

# Managing the Social Costs Associated with Casinos: Destination Resorts in Comparison to Other Types of Casino-Style Gaming

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## ABSTRACT

This study examines a number of different types of casinos, including:

- ◆ Destination Integrated Resort Casinos;
- ◆ Limited Offering Destination Casinos;
- ◆ Urban or Suburban Casinos;
- ◆ Gaming Saloons and Slot Arcades;
- ◆ Convenience Gaming Locations; and
- ◆ Internet Virtual Casinos

The study notes that the current scientific evidence suggests that the ratio of benefits to costs is highest among the categories at the top of this list and lowest for those at the bottom of the list, with declining ratios from top to bottom. Therefore, it is imperative that policy discussions regarding casinos distinguish among what type of casino is under consideration. If the discussion is only about casinos in general, then many of the important benefits and costs are going to be misunderstood.

Among the key findings of this study are:

- ◆ Those jurisdictions that are able to become net exporters of gambling services — by attracting a high proportion of their customers from outside the jurisdiction or outside the country — will be able to generate considerably greater incremental economic benefits than those jurisdictions whose casinos cater predominantly to a local clientele.

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- ◆ Successful destination integrated resort casinos stimulate significantly greater consumer spending both on gaming and on non-gaming goods and services than do casinos of any other type. Therefore, destination integrated resort casinos justify much larger capital investment both initially and on an ongoing basis, and they stimulate local economies at many points because of the diversity of offerings, not only from gaming.
- ◆ Casino markets that primarily attract tourists or other non-residents will experience less visible—and fewer—negative social impacts from gambling than those casinos where the majority of customers are from the local area or region.
- ◆ Destination integrated resort casinos will exhibit the greatest ratio of benefits to costs not only for the reasons cited above, but also because of:
  - ❖ the importance of non-gaming offerings such as restaurants, retail shopping, and entertainment to be attractions in their own right;
  - ❖ the ability of such facilities to draw customers from long distances in spite of the presence of (less diversified) casinos closer to their residence;
  - ❖ the ability to implement more effective and pro-active responsible gambling programs and strategies; and
  - ❖ the potential for destination integrated resort casinos to become important catalysts for tourism and leisure industry development that extends well beyond those specific assets.
- ◆ Because the proposed destination integrated resort casino in Slovenia is much larger, in terms of required capital outlay and sheer size, than any of the existing types of casinos to be found in Slovenia—or for that matter, throughout Europe—people tend to view it symbolically rather than objectively. There is a tendency to attribute the worst characteristics and fears about gambling to this one highly visible project, even though the reality is that negative social impacts are far more prevalent with less visible types of casinos, such as gambling saloons. A more careful examination of the realities of casinos elsewhere in the world, especially the distinctions between the impacts of true destination integrated resort casinos and locals-oriented casinos of convenience, clearly demonstrates that such attribution is inappropriate and unfair.

## INTRODUCTION

Over the past four decades, casino gaming has spread into almost all major countries in the world. As recently as 1967, there were only a limited number of jurisdictions outside of Europe that offered legal casinos, including the State of Nevada in the United States, various countries in the Caribbean, and Macau. In Europe, casinos dating back to the 19th or early 20th centuries operated in many jurisdictions, but these for the most part were small, exclusive, elitist, and generally not utilized by the general public.

Attitudes toward casinos began to change in the 1960s, as it was recognized that the demand for legal casino gaming was strong, casinos were complementary to economic and tourism development, and criminal elements associated with casinos and casino gaming could be minimized through a combination of strong legislation and honest competent regulation. This was accompanied by a growing realization – and experience in many jurisdictions – that mainstream casino industries could bring about significant economic benefits for those venues that managed them well, and could be profitable for legitimate companies that were given the opportunity to offer gaming and complementary entertainment services in well-regulated environments.

By 2006, gross gaming revenues for casinos throughout the world exceeded US\$100 billion, with the United States alone accounting for nearly US\$60 billion in casino gross gaming revenues.<sup>3</sup> Furthermore, by this time, a high proportion of industrialized countries in the world had authorized casinos in one form or another. The list of large population countries without casinos has shrunk dramatically, and at present includes only Japan, Brazil, Thailand, Mexico, and Indonesia.<sup>4</sup> Furthermore, primarily for religious reasons, there have been very few casinos among Middle Eastern countries with large Muslim populations.<sup>5</sup> In the European Union, casinos or casino-style gaming are legal in all Member States except for Ireland and Cyprus. Nonetheless, in comparison to the rest of the world, European casinos remain relatively small, spartan, highly taxed, and generally underdeveloped.

3. Exchange rates for currencies cited in this article are as follows as of June 2008: Euro 1.00 = US\$1.55; and Euro 1.00 = Singapore \$2.12; Euro 1.00 = Australian \$1.64.

4. Casinos are prohibited in China with the exception of the Special Administrative Region of Macau (a former Portuguese colony); and they are prohibited in India except in the former Portuguese colony of Goa.

5. There are legal casinos in Egypt and, until the past decade, there had been legal casinos in Turkey in the 1990s as well as one in Jericho, in the West Bank (which was closed in 2001).

## TYPES OF CASINOS AND BENEFIT/COST CONSIDERATIONS

Even though casino gaming can now be found in most societies and jurisdictions, there are a wide variety of types of casinos, based on their orientation and primary audience. Among the types that will be discussed here are:

- ◆ Destination integrated resort casinos;
- ◆ Limited offering destination casinos;
- ◆ Urban or suburban casinos;
- ◆ Gaming saloons and slot arcades;
- ◆ Convenience gaming locations; and
- ◆ Internet virtual casinos

These can each be defined by their general characteristics. Working definitions for this study will be:

### *Destination Integrated Resort Casinos*

These are complexes that cater to domestic tourists or international visitors which offer a wide variety of assets and amenities, typically including: dramatic architecture (usually consistent with the ambience and culture of the location); full service casino offerings, including table games, slot machines, keno, poker, and other gaming offerings (determined and limited by local law); a substantial variety of restaurant and food offerings (including fine dining and renowned chefs); a large number of hotel rooms and suites, usually at the higher end of the quality level (four and five star); various entertainment outlets (show rooms, extravagant productions, lounge shows, musical theater, legitimate theater, concert venues, cinemas, etc.); substantial convention, meeting, and exhibition facilities; outdoor recreation assets, including golf courses, parklands and formal garden areas, tennis courts, lawn bowling or *boule* facilities, swimming pools, and exercise (par) courses; and retail shopping outlets (often with high quality vendors).

Some examples of destination integrated resort casinos in various parts of the world include Bellagio, Wynn Las Vegas, MGM Grand, Caesars Palace, the Rio, Mandalay Bay, the Mirage, and the Venetian (all in Las Vegas); Borgata (Atlantic City); Foxwoods and Mohegan Sun (Connecticut); Wynn Macau and The Venetian (Macau); Sun City (South Africa); Jupiter's (Australia); Genting Highlands (Malaysia); Fallsview (Niagara Falls, Canada); and the Atlantis (Bahamas). For the most part,

the construction and opening costs of the destination integrated resort casinos meeting the general descriptions put forward here were over US\$1 billion.

### *Limited Offering Destination Casinos*

These are casino facilities with hotel rooms that cater primarily to tourist visitors (domestic or international) and which offer a mix of gaming and non-gaming assets, including: slot machines, table games, keno and poker (determined and limited by local law); moderate restaurant facilities and offerings; some hotel facilities (perhaps at a two to four star level); and limited convention and meeting facilities. Limited offering destination casinos differ from destination integrated resort casinos in more ways than just size and scale. The primary emphasis within a limited offering destination casino is still primarily the casino floor itself, whereas with a destination integrated resort casino, the nature of the operation shifts far more to a multi-dimensional coordinated entertainment center, with the casino still playing a key role. For example, among the largest Las Vegas Strip destination integrated resort casinos in 2006, the ratio of gaming revenues to total revenues was 40.4%. For limited offering destination casinos, the same ratio is typically over 80% or even 90%. This also implies that the expertise needed to run a destination integrated resort casino is considerably broader than that needed for a limited offering destination casino. The operational difficulties and subsequent bankruptcy of the Aladdin Resort and Casino in Las Vegas in 2001, fourteen months after its opening in 2000, is a strong illustration of this principle; Aladdin's owner, London Clubs, a previously successful British casino company which had no experience in this type of casino operation, was badly damaged as a result.

Some examples of limited offering destination casinos include the Peppermill and Atlantis (Reno); Harrah's and Harvey's (Lake Tahoe); many of the smaller Las Vegas Strip and all the Las Vegas Downtown casinos; most Atlantic City casinos; the casinos in Biloxi and Gulfport, Mississippi; and the Perla and Park (Nova Gorica). For the most part, the construction and opening costs of limited offering destination casinos is between US\$100 million and US\$500 million.

### *Urban or Suburban Casinos*

These are casino complexes located in densely populated center cities or suburbs of major metropolitan areas that cater primarily to the residents that live in those cities or metropolitan areas. Though they may

have some tourist oriented assets, such as hotel rooms and convention facilities, the great proportion of customers are drawn from the local metropolitan area. Such complexes can be small or large, and the size of the complex is often determined either by legislation or by the size of the market and the corresponding competitive (versus monopoly) conditions. The amount of non-gaming assets and amenities in comparison to destination integrated resort casinos is generally less (and sometimes substantially less) because the demand from customers who live close to such casinos is much more gaming-centric. Furthermore, other businesses in the metropolitan area often provide many of the non-gaming amenities that would typically be provided at destination integrated resort casinos. Urban and suburban casinos are generally a relatively new phenomenon, with the first major (non-European) urban casinos emerging in Australia in 1985 (with the opening of casinos in Perth and Adelaide, and shortly thereafter in Brisbane).

Some examples of urban or suburban casinos in various parts of the world include the Detroit and Windsor casinos (MGM, Motor City, Greektown and Casino Windsor); Harrah's New Orleans; the riverboat casinos in and around Kansas City, Cincinnati, Omaha, and St. Louis, "racinos" in Toronto and Windsor (Canada), and in Rhode Island, West Virginia, and Iowa (United States);<sup>6</sup> Casino de Montreal (Canada); Crown Casino in Melbourne and Star City Casino in Sydney (Australia); Sky City Casino in Auckland (New Zealand); as well as the casinos found in London, Manchester and Birmingham (U.K.); the casinos in Gauteng Province, Durban, Cape Town, and Port Elizabeth (South Africa), etc. There are also some urban casinos in Continental Europe in such cities as Stockholm, Helsinki, Berlin, Venice, and Zurich. Capital costs for the opening of an urban casino can range from the tens of millions of U.S. dollars (i.e., most U.K. urban casinos) to billions (i.e., the Crown Casino in Melbourne).

### *Gaming Saloons and Slot Arcades*

These are limited gaming facilities that typically offer only slot machines. They are generally spartan and small in size, with the number of slot machines ranging from 30 to perhaps 250 per location. Capital investment is limited, and the facilities are usually integrated into strip malls, existing retail or business districts, or neighborhood commercial areas. In some jurisdictions, gaming devices are mixed with non-

6. "Racinos," which are typically slot machine operations at race tracks, could be classified either under the category of urban or suburban casinos, or as gaming saloons and slot arcades. To date, racinos are primarily found in the United States and Canada.

gambling amusement devices, and sometimes there are no age restrictions, so children and adults are allowed to frequent such facilities together. Gaming saloons and slot arcades are almost exclusively oriented to a local market. There is little in the way of their offerings of interest to tourists, so tourists have little reason to visit such venues. Gaming saloons and slot arcades are sometimes associated with other businesses or offerings, such as being part of a bar or tavern (i.e., the “hotels” with slot machines in South Australia). Sometimes they have limited food and drink offerings in casual settings (i.e., ex-servicemen’s clubs in Australia). In general, their appeal across social and economic classes is considerably less than other types of casinos previously discussed.

Examples of gaming saloon and slot arcade facilities can be found in such countries as the U.K., Australia, and Slovenia. Pachinko/pachisuro parlors in Japan are another illustration of this category. A majority of the casinos in Russia closed down under the new 2006 Gaming Law are included in this category. In some jurisdictions, the gaming devices are described as video lottery terminals (VLTs) and operated under the ownership or partnership of the lottery. Examples would include racinos in New York, Delaware, West Virginia, and Rhode Island in the United States. Capital costs of opening a gaming saloon or slot arcade are minimal in comparison to the preceding categories of casinos.

### *Convenience Gaming Locations*

Convenience gaming locations are defined as venues engaged in another kind of business, but have a limited number of slot machines, VLTs, amusement with prize (AWP) machines, or other electronic gaming devices. These are placed in such businesses as bars and taverns, pubs, private or membership service clubs, restaurants, or hotels. In Nevada, they can also be found in supermarkets, convenience stores, and laundromats. Typically, the number of gaming devices is fewer than 15 (depending on local laws) and the gaming devices sometimes become important incremental revenue generators for the affected businesses. There is almost no capital investment associated with convenience gaming beyond purchasing the gaming devices themselves, and the clientele for such gaming devices come almost exclusively from the neighborhood where the business is located.

Convenience gaming venues can be found in pubs and betting shops in the U.K.<sup>7</sup> and in bars and taverns in many provinces in Canada (as

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7. In the United Kingdom, a new form of convenience gaming came into legal existence this decade with the placement of Fixed Odds Betting Terminals (FOBTs) in betting shops in that country.



VLTs), Australia and New Zealand. They can also be found in the states of Montana, New Mexico, Louisiana, Oregon, South Dakota, and Nevada in the United States, and in many European countries. In some jurisdictions, the gaming devices are operated as VLTs through the state lottery (i.e., Oregon, South Dakota). There are also so-called “gray-area gaming machines” in jurisdictions throughout the world where such machines are technically illegal or where there is no authorizing legislation.

### *Internet Virtual Casinos*

Internet virtual casinos are a relatively new phenomenon, having emerged with the explosion of the Internet and the World Wide Web in the mid-1990s. Internet casino gaming has a wide variation in legal standing, ranging from prohibition in the United States and France, to legal and regulated status in the United Kingdom, Sweden, Finland, and various other European countries, to gray-area (ambiguous) legal status in many other countries. A handful of smaller countries and jurisdictions, including Antigua, Belize, Costa Rica, Malta, Gibraltar, and the Isle of Man, have positioned themselves to be venues for Internet gaming operations. As of 2006, it was estimated that Internet gaming in general was a US\$12 billion industry worldwide, with the United States providing about half of that total. Passage of the 2006 Unlawful Internet Gaming Enforcement Act severely diminished the Internet gambling that came from consumers in the United States, but the rest of the global Internet gaming industry continues to expand.

In terms of employment and tax revenues, Internet gaming in general and Internet virtual casinos in particular have very limited capital investment and employment dimensions. Furthermore, because Internet gaming operations can be established in virtually any country in the world that would permit vendors to operate, jurisdictions have had – and will have – considerable difficulty in extracting significant tax revenues out of the activity in a manner comparable to what occurs with other forms of permitted gambling.

## BENEFIT/COST CONSIDERATIONS

When evaluating the social and economic benefits and costs associated with casino gaming in general, the type of venue or “delivery system” (i.e., Internet gaming) creates important distinctions. Certain types of casino venues are far better at capturing economic benefits and mitigating social costs for the affected stake-holders, whereas other types are potentially or actually far less beneficial or benevolent. Using the above



classification scheme as a starting point, we can say without equivocation that the ranking of the ratios of benefits (social and economic) to costs (social and economic) will proceed as follows, from highest to lowest:

1. Destination integrated resort casinos;
2. Limited offering destination casinos;
3. Urban or suburban casinos;
4. Gaming saloons and slot arcades;
5. Convenience gaming locations;
6. Internet virtual casinos.

If a jurisdiction takes the scientific approach of using a socio-economic benefit/cost framework to evaluate and help decide whether or not to permit a certain type of casino gaming, some categories of casinos are going to be inherently more beneficial than others. Those jurisdictions that are able to become net exporters of gambling services—by attracting a high proportion of their customers from outside the jurisdiction or outside the country—will be able to generate considerably greater incremental economic benefits than those jurisdictions whose casinos cater predominantly to a local clientele. This is because the venue is effectively a “net exporter” of gambling services, and the value added by the casino venue will increase incomes and employment in the immediate region. Furthermore, through the multiplier process (as higher incomes are spent in the local economy), the economic benefits will expand more than proportionately to the spending by visitors. This applies to both destination integrated resort casinos and limited offering destination casinos.

Casino complexes that are able to generate a higher volume of spending and a higher proportion of non-gaming spend as a function of total spending by visitors to casino venues (i.e., destination integrated resort casinos) will generally have a higher benefit/cost ratio than venues that are more concentrated on gaming activities in their operations (i.e., limited offering destination casinos or urban/suburban casinos). This is because the non-gaming spending and the provision of related services typically results in a greater creation of value added by the casino complex, at least partly because non-gaming commodities and activities tend to be more labor-intensive and create more new jobs. Furthermore, non-gaming activities enhance the quality and varieties of services rendered by the casino complex, and thus create greater opportunities for utilization of local and regional resources in these activities. Furthermore, and very importantly, successful destination integrated resort casinos

stimulate significantly greater consumer spending both on gaming and on non-gaming goods and services than do casinos of any other kind. This means that destination integrated resort casinos justify much larger capital investment both initially and on an ongoing basis and stimulate local economies at many points, not just at one point (gaming).

Casino markets primarily attracting tourists or other non-residents will experience less visible – and fewer – negative social impacts from gambling than those markets whose majority of customers are from the local area or region, because of two factors. First, the fact that most gaming customers reside in jurisdictions other than where the casinos are located implies that, if they do have problems that manifest themselves as a result of excessive or problematic gambling, the manifestation will more likely take place where the customers live than in the casino venue. Second, geographic distance makes it more difficult for gaming customers to visit the venue. This means that customers will gamble less frequently. Additionally, it implies customers are less likely to gamble on impulse and more likely to decide in advance how much they can afford to spend on gambling when they do visit a destination casino. All of these factors mitigate the risks that customers will get into trouble by gambling more than they can afford.

Historically, casinos have been permitted only at some distances from population centers, at least in part because of the belief that the inconvenience associated with the time and effort to travel some distance to get to the venue would protect many customers who might otherwise have problems with their gambling. Thus, the casinos found on the Cote d’Azur, in Las Vegas, Atlantic City, and Macau, at the various European spas and baths, and in Caribbean resorts probably experience less adverse social impacts at their venues than casinos and casino-style gambling that takes place in population centers because of the distance from city centers and population concentrations.<sup>8</sup>

With urban or suburban casinos, there is considerably less economic benefit generated by the “export” component associated with gaming casinos than with tourist oriented casinos, because much of the spending will be coming from metropolitan residents who are substituting their spending at the casino complex from other spending they would do within the region. As a result, such casinos generate much more redistribution of economic activity than new injections of spending into the

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8. Since the Gaming Act 1968, casinos in the United Kingdom, especially those in London, provided an exception, but until recently membership was required and new members were restricted by a “48 hour rule” (waiting period) before they could gamble. Austria also has had casinos in all of its major cities since before the Second World War.

region. Some economic benefits will accrue with urban/suburban casinos from casino customers who visit from out of the region and participate in activities at the casino complex. Also, some local or regional residents may choose to gamble and spend at the urban/suburban casinos rather than travel to out-of-region casinos for similar activities. This phenomenon is called "import substitution." Import substitution spending has the same economic effect as tourist spending would have. On the social cost side, however, because problem gambling is likely to take place within the metropolitan area, there is likely to be greater amounts of negative impact in comparison to a destination integrated resort casino or a limited-offering destination casino. There is also likely to be more impulse gambling because of the convenience of proximity to population centers. These factors would push the benefit/cost ratio lower.

Singapore poses an interesting modern example of a jurisdiction that has thoughtfully weighed its benefit/cost concerns. Singapore has a conservative government that was concerned about the potential adverse impacts from casino gaming but at the same time recognized the significant economic benefits and catalytic effects that significant integrated resort casinos could have on the Singapore economy and society. For Singapore, a destination integrated resort casino was not an option because the local population of 4 million is all within 10 kilometers of everywhere in the City-State.

After careful study and consideration, the Singapore government decided that the risks were overshadowed by the economic benefits for two integrated resort casinos, and that the integrated resort casinos could be justified not on the tax revenues that would be generated, but rather on the other economic benefits that would accrue to Singapore by having the integrated resort casinos. Thus, the tax rates for Singapore are set at comparatively low levels (15% of gross gaming revenues for general play and 5% of gross gaming revenues for premium play). In order to constrain Singapore residents with respect to their propensity to casually visit the casinos, the law mandates a S\$100 fee per visit, or a S\$2,000 annual "membership" fee; these fees only apply to Singapore citizens and permanent residents. As it turns out, the amount of capital investment that will go into Singapore's two integrated resort casinos will exceed US\$7 billion.

The next category, gaming saloons and slot arcades, creates a situation where the economic benefits are diminished relative to the categories of casinos already discussed, and the potential for social costs related to problem gambling and other issues are increased. The result is a lower ratio of benefits to costs for such operations. Economic benefits are dimin-

ished for a number of reasons. First, the amount of capital investment, and the extent of new and attractive gaming and entertainment facilities developed, is quite limited; such facilities are seldom any more attractive than, say, a new restaurant or neighborhood shopping area. Second, because almost all of the clientele for such venues are from the local or regional population, there is very little in the way of tourism spending or even import substitution. Third, and perhaps more controversially, gaming saloons and slot arcades have limited attractiveness for more highly educated and higher income residents within the metropolitan area or region. As a result, such venues tend to draw from socio-economic groups who have less disposable income and are more likely to experience difficulties with their gambling as well as other vices such as alcohol, illicit drugs, and tobacco products. This might lead to a greater concentration of adverse social impacts related to excessive gambling in this type of venue. Indeed, the findings of the Australian Productivity Commission (1999) and of similar studies in New Zealand<sup>9</sup> support the argument that such venues lead to a greater concentration of negative social impacts.

Convenience gambling – the placement of electronic gaming devices in bars, taverns, and other (typically) age-restricted venues – has similar directions on benefits and costs to gaming saloons and slot arcades, but with even greater costs and lower benefits. This kind of venue for casino-style gaming does little for capital investment, job creation, reputation enhancement, or any other tangible and measurable economic metric with the exception of tax revenue collections. With respect to adverse social impacts, convenience gambling arguably has all the negative attributes associated with gaming saloons and slot arcades, but – based on the experiences of jurisdictions throughout the world where this kind of casino-style gaming has become controversial, ranging from Quebec to South Carolina to New Zealand – it seems that the perceived and perhaps real mix of benefits and costs of such venues are such that these outlets raise serious concerns about the wisdom of such permitted gaming outlets. Furthermore, putting electronic gaming devices into venues where drinking and other socially damaging activities are the primary function for such venues may exacerbate the adverse impacts already occurring.<sup>10</sup>

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9. Ministry of Health (2007). *Problem Gambling Intervention Services in New Zealand: 2006 Service-user Statistics*. Wellington: Ministry of Health.

10. See, for example, F. MacCallum and Alex Blaszczyński (2002). Pathological gambling and co-morbid substance use. *Australian and New Zealand Journal of Psychiatry*, Vol. 36, pp. 411–415.

Finally, one can speculate on the relatively new phenomenon of Internet virtual casinos. In terms of capital investment, job creation, and even tax collection potential, Internet gambling ranks relatively low, especially in countries whose citizens are primarily Internet gambling consumers rather than those countries which serve as venues for hosting Internet gaming vendors. Thus, Internet gambling is hard to justify solely on the basis of the economic benefits or “spill-overs” created. On the other hand, because of the ubiquitous and relatively impersonal nature of the Internet, there are very few protections accorded to potential problem and pathological gamblers for whom Internet virtual casinos would be the game of choice. Such products provide the opportunity for impulse buying without the social constraints that a social setting—whether in a casino, a gambling saloon, or even a convenience gambling location—might afford. Furthermore, to date, because the Internet gambling market has been largely unregulated, the risk of exploitation of vulnerable customers by less than scrupulous vendors of Internet gambling services is high. Yet there is little existing empirical evidence or scientific studies indicating these concerns can indeed be demonstrated to exist.

Of course, all forms of casinos create as a benefit the expansion of choice among consumers for the products and services otherwise not available to them. Conventional economic analysis refers to this benefit as “consumer surplus,” defined as the amount of utility (personal value) created for the consumer, less the costs associated with the consumption. For consumers who do not exhibit problem or pathological behaviors, their ability to choose to purchase and utilize a commodity cannot detract from their levels of satisfaction; if they consume the products, it clearly adds value to their lives. This is the principle upon which consumer sovereignty is based. Problem and pathological gambling does not fit well into this framework, but nonetheless, the value of gambling to non-problematic customers should not be ignored when considering the benefits and costs associated with gambling policy.

In summary, among all the forms of casinos discussed above, destination integrated resort casinos will exhibit the greatest ratio of benefits to costs. In addition to the reasons cited above, there are a number of other contributing factors, which include the importance of non-gaming offerings such as restaurants, retail shopping, and entertainment to be attractions in their own right; the ability of such facilities to draw customers from long distances in spite of the presence of (less diversified) casinos closer to their residence; the ability to implement more effective and proactive responsible gambling programs and strategies; and the potential for destination integrated resort casinos to become important

catalysts for tourism and leisure industry development that extends well beyond those specific assets.

It is important to note as well that the more substantial and diversified a destination integrated resort casino, the broader will be its potential audience. Domestic and international tourists who have little interest in casino gaming can be attracted by high quality entertainment, unique shopping venues, high quality restaurants, and other amenities found at such resorts that are separate from the gaming offerings. All other categories of casinos lack this potential for attractiveness. As a result, the primary audience to a destination integrated resort casino is considerably broader, and in many respects different, than the audiences attracted to limited offering destination casinos and other categories. Furthermore, customers tend to stay longer, spend more per visit, and are more prone to repeat visitation because of the diversity of activities and offerings.

Destination integrated resort casinos, such as those found in Las Vegas, Atlantic City, Connecticut, Macau, the Bahamas, the Gold Coast in Australia, or Sun City in South Africa, will generally create greater economic benefits than limited offering destination casinos because they will have greater breadth of offerings and will appeal to a broader audience. Both will have stronger economic benefits than urban/suburban casinos that cater primarily to local residents. This is because such jurisdictions are able to capture economic benefits from exporting gambling services, and avoid many of the social costs that may be experienced by their customers who gamble to excess.

Casinos or venues with only limited non-gaming offerings catering predominantly to local audiences – such as the gambling saloons in Slovenia, pachinko/pachisuro parlors in Japan, gambling arcades in the UK, and neighborhood casino clubs in Australia – will result in relatively lower benefits and comparatively greater costs as measured by this standard. The existing evidence suggests that gaming saloons and slot arcades, along with convenience gambling, lead to greater negative social impacts caused by excessive gambling. With destination integrated resort casinos and limited offering destination casinos, distance provides a partially effective buffer to protect customers who might otherwise get into trouble with excessive gambling. Urban casinos lose the geographic buffer, but can still adopt proactive responsible gambling policies such as self-banning or selective exclusion, as is done in Missouri, the Netherlands, Quebec, South Africa, and Australia. However, with widely dispersed gaming devices such as those found in gaming saloons, slot arcades, and convenience gambling venues, the ability to impose protections is far more limited. To the extent that casino gambling creates

social problems, gaming devices in gaming saloons, slot arcades, and convenience gambling venues provide the fewest policy options to address these problems.

### THE RATIONALES FOR LEGALIZATION AND LIBERALIZATION OF GAMING LAWS

Why have societies around the world experienced dramatic transformations of their laws with respect to casinos and casino-style gaming, and why has it occurred so recently? We can start by looking at the major reasons why governments and societies had prohibited casinos and casino-style gambling for so long.

These are the three major arguments that prevailed against casinos for centuries:

- ◆ There has historically been moral opposition from the dominant religion or religions of countries throughout the world; moral opposition from the leadership of the State; from other elites in society; and from opinion makers and leaders from society at large. But what has occurred over the last half century in many parts of the world has been the diminishment of influence of such organizations with respect to directing the behavior of their citizens. This appears to be as true with organized religions as it is with organized governments. Furthermore, the sentiments of these organizations towards the evils of gambling have also diminished.<sup>11</sup>
- ◆ The argument that gambling should be prohibited because it was linked to organized crime and political corruption held sway for quite some time, especially in certain countries.<sup>12</sup> However, it has become increasingly apparent, especially in the last half century, that keeping casinos and other forms of gambling as illegal operations creates opportunities for illegal gambling and organized crime, and perhaps exacerbates the problems of political corruption of law enforcement and politicians along the way.
- ◆ Probably the strongest argument against gambling is that it leads to problem or pathological gambling for a significant portion of the population. (The proportion of pathological and problem gambling

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11. Such changes in social mores and indeed in religious moral teaching are not uncommon historically. It is worth remembering it is not so long ago that visiting theatres was disapproved of by the church, and actors were not allowed to be buried in hallowed ground.

12. This was an important argument in the United States, the United Kingdom, the Netherlands, South Africa, and Australia.



is typically estimated at between 0.5% and 5% of the adult population as a past-year rate, depending on the degree of severity of the behavior and the definitions and measuring instruments used.)<sup>13</sup> Such abusive gambling might also create unintended negative social consequences when it is liberalized and permitted in modern societies. However, well-regulated and operated casinos have considerable potential to address these issues with a variety of responsible gambling strategies, and various studies indicate that the rates are responsive to such strategies. Furthermore, in response to public and regulatory pressures, jurisdictions throughout the world have become increasingly proactive in trying to better understand, cope with, and mitigate problem and pathological gambling linked to permitted gaming industries.

Legalization of casinos and liberalization of gaming law have occurred for a variety of reasons over the past five decades. The presence of illegal gambling is one such reason. Some jurisdictions have decided that it is better to have a legal, regulated, and controllable industry than one which is illegal, and therefore a continuing law enforcement and criminal justice problem for society. In general, legal gambling, when not overly restricted compared to the illegal product, can be a formidable competitor against illegal gambling.

Some governments have turned to legalized gambling to generate tax revenues and other fiscal benefits. Potential benefactors include the government itself, when gaming taxes are allocated for general fund revenues for the benefit of the general public. Alternatively, specific entities or activities—such as sporting groups, the arts, education, social welfare, or infrastructure—might benefit from gaming tax revenues through earmarked funds. Though there are many reasons to legalize casinos, interestingly, fiscal reasons are probably not the strongest. Casinos are not as efficient as tax revenue collectors as they are at other strategic roles, such as economic or tourist development or redevelopment.<sup>14</sup>

13. Rachel Volberg (2004). Fifteen years of problem gambling prevalence research: What do we know? Where do we go? *The Electronic Journal of Gambling Issues*, Vol. 10 (February), pp. 1–19.

14. Casino legislation often cites tax revenue generation as a statutory purpose for permitted casinos. However, if governments design their casino legislation so that tax revenue generation is the primary purpose for their casinos, they may end up with casinos that are smaller, less attractive, and more exploitative of the vulnerable than if legislation and policy makers recognize other objectives besides tax revenue generation as more important. In other words, the types of casinos associated with high tax rates tend to be at the lower end of the benefit/cost hierarchy discussed above. This is historically the case throughout the European casino industries.

A persuasive argument can be made that the primary reason casino laws should be liberalized is to contribute to economic and tourism development. This is particularly the case with destination integrated resort casinos. Such casinos can become a very important focal point for tourism—as has occurred with the casino industries of Las Vegas and Macau, and as was demonstrated in the debate that resulted in Singapore legalizing integrated resort casinos in that jurisdiction. But, most fundamentally, legalization of casinos and casino-style gambling satisfy the demands of one's citizens and potential visitors to participate in safe, fair and regulated gaming activities.

In the policy context, this last point is often ignored. Many members of society feel that casino customers are fools or sinners, and should be treated as such. Therefore, they do not deserve the considerations of good public policy accorded to other members of society. They take the attitude that if people are so foolish or misdirected as to want to gamble, then government might as well get something good for society out of it—whether through tax revenues or through other capital or infrastructure investments paid for by casinos and their customers. Global trends in the legalization and expansion of casino gaming suggest that these attitudes are inappropriate and will ultimately be replaced by ones that will provide greater respect for casino customers and the casino organizations themselves.

Casinos can indeed be powerful tools for economic development or economic revitalization. Perhaps the most dramatic example of this can be found in the Australian city of Melbourne. The State of Victoria authorized a single monopoly casino to be built at a site along the Yarra River which had previously been inhabited by heavy industry and warehouses. The site was badly blighted, and in need of some kind of economic revitalization. The casino that opened in 1996, the Crown Entertainment Center (including casino) was constructed at a cost of about A\$1.7 billion. At present, the formerly blighted industrial wasteland in the neighborhood of Crown has become one of the most attractive and desirable locations in Melbourne. Walkways along the river go by shops and restaurants, retail establishments, commercial enterprises and upscale residential developments. The casino, located in the Crown Entertainment Centre, was the catalyst that led to this important development within Melbourne. The broad lesson the Crown development illustrates is that integrated resort casinos, under proper circumstances, can be important catalysts for economic development, and help to fulfill broader objectives of beneficial economic developments for cities, states, and countries.

## PITFALLS OF LEGALIZATION AND LIBERALIZATION EFFORTS: THE BRITISH EXPERIENCE

There are some interesting recent examples of legalization or liberalization efforts, which are useful in retrospect to point out some of the underlying realities of what can occur when gaming legislation or gambling liberalization is undertaken. Great Britain provides a good illustration of this in 1968 when Parliament passed the Gaming Act 1968. The fundamental principles behind the Gaming Act were that society had to make a choice: prohibit legal gambling and drive it underground, thus creating an environment conducive to organized crime and political corruption; or legalize and strictly control a casino industry in a manner that would avoid such problems. Parliament chose the latter approach, as the lesser of two evils. They created a somewhat eccentric piece of legislation, built around the principle of unstimulated demand, which basically stated that casinos would be allowed only for those who manifested a desire to visit casinos. Casinos were not permitted to advertise or otherwise encourage others to visit British casinos. This Act prevailed and remained largely unexamined for about 30 years, and was viewed as relatively successful in many respects. Over time, it had become increasingly obvious the Act had become obsolete.

In 1999 the British government decided to revisit the Gaming Act and established a process to carefully examine their options. They did so first on pragmatic grounds, insofar as they were losing a significant portion of their bookmaking industry to overseas jurisdictions, because the bookmakers were trying to avoid a tax that prevailed under the old Act.

The British were also analytic in their approach. They established a study group, the Budd Commission, to carefully examine the reasons and implications for alternative forms of gambling legislation. The Budd Commission's final report<sup>15</sup> concluded that casinos—as well as other forms of permitted gambling—should be treated like any other commercial activity, and the industries should not be established and constrained in a manner that allows for monopoly or for protected companies to prevail in the long term. The recommendations also noted that problem and pathological gambling was a byproduct of legal commercial gambling, and this should be treated as a negative externality, in the economic sense of the term. Therefore, resources should be set aside to address this externality in order to minimize and mitigate its impact on society.

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15. Department of Culture, Media and Sport (2001). "Gambling Review Body — Final Report," London.

The Budd Commission made its recommendations and the government undertook an approximately year long review of the recommendations and concurred with almost every recommendation. The studies were passed to committee in Parliament, where debate emerged about what might happen if the law was passed as recommended. A number of people argued, perhaps correctly, that passage of the Budd recommendations would create a casino industry in Great Britain that would have many small casinos—casinos would develop in storefronts, would each offer few table games and a handful of slot machines, but such businesses would be everywhere. In other words, the outcomes would be similar to gambling saloons, as are found in Slovenia. The debate shifted to evaluating the merits of having many small casinos versus a few large casinos; in other words, between integrated resort casinos and gaming saloons. Parliament structured a Gaming Act that would create a few large casinos, and changed the emphasis that the primary purpose of casinos should be to bring about regeneration—to basically revitalize city centers and other areas in economic distress—not unlike what the Crown did for Melbourne, Australia.

The Act moved forward in Parliament in 2004 and into 2005, but had shifted direction from its original intent. The discussions became very political and some elements of the media, especially the *Daily Mail*, took dishonest and arguably unethical positions misrepresenting the Gaming Act prior to the election of 2005. Their intentions were more to do damage to the Blair Government than to enlighten the electorate. The Government chose not to support the reasoned positions of the proposed Act, and the casino portion of the Act ended up failing. Rather than having an Act that treated gaming and casinos as a legitimate industry, the new Gaming Act 2005 authorized only a single large casino—a so-called regional casino—which the *Daily Mail* had begun calling a “super casino.” When the Government’s preferred venue for the regional casino went before the House of Lords in March 2007, the venue was rejected. The new Brown Government decided to cancel the regional casino concept indefinitely.

In analyzing the British experience, the interesting questions are why the policy process did not work and what the ultimate outcome of permitted gambling in Great Britain will be. The British commitment to carefully study and analyze this complicated and sometimes controversial industry cannot be challenged. But the process eventually failed, at least with respect to casinos, because there were many opponents—including the media and parts of the incumbent gaming industries—that were willing to sacrifice the process for their own economic or political

interests. The existing casino industry felt they had been cut out of the benefits provided by the new Act and were afraid of the competition that would come from overseas casino companies entering the British market. The casino dimensions of the Act were also opposed by the amusement machine manufacturers association, as well as the bookmakers; the latter of which had cleverly figured out how to get slot machines into their operations in the guise of convenience gaming.

What has transpired since the passage of the Gaming Act 2005 has been a marked expansion of the existing casino industry (which would be classified as a cross between urban/suburban casinos and gaming saloons) and a significant expansion of slot arcades and convenience gaming venues. In terms of the benefit/cost framework outlines above, the British will not have much in the way of tourist oriented integrated resort casinos, but will have quite a bit of gaming at the bottom end of the benefit/cost hierarchy.

Parts of the Gaming Act 2005, such as the regulatory reforms, are quite reasonable. Other parts, such as the establishment of a legal and regulatory framework for Internet gambling, may later prove to be controversial for reasons discussed herein. However, for those portions of the Act that deal with casinos and casino-style gaming, it failed for a number of reasons and because of a number of actors. As a cautionary tale, the British experience demonstrates in general just how difficult it is to get gambling policy and gambling legislation correct.

#### THE RELATIONSHIP BETWEEN DESTINATION INTEGRATED RESORT CASINOS AND PROBLEM GAMBLING

Permitting casinos of any type into a country or society that previously did not have casinos will make pre-existing problematic gambling more visible. It may also bring out new problem gambling that, in the absence of casinos, remained absent but latent. People who have problems with other forms of gambling, such as lottery or sports betting (such problematic gambling tends to be relatively invisible), might become more visible problem gamblers after casinos are present. This increased visibility is due to the very public nature of casino gaming. Also, people who are predisposed to have difficulties with casino-style gambling once they have the opportunity to gamble in casinos will also be visible following the opening of new casinos of virtually any type. This is consistent with the emerging scientific theories describing problem gambling as a neurological disorder, as is discussed below.

However, there is increasing evidence from destination integrated resort casinos around the world that shows if the introduction of such casinos is accompanied by an appropriate public awareness campaign, problem gambling numbers tend to remain constant or even decline.<sup>16</sup> One reason for this is that such casinos are less likely to tempt potential problem gamblers to gamble on impulse in comparison to the other more conveniently available forms of casinos and casino-style gambling on which they will spend their money in the absence of destination integrated resort casinos.

One can speculate that, before customers go to a destination integrated resort casino, they make a number of plans and decisions about their visits, including decisions about how much money they can afford to spend on gambling. If this is the case, they would be less likely to get into trouble with gambling because such customers would be setting sensible limits to their losses before they start gambling. This is in contrast to people who, for example, might go to a local bar in order to have a beer with friends after work and play slot machines while there, or one who might go on-line to send an e-mail and get drawn in to gambling on an Internet casino site.

As is the case in Slovenia, all jurisdictions which contemplate legalizing new forms of casino gaming seek both to minimize the potential for social harm and to maximize economic benefits that may come from such actions. This is why we see throughout the world an increasing amount of legislation and regulatory effort designed to keep crime out of commercial gaming industries, and to protect players from being cheated. In the same context, such efforts increasingly focus on the issues of problem and pathological gambling.

In the discussions that have taken place in Slovenia since mid-2007, following the announcement of the proposed destination integrated resort casino by HIT and Harrah's, a principal concern expressed by politicians, community leaders, and the media has been that the introduction into Slovenia of such a casino complex would be particularly likely to lead to an increase in problem gambling. This concern is in line with current thinking about gambling policy in most international jurisdictions, ranging from the United Kingdom to Singapore.

However, these concerns may be misplaced, for reasons already discussed. Destination integrated resort casinos are considerably less harmful than alternative forms of casino-style gambling that are widely available in Slovenia. In general, good public policy should be evidence-

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16. This is particularly the case in jurisdictions where other types of casino gambling, such as gambling saloons or convenience gambling, already exist.

based and reflect the realities of what research can reveal. Furthermore, good gambling policy should balance the potential benefits of public choices against the expected costs. This is as appropriate for Slovenia in its deliberations as it would be in any other country.

As the Australian Productivity Commission (1999) stated:

Policy approaches . . . need to be directed at reducing the costs of gambling through harm minimization and prevention measures—while retaining as much of the benefit to recreational gamblers as possible.

This is the time to determine whether the permission of a destination integrated resort casino would indeed lead to increases in problem gambling among Slovenians, Italians, or Europeans in general, as has been claimed by many of the critics to this proposal. Legislation and public policy in Slovenia should be linked to evidence-based policy-making and should, therefore, be based on the best available scientific evidence. In the following section, therefore, we review the evidence about the likely impact of the availability of Destination Integrated Resort Casinos on the incidence of problem gambling.

### *The International Evidence*

As has been discussed earlier, an *a priori* case can be made that destination integrated resort casinos are a comparatively safe form of legalized casino gambling. This is because people are much less likely to get into trouble if they gamble at a destination integrated resort casino than if they gamble on gaming machines and table games at venues more conveniently located to where they live, shop and work, or if they gamble on relatively unregulated Internet casino sites, whether at home, at work or in Internet cafés.

Australia is frequently cited as a jurisdiction whose mistakes must be avoided because of the apparently high incidence of problem gambling in that country. However, this is recognized to be overwhelmingly due to the proliferation of machine gambling in bars and clubs—gambling saloons, slot arcades, and convenience gambling venues—rather than to the existence of the one large casino that is to be found in each of the largest Australian cities. As the Australian Productivity Commission's comprehensive 1999 Report into the costs and benefits associated with Australia's gambling industries concludes:

There is insufficient evidence to argue that casinos are a *particularly* serious source of problem gambling. In fact, with respect



to gaming machines, the evidence points the other way: less problems appear to be attributable to casinos than to clubs and hotels. In large part this reflects their small numbers, their location and role as a destination for many, and the small proportion of total expenditure on gaming which they represent. (Productivity Report: 13.26)

International research also confirms that the introduction of destination integrated resort casinos does not necessarily lead to an increase in problem gambling and may lead to a decrease. A study by Dr. Rachel A Volberg<sup>17</sup> regarding the introduction of casinos in Montana, North Dakota, Oregon and Washington State in the United States compared problem gambling rates before and after the introduction of casinos in those jurisdictions. Volberg found that in Montana and North Dakota, the incidence of problem and pathological gambling as measured by the South Oaks Gambling Screen (SOGS) increased substantially. In Montana, which had the larger increase, problem gambling grew from 2.2% of the adult population to 3.2%, and pathological gambling from 0.7% to 1.6%, as measured by the SOGS. However, in Washington State and Oregon, numbers for problem and pathological gamblers declined. In Oregon, where they declined substantially, the number fell from 3.3% to 2.3% for problem gamblers and from 1.4% to 0.9% for pathological gamblers. The critical variable, according to Volberg was whether the introduction of casinos was accompanied by the provision of services for problem gamblers including programs to enhance public awareness about the dangers of gambling and how to avoid them.

Volberg's finding that the introduction of casinos does not necessarily lead to an increase in problem gambling and may lead to a decrease in those jurisdictions that have good problem gambling prevention services is replicated in the study which she undertook with Dr. Max Abbott into the incidence of problem gambling in New Zealand before and after the introduction of casinos.<sup>18</sup> Abbott and Volberg found that in New Zealand between 1991 and 1999 the prevalence of pathological gambling declined in the adult population from 1.2% to 0.5%.

This finding is also confirmed by three survey-based studies undertaken by Peter Collins and Graham Barr in South Africa where, again, there is an extensive program for raising public awareness about the

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17. Rachel Volberg (2004), *op. cit.*

18. Max Abbott, Rachel Volberg, and S. Rönnerberg (2004). "Comparing the New Zealand and Swedish national surveys of gambling and problem gambling." *Journal of Gambling Studies* vol.20 pp. 237-258.

dangers of gambling and how to avoid them.<sup>19</sup> This research found that, between 2001 and 2003, during which time there was a considerable increase in the availability of legal casinos in South Africa, the number of problem gamblers among those who engaged regularly in some form of gambling other than the lottery remained effectively constant.<sup>20</sup> There was an increase in problem gambling numbers but this turned out to be – for reasons peculiar to South Africa’s demographics – entirely confined to those who only played the lottery. The study released in 2006 found that the numbers of problem gamblers of all sorts in South Africa had declined somewhat.

In both New Zealand and South Africa – and elsewhere – there are substantial programs for preventing and treating problem gambling of the sort which could be implemented through legislation or regulation with a destination integrated resort casino in Slovenia.

### *Why Destination Integrated Resort Casinos Will Be Comparatively Safe from a Problem Gambling Point of View*

A great deal of comment in the Slovenian media in mid-2007 seemed to assume that authorizing a destination integrated resort casino would be exceptionally dangerous – indeed reckless – from the point of view of stimulating excessive and problematic gambling. This assumption, however, is mistaken and rests on a misunderstanding of the nature and dynamics of problem gambling.

Problem gambling can be broadly defined as gambling behavior that adversely affects an individual’s ability to function in his or her everyday life. It is often characterized by situations where an individual gambles away significantly more money than he or she can afford to lose. This is a species of economically irrational behavior, along with such activities as compulsive shopping and credit card abuse, which fortunately only affect a small minority of the population. Furthermore, there is growing scientific evidence that such behavior is something to which individuals are predisposed by nature and nurture. That is to say, the behavior is not so much caused by the presence of opportunities to gamble (or

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19. Peter Collins and Graham Barr (2002, 2004, and 2006), “The National Prevalence Study: Gambling Behaviour and Problem Gambling in South Africa.” Cape Town: The National Centre for the Study of Gambling. The reports can be retrieved at <http://www.responsiblegambling.co.za>.

20. Surveys found that there were, in 2001, 186 such respondents out of 5800 with access to the new forms of gambling – large casinos and the National Lottery – who answered more than a third of the Gambler’s Anonymous 20 questions in the affirmative. In 2003 there were 187 out of 5816.

shop or obtain credit) but may be triggered by such opportunities. If this is so, one would expect the number of potential problem gamblers in any given population to be relatively stable. This hypothesis is broadly supported by the work of Howard Shaffer and his colleagues at the Harvard Medical School Center for Addiction Studies<sup>21</sup> and may soon receive support from neurophysiologists and other cognitive scientists who expect reasonably soon to be able to identify the differences in brain activity between excessive or problem gamblers and sensible or healthy gamblers.

The theory which underpins this asserts that:

- a) the disposition to become a problem gambler is developed (whether through genetic endowment or through early learning) prior to the availability of any particular type of gambling;
- b) it is a disposition which leads to poor impulse control; and
- c) people with poor control of their impulses are likely to exhibit problematic (self-damaging) behavior if the temptation to gamble impulsively is regularly put in their way.

More generally, scientific evidence from around the world suggests that the risk of developing a gambling problem increases if gambling opportunities are continuous, offer frequent prizes, offer what are perceived to be high prizes, allow large sums to be staked, are located in convenient venues where people are likely to gamble on impulse, and are introduced without an accompanying public education campaign which makes people aware of the dangers of gambling and how to avoid them. It is also increasingly recognized that an important key to gambling safely is for players to set sensible limits to the amounts they are prepared to lose and to stick to them.

Although all forms of gambling have the potential to elicit problem gambling behaviors, the more decisions people have to make before they go gambling, the more likely they are to set limits in advance to what they can afford to lose and then less likely, therefore, they are to get into trouble. Going to a destination integrated resort casino is likely to be viewed as an "outing" for individuals and families in a way which gambling at more conveniently located venues, such as gaming saloons, is not. Furthermore, the greater the distance traveled to get to the venue, the more planning by the customer that will necessarily take place. This means that before

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21. See, for example, Howard Shaffer, and David Korn (2002). Gambling and Related Mental Disorders: A Public Health Analysis. *Annual Review of Public Health.*, Vol. 23, pp. 171-212.

going to a destination integrated resort casino, people will make all sorts of decisions in advance—how to travel, where to eat, what to do with their children—and in the process they will also likely make decisions about how much money they can afford to gamble with.

#### IMPLICATIONS FOR A DESTINATION INTEGRATED RESORT CASINO IN SLOVENIA

The above discussion strongly suggests that policy makers and the general public in Slovenia need to approach the public policy debate in a more scientific and objective fashion than has been typical to date. Important distinctions must be made among the various types of casino gambling that already exist in Slovenia—versus those that are presently under consideration—because the types of casino gambling offered by a jurisdiction have clear implications for the actual resulting economic and social benefits.

Slovenia already has a large number of gambling saloons that are inherently and dramatically more problematic—based on experience elsewhere—than the proposed destination integrated resort casino. Slovenia also has limited offering destination casinos—such as those found in Nova Gorica and Kranjska Gora—that on balance capture substantial economic benefits for Slovenia while creating relatively low social costs. The evidence suggests that a destination integrated resort casino would be able to capture even greater economic benefits with comparably low social costs. However, the public debate has done little to clarify the differential impacts of these vastly different types of casino gaming.

Because the proposed destination integrated resort casino is much larger, in terms of required capital outlay and sheer size, than any of the existing types of casinos to be found in Slovenia—or for that matter, throughout Europe—people tend to view it symbolically rather than objectively. There is a tendency to attribute all of the worst characteristics and fears about gambling to this one highly visible project; even though the reality is that negative social impacts are more prevalent with the far less visible types of casinos, such as gambling saloons. A more careful examination of the realities of casinos elsewhere in the world, especially the distinctions between the impacts of true destination integrated resort casinos and locals-oriented casinos of convenience, clearly demonstrates that the attribution is inappropriate and unfair.

A destination integrated resort casino in Slovenia would create a significant amount of beneficial economic outcomes, including: substantial capital investment in attractive tourist-oriented assets both within and

near the casino complex; noteworthy increases in the amount of foreign exchange accruing to Slovenia; substantial job and career opportunities in the Goriška region; marked increases in per capita incomes and business earnings in the Goriška region; substantial increases in tax revenues at the national and local levels; and increased visibility of the Goriška region and of Slovenia in general for international tourism. Social cost increases that would accompany development of a destination integrated resort casino would likely include increased demand for public services, such as police and fire department personnel and assets, and highway infrastructure to accommodate the increased volume of tourism. However, it is unlikely that there would be much in the way of increases in social costs associated with problem gambling in Slovenia. The existing limited offering destination casinos provide a good indication of the extent of problem gambling and related issues that might be associated with a new destination integrated resort casino in the Goriška region. It is the authors' understanding that the existing tourist-oriented casinos in Slovenia have not been significant contributors to problem gambling issues in the country.

Whatever policy Slovenian authorities ultimately adopt towards the concept of destination integrated resort casinos, their first and foremost concern should be to ensure that negative social impacts are minimized – and even reduced – in comparison with what would be the case by retaining the status quo. Where gambling is concerned, at least, there is a plausible *prima facie* case – which public opinion seems to endorse – that the priority of avoiding social costs (many of which are not quantifiable) should take precedence of a desire to secure economic benefits.

However, as we have argued, whether the primary concerns are with crime, aesthetics or problem gambling, destination integrated resort casinos are least likely to add to problems in these areas and most likely to reduce them. If a particular proposed destination integrated resort casino is deemed to be unsightly or likely to render the local environment less attractive, it will not secure planning permission. Because one or more destination integrated resort casinos in Slovenia would be large, they will be far easier to regulate than a larger number of small or medium-sized outlets for casino gaming. More importantly, perhaps, the license to operate destination integrated resort casinos in Slovenia would be so valuable to their operators that management would not permit any activities to occur in relation to crime, vice or sleaze which might imperil their license. They would also make strenuous efforts to ensure that they maintain their good reputation amongst the general public. This is certainly the reputation and behavior of destination integrated resort

casinos everywhere else in the world where they exist.

This consideration is also relevant to the problem gambling issue. Destination casinos, as we have argued, are inherently safer than more convenient venues where casino gaming can take place because their character and location discourages impulse gambling—and problem gambling is increasingly understood to be a disorder of impulse control. Equally important, with respect to problem gambling, a destination integrated resort casino, because it will be so much in the public eye, will be willing to do everything it can to ensure that it is perceived as being in the business of providing its entertainment offerings in a responsible manner, and not in the business of making substantial profits by exploiting human frailty and ruining people's lives, especially those of the weak and the poor.

This means a very large destination integrated resort casino, in conjunction with regulators, is going to be willing to develop effective responsible gambling programs aimed at potential problem gamblers. These programs would ensure that problem gamblers (and casino employees) will know how to recognize when their gambling is causing problems; what their options are at that point; and how they can get free, confidential, expert help. Such programs are also likely to make substantial efforts towards preventing problem gambling by funding public awareness campaigns, and by properly training staff with respect to problem gambling issues. All this can, of course, be insisted upon as conditions of license and enforced through an effective regulatory regime of inspections.

One final aspect should be emphasized. If Slovenia ends up with one or more destination integrated resort casinos, the primary customers for such casinos are likely to be international tourists, primarily from Italy, Austria, and the rest of Europe. As such, Slovenia will be far more a supplier and an exporter of gambling and related services in these facilities than a consumer of said services. Therefore, public policy concerns should be oriented toward issues that affect Slovenia as a supplier more than as a consumer of these activities. Suppliers of casino services have a responsibility to respect the well-being of their customers, whether they are citizens or foreigners, so much of the above discussion remains appropriate. Nonetheless, if there were destination integrated resort casinos in Slovenia, most of the customers would not be Slovenian, and therefore, the public policy discourse and decision-making should reflect that reality.