



End the Unfairness and Inequality Created By
Government-Sponsored Casinos and Lotteries

A Briefing on Casinos for Georgia Leaders

2017

SUMMARY

Three Truths About Bringing Casinos to Georgia

The First Truth: Casinos are not dishonest because they're illegal. Casinos are illegal because they're dishonest.

- The most revealing truth about the dishonesty behind state-sanctioned casinos is that nearly all of the people who run casinos and the public officials who lobby to bring them in, don't gamble themselves.
- The casino gambling games are dishonest.
- The casino-promoted image of "responsible gambling" is a sham because the bulk of gambling profits is taken from citizens who are suffering.
- When a practice is dishonest, its advocates will speak of it dishonestly, exemplified by how the bill to legalize casinos in Georgia does not even mention the word "casino."
- Any political official who joins with the casino gambling lobby to say "Let the People Vote" is really saying "Let Us Buy the Vote."
- The "They're-Going-Out-of-State-to-Gamble" narrative is a phony, endlessly recycled public relations strategy that gambling interests have used in almost every state in America to breathe artificial life into efforts to legalize casinos.
- State government shouldn't be telling people how to live by encouraging them to gamble at casinos, especially on games they are mathematically guaranteed to lose their money.

The Second Truth: Casinos are predatory.

- A fundamental and irreconcilable conflict exists between the interests of state-sanctioned casinos and the public good: the state is charged with protecting the public from the very business practices that generate more revenue for the state. The state's intent has been *to maximize profits, not protect the public interest*.
- It's a mathematical certainty that citizens will lose all of their money the more they continue to use slot machines. At the same time, these gambling machines are designed so citizens cannot stop using them, exploiting aspects of human psychology and inducing irrational behavior.
- Because of the predatory nature of casinos, the health of tens of thousands of Georgia citizens, including many of your own constituents, will be severely damaged.

The Third Truth: State government-sanctioned casinos lower the standard of living for everyone including those who never gamble.

- There is a direct connection between the widespread promotion and availability of extreme forms of commercialized gambling with the financial hardship and lack of opportunity facing millions of American families today.
- The economic impact of a slot machine is similar to throwing your money on the street so that someone else can pick it up — it's redistributing wealth without creating it.
- Casinos *leave behind far more gambling addicts than jobs.*
- "You Pay Even If You Don't Play:" For the 2/3 of citizens who never gamble, they end up paying higher taxes for less services and worse state budget problems over the long term. They foot the bill for the inevitable budget deficits produced by state-sanctioned gambling.
- State-sanctioned casinos create unfairness for other businesses.
- All these facts and more explain why a recent statewide poll in New Jersey, a state that has bet big on casinos as much as any state outside of Nevada, revealed that "62% of NJ citizens said gambling has not been good for the state."

BACKGROUND

On behalf of the members of our Georgia network, we share this brief on state-sanctioned casinos.

Stop Predatory Gambling's mission is to improve the lives of the American people, using education and advocacy to free us of the dishonesty, exploitation and lower standard of living that commercialized gambling spreads.

A 501c3 non-profit based in Washington, DC, SPG is a national, transpartisan, government reform network of more than one million individuals and organizations.

The First Truth: Casinos are not dishonest because they're illegal. Casinos are illegal because they are dishonest.

- **The most revealing truth about the dishonesty behind state-sanctioned casinos is that nearly all of the people who run casinos and the public officials who lobby to bring them in, don't gamble themselves.**

A *New York Times Sunday Magazine* reporter authored a cover story on slots which included a visit to the headquarters of International Gaming Technology (I.G.T.), America's biggest maker of electronic slot machines: "Most of the people I met inside I.G.T. told me they never played slot machines on their own time. **When I asked one I.G.T. artist if he ever plays, he acted as if I had insulted him.**" Slots are for losers," he spat, and then, coming to his senses, begged me to consider that an off-the-record comment."¹

Who are these "losers?" They are *your* own constituents.

Nearly every major casino executive, including at least three of those lobbying in Georgia, MGM CEO Jim Murren,² Sheldon Adelson of Las Vegas Sands,³ and Penn National Chairman Peter Carlino are not gamblers either.⁴

- **The casino gambling games are dishonest.**

The most profitable form of casino gambling, slot machines, are designed mathematically so users are certain to lose their money the longer they play. At the same time, the machines are literally designed so citizens cannot stop using them, exploiting aspects of human psychology and inducing irrational behavior.⁵ Every feature of a slot machine - its mathematical structure, visual graphics, sound dynamics, seating and screen ergonomics - is designed to increase a player's "time on device" - which means how long a person plays.⁶

Figure 1: *Addiction By Design* by MIT Professor Dr. Natasha Schull, Pg. 112

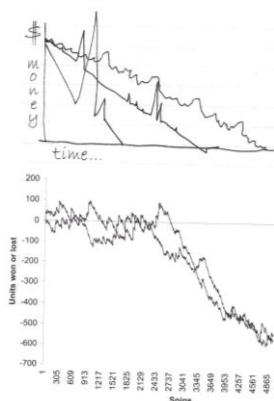


Figure 4.2. *Top*: Projected play trends for three different games, assuming the same initial bankroll. The shortest line represents a game with "high volatility" and "low hit frequency"; the longest shows "low volatility" and "high hit frequency"; the middle line shows moderate volatility and frequency. Drawn for the author by game designer Nicholas Koenig. *Bottom*: Play outcomes for two simulated gamblers on the same gambling machine, set at a hold percentage of only 5 percent. The graph follows the two gamblers from their first bet through 5,000 spins, representing four to eight hours of play (depending on the speed of the machine and the speed of play). The downward slope illustrates the "churn" by which play funds are gradually eroded over time. Although both gamblers experience wins, the house edge gradually consumes the winnings as they are reinvested in play. Assuming that each bets \$3.00 per spin, their averaged loss at the end of the play period is \$900.00. Graph built by gambling analyst Nigel Turner.

- **The casino-promoted image of “responsible gambling” is a sham because the bulk of gambling profits is taken from citizens who are suffering.**

The success of commercialized gambling enterprises depends upon people not being able to follow so-called responsible gambling guidelines. NYU Professor Natasha Schull reported in her acclaimed 2012 book *Addiction By Design* that people who follow responsible gambling guidelines *made up 75% of the players but contribute a mere 4% of gambling profits.*⁷ “They only bring in 4% of our revenues, the responsible gamblers,” the author of the study said. “If responsible gambling were successful then the industry would probably shut down for lack of income.”⁸

- **When a practice is dishonest, its advocates will speak of it dishonestly. They will call it by wrong names. They will allege that its purposes are other than what they are. They will engage in this fraudulent language partly to hide the dishonesty of the actual activity, and partly because they themselves are at least somewhat ashamed of what they are doing.**

That’s exactly what is happening right now in this massive casino lobbying campaign in Georgia. One of the most glaring examples of this practice is how the proposed casino bill does not even mention the word “casino” anywhere in the bill.

- **Any political official who joins with the casino gambling lobby to say “Let the People Vote” is really saying “Let Us Buy the Vote.”**

It’s disingenuous for anyone to say a fair debate leading to an informed, educated public will happen during a Georgia casino referendum campaign because it won’t.

If every legislator in Georgia was outspent 3 to 1 during his or her campaign, most would lose reelection regardless of their merit. Yet some are considering letting casino operators hijack the state constitutional ballot process by outspending predatory gambling opponents by a margin of at least 250 to 1. **How many sitting elected officials in Georgia would win a campaign if they were outspent by at least 250 to 1?**

Here are a few examples of the massive spending that occurred in other states with casino ballot questions over the last several years:

- In Colorado, gambling interests outspent opponents 1,734 to 1.⁹
- In Massachusetts, citizens collected signatures to place a casino repeal referendum on the 2014 ballot. Gambling interests spent more than \$15 million to defeat it.¹⁰ In the last 30 days, gambling interests including MGM ran more than 4000 TV ads. Repeal advocates ran zero because it was too costly to go on TV. In addition to the

massive difference in ad spending, virtually none of the TV ads run by gambling interests even mentioned the word casino.¹¹

- In Maryland, another MGM-led casino campaign spent more than \$40 million to pass a statewide ballot question.¹²
- In Ohio, gambling companies spent almost \$50 million to pass a ballot question allowing them to open casinos in the state.¹³

- **The “They’re-Going-Out-of-State” narrative is a phony, recycled public relations strategy that gambling interests have used in almost every state in America to breathe artificial life into efforts to legalize casinos.**

These are *national* and *international* gambling companies that are lobbying in Georgia who simply position one state against another state, over and over again. To see this canned narrative in action, view these TV ads taken from recent lobbying campaigns in other states, highlighting the casino lobby’s intent to deceive policy makers and citizens alike.

Massachusetts, 2014 <https://www.youtube.com/watch?v=1tyn4br4Xzo>

Ohio, 2009: <http://www.youtube.com/watch?v=TXp8DOsgvGI>

Maryland, 2008: <http://www.youtube.com/watch?v=g4pdfE6fu7w>

Maine, 2008: <http://www.youtube.com/watch?v=yRLhfxJxfGU>

The facts are that regional casinos, like those proposed for Georgia, take the bulk of their profits by turning local citizens who may have been going out-of-state a handful of times a year into everyday gamblers, losing their money inside casinos five times a week.¹⁴ **Why would any legislator vote in favor of their constituents losing money at casinos five times a week?**

- **State government shouldn’t be telling people how to live by encouraging them to gamble, especially on games they are mathematically guaranteed to lose their money.**

While citizens are free to engage in a financially damaging activity, state government has no business actively encouraging them. This is not a case of simply permitting private, consensual behavior.

The Second Truth: Casinos are predatory.

- **A fundamental and irreconcilable conflict exists between the interests of state-sanctioned casinos and the public good: the state is charged with protecting the public from the very business practices that generate more revenue for the state. The aim has been to maximize profits, not protect the public interest.**

One prime example of this conflict is how state-sanctioned gambling is exempt from truth-in-advertising laws enforced by the Federal Trade Commission. It has wide latitude in how it promotes gambling, exaggerating chances of winning and aggressively luring citizens to lose their money.

- **It is a mathematical certainty that citizens will lose all of their money the more they continue to use slot machines. At the same time, these gambling machines are designed so citizens cannot stop using them, exploiting aspects of human psychology and inducing irrational behavior.**

Every feature of a slot machine - its mathematical structure, visual graphics, sound dynamics, seating and screen ergonomics - is designed to increase a player's "time on device" – which means how long a person plays.¹⁵ Gambling operators found their profits were not about the size of the gamblers' stakes but the volume of their play.

"If you provide them with the right time-on-device, they will stay and play," one slot designer said. "If you take it too quickly and they lose, they're going to leave."¹⁶

The goal is to get every user "to play to extinction" – until all their money is gone. ¹⁷ "I want to keep you there as long as humanly possible," said another slot operator.

"That's the whole trick, that's what makes you lose."¹⁸

The slot machine is designed to be so effective at extracting money from people it is "a product that, for all intents and purposes, *approaches every player as a potential addict* - ...someone who won't stop playing until their means are depleted."¹⁹

The effectiveness of this design is undeniable: over the last decade *there are 11 different independent studies* that show 40%-60% of slot machine profits are taken from citizens who can't stop using them.²⁰

- **The predatory practices of casinos will severely damage the health of tens of thousands of Georgia citizens, including many of your own constituents.**

At least one out of every twenty citizens have had their lives turned upside down because they became addicted to gambling, *most of which was sponsored by state government.*²¹ This figure does not account for the reality that each gambling addict has at least 1-2 people close to them whose lives are also upended because of this policy.

The Third Truth: State government-sanctioned casinos will lower the standard of living for everyone including those who never gamble.

- **There is a direct connection between the widespread promotion and availability of state-sanctioned casinos with the financial hardship and lack of opportunity facing millions of American families today.**

As predatory gambling has spread into economically-distressed regions, the facts show it has lured far more citizens from the lower rungs of the income ladder. Low-income workers, retirees, minorities, and the disabled comprise a disproportionately large share of regional casino users.²² One important reason for this is that those who are financially desperate look to state-sanctioned gambling as a way to improve their lives and help them escape their financial condition. It's become a Hail Mary investment strategy, one that dooms them to inevitable failure.²³

This is a critical issue because asset-building, *the opposite of commercialized gambling*, is almost non-existent for nearly half the country's population; in 2010 less than half (46.9 percent) of households owned any stock at all — even indirectly through mutual funds and/or retirement plans.²⁴ Less than one-third (31.1 percent) owned more than \$10,000 in stocks.²⁵ The median African American and Latino family owns no stock at all.²⁶

The most telling evidence of casino gambling's regressive effect may come from the casino operators themselves. The predominance of penny and nickel slot machines on the casino floors reveals who their target market really is.²⁷

- **The economic impact of a slot machine is similar to throwing your money on the street so that someone else can pick it up — it's redistributing wealth without creating it.**

The casino lobby feeds on the job insecurity of Americans because people, whether gambling or seeking employment, have fewer viable ways to make good money.

By relying on slot machines and other forms of gambling as its primary revenue source, a casino may employ some citizens but it doesn't produce economic growth.

Any activity the state puts money into will stimulate the economy. Georgia can stimulate its economy with good things, things that help people build wealth.

- **Casinos leave behind far more gambling addicts than jobs.**

We are told one of the primary rationales for state-sanctioned casinos is to “create jobs” but facts show that casinos leave behind far more gambling addicts than jobs. According to the most recent numbers made available by the Illinois Gambling Board, the total enrollment of citizens in the state’s *voluntary* Self-Exclusion Program was 11,119 and the total number of full and part-time casino jobs was 7,137 - *almost 35% higher*. Thousands of more gambling addicts have banned themselves from the state’s casinos because their lives have been ruined than there are people who work inside the state’s casinos.

But that figure is literally the tip of the iceberg. *The actual amount of gambling addicts created by state-sanctioned casinos is far greater than the number of citizens who have self-excluded*. That’s because only about 10% of people experiencing problems with gambling seek help from problem gambling services- *90% never even come forward for help.*²⁸

- **“You Pay Even If You Don’t Play:” For the 2/3 of citizens who never gamble, they end up paying higher taxes for less services and worse state budget problems over the long term. They foot the bill for the inevitable budget deficits produced by state-sanctioned gambling.**

For all the non-gamblers out there, state-sanctioned casinos are *the biggest budget gimmick*. It’s the calling card of anti-reform politicians across the U.S. The facts about state-sanctioned gambling show that taxpayers end up paying higher taxes for less services and their states end up with worse budget problems over the long term.

According to the April 2016 report by the Rockefeller Institute of Government at SUNY Albany: **“In the long-run, the growth in state revenues from gambling activities slows or even reverses and declines.”**²⁹

That’s because income from casinos does not grow over time like general tax revenue. Yet expenditures on education and other programs will grow more rapidly than gambling revenue. **Thus, new gambling operations that are intended to pay for normal increases in state spending add to, rather than ease, long-term budget imbalances.**³⁰

Also troubling for taxpayers, gambling operators are not allowed to fail by the state. For example, when casinos come up short, states usually provide new infusions of money, reduced taxes, reduced funding for gambling addiction measures, or other concessions such as lifting smoking bans and loss limits, in order to sustain revenues and profitability.³¹ Rhode Island, Delaware, and New Jersey, to just name a few, have all taken special steps within the last few years to help casinos that might otherwise fail. Public tax dollars too often prop up gambling operators.

- **State-sanctioned casinos create unfairness for other businesses.**

When casino lobbyists call for a “limited number of casinos” to be allowed into a state, what they are really doing is attempting to rig the system to hand out special privileges to a few powerful political insiders at the expense of everyone else. Government, in this case, is not merely permitting private, consensual behavior. It is granting monopolies and awarding regulatory advantages to favored firms.

- **All these facts and more explain why a recent statewide poll in New Jersey, a state that has bet big on casinos as much as any state outside of Nevada, revealed that "62% of NJ citizens said gambling has not been good for the state."**

The December 2016 poll results, conducted as part of the Quinnipiac University Poll, were issued by a press release titled “Casinos Have Not Been Good For New Jersey, Voters Say; Many Would Leave Garden State If They Could.” Quinnipiac is a highly recognized polling program which conducts public opinion surveys in many states and the nation as a public service and for research.³²

**For more information, please visit www.StopPredatoryGambling.org
or call (202) 567-6996**

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- ⁵ Natasha Dow Schull, PhD, ADDICTION BY DESIGN, MACHINE GAMBLING IN LAS VEGAS, (2012), available at <http://press.princeton.edu/titles/9156.html>
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- ⁸ NATASHA DOW SCHULL, PHD, ADDICTION BY DESIGN, MACHINE GAMBLING IN LAS VEGAS, Pg. 267 (2012), available at <http://press.princeton.edu/titles/9156.html>
- ⁹ "Never a Sure Bet," a 2009 report from the National Institute on Money in State Politics, <http://stoppredatorygambling.org/wp-content/uploads/2012/12/Never-A-Sure-Bet-Report-from-National-Institute-on-Money-in-State-Politics.pdf>
- ¹⁰ [https://ballotpedia.org/Massachusetts_Casino_Repeal_Initiative,_Question_3_\(2014\)](https://ballotpedia.org/Massachusetts_Casino_Repeal_Initiative,_Question_3_(2014))
- ¹¹ To view the casino advertising aired to block casino repeal in MA 2014, visit Stop Predatory Gambling's YouTube channel SPGAmerica: <https://www.youtube.com/playlist?list=PLA6B145FA31CCA40A>
- ¹² "MGM gets the deal for Maryland's sixth casino," *The Washington Post*, December 20, 2013 https://www.washingtonpost.com/local/mgm-gets-the-nod-to-build-marylands-sixth-casino-at-national-harbor-in-prince-georges/2013/12/20/059e7276-693e-11e3-a0b9-249bbb34602c_story.html?utm_term=.87301d4b47cb
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- ¹⁵ Natasha Dow Schull, PhD, *Beware: Machine Zone Ahead*, Washington Post, July 6, 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/04/AR2008070402134.html>
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²² *Why Casinos Matter, Thirty-One Evidence-Based Propositions from the Health and Social Sciences*, Institute for American Values, Council on Casinos, September 2013 <http://americanvalues.org/catalog/pdfs/why-casinos-matter.pdf>

²³ “Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries,” Garrick Blalock, David R. Just, and Daniel H. Simon, 2004 <http://stoppredatorygambling.org/wp-content/uploads/2014/07/Cornell-University-Entertainment-Poverty-and-the-Demand-for-State-Lotteries1.pdf>

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²⁷ Hoa Nguyen, *Penny slots are popular, flexible and profitable, so they're gaining more space on casino floors*, THE PRESS OF ATLANTIC CITY, December 14, 2014, http://m.pressofatlanticcity.com/news/breaking/penny-slots-are-popular-flexible-and-profitable-so-they-re/article_a161f006-82a4-11e2-9477-001a4bcf887a.html?mode=jqm

²⁸ National Council on Problem Gambling, <http://www.ncpgambling.org/>

²⁹ Lucy Dadayan et al, *State Revenues from Gambling: Short-Term Relief, Long-Term Disappointment*, Nelson A. Rockefeller Institute of Government, April 2016, http://www.rockinst.org/pdf/government_finance/2016-04-12-Blinken_Report_Three.pdf

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³² “Casinos Have Not Been Good For New Jersey, Voters Say, Quinnipiac University Poll Finds; Many Would Leave Garden State If They Could,” December 7, 2016 <https://poll.qu.edu/new-jersey/release-detail?ReleaseID=2409>