



The public radio show about law and American life

Justice Talking Radio Transcript

Casino Gambling: The Answer for Cash-Strapped States?—Air Date: 3/5/07

Casino gambling has undergone a boom in recent years as cash-strapped states and Native American tribes have opened casinos and entertainment complexes across the nation. In this edition of Justice Talking, we'll take a look at who is profiting from these developments. Will casino gambling raise the state revenues that have been promised? How will gambling affect local neighborhoods and gamblers? Tune in this week as we look at whether casinos are a win or loss for communities.

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MARGOT ADLER: This is Justice Talking, where we make the connection between law and American life. I'm Margot Adler. On today's show we're looking at whether casinos are a winning or a losing gamble for communities. Las Vegas and Atlantic City remain the major destinations for gamblers, but more and more states are looking to casinos for much-needed cash. For example, in Pennsylvania the first slots casino opened in November of last year, and there are plans for two to be built in Philadelphia, which would make it the largest city in the country with casino gambling. But not all Philadelphians have welcomed this with open arms. Anti-casino community organizers have collected signatures to get a referendum put on the ballot.

Justice Talking's Viet Le spent an afternoon in downtown Philadelphia with an organizer and heard what some residents had to say about casinos in their city.

MATT RUBIN: My name is Matt Rubin. I'm with Casino-Free Philadelphia. We're here getting people to sign a petition that would give Philadelphians the chance to decide for themselves whether they want casinos within 1,500 feet of residential homes.

UNIDENTIFIED FEMALE: That's how close it is? That's how close?

MATT RUBIN: No, actually one of them is going to be, if the current plans go through, is less than 200 feet from people's houses. We're trying to say they shouldn't be allowed within 1,500 feet of a house.

UNIDENTIFIED FEMALE: I agree.

MATT RUBIN: So, are you--do you live in Philadelphia?

UNIDENTIFIED FEMALE: Yes, in Center City.

MATT RUBIN: Okay, great.

UNIDENTIFIED FEMALE: My name is Marina and I am originally from Ukraine. I cannot stand gambling and I have a personal history, not with me but with my ex-husband. He was a gambler and it was terrible. And I just hate casinos. I also have a son who might be--I'm afraid that he's going to go there too, because he's kind of curious about it. So that concerns me a lot, that my son will get addicted too.

UNIDENTIFIED FEMALE: Okay, I'm Zenzellay Chesaray (ph.) from Philadelphia, South Philly. I'm not 100 percent opposed to gambling, but you know, I think it should be relegated to areas that are few and far between, that you have to make an effort to get to. I don't think it should be available everywhere, like other things that are dangerous or potentially addictive are regulated. You know, I enjoy the occasional gambling, um, you know, I've gone to Vegas two or three times. You know, I like to hang out at the craps table or something like that where there's kind of an element of--it's more of I guess a festive vibe as opposed to the one-armed-bandit kind of thing, which I find really depressing and sad.

MATT RUBIN: Excuse me, sir, we're getting signatures on a petition to keep casinos from being too close to people's houses. Would you be interested in signing that?

UNIDENTIFIED MALE: What's the name of the group?

MATT RUBIN: It's Casino-Free Philadelphia and we're trying to get--

UNIDENTIFIED MALE: My name is Joe. I'm from South Philadelphia. Some of the tax benefits and things might be good, but I think the location of them, where they are now in Philadelphia on Delaware Ave., is really horrible placement. I think it'll just kind of annihilate the area around there with just traffic. My guess is having a 24-hour operation like that will just kind of bring the bad elements of Philadelphia, you know, to casinos because casinos are kind of seedy as they are already.

MATT RUBIN: Are you interested in signing a petition to keep casinos from being too close to people's houses?

UNIDENTIFIED MALE: I would do that, but I've got to run. I'm late for work.

MATT RUBIN: Okay, we'll be here for a little while longer. Take it easy.

Excuse me, ma'am, we're collecting signatures to keep casinos from being too close to people's houses.

It's great exercise because people really speed up if they don't want to sign and they get good exercise.

Excuse me, sir, we're collecting signatures on a petition to keep casinos from--

Excuse me, ma'am--

MARGOT ADLER: Casino-Free Philadelphia got the 20,000 signatures they needed and now it will be up to the city council to decide if residents can vote on the issue in May.

Later in the show: a different take on gambling in another big city. We'll hear from an Illinois legislator who says Chicago needs casinos to remain a world-class city.

MARGOT ADLER: Our country has had a love-hate relationship with gambling since its inception. David Schwartz is the director for the Center for Gaming Studies at the University of Nevada at Las Vegas and author of "Roll the Bones: The History of Gambling in America." He joins me to talk about how gambling has come to such prominence in our society. Welcome to Justice Talking.

DAVID SCHWARTZ: Thanks. Glad to be here.

MARGOT ADLER: At the beginning of your book you quote Alexis de Tocqueville. He wrote "Democracy in America" in the 1830s. In it he said, "Those living in the instability of a democracy have the constant image of chance before them and in the end they come to like all those projects in which chance plays a part." So Dave, is gambling as American as apple pie?

DAVID SCHWARTZ: Well, Margot, I think it really is. I think one of the things that really defines Americans is their improvisation, their willingness to take chances, and their embrace of the unknown. And a lot of the people who came to America, particularly in the 19th century, were really leaving what was terra firma for them and coming to something that they thought would be great but they didn't know. In a lot of ways that's the ultimate gamble.

MARGOT ADLER: Gambling goes back to the origin of humanity and you write about that. But in America there's always been an ambivalence about gambling that goes to the difference between our Puritan and our frontier heritage. Talk about that.

DAVID SCHWARTZ: Yes, and this is something you'll also find in lots of other cultures.

In many of them there's a feeling that gambling is fun, but it's so much fun that if everybody gambled all the time society would collapse, because nobody would be actually plowing the fields and doing the work. So there's always been that tension between well we like to gamble but gambling shouldn't be available to everybody all the time. Lots of states would pass laws, very strict laws, against gambling, but then the police wouldn't enforce them. And this was really what the status quo was in the United States until legal casinos started to really boom out in Las Vegas in the 1940s and 1950s.

MARGOT ADLER: Who regulates gambling? The states, the federal government?

DAVID SCHWARTZ: Gambling is regulated by the states. Under the Constitution, since gambling isn't specifically mentioned, it's covered under the Tenth Amendment as a power delegated specifically to the states. So states can decide if they want any gambling at all, which most of them do. There's only two states that have no gambling and those are Hawaii and Utah. If they want lotteries, if they want horse racing, bingo, or casinos, that decision is completely with the state.

MARGOT ADLER: Let's talk a little bit about Las Vegas, the gambling capital of America. How did this gambling mecca pop up in the middle of the desert?

DAVID SCHWARTZ: Las Vegas really started to get big after World War II and there were a couple of things going on then. First of all, around 1950 the Kefauver Committee was active in Congress and this was a senatorial committee that investigated crime and gambling and interstate commerce. And they had some of the first hearings that were televised nationally and they really sparked a crackdown across the country against illegal gambling. While this is happening, a lot of middle class Americans are saying: you know what? We still want to gamble. We don't want to go down into some seedy back alley in the inner city and gamble, but we want to go someplace and gamble. Around this time in the '50s--40s and 50s--you start to see shopping malls and suburbanization really start to take off. And I don't really think it's an accident that this is the time when Las Vegas really starts to reign supreme.

MARGOT ADLER: So it's sort of suburbia with gaming?

DAVID SCHWARTZ: Yes, I really think it's the flip side of the kind of staid, conformist, man-in-the-gray-flannel-suit view of the 1950s. I think there has to be an escape valve. And one of those escape valves is Las Vegas.

MARGOT ADLER: These days a lot of people go to Vegas for other reasons than gambling: cheap flights, for example. I have to admit that I went for the Star Trek show.

DAVID SCHWARTZ: Okay.

MARGOT ADLER: You can see the stars there. You can see magic shows. There are studies that say that 25 percent of Americans over 21 have been to a casino in the past year. But I want to know how much of that is really about gambling?

DAVID SCHWARTZ: Well, a lot of it isn't about gambling. And this is one area where the Las Vegas casino operators are really smart. If you look at when the non-gaming factors really started to expand in Las Vegas this happens after 1990, which is exactly the same time that gambling in casino-style gambling is spreading throughout the country--Indian casinos are starting to open around this time much more quickly, River Oak gambling is spreading around much of the central U.S.--and I think at this time the casino operators said: You know what? People are not going to fly 2,000 miles to play a slot machine anymore. That's not going to happen. So we need a different appeal. They will fly 2,000 miles to see a show that they can't see at home or to eat at a celebrity restaurant with a celebrity chef that they can't get at home.

MARGOT ADLER: You said before we began this program--you said that you, yourself, haven't done much gambling but you spend a lot of time in Nevada and you worked in the casinos. What do you think is the appeal of casino gambling?

DAVID SCHWARTZ: It's very hard to say. I think the appeal is different for everyone. And I think that there might be something, some truth to the fact that the human brain has really evolved to handle risks and handle uncertainty and handle the unknown. If you think back 50,000 years ago when humanity was evolving, there were really no givens. People didn't know where the next meal was coming from, if they were going to be attacked by a predator. I think they were used to having much more adrenalin in their system. And you can reason and say well if people are used to risks and they're not getting risks in their daily lives, maybe gambling is a really compartmentalized way to face these risks.

MARGOT ADLER: Tell us a little bit about the demographics of gambling, the class, the city, the gender, particularly as they relate to the various games. Is there a real difference in who goes to slots, who plays baccarat, and in general who gambles?

DAVID SCHWARTZ: Well, at one time there was a real difference. At one time, and we're talking back in the 50s and 60s, slot machines were really intended mostly for women. And the idea in the casinos was we'll put the craps and the blackjack tables in the middle of the floor, and that's where the men will go and they'll gamble most of the money, and we'll have a couple of slot machines around the edges so their wives and girlfriends can sit and play. That has really shifted. Now I think you're likely to find women or men playing at slot machines or table games. You've got women poker players and poker is probably the most intense, most confrontational form of gambling because you're actually staring someone down, calling their bluff. Baccarat is an interesting game because that tends to be more of an aristocratic game. It has more of an aristocratic reputation, so you have more high rollers. It's also got higher table limits, so you've got wealthier people playing that. You won't see too many people riding the bus and then going to the baccarat table, but they will probably be going to the slots.

MARGOT ADLER: David Schwartz is the director for the Center for Gaming Studies at the University of Nevada at Las Vegas, an author of "Roll the Bones: The History of Gambling in America." Thanks for talking with me, David.

DAVID SCHWARTZ: Well, thank you Margot.

MARGOT ADLER: Coming up on Justice Talking: a passionate debate between a leading anti-gambling activist and a former mayor of Las Vegas.

UNIDENTIFIED MALE: If they start to put the casinos in urban communities, what we're going to see is again the type of thing that we saw with the lottery, where the poor and the disadvantaged see it as a last gasp and a sign of hope.

UNIDENTIFIED FEMALE: The point is any industry that creates hundreds of thousands of jobs, hundreds of millions in revenue, creates ancillary jobs, reinvests in its community, and acts as a good corporate citizen, should not be treated any differently than any other business in America.

MARGOT ADLER: Don't go away.

MARGOT ADLER: This is Justice Talking. I'm Margot Adler. On today's show we're looking at whether casinos are a winning or a losing gamble for communities. Casino gambling is a multi-billion-dollar industry. That's a lot of money. It also means significant tax revenue for the states that have casinos. But my next guest is interested in bringing casinos to Chicago not just for the tax benefits.

Lou Lang is a Democratic state representative from Skokie, Illinois. He also chairs the Illinois Gaming Committee. Riverboat gambling in Illinois has been around since the late 1980s but not in the Chicago metropolitan area. Lang has been working on expanding gambling in Illinois for many years and has proposed legislation that would create four new casino licenses for Chicago and its surrounding suburbs. This is not the first time he has proposed such legislation. I asked him why he feels so strongly about casinos.

LOU LANG: I feel strongly for a number of reasons. First, gaming is economic development. The gaming industry, if you count the horseracing and the riverboat industry, employs 60,000 or 70,000 people in our state, 37,000 alone just in the horseracing industry. You don't see those people when you're at the racetrack. But most of those people are people that work on farms and they're the agribusiness people. They grow the feed and breed the horses and train the horses, etc. And then you've got all those people working in the riverboat industry. And it seems to me that expanding opportunities in this industry, which is a viable and lucrative one not only for the owners but for the state and for the municipalities in which they sit, can only work to put more people to work, to expand our revenue base, etc. And why it should be that controversial is beyond me. We already have gaming in Illinois. The State of Illinois already has a public policy that favors riverboats, racetracks, the lottery, pull tabs, bingo, Las Vegas Nights. In fact the truth is that under the law of the State of Illinois there are more ways to legally gamble than in the State of Nevada, or the State of New Jersey, or any other state in America for that matter.

MARGOT ADLER: So what do you think the opposition is based on?

LOU LANG: Well, much of the opposition is based on faulty information, and so people will tell you that riverboats bring crime. The truth is that if you talk to the chief of police in every city that now has a riverboat, or the chief of police in every city that has a racetrack, they would tell you that their city is safer today than it was before they had that gambling enterprise. It's because there's been more money available to hire a better police force.

MARGOT ADLER: Is there a sense in some way that there's something different about having a riverboat casino and having a casino in Chicago, which I guess would make Chicago the largest city in America that has casino-style gambling. I guess, is there some feeling by some people that it would be a blemish on a world-class city or something like that?

LOU LANG: Some make that argument. But I make the argument that for many reasons, while Chicago is still really high at the top of this list, the truth is that Chicago has lost some conventions and trade shows and tourists that we used to have. There are trade shows that used to come to Chicago every year without fail, fifty, a hundred straight years, who have either stopped coming or now only come periodically because there are other major cities in America that have provided new opportunities to make the conventioners happy. Sometimes it's gaming, sometimes it's not. So we've lost some of our conventions and trade shows to Orlando and Denver and, yes, New Orleans and Las Vegas that do have gaming.

MARGOT ADLER: It sounds as if you have no reservations about anything that might come along with casinos.

LOU LANG: I don't. Particularly since here in Illinois we have a history since the late '80s of an industry that's doing well. The Illinois Gaming Board has a--does an excellent job policing the riverboats. The Illinois Racing Board does an excellent job policing the racetracks and the horse owners. We have a good seek scheme and a good system in our state and now that we've had years of experience, we know what works and what doesn't work. We've had a riverboat system in our state free from scandal for all this time. And I would submit that allowing it to get bigger is not going to risk that because the Gaming Board has done a great job over these years, and we expect we'll continue to do a great job policing the industry.

MARGOT ADLER: That was Lou Lang, a Democratic state representative from Skokie, Illinois. He also chairs the Illinois Gaming Committee.

MARGOT ADLER: While Lou Lang isn't concerned about some of the potential downsides of casinos, many people are. Tom Grey is one of them. He is the field coordinator and national spokesperson for the National Coalition Against Legalized Gambling. Also with me to argue in favor of casinos is a former mayor of Las Vegas, Jan Jones. She is senior vice president of communications and government relations for Harrah's Entertainment, the world's largest casino gaming company in the world. Welcome both of you to Justice Talking.

JAN JONES: Thank you.

TOM GREY: Nice to be with you.

MARGOT ADLER: In some of Harrah's corporate literature I found this statement: "No other economic development tool can generate as many jobs as casino gaming." The statement also says that large casino hotels can employ upwards of 5,000 people, not even counting the thousands of indirect jobs created. Tom, this sounds like an employment windfall any community would want.

TOM GREY: I think that's an amazing statement. I just came from the State of Illinois that has nine casinos. Total jobs are 8,565 and that's down from a previous year because they've replaced table games with slot machines. But the State of Illinois has 6.3 million jobs. Now if you tell me that you're going to provide 8,600 jobs and make me want to jump up and down, I've got to stop and say, you know, numbers belie, do the math.

MARGOT ADLER: Jan, give us an example where casino gambling has revitalized a community and I don't mean Las Vegas.

JAN JONES: All right, let's take--I've got a perfect example. There was an article that recently appeared in *The Economist* in St. Louis, Missouri. And the study was on Tunica.

MARGOT ADLER: Where is Tunica? What is Tunica? I've never heard of it.

JAN JONES: Tunica is in--it's just out--it's in Mississippi. It was the poorest county in America. It's about 45 minutes outside of Memphis. In 1991, the year before the first casino opened, they had 15.7 percent unemployment, which was 6.8 percent higher than the state average. The average salary then was \$12,000. Today the average salary is \$26,000. There were 17,000 jobs in 2005 as opposed to 2,000 in 1992. And it's not just in the jobs; they've built a 4,800-square-foot expo center, a river park which attracted 100,000 visitors the last two years, the Tunica airport, the Tunica County Library, the Tunica National Golf and Tennis Center, the G.W. Henderson Recreation Complex. So when Tom says that these are not significant economic drivers, that's just patently inaccurate.

TOM GREY: You have a downside. You are an addictive product that when you put yourself on Main Street in any community, the addiction, the bankruptcy, the crime, and the political corruption is a cost. And what I'm suggesting at this point is the reason that Alabama and South Carolina, and recently Ohio, and Rhode Island didn't want you in West Warwick. States when they go to the ballot box are saying no to your development even though you're saying, listen, we don't ask you for any money, we want to bring our product in. And the cost-benefit analysis on this is you can't deliver on your promises of economic development and you can't hide the bodies that you create. So our best days are ahead of us in terms of fighting your arguments.

MARGOT ADLER: Jan, what about that issue about, for example, crime. Some reports say--

JAN JONES: Well, I think there's two things that need to be asked. First of all, it's not a product. In 2005, Las Vegas did \$7 billion in gaming revenue; \$8 billion in non-gaming,

restaurant, shopping; and \$31 billion in new housing starts, which tells you it's driving the economy. Secondly, bankruptcy: The U.S. Treasury did a study which shows there is no correlation between casino gambling and bankruptcy, and the United States government in the gambling study in 1999 showed there's no crime correlation, and that has been supported over and over again by police organizations nationwide.

MARGOT ADLER: I thought that I had read a number of reports that said that casinos led in some cases to increases in crime. In places like Atlantic City, for example, crime has increased despite a large police force. And a number of other studies I've seen show a link between problem gamblers and crime.

JAN JONES: Well, I would respectfully disagree with that. If you see any increase in crime it's usually petty crime, pickpocket, and it's entirely related to the increased number of tourists that you're bringing in. You will not--

TOM GREY: There's no embezzlement, Jan?

JAN JONES: There is no study that shows an increase in violent crime that is linked to casino gambling. And when you say it's addicted people, 98 percent of the people who gamble in America today and in the world gamble responsibly.

TOM GREY: It's recognized by the American Medical Association as addictive. And what you're giving me is that you say that 98 percent of the people can do it and if 2 percent are going to be pathological gamblers that you can bring that product in, stick it on Main Street, and tell me the vast majority are okay but two percent of a population--which let's take the state of Illinois with 10 million or 11 million people--you're saying the trade-off is that 220,000 Illinois residents are going to be pathological and lose everything they have. And I should ignore that?

JAN JONES: Oh Tom, are you telling me we should close every bar in America because 6 percent of the public can't drink responsibly? Or take everyone's credit card away because some people can't shop responsibly? That's patently absurd.

MARGOT ADLER: Well, there are a lot of questions here that come up. First of all, Tom, is casino gambling really different from any other large-scale entertainment like spending money at a sports stadium?

TOM GREY: Oh sure. I mean--

MARGOT ADLER: And shouldn't people be allowed to spend their money where and how they wish?

TOM GREY: Margot, they do now. What happens is you double the rate of pathological gambling within a 50-mile radius of every casino every time a casino opens.

MARGOT ADLER: So, Tom, do you believe that gambling should be illegal?

TOM GREY: I think what should happen is that if we look at gambling in the same way we look at smoking--if you smoke I should not have to pay for your poor decision. If you gamble and you lose and become pathological, either the casino, the maker of the product--which is what the states did when they sued tobacco and said you're going to be responsible for these health costs. I believe that we have to really re-examine this as a public health issue and the cost of gambling for that 2 percent--and I think you're under-counting it--ought to be paid for by either the people that purvey the product and take the profit. Now, on alcohol we have a Dram Shop Act. If you serve too much alcohol you can be responsible for the conduct of what happens when the person leaves your bar. With casino gambling--

MARGOT ADLER: So, Jan, how does Harrah's address the issue of problem gamblers and addiction?

JAN JONES: Harrah's has the most aggressive responsible gambling program in the industry. We've set the standard both with Project Bet Smart, which really tells gamblers about the odds, the odds on games, you know, what it is, you know, about winning or not winning, and Project 21, which really targets underage gamblers. We have four tiers of training for every employee in our operations that talk about what is responsible gambling, what is pathological gambling. At the highest level we train responsible gaming ambassadors who if they hear a customer make statements that leads them to believe they might have a problem they can actually approach that customer, give them information, sit them down. We keep responsible gaming logs of any customers that have been approached--of any third party information that would lead us to believe that family or a customer is saying they have a problem. Customers can self-restrict. They can self-exclude. They can say they don't want to be in our properties. They can be cut off from any marketing materials. We can also on our own exclude a customer if we don't think they are gambling responsibly.

MARGOT ADLER: Tom, do you think that the negative impacts of casino gambling in your view disproportionately impact one class or another, for example, the poor? I know that some critics have called gambling a regressive tax.

TOM GREY: I think we've--we saw that with the lottery, where 5 percent of the people in America buy 51 percent of the tickets, and it's not James Bond with a blonde on his arm that's buying scratch-off tickets in lower-income neighborhoods. And we know where lottery sales are. The Detroit casino would be an example and also some of the others, where we're seeing the demographics. The Commission Study showed that African-Americans are four times as likely to gamble than whites. If they start to put the casinos in urban communities, what we're going to see is again the type of thing that we saw with the lottery, where the poor and the disadvantaged see it as a last gasp and a sign of hope. So I do believe that that is just really very poor public policy to make people make bad decisions with their money.

MARGOT ADLER: Jan, a regressive tax?

JAN JONES: Let's not confuse the lottery with destination resort gambling. The lottery is an entirely different kind of product. It is available to a much broader segment of the population.

And it doesn't create jobs. And it doesn't create ancillary goods and services that generate income. You're not going to play the lottery, and go shopping, and have dinner, and see a show.

MARGOT ADLER: But gambling as a regressive tax?

JAN JONES: It's certainly not. Casinos pay a percentage of their revenue. They also pay every other federal tax, state tax, property tax, you know. So how is that a regressive tax? We're paying taxes on the revenues we generate.

MARGOT ADLER: Tom?

TOM GREY: Harrah's is the most aggressive in trying to push their casinos into states, into cities, into neighborhoods. They just spent \$20 million over a course of a five-year campaign to get into Rhode Island. The people of Rhode Island rejected them 63-37. You spent \$11 million on a campaign and you came up empty and that's going to happen again and again because you can't sell a product that leads to addiction, bankruptcy, crime, and corruption.

JAN JONES: Tom, first of all, that's patently absurd. Casino gambling is enjoyed by hundreds of millions of people worldwide and in America. And I think that's so humorous--Rhode Island was defeated by the competing gambling companies not only in Connecticut, which housed the two largest casinos, Indian casinos, in the world, but by the two gambling facilities that have over 6,000 slot machines that already exist. That was not about not liking gambling. That was about not wanting competition. The point is any industry that creates hundreds of thousands of jobs, hundreds of millions in revenue, creates ancillary jobs, reinvests in its community, and acts as a good corporate citizen should not be treated any differently than any other business in America.

MARGOT ADLER: Jan Jones is senior vice president of communications and government relations for Harrah's Entertainment. Tom Grey is the field coordinator and national spokesperson for the National Coalition Against Legalized Gambling. Thank you both for joining me.

TOM GREY: It was good to be with you.

JAN JONES: Thank you.

MARGOT ADLER: Coming up on Justice Talking, we'll find out whether there really is a strategy to winning on slot machines. And why do they make so much noise?

UNIDENTIFIED MALE: I believe that in fact more people are likely to play the more excited things sound. It's not dissimilar to the idea that a craps table sitting empty will often stay sitting empty but if several people around a craps table are yelling more people will come over to find out what's going on.

MARGOT ADLER: Stay with us.

MARGOT ADLER: This is Justice Talking. I'm Margot Adler. We've been talking about whether casinos are good for communities or not. A little later we'll talk about Indian gaming and whether casinos have benefited the tribes that run them.

But first we return to Pennsylvania, which began granting licenses for slot machine parlors late last year. Once all fourteen expected casinos are up and running, the industry could generate \$1.5 billion a year in tax revenue for the state, which will help fund property tax cuts, economic development, and gambling addiction services. Brad Linder visited one of the first slot machine parlors in Pennsylvania.

BRAD LINDER: The Philadelphia Park Racetrack and Casino in Bensalem is about 20 miles outside of downtown Philadelphia. The horse racetrack has been here for decades, but the 2,100 slot machines are all new, and they're popular. [SLOT MACHINE NOISE] Traffic at the casino has skyrocketed since slot machines were added in December. Joan Wickie (ph.) and her husband are returning to Pennsylvania from a vacation in Florida and they decided to stop at the casino on the way home.

What do you think of Philadelphia Park's new slots?

JOAN WICKIE: Oh, right now I think they're wonderful. [LAUGHS]

BRAD LINDER: How much did you just win?

JOAN WICKIE: Well, actually, I'm up 297 coins. So what is that? \$25, \$50.

BRAD LINDER: There are no table games at Philadelphia Park: no poker, craps, or roulette. The Pennsylvania law that legalized expanded gambling only allows slot machines. But these aren't your old fashioned slot machines.

UNIDENTIFIED FEMALE: You can have a cup of coffee; just press the button on the slot machine and the cocktail server knows to bring you over a cup of coffee.

BRAD LINDER: Darlene Monzo is vice president of marketing for Philadelphia Park Casino.

DARLENE MONZO: It also will recognize you. It would say--the next time when you come in if you've ordered, say, a Diet Coke, it'll say, "Would you like a diet Coke?"

BRAD LINDER: Philadelphia Park was already one of the largest employers in Bensalem, and the casino added 700 new jobs, ranging from food service workers to security guards. The casino is also a major source of revenue for the township. The state law legalizing gambling requires casinos to give a minimum of \$10 million a year to their host communities. Bensalem mayor Joseph DiGirolamo says that's a lot of money for a township with an annual budget of

\$68 million. He says the money will be spent on hiring more police officers and providing services to residents. This year he says every homeowner in Bensalem will get a property tax rebate.

JOSEPH DIGIROLAMO: And we're projecting about a \$193 that everyone will get in a check back. Our average real estate tax is \$400. So we'll almost get back half.

BRAD LINDER: And that's on top of state level property tax cuts that will be funded largely by gambling revenue. Pennsylvania has the highest tax on gaming profits in the country at 55 percent. Half a million dollars will be set aside for property tax relief. Tad Decker is chairman of the state agency that regulates slot machine gambling. He says that kind of money is hard to come by.

TAD DECKER: I don't know where you'd get it other than raising taxes, and so it's a lot of money. And the benefits we hope will outweigh the negative aspects of it.

BRAD LINDER: But not everyone is convinced the benefits outweigh the risks. Reverend Gregory Holston is pastor of St. Matthew Methodist Church in Trevoise, Pennsylvania just two miles from Philadelphia Park. He says the state and the casino could be doing more to protect citizens from crime, traffic problems, and gambling addiction. Unlike other casinos, Holsten points out that 80 percent of Philadelphia Park's customers come from within a 20-mile radius.

GREGORY HOLSTON: Most of the casinos, they're drawing from outside. If you're in Atlantic City, you're thinking about I'm drawing from New York City, I'm drawing from Philadelphia. Las Vegas: I'm drawing all over the country. But here they expect their regular gambling people to be the people who live here. That exactly hasn't been done before. And what is the effect of that? What de-stabilization is that going to cause in the family?

BRAD LINDER: That state sets aside money to fund gambling addiction programs, but Holsten says he'd prefer to see the law legalizing slot machine gambling repealed. If that doesn't happen, he would at least like to see the casino provide funds for community organizations like his church to solve problems created by gambling. He says there are some issues that he hasn't seen anybody address at all. For example, Holsten fears that the casino will lead to higher property values in Bensalem, which might be great if you're trying to sell a house, but can be a real burden for retired residents on a fixed income, or for younger people who might be attracted to Bensalem to work at the casino.

GREGORY HOLSTON: And so you have people who are being tempted by jobs of 25 to 30 or 40 thousand dollars, to come and live in where area they're going to have to spend \$1,500 on an apartment in the first place because there's not enough low-income housing. Give us the funds so that we can create more low-income housing so that individuals could have a decent place to live.

BRAD LINDER: While Holsten is concerned about the impact gambling expansion will have on the community, Mayor Joseph DiGirolamo worries about what would have happened if the slots

had not been added to the racetrack. He says the track had been losing business in recent years and the only way he saw to save it was adding a casino.

JOSEPH DIGIROLAMO: If it was going to be gambling, we should have it here and not let it leave and hopefully to be able to police the industry to where, you know, we could keep the addictions down, and to keep the crime down, and all of the things that are associated with gambling, which I don't think have to be. I think it can be done on a correct basis. And are there going to be problems? Absolutely. But I think the challenge is there and I think we can meet that.

BRAD LINDER: Right now there are only three operational casinos in Pennsylvania, with eleven more expected to open over the next two years. And while they're currently just slot machine parlors, there's already a push to add table games like poker, blackjack, and roulette, to expand what's already expected to be a multi-billion-dollar gambling industry. For Justice Talking, I'm Brad Linder.

MARGOT ADLER: Slot machines bring in more money than any other form of gambling in America, and they are allowed in at least 35 states. So why are slots so popular? I got a hold of Stacy Friedman to help me understand some of the basics of those machines. He is a mathematician who designs and analyzes slot machines. I asked him to tell me about the evolution of slots. The first slot machine was introduced in 1899 by a German immigrant in San Francisco.

STACY FRIEDMAN: The older slot machine games actually used physical mechanical reels that spun around an axis. These days most slot machine games actually have a video touch screen, which displays images that correspond to spinning reels, but there are no spinning mechanical parts involved.

MARGOT ADLER: So they're more like computers?

STACY FRIEDMAN: That's correct. They're entirely computers.

MARGOT ADLER: Let's talk about how slot machines are designed to entice players. What are some of the basic ideas?

STACY FRIEDMAN: Well, this goes back to the idea of variable ratio reinforcement.

MARGOT ADLER: And what does that mean?

STACY FRIEDMAN: Well, basically what it means is if you go back to the psychological tests with the rats in cages and they press on the bar--I don't know how bad we want to make this sound--I mean, it's true that humans exhibit the same sort of responses: if something is predictable and known it becomes rather dull quickly. But if something is unpredictable and exciting at uncertain times then people feel more compelled and more entertained by it.

MARGOT ADLER: One of the things that you immediately notice in a casino is that slot machines make a lot of noise. Tell me about the role of sound for slots.

STACY FRIEDMAN: When you walk into a casino, if there were no noise it would feel very strange. And these days since most slot machine games don't actually have coins falling into hoppers, all of the noise that you hear is electronically generated. And that noise turns out to be typically generated in the key of C major. And if you think about it, if different slot machine games had different pitches, then you would have this awful cacophony of dissonant noise and that would sound really bad.

MARGOT ADLER: The sounds aren't always the same. They change depending on, I guess, how lucky you are or whatever happens in the game. How is that programmed? How does that work?

STACY FRIEDMAN: If you put money into a slot machine game and spin the reels and lose, typically nothing happens. If you spin the reels and win a small award, you might get one or two dingy noises. If you spin and hit a jackpot, typically the machine will make a lot of noise for an extended period of time. Well, that turns out to have a fairly profound impact on the overall aural quality of the atmosphere in the casino. And as a result, the more people who are playing, the greater are the chances that someone has won one of those large awards, which causes a lot of sound and the greater is the sonic excitement level in the casino.

MARGOT ADLER: And if you have a high sonic excitement level, does that bring more people to the games?

STACY FRIEDMAN: Yeah, I believe so. I believe that in fact more people are likely to play the more excited things sound. It's not dissimilar to the idea that a craps table sitting empty will often stay sitting empty, but if several people around a craps table are yelling, more people will come over to find out what's going on.

MARGOT ADLER: There are a lot of books about how to win on the slots. Are they all bogus? Is there any strategy you can use to win?

STACY FRIEDMAN: Well, the short answer is yes, they're all bogus. The longer answer is it depends on what you mean by winning. Most people, when they think of well, I'm going to beat the slots, they want a way to guarantee that their long-term results will be greater than 100 percent payback. That is, they're guaranteed more money out of the machine than they put in. And there's simply no way to guarantee that.

MARGOT ADLER: It seems like common sense that the longer you play a single machine the greater your chances for a payoff, but am I totally wrong about that?

STACY FRIEDMAN: Well, generally, yes. The way it works is that if you play a machine for a given period of time or you have a given probability of earning an award, the longer you play, collectively the greater your chances are of winning that award. But that doesn't mean that if

you play more after not having won then your chances go up. It's the same fallacy that suggests that a number on a roulette wheel is "due" after not having been seen for a certain period of time. The fallacy is known as "the maturity of chances," also known as the "gambler's fallacy" for obvious reasons. And it's quite simply false.

MARGOT ADLER: Stacy Friedman is a mathematician who helps design and analyze slot machines. He's the founder of Olympian Gaming. Thanks for talking with me today.

STACY FRIEDMAN: Thank you, Margot.

MARGOT ADLER: In 2005, Indian casinos took in more than \$22 billion in gross revenue. About 225 tribes operate approximately 400 gambling establishments across the country.

Kathryn Rand is a professor at the University of North Dakota School of Law and is the co-director of the Institute for the Study of Tribal Gaming Law and Policy. Welcome to Justice Talking. Tell us about a couple of places where Native American casinos are operating. Let's start with Foxwoods, a huge casino in Connecticut.

KATHRYN RAND: Sure, Foxwoods is at one end of what we call the spectrum of success in our book "Indian Gaming and Tribal Sovereignty," and there the Pequots operate what is the most successful Indian casino in the United States. And their profits are phenomenal. That's an operation of market, of course, but it's also an operation of a relatively small tribe without a great socio-economic deficit. On the other end of the spectrum you might have tribes that don't game at all, or tribes that have very modest gaming establishments, bingo halls, for example, that reap a modest profit, but more importantly provide jobs to tribal members on the reservation.

MARGOT ADLER: I was wondering about a tribe that's a little closer to your home, the Rosebud Reservation in South Dakota. What's its experience with gambling been?

KATHRYN RAND: In the Dakotas, there are large land-based tribes often with several thousand members, even tens of thousands of members, and in the Dakotas, reservations have been traditionally and historically some of the most impoverished areas in America. The Rosebud Reservation in particular struggled with poverty and unemployment rates that were staggering by mainstream standards.

MARGOT ADLER: Like how much?

KATHRYN RAND: An unemployment rate that might approach 90 percent. With the advent of gaming, even with the creation of a few hundred jobs on the reservation, plainly that's not going to reverse such staggering poverty and unemployment, but it does make inroads. And so tribes in North Dakota and South Dakota, even though their profits are modest by Foxwoods standards, consider their casinos a success, because they create jobs. They leverage economic development on the reservation and they provide some modest tribal government revenue.

MARGOT ADLER: Let's back up and talk about how Native American tribes became involved with gambling.

KATHRYN RAND: Well, as it happens, the beginnings of Indian gaming as we know it today occurred about 20 years ago when the Supreme Court decided the case of Cabazon. And since that time Congress has enacted the Indian Gaming Regulatory Act, so Indian gaming as we know it has existed for about 20 years.

MARGOT ADLER: Can any Native American tribe start a casino?

KATHRYN RAND: In order to operate a casino, a tribe must be federally recognized and it must have what the statute calls "Indian lands." And for a casino, it also has to enter into an agreement with the state where the casino is located.

MARGOT ADLER: So is every federally recognized tribe able to have a casino?

KATHRYN RAND: In theory, sure. But in practice, not so much. Many of the tribal groups in Alaska, for example, in theory could open a casino, but because of restrictive state law and extraordinarily rural locations, it just doesn't make sense. Other tribes that might have more lucrative markets have made decisions not to open casinos for cultural or other reasons.

MARGOT ADLER: And explain that. What kind of reasons, for example?

KATHRYN RAND: Famously, the Navajo Nation has been extremely reluctant to enter into the gaming market, seeing gambling as in conflict with the tribe's traditional values.

MARGOT ADLER: Let's say a tribe opens a casino. What happens to the revenue from that casino?

KATHRYN RAND: In a sense, the revenue from a tribal casino is taxed at 100 percent because it must be collected by the tribal government. The tribe can use that revenue only for five specified purposes under federal law, and a few tribes, with approval of the interior secretary, make per capita payments as well.

MARGOT ADLER: Do the tribes pay taxes to the state?

KATHRYN RAND: The state is not able to tax tribes as governments, but it's not accurate to say that tribal gaming isn't taxed at all or that the state doesn't benefit from tribal gaming.

MARGOT ADLER: As you look at these different experiences, do you believe casinos have been good for the tribes that have been running them?

KATHRYN RAND: Overall, Indian gaming has changed lives for Native Americans across the country. It has allowed tribes to provide jobs, to start a diversified economy on the reservation, and to increase the services that the tribe offers to its members. Now, the degree to which a tribe can do that varies greatly with where it's located, the profitability of its casino, and the size of its

membership, and existing socio-economic deficits. But for nearly every single tribe with a casino, there have been some positive impacts on the reservation.

MARGOT ADLER: Kathryn Rand is a professor at the University of North Dakota School of Law and is the co-director of the Institute for the Study of Tribal Gaming Law and Policy. She is co-author of "Indian Gaming and Tribal Sovereignty: The Casino Compromise." To hear more of my conversation with Kathryn Rand, including common misperceptions about Indian gaming, go to our website, justicetalking.org.

While there you can also check out our new blog where many of the nation's leading commentators give their views on law and American life. And sign up for our free podcasts, too. Thanks for joining me. I hope you'll tune in next week. I'm Margot Adler.
