



The Research Bureau

Casino Gambling in Worcester: The Case For and Against

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EXECUTIVE SUMMARY

Worcester voters are being asked on November's ballot whether they support the siting of legalized gambling within the City. After studying the pros and cons of casino gambling for Worcester through an extensive review of the literature and conversations with public officials experienced with the issue, The Research Bureau believes that a casino should not be sited in Worcester because the social and economic costs outweigh the benefits:

- ❖ Gambling will generate revenue for the City. How much depends on negotiations between the City and the casino developer. (Middleborough expects to receive \$11 million a year if a casino were located there. That is about two percent of Worcester's current budget.)
- ❖ Jobs will be created by casinos but many fewer than in the past because of the growth in electronic slot machines and other forms of automated gambling.
- ❖ Gambling diverts dollars formerly spent in area businesses and other entertainment venues.
- ❖ Much of the money generated by casino revenues, unlike that generated by more conventional business activity, goes to regions outside the local community, rather than being recycled within it.
- ❖ Casino revenue growth tends to stagnate after several years.
- ❖ Casinos do not lead to a diversification of the economy.
- ❖ A casino in Worcester is unlikely to generate tourists who stay over night because of the City's proximity to hundreds of thousands of residents who can easily return home.
- ❖ A casino in Worcester faces competition from those in Connecticut and others that have been proposed in Massachusetts, thereby reducing the revenue each one would produce.
- ❖ Personal bankruptcies increase in the vicinity of casinos.
- ❖ Crime rates increase in the vicinity of casinos, increasing the need for more law enforcement officers.
- ❖ The number of compulsive gamblers, suicide rates, and divorce rates, all increase in the vicinity of casinos, resulting in an increased need for social services.
- ❖ Low-income individuals spend a greater proportion of their income on gambling than those in higher income brackets, which worsens the financial situation of the former. (In 2006, 31.7% of Worcester's households had an annual income of less than \$25,000.)¹
- ❖ Casinos impact the quality of life in a fifty-mile radius from the facility. Traffic, pollution, crime and other social problems affect nearby communities. This suggests that no community should make a decision to site a casino without agreement from and mitigation arrangements for its neighbors.

¹ US Census Bureau, 2006 American Community Survey.
http://factfinder.census.gov/home/saff/main.html?_lang=en

INTRODUCTION

On September 17, 2007, Governor Deval Patrick unveiled his proposal to bring casino gambling to Massachusetts. The plan calls for three resort-style casinos to be built: one in the southeastern part of the state, one in western Massachusetts, and one in the Boston area.² (Since the Governor's announcement, casino developers have expressed interest in building facilities in Marlborough and Palmer. And, more recently, Lt. Governor Timothy Murray said "Those locations [proposed by the Governor] are not firm," and that "it is still possible that a casino could be developed in Central Massachusetts."³) The Governor predicts that his proposal will create 20,000 jobs and generate \$2 billion in economic activity. His administration estimates that bidding for the ten-year licenses will produce \$600 million to \$900 million in up-front fees for the state. The Commonwealth would then receive 27 percent of gambling proceeds from all three casinos each year, or about \$400 million annually, after subtracting the costs of treating chronic gamblers, enhancing police enforcement, and creating a regulatory agency to supervise the casinos. The state's proceeds would be evenly divided between road and bridge repairs and tax relief to an estimated one million property owners. Those who pay 2.5 percent or more of their income in taxes would qualify for a tax credit that currently would average about \$215. (The average property tax bill in the state was \$3,962 in FY07.)⁴

Local officials in Middleborough estimate that a casino there would bring in an additional \$11 million in revenue each year to city government, while public officials in Chicopee predict revenue of \$12 million for their municipal coffers. As Worcester faces a continuing budget crunch, several local figures have urged that the City obtain permission from the state government to allow the establishment of a casino here. A nonbinding resolution on Worcester's ballot this November will ask voters to agree or disagree with the following statement: "If legalized gaming is approved in the Commonwealth of Massachusetts, I support the siting of any such legalized gaming activities within the City of Worcester." This report will not evaluate the economics of the Governor's proposal; it will consider the potential advantages and disadvantages for Worcester and surrounding communities of locating a gambling casino within the City.

Overview

The decade and a half from 1990 to 2005 saw a remarkable increase in legalized casino gambling. At the beginning of the 1990's, only Las Vegas and Atlantic City had legalized casinos. By 2005, casinos had expanded to 28 states, including 413 Indian run-casinos.⁵

² After his initial announcement, the Governor expressed misgivings about locating a casino in any city, including Boston.

³ "Patrick Pushes for Vote on Casino," *Telegram & Gazette*, October 2, 2007, p.A6.

⁴ "Governor Predicts a Jackpot," *Boston Globe*, September 18, 2007, p.A1.

⁵ The Center for Arizona Policy, "Harms of Legalized Gambling," <http://www.azpolicy.org/pdf/GFI/Gamb1Harmso%20LegalizedGambling.pdf>

Proponents cite several economic benefits from establishing casinos. They argue that legalized gambling can create jobs and vital sources of revenue for local governments that are financially strapped. New casinos can also attract tourists to the local area and thus generate further economic activity. Moreover, proponents argue that creating local casinos dissuades local residents from traveling to out-of-state casinos, thus retaining more of the community's wealth closer to home. Proponents cite apparent successes like Tunica, Mississippi, to show how legalized gambling can turn a downtrodden town into a thriving economic community.

Casino opponents question their long-term economic benefits for host communities, and contend that any revenue gains will be outweighed by attendant economic and social costs. Although casinos may offer a short-term boost to a government's bottom line, critics argue, revenues eventually level off and are likely to decline as the concentration of gambling venues increases.⁶ Opponents also question the claim that casinos enhance local economic growth, since they soak up revenue from local bettors and transfer it to outside investors. In any event, they contend, any increase in revenues from taxation and tourism is insufficient to counterbalance the harm that casinos bring to individuals, families, communities in which they are located as well as those nearby. Although a local casino may "capture" some gambling expenditures that might otherwise be spent at out-of-state establishments, the proximity of a casino inevitably increases the volume of gambling among local citizens. In turn, especially in response to advertising promoting the casino, citizens are encouraged to spend money that might more beneficially be spent on personal savings and meeting family needs, while a certain proportion of the population inevitably become outright gambling addicts. Not only does this harm individuals and families, it increases the cost in social services that local and state governments must pay, and promotes urban blight.⁷ Opponents also cite evidence that areas with legalized casino gambling have higher rates of suicide, divorce, child abuse, and crime, and tend to exploit poor people who are least able to afford to gamble.

⁶ The decline in revenues has already occurred with state lotteries. A recent New York Times survey of the 42 states that have lotteries found that as interest has flagged, states have introduced lottery games with higher payouts that are more addictive, and therefore, more likely to contribute to an increase in pathological gambling. According to this survey, Massachusetts has the highest lottery spending per resident at \$699 and the highest portion that go to payers at 72 percent. This payout means, of course, that there is less for the government services that the lottery was supposed to fund. Ron Stodghill and Ron Nixon, "For Schools, No Lucky Number: Lotteries' payoff fall far short of the promises," New York Times, October 7, 2007, pp. A1, A14.

⁷ That point was recently made by David Schweid, town planner in Rhode Island and Connecticut and assistant director of planning for the Mashantucket Pequot Tribal Nation which developed Foxwoods, Thomas Caywood, "Brace for casinos, area officials told," *Telegram and Gazette*, September 29, 2007, p.A7.

DOES CASINO GAMBLING HAVE ECONOMIC BENEFITS FOR THE COMMUNITIES IN WHICH THEY ARE LOCATED?

The leading academic advocate of the economic benefits of casino gambling in Massachusetts is Professor Clyde Barrow, who directs the University of Massachusetts-Dartmouth Center for Policy Analysis. Prior to Governor Patrick's announcement, Professor Barrow offered a plan to "triangulate" the gambling market in this state with casinos in Boston, Springfield and New Bedford. Such a plan, he maintains, would enable the state to "recapture" some \$1.1 billion he estimates that its residents now spend at Connecticut's casinos. Barrow argues that Massachusetts residents are currently pouring \$120 million annually into the Connecticut state treasury through taxes on their gambling activity there, money that would stay "at home" if enough casinos were opened in the Commonwealth. He has recommended that Massachusetts authorize 5,000 slot machines and 200 table games at Suffolk Downs racetrack, 3,500 slots and 150 table games in New Bedford, and 2,000 slots and 100 table games in Springfield. He estimates that the state could earn \$600 million just by selling ten-year, renewable licenses for the three gambling sites: \$250 million for East Boston, \$200 million for New Bedford, and \$150 million for Springfield. Annual taxes on slot machines could bring in \$16 million. Host communities and surrounding municipalities would share in a percentage of gaming revenues. Under Barrow's proposal, two of the licenses would go to the state's federally recognized Native American tribes -- the Mashpee Wampanoags and the Aquinah Wampanoags -- and the third to a private commercial venture. Barrow has been actively campaigning on behalf of his proposal.⁸

The Substitution Effect

Critics challenge Professor Barrow's claims about the economic benefits of casinos for the communities and regions in which they are located. Since gambling diverts resources from other businesses, the effect on overall local economic activity pattern is negligible or even negative, as a result of what economists call the "substitution effect": dollars formerly spent elsewhere are now spent on gambling instead. Economist Jane Speyrer observes, "There's not new money

⁸ See Clyde Barrow, "Maximum Bet: A Preliminary Blueprint for Casino Gaming & Economic Development in Massachusetts," Center for Policy Analysis, University of Massachusetts-Dartmouth, August, 2007, http://www.umassd.edu/cfpa/docs/maximum_bet.pdf; Sean Murphy, "Massachusetts Casino Backers Playing Numbers Game," *Boston Globe*, June 11, 2007; Holly Angelo, "Expert Outlines Casino 'Blueprint,'" *Chicopee Republican*, August 27, 2007. Professor Barrow was previously a leading proponent of building a casino in West Warwick, Rhode Island. However, in last November's election Rhode Island voters defeated the constitutional amendment that would have been necessary to allow the casino by a margin of 63% to 37%, despite an \$11 million campaign that had been waged by casino advocates.

It may be worth noting that Barrow's center accepted a \$20,000 contribution last fall from the Rhode Island Building Trades Council, a union group that backed the unsuccessful casino referendum, for a study that would demonstrate the casino's tax benefits; at about the same time, the group accepted a donation of \$25,000 from Harrah's, which would have managed the casino. However, Professor Barrow insisted that he had maintained editorial independence in conducting the study, and said he had been unaware of the Harrah's contribution -- though his findings were prominently featured in Harrah's campaign on behalf of the casino (Murphy, "Casino Backers"; Katherine Gregg, "Latest Casino Debate Centers on Tax Relief," *Providence Journal*, July 7, 2006).

falling from the heavens waiting to be spent at the casinos. The question is: Where are you going to take it from?"⁹ In Natchez, Mississippi, over 70 percent of local businesses reported at least a 10 percent decline in sales one year after the city opened its first riverboat casino.¹⁰ Another economist, Earl L. Grinols, conducted a study which showed that an increase in casino revenues caused decreased revenues from other sectors of the economy. He found that in Illinois, over a 5 ¼ year period beginning in 1989, each additional \$1,000 in casino revenue led to a combined revenue loss of \$367 in local merchandise sales by establishments located within ten miles of the casino.¹¹ The Hospitality Association of Rhode Island strongly opposed the construction of a casino in that state out of concern for such effects, warning (in the words of spokesperson Amy Kempe) that such a facility, despite Professor Barrow's promises of economic gains, "would most certainly have a negative impact not just in Warwick and West Warwick [the site of the proposed casino], but as far away as Newport and Federal Hill [in Providence]."¹² The negative regional impacts of casino gambling were recently confirmed by panelists at a forum sponsored by Municipalities Organized for Regional Effectiveness (M.O.R.E). Apart from increased traffic and pollution "the stress on social services agencies, in particular, is often felt most acutely many miles away in the nearest urban area with a large population of low-income residents."¹³

Leakage

Another economic problem associated with gambling is what Grinols calls "leakage." He points out that much of the money generated by casino revenues, unlike that generated by more conventional business activity, goes to regions outside of the local community, rather than being recycled within it. (Some local officials in Worcester have made this same point.) Grinols cites a study by a state gambling commission which found that about 65% of vendor contracts for the state's casinos were placed out-of-state. As he quotes one consultant to casinos, casino companies "do not take their profits and throw them back into the local economy."¹⁴ Despite the claims of lobbyists that opening casinos in Atlantic City would combat unemployment there, economist/ urban planner Robert Goodman observes that many of the jobs in those casinos were filled by persons coming from outside that community. Casino lobbyists' original claims of the number of jobs that casinos would create, he notes, exceeded the entire population of the town.¹⁵ As any visitor to Atlantic City will attest, it remains one of New Jersey's most depressed and crime-ridden areas. (As recently as December, 2006, four prostitutes were found brutally murdered in the vicinity of the casinos.) Goodman also forecasts that future job creation by casinos will be even less than it was in the past because of the growth in electronic slot

⁹ Cited in Earl L. Grinols, *Gambling in America: Costs and Benefits* (Cambridge, Eng.: Cambridge University Press, 2004), 73-74.

¹⁰ Robert Goodman *The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion* (New York Free Press, 1995), 31.

¹¹ Grinols., *Gambling*, 74-78. Some further support for Grinols's finding of "zero employment benefits" from casino gambling is offered by Scott and Nelson, "Voting with a Hand on the Bible and Not on the Ballot: The 1996 Video Poker Referendum in Louisiana," *American Journal of Economics and Sociology*, 66.3 (July, 2007), 571-91.

¹² Cristi Laquer, "Risky Business," *The College Hill Independent* (published at Brown University), April 14, 2005.

¹³ *Telegram and Gazette*, September 29, 2007, p.A7.

¹⁴ Grinols, *Gambling*, 78.

¹⁵ Goodman, *Luck Business*, 68-69.

machines and other forms of automated gambling that require fewer employees to tend them.¹⁶ (This would also include internet gambling.)

The Case of Tunica, Mississippi

Proponents of legalized gambling frequently cite Tunica, Mississippi, as the paradigm of how legalized gambling can favorably transform a town and its finances. In 1990, *Fortune* judged that Tunica, with a largely African-American population suffering from widespread poverty, "is unlikely to ever generate enough jobs for its residents."¹⁷ By 2006, however, casinos in Tunica employed 15,000 people and generated \$1.2 billion in revenues. The state reaped 4% of that total, or \$48 million, through taxes. The government used the revenues for repairs to seniors' homes, a recreation center, and the public-school budget. Moreover, the casino has diversified the economy, with 6,000 hotel rooms, increased traffic for the local airport, and plans for a new golf course and water park to attract even more visitors.¹⁸

Opponents of legalized gambling, however, cite Tunica as an example of why casino gambling is not a long-term source of economic benefits. Tunica's casino revenue growth has stagnated for six years, and the community has not yet developed an economy that is independent of the casino. Some observers doubt that such a development will ever occur. Michael French, a partner in Price Waterhouse Cooper's hospitality and leisure division, says, "I can't think of a market that introduced gaming as an impetus for generating jobs that then diversified to the point that gaming became secondary." Mark Minevich, an international strategic adviser, remarks, "Casinos don't grow skills. They don't nurture talent." And the author of a *Fortune* article on Tunica remarks, unlike other industries, "the gaming industry doesn't exactly beget an ecosystem of suppliers" to diversify the economy and provide more jobs. Meanwhile, the local high school in Tunica, a greater likely source of healthy economic development, is still underperforming; hence it is a neighboring county with "robust public schools," not Tunica, that is drawing an "upscale family housing and shopping" complex nearby.¹⁹ More broadly, a recent study by two economists confirms that while casino gambling may have "initial positive growth effects" on a state's economy, these effects "die out over time." The study's authors conclude that "the average state should not expect any long-term growth effects from legalizing casino gambling."²⁰

The Case of Las Vegas

Proponents of gambling point to Las Vegas as an example of how casino gambling can even lead to the development of an entirely new local economy. Yet Las Vegas had many unique

¹⁶ *Ibid*, 123.

¹⁷ Stephanie Mehta, "Legalized Gambling Lifts a Depressed Town," 19 March 2007, http://money.cnn.com/magazines/fortune/fortune_archive/2007/03/19/8402375/index.htm

¹⁸ *Ibid*.

¹⁹ *Ibid*.

²⁰ Douglas W. Walker and John D. Jackson, "Do Casinos Cause Economic Growth?," *American Journal of Economics and Sociology*, 66.3 (July, 2007), 604. Massachusetts House Speaker Salvatore DiMasi has raised similar concerns indicating that the Commonwealth should focus on investments that will lead to good, dependable jobs in industries we know. "DiMasi steps up casino criticism," *Boston Globe*, September 29, 2007, p.B1.

advantages that led to its remarkable growth. First, its casinos did not face much competition at the time they were opened, because Nevada was the only state to have legalized gambling. Second, because the casinos are a more or less distant tourist destination for most visitors (since the surrounding area is largely unpopulated desert), casino visitors typically stay in Las Vegas for several days, as would not likely be the case in gambling communities in populous areas like the Northeast, where most visitors would be likely to go directly home after their visit. Being a tourist destination remote from contiguous populations outside the city limits also helped Las Vegas because it shifted the costs of compulsive gambling to other states.²¹ As more states legalize casino gambling, greater competition has been introduced to the market, thus reducing each casino's monopoly power, particularly in populous metropolitan areas. Hence future casinos are not likely to match the revenues of previously established ones. (Any casino built in Worcester is likely to face competition not only from Connecticut's existing casinos, but also from those proposed by Governor Patrick, the Indian-managed casino proposed for Middleborough and those proposed in Marlborough and Palmer.) Meantime, operators of Massachusetts's racetracks are seeking gubernatorial approval to install thousands of slot machines (and in the case of Suffolk Downs, a casino), and Rhode Island lottery officials are looking into installing "virtual blackjack" machines at one of the state's two licensed betting parlors.²² Either these various establishments will cannibalize one another's revenue bases, or advertising and promotions will be used to generate a considerable further increase in betting among area residents.

²¹ *Ibid.*, 16-19. As William A. Galston and David Wasserman observed in 1996, Las Vegas and the Indian tribes uniquely benefited economically from introducing casinos largely because "they had very little to lose": "Gambling Away Our Moral Capital," *The Public Interest*, 123 (1996): 58-71, quoted from p. 59.

²² "No Sure Bet on Casinos, Patrick Says," *Worcester Telegram and Gazette*, August 29, 2007, A1, A5; "R.I. Wants to Add Virtual Blackjack," *ibid.*, A5.

DOES CASINO GAMBLING GENERATE SOCIETAL PROBLEMS?

Critics of legalized gambling maintain that gambling brings several societal problems with it. A national survey found that counties with one gambling site had 18% more bankruptcies than those that did not. Another study found that Iowa counties with some type of legalized gambling had 21% more personal bankruptcies than counties without it. Opponents of legalized gambling also maintain that it generates increased suicide rates. In Gulfport, Mississippi, suicides increased by 213% (from 24 to 75) in the first two years after casinos arrived.²³ Dr. John Kindt, Professor of Business Administration at the University of Illinois, estimates that legalized gambling has created 1.5 million compulsive gamblers across the country.²⁴

Numerous studies have also shown that gambling is particularly attractive to low-income citizens, thus depriving the neediest families of assets that would enable them to maintain financial independence. A 1990 study by the Massachusetts Lottery, for instance, found that 35% of its players had yearly incomes of under \$25,000. Not surprisingly, lower-income individuals tend to spend a greater proportion of their income in gambling than other people. In Weston, one of Massachusetts's most affluent communities, according to the study, residents spent an average of \$365 per capita per year. By contrast, in Chelsea, one of the poorest communities in the state, according to the study, per capita gambling was about \$455 a year. In a 1991 article titled "The Incidence of Taxes on Casino Gambling: Exploiting the Tired and the Poor," economist Mary Borg reported on a survey of nearly 1,000 casino players in Atlantic City and Las Vegas which found that lower-income individuals tended to spend a significantly higher percentage of their incomes when gambling at casinos, and that lower-income people spent about two and a half times more on gambling as a percentage of income than people with higher incomes.²⁵ A broader and more recent study finds that the probability of an individual's participating in a state lottery decreases as his income surpasses \$30,000, while the probability of such participation increases among the unemployed.²⁶ Indeed, financial shocks that push individuals into poverty tend to trigger the increased purchase of lottery tickets as a consequence of desperation – when the actual likely result of increased gambling is to worsen the bettor's poverty.²⁷ (In fact, a 1989 study found that higher-income individuals tend to "vote in favor of lotteries, not in order to participate, but in the expectation that other income groups" – that is, poorer people – "will assume a portion of their taxes.")²⁸

²³ Center for Arizona Policy, "Harms," 2-3.

²⁴ Ruetter, Mark, "Recriminalize or Limit Legalized Gaming, Expert Says," *News Bureau, University of Illinois-Champaign*, <http://www.news.uiuc.edu/biztips/03/06gamble.html>

²⁵ "The Incidence of Taxes of Casino Gambling Exploiting the Tired and the Poor," *American Journal of Economics and Sociology*, July, 1991, 327, cited in Robert Goodman, *The Luck Business* (New York: Free Press, 1995), 39-42.

²⁶ Cited in Garrick Blalock, David R. Just, and Daniel H. Simon, "Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries," *American Journal of Economics and Sociology*, 66.3 (July, 2007), 549.

²⁷ *Ibid.*, 561, 567.

²⁸ Philip L. Hersch and Gerald S. McDougal, "Do People Put Their Money Where Their Votes Are? The Case of Lottery Tickets," *Southern Economic Journal*, 56 (1989): 32-38, cited in Richard B. Whitaker, "State Lotteries and

Contrary to the claim that legalized gambling is simply a form of recreation for those who participate, a 1986 *Los Angeles Times* survey found that persons whose annual incomes were under \$30,000 were 25 per cent more likely to view lotteries as a potential source of wealth rather than chiefly a form of “fun.”²⁹ Also contrary to the claim that lottery participation is simply an alternative source of “fun and exciting entertainment,” the aforementioned study reporting the increased probability of poorer people participating in lotteries observes that “the poor appear to play because of an ill-conceived belief that participation will improve their financial well-being.”³⁰ While these findings are based on lottery participation rather than casino betting, there is good reason to think that the addition of local casinos with attendant advertising will only increase the view among the poor that gambling is a means of improving their economic prospects, and generate a strong temptation to spend a still higher proportion of their income on it. Indeed, the 1999 Final Report of the National Gambling Impact Study Commission (NGISC) found that the rates of “problem” and “pathological” gambling addictions roughly doubled among populations that live within fifty miles of a casino.³¹ This phenomenon may account for the *Boston Globe*’s recent poll results. While 53% of Massachusetts residents polled said they favor legalized casino gambling, they don’t want it “in their backyards.” Fifty-four percent of those surveyed living in metropolitan Boston said they think casinos should be located in rural areas, while 36% of those living in western Massachusetts said casinos should be in cities.³²

The economic costs of gambling to the public are also considerable. The Maryland Task Force on Gambling Addiction estimated that pathological gamblers cost Maryland residents about \$1.5 billion dollars annually due to weaker worker productivity and the inefficient use of resources. That task force also found that pathological gamblers were a combined \$4 billion in debt, thus lending support to the belief that legalized gambling increases personal bankruptcies.³³ A 1995 study found that compulsive gamblers cost the state of Wisconsin between \$318 and \$493 million per year due to increased welfare payments, lost worker productivity, and embezzlement and other criminal offenses.³⁴ A 2003 study based on a survey of members of Gamblers Anonymous in Las Vegas reported that 56 per cent of them had missed work because of

Agency Costs: Hidden Costs to Nonparticipants,” *American Journal of Economics and Sociology*, 66.3 (July, 2007), 533-544 (quotation appears on p. 533). Some further support for the proposition that richer people are more likely to vote for legalized gambling, even though they are less likely to participate in it – presumably, again, to dump part of the cost of government onto poorer people who do play – is offered by Scott and Nelson, “Voting,” 585. Even though the authors find the difference to lack statistical significance, they acknowledge that it contradicted their (and the media’s) expectation that the poor would be more likely than the rich to vote for gambling (presumably, because they would be more likely to play). Since the authors also report that Southern Baptists were less likely than others to vote for legalized gambling (*ibid.*), quite possibly the religious heritage of many poor people deterred them from favoring video poker, knowing full well the temptation it would put them under if it were adopted.

²⁹ Cited in Blalock, *et al.*, “Hitting the Jackpot,” 546-7.

³⁰ *Ibid.*, 567.

³¹ Available at <http://govinfo.library.unt.edu/ngisc/>.

³² “53% in poll back Patrick casino plan,” *Boston Globe*, September 30, 2007, p.A1.

³³ Maryland Task Force on Gambling Addiction, “Final Report Task Force on Gambling Addiction in Maryland,” http://www.nyu.edu/its/statistics/Docs/task_force_1.html

³⁴ Goodman, *Luck Business*, 31;

gambling, with an average of 17.22 hours missed per month. This is a direct cost not only to the gamblers themselves, but to the local economy as a whole.³⁵

Nor is legalized gambling an efficient means of raising public revenues. States would gain far more revenues from directly taxing their citizens rather than from taxing gambling proceeds – since most of the proceeds of casinos and lotteries must be returned to winning bettors, while a major share of the profits from private casinos go to their owners.

³⁵ K. Schwer, W. Thompson, and D. Nakamuro, “Beyond the Limits of Recreation: Social Costs of Gambling in Southern Nevada,” paper presented at the Far West and American Popular Culture Association meeting, Las Vegas, February 1, 2003, . This study was subsequently published in the *Journal of Public Budgeting, Accounting, and Financial Management* 17.1 (2005); the finding is quoted here from Douglas M. Walker, “Problems in Quantifying the Social Costs and Benefits of Gambling,” *American Journal of Economics and Sociology*, 66.3 (July, 2007), 629-30. (Although Walker takes issue with other conclusions drawn in the study, he does not challenge this particular finding.)

CONCLUSIONS

The foregoing data and observations highlight the need for considerable skepticism about the prospects that opening a casino in Worcester will generate economic benefits that will outweigh its economic and social costs. It is true that casinos generate revenue for the towns in which they are located and jobs related to the casino industry.³⁶ As noted earlier, outside of the unique case of Las Vegas, there is little evidence that casino gambling will generate an overall, long-term improvement in local urban economies.³⁷ At the same time, there is great reason for concern about the effects that a casino would have on the City's civic well-being. Whereas Connecticut's casinos are relatively remote from highly populated areas, a Worcester casino would put an attractive venue for gambling activity within easy geographic range of hundreds of thousands of area residents. Not only will a casino therefore generate an increase in the number of problem and pathological gamblers, whose gambling activity puts their welfare and that of their families at severe risk – thus generating an increased need for local social services – but it will be likely as well to generate an increase in the crime rate, as occurred in Atlantic City, and to attract other undesirable activities producing an increase in the cost of law enforcement.³⁸ Casinos have also been shown to divert sales from some existing businesses and other entertainment venues. The result is likely to be an increase in urban blight rather than prosperity.

Finally, there are intangible but no less important costs to the civic health of a community when the presence of a casino conveys to poorer people in particular the message that betting, as distinguished from working, saving, and investing, is the road to financial success for oneself and one's family. As William A. Galston and David Wasserman observe, the recent rise in the popularity of gambling, especially when it is encouraged by government in order to enhance its own revenues (and thus carries the stamp of official endorsement), promotes “a loss of confidence in hard work [rather than gambling] as a source of social advancement,” generating “cynicism about the work ethic” that is “particularly destructive for individuals with limited resources.” “At a time when so many forces are pushing in the direction of shortsightedness, irresponsibility, and passivity,” they remark, “public institutions have an affirmative obligation to defend the older, but by no means outdated, virtues of industry, thrift, self-command, and care

³⁶ If Worcester were to negotiate a similar arrangement as Middleborough, an additional \$11 million a year would not cover the revenues needed by the Worcester Public Schools in FY08 to maintain the same level of services as the previous year.

³⁷ A *Boston Globe* editorial, “A risky bet on urban casinos,” September 23, 2007, makes a similar point.

³⁸ Following a decline in the overall crime rate that began in 1970, Atlantic City, the first U.S. locale outside Nevada to introduce legalized gambling, experienced a growth in its crime index immediately after the introduction of casinos in 1978 that far exceeded that of New Jersey as a whole. From 1977 to 1981 the crime rate increased by 300 per cent, surpassing even Newark: George Sternlieb and James W. Hughes, *The Atlantic City Gamble* (Cambridge, MA: Harvard University Press, 1983), 134. What is especially disturbing about the crime that results from compulsive gambling, Goodman observes, is that “people who engage in crime to support their compulsive gambling behavior generally have no prior record of criminal behavior,” suggesting that by encouraging gambling “state governments are creating a climate in which many ordinary people, without either criminal backgrounds or criminal inclinations, are being enticed into activities that could lead them to commit serious crimes” (*Luck Business*, 52).

for the future,” an obligation that is directly contradicted when government encourages people to gamble.

Now that traditional moral strictures against legalized gambling have eroded, politicians in search of greater revenues are tempted by the prospect of raising “voluntary” revenues (the money that individuals choose to wager) by expanding the opportunities for, and hence encouragement of, “gaming.” Indeed, one recent study observes that the expectation of voters who favor state lotteries that lottery receipts will keep their own taxes down are likely to be dashed; “implementation of a lottery is associated with higher than normal increases in state spending,” such that nationwide, “77 percent of lottery net proceeds are used for above normal spending increases,” not for limiting property taxes or other taxes.³⁹ Because lawmakers have a tendency to spend the revenues that come their way with a view to enhancing their electoral popularity, the same result is likely to occur from establishing a casino in Worcester.

The Research Bureau judges that opening a casino will make the overall situation of Worcester and the region worse rather than better. Worcester is not a desert town with nothing to lose like Las Vegas, an economic basket case like Atlantic City or Tunica, or a rural area with relatively little need to worry about the effects of a nearby casino on the local and regional population or business climate like the locales of Connecticut’s Indian casinos. Worcester is home to highly-regarded educational and health care institutions and a burgeoning life sciences sector that can create jobs compatible with the state’s knowledge economy.

Even if the State Legislature should decide to authorize the establishment of casinos in Massachusetts, Worcester and the region have far more to lose than to gain from participating in the pursuit of gambling money. Instead of searching for new revenue sources that are likely to diminish the quality of life for Massachusetts residents where these facilities are located, both state and local governments need to pursue the numerous options available for bringing public expenditures under control.⁴⁰

³⁹ Whitaker, “State Lotteries,” 544. As economist Laurence S. Moss of Babson College in Massachusetts summarizes Whitaker’s findings, the “tax benefits” that result from legalized gambling prove in practice to be “greatly diminished as compared with what the voters were promised” (“Editor’s Introduction,” *American Journal of Economics and Sociology*, 66.3 (July, 2007), ix. Galston and Wasserman note as well that while “the political approval of state lotteries has often been secured by promising to earmark their revenues for government functions such as public education and care for the elderly, the actual use of lottery revenues has rarely, if ever, been so constrained” in practice (“Gambling Away,” 66-7). Given that evidence, should voters believe that the revenues from a casino in Worcester would be used for property tax relief?

⁴⁰ For a recent summary of some of the major opportunities for economizing on public expenditures in Massachusetts without reducing public services – such as requiring public employees to pay the same proportion of their health insurance premiums as most private employees do; abolishing Project Labor Agreements that exclude nonunionized employers from bidding on public construction projects, along with mandatory police details, the Quinn Bill, and the state’s “prevailing wage” law - see the column by David G. Tuerck of the Beacon Hill Institute and Suffolk University, “Cut Costs First,” *Boston Globe*, August 26, 2007, D9. Most of these suggestions have been recommended in previous Research Bureau reports; for a discussion of the role of such reforms, and others, in resolving Worcester’s budget difficulties, see Research Bureau report #07-03, “Cutting to the Core: Rethinking Municipal Services in FY08 and Beyond,” May 2007, <http://www.wrrb.org/documents/ResearchBureau07-03.pdf>.

Mission Statement:

*The Research Bureau serves the public interest
of the Greater Worcester region by conducting independent,
non-partisan research and analysis of public policy issues
to promote informed public debate and decision-making.*



The Research Bureau

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