

**Internationally, 2001 Is No Time for the United States to Be
Gambling With the Economy: The Business Economic
Impacts of Gambling Activities Conducted Anywhere
John Warren Kindt'**

In 1996 the U.S. Congress created the U.S. National Gambling Impact Study Commission (1999 U.S. Gambling Commission) to review gambling activities throughout the United States because few states had prepared comprehensive cost/benefit analyses of the social and economic impacts of encouraging more licensed gambling activities. The analyses examined both slow gambling activities (such as bingo) and fast gambling (activities such as video gambling including Internet gambling). As the *speed* of the gambling activities increase, the money is lost faster and the socio-economic negatives increase dramatically. The 1999 U.S. Gambling Commission issued its Final Report in 1999 and confirmed that the U.S. gambling industry had created new addicted gamblers, new bankruptcies, and new crime and corruption (the ABC's of legalized gambling). The 1999 U.S. Gambling Commission *unanimously* called for a moratorium on the expansion of U.S. gambling and called for the recriminalization of all "convenience gambling" in stores, particularly by "video gambling machines" which were identified as the "crack cocaine" of creating *new* pathological (addicted) gamblers (NGISC Final Report 1999, NGISC Executive Summary 1999). The Commission also condemned gambling on the Internet, which was even supported by the U.S. gambling industry; however, in 2001 the gambling industry reversed its position, legislated Internet gambling in Nevada and began to promote Internet gambling which is still illegal under federal U.S. law regardless of any Nevada legislation (18 USC § 1084, the "Wire Act"). When California legalized the medicinal use of marijuana in 2000, the U.S. Justice Department still stated it was a "federal crime" and would prosecute anyone who tried to

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hide behind this California law. In 2001, U.S. Attorney General John Ashcroft has been urged to adopt a similar policy toward Las Vegas companies trying to hide behind Nevada state legislation allowing Internet gambling.

A. *The ABCs of Gambling*

The gambling industry's own reports conceded that between 1994 and 1997 the spread of legalized gambling had conservatively created:

- A. an additional .5 percent of the public or 1.5 million new pathological (addicted) gamblers costing society/taxpayers \$10,000 to \$52,000 per year in costs per gambler (see Div. on Addictions, Harvard Medical School 1997);
- B. an additional 2 percent of the public or 3.5 million new "problem" gamblers costing society/taxpayers \$2000 to \$10,000 per year in costs per gambler (see Div. on Addictions, Harvard Medical School 1997);
- C. new bankruptcies in counties with gambling, averaging 18 to 35 percent increases overall by 1997 (SMR Research 1997) and continuing at 13 to 29 percent into 2001 (SMR Research 2001); and
- D. new crime increasing in counties with gambling (particularly casino counties), up an average 9 percent in the third year after the advent of casinos and trending upward thereafter (Grinols and Mustard 2001a, Grinols and Mustard 2001b)

U.S. studies of the percentages of teenagers who have become pathological (addicted) and problem gamblers are *double* the numbers for adults. Therefore, throughout the 1990s gambling legislators have addicted millions of teenagers to gambling, which sociologists compare to drug addiction and which future leaders will have to combat similar to the "War on Drugs."

The gambling addiction problem was highlighted by a 1997 University of California study which revealed that suicide rates (including teenagers) in gambling counties were 2 to 4 times greater than in non-gambling counties (Phillips 1997).

No one is immune from gambling addiction including judges, government officials, legislators, FBI agents, and police officials. For example, within weeks of the opening of the Detroit casinos, one senior police official became hooked, lost his money, and killed himself with his service revolver after losing at a casino blackjack table (Suhr 2000).

In 1998, the legal counsel for Joliet, Illinois testified before the National Gambling Impact Study Commission that casino gambling had only benefited Joliet with no downside, but then he was embarrassed when a Commissioner confronted him with the *Los Angeles Times* article *Lives Lost in a River of Debt* which highlighted the alarming number of gambling-related suicides around Joliet (Braun 1997). These suicides were hidden by gambling proponents until the coroner's office issued subpoenas to the local casinos and linked several suicides to gambling losses—including the Warriners, a semi-retired couple who killed themselves in a suicide pact after losing their retirement savings (Braun 1997).

With the spread of legalized gambling in the 1990s, the teen suicides related to gambling became alarming. One well-known case involved a 19-year-old student Jason Berg who became hooked, lost his school money, and killed himself (Fruhling 1997). The impact of gambling-related suicides on families was reflected two and a half years later when his grief-stricken stepfather committed suicide (Fruhling 1997). Highlighting the tragic impact of gambling losses on families was a 2001 instance where a Michigan father lost heavily in Las Vegas, and when he returned home he killed his wife, his three children and himself (Roanoke Times 2001). These cases demonstrated that legalized gambling has created a national health problem. As might be expected, the worst suicide rates are in Nevada.

Nevada has had the highest suicide rate for more than 10 years. In 1999, more than 429 residents took their own lives, according to state figures that don't include visitors (Myer 2001).

These disturbing trends prompted U.S. Surgeon General David Satcher in 2001 to unveil a national U.S. suicide prevention plan, and he highlighted gambling addiction as a national health issue (Myer 2001). Surgeon General Satcher's concerns were shared by former U.S. Secretary of Health, Education, and Welfare Joseph A. Califano and by former Commissioner to the 1999 U.S. Gambling Commission Richard C. Leone (Califano 2001, Leone 2001). The targeting of the elderly by the gambling industry was a particular national health concern (Gosker 1999). The gambling industry derogatorily referred to this target market as the "golden grays" due to their gray hair and their golden retirement assets. Of course, once those retirement assets were lost there was little

opportunity or time for the elderly to recoup, leading to more possibilities for despair and perhaps suicide as in the case of the Warriners. Another concern was the target marketing to children via children's themes on video gambling machines leading to charges that the gambling industry had transformed the problem of Joe Camel into "Joe Casino" (Edwards 2000).

Even the conservative and only partial listing of social costs reported in the 2001 Century Foundation Report range between \$5 billion to \$40 billion for pathological (addicted) gamblers and problem gamblers on a lifetime basis (Century Foundation Report on Pathological Gamblers 2001, Volberg). Experts have clustered cost estimates per year at \$24 billion to \$88 billion with \$40 billion being the mid-range and the \$40 billion estimate independently corroborated by the American Medical Association (American Medical Association 1994, see Kindt 2001 tables).

The economic impact of video gambling machines, in particular, is also dramatic. A leading study from Australia in 2000 concluded that for every 80 video gambling machines \$2 million was drained from and "damaged the local economy" each year (Millar 2000). Furthermore, for every three video gambling machines, two jobs were lost (Millar 2000).

B. Gambling Benefits Only the Owners and Not the Host Communities

The 1999 U.S. Gambling Commission largely reconfirmed that licensed gambling benefits only the owners of the gambling at the expense of the host communities and regional economies. A headline in the *Omaha World-Herald* highlights that economists affirm that the costs far outweigh the benefits by stating *40 Economists Pan Expanded Gambling* (Dorr 1996). *The Wall Street Journal* summarized that in Louisiana "the industry has been embroiled in virtual nonstop scandal ... and its much-touted economic payoff, especially in terms of job creation, has fallen far short of promises" (Wartzman 1995).

Throughout the 1990s many states considered allowing casino-style gambling and rejected it because of the socioeconomic negatives associated with video gambling machines which constituted 80 percent of casino revenues and which constituted the crack cocaine of gambling addiction. These types of gambling activities appear to be

disfavored by the public where state policymakers and the electorate are given the time and the opportunity to examine the costs and benefits of video gambling machines. While the 1999 U.S. Gambling Commission unanimously called for prohibitions on "convenience" video gambling machines and a moratorium on any proliferation of licensed gambling activities, the public was still being misled by industry-generated reports and promotional pieces. With the 1999 U.S. Gambling Commission's report and the many academic reports indicating that the *net* effects of legalized gambling activities, are detrimental to the social and economic foundations of the United States, government officials supporting new gambling initiatives cannot be acting in ignorance and are vulnerable to charges of corruption.

The previous national commission that analyzed gambling activities was in 1975-1976 (U.S. Commission 1976). The need for the 1999 U.S. Gambling Commission was highlighted by new video technologies, which the industry was promoting to provide gambling video terminals in each U.S. living room, at each work station, and in every classroom— particularly via the Internet. Various forms of gambling have already been initiated or are proposed for U.S. airlines, railroad cars (casinos), blimps, and dozens of casino ships (conducting gambling "trips to nowhere" and including a proposal to lease a Soviet aircraft carrier for Florida's casino gamblers). Once riverboat casinos, in particular, are legalized by a state legislature, even greater political pressures develop to authorize numerous, unanticipated varieties of gambling. When riverboats no longer had to cruise, the "speed" of the gambling increased by 40 to 100 percent which meant increased revenues for the owner of 40 to 100 percent and increased social costs triple the new revenues. Increasingly, states and communities are being forced to choose if they wish to be based on a gambling economy (like Nevada and Atlantic City) or a non-gambling economy (like Hawaii, Utah, and Tennessee).

C. The Economic Development Argument Exposed

From a business-economic perspective, the main issue involved in legalizing various forms of gambling is whether gambling activities constitute a valid strategy for economic development. While the dollars invested in various legalized gambling projects and the jobs initially created are evident, the industry has been criticized for

inflating the positive economic impacts and trivializing, ignoring, and even hiding the negative impacts (Goodman 1994). The industry's tendency to focus on specialized factors provides a distorted view of the localized economic positives, while ignoring the strategic business-economic costs to the state as a whole and to different regions of the United States (California Governor's Office 1992; Kindt 1995). In 1994, all of the various experts who testified before the U.S. House of Representatives Committee on Small Business criticized the impacts that casino-style gambling activities inflict upon the criminal justice system, the social welfare system, small businesses, and the economy (Congressional Hearing 1994). Utilizing legalized gambling activities as a strategy for economic development was thoroughly discredited during the hearing.

Until the 1999 U.S. Gambling Commission, Florida was the only state which had conducted a comprehensive statewide analysis of the impacts of legalized gambling activities. Its report concurred with the congressional hearing's negative conclusions about legalized gambling activities (Florida Governor's Office 1994).

Since some issue areas have not received widespread public attention, this analysis highlights some of the neglected issue areas as they relate to tax revenues, social-welfare costs, education, and job creation.

D. Gambling Makes U.S. a Nation of Losers

Between 1991 and 1996, gambling proponents spent over \$105 million to obfuscate the issues involved in gambling, and therefore delimiting some basic principles of analyzing gambling is often useful to the public (Kindt 1998). To begin any study, the most relevant number is the amount *lost* by gamblers per year in the *relevant market* (approximately \$60 billion lost by the U.S. public in 2000). Of these amounts lost, approximately 30 percent (primarily from lotteries) results in tax revenues to local and state governments (approximately \$18 billion in taxes in 2000) (Survey 2000).

In gambling industry studies the underlying focus is usually on:

1. *how fast* money can be extracted from the public, and
2. *how efficiently* money can be extracted from the public.

The techniques utilized to accomplish these goals usually are:

3. new, more and faster gambling technology, and

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In 1997 it became public that the Colorado lottery was utilizing a "Mindsort" model which allegedly was designed to appeal to pathological and problem gamblers indicating that consistent gamblers were "Lower on trial, but once hooked, hooked" (Mindsort 1996, Conte 1998). A 1997 in-depth survey by the *Chicago Sun-Times* reported that poor people were now viewing the "instant games" of the lottery as a "a source of income" (Novak and Schmid 1997) and in another 1997 survey it was reported that 51 percent of the people gambling were trying "to win money," instead of gambling for entertainment (34 percent) (Miss. St. 1995).

Recognizing that 27 percent to 55 percent of casino revenues are coming from pathological gamblers and problem gamblers, (Lesieur 1996, Lesieur 1998 tables) concerns have been raised about appeals to this market segment.

By purchasing lists from credit-card companies, the casinos know what you buy, and then they can track census data to approximate your home value and income. Then there are the direct-mail lists. One such list from the early 1990's was baldly called the "Compulsive Gamblers Special" and promised to deliver, 200,000 names of people with "unquenchable appetites for all forms of gambling." Another list features "some 250,000 hard-core gamblers." Yet another purveys the names of 80,000 people who responded to a vacation sweepstakes-telemarketing pitch (Gwynne 1997).

In addition to the 1.5 million new pathological (addicted) gamblers, 3.5 million people or 2 percent of the U.S. population became new "problem" gamblers in the 3 years from 1994 to 1997 at a cost of \$3.5 billion per year (Div. on Addictions, Harvard Med. School 1997). From \$24 billion to \$88 billion is the range of costs to the taxpayers of the 1.5 million new pathological gamblers and 3.5 million new problem gamblers governments addicted from 1994 to 1997 (Kindt 2001 tables). By some estimates, these costs and related public health costs are even higher than the costs of drug addiction to society.

G. Bankruptcies

The bankruptcy costs of 1.5 million new pathological gamblers in the 3 years from 1994 to 1997 are at least \$9 billion with 315,000 bankruptcy filings (SMR Research 1997). The *annual* U.S. bankruptcy costs due to legalized gambling are at least \$3 billion with 105,000 new bankruptcy filings. These numbers were projected to increase by 50 percent as the 1990s ended and as more of the new pathological gamblers finally "bottomed out." In 1997 the costs of gambling bankruptcies to each U.S. household were already at \$408 per year and increasing (SMR Research 1997).

The bankruptcy costs of 3.5 million new "problem" gamblers in the 3 years from 1994 to 1997 were at least \$3 billion per year with 90,000 bankruptcy filings (SMR Research 1997). The annual U.S. bankruptcy costs due to problem gamblers were at least \$1 billion with 30,000 new bankruptcy filings per year. Clinical observations of trends indicated that the percentages of bankruptcies due to legalized gambling would tend to increase to 15 percent or more as the year 2000 approached. In 2001, the *New Bankruptcy Epidemic* reported conservatively that at least 5 percent of bankruptcies were due to gambling (SMR Research 2001).

The crime costs of 1.5 million new pathological gamblers which governments created from 1994 to 1997 would be \$34.2 billion pursuant to the 1994 report by the Florida Governor's Office of Planning and Budget Analysis. The most relevant authoritative report for this type of strategic/regional calculation is still the *1994 Casinos in Florida: An Analysis of the Economic and Social Impacts* (Florida's Governor's Office 1994). Applying the methodology of this analysis to the reported increases from 1994 to 1997 in pathological and problem gamblers yields new socio-economic costs to the taxpayers of \$34.2 billion for these years.

Directly because of governments' legalized gambling, 1.5 million people or .5 percent of the U.S. population became new criminals in the 3 years from 1994 to 1997 at a U.S. cost of \$12 billion to \$15 billion (Kindt 2001). Virtually all pathological gamblers commit crimes, but most are not prosecuted because the crimes are against family members or close associates. Experts and studies report that between 12.5 percent and 15 percent of pathological gamblers will become incarcerated. It should also be noted that pathological gamblers tend to commit multiple property-acquisition crimes. Political scientists note that governments should not encourage or promote criminal behavior or crimes which governments do—when they legalize, advertise, and promote gambling. Furthermore, sociologists note that U.S. governments are not in the business of selling alcohol or tobacco products, but U.S. governments sell gambling packaged as patriotism.

The partial (incarceration) costs of 1.5 million new pathological gamblers which governments created from 1994 to 1997 are at least \$2 billion. The average regulatory and corrections costs per year calculated as a function of the total number of pathological gamblers are between \$9,000 and \$11,000 per pathological gambler per year (Kindt 2001).

H. The Strategic Socio-Economic Costs of Pathological Gambling and Problem Gambling: Overview of Calculations

The three steps to calculating the strategic socio-economic costs of pathological gambling and problem gambling are as follows

1. Step One: Calculate the relevant population base which usually corresponds to the population in the "feeder markets" (35-mile radius or 100-mile radius around the gambling center) in the specialized studies of the gambling industry. For convenience, the current population of the United States (or other country), any state, county, or city can be easily obtained from the latest edition of *The World Almanac*. Similar calculations have been used and verified in the tobacco cases and associated academic literature.
2. Step Two: Calculate the relevant percentages of the population which are pathological gamblers and problem gamblers.

Unless a specified study gives authoritative percentages for a specific population base, the general population percentages can be applied. Since inexplicably, the Harvard Addictions Meta-analysis did not report the most important numbers; that is, the percentages of pathological and problem gamblers reported in the 120-152 studies reviewed, the general population percentages must be utilized. These percentages are:

	1976	1994		1997
Pathological Gamblers	.77%	.84%	(.5% Increase)	1.29%
Problem Gamblers	2.33%	2.93%	(2% Increase)	4.88%

These percentages are the starting points for general calculations (U.S. Commission 1976, Div. on Addictions, Harvard Medical School 1997).

3. Step Three: Multiply the numbers (and increases) by the socio-economic costs of one pathological gambler and/or one problem gambler.

According to experts, each pathological gambler creates overall strategic socio-economic costs of between \$10,000 (partial listing of costs) and \$80,000 per year. A conservative range of \$30,000 to \$50,000 per year is quite reasonable, but the \$10,000 per year is recommended by experts as the amount which is beyond any reasonable challenge.

1. Economic Cycles and Gambling's Impact on Tax Revenues

From the perspective of U.S. economic history, the United States has had previous economic cycles with widespread legalized gambling activities. The most relevant cycle occurred after the American Civil War and paralleled the post-bellum migration to the "Wild West." Although gambling proliferated during this time-frame, within a few years the trend towards prohibiting gambling activities had begun, and by 1910 there was virtually no legal gambling in the United States. Gambling activities were not just prohibited via state statutes and local ordinances, but more importantly,

these prohibitions were incorporated into most state constitutions. The fact that state constitutional provisions were utilized to make it as difficult as possible for future generations to legalize gambling activities (and thereby experiment once again with a classic "boom and bust" economic cycle) lends substantial credence to arguments that both historically and currently, the legalization of gambling activities eventually causes: (1) increased taxes, (2) a loss of jobs from the overall region, (3) economic disruption of other businesses, (4) increased crime, and (5) large social-welfare costs for society in general and government agencies in particular. For example, two studies of the riverboat casinos in Illinois concluded that for every one job created by the riverboats, most of the surrounding communities probably lost one or more jobs from preexisting businesses (Grinols 1994; Grinols and Omorov 1996).

In recent economic history, the taxpayers have directly and indirectly subsidized legalized gambling activities. The field research throughout the nation indicates that for every dollar the legalized gambling interests indicate is being contributed in taxes, it usually costs the taxpayers at least 3 dollars—and higher numbers have been calculated (Politzer, Morrow and Leavey 1981; Better Government Association 1992; Florida Governor's Office 1994). These costs to taxpayers are reflected in: (1) infrastructure costs, (2) relatively high regulatory costs, (3) expenses to the criminal justice system, and (4) large social welfare costs (Illinois Governor's Office 1992). Accordingly, several state legislators (e.g., in South Dakota) have called for at least partially internalizing these external costs by taxing all legalized gambling activities at a straight 50 percent tax rate.

Furthermore, as a matter of good public policy, state officials and legislators in Illinois have proposed legislation to prohibit contributions by legalized gambling interests to politicians and political campaigns. In the case of casinos, New Jersey already has such prohibitions, but other states have neglected to enact similar prohibitions. Political scientists have raised concerns that the developing constituencies in the licensed gambling industry are becoming so widespread that the industry can dictate economic, social, and tax policies. For example, the industry drafted a state constitutional referendum in Florida which would have mandated the introduction of casinos into communities—even if a particular community voted unanimously against a casino (Dyckman 1994). The industry spent approximately \$3 million to get the Florida

referendum on the ballot and \$16.5 million to campaign for the casinos—more than the combined gubernatorial campaigns of Governor Lawton Chiles and his challenger Jeb Bush (Lavelle 1994). A 1998 referendum in California to allow video gambling machines, (the crack cocaine of gambling addicts), on Native American Indian reservations was financed by \$100 million to \$120 million from gambling industry contributors. These amounts in one state referendum were comparable to the combined total spent by presidential candidates William Clinton and Robert Dole in the 1996 election. In these contexts, an article in the *Columbia Journalism Review* cautions the news media to "flat out ask [experts, academics, and even other reporters] if they make money off the industry" (Simurda 1994). To define the issues, the public should "follow the money" (Kindt 1998).

J. Social Welfare Costs

Legalized gambling activities act as a regressive tax on the poor (Clotfelter and Cook 1989). Specifically, the legalization of various forms of gambling activities makes "poor people poorer" and can dramatically intensify many preexisting social-welfare problems. Demographic analyses reveal that certain disadvantaged socioeconomic groups tend to gamble proportionately greater amounts of their overall income and marketing efforts, particularly by state lotteries, have been directed at these target groups. As Jesse Jackson has highlighted:

"The new chains of slavery happen to be credit cards and lottery tickets," The key to achieving King's dream is "teaching our people to go from the lottery to the market—from gambling boats to board rooms," Jackson said (Smith 1999).

In a specific example involving casinos, a 1995 Wisconsin report concluded that "[without considering the social costs of compulsive [i.e. pathological] gambling, the 'rest-of-the-state' areas lose-or, transfer in-\$223.94 million to the local gaming areas. Considering the lowest estimated social costs of problem gambling, the rest of... [Wisconsin] loses \$318.61 million to gambling" (Thompson, Gazel, and Rickman 1995). This report also concluded that without casino gambling, many local citizens would have increased participation in other "outside" activities. "More than 10% of the locals would spend more on groceries if it were not for the casino, while nearly one-fourth would

spend more on clothes. Thirty-seven percent said that their savings had been reduced since the casino had opened...." (Thompson, Gazel, and Rickman 1995).

From the business perspective, businesses are not naive. For example, "in a rare public stand on a controversial political issue, the Greater Washington Board of Trade's 85-member board voted *unanimously against*" Mayor Sharon Pratt Kelly's initiative to bring casino-style gambling to Washington, DC (emphasis added, Spayd and Woodlee 1993). With the exception of the cluster services associated with gambling, new businesses tend not to locate in areas allowing legalized gambling because of one or more of the aforementioned costs. In areas saturated with legalized gambling activities, preexisting businesses face added pressures that push them toward illiquidity and even bankruptcy. In 1997 *The Bankruptcy Crisis* reported that increased U.S. gambling had become not only the fastest growing cause of bankruptcies but also the fourth leading cause (SMR Research 1997). Gambling counties were experiencing 18 to 35 percent more bankruptcies than nongambling counties. By 2000, these bankruptcies were still trending upward in gambling counties with 13 to 29 percent more bankruptcies (than non-casino counties) reflected in increases ranging between 4 and 88 percent in gambling counties (SMR Research 2001).

In 2001 "244 U.S. counties that had gambling, casinos experienced a bankruptcy filing rate of 6.78 per 1,000 adults," according to *The New Bankruptcy Epidemic*. "This was 13.6% higher than the filing rate in 2,865 counties that had no casinos in them." Furthermore, in "20 counties with five or more casinos, the year 2000 bankruptcy rate was 7.70 per 1,000 adults, or 29% higher than in counties that had no casinos" (SMR Research 2001). More subtly, traditional businesses in communities which initiate legalized gambling activities can anticipate increased personnel costs due to increased job absenteeism and declining productivity (Kindt 1994a). The best blue-collar and white-collar workers, the Type-A personalities, are the most likely to become pathological gamblers (Kindt 1994b). A business with 1000 workers can anticipate increased personnel costs of \$500,000 or more per year—simply by having various forms of legalized gambling activities accessible to its workers.

To some extent businesses must already internalize the societal costs associated with assisting personnel with drug or alcohol-related problems. Legalizing various

gambling activities increases the number of problems related to pathological gambling in the context of the work force, and these costs are reflected in increased personnel costs--such as "rehabilitation costs," which can easily range from \$3000 to \$20,000 (or more) per pathological gambler (Kindt 1994b). In the context of the health care debate, the spectre of these unanticipated costs can raise further concerns to businesses already being asked to bear certain health care costs.

K. Education Costs

Gambling activities and the gambling philosophy are directly opposed to sound business principles and economic development. Legalized gambling activities also negatively affect education--both philosophically and fiscally (Better Government Association 1992, Clotfelter and Cook 1989). Adherence to a philosophy of making a living via gambling activities not only abrogates the perceived need for an education, but also reinforces economically unproductive activities (and is statistically impossible since the "house" always wins eventually). In states with legalized gambling activities which were initiated arguably to bolster tax revenues to "education," the funding in "real dollars" has almost uniformly decreased (Keating 1996).

Compared with other funding sources, lotteries have been an inefficient and dismal failure at supplementing educational funding. The definitive state-by-state analysis is still a 1996 comprehensive analysis which concluded:

states sell lotteries as a painless substitute for taxes - and a way to raise money for good causes like education. But an exclusive investigation reveals that lottery states collect more in taxes and spend less on schools than states that go without the games (Keating 1996).

The fact that lotteries hurt overall education funding is so basic it is in every U.S. grade school library (World Book Encyclopedia, Supp. 1994). Despite these facts, the public and numerous educators are being misled by relentless taxpayer-supported lottery advertising. Harvard Professor Bridget Long has severely criticized Georgia's advertising of its lottery's flagship program, the Hope scholarships as "discriminatory" against minorities and poor people (Tuckwiller 2000). Furthermore, after Georgia began its lottery in 1993, the number of teenagers who became pathological (addicted) gamblers

and problem gamblers soared within 3 years from a minor problem up to include 4 to 17.3 percent of all teenagers, which were problematic and alarming numbers well above the national average (Walston 1996). Like the illegal drug problem, gambling has hooked large numbers of teenagers. Throughout the U.S. studies, the numbers of pathological and problem "teenage" gamblers are double the adult rates, indicating that gambling legislators have doubled the addiction problems for the next generation and prompting criticisms that the Georgia lottery's "Hope is Dope" (Div. On Addictions, Harvard Medical School 1997, Walston 1996).

L. The Pathological Gambler Problem

States which embrace legalized gambling activities can expect enormous socioeconomic costs and a decline in the quality of life. Unlike traditional business activities, legalized gambling activities cater to a market consisting of addicted and potentially addicted consumers, and most preexisting businesses will find it quite difficult to compete for "consumer dollars" which are being transformed into "gambling dollars." For example, the field research strongly suggests that the introduction of widespread legalized gambling in South Dakota, including casinos and video lottery terminals (VLTs), over a 2-year time span caused a 1.0 percent increase in the number of problem and probable pathological gamblers—a recognized addictive behavior pursuant to the American Psychiatric Association (Clotfelter and Cook 1989; Better Government Association 1992). Each newly-created pathological gambler has been conservatively calculated to cost society \$13,200 to \$52,000 per year (with wider ranges between \$10,000 and \$80,000 per year) (Maryland Department of Health 1994; Better Government Association 1994). These costs are not just reflected in society as a whole but impact on all businesses. In particular, small businesses could easily experience disproportionate negative impacts, and unlike large corporations, small businesses would be less likely to have the asset base necessary to cushion against those negative impacts.

Sociologists almost uniformly report that increased gambling activities which are promoted as sociologically "acceptable" (the acceptability factor) and which are made "accessible" (the accessibility factor) to large numbers of people will increase the number of pathological gamblers as part of the population which begins at .77 percent as reported

by the 1976 U.S. Commission on Gambling (U.S. Commission 1976). Since gambling has been legalized and made accessible in several states, the range has increased to 1.5 to 5 percent in those states (Alberta Lotteries and Gambling 1994). This phenomenon was specifically confirmed by a 1995 study which concluded that the lifetime probable pathological and problem gamblers in Iowa increased from 1.7 percent of the public in 1989 to 5.4 percent in 1995 (Iowa's Department of Human Services 1995; Petroski 1995). Similarly, a limited study of Native Americans revealed a rate for lifetime probable pathological and problem gamblers of 14.5 percent in casino areas (Alberta Lotteries and Gambling 1994). These developments translate into increases in socioeconomic costs which must be addressed and absorbed primarily by taxpayers, but also by businesses, charities, social-welfare organizations, and governmental units.

M. Negative Impact on Job Creation

On a regional level, the combined ranges of these various socioeconomic costs are so large that they tend to dwarf the localized economic positives (California Governor's Office 1992). These drains on society could easily translate into a net loss of jobs on a statewide or regional level. Furthermore, it can be argued that the combined economic positives and negatives result in a negative net economic multiplier (Goodman 1994; Teske and Sur 1991). From the perspective of business-economics and strategic development, major businesses are and should be concerned with the trend toward expanding various forms of legalized gambling activities. Among other reasons, non-gambling related businesses will not be competing for consumer dollars or recreational dollars on a "level playing field," because legalized gambling activities can cater to an addicted and potentially addicted market segment.

Since the U.S. economy and most state economies are extensive in scope, the socioeconomic negatives associated with legalized gambling activities can remain hidden for long periods of time. However, just because a particular activity is "legalized" by a state government does not mean the negative business or societal impacts have been eliminated—or even reduced.

N, Conclusion

Increasingly, taxpayers and businesses are beginning to realize that, as professor Jack Van Der Slik has summarized for much of the academic community, state-sponsored gambling "produces no product, no new wealth, and so it makes no contribution to economic development" (Van Der Slik 1990). Business-economic history supports this proposition. The recriminalization of gambling activities occurred 100 years ago after a brief gambling boom following the Civil War. Most state legislatures utilized constitutional provisions to recriminalize gambling, because lawmakers wanted to make it as difficult as possible for future generations to experiment with the classic "boom and bust" cycles and the concomitant socioeconomic negatives occasioned by legalized gambling activities. To paraphrase Georg Hegel's common quote, "those who forget the lessons of economic history are condemned to relive them" (Bartlett 1968).

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Increased Bankruptcy Rates for 2000 in Casino Counties

State	Analyzed Counties With Casino's 2000	Analyzed Counties Without Casinos	Higher Bankruptcy Rates in Counties With Casinos
Cal.	21	37	20% 20%
Fla.	14	53	16% 16%
Ill.	7	95	10% 10% 4%
Ind.	8	85	4%
Iowa	11	88	49% 49%
La.	9	55	18% 18%
Mo.	8	107	50% 50%
Wash.	24	15	20% 20% 88%
Wis.	14	58	88%

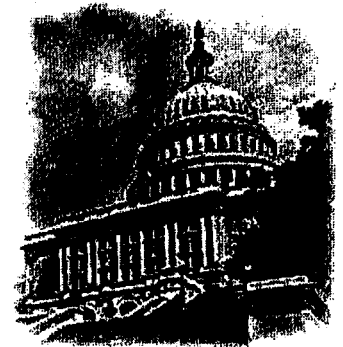
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