

**Economics of Table Games:
What Does the Research Say?**

Remarks to the West Virginia Press Association

Calvin A. Kent, Ph.D.

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Marshall University Graduate College

Two goals of this presentation

- To relate what the research says about the benefits and costs of casino gambling
- Provide insight as to how the benefits can be enhanced and the costs minimized through state legislation.

Over the past 20 years gambling has become one of the fastest growing industries in the US.

- All but three states (HI, UT, TN) have some form of legalized gambling
- 16 states currently allow for casino table games (Three of these are limited to Indian reservations)

Research on the benefits and costs of gambling in general and casinos in particular has been extensive, but generally of low quality.

- Most has been sponsored by organizations with strong points of view and is little better than propaganda and almost always involves the misuse of statistics
- What is important is to consider the **NET** and not the gross benefits and costs
 - Much of the research looks only at the gross benefits i.e.: how many are employed in casinos, what the payroll is, what benefits do workers receive and how much is paid in taxes.
 - What should be subtracted are the costs involved in obtaining those benefits i.e.: costs of addiction, crime, other social costs and loss of sales/employment by other firms.
 - Critics of gambling cite crime and social welfare costs out of context.
 - The issue should always be framed in terms of, “Do the benefits of introducing table games at casinos exceed the costs?”
 - Related to those questions should be determination of public policy to maximize benefits while minimizing costs.

Benefits of casino table games

- Above minimum wage pay with benefits
 - Majority of casinos off of Indian reservations pay above median salaries for similar work and provide comprehensive health and retirement benefits
- Expanded employment opportunities
 - Particularly in economically distressed areas where there are few options outside of government employment or transfer payments
 - Most Casino counties have experienced reductions in welfare costs
- Development of support industries including:

- Suppliers of goods
- Professional services
- Construction and maintenance
- Promotion and advertising
- Security
- Revitalization of depressed areas (Elgin IL, Gary IN, Bettendorf IA, Alton IL, Atlantic City NJ, Biloxi, Tunica, Gulfport and Bay St. Louis MS)
- Increased tax payments
 - Sales
 - Personal and corporate income
 - Local property taxes
 - Casinos and related structures
 - Commercial values
- Expanded tourism
 - Casinos become a major attraction to bring tourists to a location and to stay longer in that location
 - These tourists are likely to patronize other attractions and recreational opportunities.

Costs of casino table games

- Most of the costs of gambling in general are related to “problem” and “pathological” gamblers.
 - Greatest issue is the impact on their finances and resulting indebtedness.
 - Indebtedness leads to forgery, credit card theft, embezzlement, domestic violence, divorce, child neglect, robbery assault and murder.
 - The most addictive forms of gambling are video poker (“crack cocaine of gambling”) and slots not table games, but these are also the most profitable
 - Issues with problem and pathological gambling are enhanced by “convenience” venues particularly those where children and adolescences can be involved.
- “Substitution effect”
 - Existing business may see decreases in sales
 - Most severe for restaurants, movies, sports and other recreational activities.
 - Greatest impact is on small locally owned businesses (Some small business grow such as pawn shops, discount stores and paycheck cashing establishments)
- “Displacement effect”
 - Benefits are concentrated in the area where the casino is located
 - Costs are more widely diffused
- Crime
 - Evidence is not clear than table games lead to increased crime, but crime rates are almost always higher in casino counties than in non-casino counties

- Bankruptcy
 - 19 percent of all problem and pathological gamblers wind up in bankruptcy compared to only 4.5 percent for others.
 - Legal costs are significant as well as loss to creditors
- Impairment of worker productivity
 - Higher rates of absenteeism, health problems and lower output while on job.
- Cost of treatment programs
 - Suicide prevention
 - Credit counseling
 - Psychological counseling
 - Abused family shelters

The “Gambling Paradox”

- 80-90 percent of the costs of gambling come from problem and pathological gamblers
- 80-90 percent of the revenues to casinos come from 10- 15 percent of the “heavy” gamblers which includes the problem and pathological gamblers (13- 15 percent of those who visit casinos)
- Attempts to reduce the costs of table games significantly reduce the revenues and the benefits of casinos

Creating the economic environment for table games

- Casinos should
 - Be located near borders to capture “external” dollars. Inland casinos basically recycle recreational money that would have been spent anyway and increase social costs.
 - Be located near or on major highway to capture tourist traffic and close to major metropolitan areas (Most casino patrons come from within 100 miles of the casino)
 - Be “location” destinations which would include other attractions such as golf, spas, entertainment, shopping and “family” activities to maximize the number of out of region visitors and increase the length of stay. Casinos should be “one stop” destinations. This also reduces problems associated with convenience venues.
 - Be responsible for paying, but not providing, for security, auditing, police protection and treatment related to social costs in addition to taxes.
 - Be located in economically depressed areas to maximize the economic development potential.
- State policy
 - Require wage packages which are above minimum and include full benefits.
 - Provide, but not pay for, increased and adequate services related to the problems of problem and pathological gamblers
 - Provide, but not pay for, increased security and police protection and regulatory activities

- Prohibit and enforce bans on children and adolescents in casinos
- Limit the number of places allowed to offer table games to location destinations
- Impose taxes sufficient to cover the full social costs of problem and pathological gamblers.
- Reduce the incentives for problem and pathological gamblers. (All of these will reduce the casino's revenues and the taxes they pay)
 - Limit hours of operation (2 p.m.-midnight)
 - Reduce large payoffs (biggest single incentive for problem and pathological gamblers)
 - Enact procedures for identifying and prohibiting entry for problem and pathological gamblers (as now is the case for "cheats")
 - Do not locate casinos in populated areas
 - Limit table games to only "location" destinations to reduce costs of gambling
 - Reduce or eliminate "comps" such as free drinks, food, tickets, hotel rooms and airfare.
 - Require that anticipated "payouts" be accurate and conspicuously posted on machines and game tables.
 - Most important is that casinos be restricted in the granting of credit
 - Require cash only
 - Ban ATM's
 - Eliminate "house credit"

The better economic studies usually find that when the full benefits and costs of casino gambling are considered the ratio is around \$1 in benefits for every \$1.9 in costs. But that is not always the case and it does not have to be the case in West Virginia.

If table games are allowed it must be the responsibility of the industry and the State to properly account for the costs and benefits and to take the appropriate actions to reduce or mitigate the social costs with the industry paying the full costs. Allowing table games which do not cover the full costs and which do not return a significant inflow of tax and fee dollars above covering those costs is not advisable.

Calvin A. Kent, Ph.D.
 Vice President for Business and Economic Research
 Marshall University
 Huntington, WV 25755
 304-696-6005
kentc@marshall.edu

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