Hardly a Quick Fix: Casino Gambling in Canada*

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Les casinos prolifèrent au Canada et ce, malgré les évidences sur l'incertitude associée à la capacité incertaine des casinos à générer des gains nets de revenus de taxation et d'emploi. Cet article passe en revue les principaux coûts et bénéfices qui sont pertinents dans l'évaluation des propositions de construction de casinos. Nous présentons aussi la litérature qui est pertinente dans ce domaine. Les principales recommandations incluent plus d'études bénéfices-coûts. Une stratégie en matière de réglementation ainsi qu'une consultation du public sont nécessaires et ce, en dépit de la nécessité d'accepter les difficultés qui leur sont associées. En résumé, il ressort que l'utilité des casinos comme instrument de politique économique semble être marginale, particulièrement dans le long terme.

Casino gambling is proliferating in Canada despite evidence that its ability to generate net increases in tax revenues and employment is uncertain. This paper reviews the principal costs and benefits that are relevant in evaluations of casino proposals, along with pertinent literature. Principal recommendations include more scholarly cost-benefit studies. A regulatory strategy and public consultation are also essential, although the difficulties associated with both should always be recognized. All in all, the casino's usefulness as a policy instrument appears to be marginal, particularly in the long run.

Introduction

Before 1970, most forms of gambling were illegal in Canada. Amendments to the *Criminal Code* in that year legalized a greater range of gambling activities. In 1985, provincial governments were given exclusive jurisdiction over lotteries, slot machines, and video devices. Today, gambling is a multi-billion dollar industry. Every province and territory conducts lotteries, and many permit gambling activities for charitable or religious purposes (Campbell, 1991:153; Vancouver Board of Trade, 1994:15).[1]

As cash-strapped governments struggled to cope with mounting financial obligations and strong voter resistance to new taxes, large-scale casino developments were often perceived as an attractive way to generate new revenues. The associated tax and employment 'windfalls' were aggressively marketed by a well-organized and powerful industry lobby.

Credible research documenting the pitfalls of expanded casino gambling is now emerging. The purpose of this paper is to demonstrate that, while casino gambling can bring some benefits to Canadian communities, it is no economic messiah. This purpose will be fulfilled by outlining the benefits and costs that are relevant in evaluating casino proposals. Recommendations are presented.

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Benefits of Expanded Casino Gambling

Casino developers and proponents frequently present estimates of the number of 'new' jobs and tax revenues that their proposals would create (Goodman, 1994; Padavan, 1994). For example, in a widely-distributed brochure, it was suggested that up to 15,000 permanent jobs would be created by 'Seaport Centre'.[2] With a 125,000 square-foot casino, the agency suggested that a cruise ship terminal and hotel/convention centre could also be provided 'at no cost to the taxpayer'. About $256 million annually in new taxation revenues was expected to accrue to various levels of government (Vancouver Port Corporation, 1994: 5).

Revenues

At first glance, experience elsewhere suggests that the Vancouver estimates might be reasonable. For example, *Casino de Montréal* generated $36 million in profits after three months of operation (Petrowski, 1994a). The temporary casino in Windsor generated over $73 million in provincial win taxes between May, 1994 and January, 1995 (O'Neil, 1995).

The net benefits of casino gambling, however, are much less. In Vancouver, the proponents failed to distinguish between 'new' tax revenues and simple transfers. Taxes from a casino can be considered as a contribution to the economy, but only after what would have otherwise been collected elsewhere has been deducted (City of Vancouver, 1994; Coopers and Lybrand, 1993; Goodman, 1994).

In many Canadian contexts, the ability of casinos to generate net benefits is marginal. At *Casino de Montréal*, as many as 95 per cent of the visitors are from within the province (MacIsaac, 1994:38). In Ontario, a study by Coopers and Lybrand (1993) revealed that at four out of seven proposed casino sites, the local population would provide the majority of visitors and spending. Only Niagara Falls, Ottawa, and Windsor were found to have the potential to draw revenue from out-of-province visitors. Even in these cities, the longer-term economic contribution of casinos is very likely to decline as neighbouring jurisdictions reduce or eliminate gambling restrictions, and public novelty 'falls off' (Goodman, 1994; Rose, 1986:14).[3,4]

Often, promoters argue that a casino will attract tourists and keep local gamblers at home. These claims are not without some merit. In Windsor, for example, a recent study found that 41 per cent of the US visitors would not have come without the casino (Ernst and Young, 1994). For some tourists, the availability of a casino may connote a positive 'image of diversity and lifestyle choice'. But for others, the image conveyed may be inconsistent with 'family values' (e.g., City of Vancouver, 1994:7).

Retaining a portion of local gamblers' dollars at home has favourable balance-of-payments implications. However, for most consumers, the choice of vacation destination is likely a function of many desires besides access to gambling. Travel to destinations such as Reno or Las Vegas may be an inexpensive way to escape harsh Canadian winters, win a temporary reprieve from child care responsibilities, or enjoy an impressive selection of performing artists. Consumers with objectives such as these on their minds are unlikely to change their plans simply because a casino is available locally (Vancouver Board of Trade, 1994: 19).[5]

Jobs

A new mega-casino can rapidly become a major local employer. Additional jobs may arise in the provision of ancillary services such as transportation, accommodation, and rehabilitation.[6] However, anecdotal evidence suggests that many of these jobs come from other employers in the community. For example, in Atlantic City, New Jersey, 100 of the town's 250 restaurants have closed since 1978 – the year casino operations began (Corelli, Nemeth and Driedger, 1994b). Petrowski (1994b) ob-

served that a substantial number of businesses closed following the debut of *Casino de Montréal* because of declining sales.

One report concludes that *Casino Windsor* has generated about 5,800 direct and indirect jobs in the community (Ernst and Young, 1994). The impact on existing businesses is difficult to gauge. An evaluation of the existing temporary premises claims that 'a number of businesses have increased their sales through aggressive marketing,' and argues that the casino caused a dramatic increase in hotel/motel occupancy rates (Ernst and Young, 1994: Exhibit 5).[7] But it concedes that 'a number of businesses need to adjust their expectations of the casino as well as their business strategies'. One restaurant owner has predicted that the new permanent facility will 'put downtown Windsor out of business' (O'Neil, 1995).

Very few empirical studies have examined how casino 'cannibalization' of consumer spending impacts jobs in existing businesses (Goodman, 1994). One scholarly study was performed by Grinols (1994). Using employment data from six Illinois cities in which riverboat gambling facilities were introduced, the author concluded that 'the data are unable to show any net effect on unemployment and very little net effect on employment as a result of gambling in the communities where it has been introduced'. Based on his analysis, he argued that 'claims of substantial employment benefits from riverboat gambling should, therefore, be questioned' (Grinols, 1994: 11).[8]

Costs of Expanded Casino Gambling

Crime

Anecdotal evidence provides modest support for the suggestion that expanded casino gambling is associated with increases in various forms of criminal activity (Horrobin, 1993; Illinois State Police, 1992; Ryan, Connor and Speyrer, 1990:40; Shapiro, 1996).[9] In Canada, crime-related consequences are difficult to assess with any confidence because the casinos are all relatively new. The overall crime rate in Windsor has dropped, but there have been dramatic increases in spousal abuse, fraud, embezzlement, counterfeiting and prostitution (O'Neil, 1995).

Very few solid empirical studies are available on casino-crime relationships (Illinois State Police, 1992:2,15; Ryan, Connor and Speyrer, 1990). To date, it appears that two fairly similar field-study designs have been utilized. In *cross-sectional studies*, the researcher compares the incidence of crime in areas with and without casinos for a common time interval. For example, a document by Promus Companies (1994) reviewed crime rates for several US cities, adjusted for the number of visitors. The authors concluded that figures for Atlantic City are not significantly different from other non-casino metropolitan areas that entertain a significant number of tourists and other visitors (p.10). Another casino company executive argued that, because Orlando, Florida (the home of Disney World) and Atlantic City both attract a similar number of visitors, the higher crime rates in Orlando indicate that 'there is nothing about casinos themselves that attracts criminals' (Citizens' Research Education Network, 1992:55).

An overwhelming limitation of cross-sectional studies is that differences in crime rates between one city and another may be attributable to a host of confounding variables. Valid assessments are only possible with careful study and analysis of the various unique conditions affecting each local jurisdiction (Federal Bureau of Investigation, 1993:v). For example, in some communities, citizens may be more willing to report incidents they see than in others. Prevailing unemployment rates, police force strength and drug abuse rates are among the numerous factors that may be relevant in explaining differences in crime rates between one jurisdiction and another.

The second field study design that has been used is the *time-series study*. This typically involves the comparison of crime rates

in the same city before and after casinos are introduced. For example, in response to the Atlantic City-Orlando comparison described earlier, one citizens' group argued that in Orlando, crime rates were increasing long before the opening of Disney World. In Atlantic City, on the other hand, the jump did not occur until after casino legalization (Citizens' Research Education Network, 1992:55).

The key limitation of time-series studies lies in the difficulty of isolating the effects of changes in gambling availability from other changes that may have occurred. For example, if a casino were to open at the same time as a new police chief was hired, it would be difficult to isolate the effects of either event. Another difficult issue is selecting the appropriate time period for study. Simple one-year pre- and post- comparisons may be misleading if the antecedents of criminal behaviour related to gambling have longer 'incubation periods'. As the time period studied increases, however, so does the risk of faulty conclusions because of extraneous factors.[10]

In one of the better studies, Friedman and his colleagues (1989) combined the features of both cross-sectional and time-series studies. They performed an analysis for an 11-year period, using crime figures for 64 communities in the Atlantic City region. After removing the effects of population, unemployment, wealth, and density, the authors found that burglaries, vehicle thefts, and crimes of violence were higher in communities with greater accessibility to casinos. Since these increases were over and above the increases for the entire region, the authors concluded that 'they could have been caused by the casinos in the form of spillover of crime from Atlantic City' (Friedman, Hakim and Weinblatt, 1989:621).[11,12]

Some forms of crime may be more closely associated with casinos than others. To some extent, increases in ambient or 'street crime' will be associated with *any* new facility that attracts large numbers of patrons. In other cases, the casino-crime relationship may be more intimate. For example, the sheer volume of cash that is circulated may make the industry vulnerable to money-laundering activities (City of Vancouver, 1994; Eisenberg, 1979; Vardzel and Block, 1994:13). Loansharking, property crime or cheating are predictable consequences of pathological gambling (Lesieur, 1987; Padavan, 1994), as the next section will discuss.

Lastly, some have argued that expanded gambling will benefit the community by reducing illegal gambling activity.[13] Considerable doubt surrounds the validity of this claim (Kaplan, 1984:101; Lehne, 1986:30). As Goodman (1994) suggests, organized crime remains an active provider of gambling products in its own market niche. Expanding legalization increases the number of people who gamble, and provides organized crime with access to a larger consumer pool (Rose, 1986:9). In the words of one former Chicago mobster,

> there always existed one solid constant – any new form or expansion of legal gambling always increased our client base. The stooges who approved Las Vegas nights, off-track betting, lotteries, etc. became our unwitting front men and partners ... the publicity gave people a perception of gambling as healthy entertainment (Goodman, 1994:90).

Pathological and Problem Gambling

Pathological gambling is the repeated failure to resist the urge to gamble, resulting in disruptive patterns that impair the ability to function in personal, family, and occupational roles (Murray, 1993:792). Problem gambling, on the other hand, is a broader term which 'refers to all of the patterns of gambling behaviour that compromise, disrupt or damage personal, family, or vocational pursuits' (Volberg, 1993a:ii).[14]

Available evidence suggests that where more forms of gambling are legal, there is a higher incidence of problem and pathological gambling (Goodman, 1994:60; Volberg, 1994:239). Unfortunately, a great

deal remains to be learned about the incidence and prevalence of these disorders in Canada. In a study of Edmonton residents, Bland and his colleagues (1993) found that the lifetime prevalence of pathological gambling in the population was 0.42 per cent. Three-quarters of the pathological gamblers identified in the study were men – a finding consistent with other studies. The authors describe several reasons why the prevalence rate they found may be understated. Another Alberta study published in the same year found that lifetime problem gamblers make up 9.1 per cent of the province's adult population (Wynne Resources, Ltd., 1994:16).[15,16] In a final study of interest, Volberg (1993b;1994) found that the prevalence rate of probable pathological gambling was significantly higher in Native Americans than in the general population of the state.

The incremental social costs of problem and pathological gambling are relevant in evaluations of casino proposals. These costs may assume a wide variety of forms. One is the cost of prosecuting and incarcerating those who commit crimes in order to support their gambling habit. Another is increased health care costs, including treatment for problem and pathological gamblers and their families. Further, as Murray notes in his review, one of the difficulties in research and treatment is that of cross-addiction of alcoholism and gambling (Ciarrochi, Kirschner and Fallik, 1991; Haberman, 1969; McElroy et al., 1992; Murray, 1993:800). In one study, 39 per cent of the sample (who were patients in a gambling treatment program) met criteria for alcohol or other drug abuse (Ramirez et al., 1983).

Addiction may also lead to consequences that are difficult to measure in dollars, such as marital breakdown, bankruptcy, poverty, and suicide (*Vancouver Sun*, 1994). It is also likely to have an adverse impact upon worker productivity and/or job performance (e.g., Lesieur, 1989:237–8; Overman, 1990; Stuart, 1991).[17] In summing up social costs, Grinols estimated that for every $40 collected through a casino win tax, the average cost to the private sector in addicted gamblers' lost job productivity, criminal activity and legal services is about $200.[18]

A final consequence of problem gambling is its possible effects upon children.[19] Jacobs (1989) found that children of problem gamblers appeared to be at much greater risk than their classmates. They experienced almost twice the incidence of broken homes caused by separation, divorce, or the death of a parent before they had reached the age of 15. Almost half rated their overall quality of youth as 'poorer than most,' in contrast to only 27 per cent of the children who had admitted to no problems of gambling among their parents (p.227). Although causal inferences are not warranted on the basis of extant research, these findings suggest that expanded gambling could compromise the ability of educational institutions to generate needed attitudinal and behavioural outputs in their students, and ultimately, the quality of Canada's future workforce.[20]

Overall estimates of the social cost per problem and pathological gambler cover a wide range, because of varying definitions and measurement methods between studies. At the low end, Goodman (1994) applied a figure of $13,200 (US). A high estimate was found by University of Manitoba researcher Neil Tudiver, who estimated that each 'compulsive' gambler costs society $56,000 (*Vancouver Sun*, 1994). In the United States, it has been estimated that pathological gambling cost society $80 billion in 1988 (Politzer, Yesalis and Hudak, 1992:24).[21]

It is common for casino proponents to promise funding for treatment programs, hot lines or similar responses to problem or pathological gambling. The efficacy of these measures is far from consistent (Filteau, Baruch and Vincent, 1992:88–89; Gambino, 1989).[22]

Miscellaneous Costs

A number of other consequences are likely

to be associated with expanded casino activity, all of which have cost implications. For example, a large facility in a downtown area may generate traffic congestion beyond what the local infrastructure is capable of handling. Costly expropriation procedures may be required (Hall, 1993;1994). If people spend more money at casinos and donate less to local charities, the ability of these organizations to provide services is reduced, and the government may ultimately be forced to take over the responsibility for them. The regressive nature of gambling taxes (e.g., Borg, Mason and Shapiro, 1991) may increase the levels of service that are needed. Expanding casino gambling will also require additional law enforcement personnel and a regulatory bureaucracy (Horrobin, 1993).

The 'Goodman Study'

In a pioneering effort to summarize available evidence, Goodman (1994) reviewed 14 American studies on the economic impact of casinos. Of these, he found that only four could be considered 'mostly balanced' or 'balanced'. In the remainder of the studies, the typical shortcomings were severely overstated (i.e. gross) benefits, and understated or omitted costs.

A frustrating reality that is evident from the Goodman study is the dearth of objective, scholarly research. Of the studies he reviewed, none were published in a refereed journal. Many were funded by pro-gambling constituencies. An exhaustive search of published literature failed to reveal any additional studies that would have been pertinent to his review.

Not surprisingly, Goodman's study was criticized by the gambling industry lobby. A report by Promus Companies, Inc. (1994) vigorously disputes the author's classification of studies into 'balanced' and 'unbalanced' categories because not all of the projects had been built; nor had Goodman himself compared predicted with actual effects. These complaints are of limited relevance for what was a fairly straightforward literature review.

Recommendations for Research

The scant availability of scholarly research suggests that additional study on the costs and benefits of casino gambling is sorely needed. An interdisciplinary approach including fields such as business, economics, psychology, medicine, and law will be required to ensure that meaningful estimates for both favourable and unfavourable consequences are included. A particular need exists in the area of health care, where at least one Canadian province (British Columbia) uses gambling as a funding mechanism. If a new piece of hospital equipment can be funded only by increasing the incidence of problem and pathological gambling, it is reasonable to ask whether the purchase fulfills the mandate of the health care system to serve the welfare of the population (e.g., Robinson, 1993), particularly in the long run.

Interestingly, today's health care profession is favouring preventive approaches, rather than responding to problems after they have occurred (e.g., Lurie et al., 1993). Research is needed to evaluate the usefulness of primary strategies designed to prevent problem and pathological gambling. The efficacy of tertiary treatment practices commonly advocated by the gambling industry (such as counseling and telephone hot lines) also needs to be more firmly established.

Regulation: Issues and Recommendations

This section of the paper presents and discusses four regulatory issues of interest. Regulation is touted by industry advocates and policy-makers alike as a way to reduce the adverse consequences of casinos. But experience suggests that regulating gambling activities is difficult (Lehne, 1986), and that the objective of 'scientific regulation' will never be achieved. Almost invariably, diverse and conflicting public policy

goals will be at work, such as maximizing the tax proceeds generated by gambling while protecting citizens from specific practices that encourage them to spend more than they can afford.

An excellent example of the policy dilemma may be found in Prince Edward Island. In 1991, the province introduced video-lottery terminals (VLTs) in many gas stations and corner stores. In only nine months of their first year of operation, the machines raised $14.4 million in revenues. As the popularity of the machines grew, however, physicians in the province began to observe an expanding incidence of pathological gambling in their patients. The Prince Edward Island Medical Society offered several recommendations to curtail the problem, but an official noted that 'the government hesitates to act because it is making so much money' (Sullivan, 1993: 259).

Allocation Issues

If the government wishes to introduce limited entry into the casino market, *what* commodity is to be allocated, and to *whom*? Deciding allocation issues raises a host of equity and fairness concerns because of the multiplicity of services that can be produced in a casino.

Particular consideration must be given to the effect of a casino upon competing businesses with no access to gambling revenues. An examination of *Disclosure* (a commercially-available library database) reveals that in the United States, the largest casino-resort corporations derive a majority (in some cases, as much as 80%) of their revenues and profits from casino operations. Current industry practice supports the argument that managers of operations that include a casino can (and do) price hotel rooms and food/beverage operations below what others must charge in order to cover their costs.

Designing Effective Oversight

A second issue that must be addressed is *how* casinos should be regulated. Few commercial activities are as difficult to monitor as the operation of a casino (Lehne, 1986:139). Screening procedures will need to be set up for would-be casino operators and employees. Employee training requirements, device inspection, and accounting procedures are additional areas of concern.[23]

Some regulatory practices could help reduce problem and pathological gambling. The relationships between these disorders and alcohol sales, credit practices, and advertising are well-known (Downey, 1995; Goodman, 1994; Murray, 1993). A number of jurisdictions prohibit on-site credit or alcohol sales for this reason. Another unexplored possibility might be a legally enforceable standard of care for situations where 'warning signs' of problem gambling behaviour are (or ought to be) noticed by casino staff.[24]

To date, Canadian governments have been unwilling to regulate advertising for gambling with the same zeal that they apply to tobacco or other potentially addictive products. One reason for this may be that while the administration of gambling and lotteries is largely a provincial matter, only the Federal Government has the authority to regulate broadcast and televised advertising for these products. At present, there are virtually no meaningful standards. In particular, foreign casinos are free to use Canadian advertisers to aggressively promote forms of gambling that are illegal throughout the targeted Canadian broadcast area. This is a situation that the Federal Government could consider curtailing through the Canadian Radio-Television and Telecommunications Commission (CRTC).

As regulatory mechanisms are designed, the decision-maker should realize that the most well-crafted regimes are easily undermined when liberalization occurs in neighbouring jurisdictions. Further, legal gambling products have a life-cycle (Goodman, 1994). As demand (and profits) falter, regulators may face increasing pressure to relax constraints or permit new (and often,

more addictive) varieties of gambling. And when government revenue requirements or the funding needs of non-profit groups have become gambling-dependent, saying 'no' is a difficult enterprise indeed.[25]

Selection of Regulatory Officials

Policy-makers must decide *who* should regulate the operation of casinos. Other jurisdictions have found that professional capacity and technical expertise are needed to confront the complex policy issues (e.g., Lehne, 1986:145). However, the use of experts as regulators is not without problems. Although detailed firsthand expertise on gambling will tend to reside among those who are financially supported by the industry to one extent or another (Simurda, 1994), the over-use of these individuals will make it difficult to prevent current or future conflicts of interest (e.g., Breyer, 1982:142; Goodman, 1994).[26]

Public Consultation

Fourth, a process for public consultation when gambling-related decisions are to be made must be designed. As Smith (1992) points out, public debate on gambling issues rarely occurs in Canada. Typically, the scheme is discussed and approved by a province's ruling party and presented to the public as a *fait accompli*. The public outcry that has occurred in British Columbia and many other provinces, and the flourishing interest in casinos among First Nations indicate that the development of an acceptable process is a matter of considerable urgency.

While consultation can enhance the legitimacy and quality of decisions (e.g., Breyer, 1982:350), it is not without problems. Because of the immense potential for private profit, it is very likely that there will be a severe power and resource imbalance in favour of pro-gambling constituencies. In Vancouver, the Seaport promoters spent about $1 million on promotion-related activities (Daniels and Hume, 1994). The intensive polling and advertising campaign began long before opposition groups could mobilize. The time advantage was a strategic one and created a 'bandwagon' effect that was extremely difficult to challenge. The poorly-funded coalition of church and citizens' groups that opposed the project was easily labelled 'anti-jobs' and 'anti-tourism' until it could demonstrate to the media that many of the developers' figures were overstated, and that important social consequences had been ignored.

The local government promoted a constructive dialogue by providing several opportunities for citizens to participate in a formal 'casino review'. Throughout the summer of 1994, a highly-publicized series of public meetings was held around the city, and planning staff met with all who wished to be heard. Written and telephone comments were also solicited. Most importantly, the City authored and circulated a paper that presented a balanced discussion of the benefits and costs of casinos (City of Vancouver, 1994).[27] On the whole, the City's response provides an excellent example for other communities who may face this issue in the future.[28]

Additional Policy Recommendations

Cost-benefit Issues

Careful thinking is called for when a casino is proposed as a fundraising mechanism for infrastructure or other projects. The feasibility of the project itself should always be determined first. Only if a project represents the best use of available resources do financing issues become relevant. Where this is the case, alternative forms of taxation and user charges deserve consideration alongside the 'casino option'.

Policy-makers should insist that all relevant costs be included in evaluations of casino proposals. For example, some consequences of problem and pathological gambling can be measured, such as reduced productivity, divorce, changes of residence, and loss of job (Rice et al., 1990:37). When meaningful figures cannot be calculated for certain types of costs or benefits, the policy-

maker should recognize the limitations of the analysis and the subjective element of the evaluation that results.

Lastly, policy-makers and researchers should work together to design institutional arrangements in ways that promote an equitable sharing of casino-related benefits and costs between various levels of government (e.g., City of Vancouver, 1994; Hall, 1993). Admittedly, a substantial element of guesswork will be involved here. Much remains to be learned about cost behaviour, while revenues become increasingly unstable over time, as noted earlier (British Columbia Central Credit Union, 1995; Goodman, 1994; Rose, 1986).

Developing Needed Expertise

Policy-makers should recognize the need for appropriate and predictable levels of research funding. The Goodman study implies that a sound, comprehensive knowledge base for evaluating casinos and other forms of gambling does not exist at the present time. Yet First Nations casinos, young problem gamblers and Internet gambling opportunities are all expanding in number. They indicate the need for a coherent (and expanded) body of competent research.

Many researchers could complete high-quality studies under industry sponsorship. However, a healthy proportion of research should also be completed by individuals who are clearly independent from industry or other sources with potential conflicts of interest (such as provincially-operated casinos or lottery corporations). Policy-makers must recognize that if gambling is to be relied upon for revenue generation, it is only prudent to stimulate the development of expertise. Acquiring pertinent expertise takes time. If available, it will facilitate more effective oversight, and help policy-makers to respond appropriately to future developments.

Conclusion

Industry promoters, governments and vested interests have not encouraged realistic appraisals of casino proposals. The ability of complex regulations and treatment programs to mitigate the adverse impacts is uncertain. In the United States, independent estimates suggest that were the entire nation to allow all forms of gambling, the costs would equal 0.5 per cent of GDP annually (Grinols, 1994:8).

Careful reflection is needed by Canadians and First Nations alike, before the proliferation of casinos is permitted to proceed further. The current fiscal challenges facing governments can be met by developing realistic policy objectives, together with revenue-raising mechanisms that do not generate more problems than they solve.

Notes

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1 Section 207 of the *Criminal Code* continues to prohibit dice games.

2 A later evaluation by KPMG Consulting (1994:26) forecasted that the net additional employment would range between 7,400 and 12,300 jobs.

3 In August, 1994, voters in Detroit approved a non-binding referendum to allow casinos in that city; another major casino development is planned for Chicago. In Quebec, the government is considering plans for several more casinos. By the year 2000, 95% of all Americans are expected to reside within reasonable driving distance of one or more casinos (Popkin and Hetter, 1994).

4 An examination of the financial statements for the British Columbia Lottery Corporation reveals that after adjusting for inflation, revenue to the provincial government increased by a modest 19% between 1987 and 1993. Advertising expenses, on the other hand, increased by 84%, while prize payouts increased by 45%.

5 In British Columbia, Macauley (1994:6–7) estimated that the gaming public would reduce expenditures in Las Vegas by approximately 20% (about $6.8 million) as a result of introducing a domestic casino industry.

6 Saskatchewan, Alberta, Manitoba and Nova Scotia have allocated a combined total of about $3.5 million for treatment programs. Ontario has allocated $1 million, while Quebec does not offer any funding (Downey, 1995).

7 That the casino accounts for a portion of this increase is a very reasonable claim. The possible influence of other causes (e.g., improved provincial/national economies) should not be overlooked.

8 Grinols was formerly Senior Economist on President Reagan's Council of Economic Advisors.

9 In Atlantic City, New Jersey, the city's crime index has exceeded that of the state as a whole since 1978 – the year casinos were legalized. By 1981, total crimes had tripled and the city went from 50th in the nation in per capita crime to first (Sternlieb and Hughes, 1983; Goodman, 1994:58). However, as one reviewer pointed out, there are several reasons why this example might not be helpful in the Canadian context.

10 For example, the review by Filteau, Baruch and Vincent (1992) describes the progressive nature of pathological gambling (Custer, 1984). There are three phases which are labelled 'win,' 'loss' and 'desperation'. A one-year period may be too short to fully capture this evolution.

11 Additionally, the authors note that before 1978 (the first year of the period covered by the study), there was no difference in crime between the accessible and inaccessible groups of communities (p.621).

12 In a report prepared for the Ontario Casino Project, Albanese (1993:13) summarizes the findings of the study as follows: 'crime is positively associated with population size, density, and the rate of unemployment'. But the chief finding should not be overlooked: that 'crime levels are higher than they would have been in the absence of casinos' (Friedman, Hakim and Weinblatt, 1989:615).

13 For example, one of the stated rationales for the proposed introduction of video-lottery terminals in British Columbia was that this would help eliminate illegal gambling machines (e.g., Lee, 1995).

14 Mental health professionals prefer the term *pathological gambling* over others (such as compulsive or problem gambling) because it incorporates several assumptions that are basic to the medical model. Two important assumptions are that pathological gambling is a chronic and progressive disorder; another is that there are distinctions between pathological and social gamblers (Volberg, 1993a).

15 Volberg, a medical sociologist, has conducted studies on pathological gambling in several American states. In summarizing extant studies, she reports that lifetime prevalence rates of problem and probable pathological gambling range from 1.7% in Iowa to 6.3% in Connecticut (Volberg, 1993a:ii).

16 In British Columbia, a similar study yielded a rate of 7.8% (Gemini Research, 1994:41). However, 25% of the BC respondents reported that they knew someone 'who they would consider a compulsive gambler or a gambling addict' (p.33). This discrepancy underlines the reality that conventional prevalence measures may be highly misleading (Walker, 1992:159–61).

17 Volberg defined 'bailout costs' as money given to problem or pathological gamblers by family and others in order to cover gambling expenses and living needs. These do not represent a direct economic loss to society in the same way that lost income or criminal justice expenses do (Goodman, 1994:63), and are less appropriately classified as social costs.

18 To be successful, Grinols suggests, a casino must move as many of these costs as possible out of its own community (Kassenaar, 1994).

19 The prevalence of pathological gambling among high-school and college-age youth appears to be significantly higher than the adult rate. Howard J. Shaffer of the Harvard University School for Addiction Studies has stated that in the next decade, 'we will face more problems with youth gambling than we'll face with drug use' (Goodman, 1994:92).

20 Recent studies confirm the overall finding that the best predictor of school performance is the quality of the home from which the student comes (Bunke, 1994:23).

21 The cost of alcohol abuse in the US has been estimated at $115 billion (Politzer et al., 1992:25).

22 Experience in the alcoholism field (where there is far more empirical research) may be instructive. There is no single treatment approach for alcoholism that is effective for all persons. In some cases, those who receive formal treatment have worse problems afterwards (Anderson, 1993:265).

23 A particular priority lies in the development of standards for the sizeable private security forces that are utilized in larger gambling establishments.

24 Calabresi and Melamud (1972) suggest that to structure liability rules, one should begin by using the following principle: when it is uncertain whether a benefit (with a certain risk) is worth the potential costs, one should construct liability rules such that the costs (of the harm) are placed on the party best able to weigh the costs against the benefits. This principle is likely to place costs upon the party best able to avoid them, or, where this is unknown, on the party best able to induce others to act more safely (Breyer, 1982:175)

25 In British Columbia, it is common for leaders of non-profit groups to express sentiments such as, 'I worry about gambling. But you know, our group would have to run bake sales and car washes for years before we could make anywhere near what we get after sponsoring a casino for just one evening'.

26 In British Columbia, a Crown corporation oversees the British Columbia Lottery. But conflicting interests are inevitable in a government monopoly

with a stated goal of revenue maximization (British Columbia Lottery Corporation, 1993; Vancouver Board of Trade, 1994). This is amply demonstrated by the corporation's steadfast refusal to release the findings of its study on compulsive gambling while the government was soliciting public input on expansion proposals.

27 A poll conducted by the city revealed that 63.8% of the respondents opposed major casinos in Vancouver. This contrasts sharply with the developers' assessment of public opinion.

28 In Windsor, the public consultation process was less aggressive (Hall, 1993; 1995).

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