Casino gambling causes crime

By Earl L. Grinols

Evidence is converging to show that casino gambling causes significant increases in crime. Taken altogether, casinos impose crime and other costs – paid for by society, including those who do not gamble – that exceed their benefits and represent substantial burdens on nearby populations. Because casino gambling fails a cost-benefit test, policymakers should give serious consideration to options that include imposing taxes equal to the costs casinos impose, restricting casino expansion, or banning casino gambling altogether.

Crime is affected by multiple factors including population density, the number of males and females in different age ranges, percent of each age group that is white, percent of each age group that is black, per capita personal income, unemployment rates, per capita retirement compensation, per capita income maintenance payments, and "shall issue" laws (giving citizens the right to carry concealed firearms upon request—believed to reduce certain crimes). Hence, connecting any single cause such as casinos to crime is controversial. Only by careful sifting of a large body of data can the effect of casinos be separated from other causes to establish a connection. The gambling industry naturally has resisted research findings that link casinos to more crime.

How do researchers conclude that casinos cause crime and measure the size of the connection? There are two ways—the first is through the study of problem and pathological gamblers and the second is through statistical analysis of crime numbers.

Connecting casinos to crime

Pathological gambling is a recognized impulse control disorder of the Diagnostic and Statistical Manual (DSM-IV) of the American Psychiatric Association. Pathological gamblers (often referred to as "addicted" or "compulsive" gamblers) are identified by a number of characteristics including repeated failures to resist the urge to gamble, loss of control over their gambling, personal lives and employment, reliance on others to relieve a desperate financial situation caused by gambling, and the committing of illegal acts to finance gambling. Problem gamblers have similar problems, but to a lesser degree.

It appears that a significant proportion of the population is susceptible to problem or pathological gambling. The latent propensity becomes overt when the opportunity to gamble is provided and sufficient time has elapsed for the problem to manifest. Pathological gamblers are generally found to constitute one or two percent of the population and problem gamblers are another two to three percent in areas where casino gambling is available. One study of gamblers in treatment found that 62 percent committed illegal acts as a result of their gambling. Eighty percent had committed civil offenses and 23 percent were charged with criminal offenses, according to a 1990 Maryland Department of Health and Mental Hygiene survey. A similar survey of nearly 400 members of Gambler's Anonymous showed that 57 percent admitted stealing to finance their gambling. Moreover, the amounts are not small. On average they stole $135,000, and total theft was over $30 million, according to the testimony of Henry Lesieur from the Institute of Problem Gambling before the National Gambling Impact Study Commission, Atlantic City, New Jersey, January 22, 1998. The National Gambling Impact Study Commission's final report issued in June 1999 reported that among those who did not gamble (had not gambled in the past year) only 7 percent had ever been

> **For more on gambling, see *Legal Gambling in Illinois: A Primer* at the IGPA web site: www.igpa.uillinois.edu**

incarcerated. In contrast, more than three times this number (21.4 percent) of individuals who had been pathological gamblers at any point during their lifetime had been incarcerated.

By tallying up the crimes of pathological and problem gamblers and the associated costs to society such as police, apprehension, adjudication, and incarceration costs, the average crime costs to society of an additional pathological or problem gambler (some studies lump the two groups together) can be determined. Recent research using this methodology found that an average problem gambler costs society $10,112 per year. Crime costs constituted $4,225, or 42 percent of these costs.

Combining crime costs with studies of the prevalence of pathological and problem gamblers provides crime cost figures for society as a whole. Using the numbers just reported implies annual crime costs per adult capita of $57. This number can be compared to the crime costs found by the second method for relating casinos to crime.

Connections in crime statistics

A second way to determine the effect of casinos on crime is to look directly at aggregate crime statistics. The advantage is that the method is direct, and—because it looks at more than just the crimes committed by problem and pathological gamblers—it is more inclusive. The disadvantage is that it may be difficult to distinguish the share of crime related to casinos from the mass of other crime that occurs all the time. Moreover, the period of major casino expansion in the United States, 1991 to 1997, coincides with a period of secular *decline* in overall crime rates. It would be tempting, therefore, to observe that crime fell after a particular casino was introduced and from this conclude that the casino reduced crime. Such a conclusion would be false if crime would have fallen even further without the casino. Finally, because the effects of casinos might differ in different areas, a large sample could be needed to reliably pinpoint the truth.

In research conducted at the University of Illinois

Policy Forum is an occasional publication that presents discussions and results of recent research on important policy issues. Manuscripts by university and non-university authors are welcome.

Scott Koeneman, Managing Editor
IGPA University of Illinois
1007 W. Nevada St.
Urbana, IL 61801

and the University of Georgia and with these factors in mind, Professor David Mustard, Cynthia Hunt Dilley and I examined crime statistics for all 3,165 counties in the United States for twenty years beginning with year 1977. This period covers the period of introduction of casinos in all counties with the exception of Nevada. The number of offenses for the 7 FBI Index I offenses (robbery, aggravated assault, rape, murder, larceny, burglary, and auto theft) was obtained from the Federal Bureau of Investigation's Uniform Crime Report County-Level Data. We obtained U.S. Census Bureau data to control for demographic, income, and other variables that affect crime as described above. In all, 54 variables were used to explain observed crime rates across counties and time. We included twelve variables to identify each year from four years before the opening of the first casino in a county to seven years after it opened. These variables serve two purposes: first, to distinguish the effects of casinos from changes that preceded their opening (for example, a trend toward lawlessness conceivably could lead to the opening of a casino instead of the reverse); and second, to sort out the timing of those effects (an effect on crime could take several years to develop). To find the dates for the first casino opening we contacted state gaming authorities in every state, called casinos to find opening date or date of first Class III gambling (in many cases casinos began as bingo halls and switched at a later date), and used casino internet website information to check our data. The final list was verified against the annually produced *Executive's Guide to North American Casinos*.

What did the data show? If property crime rates are indexed so that 1982 rates equal 100, then the crime rate in 1991 was 99.7 in non-casino counties (counties that had no casinos during the sample period) and 100.3 in casino counties (counties that had a casino by the end of the sample period)—hardly any difference at all. However, looking at the same statistic just 5 years later—after casinos had begun operation in the majority of the casino counties—the indexes stood at 82.1 for non-casino counties and 93.7 for casino counties. The raw data suggests, therefore, that 12.4 percent of the crime observed in casino counties would not be there if casinos were absent. A similar picture emerges for violent crimes.

The problem with using the raw data for inferences, however, is that direct comparisons do not take

> "The raw data suggests... that 12.4 percent of the crime observed in casino counties would not be there if casinos were absent."

into account other factors that cause crime. For example, it is well known that crime rates in areas of high population density tend to be higher. What if between 1991 and 1996 casino counties experienced a significant increase in their population density? Then some or all of the increased crime might be due to the change in population density. This is why we collected so many other variables and applied regression procedures to them—to separate the changes in crime rates due to other factors from those due to casinos.

After adjusting for all of the other factors an interesting picture begins to emerge, both in terms of the share of crime in casino counties due to casinos and in terms of the pattern that the changes take over time. The data indicated that compared to non-casino counties there was no discernable difference in crime in casino counties in the four years before casinos opened that could be attributed to the opening of casinos. (We did not expect to find any connection, so this finding was anticipated.) For the first three years after the casino began operation, there also was no significant impact on crime rates. After the third year, however, crime rates began to rise in casino counties compared to those without casinos. By 1996, casinos accounted for 10.3 percent of the observed violent crime and 7.7 percent of the observed property crime in casino counties. Estimates of the share of crime attributable to casinos in 1996 for individual crimes ranged from 3 to 30 percent. Auto theft was the highest, followed by robbery at 20 percent. (In addition to stealing an auto, auto theft includes taking parts of cars such as expensive sound equipment as well as things from or out of a car.) The values for the rest of the offenses were between 3 and 10 percent.

Criminologists in the late 1980s and early 1990s estimated the cost per victimization of different types of crime. Applying these costs to the implied number of offenses for each crime due to casinos and dividing by the adult population of casino counties in 1996 produced an annual cost for casino-induced crime of $63 per adult capita. This figure is remarkably close to the $57 per adult capital crime cost estimated through the study of problem and pathological gamblers.

Implications

Critics of casino gambling point to a number of social costs. In addition to the direct governmental costs of regulating casinos and providing social services occasioned by gambling, these include the costs of bankruptcy, illness, suicide, harm to families, lost economic output, and crime, among others. Research to pinpoint the size of many of these costs is still in its beginning stages. This paper has described research directed to determining the costs to society of just seven Index I crimes tracked by the FBI: Larceny, burglary, auto theft, robbery, aggravated assault, rape, and murder. In areas with casinos the evidence points to costs of $63 per adult per year, but other studies that provided information on all of the social costs of casinos suggest that the total is over $100 per adult annually. Estimates implying costs of $135, $150 and more are common.

The social benefits of casinos are the increase in profits and taxes from casinos (casino profits and taxes less lost profits and taxes of other businesses due to casinos) plus the convenience value to consumers of having casinos nearby compared to having to travel greater distances to gamble. Research on the benefits suggests they are no larger than $40 per adult annually. Thus casino gambling fails a cost-benefit test by a substantial margin in terms of Index I crimes alone.

> **"If casino gambling cannot be offered in ways that cause it to pass a cost-benefit test, then banning it (as was done until recently) is preferable on economic terms. "**

It is an open question whether casino gambling can be offered in a way that allows citizens who could gamble without harm to do so while at the same time preventing the creation of problem and pathological gamblers and the social costs already discussed. If casino gambling cannot be offered in ways that cause it to pass a cost-benefit test, then banning it (as was done until recently) is preferable on economic terms.

In light of the evidence, what can a responsible legislator do? One option is to tax casinos by an amount equal to the costs that they impose on society. As we have shown, a conservative estimate of these costs is about $100 annually per nearby resident. Since casinos typically take in revenues of around $200 per adult each year from nearby residents, such a tax would represent 50 percent of casino revenues. If social costs were ultimately determined to be higher, required taxes would also be higher. With taxes imposed at the appropriate level, some casinos would go out of business. Only those casinos that could pass a cost-benefit test by compensating society for the damage they do would operate.

Dr. Earl Grinols is a professor in the Department of Economics, University of Illinois Urbana-Champaign and an affiliate of the Institute of Government and Public Affairs, University of Illinois.

The Institute of Government and Public Affairs serves society by helping to improve public policies and the performance of government. It does this by disseminating research on public policy issues and the public decision-making process, and facilitating the application of such research to the issues and problems confronting decision makers and others who address public issues.

This is done through basic and applied problem-solving research, the communication of research results to other researchers through scholarly publications, and the application of research results through public service and continuing educa-

Institute of Government and Public Affairs
University of Illinois

tion programs that help practitioners understand and address the issues they face.

IGPA is distinct among premier policy research units because of its dedication to public service. Our work not only advances knowledge but also provides practical assistance to government and public policy makers. Such assistance takes the form of direct consultation, membership on boards and commissions, formally contracted research projects, training for public servants, information development and dissemination, testimony before legislative bodies, surveys, program analyses, and analyses for the public media.

Visit the IGPA Web Site: www.igpa.uillinois.edu