



TRENDS IN GAMBLING AND RESPONSIBLE GAMING IN THE UNITED STATES AND ELSEWHERE

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**There is nothing either good or
bad but thinking makes it so.**

--William Shakespeare

**All the world's a stage. Some of
us just have better seats.**

--Unknown

HOW TO GO ABOUT THIS: A PLAY IN THREE ACTS

- **First Act: The basic trends of what is driving gambling in America**
 - **Economics of Gambling & the Gaming Industry 101**
 - **Political Science and Gaming 101**
 - **Artistic license and mixed metaphors**
- **Second Act: What is happening with Responsible Gaming in the U.S. and abroad**
 - **How are the major actors behaving and interacting?**
 - **What kinds of change and directions can we see?**
 - **How can we affect the process?**
- **Act Three: How will the Play end?**

*GAMBLING IN AMERICA:
A LONG DAY'S JOURNEY INTO
NIGHT*

A Mystery in Three Acts



WILL IT END:

A COMEDY (3 to 1)

A DRAMA (1 to 1), or

A TRAGEDY (2 to 1)?

(House advantage: 8%)

THE ACTORS: MAJOR STAKEHOLDERS REGARDING LEGAL GAMING

- **The Gaming Industries**
 - Privately owned or publicly traded companies; profit motivated in a highly competitive environment
 - Indian tribal casinos; most concerned over their tribal members, and issues of sovereignty => Some monopoly
- **Governments**
 - Interested in various objectives: revenue enhancement, economic development, doing the “right thing”
- **Helping Services**
 - Motivated or directed to mitigate problems people experience with gambling => Challenges for care of the elderly
- **Consumers of gambling services**
 - Want to be in action; willing and able to spend to do so
 - High proportion of normal; small proportion of P&P
- **The general public, interested & otherwise**

THE STAGE: WHERE AND UNDER WHAT CONDITIONS GAMBLING TAKES PLACE

- **A wide and eccentric variety of venues for different forms of gambling**
 - **Casino gaming in destination resorts, in urban settings, in mining towns, on riverboats, on Indian reserves, and at race tracks**
 - **In some states, convenience & impulse gaming at bars & taverns, retail outlets, kiosks**
 - **Handicap betting at race tracks and betting parlors**
 - **Over the Internet and with interactive television**
 - **In social settings: home, office, church halls, community centers**
 - **In clandestine venues, such as illegal casinos & betting shops**

THE FORCES AT WORK: HOW ARE DIFFERENT TYPES OF GAMBLING SUSTAINING?

- **A pecking order of popularity of games and wagers, with a Darwinian effect on survival**
 - **Electronic Gaming Devices: The current mass market leader; largely pure chance (\$35 billion)**
 - **Traditional lottery products: Selling dreams; testing fate; pure chance (\$15 billion)**
 - **Table games: for action players, systems players, some perception of skill (\$8 billion)**
 - **Bingo & charitable gambling: social and soft (\$5 billion)**
 - **Poker, racing, sports betting: Cerebral, skill oriented; competitive; correlated with other interests; niche markets (Not for everyone) (\$5 billion)**

LEGALIZATION AND EXPANSION OF COMMERCIAL GAMING: WHY IS IT HAPPENING?

- **Though it remains controversial, there is an increasing appetite for more legal gambling**
 - **Governments and others wish to exploit the *economic rents* gambling offers (especially at the State level)**
 - **A significant portion of the general public are willing to support such activities as consumers of gambling services; ranges from “The Only Game in Town” to the emergence of consumer sovereignty**
 - **A small proportion of those consumers are problem or pathological in their behaviors – Why we are here**
- **As gambling continues to spread, problem gambling continues to increase in incidence and visibility**

ACT 1

**Setting: Gambling Venues and
Legislative Chambers**

THE PLOT: THE POLITICAL AND ECONOMIC DYNAMIC OF GAMBLING

- **Legalizing or liberalizing gambling creates *Economic Rents*, which will remain as long as:**
 - Market is undersupplied, or
 - Monopolies are granted and barriers to entry are high
- **With *Economic Rents*, *Rent Seekers* emerge**
 - The major *Rent Seekers* are Government (via taxes); Gaming Industries including tribes (via competition or protected markets); Helping Services (to gain resources to mitigate costs) and other specific interest groups (i.e. Cities, race track owners) who can benefit from particular legislation in capturing sustainable *Rents*
- **The drama is now played out in legislative halls and cloakrooms, at the voting booth, and in the media**

GAMBLING IN AMERICA 2003:

How Act 1 is being played out

- **Many gaming markets are at maturity (with little or no growth.) Exceptions are some Indian gaming markets and newly authorized gambling**
- **Financial desperation on the part of State governments**
 - **Willing to entertain new forms of gambling, new venues, and less restrictive conditions *quid pro quo***
 - **Willing to turn to the gaming sector as a ripe source of new tax revenues; Capture some more of those Economic Rents still on the table (i.e. Massachusetts, Arizona, Illinois, California)**
- **Profit squeeze on many of the gaming industry sectors (though not on the manufacturers)**

GAMBLING IN AMERICA 2003:

Some of the Sub-Plots

- **The consumer is not a major player**
 - Not in the Halls or the Cloakroom
 - Accepts what he is given; not organized
- **The Helping Services are getting bumped by higher priorities in the fiscal desperation**
 - The general public still does not recognize p.g. as a public health issue => Easy for their budgets to be cut
- **The Problem Gambler is like the homeless derelict that many of us try to ignore as we walk through the city streets**
 - Throw him a dollar from time to time, but easier to just walk by, shake one's head, and go to work

ACT 2

**Setting: Corporate
Boardrooms, Tribal Council
Chambers, Government
Offices**

MAJOR PLAYERS: GAMING INDUSTRY REPRESENTATIVES

- **Primary objectives: To maximize shareholders' or Tribal members' wealth**
 - Persuade customers to spend their money within the gaming environment: market *glamour, fantasy, fun*
 - To improve productivity wherever legal and possible: Embrace new technologies to increase *win*
- **Secondary objectives: To be accepted as legitimate citizens**
 - Must overcome old image of questionable background, questionable behavior, and rough manners
 - Aware that many blame them for the problem gamblers
 - Provide some degree of protection from backlash

CHANGING VIEWS OF THE GAMING INDUSTRY TO THE ISSUE OF RESPONSIBLE GAMBLING

- **First Stage: *Denial*:**
 - **There is no such thing as problem gambling;**
 - **If there is, it is not my fault;**
 - **Such people would destroy themselves elsewhere anyway;**
 - **If I take the high road, I lose ground to my less caring competitors => Only the low road will do**

CHANGING VIEWS OF THE GAMING INDUSTRY TO THE ISSUE OF RESPONSIBLE GAMBLING

- **Second Stage: *Lip Service*:**
 - **There is problem gambling, and we do acknowledge it as long as it does not cost us any business or any serious resources;**
 - **We will talk the talk, but we cannot walk the walk;**
 - **Our primary responsibility is to our shareholders and stakeholders. Too bad about the problem gamblers;**
 - **We will look at the high road, but we cannot go there unless we are certain there is no down-side;**
 - **Why don't you get contributions from the other gaming and wagering industries?**

CHANGING VIEWS OF THE GAMING INDUSTRY TO THE ISSUE OF RESPONSIBLE GAMBLING

- **Third Stage: *Halfway House***
 - **There is problem gambling, and we realize it affects both our business and our legitimacy**
 - **We will talk the talk, and we will try to walk the walk;**
 - **Our responsibility is both to our shareholders and our stakeholders. We want to be “doing the right thing”;**
 - **We will strive to take the high road, but may be constrained by the demands of the marketplace**

CHANGING VIEWS OF THE GAMING INDUSTRY TO THE ISSUE OF RESPONSIBLE GAMBLING

- **Fourth Stage: *Full Commitment***
 - **There is problem gambling, and it is part of our mission to mitigate it as much as is possible**
 - **We are committed to talking the talk, and walking the walk;**
 - **Our responsibility is to “do the right thing,” even though it may be expensive. In this way, we best represent both our shareholders and all our stakeholders;**
 - **We will take the high road, and will not be constrained by the demands from other conflicting objectives**

WHERE IS THE GAMING INDUSTRY NOW?

- Increasingly, it has moved through *Lip Service* and into *Halfway House*
 - It varies by company or by tribe: A few leaders, lots of followers. Need for a moral compass
- In some other countries (Holland, Canada), signs it is looking beyond *Halfway House* to *Full Commitment*
- This has to be seen as a good omen for *Act 3*

HOW TO CHARACTERIZE THE GOVERNMENT

- **Careful Deliberation**
 - We understand the implications of our choices and move forward accordingly; *Oh, if it could only be so*
- **A Common Attitude: “Take the Money and Run,” or “Pontius Pilate”**
 - We legalize and grab the lion’s share of the economic rents, then move onto other things
 - “I’m shocked, shocked to hear we have problem gambling here:” Claims of unintended consequences
- **“Bail Out”**
 - Financial desperation justifies even unattractive forms of gambling: Racinos, VLTs, Convenience Gambling
- **“Midnight Express”**
 - Sneak the legislation through at the last moment

HOW TO CHARACTERIZE THE HELPING SERVICES

- **Doing much better now than in prior years**
 - **Roughly \$24 million allocated to problem gambling treatment in 2002**
- **Very vulnerable to the priority lists when State budgets get tight**
- **“Water Boy:” Sitting on the sidelines, out of the real action**

HOW TO CHARACTERIZE THE CONSUMERS OF GAMBLING SERVICES

- **Rodney Dangerfield**
 - They don't get any respect
 - If they are foolish enough to gamble, then we should derive some good from their foolishness
 - Justifies high taxes, higher purposes for legalization beyond meeting consumer desires
- **They are the sheep in need of a good shepherd - not a fox - to watch over them**
 - The rationale for good regulations and consumer protections
 - The need for consumer advocates in general for gamblers

*ACT 3: STILL
UNDER
CONSTRUCTION*

PHILOSOPHIC FOUNDATIONS: TWO DISTINCT APPROACHES

- 2. Harm Minimisation: Protections should be built into the games, the venues, the conditions of play**
 - All gamblers should be equally inconvenienced to protect those truly in need**
- 3. Problem gamblers are a small but identifiable group of consumers. They should be isolated and treated differently than other gamblers**
 - Self-banning and other banning strategies**
 - Gambling is a revocable privilege**

TECHNOLOGICAL FACTORS

- **Advances in electronic gaming devices**
 - **Electronic games are becoming more productive, more entertaining, and probably more seductive**
 - **Will this make them more dangerous to problem gamblers?**
- **The emergence of electronic money**
 - **Is it wise to permit Electronic Funds Transfers on Slot Machines? Enlightened self-interest**
- **Player loyalty systems**
 - **Can player data bases be used to help identify players in need?**
- **Responsible gambling software packages**
 - **Can we determine if gaming device “warning labels” and “safety belts” actually do any good?**

WHEN THE CURTAIN COMES DOWN...

- **How good a job will we have done?**
- **Will we have a stable, sustainable, and respected group of gaming industries, or**
- **Will permitted gaming be an unattractive, embarrassing, and generally disliked presence around us that we cannot afford to dismiss**
- **Tune in next year, next decade: The Play will go on...**

THE END