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Beware the Sucker Bet, Part 5

“Studies overwhelmingly demonstrate that gambling’s costs outweigh any economic benefit; that problem gambling rises as gambling opportunities proliferate; that economic hardship and crime likewise increase with more gambling; and that the level of wagering in this state and nation is increasing at a rate that is incompatible with true economic growth. It is the false promise of economic salvation. Any economic benefit realized from gambling is far outweighed by its economic and social costs.” – Senator Frank Padavan, in All Gambling, All the Time

The previous column focused on the failure of gambling casinos to provide positive economic and employment benefits to the local communities, regions, and states that bought into the myths touted by casino backers. Most casinos attract 80% or more of their market from a 35-50 mile radius. Casinos absorb existing entertainment, restaurant, and hotel businesses, and deplete dollars available to other retail businesses. That destroys other jobs in the trade area and eliminates their sales, employment, and property tax contributions. (Residential homes on main roads or alternate roads leading to casinos tend to decrease in value 10% – *Foxwoods Casino: Casino Impact on the Town of Stonington, CT*)

By focusing so much energy on gambling as an economic development strategy, government and business leaders shift attention away from supporting and developing other existing and new business enterprises. These other ventures may be more difficult to establish, but they are potentially more productive over the long term.

But beyond the positive benefits that don’t materialize, there are negative consequences that casinos create or compound... problems that either didn’t exist, or weren’t as much of a serious concern, until casinos entered the picture.

Manhattan District Attorney Robert Morgenthau has concluded succinctly: “Casino gambling breeds crime... The experience of other states has demonstrated that the economic benefits of casino gambling will be outweighed by the inevitable infiltration of organized crime and political corruption.”

Crime rates in casino communities are 84% higher than the national average, says *U.S. News & World Report*. In Ledyard, Connecticut, originally a rural area like here, crime tripled between 1990 and 1998 – the annual number of calls to Ledyard police jumped from 4,000 to 16,700 within five years after nearby Foxwoods Casino opened – including a rise in drunk driving, drugs, prostitution, burglary, sexual assault, and car theft.

A Maryland study concluded casinos would bring a substantial increase in crime. There would be more violent crime, more juvenile crime, more drug and alcohol-related crime, more domestic violence and child abuse, and more organized crime. Said J. Joseph Curran, Jr., Attorney General of Maryland, “Crime would rise because of the crime-related problems of compulsive gamblers, the constant exposure of casino workers to substance abuse and other social ills, the pervasive availability of alcohol to casino patrons, the criminal elements attracted to the casinos, and the presence of organized crime, and the growing problem of teenage gambling addiction... Casinos are not a solution to anything. Instead, they will exacerbate existing problems and create new ones... The stories told by both the statistics and the government officials in cities with casino gaming convey an oppressive and consistent message. Whatever its benefits, casino gaming will bring a widespread increase in crime.”

Earl Grinols, an economist at Urbana-Champaign, has documented that about six years after a casino is built in a county, violent crime rates are 10% higher than

in counties without casinos, while property crimes tend to be 8% higher. What proponents of legalized casino gambling most often leave out of any cost-benefit analysis is “the anticipated costs of inter-jurisdictional crime spill-over.” The crimes that saw a rise included murder, aggravated assault, rape, robbery, larceny, and prostitution.

In Black Hawk, Colorado, calls for service went from about 25 a year before gaming, to between 15,000 and 20,000 today. In Deadwood, South Dakota, where casino gambling was legalized in 1988, arrests have increased 262% since the advent of casinos. In the first fifteen years Atlantic City had casinos, violent crime rose by 199%, and larceny skyrocketed 481%. “Researchers calculated that the growth of crime in the Atlantic City region reduced property values by \$24,000,000 for each easily-accessible community to Atlantic City,” according to Professor Robert Goodman.

Gambling and crime often intersect at the problem gambler: “As access to money becomes more limited, gamblers often resort to crime in order to pay debts, appease bookies, maintain appearances, and garner more money to gamble.” In New London, Conn., for example, police officials reported an increase in various crimes following the opening of the nearby *Foxwoods Casino*, including “fraud, theft, and embezzlement in the greater community, both by employees at their places of business and by the public at retail and other establishments.” Police also reported a marked increase in counterfeiting and forgery in the area, “a trend that coincides with the rapid growth and success of *Foxwoods Resort Casino*.”

According to a survey of *Gamblers Anonymous*, 47% of compulsive gamblers engage in insurance fraud. Insurance fraud attributable to legalized gambling activities has been estimated at \$1.3 billion. Among problem gamblers, 41% have committed loan fraud, 38% embezzlement, 51% forgery, and 28% tax evasion.

A *General Accounting Office* study confirmed a direct relationship between the rapid rise of casino gambling and a proliferation of money laundering, in that gambling “is probably the biggest producer of money for the American *Cosa Nostra* there is.”

With all that money at stake, no wonder there is increased pressure to find or “create” willing Indian tribes to front criminal, or out-of-state, or even foreign investors. And that itself can lead to the questionable practices and applications for recognition we’ve seen locally, as more tribes seek federal recognition. “Money is driving the federal tribal recognition process,” says Connecticut Attorney General Richard Blumenthal. “Each of these tribes has wealthy, powerful investors who have made a very big debt on gaining recognition, because the payback is potentially unending and immeasurable. We’re not talking about hundreds of millions here. We’re talking about billions.”

“If just a fraction of [the tribes] receive sovereign status, they instantly become a vessel for a casino mogul to enter a state that otherwise does not permit casino gambling. So if you are a South African businessman or an Asian financier or a Las Vegas corporation, this is your vehicle to crack into a market that you can’t otherwise get into.” (“Would-Be Tribes Entice Investors,” *New York Times*, March 29, 2004, p. A1)

And that much money leads to political corruption as well, whether as outright bribery, or simply by the tribe or backers financially supporting candidates who side with them, or working against those who don’t. And once a community gets addicted to this money fix, it’s hard to quit or get free from its grip. As the former prosecutor of Deadwood said: “Virtually every decision on a local level is dictated by what is best for the gaming industry... once you take [this] leap, there is no turning back. Gambling becomes part of your economic, social and government climate. It is an irrevocable decision.”

Next (conclusion): The personal and social costs of compulsive gambling.