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)
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 characterization 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