 10% fewer dollars in a 10-year period."¹¹

In a 1993 survey by the Minnesota Restaurant Association, 38 percent of respondents indicated that they lost business because of competition from the casinos. In addition, 84 percent opposed casino involvement in the restaurant, hotel, motel, resort, and conference center industries.¹² By 1995, a representative of the Minnesota Restaurant Association was indicating that "things have gotten much, much worse."¹³ By

comparison, Professor Timothy Ryan, at the University of New Orleans, conducted a study that indicated that some visitors will go to 'name' restaurants outside the casino, but since most casino visitors would be middle-to-lower income, they would take advantage of the subsidized or free food offered within the casino. Furthermore, Ryan concluded that a New Orleans land-based casino would draw \$62 million away from pre-existing retail businesses.¹⁴

In Illinois, an Aurora business survey indicated that only three of twenty-five downtown business owners were profiting from the gambling clientele.¹⁵ While a 50 percent influx of new tourists from out-of-state is the general break-even point for a state's economy to benefit from casino gambling, the Aurora riverboat apparently indicated that it was only drawing 1-2 percent of its clientele from out of state. A report filed with the federal Securities and Exchange Commission stated that with regard to the Chicago-area riverboats, 70 percent of the gamblers were from the nearby suburbs.¹⁶ With the exceptions of Las Vegas and Atlantic City, casino venues have publicly reported out-of-state tourist figures from only 1-20 percent. This means that local state economies are almost uniformly being cannibalized by the casinos.

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Introducing Casino-Style Gambling

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A survey by the Chicago Better Government Association of 324 businesses in riverboat communities reported that 44-51 percent of those surveyed indicated that there had been no effect or a negative effect on their businesses while 39-51 percent indicated that the number of customers had not increased because of the presence of casinos.¹⁷ Even a 1993 Illinois state task force, popularly perceived as favorably disposed to casinos, was forced to conclude that "no hard evidence" was presented "to sustain claims that casinos spur economic development, particularly in urban areas."¹⁸ Furthermore, the legislative task force concluded that "although tax revenues rise, they are siphoned from local economies, thus dampening economic development outside the casino complex."¹⁹

In Iowa, the *Des Moines Register* reported in 1995 that gamblers at a local casino-style gambling establishment "wagered about twice as much as shoppers spent at . . . Iowa's largest home-based, non-food retailer, during its holiday quarter,"²⁰ and as early as 1993 the *Register* reported that the "expansion of Iowa's gambling industry is hurting taverns, restaurants, and bowling alleys across the state."²¹ In Maryland, the executive vice president of the Restaurant Association of Maryland stated, "Casinos will reduce the disposable income of our customers, and when that occurs, local businesses will suffer."²²

Even people within the industry recognize the futility of the arguments claiming that legalized gambling leads to overall positive

economic development. For example, the CEO of one of the largest legalized gambling companies reportedly admitted, "It's illogical to expect casino customers to leave the premises and spend money in nearby stores, restaurants, or bars."²³ Similarly, Donald Trump reportedly told the *Miami Herald*, "As somebody who lives in Palm Beach, I'd prefer not to see casinos in Florida, but as someone in the gaming business, I'm going to be the first one to open up if Floridians vote for them."²⁴

Even a 1993 Illinois state task force, popularly perceived as favorably disposed to casinos, was forced to conclude that "no hard evidence" was presented "to sustain claims that casinos spur economic development, particularly in urban areas."¹⁸

With regard to industry-specific social costs, the impacts of casinos affect the state's infrastructure and also carry significant public policy implications. The longer operating hours of casinos results in more use of the roads, and natural resources, such as electricity, water, and power are also consumed at a higher rate. Research on the social costs associated with gambling has reportedly shown heightened levels of both organized crime and street crime²⁵ as well as increases in the numbers of adult compulsive gamblers and teenage gamblers. This latter trend is perpetuated by the

cash advances and loans provided by casinos.²⁶ One national chain of tax preparers recognized these gamblers as potential customers and set up makeshift tax preparation offices in Nevada casinos to offer gamblers same-day "refund-anticipated loans" for a substantial fee. In Tunica, Mississippi, real estate prices and housing rental prices have increased, but DUI arrests and default rates on bills have also increased since gambling was legalized.²⁷ A recent Maryland study showed that for each \$40 generated by gambling, the state spent \$200 on services.²⁸ Legislators and the public often fail to recognize these costs in their decision-making processes because the costs are hidden and spread throughout the budgets of different agencies. Even so, these types of costs are significant and need to be recognized as increased infrastructure costs, reflected as costs to the social-welfare system, and then added to the increased costs to the criminal justice system and the industry-unique regulatory expenses. Pre-existing tourist industry, as well as local businesses in general, would be well-advised to examine closely the projections and promises made by proponents of more legalized gambling activities.

NOTES

* This statement should be interpreted as representing only the individual views of the author. Laura P. Rutherford provided substantial editorial assistance in preparing this article. Due to the format of this publication, substantial footnotes have been deleted.

ENDNOTES

1. BETTER GOV'T ASSOC.: STATEMENT ON RIVERBOAT GAMBLING TO THE METRO ETHICS COALITION PROJECT 1 (1994) (introductory statement by BGA Exec. Dir. Terrence Brunner) [hereinafter BGA PROJECT]. See generally, The National Impact of Casino Gambling Proliferation: Hearing Before the House Comm. on Small Business, 103d Cong., 2d Sess. (1994) [hereinafter Cong. Hearing]. See TEX. RESTAURANT ASSOC., CASINOS AND RESTAURANTS: AN OVERVIEW (1994) [hereinafter TEX. REST. ASSOC.].
2. BGA PROJECT, supra note 1, at 2.
3. FLA. DEP'T COM., IMPLICATIONS OF CASINO GAMBLING AS AN ECONOMIC DEVELOPMENT STRATEGY 6 (1994) [hereinafter FLA. DEP'T COM. REPORT]. This Florida gambling study is an analysis of the status and potential needs of Florida's tourism industry and constitutes an investigation of the current body of research assessing both the demonstrated and anticipated effects of legalized casino gambling.
4. Press Release, Florida Dept. Com., Sept. 19, 1994 [summarizing the 1994 report by the Fla. Dep't Com.] [hereinafter Fla. Dep't Com. Press Release]. See, e.g., CAL. GOVERNOR'S OFF. PLAN. & RESEARCH, CALIFORNIA AND NEVADA: SUBSIDY, MONOPOLY, AND COMPETITIVE EFFECTS OF LEGALIZED GAMBLING ES-1 (Dec. 1992); Kindt, U.S. National Security and the Strategic Economic Base: The Business/Economic Impacts of the Legalization of Gambling Activities, 39 *St. Louis U.L.J.* 567 (1995).
5. See, e.g., Cong. Hearing, supra note 1, at 4-8, 14-18, 33-35, 82-86.
6. See generally OFF. PLANNING & BUDGETING, FLA. GOVERNOR'S OFF., CASINOS IN FLA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS (1994).
7. See David Belman, What's at Stake in the Gambling Debate?, RESTAURANTS USA, Feb. 1995, at 26, 26 [hereinafter NAT'L REST. ASSOC.].
8. Id. at 26, 29.
9. NAT'L REST. ASSOC., supra note 7, at 29.
10. NAT'L REST. ASSOC., supra note 7, at 28. See Tom Pelton, Riverboat sinks downtown hopes: Neighbors don't even get Aurora casino's crumbs, CHICAGO TRIB., June 28, 1994, at 7 [hereinafter Riverboat sinks].
11. TEX. REST. ASSOC., supra note 1, at 2; see NAT'L REST. ASSOC., supra note 7, at 28.
12. Carol Walkup, Indian casinos challenge local operators. Minnesota Restaurant Assn. fights back as casino foodservice cuts into restaurant business, NATION'S RESTAURANT NEWS, Feb. 22, 1993, at 7.
13. NAT'L REST. ASSOC., supra note 7, at 29.
14. TIMOTHY P. RYAN, PATRICIA J. CONNOR, & JANET F. SPEYER, THE IMPACT OF CASINO GAMBLING IN NEW ORLEANS (1990); TEX. REST. ASSOC., supra note 1, at 2.
15. Riverboat sinks, supra note 10, at 7; see BGA PROJECT, supra note 1.
16. Riverboat sinks, supra note 10, at 7.
17. BGA PROJECT, supra note 1, at 2.
18. Id. at 3.
19. Id.; see, e.g., St. Ill., The Final Report: The Speaker's Task Force On Gaming 11, 16 (May 27, 1993).
20. Frank Bowers, Taverns See Dry Spell: Business can suffer in shadow of casino, DES MOINES REGISTER, July 23, 1995, at B1.
21. William Petroski, Bars, Restaurants, Bowling Alleys Protest: Proprietors complain expanded gambling is stealing business, DES MOINES REGISTER, Oct. 13, 1993, at B1.
22. Christopher J. McCabe, Maryland must unite to keep out casinos, METROPOLITAN TIMES, Aug. 17, 1995, at C2 [hereinafter McCabe].
23. BGA PROJECT, supra note 1, at 3; TEX. REST. ASSOC., supra note 1, at 3; see Fla. Dep't Com. Press Release, supra note 4, at 7.
24. TEX. REST. ASSOC. supra note 1, at 3; see Fla. Dep't Com. Press Release, supra note 4, at 7.
25. FLA. DEP'T COM., supra note 3, at 8.
26. Id.
27. Id.
28. McCabe, supra note 22.

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University of Illinois
at Urbana-Champaign

Legalized Gambling Costs the
Taxpayers \$3 for Every \$1 in
Benefits

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.9):

Gambling activities have socioeconomic costs of over \$3 for every \$1 in benefits.¹

¹ For the definitive cost/benefit analysis book on the impacts of gambling, see EARL L. GRINOLS, *GAMBLING IN AMERICA: COSTS AND BENEFITS* 180 (Cambridge Univ. Press 2004) [hereinafter *GAMBLING IN AMERICA: COSTS AND BENEFITS*]. See, e.g., *id.* at 167–87. For a table summarizing a decade of authoritative academic studies and documenting that gambling activities have socioeconomic costs of over \$3 for every \$1 in benefits, see Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities—The Case of Casinos*, 22 *MANAGERIAL & DECISION ECON.* 143, 153, Table 2 (2001) [hereinafter *The Costs of Casinos*], available at www.heinonline.org. See also John W. Kindt, *The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?*, 22 *MANAGERIAL & DECISION ECON.* 17, 17–63, App. A & Tables (2001) (invited article) [hereinafter *Mega-Lawsuits*], available at www.heinonline.org.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.11):

Legalizing gambling creates: (1) new addicted gamblers;¹ (2) new personal, professional, and business bankruptcies;² and (3) new crime and corruption,³ including both organized crime and general crime increases.⁴

¹ See, e.g., John W. Kindt, *The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?*, 22 *MANAGERIAL & DECISION ECON.* 17, 17-63, App. A & Tables (2001) (invited article) [hereinafter *Mega-Lawsuits*], available at www.heinonline.org.

² *Id.*

³ See, e.g., Editorial, *Indian Casinos Today*, *WALL ST. J.*, Apr. 4, 2002, at A18 (reporting FBI's long-time position: "If you build it, they will come.") [hereinafter *Indian Casinos Today*], at www.wsj.com; Adam Goldman, Assoc. Press, *Las Vegas is the end of the line for many fugitives*, *ROANOKE TIMES* (Roanoke, Va.), Mar. 19, 2004, at A8 [hereinafter *FBI Data Shows Legalized Gambling Attracts Crime*], at www.roanoke.com. "[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is." James Moody, Chief of the Organized Crime Section, Fed. Bur. Investigation, as quoted in Videotape/Transcript of "60 Minutes," Dec. 13, 1992 (CBS). See PRESIDENT'S COMM'N ON ORGANIZED CRIME, *THE EDGE: ORGANIZED CRIME, BUSINESS, AND LABOR UNIONS* (Mar. 1986). For U.S. concerns on casinos and money laundering, see U.S. GEN'L ACCOUNTING OFF., *MONEY LAUNDERING: RAPID GROWTH OF CASINOS MAKES THEM VULNERABLE* (1996) [hereinafter *GAO REPORT ON CASINOS MONEY LAUNDERING*], at www.gao.gov; Assoc. Press, Wash., D.C. Bur., *U.S., Allies Want Crackdown on Money Laundering*, June 22, 2001 [hereinafter *U.S., Allies Want Crackdown on Money Laundering*], at www.ap.org. For examples of critical statements regarding decriminalized gambling as expressed by authoritative officials in the U.S. criminal justice system and for examples of projected organized crime and general crime increases, see CHI. CRIME COMM'N, *ANALYSIS OF KEY ISSUES INVOLVED IN THE PROPOSED CHICAGO CASINO GAMBLING PROJECT* (Robert R. Fuesel, Exec. Dir. 1992) [hereinafter *CHICAGO CRIME COMM'N REPORT*], available at www.heinonline.org; ILL. CRIM. JUSTICE INFORMATION AUTHORITY, *CASINO GAMBLING AND CRIME IN CHICAGO* (Nov. 1992) [hereinafter *GAMBLING CRIME IN CHICAGO*], available at www.heinonline.org; ILL. ST. POLICE, DIV. CRIM. INVESTIGATION, *INTELLIGENCE BUR., HOW CASINO GAMBLING AFFECTS LAW ENFORCEMENT* (1992) [hereinafter *ILL. ST. POLICE REPORT*], available at www.heinonline.org; Testimony of Robert R. Fuesel, Exec. Dir., Chicago Crime Comm'n, Before the Ill. Sen. Subcomm. on Gaming, June 8, 1993, at 1-4. See also FLA. DEP'T L. ENFORCEMENT, *THE QUESTION OF CASINOS IN FLORIDA: INCREASED CRIME: IS IT WORTH THE GAMBLE?* (1994) [hereinafter *INCREASED CRIME*], available at www.heinonline.org; FLA. OFF. GOV., *CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS* (1994) [hereinafter *FLA. GOV. REPORT*], available at www.heinonline.org; ROBERT ABRAMS, *REPORT OF ATTORNEY GENERAL ROBERT ABRAMS IN OPPOSITION TO LEGALIZED CASINO GAMBLING IN NEW YORK STATE*

Table 2. Annual Social Costs per Pathological Gambler

	MD Politzer <i>et al.</i> (1981) (\$)	FL Exec. Office of Gov (1994) (\$)	WI Thompson <i>et al.</i> (1996) (\$)	CT Thompson <i>et al.</i> (1998) (\$)	SD SD Leg. Research Council 1998-1999 (\$)	LA Ryan <i>et al.</i> (1999) (\$)	US Gerstein <i>et al.</i> (1999) (\$)	SC Thompson and Quinn (1999) (\$)	Row averages for studies 1994-1999 (\$)
Crime									
Apprehension and increased police costs			44	71	1000	53		116	257
Adjudication (criminal and civil justice costs)	1788		1234	994	27	649		476	676
Incarceration and supervision costs	2828	15 221	758	889	382	690		451	3065
Business and employment costs	11 265								
Lost productivity on job									
Lost time and unemployment			2717	3436		5936	320	1082	1082
Bankruptcy			515					2156	2913
Suicide								118	316
Illness							700		700
Social service costs									
Therapy/treatment costs			437	114	75	396	30	83	189
Unemployment and other soc. svc. (incl. welfare and food stamps)			606	971	549	60	145	318	442
Government direct regulatory costs									
Family costs									
Divorce, separation			3802	9519	240	3175		111	111
Abused dollars	14 354							2436	3834
									13 586

Reprinted with permission from: Earl L. Grinols
& David B. Mustard, *Business Profitability
versus Social Profitability: Evaluation Industries
with Externalities--The Case of Casinos*, 22
MANAGERIAL & DEC. ECON 143 (2002) (John
Wiley & Sons Ltd., Pub.).

Table 1. Percentage of Expenditures by Problem Gamblers for Selected Forms of Gambling by State/Provinces

	Alberta	British Columbia	Nova Scotia	Washington	Louisiana	Iowa	New York	Average
Bingo (%)	43.6	37.3	N/A	44.6	N/A	N/A	39.5	39
Lotto (%)	11.3 lotto; 19.3 instant	11.9 lotto; 14.3 scratch	6.2 lotto; 22.7 scratch	24.2 daily game	17.6 all lotto games	24.4 instant	21.9 lotto; 36 quick draw	14 lotto; 20.6 instant-scratch
Casino (%)	37.2 local; 34.4 card/dice	26.7 resort; 33.1 table	48.7	55.0 card/dice	N/A	38.4 table	41.4	41.8 table games
Slots (%)	19.0	N/A	8.9	N/A	N/A	16.1	N/A	14.7
Video machine (%)	46.9	N/A	50.8	23.9	37.8	N/A	74.6	46.8
All games (%)	32.3	22.6	26.4	24.7	41.2	26.8	39.1	30.4
Horses (%)	54.2 on and off track	29.5 on-track	N/A	25.9	52.7 on-track; 84.9 off-track	48.4	50.0	
Sports (%)	19.0 friends/co-workers	21.7 sports; 19.7 friends; 15.2 pools	N/A	18.9 pools; 82.7 bookies	62.6	43.9	50.0	
Pull tabs (%)	45.1	20.9	N/A	35.2	N/A	N/A	N/A	
Raffles (%)	10.5	11.1	N/A	N/A	N/A	N/A	N/A	
All (%)	32.3	22.6	26.4	24.7	41.2	26.8	39.1	

Sources: Lesieur (1998, table); 'Measuring the Costs of Pathological Gambling,' Address by Prof Henry R. Lesieur, Illinois State University, at the National Conference on Gambling Behavior, National Council on Problem Gambling, Chicago, Illinois, 3-5 September 1996 (table).
N/A, not applicable.
Added notes of Professor Lesieur:

Pathological gamblers spend an inordinate amount of money on gambling compared to others who gamble (Lesieur, 1998). For example, problem video lottery players in Nova Scotia account for 4% of those who play, yet contribute 53% of net revenue for video lottery playing (Focal Research, 1998). The Australian Productivity Commission (1999) estimated that problem gamblers account for 5.7% of money spent on lottery play, 10.7% of casino table game play, 19% of scratch ticket sales, 33% of wagering on horses and dogs, and 42% of money spent on gaming machine play. Overall, problem gamblers expend 33% of all money spent on gambling in Australia.
Focal Research (1998). 1997/1998 Nova Scotia lottery players' survey. Prepared for Problem Gambling Services, Nova Scotia Department of Health. Halifax, Nova Scotia: Author.

Reprinted with permission from: JOHN W.

KINDT, *THE COSTS OF ADDICTED GAMBLERS: SHOULD THE STATES INITIATE MEGA-LAWSUITS SIMILAR TO THE TOBACCO CASES?* 22 MANAGERIAL & DEC. ECON. 17 (2002) (John Wiley & Sons, Ltd., Pub.).

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.10):

Just as legalizing addictive drugs fails valid cost/benefit analysis, legalizing gambling fails valid cost/benefit analysis.¹

¹ EARL L. GRINOLS, GAMBLING IN AMERICA: COSTS AND BENEFITS (Cambridge Univ. Press 2004) [hereinafter GAMBLING IN AMERICA: COSTS AND BENEFITS]; Earl L. Grinols, *Gambling as Economic Policy: Enumerating Why Losses Exceed Gains*, 52 ILL. BUS. REV. [hereinafter *Economic Losses Exceed Gains*], available at www.heinonline.org; John W. Kindt, *The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?*, 22 MANAGERIAL & DECISION ECON. 17, 17–63, App. A & Tables (2001) (invited article) [hereinafter *Mega-Lawsuits*], available at www.heinonline.org.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.14):

By decriminalizing organized gambling and/or by allowing subsidiary governmental U.S. entities to do so,¹ U.S. legislators have initiated and promoted destructive socioeconomic gambling policies.²

¹ See, e.g., *Oversight Hearing to Provide for Indian Legal Reform: Hearing before the Senate Comm. on Indian Affairs*, 105th Cong., 2d Sess. (Part 1, 1998) [hereinafter *U.S. Senate 1998 Cong. Hearing on Tribal Sovereign Immunity and Abuses*], at www.gpoaccess.gov.

² *Id.* at 118 *et seq.* See *id.* at 153, 167–68. See generally *Legislative Proposals to Implement the Recommendations of the 9/11 Commission: Hearing Before the House Comm. on Financial Services*, 108th Cong., 2d Sess. (2004) [hereinafter *Cong. Hearing 2004 to Implement 9/11 Commission's Recommendations*], at www.gpoaccess.gov; *Dismantling the Financial Infrastructure of Global Terrorism: Hearing Before the House Comm. on Financial Services*, 107th Cong., 1st Sess. (2001) [hereinafter *Cong. Hearing 2001 on Dismantling Finances of Terrorists*], at www.gpoaccess.gov.

GAMBLING RESEARCH BRIEF

NOT IN OUR BACK YARD!!

The gambling moguls, who fully understand the havoc created by their industry, continue to boast of Las Vegas as a wonderland of close family life, of good jobs, wonderful tourism, excitement and a great life for its' residents. Consider these documented facts about Nevada:

- # 1 in suicides¹**
- # 1 in divorce²**
- # 1 in high school dropouts³**
- # 1 in women killed by men⁴**
- # 1 in gambling addictions⁵**
- # 3 in bankruptcies⁶**
- # 3 in abortions⁷**
- # 4 in rape⁸**
- # 4 in out of wedlock births⁹**
- # 4 in alcohol related deaths¹⁰**
- # 5 in crime¹¹**
- # 6 in prisoners locked up¹²**
- # 50 in voter participation¹³**

(Documentation of sources are on page 2)

FOOTNOTES FOR "NOT IN MY BACKYARD"

¹ U.S. Bureau of the Census, Statistical Abstract of the United States, 1997, 117th Edition p.99 (see also: State Rankings, 1998, 9th edition, Morgan Quitto Press)

² Ibid., p.108

³ Ibid., p.161

⁴ Sue Glick, "Number of Females Murdered by Males in Single Victim Offender Homicides and Rates by States, 1996, ranked by Rate", Violence Policy Center, Washington D.C., Sept. 1998

⁵ Rob Bhatt, "Assigning Responsibility for Gambling", Las Vegas Business Press, June 22, 1998, page 8. Also Las Vegas Sun, February 20, 1998, International Gaming and Wagering Business, July 1996. p. 40. Dallas Morning News, May 30, 1997, p.1-A

⁶ Mana Zarinejad, Public Affairs Coordinator, American Bankruptcy Institute, cited by Dr. James Dobson, Family News, Focus on the Family, January 1999, p.7

⁷ U.S. bureau of the Census, op.cit., p. 87

⁸ Ibid., p.202

⁹ Ibid., p.79

¹⁰ "County Alcohol Problem Indicators 1986-1990". U.S. Alcohol Epidemiological Data Reference Manual, Volume 3, National Institute on Alcohol Abuse and Alcoholism, July 1994.

¹¹ U.S. Bureau of the Census op.cit. p.202

¹² Darrell K. Gillard and Allen J. Beck, "Prisoners in 1997", Bureau of Justice Statistics Bulletin, August 1998, p.5.

¹³ U.S. Bureau of the Census, op.cit. p. 290

Corruption and Parallel Economies

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.16):

*The history of gambling demonstrates that governments cannot compromise or co-exist with gambling interests or gambling will eventually corrupt the government.*¹

When government compromises with gambling, corruption compromises the government.²

¹ See, e.g., TYLER BRIDGES, *BAD BET ON THE BAYOU: THE RISE OF GAMBLING IN LOUISIANA AND THE FALL OF GOVERNOR EDWIN EDWARDS* (2001) [hereinafter *THE RISE OF GAMBLING IN LOUISIANA AND THE FALL OF GOVERNOR EDWIN EDWARDS*]. For numerous examples of governmental corruption and abuses after the advent of American Indian gambling, see generally *Oversight Hearing to Provide for Indian Legal Reform: Hearing before the Senate Comm. on Indian Affairs*, 105th Cong., 2d Sess. (Part 1, 1998) [hereinafter *U.S. Senate 1998 Cong. Hearing on Tribal Sovereign Immunity and Abuses*], at www.gpoaccess.gov. For numerous examples of governmental corruption and abuses with legalized gambling in general, see John W. Kindt, *Follow the Money: Gambling, Ethics, and Subpoenas*, 556 ANNALS AM. ACAD. POL. & SOC. SCI. 85, 85-97 (1998) (invited article) [hereinafter *Follow the Money*], available at www.heinonline.org. See also John W. Kindt, *The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance*, 27 S. ILL. U. L.J. 221, 221-62 (2002) (lead article) [hereinafter *Gambling Industry's Perpetual Non-Compliance*], available at www.heinonline.org.

² *Id.* See, e.g., Editorial, *Indian Casinos Today*, WALL ST. J., Apr. 4, 2002, at A18 (reporting FBI's long-time position: "If you build it, they will come.") [hereinafter *Indian Casinos Today*], at www.wsj.com; Adam Goldman, Assoc. Press, *Las Vegas is the end of the line for many fugitives*, ROANOKE TIMES (Roanoke, Va.), Mar. 19, 2004, at A8 [hereinafter *FBI Data Shows Legalized Gambling Attracts Crime*], at www.roanoke.com. "[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is." James Moody, Chief of the Organized Crime Section, Fed. Bur. Investigation, as quoted in Videotape/Transcript of "60 Minutes," Dec. 13, 1992 (CBS). See PRESIDENT'S COMM'N ON ORGANIZED CRIME, *THE EDGE: ORGANIZED CRIME, BUSINESS, AND LABOR UNIONS* (Mar. 1986). For U.S. concerns on casinos and money laundering, see U.S. GEN'L ACCOUNTING OFF., *MONEY LAUNDERING: RAPID GROWTH OF CASINOS MAKES THEM VULNERABLE* (1996) [hereinafter *GAO REPORT ON CASINOS MONEY LAUNDERING*], at www.gao.gov; Assoc. Press, Wash., D.C. Bur., *U.S., Allies Want Crackdown on Money Laundering*, June 22, 2001 [hereinafter *U.S., Allies Want Crackdown on Money Laundering*], at www.ap.org. For examples of critical statements regarding decriminalized gambling as expressed by authoritative officials in the U.S. criminal justice system and for examples of projected organized crime and general crime increases, see CHI. CRIME COMM'N, *ANALYSIS OF KEY ISSUES INVOLVED IN THE*

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.17):

Australia has the highest concentrations of gambling and the highest per person accompanying social costs of any industrialized nation.¹

Australia has the highest per capita incidence of gambling in the world, with more than 80 percent of its population placing bets.² With at least one casino in every major city, by 1999 Australia's gambling market was virtually saturated.³ In 1999, the Australian government released a report from the Productivity Commission Inquiry regarding the gambling industry that revealed that the Australian population of 18 million was losing \$11 billion per year,⁴ while wagering 1.5 percent of the Gross Domestic Product (GDP) at gambling facilities.⁵ The findings included in the report emphasized the enormity of the problems Australia faced because of its government's commitments to the legalized gambling industry.⁶

Approximately 1.0 percent of the Australian populations were delimited as having "severe" problems with gambling,⁷ while another 2.1 percent of the population had "significant" problems with gambling,⁸ and yet another 6.3 percent of the population had some problem with gambling.⁹ Of the total Australian problem gamblers, it was estimated that approximately 50 percent committed criminal offenses to support their

¹ Christopher Zinn, *Australians Are Biggest Gamblers*, CHI. SUN-TIMES, July 29, 1999, at 30.

² *Id.*

³ *Australians Love to Wager, but Critics Decry Social Costs*, ROANOKE TIMES (Roanoke, Va.), Mar. 9, 1998, at A8 [hereinafter *Australians Decry Gambling's Social Costs*], at www.roanoke.com. See also John W. Kindt, *Legalized Gambling Activities: The Issues Involving Market Saturation*, 15 N. ILL. U. L. REV. 271, 271-306 (1995) (lead article) [hereinafter *Gambling Saturation*], available at www.heinonline.org.

⁴ PRODUCTIVITY COMM'N, AUSTRALIA'S GAMBLING INDUSTRIES: FINAL REPORT SUMMARY 2-3 (Nov. 26, 1999) [hereinafter AUSTRALIA PRODUCTIVITY COMM'N 1999 FINAL REPORT SUMMARY], at www.pc.gov.au.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.18):

China has generally maintained its 20th Century strictures against gambling (while permitting Chinese to gamble in Macau).

Throughout the 20th and into the 21st Century, China maintained the illegality of gambling, while allowing Chinese to visit the Gambling Mecca of Macau. By 2006, the gross gambling revenues on Macau exceeded those of Las Vegas after the U.S. gambling companies entered the market at the beginning of the 21st Century and took advantage of Asian-Pacific cultural propensities¹ toward gambling.

The island obviously suffers from a historical lack of regulatory oversight. No measures were in place in 1990 to stop the transfer of funds when Zhang Xiaoming, former manager of a state-owned Chinese company, funneled \$850,000 in public funds through a Macau trading company and into the Macau branch of the Bank of China. Within 5 months, he lost all the money gambling in Macau's casinos. He was executed in 1991.² Joao Severino, then editor of the territory's Portuguese-language daily, stated that "the administration has lost control, and the triad knows it."³ Macau legislator Antonio Ng confirmed this conclusion and stated "we cannot control the situation because our policemen are still influenced by criminal members."⁴

¹ For cultural gambling's adverse consequences on targeted Asian-Pacific families, see Vanessa Hua, *Asian American Trend Reflected in Crime, Breakdown of Families*, L.A. TIMES, Dec. 15, 1998, at A47 [hereinafter *Asian American Gambling Trend Reflected in Crime*], at www.latimes.com.

² *Manager Executed Over Gambling Losses*, S.F. CHRON., Apr. 21, 1992, at A8 [hereinafter *Manager Executed Over Gambling Losses*], at www.sfgate.com, available at 1992 WL 6257161.

³ Kao Chen, *Open Warfare Erupts as Handover Looms in Macau*, THE STRAITS TIMES (Singapore), Feb. 7, 1999.

⁴ *Id.*

Consumer Protection:

Making Poor People Poorer;

Legalized Gambling Reduces
Funding to Education

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Recommendation (SR.15):

Consumer protection laws and policies dictate that individual countries, as well as the U.S. Congress and the states, should hold legislative hearings on the "fairness" and "cheating potential" of electronic gambling devices (EGDs)/slots machines.¹

¹ See, e.g., Steve Bourie, *Are Slot Machines Honest?*, in AMERICAN CASINO GUIDE 35 *et seq.* (S. Bourie ed. 1999) [hereinafter *Are Slot Machines Honest?*]; William L. Holmes, *Video Games: Concepts and Latent Influences*, FBI LAW ENFORCEMENT BULL., Mar./Apr. 1985, at 1, 1–16 [hereinafter *Holmes on Video Games*]. See generally John W. Kindt, "The Insiders" for Gambling Lawsuits: Are the Games "Fair" and Will Casinos and Gambling Facilities Be Easy Targets for Blueprints for RICO and Other Causes of Action?, 55 MERCER L. REV. 529, 529–93 (2004) (lead article) [hereinafter *Gambling Facilities as Targets for RICO*], available at www.heinonline.org. See also John W. Kindt, *Subpoenaing Information from the Gambling Industry: Will the Discovery Process in Civil Lawsuits Reveal Hidden Violations Including the Racketeer Influenced and Corrupt Organizations Act?*, 82 OREGON L. REV. 221, 221–94 (2003) (lead article) [hereinafter *Subpoenaing the Gambling Industry*], available at www.heinonline.org. For one example in 1997, Nevada Attorney General Frankie Sue Del Papa objected when portions of "The Harris tapes" were shown by Chair Bill Bible of the Nevada Gaming Control Board "to lawyers for International Game Technology and Alliance Gaming Corp." Allegedly, Ron Harris a fired computer expert from the Nevada Gaming Control Board "charged on ... tapes that casino jackpots were rigged and political leaders interceded on behalf of slot machine designers, forcing regulators to accelerate their studies of new casino games." Dave Berns, *Bible showed cheat's videos to slot makers, The tapes' release angers the state's attorney general who contends they are part of an ongoing investigation*, LAS VEGAS REV.-J., Mar. 28, 1997 [hereinafter *Nev. Gaming Control Board Chair Bill Bible Showed Cheat's Videos, Angering Nev. Attorney General*], at www.lvrj.com. For the ABC News report, see "Prime Time Live," Am. Broadcasting Co., News Div., Mar. 12, 1997 (reporter Brian Ross) [hereinafter *ABC News Highlights the Harris Tapes and Alleged Cheating Scandals*]. See generally Jon Ralston, *ABC looks at gaming*, LAS VEGAS REV.-J., Feb. 25, 1997 [hereinafter *ABC Looks at Alleged Slot Cheating Operation*], at www.lvrj.com. See also Jeff German, *Del Papa, Bible feud shows no sign of cooling off*, LAS VEGAS SUN, Mar. 1, 1998 [hereinafter *Nev. Attorney General Feuds with Gaming Control Board Chairman*], at www.lasvegassun.com. For issues involving programming and operating electronic slots, see Rachel Konrad, Assoc. Press Tech., *New displays could change the industry: Programmers will be able to control nearly every aspect of the games*, NEWS-GAZETTE (Champaign, Ill.), Mar. 19, 2007, at C7 [hereinafter *Electronic Slots Instant Programmers Can Control Nearly Everything, Including Payouts*], at www.news-gazette.com. For national U.S. press stories exemplifying that Indian casinos can set their own gambling rules, if any, see Assoc. Press, *Jackpot no bowl of cherries at Indian Casino*, ROANOKE

As the “crack cocaine” of gambling addiction, EGDs/slots were the target of special criticisms by the 1999 U.S. National Gambling Impact Study Commission (NGISC or 1999 U.S. Gambling Commission).² Calling them “crack for gamblers,” the national U.S. news media has repeatedly warned the public about electronic gambling devices (EGDs)/slot machines being misused—particularly by disreputable persons.³ “No matter the game, dip switches can be adjusted inside each machine to adjust how often the machine pays out.”⁴

The NGISC also subjected lotteries to harsh criticisms,⁵ since lotteries would be engaged in fraud if they were not specifically exempted from the consumer fraud laws which govern general businesses and their business practices.⁶ Even with the exemptions for lotteries, a 2007 statistics study conducted state-by-state⁷ by Professor Gerald Busald of San Antonio College raised significant issues involving the target

TIMES (Roanoke, Va.), Jan. 11, 1998 at A6 [hereinafter *Jackpot no bowl of cherries at Indian casino*], available at www.roanoke.com; Jim Avila, Beth Tribolet, Donna Choi & Scott Michels, *Jackpot or Mistake Man Sues Over \$1.6M 'Jackpot'*, ABC News, Oct. 25, 2007 [hereinafter *Man Sues Over Tribe's Refusal To Pay \$1.6M Jackpot*], at www.abcnews.go.com.

² See, e.g., NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT 3-11, 3-12, 5-5 & rec. 3.6 (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>. See also Gary Ravin, *How the slot machine was remade, and how it's remaking America*, N.Y. TIMES MAG., May 9, 2004, § 6, at 43 [hereinafter *How the slot machine was remade*], at www.nytimes.com.

³ Robert Herguth & Steve Warmbir, *One machine makes \$100,000 profit: Once gambler gets hooked, machine pays out less*, CHI. SUN-TIMES, Feb. 20, 2005, at A9 [hereinafter *One machine makes \$100,000 profit: Once gambler gets hooked, machine pays out less*], at www.suntimes.com.

⁴ *Id.* In addition to regular “fairness” concerns involving EGDs/slots, their potential interface with organized crime activities was also an historical issue. *Id.*

⁵ NGISC FINAL REPORT, *supra* note 2, at 2-1 to 2-4.

⁶ *Id.* See, e.g., Dennis Yusko, Staff Writer, *Is it skill? Luck? No, it's software: Some bettors are surprised to find that racino VLT outcomes are predetermined by a faraway computer*, TIMES UNION (Albany, N.Y.), Nov. 4, 2007, at A1 [hereinafter *N.Y. bettors surprised that racino VLT outcomes predetermined by faraway computer*], at www.timesunion.com. Letter to the editor from Cornelius D. Murray, Attorney, Albany, N.Y., *State's hand is in dirty-dealing poker machines*, TIMES UNION (Albany, N.Y.), Nov. 12, 2007, at A8 [hereinafter *Predetermined computer VLT results would be fraud if not state-sanctioned*], at www.timesunion.com.

⁷ Press Release, San Antonio College, “SAC Statistics Students Create the First Ranking of U.S. Lotteries,” San Antonio, Tex., Dec. 13, 2007 [hereinafter *Professor Busald 2007 Statistics Study of Lotteries*], at www.sacstat.org.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.22):

Legalized gambling makes "poor people poorer"—as highlighted by the Reverend Jesse Jackson's designation of legalized gambling as "The New Chains of Slavery."¹ Are lotteries racist?²

After Illinois decriminalized casino gambling on riverboats in 1990-1991, "a Chicago area-based coalition of religious and business leaders and college professors"³ joined with the Illinois NAACP, whose "40 local chapters voted unanimously ... to oppose expanded gambling without permission from voters."⁴ The 1995 Illinois NAACP State Chairman, David Livingston, summarized that decriminalized "gambling ... [was] unfair to minorities because gambling ads target them,"⁵ and he complained that "minorities do not get the higher-paying jobs on the riverboats."⁶

In a 1999 Illinois speech on Dr. Martin Luther King, Jr. Day, the Reverend Jesse Jackson summarized that "[t]he new chains of slavery

* Modified from John W. Kindt, *Would Recriminalizing U.S. Gambling Pump-Prime the Economy and Could U.S. Gambling Facilities Be Transformed into Educational and High-Tech Facilities? Will the Legal Discovery of Gambling Companies' Secrets Confirm Research Issues?*, 8 STANFORD J.L. BUS. & FIN. 169, 176-77 (2003) (lead article) [hereinafter *Gambling Facilities Transformed into Educational Facilities*], available at www.heinonline.org. See, e.g., Rogers Worthington, *Poor get poorer at tribal casinos, says study of Wisconsin 'gamers,'* CHI. TRIB., Apr. 11, 1995, § 1, at 6 [hereinafter *Study shows poor get poorer at tribal casinos*], at www.chicagotribune.com. See also WILLIAM THOMPSON, RICARDO GAZEL & DAN RICKMAN, *THE ECONOMIC IMPACT OF NATIVE AMERICAN GAMING IN WISCONSIN* (Wis. Pol'y Res. Inst. 1995) [hereinafter *WIS. POL'Y RES. INST.*], available at www.heinonline.org; Mark Lange, *The gambling scam on America's poor*, CHRISTIAN SCI. MONITOR (Boston, Mass.), May 2, 2007, at 9 [hereinafter *The gambling scam on America's poor*], at www.csmonitor.com.

¹ Bryan Smith, *'New Chains' Shackle King's Dream*, CHI. SUN-TIMES, Jan. 19, 1999, at 10 [hereinafter *Gambling's New Chains of Slavery*], at www.suntimes.com.

² *Id.*

³ Heidi Hildebrand, *Anti-Gambling Forces Gain Allies*, HERALD & REV. (Springfield, Ill. Bur.), May 16, 1995, at A3 [hereinafter *Anti-Gambling Allies*].

⁴ *Id.*; see *supra* notes 1-3 and accompanying text.

⁵ *Anti-Gambling Allies*, *supra* note 3, at A3.

⁶ *Id.*

Tuesday, January 19, 1999

METRO

Chicago Sun-Times

'New chains' shackle King's dream

VIPs urge new economic priorities

BY BRYAN SMITH
STAFF WRITER

Great strides have been made in civil rights thanks to the Rev. Martin Luther King Jr., but without economic inclusion for minorities his dream will remain unfilled, speakers said Monday at ceremonies marking his birthday.

"Slavery is behind us, legal segregation is behind us" because of King's work, the Rev. Jesse Jackson said at the ninth annual Rainbow/PUSH Excel breakfast. "But access to capital is in front of us. Economic inclusion... must be the thing to fight for."

Jackson released a study showing 137 Fortune 500 companies but have no minorities on their

boards of directors. But he also said that poor communities need to change their attitude.

"The new chains of slavery hang on to be credit cards and lottery tickets," he said.

The key to achieving King's dream is "teaching our people to go from the lottery to the markets. From gambling bets to boardrooms," Jackson said.

The theme was echoed in keynote remarks by PUSH-Excel Director Valerie C. Johnson. "We are leaving Dr. King's dream unfulfilled," she said. "We're not providing [children] with the opportunity to succeed."

U.S. Rep. Jesse Jackson Jr. (D, Ill.) added that the biggest threat to King's goals is "an economy

that leaves many Americans behind. Whether it be a family in Ford Heights or in Appalachia."

"We must create an economy that has full employment for everyone," she said. "We must get people to register to vote... and even run for political office. Dr. King's dream was the basis, the seed of change. We must allow that change to continue to grow."

Gov. Ryan and Mayor Daley also praised King's work at the breakfast.

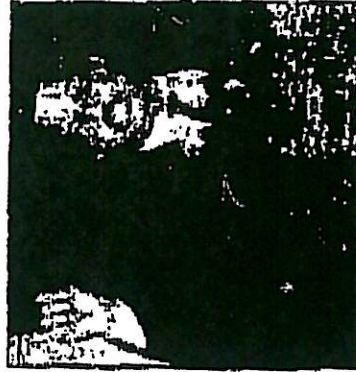
As Dr. King said: "If you can help somebody as you pass along, if you can cheer somebody with a word or a song, if you can show

someone he's traveling wrong; then your living will not be in vain," Ryan said.

At the Rockefeller Chapel at the University of Chicago, keynote speaker Mary Frances Berry, head of the U.S. Civil Rights Commission, talked about her days working with King and speculated what he might say about the current state of civil rights.

"He would speak of the dispossession," she said.

"He would be concerned that we're putting ourselves on the back for ending welfare" while people are struggling to feed their families, Berry said.



Rev. Jesse Jackson, center, says economic inclusion must be the next battleground, the Rev. Jesse Jackson says Monday.

CHICAGO TRIBUNE
APRIL 11, 1995

Poor get poorer at tribal casinos, says study of Wisconsin 'gamers'

By Rogers Worthington
TRIBUNE STAFF WRITER

MILWAUKEE—Wisconsin's Indian casinos primarily transfer wealth from one group of low-income Americans to another, an economic impact study shows.

The study, conducted by a team from the University of Nevada and Georgia Southern University, was released Monday by the Wisconsin Policy Research Institute.

The state's 17 tribal casinos, owned by 11 tribes, grossed \$605 million last year—after winnings were deducted. After all other costs were paid, the tribes were left with \$300 million, according to the report.

"A lot of those who are losing this money are low-income people," said Ricardo Gazel, an economist at the University of Nevada at Las Vegas.

Casino patrons are mainly white, 60 or older (51 percent), more likely to be female (62 percent) than male, either retired—more than a third—or blue-collar workers, and earn between \$20,000 and \$30,000 a year.

Eighty percent of Wisconsin casino patrons are Wisconsinites. Most of the remaining 20 percent

'This tells me that the issue of gambling should be looked at more carefully by governmental authorities, state or local, and by the population in general.'

Ricardo Gazel

are from Michigan, Illinois, Minnesota and Iowa, according to the study.

They lose an average of \$50 a visit, said the study team, which interviewed 697 patrons at three casinos last summer—in Green Bay, Carter and Milwaukee.

More than 37 percent of "gamers," as the study calls them, are from within a 35-mile radius of the casinos. Fourteen percent of those earned \$10,000 a year or less, according to the study.

Of all those who lived within 35 miles, 10 percent said they would spend more on groceries if not for their casino visits, while nearly 25 percent said they would spend more on clothes. Thirty-seven percent said they would save more if not for their casino visits.

Areas adjacent to the casinos—

within 35 miles—come out economically ahead, even when the social costs of compulsive gambling are taken into account, the study said. The reason: More money is being transferred into the area from the outside than is being lost locally.

But the rest of the state is a loser, the study said. Even a conservative estimate of a median level of social costs—lost productivity, criminal justice system costs, embezzlement and fraud—virtually cancels out the net economic gain, according to the study.

"This tells me that the issue of gambling should be looked at more carefully by governmental authorities, state or local, and by the population in general," Gazel said.

The study concludes, however, that Indian gaming is a net benefit for tribes, and that their compacts with the state should be renewed upon expiration.

Others involved in the study were William Thompson, a public policy professor at the University of Las Vegas and a nationally known expert on gambling, and Dan Rickman, an economist at Georgia Southern University and an expert in statistical modeling.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.12):

Since 1994, the American Medical Association has been on record as critical of gambling and concerned regarding the increasing sociomedical costs of decriminalized gambling (already \$40 billion to \$61 billion by 1994).¹

In 1994 the American Medical Association was already publicly condemning the spread of U.S. decriminalized gambling and its accompanying sociomedical costs of \$40 billion.² In 2008 dollars, these sociomedical costs plus new costs (like the costs of Big Tobacco) were conservatively estimated at \$120 billion to \$150 billion, which was significantly more than the approximately \$30 billion anticipated in potential tax revenues from gambling interests.³

¹ See, e.g., Am. Medical Ass'n, House of Delegates Resolution 430 (A-94) (1994) (sociomedical costs of gambling equal \$40 billion to \$61 billion per year) [hereinafter *Am. Medical Ass'n Resolution Against U.S. Legalizing Gambling*].

² *Id.*

³ For updated numbers, see Table A3 and utilize the formula in John W. Kindt, *The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?*, 22 *MANAGERIAL & DECISION ECON.* 17, App. A (2001) (invited article) [hereinafter *Mega-Lawsuits*], available at www.heinonline.org.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.13):

Since 1999, the Australian Medical Association has been on record as critical of gambling and concerned regarding the increasing sociomedical costs of decriminalized gambling.¹

The Australian Medical Association's official 1999 Position Statement on the "Health Effects of Problem Gambling"² states that "[p]roblem gambling as a public health issue is likely to affect an increasing percentage of the Australian population."³ The Australian Medical Association also highlighted that the "adverse effects include family breakdown, domestic violence, criminal activity, disruption to or loss of employment and social isolation,"⁴ including the "capacity to afford necessities such as adequate nutrition, heating, shelter, transport, medications and health services."⁵

¹ Australian Medical Association, Position Statement: Health Effects of Problem Gambling (1999) [hereinafter Austral. Medical Ass'n Position on Problem Gambling], at www.ama.com.au.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.16):

Since 1990, legalized gambling facilities and lotteries have reduced overall funding of education.¹

In every grade school, the *World Book Encyclopedia* has advised all educators since 1994 that gambling and lotteries have *reduced* funding for education.²

The public assumed that the schools would thus benefit by having more money to spend. In most of those states, however, legislators have reduced education allotments from the general fund by about the same amount raised by the lottery, so there has been no extra money for schools.³

Since 1994 the “gamble for education” advertising and deception of the public continued to work so well that legislatures almost invariably took more money from education than was being contributed by lotteries.⁴ The net effect was that legalized gambling reduced funding to K-12 education, as well as higher education.⁵

¹ For the most relevant, extensive, and authoritative state-by-state analysis of Big Gambling's destructive impacts on education funding, see Peter Keating, *Lotto Fever: We All Lose!*, MONEY, May 1996, at 142, 144-45 [hereinafter *Lotto Fever: We All Lose!*], at www.money.cnn.com. As of 2007, no state or state lottery had produced any authoritative analysis refuting the Peter Keating analysis, *Lotto Fever: We All Lose!*

² WORLD BOOK ENCYCLOPEDIA 1994 SUPPLEMENT 400.

³ *Id.*

⁴ *See id.*

⁵ *Id.*

taxes.⁶⁷ The promises of sustained economic growth promulgated by the legalized gambling organizations constitute, at best, illusory promises. As a result, the public contract between the legalized gambling organizations and the state to assist the economy constitutes a *nudum pactum*, or void agreement.

III. THE EFFORTS OF COMMUNITIES TO ATTRACT NEW BUSINESSES

Businesses seek to locate in those local and state economies which have or can provide a stimulating business/economic environment.⁶⁸ Economically depressed areas often look beyond traditional manufacturing jobs to bolster their economies, and legalized gambling activities may be considered.⁶⁹ However, an actual accounting of the societal cost-benefit analysis is necessary to determine whether the activity, such as legalized gambling, would produce the desired economic growth and should therefore be introduced into the region.⁷⁰ The results of some economic studies⁷¹ should "give pause to policymakers who are considering the use of casinos as a machine for growth in depressed regions."⁷²

"Stability of expectations"⁷³ is an essential ingredient of an attractive business environment. Businesses need to know that if they perform in a certain manner, they can minimize risk and maximize their expectations. While risk is always a factor in a changing business environment, the inability to calculate that risk is almost more destabilizing than the magnitude of any calculated risk.

One basic example of stability of expectations involves what is termed "the maintenance of a favorable legal order." On a national level, busi-

⁶⁷ See generally Andrew J. Buck et al., *Casinos, Crime, And Real Estate Values: Do They Relate?*, 28 J. OF RESEARCH IN CRIME & DELINQUENCY 288, 301-02 (1991) [hereinafter Buck et al.]; Simon Hakim and Andrew J. Buck, *Do Casinos Enhance Crime?*, 17 J. CRIM. JUSTICE 409, 414-15 (1989) [hereinafter Hakim].

⁶⁸ See Buck et al., *supra* note 67, at 301-02; Hakim, *supra* note 67, at 414-15.

⁶⁹ Buck et al., *supra* note 67, at 289.

⁷⁰ *Id.*

⁷¹ See, e.g., GOODMAN, *supra* note 3, and *infra*.

⁷² Buck et al., *supra* note 67, at 302.

⁷³ For explanations of this concept in the context of the McDougal/Lasswell decision-making model as applied to corporate development of national and international resources, see JOHN W. KINDT, 1 MARINE POLLUTION AND THE LAW OF THE SEA 11-17 (1992); John W. Kindt, *Prolegomenon To Marine Pollution And The Law Of The Sea*, 11 ENVTL. L. 67, 70-72 (1980).

choose them as locations for new subsidiaries.⁷⁹ Conversely, the bulk of states which did not have to delay payments enjoyed a relative advantage for attracting new businesses.⁸⁰ However, any concessions, such as tax concessions, offered by California or Illinois could more than offset the problem of "instability" of payments and thereby attract new businesses. Yet despite the potential concessions California and Illinois may make to new industries, they still suffer a competitive disadvantage due the incidence of past instability. In essence, California and Illinois must now "pay" for the previous unstable business/economic conditions caused by their legislative budgeting anomalies.

IV. BUSINESS LOCATION MODELS

In determining where to invest their dollars by building new plants or establishing new subsidiaries, corporations with large asset bases generally turn to "business location models."⁸¹ Even small companies can utilize the less complex models,⁸² but the models utilized by the larger companies,⁸³ such as the Fortune 500,⁸⁴ tend to be quite sophisticated.⁸⁵ Obviously, the major businesses like to keep these models confidential,⁸⁶ be-

FACILITIES PLANNING 97, 99 (H. M. Conway and Linda L. Liston eds., 1976) [hereinafter Stuckeman].

⁷⁹ See notes 100-105, *infra*, and accompanying text.

⁸⁰ Stuckeman, *supra* note 78, at 99 (the "state business climate"). "Are the state legislative, executive and judiciary branches performing as well as other state governments?" *Id.* This category constitutes one of the criteria in the site selection process for businesses.

⁸¹ For historical background and an introduction to business-related decision-making in general, see FRIEDRICH ROSENKRANZ, AN INTRODUCTION TO CORPORATE MODELING (1979) [hereinafter ROSENKRANZ]. See generally, JON E. BROWNING, HOW TO SELECT A BUSINESS SITE (1980) [hereinafter BROWNING]; INDUSTRIAL FACILITIES PLANNING (H. M. Conway and Linda L. Liston eds., 1976) [hereinafter PLANNING]; WILLIAM N. KINNARD AND STEPHEN D. MESSNER, EFFECTIVE BUSINESS RELOCATION (1970) [hereinafter KINNARD]; ROGER W. SCHMENNER, MAKING BUSINESS LOCATION DECISIONS (1982) [hereinafter SCHMENNER]; DAVID M. SMITH, INDUSTRIAL LOCATION (2d ed. 1981) [hereinafter SMITH]; JOHN S. THOMPSON, SITE SELECTION (1982) [hereinafter THOMPSON]; ALFRED WEBER, THEORY OF THE LOCATION OF INDUSTRIES (Carl J. Friedrich trans., 1937) [hereinafter WEBER].

⁸² See, e.g., THOMPSON, *supra* note 81, at 167 (store location research for single stores); *id.* at 197 (simplified guide to store location research).

⁸³ For examples of the starting points for the business location models including the variable-cost model and operational models, see generally SMITH, *supra* note 81, at 149-313.

⁸⁴ For general examples of business location analyses involving the Fortune 500, see SCHMENNER, *supra* note 81, at 60 *et seq.*

⁸⁵ For a summary of various theories of business location within the framework of spatial economic analysis, see SMITH, *supra* note 81, at 68-107. See also WEBER, *supra* note 81.

⁸⁶ Businesses express a need for confidentiality in various aspects of the decision-making pro-

and states with these red-flag components are at a definite competitive disadvantage for attracting new businesses to their economies.

The question of whether high crime rates *per se* are associated with legalized gambling activities is beyond the scope of this discussion.⁹⁸ In addition, any specific red-flag areas are or should be separate components in business location models. Even so, pre-existing legalized gambling activities in any county or state constitute a definite negative in efforts to attract new businesses (and in keeping pre-existing businesses).⁹⁹ It is largely irrelevant whether the gambling activity has been legalized or not. The basic negative socio-economic impacts of an activity do not change just because an activity has been "legalized" — although the parameters of the negatives may be regulated or monitored more closely.

In the public domain, the best analysis interfacing a community environment with readily accessible legalized gambling activities is contained in *The Impact of Casino Gambling In New Orleans*¹⁰⁰ by the Division of Business and Economic Research at the University of New Orleans. This report referenced a 1989 survey¹⁰¹ in which business leaders were asked what factors were "absolutely essential" in locating their businesses.¹⁰²

With respect to office locations, the business leaders listed eight factors that were important. Of these eight, two were related to the business climate: 1) the climate created by state and local government for business, which was ranked fourth with 29 percent of the respondents saying it was essential and 2) the ability to attract executives and professional[s] from outside the area, which was

⁹⁸ See, e.g., Buck et al., *supra* note 67, at 288; Hakim, *supra* note 67, at 409.

For a summary of the socio-economic concerns associated with legalized gambling activities as they interface with the criminal justice system, see Frank Kelley, Michigan Attorney General, Address before the International Conference on Gambling, Nashville, Tenn. (February 11, 1994) ("I have been Michigan's Attorney General for more than thirty years, and there has never been an issue that has disturbed me any more than the proliferation of gambling in our state.") [hereinafter Mich. Att'y Gen.].

⁹⁹ As a general observation in a related issue area involving business location decisions, "[m]any business activities are regarded as 'unsuitable neighbors' both for residences and for other types of more 'desirable' business activity." KINNARD, *supra* note 81, at 61.

¹⁰⁰ TIMOTHY P. RYAN, ET AL., *THE IMPACT OF CASINO GAMBLING IN NEW ORLEANS* (Division of Business and Economic Research, University of New Orleans 1990) [hereinafter RYAN].

¹⁰¹ This survey was undertaken by the economic development firm of Cushman and Wakefield, utilizing the polling firm of Louis Harris and Associates, Inc.

¹⁰² RYAN, *supra* note 100, at 30.

ranked seventh with 22 percent of the respondents saying it was essential. This is consistent with other surveys that have been done.¹⁰³

It should also be noted that when these business leaders were polled about "other" cities, "[o]nly three percent felt that Las Vegas was an attractive place to locate a business today [1989]"¹⁰⁴ and "only 2 percent responded that they felt Las Vegas would be attractive in the next five years."¹⁰⁵

An actual case example demonstrated several of these points when in March of 1992, Mayor Richard Daley announced and gave his support to a proposed \$2-billion casino complex for Chicago.¹⁰⁶ Mayor Daley's plan was criticized as "increasing crime and other social problems and discouraging other businesses from locating [in Chicago]."¹⁰⁷ In this context, Mayor Daley claimed that he had first tried to attract another Walt Disney World to the Chicago area,¹⁰⁸ but failing in that attempt he was hoping to establish a \$2-billion casino complex. Despite the many variables associated with such decisions, the speed with which the Mayor appeared to dismiss the Disney-type possibility hurt the Mayor's credibility. It seemed unreasonable that an attractive offer could not have been negotiated to attract the Walt Disney Company or a similar company — given the resources of the City of Chicago and the Governor of Illinois (whom Mayor Richard Daley did not consult prior to announcing the Chicago casino complex).¹⁰⁹

Even so, it seemed illogical that a theme park the size of Walt Disney World would ever locate in the Chicago area once a \$2-billion casino complex was approved. In other words, in business as in politics, the rule is that business persons should "never say never." However, in this hypo-

¹⁰³ *Id.* at 30-31.

¹⁰⁴ *Id.* at 32.

¹⁰⁵ *Id.*

¹⁰⁶ Walsh, *supra* note 25, at 3.

¹⁰⁷ *Id.*

¹⁰⁸ See generally, Chris Reidy, *Gambling Has Become The Nice Vice*, BOSTON GLOBE, January 17, 1993, at 69, 71 ("The word gambling makes . . . [employees of legalized gambling organizations] uncomfortable In an era when casinos are designed with water slides and Disney-style theme parks, . . . [they prefer] such terms as 'gaming' and 'family entertainment'.").

¹⁰⁹ John Kass and Rick Pearson, *Daley Folds Casino Hand*, CHI. TRIB., January 8, 1993, § 1, at 1, 18. "[Mayor] Daley had sought the legislature's approval of the casino project last year without first discussing the idea with [Governor] Edgar, who is opposed to casino gambling in the city." *Id.* at 1.

In this context, it is interesting to note that the 85-member Greater Washington (D.C.) Board of Trade quickly and unanimously rejected a 1993 proposal to bring casino gambling to the area.¹¹² There was apparently very little debate among businesses and the tourist trade in Washington, D.C. — compared with the debate in Chicago which began in 1992 and continued into 1994. The press report on the decision of the business leaders in the Washington, D.C. area was revealing.

The Washington area's most influential business group . . . denounced Mayor Sharon Pratt Kelly's efforts to bring casino gambling to the District, attacking the idea as a poor use of city resources.

In a rare public stand on a controversial political issue, the Greater Washington Board of Trade's 85-member board voted unanimously against the initiative.

The group, which includes many of the Washington area's most powerful business leaders, could have provided strong backing for Kelly's plans to use gambling to spur economic development. The mayor has courted the group on various financial issues.

"The addition of casino gambling would not enhance the city's image," the Board of Trade said in a statement . . . "Directors believe that the city should concentrate on key economic development initiatives such as the convention center redevelopment, neighborhood revitalization and an aggressive business retention program," adding that gaming is "diverting the Kelly administration's attention away from well-outlined priorities."¹¹³

This decision by the Board of Trade was a significant reflection of business acumen and it unanimously rejected the standard claims of economic development promulgated by the legalized gambling interests.¹¹⁴

In any event, it should be emphasized that there are also fundamental differences in substantial portions of the tourist and nontourist clienteles attracted by complexes dedicated to gambling, as distinguished from other

¹¹² Liz Spayd and Yolanda Woodlee, *Trade Board Rejects D.C. Casino Plan*, WASH. POST, September 25, 1993, § A, at 1 [hereinafter Spayd].

¹¹³ *Id.* at 1 (emphasis added).

¹¹⁴ *Id.* at 1, 8.

types of tourist attractions. These differences are important, despite the efforts of many legalized gambling facilities to disguise themselves as "family entertainment centers." "But a casino is *not* an adult Disneyland,"¹¹⁵ according to law professor I. Nelson Rose, who summarized some of the issues differentiating a casino from a *bona fide* family entertainment center.

Disneyland would not exploit minors, or drunks, or compulsives [i.e., compulsive gamblers], even if it could get away with it. But some casinos do it every day and then lie about it, even to themselves.¹¹⁶

Considerable weight should be given to the argument that in many respects a Disney-style theme park and a legalized gambling complex are not just different, but fundamentally incompatible. These problems lead to the proposition that each state, particularly tourist-oriented states, must decide on their "tourist environment" as well as their statewide "business and community environments." Given some of Euro Disney's marketing problems during the early 1990s,¹¹⁷ it would be difficult to believe that a Manassas theme park would not have some serious concerns about proximate legalized gambling facilities—particularly riverboats and casinos.

The main point is that counties, cities, and states must choose their respective business environments. Chicago needs to determine whether it wants to be known as "the City that Works" or "the City that Gambles."¹¹⁸ Likewise, Illinois needs to determine if it wants to be known as "the State that Works" or "the State that Gambles." Virginia, Florida, and other tourist-oriented states will also need to decide on their "tourist environment."¹¹⁹ As the Greater Washington Board of Trade emphasized, "[t]he addition of casino gambling would not enhance the city's im-

¹¹⁵ I. Nelson Rose, *The Rise And Fall Of The Third Wave: Gambling Will Be Outlawed In Forty Years*, at 65, 72, in *GAMBLING AND PUBLIC POLICY: INTERNATIONAL PERSPECTIVES* (William R. Eadington and Judy A. Cornelius eds. 1991) (emphasis in original).

¹¹⁶ *Id.* at 72.

¹¹⁷ See, e.g., *Euro Disney's Wish Comes True*, *THE ECONOMIST*, March 19, 1994, at 83; *Melt-down At The Cultural Chernobyl*, *THE ECONOMIST*, February 5, 1994, at 65.

¹¹⁸ Walsh, *supra* note 25, at 3 ("The dispute also has an emotional edge dealing with self-image . . . 'If we become the gambling center of the Midwest,' [Chicago Alderman Lawrence] Bloom said, 'that's what we're going to be known as, and that's not what Chicago is.'").

¹¹⁹ See Spayd, *supra* note 112, at 1.

states.

VI. THE ADVANTAGES OF THE GAMBLING-FREE STATE FOR RETAINING PRE-EXISTING BUSINESSES AND ATTRACTING NEW BUSINESSES

Those states which do not have any form of legalized gambling, including a state lottery, should not legalize gambling activities for purely fiscal reasons alone. From a business/economic perspective, the best strategy for a state is to declare itself a "gambling-free state" and then widely advertise itself as such. States which have already legalized gambling should re-criminalize gambling activities to boost their local economies. One major reason is that since most states are becoming infatuated with the gambling philosophy, those states without legalized gambling or with minimal legalized gambling will have several relative socio-economic advantages contributing to a positive business/economic environment. Even minimal legalized gambling in a state should be eliminated: once the Pandora's box of legalized gambling is opened, the socio-economic problems rapidly become ingrained in the economic fabric of the state.

Within the near future, businesses will start looking for gambling-free states or economies to which they can escape. Sooner or later, businesses will become disenchanted with the socio-economic problems and relatively high taxes of gambling states. Gambling-free states or states with less gambling will have advantages in attracting new businesses and in retaining pre-existing businesses. Strategically speaking, non-gambling states (or minimal-gambling states) will have more vibrant local economies, proportionately more consumer dollars, better sociological environments, more productive jobs, and lower taxes. As of 1992, Utah and Hawaii were the only remaining states without any legalized gambling activities whatsoever — although many states still had very limited legalized gambling activities. Given Hawaii's reliance on a tourist economy, the citizenry of Hawaii probably realized that any legalized gambling activities would severely injure the pre-existing tourist economy. Furthermore, Utah was recognizing and promoting its gambling-free status as an economic plus, and Utah Governor Mike Leavitt emphasized this advantage:

We're the number one job creation state in the country. We're number two in personal income growth And there are a lot of people, frankly, that would like to move to a state where there

is no gaming, where in fact you can have a safe place, a clean place to live¹⁵⁰

As other states expand legalized gambling activities, the gambling-free states and those states which minimize gambling activities will increase their competitive advantage in attracting and retaining nongambling-related businesses.

Similarly, many businesspersons instinctively recognize many of these economic principles. When a land-based casino was projected in New Orleans, local entrepreneurs, including the New Orleans Business Council, actively opposed the casino and the guaranteed effect of legalized gambling facilities on pre-existing consumer dollars and tourist dollars. They feared that a casino would take customers from the native merchants and restaurateurs. Moreover, they failed to see how the Crescent City could benefit by dividing the substantial, existing tourist trade amongst itself. Not surprisingly, many New Orleanians were outraged that a proposed referendum on the casino issue was disallowed.¹⁵¹

In future years, businesses will invariably be attracted to non-gambling states, or to those states with less gambling, and their healthier economies with more consumer dollars, better business environments, and lower socio-economic problems. On a relative basis, the consumer dollars in non-gambling states will be less likely to be syphoned into the legalized gambling organizations, which are highly competitive in capturing local "consumer dollars" and transforming them into "gambling dollars."¹⁵² Excepting the instances where a small gambling state lives parasitically off of the economy of a non-gambling state,¹⁵³ the corporate, personal, and real estate taxes should be proportionately lower for gambling-free states and states with minimal gambling. In sum, the less there is of legalized gambling, the more vibrant the economy will be.

In the long-term, gambling-free states will also have proportionately more economic strength than gambling states. For example, Georgia should immediately revoke its state lottery, because as one of the last non-

¹⁵⁰ *This Week with David Brinkley*, (ABC television broadcast, March 20, 1994) (statement of Utah Governor Mike Leavitt).

¹⁵¹ Koselka, *supra* note 45, at 63.

¹⁵² See generally GOODMAN, *supra* note 3. See also William R. Eadington, *Economic Perceptions Of Gambling Behavior*, 3 J. GAMBLING BEHAV. 264 (1987).

¹⁵³ See notes 128-132, *supra*, and accompanying text.

The Backlash Against Legalized Gambling

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.11):

By the beginning of the 21st Century, international social problems caused by decriminalized gambling were resulting in curbs on gambling activities.¹

The international trends toward curbs on decriminalized gambling were probably best exemplified by the U.S. recommendations to recriminalize various forms of gambling found in the *Final Report*² of the National Gambling Impact Study Commission (NGISC or 1999 U.S. Gambling Commission). However, other examples were becoming more prevalent, such as the 2006 proposals in Norway, particularly by the minister of Culture, Trond Giske, to prohibit and /or further restrict the operation of convenience gambling slot machines.³

¹ NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>.

² See, e.g., *id.* recs. 3.6, 5.1–5.4.

³ See, e.g., *Shorter hours for slot machines*, THE NORWAY POST (Bærum, Norway), May 16, 2006 [hereinafter *Shorter hours*], available at www.norwaypost.no.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Trend (ST.17):

As documented by the Pew Research Center in 2006, there was a reconfirmed backlash trend in U.S. public sentiment against government-sanctioned gambling.¹

U.S. public concerns over gambling were exemplified in 2006: “Seven-in-ten (70%) Americans say that legalized gambling encourages people to gamble more than they can afford, according to a ... [2006] Pew Research Center survey.”² This 70 percent compared to 62 percent “in 1989 when the same question was posted in a Gallup survey.”³ The Pew Research Center (PRC) reported that in 2006 only 71 percent of the U.S. public—“down from 78% in 1989—approves of lotteries as a way for states to raise revenue.”⁴ Furthermore the PRC study found that “[p]ublic support for other forms of legalized gambling, such as casino, off-track betting on horse racing and pro sports betting, has either been stable or declined since 1989.”⁵

Throughout the 1990’s, U.S. polls almost uniformly tracked the public at 2 to 1 against any gambling expansion.⁶ Accordingly, pro-gambling interests shied away from statewide votes unless their campaign war chests could overwhelm any funds raised by opposing watchdog groups.⁷ Between 1992 and 1996 in Illinois, “58 percent of Illinois voters rejected specific gambling proposals while pro-gambling interests won

¹ Pew Research Ctr., Press Release, “Gambling: As the Take Rises, So Does Public Concern,” Washington, D.C., May 23, 2006 (Exec. Dir. Susan Magill) [hereinafter *Pew Research Center Study on Gambling*], at <http://pewresearch.org>.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.* See, e.g., Brian Allen, Study: Americans Taste for Gambling is Slowing, KLAS-TV, May 24, 2006 [hereinafter *Pew Research Center Study Shows U.S. Taste for Gambling is Slowing*], at www.klastv.com/Global/story.

⁶ John W. Kindt, *Follow the Money: Gambling, Ethics, and Subpoenas*, 556 ANNALS AM. ACAD. POL. & SOC. SCI. 85, 88, 94–95 (1998) (invited article) [hereinafter *Follow the Money*], available at www.heinonline.org.

⁷ See generally *id.* at 88. To win the vote, pro-gambling interests needed to spend over \$75 for every \$1 spent by watchdog groups. *Id.*

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.21):

Does government gambling cheat the public welfare?¹ Gamblers increasingly ask whether the electronic games are "fair."²

Does government gambling cheat? In the United States in 2003, legislative hearings were recommended on the "fairness" of the electronic gambling devices (EGDs) and slot machines.³ Issues had arisen involving how "slot machines" are programmed and whether the astronomical odds are "fair" to patrons.⁴ Coupled with systemic regulatory failures,⁵ these issues of "fairness" have been exacerbated.

In November 2006, a Pennsylvania voters' group CasinoFreePA and coordinator Dianne Berlin called on the Pennsylvania Attorney General Tom Corbett to investigate the fairness of the state's slot

¹ See William L. Holmes, *Video Games: Concepts and Latent Influences*, FBI LAW ENFORCEMENT BULL., Mar./Apr. 1985, at 1, 1-16 [hereinafter *Holmes on Video Games*]; John W. Kindt, "The Insiders" for Gambling Lawsuits: Are the Games "Fair" and Will Casinos and Gambling Facilities Be Easy Targets for Blueprints for RICO and Other Causes of Action?, 55 MERCER L. REV. 529, 529-93 (2004) (lead article) [hereinafter *Gambling Facilities as Targets for RICO*], available at www.heinonline.org; John W. Kindt, *Subpoenaing Information from the Gambling Industry: Will the Discovery Process in Civil Lawsuits Reveal Hidden Violations Including the Racketeer Influenced and Corrupt Organizations Act?*, 82 OREGON L. REV. 221, 221-94 (2003) (lead article) [hereinafter *Subpoenaing the Gambling Industry*], available at www.heinonline.org. See also Brian Wallheimer, *Blumenthal says Mashantuckets' slot promotion cheats state of revenue*, NORWICH BULL. (Norwich, Conn.), Sept. 30, 2006, at A1 [hereinafter *Conn. General Attorney Blumenthal says casino cheats state of revenue*], available at <http://docs.newsbank.com>.

² *Id.*

³ *Id.*

⁴ *Id.*; Steve Bourie, *Are Slot Machines Honest?*, in AMERICAN CASINO GUIDE 35 *et seq.* (S. Bourie ed. 1999) [hereinafter *Are Slot Machines Honest?*].

⁵ See John W. Kindt, *The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance*, 27 S. ILL. U. L.J. 221, 221-62 (2002) (lead article) [hereinafter *Gambling Industry's Perpetual Non-Compliance*], available at www.heinonline.org; John W. Kindt, *Follow the Money: Gambling, Ethics, and Subpoenas*, 556 ANNALS AM. ACAD. POL. & SOC. SCI. 85, 85-97 (1998) (invited article) [hereinafter *Follow the Money*], available at www.heinonline.org.

machines and allegations of possible fraud.⁶ Thereafter, the Capitol press in Pennsylvania posed serious questions.⁷

There are criminal penalties if a customer cheats a casino by artificially rigging a slot machine. Is there any penalty for a casino that cheats customers by artificially rigging its slot machines?

Is there any law or regulation to prohibit casinos from defrauding customers by rigging a slot machine's computer program so that tantalizing "almost hit" displays are frequent—to provide the false impression that a jackpot may come with a few more spins?

Is there any state law or regulation to require casinos to divulge the actual odds of winning the jackpots they advertise or display? Is there any proposal being made by any official state body to require that such odds be posted on each slot machine?

Is there any provision to prohibit casinos from using shells? In other words, can a casino arrange to have its employee, or some other person working in concert with casino management, play a slot machine and win a large jackpot, which has been artificially rigged, as a way of defrauding regular customers into thinking it is actually possible to win such a jackpot?

Is there any provision to prohibit casinos from offering free booze to customers as a way of lessening inhibitions and encouraging them to engage in reckless gambling?

Many people realize that the chances of winning a large jackpot are extremely remote, but slot machines can be rigged to make a particular jackpot totally impossible—not a one in a billion chance, but absolute zero. Is there any state rule to prohibit that?

On ... [November 16, 2006] I sent those and some other questions to the press office of the Pennsylvania Gaming Control Board, to the press office of the state attorney general's office,

⁶ For the origin of the reports by the Associated Press, see CasinoFreePA, Press Release, "CasinoFreePA Asks Attorney General To Investigate Possible Fraudulence And Fairness Of Slots," Harrisburg, Penn., Nov. 13, 2006 [hereinafter *Pennsylvania Attorney General Asked to Investigate Slots*], at www.casinofreepa.org.

⁷ See, e.g., Paul Carpenter, *Dead silence greets queries on casino cheating*, MORNING CALL (Harrisburg, Penn.), Nov. 19, 2006, at B1 [hereinafter *Dead silence greets queries on casino cheating*], at www.mcall.com.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Recommendation (SR.8):

The U.S. Congress should eliminate the \$40-billion initial tax write-off given to slot machine lobbyists for 9/11 plus the billions of dollars in tax write-offs given for subsequent years.¹

The Washington, D.C. lobbyists for the gambling industry seized on the 9/11 terrorist attack to pass legislation giving all gambling facilities using video gambling machines and similar devices a tax write-off initially worth \$40 billion²—according to its sponsor U.S. Representative Jerry Weller (R-IL),³ the head of the House Gaming Caucus in the U.S. House of Representatives.⁴ This \$40-billion tax write-off was equivalent to approximately all of the Federal and state tax revenues received from all U.S. legalized casino gambling during the 1990s (for example, 2001 was the “highest” proportional tax year at \$3.6 billion in direct casino gaming taxes).⁵ The Las Vegas media appeared to brag about the gambling industry’s influence in the U.S. Congress,⁶ which could achieve this \$40-

¹ Tony Batt, *Tax Break for Slots OK'd*, LAS VEGAS REV.-J., Oct. 16, 2001, at 1 [hereinafter *Tax Break for Slots*], at www.lvrj.com.

² *Id.*

³ *Id.*

⁴ *Id.* In 2007, a watchdog group categorized U.S. Representative Jerry Weller (R-IL) as one of the “most corrupt members of Congress.” *Crew Releases Third Annual Most Corrupt Members of Congress Report*, BEYOND DELAY, Sept. 18, 2007 (available online only) [hereinafter *Most Corrupt Members of Congress Report*], at www.beyonddelay.org. In 2007, Representative Weller announced he would not run for re-election. Editorial Staff, *Editorial: Weller's Departure will be Beneficial to 11th District*, CHI. DAILY SOUTHTOWN, Sept. 24, 2007, at A8 [hereinafter *Weller's Departure Beneficial*], at www.dailysouthtown.com. See also Assoc. Press, *Weller's Legacy Could Affect Heated Race*, NEWS-GAZETTE (Champaign, Ill.), Jan. 13, 2008, at A5 [hereinafter *Weller Legacy Could Affect Votes*], at www.newsgazette.com.

⁵ See generally Eugene Martin Christiansen & Sebastian Sinclair, *U.S. Growth Rate Disappoints*, INT'L GAMBLING & WAGERING BUS., Aug. 2001, at 1, 32 (1990s annual revenue and tax estimates); Doug Young, *U.S. Casino Growth Slows to Decade-low in 2001*, REUTERS COMPANY NEWS, May 8, 2002 (reporting 2001 taxes on casinos), available at <http://casinonews.org/archive>.

⁶ *Tax Break for Slots*, *supra* note 1.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Recommendation (SR.12):

As exemplified by the state constitutional prohibitions against gambling maintained by two-thirds of the states for most of the 20th Century, governments can only suppress and criminalize gambling—equivocating or compromising with gambling¹ corrupts and undermines governmental ethical authority² and practical power,³ resulting in eventual destabilization of government.⁴ By 2008, the lobbying monies and power of gambling interests were the largest influences and dominant forces in 26 state governments.⁵

¹ For example, Louisiana Governor Edwin Edwards (D-LA) went to prison for improper dealings allowing gambling interests to open Louisiana casinos. TYLER BRIDGES, *BAD BET ON THE BAYOU: THE RISE OF GAMBLING IN LOUISIANA AND THE FALL OF GOVERNOR EDWIN EDWARDS* (2001) [hereinafter *THE RISE OF GAMBLING IN LOUISIANA AND THE FALL OF GOVERNOR EDWIN EDWARDS*]. Another example included allegations of voting improprieties involving the gambling industry and resulting in the 1996 election of Mary Landrieu (D-LA) to the U.S. Senate. Robert Novak, nationally-syndicated columnist, *In Louisiana gamblers got their woman*, ST. J.-REG. (Springfield, Ill.), Nov. 19, 1996, at 6 [hereinafter *In Louisiana gamblers got their woman*], at www.sj-r.com.

² For a well-known scandal involving gambling lobbyist Jack Abramoff, see *Tribal Lobbying Matters: Hearing Before the Senate Comm. on Indian Affairs*, 109th Cong., 1st Sess. (Parts 1–3, 2005) [hereinafter *Cong. Hearing 2005 on Tribal Lobbying Jack Abramoff Scandal Parts 1–3*], at www.gpoaccess.gov.

³ The economic recessionary trends inherent in legalized gambling contribute significantly to the process in proportion to the ratio of net gambling revenues (“the take”) to the gross national product (GNP).

⁴ See, e.g., John W. Kindt & Anne E.C. Brynn, *Destructive Economic Policies in the Age of Terrorism: Government-Sanctioned Gambling as Encouraging Transboundary Economic Raiding and Destabilizing National and International Economies*, PROG. ARMS CONTROL, DISARMAMENT & INT’L SECURITY, U. ILL. 1, 1–31 (2005) (invited article reprinted) [hereinafter *Int’l Security: Gambling’s Destabilizing Economies*], available at www.heinonline.org.

⁵ In 2008, analyses of the records of watchdog groups tracking lobbying indicated that the lobbying monies and power of gambling interests were the largest influences and dominant forces in the state governments of 26 states: Ariz., Cal., Conn., Ill., Ind., Iowa, Kan., Ky., La., Mich., Minn., Miss., Mo., Mont., Nev., N.J., N.M., N.Y., N.D., Okla., Or., Pa., S.D., Wash., W. Va., and Wis. For a sample of a state experiencing lobbying problems from gambling interests shortly after the state decriminalized casinos, see KENT D. REDFIELD, *STACKING THE DECK: THE FLOW OF MONEY FROM GAMBLING INTERESTS INTO ILLINOIS POLITICS* (1999) [hereinafter *THE FLOW OF MONEY FROM GAMBLING INTERESTS INTO ILLINOIS POLITICS*].

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Background (SB.12):

Rather than deterring the adverse consequences of gambling, the "legalization" of gambling fuels the adverse consequences and covers them with a cloak of legitimacy.¹

During a 1998 U.S. Congressional hearing, an analysis of casino gambling in the state of Minnesota, the first state after Nevada and New Jersey to permit widespread casinos, highlighted gambling's adverse consequences, particularly when covered with tribal sovereignty.² An analysis of the state of Minnesota by former Minnesota Court of Appeals judge R.A. Randall revealed that:

close to 20 percent of all tribal governments in Minnesota, were found to contain systemic and institutionalized corruption, and the evil that corruption brings. The evidence at trial revealed that this systemic and institutionalized mismanagement stemmed from unaccountable casino money. The unaccountability stems directly from the lack of state and federal oversight. That lack of oversight is directly attributable to tribal "sovereignty." The investigation of other Minnesota reservations with gaming casinos continues today.³

¹ See generally NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>. See also John W. Kindt, *The Business-Economic Impacts of Licensed Casino Gambling in West Virginia*, 13 W. VA. U. INST. PUB. AFF. 22, 22-26 (1996) (invited article) [hereinafter *Business-Economic Impacts of Gambling*], available at www.heinonline.org; John W. Kindt, *Introducing Casino-Style Gambling into Pre-existing Economies: A Summary of Impacts on Tourism, Restaurants, Hotels, and Small Businesses*, 10 N. ARIZ. U., ARIZ. H. RESEARCH & RESOURCE CTR. 6, 6-9 (1996) (invited article) [hereinafter *Negative Casino Impacts on Tourism and Businesses*], available at www.heinonline.org.

² *Oversight Hearing to Provide for Indian Legal Reform: Hearing before the Senate Comm. on Indian Affairs*, 105th Cong., 2d Sess. 118 *et seq.* (Part 1, 1998) (prepared statement of Hon. R.A. Randall, retired judge, Minn. Ct. App., with his attached opinion in *Granite Valley Hotel, LP v. Jackpot Junction Bingo & Casino*, Lower Sioux Indian Community, C8-96-1024 (Minn. Ct. App. 1997)) [hereinafter *U.S. Senate 1998 Cong. Hearing on Tribal Sovereign Immunity and Abuses*], at www.gpoaccess.gov.

³ *Id.* at 153.

Gambling Addiction:

Youth and Suicides

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Problem (SP.6):

*Gambling addiction is the fastest growing addiction among young people.*¹

In one 2006 example involving the United Kingdom, Professor Mark Griffiths of Nottingham Trent University, "Europe's only professor of gambling,"² warned that "[m]illions of children will become gambling addicts"³ because the 2005 U.K. Gambling Act permits children to gamble on virtually anything—and particularly on slot machines.⁴ Specifically, Professor Griffiths noted that for children the "Category D slot machines are often the first rung on the problem gambling ladder ... [and] often associated with drug use, crime and academic failure."⁵ According to Shadow Culture Secretary Hugo Swire, the Culture Secretary "Tessa Jowell assured Parliament that protecting children was the number one aim of their new gambling laws,"⁶ but despite warnings from opponents, such as the Salvation Army and the U.K.'s Methodist Church, Secretary Jowell and her government were "promoting gambling at every opportunity."⁷

¹ See AMATEUR SPORTS INTEGRITY ACT, S. REP. NO. 16, 107th Cong., 1st Sess. (2001) [hereinafter SPORTS INTEGRITY ACT 2001 SENATE REPORT or S. REP. 107-16], at www.gpoaccess.gov. See also John W. Kindt & Thomas Asmar, *College and Amateur Sports Gambling: Gambling Away Our Youth?*, 9 VILLANOVA SPORTS & ENTERTAINMENT L.J. 221, 221-52 (2002) (lead article) [hereinafter *Gambling Away Our Youth*], available at www.heinonline.org.

² Tim Shipman, 'Children at risk of slot machine addiction,' warns gambling expert, DAILY MAIL (United Kingdom), Nov. 6, 2006, at www.dailymail.co.uk.

³ *Id.*

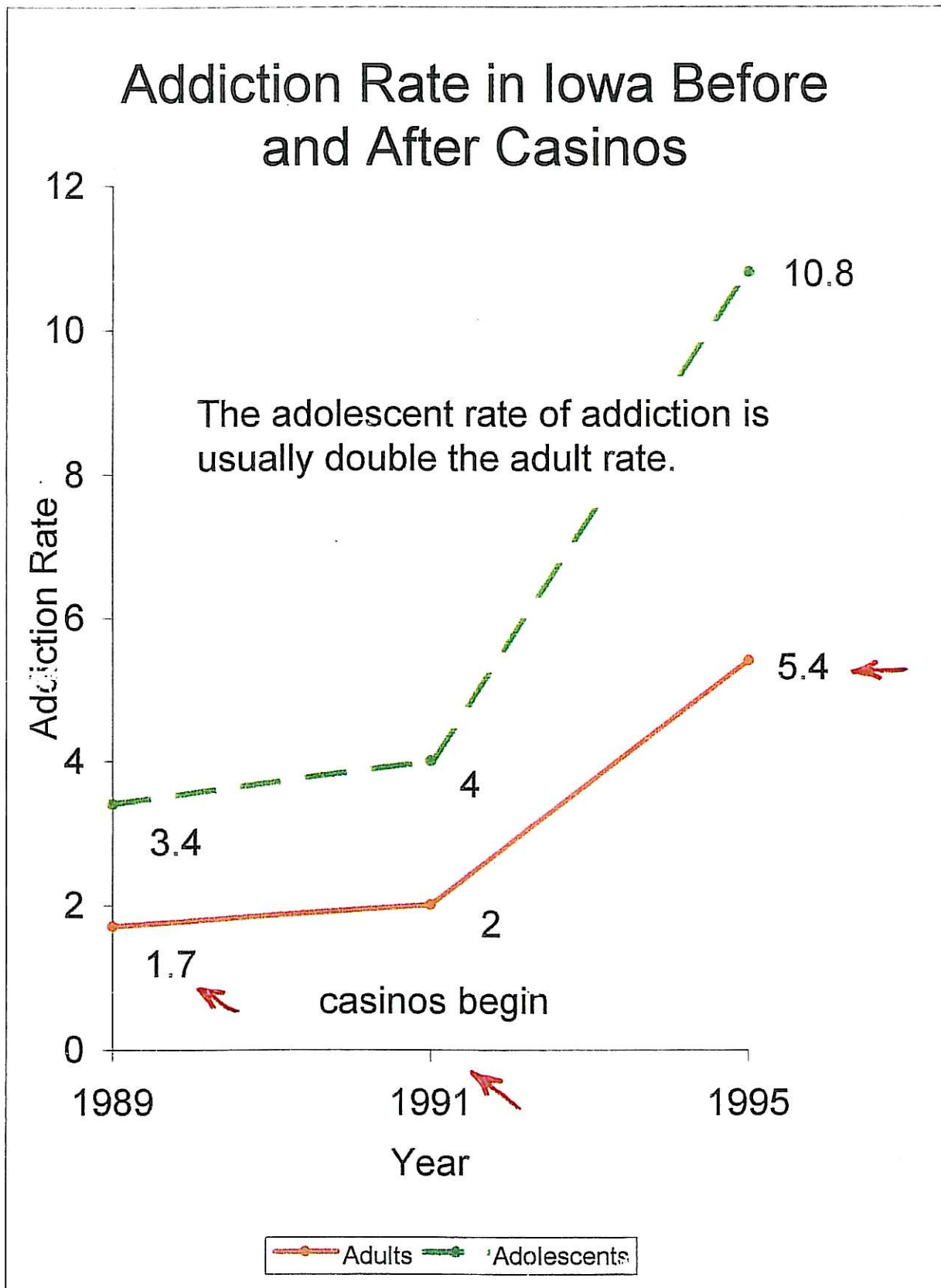
⁴ *Id.*

⁵ *Id.* (quoting Prof. Mark Griffiths, Nottingham Trent Univ.).

⁶ *Id.* (quoting Shadow Culture Secretary Hugo Swire).

⁷ *Id.*

Figure 5



Sources: Iowa Dep't Human Services (1995); see, e.g., Table 10, infra and accompanying footnotes.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Problem (SP.15):

Increased legalized gambling increases suicides by creating new gambling addicts among adults, young adults and teenagers.¹

Increasing numbers of experts and clinicians studying pathological gambling have reported that when a new person is "once hooked" they are "hooked for life."² The salient points are that: (1) these are new pathological (i.e., "addicted") gamblers and (2) these gamblers may be addicted for life (although in remission in many cases).³ *A fortiori*, gambling via cyberspace and particularly via the Internet intensifies these problems—a substantial number of which will be irreparable, especially when manifested as a doubling of the adult suicide rates in gambling cities (versus nongambling cities)⁴ and resulting in new gambling suicides among children, teens, and young adults.⁵

¹ See *Study Links Suicide Increase to Gambling*, N.Y. TIMES, Dec. 16, 1997, [hereinafter *Study Links Suicide Increase to Gambling*], available at <http://webserv1.startribune.com>. For the complete study, see David P. Phillips et al., *Elevated Suicide Levels Associated with Legalized Gambling*, 27 SUICIDE & LIFE-THREATENING BEHAV. 373, 376–77 & Table 3 (1997) [hereinafter *Phillips on Elevated Suicide Levels Caused by Legalized Gambling*]. Of course, these studies regularly adjust for other causation variables. See Press Release, U. of Cal. San Diego, "Increase in Legalized Gambling Is Linked to Higher Suicide Rates in UCSD Study" (Dec. 15, 1997); Shaun McKinnon, *Study Links Gambling, Suicide*, LAS VEGAS REV.-J., Dec. 15, 1997, at B1 [hereinafter *Study Links Gambling, Suicide*], at www.lvrj.com. See generally Sandra Blakeslee, *Suicide Rate Is Higher in Three Gambling Cities: Study Shows as Betting Rises in U.S.*, N.Y. TIMES, Dec. 16, 1997, at A10 [hereinafter *Suicide Rate Is Higher in Gambling Cities*], at www.nytimes.com. See also Stephen Braun, *Lives Lost in a River of Debt*, L.A. TIMES, June 22, 1997, at A1 [hereinafter *Lives Lost in a River of Debt*], at www.latimes.com. This extensive article reports how coroner's subpoenas had to be issued to Illinois casinos to discover the \$100,000s of dollars lost gambling by several suicides, and these problems were not reported as such in the local news until after this article was printed on page one of the *L.A. Times*. See *id.* See generally Art Nadler, *Nevada Suicide Rate No. 1 in U.S.*, LAS VEGAS SUN, Aug. 29, 1997 [hereinafter *Nevada Suicide Rate No. 1 in U.S.*], at www.lasvegassun.com.

² See, e.g., *Mindsort, Colorado Lottery* 1997.

³ Cam Simpson, *Baby Death Plot Told: Suburb Mom Indicted in Insurance Scheme*, CHI. SUN-TIMES, Mar. 7, 1998, at 1–2 [hereinafter *Baby Death Plot*], at www.suntimes.com.

⁴ See note 1 *supra* and accompanying text.

⁵ *Id.*

In 2007 the Canada Safety Council (CSC) reported that each year there were well over 200 gambling addicts who committed suicide.⁶

⁶ Samuel Jarjour, *Gambling: governments' dangerous addiction: Suicides' high toll on gamblers*, May 2007 [hereinafter *Suicides High 2007 Toll on Canadian Gamblers*], at www.nationalreviewofmedicine.com.

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Problem (SP.14):

Video and electronic gambling devices (EGDs)/slot machines are known as the "crack cocaine" for creating new gambling addicts.¹

The U.S. National Gambling Impact Study Commission (NGISC or 1999 U.S. Gambling Commission) highlighted that electronic gambling devices (EGDs) were commonly referenced by the psychological community as the "crack cocaine" of creating *new addicted gamblers*.² The Commission reported testimony that EGD gambling, particularly via Internet gambling, magnifies gambling addiction.³

In Canada, Garry Smith at the University of Alberta reported 40 percent of gambling losses (which the government called "revenues") were coming from pathological (*i.e.*, addicted) and problem gamblers,⁴ who reportedly constituted 1.5 percent and 2.5 percent respectively of the public or a total of "more than 1.5 million people, according to Statistics Canada."⁵ In 2007 the "Alberta Ministry of Gaming estimate[d] that 5.2 percent of Albertans are problem gamblers, ... topped only by Saskatchewan which ... [had] 5.9 percent."⁶

In Australia, by comparison, 43 percent of the \$2.5 billion in gambling losses during 2006 came from pathological (*i.e.*, addicted) and problem gamblers,⁷ who totaled between 2 percent and 3 percent of the Australian public.⁸ Cashless poker machines (*i.e.*, pokies) were argued to

¹ See, e.g., NAT' GAMBLING IMPACT STUDY COMM'N, FINAL REPORT 5-5 (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>; Vivica Novak, *They Call it Video Crack*, TIME, June 1, 1998, at 58 [hereinafter *They Call it Video Crack*], at www.time.com.

² *Id.*

³ *Id.*

⁴ Joan Delaney, Staff, *Gambling support groups say governments not doing enough*, EPOCH TIMES (Victoria, Can.), May 3, 2007 [hereinafter *High 2007 Gambling Addiction Rates in Canada*], at <http://en.epochtimes.com>.

⁵ *Id.*

⁶ *Id.*

⁷ Ian Haberfield, *Punters lose \$2.5 bn to pokie addiction*, HERALD SUN (Victoria, Austral.), July 16, 2006, at 20 [hereinafter *Australians Lose \$2.5 Billion to Pokie Addiction in 2006*].

⁸ *Id.*

Updating Costs Estimates

EXECUTIVE SUMMARY OF ACADEMIC LITERATURE

Strategic Problem (SP.7):

Like drug addiction, gambling addiction creates enormous socioeconomic costs of over \$3 for every \$1 in benefits.¹

¹ EARL L. GRINOLS, GAMBLING IN AMERICA: COSTS AND BENEFITS 167-87 (Cambridge Univ. Press 2004) [hereinafter GAMBLING IN AMERICA: COSTS AND BENEFITS]. For tables cataloging all of the leading relevant academic studies and the conclusion that gambling's socioeconomic cost/benefit ratio is over \$3 costs/\$1 benefits, see *id.* at 172-73 Table 7.1, 174 Table 7.2 & 180; Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities—The Case of Casinos*, 22 MANAGERIAL & DECISION ECON. 143, 153, Table 2 (2001) [hereinafter *The Costs of Casinos*], available at www.heinonline.org. See also John W. Kindt, *The Costs of Addicted Gamblers: Should the States Initiate Mega-Lawsuits Similar to the Tobacco Cases?*, 22 MANAGERIAL & DECISION ECON. 17, 17-63, Appendix & Tables (2001) (invited article) [hereinafter *Mega-Lawsuits*], available at www.heinonline.org.

***Executive Summary: How to Update Statistics for All Tables
via the Consumer Price Index—All Urban Customers
(<http://stats.bls.gov>)***

Costs of Gambling

Most numerical questions regarding the socioeconomic costs of gambling can be answered by reference to the statistics in the Appendixes to this Introduction/Executive Summary. To update to current dollars the following formula example should be utilized:

$$\text{\$ Former Year} \times \frac{\text{CPI Current Year}}{\text{CPI Former Year}} = \text{\$ Current Year}$$

Example:

$$\text{\$4,000,000 (1983)} \times \frac{184.5 (2003)}{99.6 (1983)} = \text{\$7,409,639 (2003)}$$

For the U.S. government's most recent numbers, visit <http://stats.bls.gov>.

Benefits of Gambling

The extent of U.S. gambling, the net revenues of U.S. gambling, and other basic numbers can be obtained from Christiansen Capital Advisors, LLC in New York City (www.CCA-i.com).

Cautionary Statement: Follow the Money

Numbers provided by "Big Gambling," like "Big Tobacco," are suspect. Caution should be exercised when receiving numbers from the Washington, D.C. lobbying groups, such as the American Gaming Association (AGA) and the many associated national and state organizations which receive direct and indirect financial support from gambling interests.

Researchers and media should "flat out ask"¹ whether any particular organization receives support from gambling interests, as well as the amounts of gambling dollars contributed.

¹ Stephen J. Simurda, *When Gambling Comes to Town: How to Cover a High-Stakes Story*, COLUM. J. REV., Jan./Feb. 1994, at 36, 36–38 [hereinafter COLUM. J. REV.], at www.cjr.org.

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Updating Costs Estimates

Legislative Briefings by John Warren Kindt*
Before the Hawaii State Legislature, Capitol Building
Honolulu, Hawaii
Feb. 9-12, 2009

Mr. Speaker of the House, President of the Senate, Honorable Committee Chairs,
Members of the Hawaii Legislature, and Administration Officials:

The issues and concomitant recommendations which this analysis addresses in summary format include:

- a. a summary of relevant conclusions of the U.S. National Gambling Impact Study Commission (sponsored by U.S. Senator Paul Simon);
- b. limits on numbers of electronic gambling devices (EGDs)/slot machines which constitute 80%-90% of casino net revenues;
 1. state limits (casino monopolies vs. consumer businesses),
 2. state prohibitions of casinos,
 3. state ownership of casinos,
- c. the "Untouchables"*** Standard: New crime caused by increased gambling, up 8% per year; and
- d. the new taxpayer costs caused by increased gambling.

*Professor of Business & Legal Policy, Univ. Ill.; A.B. 1972, William & Mary; J.D. 1976, MBA 1977, Univ. Ga.; LL.M. 1978, SJD 1981, Univ. Va. (for ident. purposes only). Professor Kindt's own academic publications are referenced in this analysis only to provide introductions to the hundreds of source materials cited in the footnotes and to facilitate researchers wishing to reference specialized topic areas. Portions of this statement were excerpted from: *Internet Gambling Prohibition Act of 2006: Hearing Before the Subcomm. on Crime, Terrorism, and Homeland Security of the House Comm. on the Judiciary*, 109th Cong., 2d Sess. 20, *et seq.* (2006) (prepared statement of Prof. John W. Kindt, Univ. Ill.); Statement of Prof. John W. Kindt, Univ. Ill., Hearing Before the Mo. Joint Legislative Comm. on Gambling, Jefferson City, Mo., Nov. 22, 2005. Since the issues for Hawaii are similar to those in other states, this legislative briefing is largely verbatim from: Statement of John Warren Kindt, Before the Illinois House of Representatives Comm. of the Whole, Capitol Building, Springfield, Ill., July 9, 2008.

***"The Untouchables"™, Reg. & Copyright, Paramount Pictures, Inc.

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***A. The U.S. National Gambling Impact Study Commission, sponsored by
U.S. Senators Paul Simon and Richard Lugar, concluded:***

1. There should be a moratorium on the expansion of any type of gambling anywhere in the United States (introduction);
2. States “should cease and rollback” (i.e., recriminalize) existing electronic gambling devices (EGDs)/slot machines convenient to the public (recommendation 3.6); and
3. States should not introduce EGDs/slot machines to racetracks to try and revitalize them (recommendation 3.12).

NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT recommendations (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>.

The “impact statements” or “benefit/benefit statements” often utilized by pro-gambling interests are invalid for statewide decision-making. “Costs/benefits statements” are the proper methodological vehicles for valid decision-making. Proposals for expanded gambling consistently fail academic costs/benefits analyses. EARL L. GRINOLS, *GAMBLING IN AMERICA: COSTS AND BENEFITS* (Cambridge Univ. Press 2004) [hereinafter *GAMBLING IN AMERICA: COSTS AND BENEFITS*].

**B. State Ownership of Casinos, Prohibition of Casinos,
Limited Slot Machines for Casinos
(Casino Monopolies vs. Consumer Businesses)**

Basic economic principles dictate that casino-style gambling cannibalizes the consumer economy. *See generally*, Nobel Prize Laureate in Economics, Paul Samuelson: PAUL A. SAMUELSON & WILLIAM D. NORDHAUS, *ECONOMICS* 208-09 (17th ed. 2001); PAUL SAMUELSON, *ECONOMICS* 398 (11th ed. 1980). *See also*, John W. Kindt & John K. Palchak, *Legalized Gambling's Destabilization of U.S. Financial Institutions and the Banking Industry: Issues in Bankruptcy, Credit, and Social Norm Production*, 19 EMORY U. BANKRUPTCY DEV. J. 21-69 (2002) (lead article).

States which have no gambling or extremely-limited gambling have better consumer economies and tax revenues than states with multiple gambling mechanisms. *See, e.g.*, John W. Kindt, *Diminishing or Negating The Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling: Should a Negative Socio-Economic "Crime Multiplier" be Included in Gambling Cost/Benefit Analyses?*, 2003 MICH. ST. DCL L. REV. 281-313 (2003) (lead article) [hereinafter *Gambling's Crime Multiplier Effect*].

These business-economic principles have been exemplified by Utah and its former Governor Mike Leavitt. For years, Governor Leavitt marketed his state specifically as a "nongambling state" and therefore, as a prime location for high-tech and Fortune 500 Companies. He attributed the state's generally nation-leading statistics in new job creation and personal income growth to being a "nongambling state." John W. Kindt, *The Negative Impacts of Legalized Gambling on Businesses*, 4 U. MIAMI BUS. L.J. 93, 121-22 (1994) (lead article).

The value of each casino license is generally between \$250 million and \$500 million. *See*, JEFFREY HOOKE, MARYLAND TAX EDUC. FOUNDATION, *ARE THE LICENSE FEES TOO LOW?* (Feb. 11, 2003) [hereinafter *TAX FEES TOO LOW*]. States which received less than these amounts short-changed the state taxpayers (such as Illinois which charged \$25,000 plus minimal background fees). *TAX FEES TOO LOW, infra*.

Each EGD/slot machine averages a \$100,000 per year net win to the gambling facility. Except for some state/local tax revenues and some local expenditures, most of these dollars leave the state and regional economies. With a typical consumer economic multiplier of "three," this \$100,000 translates into \$300,000 in lost consumer spending (or approximately one "lost job" per EGD/slot machine). For in-depth analyses of lost jobs in Illinois, see *National Gambling Impact & Policy Comm'n Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 1st Sess. 370-405 (1995) (prepared statement of Econ. Prof. Earl L. Grinols, Univ. Ill.) [hereinafter *Cong. Hearing 1995 on Gambling*]; Earl L. Grinols, *Bluff Or Winning Hand? Riverboat Gambling and Regional Employment and Unemployment*, 51 ILL. BUS. REV. 8, *et seq.* (1994) [hereinafter *Regional Employment and Unemployment*].

This lost consumer spending also translates into concomitant losses in sales taxes and other consumer-oriented tax revenues. These consumer losses combined with the 3:1 cost/benefit ratio for socioeconomic costs/revenue benefits has led jurisdictions (such as Canada) to own the casinos and thus retain all of the gambling dollars leaving the jurisdiction. In the sample case of Illinois, state ownership of the casinos would mean an extra \$1 billion less to the casino owners and \$1 billion more in tax revenues to Illinois. It should be noted, however, that the socioeconomic costs to the public would still outweigh the overall new revenues. Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities—The Case of Casinos*, 22 MANAGERIAL & DECISION ECON. 143, tables (2001) [hereinafter *The Costs of Casinos*]. The 3:1 cost/benefit ratio has been the ratio for many years. Compare, Statement of Professor John Warren Kindt, *The National Impact of Casino Gambling Proliferation: Hearing Before the House Comm. on Small Business*, 103d Cong., 2d Sess. 77-81 & nn. 9, 12 (1994), with *Congressional Hearing 2005, infra*.

After hearing these points made by experts on March 17, 2005, the State Government Administration Committee of the Illinois House favorably reported H.B. 1920 to the House for a vote to recriminalize Illinois casinos. The Committee vote was unanimous except for one dissenting vote. On October 27, 2005, the Illinois House of Representatives voted 67 to 42 (with 7 voting present) in favor of H.B. 1920, which then went to the Senate where the Senate leadership would not permit a vote.

C. "The Untouchables"* Standard:
New Crime Caused by Increased Gambling: Up 8% Per Year**

Even with the best efforts of law enforcement, the regulatory history of casinos has been problematic. John W. Kindt, *The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance*, 27 S. ILL. U.L.J. 221-62 (2002) (lead article) [hereinafter *Failure to Regulate Gambling*]. See also, John W. Kindt, *U.S. National Security and the Strategic Economic Base: The Business/Economic Impacts of Legalized Gambling Activities*, 39 ST. LOUIS U.L.J. 567-84 (1995), reprinted in, *National Gambling Impact & Policy Comm'n Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (1995) [hereinafter *Cong. Hearing 1995 on Gambling*].

While pro-gambling interests traditionally argued that legalizing gambling would eliminate criminal elements associated with gambling, Congressional testimony by former organized crime member William Jahoda and by regulatory experts delimited that legalized casino gambling increases not only the base numbers of criminals, but also the opportunities for criminal elements. Statement and Testimony of William Jahoda, *Congressional Hearing 1995 on Gambling, infra*, at 60-89. See also, Statement of Mass. Attorney General Scott Harshbarger, *Congressional Hearing 1995 on Gambling, infra*. See generally, PRESIDENT'S COMM'N ON ORGANIZED CRIME, ORGANIZED CRIME AND GAMBLING (Hearing VII, N.Y., N.Y., June 24-26, 1985) (Chair, Irving R. Kaufman).

The proportionally largest FBI Fugitive Apprehension Program is not in New York City or Los Angeles, but in Las Vegas, Nevada. The results reported by the FBI Fugitive Apprehension Program constitute substantial support for the proposition that casino-style gambling actually attracts criminals.

In their 35-mile and 50-mile "feeder markets," the presence of casino-style gambling (which generally consists of 80 percent to 90 percent revenues from EGDs/slots) has been directly linked to crime increases of 8 percent on average—the third year after the gambling is legalized and initiated, and with continuing crime increases thereafter. Earl Grinols & David B. Mustard, *Casinos, Crime and Community Costs*, 88 REV. ECON. & STATISTICS 28, *et seq.* (© Harvard & Mass. Inst. Tech. 2006) [hereinafter *Casinos Crime Costs*].

Due to the many problematic regulatory areas associated with casino-style gambling and EGDs/slots, the most effective regulatory mechanisms are those directly monitored by state police. Alternative regulatory mechanisms have been historically less effective and even ineffectively corrupt, because the large cash amounts generated by casino-style gambling have catalyzed conflicts of interest by Gaming Boards and other regulatory organizations. See generally, *Cong. Hearing 1995 on Gambling, infra*; *Failure to Regulate Gambling, infra*.

Independent regulatory and academic guidance are essential. For complaints and examples of intimidation tactics utilized by pro-gambling interests against legislators, academics, and even the Chair of the Congressional National Gambling Impact Study

Commission, see John W. Kindt, *The Gambling Industry and Academic Research: Have Gambling Monies Tainted the Research Environment?*, 13 UNIV. S. CALIF. INTERDISCIPLINARY L.J. 1-47 (2003) (lead article).

Legislative hearings also need to be held on the “fairness” of the electronic gambling devices and slot machines. See, e.g., John W. Kindt, “*The Insiders*” for Gambling Lawsuits: Are the Games “Fair” and Will Casinos and Gambling Facilities Be Easy Targets for Blueprints for RICO and Other Causes of Action?, 55 MERCER L. REV. 529-93 (2004) (lead article); John W. Kindt, *Subpoenaing Information from the Gambling Industry: Will the Discovery Process in Civil Lawsuits Reveal Hidden Violations Including the Racketeer Influenced and Corrupt Organizations Act?*, 82 OREGON L. REV. 221-94 (2003) (lead article).

Fortune 500 Companies are not naïve. They avoid casino-gambling and EGDs/slots jurisdictions—just like they avoid high-crime areas. All states need thorough independent academic costs/benefits studies (not “impact” studies) before introducing or expanding legalized gambling activities to various venues.

D. The New Taxpayer Costs Caused by Increased Gambling

Increasing the numbers of EGDs/slot machines, as well as increasing the speed of the gambling, fuels the addictive behavior which leads people to gambling activities evincing the 10 problematic diagnostic criteria. AM. PSYCHIATRIC ASS'N, DIAGNOSTIC AND STATISTICAL MANUAL OF MENTAL DISORDERS, 615-18, sec. 312.31 (4th ed. 1994) (satisfying 5 or more criteria defines a pathological gambler). *See also*, NGISC FINAL REPORT, *infra*, at chapt. 4.

The faster people can gamble, the faster gamblers will get "hooked," and this phenomenon is substantiated by studies demonstrating that pathological and problem gamblers gravitate toward the faster methods of gambling (*i.e.*, EGDs) as evidenced by the high percentages of revenues EGDs generate from pathological and problem gamblers. *See, e.g.*, Henry R. Lesieur, *Gambling: Socioeconomic Impacts and Public Policy: Costs and Treatment of Pathological Gambling*, 556 ANNALS AM. ACAD. POL. & SOC. SCI. 153, 165 table 1 (1998); Prof. Henry R. Lesieur, Address at the National Conference on Gambling Behavior (Sept. 3-5, 1996). *See also*, S.C. Gwynne, *How Casinos Hook You: The Gambling Industry is Creating High-Tech Databases to Reel in Compulsive Players*, TIME, Nov. 17, 1997, at 68, 69.

Since 1994, it has been established that the socioeconomic costs are at least \$3 for every \$1 in benefits/revenues. *The Costs of Casinos, infra*, 143, tables.

Clinicians dealing with pathological (addicted) gamblers are too frequently unfamiliar with these academic determinations and studies.

In their casino-enabling legislation, states other than Missouri were misled by pro-gambling interests when those states neglected to include legislated "loss limits." The socioeconomic impacts generated by "loss limits" are effective in reducing the speed and processes by which new pathological and problem gamblers are created. *See, e.g.*, Frank L. Quinn, *First Do No Harm: What Could Be Done By Casinos to Limit Pathological Gamblers*, 22 MANAGERIAL & DEC. ECON. 133-42 (2001) [hereinafter *First Do No Harm*].

These scenarios have encouraged states, and specifically Illinois, to advance legislation to recriminalize casino gambling and to transform gambling facilities into educational and high-tech facilities—as has already occurred in Omaha, Nebraska. *See*, Illinois House Bill 1920 (passed House 67 to 42, 7 voting present, Oct. 27, 2005), no vote allowed in Illinois Senate, Jan. 2006. The U.S. Congress has noted these educational alternatives to casinos. *See, e.g.*, Testimony of Professor John Warren Kindt, Univ. Ill., Before the U.S. House of Representatives Comm. on Resources, 109th Cong., 1st Sess., Apr. 27, 2005 [hereinafter *Congressional Hearing 2005*]. *See generally*, John W. Kindt, *Would Re-Criminalizing U.S. Gambling Pump-Prime the Economy and Could U.S. Gambling Facilities Be Transformed into Educational and High-Tech Facilities? Will the Legal Discovery of Gambling Companies' Secrets Confirm Research Issues?*, 8 STANFORD J.L., BUS. & FIN. 169-212 (2003) (lead article).

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Professor Kindt's research has resulted in over 30 articles in the areas of legalized gambling economic impacts, antitrust law, tax law, commercial law, environmental law, and public and private international law. One of his specialty areas in international law involves the corporate development of ocean resources. Professor Kindt's teaching has been cited several times as being outstanding.