

Gambling Economics: Summary Facts

Professor Earl L. Grinols, 29 April 2011

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Gambling is a public concern because it creates economic costs for society and taxpayers, including non-users. Most costs derive from problem & pathological gamblers (two groups).	Per Path. Gambler in 2010 \$	Totals/ Adult Capita
➤ <u>Crime</u> : E.g. Aggr. asslt, rape, rob., larceny., burglary, auto theft, embezzlement, fraud.	\$4334	\$64
➤ <u>Business and Employment Costs</u> : Lost productivity, lost work time, unemployment-related employer costs.	\$3060	\$72
➤ <u>Bankruptcy</u>	\$337	\$4
➤ <u>Suicide</u>		
➤ <u>Illness</u> : E.g. Stress-related, cardiovascular, anxiety, depression, cognitive.	\$916	\$10
➤ <u>Social Service Costs</u> : Treatment, unemployment & other social services.	\$530	\$20
➤ <u>Direct Regulatory Costs</u>		\$16
➤ <u>Family Costs</u> : Divorce, separation, child abuse & neglect, domestic violence.	\$83	\$1
➤ <u>Abused dollars</u>	\$3806	\$76
➤ <u>Social connection costs</u> : reduction in social capital (employer, family, friends)		
➤ <u>Political</u> : concentration of power, disproportionate political influence (NH, May10)		
➤ TOTALS (Right column includes problem gambler costs.)	\$13,067	\$242

- **Gambling fails a cost-benefit test: Conservatively estimated, costs to benefits exceed \$3:\$1.**
 - Costs of introducing gambling depends on starting base, but typically > \$166 per adult. Benefits < \$54.
 - Large costs are privately borne, but 64 percent are publicly borne and 39 percent are tax-supported public costs.
- **Gambling attracts clientele unequally**
 - 30% don't gamble at all; most gamble rarely, minority 10% account for 2/3rd—4/5ths of wagers.
 - 30-50 % of revenues derive from problem and pathological gamblers (e.g. 48.2% of gaming machine revenue, Aus. Inst. for Gambling Research, 2001; 37 % Montana keno machines; 58% machine revenue, Ontario Problem Gambling Research Center, 2004, 60% U. Lethbridge, 2004, other studies similar.)
 - Convenience gambling draws from nearby (Example: IL, over 70% from less than 35 miles).
 - Creates social costs nearby that must be taken account of.
- **Slot Machines, Electronic Gaming Devices (EGDs), Video Lottery Terminals (VLTs)**
 - Most damaging and quickly addicting form of gambling. (E.g. Breen and Zimmerman (2002)ⁱ: shorter times to addiction for those who 'got hooked' on video gambling. 1 year vs 3.5 for other forms.)
 - 80 percent of casino revenues, sometimes more, are from slot machines.
 - Causation: Bridwell and Quinn (2002)ⁱⁱ. Remove slot machines from SC. 6 months later Horry C. (Myrtle Beach) hotline calls fall from 200 to 0 per monthⁱⁱⁱ. Number of Gambler Anonymous groups smaller by 2/3.
 - Confirming evidence of causation is available in National Gambling Impact Study Commission research.
- **Economic Development; Failure of Impact Studies**
 - IMPACT STUDIES ARE NOT COST-BENEFIT STUDIES. More people working next door to you may not improve the well being of citizens in your area. Well being may actually decline.
 - An additional job has been estimated to be worth as little as zero to the community, or between \$0-\$1,500.^{iv} In a county of 100,000 adults the introduction of class III gambling would create additional social costs of \$16.6 m annually and social benefits of \$5.4 m. Using \$750 as mid-range value of a job to the rest of the county means that gambling would have to increase the total number of jobs in the county of this size by more than 14,933 to improve well being of residents, an unlikely outcome.
- **Factory, Tollhouse, or Restaurant Type Enterprises: Minnesota Gambling will Lessen Local Economy**

- **Factory**—sells to outsiders. Minnesota has tourist base already; these are insiders from economic perspective. Factory form not uniformly apply to Minnesota.
 - **Tollhouse**—uses its location to take out as much as it brings in. Not MN’s case.
 - **Restaurant**—takes from existing revenue stream, not enlarging it as much as it takes from it. Shrinks MN business where applies at same time as adds social costs.
- **Crime: *Review of Economics and Statistics Study***^v
 - Approximately 9% of total crime (FBI Index I) due to gambling in counties with Class III gambling.
 - 8.6% of property crime; 12.6% of violent crime.
 - E.g. For an average county with 100,000 population this implies 615 more larcenies, 325 more burglaries, 272 more auto thefts, 10 more rapes, 65 more robberies, and 100 more aggravated assaults.
 - Other studies. Example: Wheeler, et al. (2010)^{vi}: “Our results indicate a positive and significant relationship between gaming and crime rates...” “...if gaming expenditure were zero in 2006, income-generating crime would fall by about 10%.” Example: Walker (2009) “Virtually all studies of casino communities find that the raw number of reported crimes and arrests increase following the introduction of casinos.” But, Example: Grinols-Mustard (2011)^{vii} “...national park visitors have no effect on either property or violent crime.” Visitor type matters.
 - **How can we conclude that gambling increase crime?**
 - Gambling largely expanded since 1991, a period when crime has decreased substantially.
 - Crime rates drop much more in non-gambling-counties than gambling-counties.
 - In many areas, casino-county crime rates as a fraction of non-gambling-county rates have increased from 2-25% less before casinos entered to much higher after.
 - Indian reservations: Counties that obtained compacts had higher crime rates than noncompact-counties, but the difference was stable until the early 1990s, when the crime rates in compact-counties increased by even more. By 1996 compact-counties have significantly higher crime rates than non-compact counties.
 - **Gambling Taxes are Worse than a Conventional Tax Collecting Identical Revenue**
 - A conventional tax implies social costs per extra dollar collected of \$1.17-\$1.59.
 - Taxes on gambling revenues conservatively cost \$2.28 per dollar of tax collected if the tax rate is 30%.
 - **When gambling merely transfers dollars from one pocket to another without creating a tangible product we are made poorer.**
 - Some gamble for recreation (such gamblers are presumably provided recreation value for their lost dollars), but many gamble to acquire money. Instead of creating a product or offering a service to earn money, this second group of gamblers doesn’t accomplish anything and yet expects to acquire money.
 - The more people there are who gamble to acquire money, the poorer society is.
 - If everyone gambled to acquire his money, we would all starve.

ⁱ Breen, Robert B. and Mark Zimmerman, 2002, Rapid Onset of Pathological Gambling in Machine Gamblers, *Journal of Gambling Studies*, 18, 1, Spring, 31-43; Breen, Robert B. and Mark Zimmerman, 2004, Rapid Onset of Pathological Gambling in Machine Gamblers: A Replication, *International Journal of Mental Health and Addiction*, 2, 1, 44-49.

ⁱⁱ Bridwell, R. Randall and Frank L. Quinn, 2002, From Mad Joy to Misfortune: The Merger of Law and Politics in the World of Gambling, *Mississippi Law Journal*, 72, 2, 565-729.

ⁱⁱⁱ Grinols, Earl L. 2004, *Gambling in America: Costs and Benefits*. New York: Cambridge University Press, pp. 186-187

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

^v Earl L. Grinols and David B. Mustard, “Casinos, Crime, and Community Costs,” *The Review of Economics and Statistics*, 88, 1, February 2006, 28-45.

^{vi} Wheeler, Sarah A, David K. Round, John K. Wilson, 2010, The Relationship Between Crime and Electronic Gaming Expenditure: Evidence from Victoria, Australia, *Journal of Quantitative Criminology*, Springer Verlag, October.

^{vii} Grinols, Earl L. and David B. Mustard, 2011, How Do Visitors Affect Crime? *Journal of Quantitative Criminology* (forthcoming).