GAMBLING PROBLEMS, HUMAN SOLUTIONS

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Nevada’s gaming industry has faced a striking number of difficult problems over the years. Its solutions, however, have been equally striking, and might be traced back to a simple concept: hire and empower good people to solve the key challenges of the day.

When we take the long view, it is clear that the gaming industry has "grown up" in a way that should make all of us in Nevada quite proud. After all, it was not too long ago that gambling was categorized alongside prostitution and prizefighting as the most egregiously sinful of pastimes a judgment that even Nevada’s own policymakers and business leaders’ have endorsed over the years.’

Today, despite the troubling degree to which the industry has gotten enmeshed in macro-economic problems, it is worth remembering that in contrast to our friends in places like Michigan and Minnesota whose dying rust belt industries do not seem to be in this for the long haul Nevada boasts what sociologists call a “post-industrial” business sector that has “gone global” while still maintaining a vibrant Global HQ in the state of its origin. Whereas Michigan has (had?) its General Motors, Ford, and Chrysler, and Minnesota has (still) its 3M and Target, Nevada boasts at least a half dozen major gaming industry brands that call the state home, that do a massive business across the globe, and that will continue to do both of these things for the foreseeable future.

Interestingly, some of the heroes of this unlikely story are characters commonly featured in the pages of Nevada Gaming Lawyer. In fact, we could argue that these global achievements are due in significant part to the victories achieved by the state’s attorneys, regulators, and policymakers (in concert, of course, with the state’s businesspeople and citizenry). Here in Nevada, we have "done the dance" (sometimes gracefully, sometimes clumsily) in a manner that usually imposes effective law on the one hand -- and allows private entrepreneurial energies to flourish on the other.

This is no small accomplishment. In fact, I have argued elsewhere that this achievement provides illuminating insights into nothing short of the
The central question facing the economy today: what do governments do best, and what can the private sector do better? As we know, in the Nevada gaming industry, our government dug its regulatory hands in, but it did not cripple private sector growth in the process quite the contrary, in fact, if we look at the historical timelines of Nevada’s gaming regulatory expansion projected onto the historical timelines of the Nevada gaming industry’s profits and global growth. But another way, the moment that Nevada got serious about regulation was the very same moment when gaming got immensely profitable ultimately on a global scale.

The latter development had many causes but one of them was the fact that gambling became “clean” and hence acceptable to the masses, and anytime you can dramatically broaden your market, that’s a good business “thing.”

And so, despite the fact that talking heads on the political left and right both point to a “casino culture” as what is wrong with America’s economy right now, we might be better served by actually studying the Nevada gaming industry itself and examining its private-public achievements as a “how-to” illustration of a dance done right.

As it turns out, Nevada’s status as a “how-to” jurisdiction is nothing new especially when it comes to confronting difficult problems that challenge its gaming industry. What follows is a bit of an oversimplification, to be sure, but the tale is true in its broadest strokes:

- Early on, the state’s key industry was threatened by underworld associations, and in response, skilled governmental and private sector leaders were enlisted to confront the specter of organized crime. For those keeping score: problem confronted, law enforcement types brought on board (in both government and private settings), and a maverick-to-mafia-to-MBA gaming industry leadership shift achieved.

- The state soon faced the challenge of tackling the complex “technologization” of its main product offerings in the form of gaming machines of all sorts and sizes. Problem recognized, geek squads hired (again in both government and private settings), problem handled too slowly for the most ardent of technology boosters in the industry, but handled fairly well nevertheless.

- Nevada then recognized its challenges in dealing with megadeals large, complex transactions involving mergers, multinationals, MGMs, Mirages, and Mandalays (oh my!). Problem recognized, but signal sent to the appropriate cadre of experts (once more, in both government and private settings), problem addressed and in a manner superior to that of our colleagues on Wall Street, one could argue.

In each of these instances, the state’s response is noteworthy for its consistency: a challenge was recognized, an appropriate “working cavalry” was summoned, and associated problems were largely mitigated. Over the years, Nevada’s solutions have been human in nature.
Today, Nevada has again moved to address another challenge that frequently plagues the global gaming industry: some of its customers engage its product excessively and unhealthily. This is no recent challenge; in fact, its existence has been decried in the U.S. ever since Cotton Mather sermonized on the topic in the 1600s.

Nor is this a challenge a minor one -- or one limited only to the United States, for that matter. To illustrate, let's explore the dynamics of some international gaming jurisdictions where this key issue is rearing its head today. This exploration may be a bit startling to those unfamiliar with the socio-political contours of this increasingly global industry. In fact, in some gaming jurisdictions today, these "gambling problems" threaten the very wellbeing of the domestic industry itself.

Here's a quick romp, Anderson Cooper-style, through just a few of the current problem gambling hotspots:

- **Canada:** to see a national gaming industry under serious threat thanks to the problem gambling issue, we need only look to our neighbors to the north. This decade has seen the rise of class-action lawsuits filed on behalf of problem gamblers in Canada, in much the same way that last decade saw the rise of these same sorts of lawsuits filed on behalf of smokers in the U.S. Partly in response to this threat, Canadian jurisdictions have developed what is likely the world's largest "problem gambling industry," devoting somewhere in the neighborhood of CAD$100 million to the problem each year.

- **China and Macao:** for those still skeptical of this issue's reach, we might turn our attention to the globe's fastest growing set of gaming markets. While the Chinese government's recent tightening of travel visa restrictions happened for a number of reasons (both political and economic), among those reasons were some that can be easily linked with problem gambling. Recently, China's provincial and central governments have expressed concern with troubling reports of problem gamblers (especially those with elite government jobs) embezzling mainland funds to support their gambling habits in Macao, and the government's aggressive visa restrictions were no doubt informed, in part, by these concerns. As we all know, when this happened gaming revenues in Macao fell dramatically in some cases. In even the planet's most promising gaming market, then, these social challenges have contributed to financial challenges for operators and governments alike.

- **Singapore:** when we examine one of the global gaming industry's most promising "generation next" markets, we find another
jurisdiction where the social impacts of gambling reared its head early, aggressively, and often. Prior to moving ahead with the licensing of two new “integrated resorts” (a euphemism chosen precisely because the government wanted to avoid the perceived negative connotations of “casinos”), the city-state engaged in a heated debate over the social and economic merits of large-scale legalization. Without aggressive problem gambling policies that place it among the world’s most stringent, it is safe to say that the gaming industry would not have been legalized in its current form.

*Europe:* from the shores of England to the tips of Scandinavia, the problem gambling issue has played a significant role in limiting expansion opportunities on the continent. In the UK, the so-called “Super Casino” proposals were ultimately shot down by a perfect-storm combination of negative media attention, public backlash, and political maneuverings. Notably, all of these entities’ concerns can be traced back however partially or legitimately to problem gambling and its associated costs. More recently, both Sweden and Norway have mandated aggressive “seat belt” devices for their gaming machines with Sweden providing slot technology that purports to diagnose gambling problems at the device itself, and Norway going so far as to kick gamblers off of machines when they reach a relatively small, government-determined daily “loss limit.” Needless to say, a quick study of these European jurisdictions reveals how far these issues can reach into the lives of gamblers (and those who rely on their patronage).

*Finally, Australia* stands alone as the global gaming jurisdiction whose very existence is most “endangered” by problem gambling. Australia has a long history of dealing with these controversies, and while they are not about to bring down one of the world’s major gaming markets, a longitudinal scan of domestic news articles reveals fairly consistent media portrayals of a predatory gaming industry preying upon desperate problem gamblers for their profits. And never before has the Australian industry faced a challenge quite like it faces right now, as two staunchly anti-gambling activists (Senators Stephen Fielding and Nick Xenophon) hold key positions of federal power. These activists now use their positions strategically to have the problem gambling issue heard at the highest governmental levels (most recently through a federal Productivity Commission inquiry that has recommended aggressive bet and payout limits). This is a jurisdiction where the gaming
industry is in a bit of a retreat a development that can be easily traced back to the gaming problem that is problem gambling.

Those are but a few of the global hotspots. We have not even begun to explore jurisdictions like South Korea, which mandated a massive problem gambling treatment center in the parking lot of its largest casino and admittedly, this scan provides only a partial glimpse of the problem gambling goings-on worldwide. It should help us understand, however, that the “problem gambling problem” qualifies as one of the key issues that the global gaming industry faces today.

So amid all of this, where does Nevada stand? If problem gambling is one of the vital questions facing our times (just as organized crime, technology, and mega-mergers were previously), what are we doing to confront it? The answer is increasingly positive and familiar: once more, Nevadans have decided to devote human resources to this human problem.

Recently, Nevada has enlisted some of its most influential government and business minds to move the state in an industry-leading direction and once again, in a direction of which it can be quite proud. Nevada already boasts an expert state-level Advisory Committee on Problem Gambling that includes skilled and experienced representatives from the gaming industry, the non-profit sector, and government agencies. The Committee’s task is a difficult one: it decides how to distribute resources to help the state’s problem gamblers (in full disclosure, UNLV’s International Gaming Institute has been a recipient of research grants from this source). Over the past four years, however, this group has been held up as a model problem gambling policy entity in research conferences worldwide. Put simply, the state recognized this issue, it decided to devote some of its key (human) resources to solutions, and it now earns global plaudits from those who analyze such things for a living.

Even more progressively, the 2009 session saw the state pass pioneering legislation (Assembly Bill 102), which allows Nevada to open one of the United States’ very first “gambling courts.” Based upon the “drug court” model, judges in Nevada will now have the option to send problem gamblers to strictly monitored treatment programs rather than to prison a kinder, gentler, more cost-effective, and appropriate approach that once more places Nevada in a leadership position. Just as familiarly, the bill’s lobbying effort was spearheaded by a broad coalition of leaders in the gaming industry, in non-profit organizations, and in the legal/governmental sector.

Of course, as we have learned in the gaming industry, a leadership position today does not ensure a leadership position (or even success) tomorrow. Looking forward, then, what more might we do to maintain our vigilance and leadership on the problem gambling issue? Once again, the solutions (just as they were when the state confronted the threats of the mafia, machines, and mergers alike) are likely to come from human (resources).

Thus far, this has primarily happened on the industry side, where employees such as Connie Jones, Director of Responsible Gaming at IGT, have led the way. In the regulatory sphere, however, we might follow the lead of the Western Cape Gambling Board in South Africa -- by bringing social scientists on board and then charging them with the explicit task of understanding and addressing the societal-level problems that problematic gambling poses.
Just as technology issues required experts well-versed in binary language, the complexities of problem gambling often require insights from those who speak the language of scientific research. This way, no matter the contours of these problems, we can make sure that we have assigned dedicated people who are trained to understand and engage the challenge. In the process, Nevada will counter even more strongly those who would denigrate the state’s “casino culture.”

Our home state and its key industry deserve as much.

Dr. Bernhard is a fifth-generation Nevadan who will be welcoming the sixth generation’s arrival this summer. He holds associate professorships in hotel management and sociology at UNLV, where he first learned the crawl stroke in the university pool over 30 years ago. During the course of his career, he has lectured on six continents and advised dozens of governmental and private sector organizations on gaming policy. A double major honors graduate of Harvard University, Dr. Bernhard was a recent recipient of the Spanos Family Teaching Award, given annually to the top teacher at UNLV. He has also been honored to hold the Sam and Mary Boyd Press, 2008).


* As of this writing, those policies include casino bans on residents who have filed for bankruptcy or received welfare entitlements, mandatory “loss limit” programs that allow gamblers to place a cap on their monetary losses, “third party” exclusion policies that allow family members and employers to ban spouses and employees from entering the casino premises, and finally, mandates that “locals” pay a $100 entry fee every time they set foot on the property.

* During the past academic year, this body has hit the “academic trifecta” by being referenced admiringly at international conferences of the National Council on Problem Gambling, the National Center for Responsible Gaming, and the 14th Conference on Gambling and Risk Taking.