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Casino Gambling: Bring In The Feds

The recent opening of slot machines at two Delaware race tracks is a small event in itself but is yet another step along the path to coast-to-coast casinos that many states are reluctantly and uncertainly following. Notwithstanding the pressure from the Delaware move, Maryland's Joint Executive Legislative Task Force to Study Commercial Gaming, on which we served as chair and executive director, recommended against casinos last November.

One of the task force's major conclusions has been largely ignored by the media—namely, that the problem of legal casino gambling is a national one; Maryland cannot deal with this on its own. The problem cries out for attention from the president and Congress. Unfortunately, the casino industry has mobilized cash and lobbyists to prevent federal action on the issue.

The Maryland Task Force, in its full report, unhappily noted that, lacking a significant federally funded study, it had a very limited basis for making projections of what would happen if Maryland opened its doors to casinos, which nowadays get 70 percent of their revenues from slot machines. Given the limited statistical and economic analysis available, its opposition to casinos reflected a sensible caution.

Casinos do provide a credible promise of substantial financial gains to those states that are the first in their region to introduce them. Foxwoods casino in Connecticut (owned by the Mashantucket Pequot tribe under 1988 federal legislation that allows Indian tribes to operate casinos on certain tribal lands) now yields that state $115 million in tax revenues. Most of it comes from residents of Massachusetts, Rhode Island and New York who come to play in the world's largest casino. It employs more than 10,000 workers, offering good wages and benefits to many who would otherwise have more menial and unreliable jobs.

Not surprisingly, the state of Massachusetts feels it must also allow slots to compete and is now negotiating with the Wampanoag Indians to let the tribe operate a casino. The state of New York, which created a long legislative and referendum process to prevent a rash decision on casinos, has also responded to Connecticut by starting down a path that could lead to their introduction in 1998.

But the economic gains that entice states to open their doors to casinos are only substantial if neighboring states aren't competing for the same customers. If Maryland were the only state in its region to allow casinos, it might be able to justify building casinos that relied heavily on spending by Virginians, Pennsylvanians, Washingtonians and West Virginians. However, just as the Foxwoods' success has caused Connecticut's neighbors to move toward casinos, so would Maryland's advantage, if any, be short-lived.

There are also important social costs to having casinos readily accessible. Many people have difficulty controlling their gambling, particularly in the artificial environment of a casino where liquor is freely offered and the game is available at all hours. Big gambling losses and the obsessive pursuit of gambling opportunities may lead to family breakdown and loss of productivity and community involvement. Embezzlement would probably rise. Casino patrons might also make attractive victims for criminal offenses. But whether this is a major problem or just a modest incidental to the simple pleasures of millions is still a matter of debate and in need of serious research.

The opponents of casinos often weaken their case by making exaggerated claims about the social consequences of gambling. Typical is the claim that "40 percent of all white-collar crimes come from pathological gambling," a hardy perennial that appears in all anti-casino writings. It is supposedly the product of the American Insurance Institute. In fact, no such organization exists, and no one has ever been able to locate a copy of a report documenting the claim. Nor is there much more basis for the frequent claim that each problem gambler costs society $30,000 annually.

An authoritative and independent assessment of the economic and social consequences of casinos would help states a great deal. A federal commission needs to do systematic analysis of the kind that state task forces, with their short time horizons and minuscule budgets (ours had six months and a total of $50,000 for its work), cannot muster. There seems to be strong congressional support for such a commission, notwithstanding aggressive lobbying against it by the casino industry.

The national commission would also have to focus on the very troubling issue of Indian tribal gambling. Providing Indian tribes with better economic opportunities is clearly an important and legitimate goal, but when those opportunities result in large costs being borne by the entire nation, then the issue needs to be revisited.

In the meantime, states like Maryland will feel a constant pressure from their neighbors to avoid having good Maryland money turn into Delaware gambling revenues. The growing burden of social services on state finances as the federal government cuts back its support will increase that pressure, so that in the next downturn many states may reluctantly, but irreversibly, become casino states as well. A federal commission and some sensible national policy are needed, and soon.

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