

MARCH 28, 1996 HOUSE OF REPRESENTATIVES  
HOUSE JUDICIARY COMMITTEE  
HOUSE BILL 2308

GOOD AFTERNOON LADIES AND GENTLEMEN, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU AND TO OFFER MY TESTIMONY AS YOU CONSIDER SOME OF THE VERY COMPLEX ISSUES SURROUNDING GAMBLING IN PENNSYLVANIA AND THE UNITED STATES AS WE APPROACH THE 21 CENTURY. MY NAME IS VICKI ABT AND I AM PROFESSOR OF SOCIOLOGY AND AMERICAN STUDIES AT PENN STATE'S ABINGTON-OGONTZ CAMPUS NEAR PHILADELPHIA. I HAVE BEEN EMPLOYED THERE SINCE RECEIVING MY MASTERS IN SOCIOLOGY FROM UNIVERSITY PARK IN 1966. I EARNED MY DOCTORATE IN SOCIOLOGY FROM TEMPLE UNIVERSITY IN 1972. THIS IS NOT THE FIRST TIME I HAVE APPEARED BEFORE GOVERNMENT TO DISCUSS GAMBLING POLICY. I TESTIFIED IN 1984 TO THE HOUSE BUSINESS AND COMMERCE COMMITTEE ON THEN HOUSE BILL 1808 "LEGALIZING GAMING MACHINES IN PENNSYLVANIA. I WAS CONSULTED ON PENDING ACT 63 TO LEGALIZE OFF-TRACK BETTING IN PA BY THE GOVERNMENT OFFICE OF ADMINISTRATION BUREAU OF MANAGEMENT SERVICES IN 1985. In 1989 I CONSULTED WITH MR. P. BOYER AN INFORMATION AIDE TO THE ILLINOIS STATE LEGISLATURE ON RIVERBOAT GAMBLING LEGISLATION. I WAS INTERVIEWED IN 1992 BY TED SETTLE OF THE NEW JERSEY STATE LEGISLATURE ON LEGALIZED SPORTS GAMBLING IN ATLANTIC CITY CASINOS. I HAVE BEEN THE BOOK REVIEW EDITOR AND A PAPERS REVIEWER FOR THE JOURNAL OF GAMBLING STUDIES (DEVOTED TO THE ACADEMIC STUDY OF GAMBLING), I HAVE PUBLISHED IN THE INDUSTRY'S TRADE PUBLICATION, GAMING AND WAGERING BUSINESS, I AM A CONSULTANT TO THE NATIONAL COUNCIL ON PROBLEM GAMBLING. SINCE 1978 WHEN I GAVE A PAPER "THE APPEAL OF RACE TRACK GAMBLING: A SOCIAL PSYCHOLOGICAL PERSPECTIVE' AT THE FOURTH NATIONAL CONFERENCE ON GAMBLING IN RENO NEVADA..SPONSORED BY THE BUREAU OF BUSINESS AND ECONOMIC RESEARCH AT THE UNIVERSITY OF NEVADA..PROFESSOR BILL EADINGTON HAVING BEGUN THESE NON-PARTISAN PRESENTATIONS OF RESEARCH MATERIAL ON GAMBLING, I HAVE

PUBLISHED DOZENS OF ACADEMIC PAPERS ON THE GAMBLING PHENOMENON AND AM THE PRINCIPAL AUTHOR OF THE 1985 BOOK *THE BUSINESS OF RISK: COMMERCIAL GAMBLING IN MAINSTREAM AMERICA* PUBLISHED BY THE UNIVERSITY PRESS OF KANSAS AND CITED IN MOST OF THE LITERATURE ON GAMBLING. MOST RECENTLY I WAS ASKED TO CONTRIBUTE THE SECTION ON GAMBLING FOR *THE DICTIONARY OF ETHICS, THEOLOGY AND SOCIETY* (1996) EDITED BY PAUL CLARKE AND ANDREW LINDZEY AND PUBLISHED BY LONDON'S ROUTLEDGE. MY PROFESSIONAL WORK IN THE FIELD HAS CENTERED AROUND STUDYING THE HISTORICAL, POLITICAL AND ECONOMIC FACTORS THAT HAVE CONTRIBUTED TO SOME OF THE RADICAL CHANGES IN OUR CULTURAL NORMS CONCERNING GAMBLING AS WELL AS THE DRAMATIC INCREASE IN GAMBLING BEHAVIOR. THIS EXPLOSION IN LEGALIZATION OF VARIOUS KINDS OF GAMBLING, DURING THE PERIOD SINCE THE 1963 PASSAGE OF THE NEW HAMPSHIRE LOTTERY LAW, HAS BEEN CALLED "THE THIRD WAVE" IN AMERICA'S CONFUSING HISTORICAL EXPERIENCE WITH GAMBLING BY PROFESSOR AND ATTORNEY I. NELSON ROSE IN HIS 1980 PAPER "THE LEGALIZATION AND CONTROL OF CASINO GAMBLING" IN THE *FORDHAM LAW REVIEW*. AS PROFESSORS JOHN DOMBRINK AND WILLIAM THOMPSON REITERATED 10 YEARS LATER IN THEIR 1990 BOOK, *THE LAST RESORT: SUCCESS AND FAILURE IN CAMPAIGNS FOR CASINOS*, THE FIRST WAVE OF LEGAL GAMBLING LASTED FROM THE COLONIAL ERA THRU THE CIVIL WAR..THE SECOND WAVE RANGED FROM THE CIVIL WAR THROUGH A PERIOD OF BEING BANNED IN THE EARLY TWENTIETH CENTURY AND THE RELATIVELY QUIET DECADES OF THE MID-TWENTIETH CENTURY (WITH THE NOTBLE EXCEPTION OF BUGSY SIEGEL'S LAS VEGAS). 1963 WAS A WATERSHED YEAR..BETWEEN 1964 AND THE PRESENT MOST STATES AND THE DISTRICT OF COLUMBIA JOINED NEW HAMPSHIRE AND INITITATED PUBLIC LOTTERIES. MANY OF THESE JURISDICTIONS ALSO RUN LEGAL NUMBERS GAMES AS WELL. MOST STATES NOW ALLOW LEGAL BINGO GAMES, HORSE RACING OR DOG RACE BETTING, JAI ALAI BETTING IS LEGAL IN SEVERAL STATES AS WELL AS CARD BETTING, BUT SINCE 1976'S NEW JERSEY CASINO

REFERENDUM, NO CASINO LEGALIZATION CAMPAIGN WAS SUCCESSFUL (HENCE THE TITLE..THE LAST RESORT) UNTIL 1988 WHEN SOUTH DAKOTA VOTERS AUTHORIZED THEIR LEGISLATURE TO ENACT LOCAL-OPTION CASINO FOR THE HISTORICAL TOWN OF DEADWOOD..DURING THE SAME MONTH, THE IOWA LEGISLATURE GAVE ITS APPROVAL TO A PLAN FOR CASINO GAMING ABOARD RIVERBOATS BEGINNING IN 1991. NOW , 27 STATES HAVE LEGALIZED RIVERBOAT OR CASINO-STYLE GAMBLING. GAMBLING IS A \$40 BILLION A YEAR BUSINESS (AMERICANS GAMBLED ABOUT 10 TIMES THAT AMOUNT..HANDLE) YET IT IS ESTIMATED THAT FOR EVERY DOLLAR A STATE RECEIVES FROM GAMBLING REVENUES, IT SPENDS THREE DOLLARS FOR SOCIAL SERVICES AND CRIMINAL JUSTICE AGENCIES. (THIS DOESNT EVEN TAKE INTO ACCOUNT THE PERSONAL COSTS AND COSTS TO THE "QUALITY OF A COMMUNITY'S LIFE.") IT IS GENERALLY AGREED THAT REVENUE FROM GAMBLING (AND AS SOCIOLOGIST JEROME SKOLNICK WROTE IN *HOUSE OF CARDS*, IT IS FINALLY "THE REVENUE IMPERATIVE" THAT IS THE UNDERLYING FORCE BEHIND THE PUSH FOR GAMBLING LEGALIZATION IN THE LATER YEARS OF THE 20th CENTURY, AS HARD-PRESSED STATE LEGISLATORS SEARCH FOR SOURCES OF HIDDEN 'PAINLESS TAXATION" AND TURN GAMBLING LOSSES INTO STATE REVENUES) COMES DISPROPORTIONATELY FROM THE MOST VULNERABLE.. THE POOR AND THE ELDERLY. IT IS THE FASTEST GROWING TEENAGE ADDICTION.. AND WE KNOW THAT MOST 12 STEP PROGRAMS AND OTHER "TREATMENT" PROGRAMS HAVE AN INCREDIBLY HIGH RECIDIVISM RATE.. EVERY DOLLAR SPENT ON GAMBLING BY CITIZENS IS A DOLLAR NOT SPENT ON OTHER CONSUMER ACTIVITIES..THE ARGUMENT THAT AT LEAST WE GET THE TAXES ON BEHAVIOR THAT WENT ON ANYWAY BY LEGALIZATION IS UNDERMINED BY THE FACT THAT ILLEGAL GAMBLING CONTINUES AND IT IS THE GROWTH IN LEGAL GAMBLING THAT HAS CREATED A WHOLE GROUP OF PEOPLE WHO WOULD NEVER HAVE GAMBLED WITH AN ILLEGAL BOOKIE..WHO WOULD HAVE GIVEN THEM A BETTER DEAL THAN THE STATE..MANY PEOPLE JUST GAMBLE MORE ALTOGETHER USING THE BOOKIE AND THE LEGAL FORMS.. LEGALIZATION INCREASES

THE AMOUNT OF GAMBLING..PERIOD..THE POLITICAL CLOUT OF CASINO INTERESTS PROMISING EASY MONEY TO LEGISLATURES AND COMMUNITIES HAS BEEN DESCRIBED IN DETAIL MOST NOTABLY IN GIGI MAHON'S *THE COMPANY THAT BOUGHT THE BOARDWALK* , POLITICAL CORRUPTION ASSOCIATED WITH THE LURE OF CASINO MONEY IN NEW ORLEANS( INTERESTINGLY TWO MAJOR RIVERBOAT CASINOS HAVE CEASESED OPERATION AND GAMBLING REVENUES ARE FAR BELOW EXPECTATIONS). AND IN NEW JERSEY HAS BEEN WIDELY REPORTED.. ATLANTIC CITY SHOULD BE A CAUTIONARY TALE..TAXES WENT UP AFTER CASINOS DEBUTED.THERE IS, AT MY OWN LAST COUNT, AT LEAST ONE PAWN SH OP AND SOMETIMES TWO EACH BLOCK FROM CAESARS TO RESORTS.. CITY MAYOR MICHAEL MATTHEWS WAS SENT TO PRISON FOR 15 YEARS AFTER HE ESSENTIALLY BARTERED HIS JOB TO THE MOB..AND MOST CITIZENS OF ATLANTIC CITY SAY THEY WOULD NOT VOTE TO APPROVE CASINOS IF THEY HAD KNOWN WHAT WOULD HAPPEN TO LOCAL BUSINESSES THAT COULD NOT COMPETE WITH THE CASINOS)..THOSE WHO HAVE PROFITED ARE MOSTLY LAND SPECULATORS AND NON-RESIDENTS..ATLANTIC CITY HAS BECOME, IN EFFECT, A COMPANY TOWN..IF YOU DONT WANT TO WORK IN A CASINO OR IF YOU GET BLACKBALLED FROM A CASINO, YOU DONT HAVE MANY OPTIONS FOR EMPLOYMENT..CASINOS SET THEIR OWN RULES BY THREATENING TO LEAVE OR GO BANKRUPT IF THE CONTROL COMMISSIONS DONT ACQUIESCE TO THEIR DEMANDS..SEE RUTGERS UNIVERSITY PROFESSOR RICHARD LEHNES' *CASINO POLICY* . PROFESSOR JOHN KINDT IN A RECENT PAPER "THE ECONOMIC IMPACTS OF LEGALIZED GAMBLING ACTIVITIES" IN THE *DRAKE LAW REVIEW* REFERS TO LEGALIZED GAMBLING IN DEADWOOD AS "A BLACK HOLE OF ECONOMICS IN THE BLACK HILLS" (P.70) HE POINTS OUT THAT CHILD ABUSE CASES WENT FROM 350 TO 500 CASES WITHIN TWO YEARS, POLICE COSTS HAD INCREASED 80 TO 100%..CRIME IN THE DEADWOOD AREA HAD INCREASED WITH A 50% INCREASE IN FELONIES..THOUGH NATIONAL RATES HAD DECLINED..domestic violence and assaults IN DEADWOOD had risen 80% ETC. COMPULSIVE GAMBLING ALSO INCREASED WITH ASSOCIATED COSTS OF APPROXIMATELY \$52,000

PER YEAR..THIS INCREASE COST SOUTH DAKOTA AN ADDED \$260 MILLION PER YEAR...<sup>P</sup> IN 1992 NATIONAL FIGURES ON INSURANCE FRAUD RELATED TO LEGAL GAMBLING WAS ABOUT 1.3 BILLION DOLLARS..GA HAS ESTIMATED THAT 47% OF ITS MEMBERS ENGAGED IN INSURANCE FRAUD..THE AVERAGE AMOUNT OF THE FRAUD IS ABOUT \$65000.<sup>P</sup> MOREOVER,IF WE LOOK AT IOWA'S EXPERIENCE,WE NOTE THAT APPROXIMATELY ONE YEAR AFTER BEGINNING OPERATIONS, TWO OUT OF IOWA'S FIVE RIVERBOATS LEFT IOWA FOR BILOXI, MISS. ALSO, KINDT POINTS OUT THAT ONCE GAMBLING INTERESTS ARE VOTED INTO A LOCAL COMMUNITY, THEIR COMMON TACTIC IS TO ASK FOR AND GET TAX WAIVERS.

<sup>P</sup> WITH REGARD TO THE ISSUE OF JOBS..KINDT REPORTS THAT THE THOUSANDS OF CONSTRUCTION JOBS AND PERMANENT JOBS PROMISED COULD ALSO BE GOTTEN BY BUILDING BROTHELS AND OPIUM DENS..HE MORE SERIOUSLY REPORTS THAT IN MOST CASES THE ENTIRE STATE ECONOMY WOULD PROBABLY HAVE LOST MORE JOBS THAN THE CASINOS CREATE DUE TO THE MIGRATION OF CONSUMER DOLLARS AWAY FROM PRE-EXISTING BUSINESSES.

<sup>P</sup> INTERESTINGLY, (CASINOS MAY EVEN HURT THE TOURIST INDUSTRY(NEW ORLEANS) by creating low-paying jobs and attracting crime AND COMMUNITY DISORGANIZATION.)<sup>P</sup> IT IS IMPORTANT TO KEEP IN MIND THAT UNLESS WE GET FOREIGNERS TO COME TO PENNSYLVANIA TO GAMBLE, THE MONEY SPENT ON GAMBLING WAS ALREADY IN CIRCULATION IN THE STATE OR NEIGHBORING STATES. NEW WEALTH BASED ON REAL INDUSTRIAL GROWTHS OR INCREASE IN GNP IS NOT EVIDENT. GAMBLING REVENUES ARE ESSENTIALLY A TRANSFER TAX AND A MOST REGRESSIVE ONE AT THAT.<sup>P</sup> FOCUSING THEN ON LOCAL ECONOMIES AND SHORT-TERM IMPACTS IS MISLEADING..THE LONG-TERM IMPACT ON NEIGHBORHOODS AND GOVERNMENTS WOULD SUFFER AS WE GET MORE DEPENDENT UPON TO GAMBLING REVENUES AS A SOLUTION TO PRE-EXISTING GOVERNMENTAL AND ECONOMIC PROBLEMS (INCLUDING THE DE-INDUSTRIALIZATION OF AMERICA AND THE INCREASING GAP BETWEEN THE ECONOMICALLY WELL-OFF AND THE REST OF US.)<sup>P</sup> NATIONWIDE, EVEN LOTTERIES ONLY ACCOUNT FOR ABOUT 3% OF THE TOTAL REVENUE RAISED BY LOTTERY

STATES-FAR BELOW THE AMOUNT RAISED BY SALES AND INCOME TAXES...WHILE THE MANEUVER OF SHIFTING COSTS AND "PASSING THE BUCK" IS SEDUCTIVE TO LOCAL ELECTED OFFICIALS, THIS IS POOR PUBLIC POLICY..IRONICALLY ONCE A STATE LEGALIZES GAMBLING THAT STATE CAN BECOME ADDICTED TO THE INITIAL TAX REVENUES..YET A ONE CENT INCREASE IN A STATE'S SALES TAX WOULD GENERALLY BRING IN MORE REVENUES THAN ALL OF THAT STATE'S LOTTERY REVENUES. IN ILLINOIS, FOR EXAMPLE, A ONE CENT INCREASE WOULD MORE THAN COMPENSATE FOR THE ENTIRE REVENUES FROM THE STATE LOTTERY AND ALL OTHER FORMS OF LEGALIZED GAMBLING! IT SHOULD BE MENTIONED THAT NEVADA IS NOT REPRESENTATIVE..IT IS AN ANOMOLY..BECAUSE IT IS BASICALLY A DESERT STATE WHOSE ENTIRE ECONOMY IS BASED PRIMARILY ON PEOPLE WHO VISIT NEVADA AND THEN TAKE THE COSTS AND RAMIFICATIONS OF ANY PROBLEMS BACK HOME WITH THEM TO THEIR HOME STATES..WE WOULD HAVE TO TURN THE STATE OVER TO GAMBLING AS THE PRINCIPLE BUSINESS TO GET EQUIVALENT DATA...

GAMBLING IS GENERALLY LEGALIZED TO CAPTURE TAX REVENUES, BUT THE PRE-EXISITING ILLEGAL GAMBLING DOLLARS HAVE A TENDENCY TO GO TO HARDER FORMS OF GAMBLING THAT ARE USUALLY STILL ILLEGAL FOR THE SMPLE MARKETING REASONS THAT THE ODDS ARE BETTER AND "THE THRILL FACTOR" GREATER..ILLEGAL GAMBLING HANDLES ARE STILL MUCH THE SAME AS IT HAS ALWAYS BEEN..WHAT THE LEGALIZED MARKET DOES IS TO SEDUCE A WHOLE NEW MARKET SEGMENT OF THE PUBLIC INTO GAMBLING. THEREFORE, LEGALIZING GAMBLING DOES LITTLE TO CAPTURE AND TAX THE ILLEGAL GAMBLING MARKET...IN 1988, the NEW JERSEY GOVERNERS ADVISORY COMMISSION ON GAMBLING HEARD FROM LAW ENFORCEMENT OFFICIALS WHO CONTENTED THAT LEGALIZED GAMBLING HAS NOT ONLY FAILED TO CURB ILLEGAL GAMBLING, BUT, IN FACT, HAS BEEN CONDUCTIVE TO ITS GROWTH ( WE REPORTED MUCH THE SAME THING IN THE APPENDIX TO *THE BUSINESS OF RISK* IN 1985 AND THOSE FIGURES WERE INCLUDED IN THE PRESIDENT'S COMMISSION

ON ORGANIZED CRIME..REPORT TO THE PRESIDENT AND THE ATTORNEY GENERAL "The Impact: Organized Crime Today", APRIL 1986.

THE FUNDAMENTAL QUESTION AS TO WHETHER GAMBLING LEGALIZATIONS AND INCREASED GAMBLING ASSOCIATED WITH LEGALIZATION HELPS OR HINDERS THE ECONOMY MUST, THEN, BE SEEN IN TERMS OF ITS IMPACTS ON NATIONAL AND STATE ECONOMIES AS WELL AS LOCAL COMMUNITIES AND INDIVIDUALS..TO ONLY FOCUS ON LOCAL ECONOMIES OR ON SHORT TERM TAX BENEFITS DISTORTS THE TRUE EFFECTS ON OUR POPULATION. THE SOCIAL AND PERSONAL COSTS OF GAMBLING..WHICH ALWAYS LEADS..IN THE AGGREGATE TO LOSSES..WILL EVENTUALLY BE BORNE BY INCREASED COSTS OF PUBLIC SERVICES AND INCREASED LOSS TO COMMUNITY QUALITY OF LIVING IN TERMS OF THE DECLINE OF BUSINESSES AND ACTIVITIES OF A NON-GAMBLING NATURE. THE GAMBLING INDUSTRY COMPETES ONLY TOO WELL WITH OTHER ACTIVITIES THAT MAKE UP A VIABLE INTERESTINGLY HETEROGENEOUS COMMUNITY. THE MORAL AND RELIGIOUS ARGUMENTS AGAINST GAMBLING ASIDE..GAMBLING IS A FOOLS GOLD FOR THE AVERAGE GAMBLER AS WELL AS THE STATE. IT IS A BAD BET FOR OUR FUTURE.