AMERICA'S GAMBLING BOOM

By Larry Hugick and Lydia Saad

Gambling has been part of American culture from its inception. In colonial times, lotteries were an important source of early funding for state governments, churches and universities. By the time of the Louisiana purchase (1803), casino-style gaming had been established in New Orleans. From there, the games spread geographically, following settlers into new territories. Card games in the saloons and dance halls of frontier towns became an integral part of Wild West mythology.

Despite gambling's deep roots in this country, the explosive growth of the US gaming industry in the postwar era has been a surprise to many. A review of over 50 years of polling data provides some answers about the hows and whys of today's gambling boom.

Since polling began, data have been collected on gambling attitudes and behavior. These surveys provide evidence that wagering games were a common pastime in this country long before the current wave of legalization. But it is also clear that legal gambling has done more than provide legitimate outlets for those already inclined to bet. Survey analysis suggests that state-sanctioned gambling attracts new players unlike to participate in illegal games, and that low-skill, low-stakes games help create demand for more serious, high-stakes betting. The rapid growth of state lotteries in the 1980s paved the way for the recent expansion of casino gambling.

Early Surveys on Gambling

As early as 1938, the Gallup poll measured national participation rates in games of chance. At that time, just over half (53%) of adults reported engaging in some form of gambling during the past year, ranging from church raffles and friendly games of cards to the illegal "numbers" game (New Hampshire's state lottery, the first of the modern era, was not established for another 25 years). In 1950, Gallup expanded the list of gambling activities to include other raffles, bingo, sports-betting and wagering games like dice. That survey raised the estimate of active gamblers in the adult population to 59%.

Despite the popularity of the games at this time, most Americans did not support the expansion of legal gaming. A 1951 Gallup poll found fewer than four adults in ten (38%) favoring national legalization of gambling on horse races, lotteries and numbers. This early survey, however, offered a road map for the coming expansion of legal gambling. The Northeast was the only region where legalized gambling earned majority support (53%). The South, home of Biblebelt Protestantism, was the region least supportive of legalization (20%).

Stages of Growth in Legalized Gambling

Over the next 20 years, the postwar growth of legalized gambling entered its first stage. The pace of this initial expansion was slow. New forms of legal gambling—state lotteries and off-track betting—were introduced, but only in a few states. For most Americans, legal gambling close to home was still limited to bingo, raffles and the racetrack. Casino gambling required a trip to Las Vegas or another Nevada site. In 1974, a survey for the Commission on the Review of National Policy Toward Gambling reported that 61% of adults had gambled in some form in the past year—no significant increase from Gallup's estimate of nearly 25 years earlier.

The pace quickened when expansion entered its second stage in the late 1970s. The number of state lotteries increased dramatically, and the proportion of the adult population with access to a lottery in their home states grew to more than two-thirds. In 1978, Atlantic City establishments put casino gambling within a day's drive of major population centers in the Northeast.

Societal Changes Spurred Growth

The phenomenal growth in legalized gambling was made possible by social, cultural and political changes of the late 60s and 70s. The major institutions of church and state, which had historically discouraged gambling, no longer played the same role in the debate.

The secularization of society has diminished churches' influence on public opinion toward gambling. In addition, fundamentalist Protestant churches, leaders of anti-gambling crusades in previous eras of US history, became largely silent on the issue. Increased attention to more urgent moral issues, such as abortion and school prayer, may help account for their reduced involvement. Southern Baptists continue to be the major religious group most opposed to legal gambling, but only half of their adherents now regard state-sanctioned gambling as immoral.

The middle-class tax revolt that began in the 1970s was a different sort of factor spurring legalized gambling. It put pressure on states to find new ways to raise revenue. State governments discovered that lotteries were easy to sell to the public as a relatively painless way to raise revenue for education, programs for the elderly, and so on. In order to promote their own games, states were put in a
position of defending gambling as an acceptable leisure activity.

Lottery Fever

By 1989, the gaming industry's growth prompted a comprehensive Gallup poll of gambling attitudes and behaviors. It found that seven in ten US adults (71%) had played any game for money or prizes or bet money on the outcome of any game during the past year, a 10-point increase over the 1974 estimate. Lottery games soared to the top of the list as America's favorite gambling activity. A majority of adults (54%) reported having purchased lottery tickets in the past year, a three-fold increase over the 18% recorded in a 1982 survey for a gaming industry magazine. Nearly one-quarter (23%) of adults had formed the habit of purchasing lottery tickets on a weekly basis.

With their legal games, the states were attracting far more customers than the illegal games that proliferated after lotteries were banned in all states during the 1800s. A 1950 Gallup poll found only 5% of adults admitting to playing the numbers game in the past year; 18% reported having bought a number on a punch board, another illegal game of the era.

Lotteries vs. Other Gambling Activities

The popularity of lotteries—and the states' success in running them efficiently and avoiding major scandals—served to enhance the image of an industry that had been tainted by its suspected links to organized crime. Lottery tickets, easily purchased at newsstands, convenience stores and other nearby locations, gave people the chance to compete for million-dollar jackpots (albeit against long odds) without having to travel long distances, spend time at the racetrack or associate with criminal elements. Growing approval of state lotteries seemed to raise people's comfort level with other forms of legalized gambling. During the 1980s, increasing acceptance of state-run lotteries was paralleled by growing support for legalizing casino gambling.

Still, the public distinguishes lotteries from "serious" gambling in the way it differentiates "light" foods and beverages from their more caloric and alcoholic counterparts. Since the stakes are small—the average player spent only $5 per month on lottery tickets—and the profits are typically earmarked for a worthy cause, lotteries have emerged as the most acceptable form of legal gambling. By the late 1980s, lotteries won higher approval ratings than even legalized bingo.

Lotteries are firmly established as a popular way to raise government revenue, but the public is not ready to sanction broader-based legalization of gambling to close budget gaps. A 1988 Times Mirror poll found 59% of adults favoring a national lottery to help reduce the federal budget deficit. But that same poll found fewer than half of adults (43%) willing to support "legalized gambling" for the same purpose. The idea of a national lottery to cut the deficit won majority support in every major population subgroup save Hispanics and evangelical Protestants. The legalized gambling option, however, was supported by well under half (39%) of the Protestant majority; and among Catholics, Jews and the unchurched, groups traditionally more tolerant of recreational gaming, support did not reach 55%.

One form of gambling that failed to register growing support for legalization during the 1980s is sports betting. In fact, the trend toward greater acceptance of this form of gambling actually reversed itself as the decade progressed. The removal of oddsmakers like Jimmy "the Greek" Snyder from NFL football telecasts and controversies about the gambling activities of professional athletes like Pete Rose and Michael Jordan contributed to the falloff in support for legal sports betting. Despite the frequent references to point spreads by sports journalists, wagering on sporting events remains legal only in a handful of states. Recent federal legislation setting a deadline for states to act on sports-betting proposals dealt a severe blow to its future expansion. The state of New Mexico recently ruled against allowing sports betting in Atlantic City's casinos.

A Controversial Third Stage

During the 1990s, surveys have shown the public's lottery fever cooling off. State lotteries now operate in all regions of the country (37 states and the District of Columbia offer one or more games), but prospects for further geographic expansion are not very favorable. Movement into new territories has helped keep national lottery sales figures rising. Some established state lotteries, however, have suffered a falloff in revenue. Competition from other legal games and the tendency of some players to lose interest as the novelty fades may explain the decline in California's lottery sales from a peak of $2.6 billion in 1988 to $1.3 billion in 1991.

Industry experts don't believe consumer demand for legal gambling has reached a saturation point—or will do so in the near future—yet there are signs of waning public enthusiasm. Total US consumer spending on gambling stayed flat at about $26 billion dollars in 1991—the first year since 1982 it failed to show a major increase. In 1992, gaming revenue resumed its climb skyward as spending reached $30 billion dollars. But at the same time, a 1992 Gallup poll found an across-the-board decline in approval of various forms of legal gambling and a reduction in reported monthly spending on lottery tickets.

The third stage in the expansion of gambling, now underway, is likely to be far more controversial than the lottery boom that preceded it. The gaming industry's new growth is concentrated in the casino gambling category and high tech games like video poker, which have more of an affinity with casino slot machines than lotteries. Over the last five years, the number of states with some form of legal casino gaming has increased from two to more than 20.

Legal gaming's potential to raise revenue, create jobs, and revitalize depressed areas had led states to authorize casino-style gambling on riverboats and in Old
West mining towns. It was a 1987 Supreme Court decision, however, that opened the door for today’s fastest-growing form of legalized gambling—gaming operations on Indian reservations. Tribal gaming has been approved on more than 80 sites in 22 states since 1988, with plans pending in a dozen other states. Tribes in Minnesota run the largest casino in the country located between Las Vegas and Atlantic City. The Foxwoods casino in Connecticut, opened by the Mashantucket Pequot tribe two years ago, is reportedly the most profitable casino in the world. Its success has not gone unnoticed by Atlantic City promoters like Donald Trump, who see their own gambling business threatened.

Doubts on Casinos

Casino gaming, still limited in 1989 to Nevada and Atlantic City, clearly benefited from consumer demand set off by the lottery boom and economic prosperity of the mid-1980s. But the most recent survey on gambling, conducted in 1993 by Gallup for CNBC television, shows findings contrary to what one would expect given the recent and dramatic expansion of casino gaming on Indian reservations and riverboats. The study actually records a slight drop in the percentage of Americans who reported visiting a casino, down to 18%. The same survey showed a decline in the percentage playing the lottery and betting on horse races.

That the incidence of Americans gambling in casinos is about one in five is confirmed by national studies conducted for Harrah’s Casino Hotels in 1990 and 1991. Interestingly, the corollary finding, that the percentage of Americans who have ever visited a casino has been steadily rising—from 33% in 1989 to 50% in 1992—suggests that the vast majority of casino visitors are novelty gamblers, perhaps trying the games only once. Therefore, while the incidence of casino gambling each year remains relatively constant, the percentage who have ever gambled inches upward.

While the proliferation of lotteries has met with wide public approval, support for casinos is still tepid. Casinos strike many Americans as a dangerous playground which should not be located too close to home. And according to data available as early as 1977, attitudes toward legalizing casino gambling locally have barely improved. A Louis Harris and Associates survey in 1977 found 46% of Americans in favor of legalizing casino gambling in their own states, while 47% disapproved. In the context of helping to raise state revenues—perhaps the most positive framework in which to ask the question—slim majority approval for legalized casinos was first measured by Gallup in 1982, and has stayed constant around 50% ever since. As of 1992, 51% said they would favor legalized resort casinos in their own state in order to increase revenues; 47% disapproved. Even less palatable to many Americans is casino gambling in a major city in their own state (40% approve, 57% disapprove), and casinos on Indian reservations (42% approve, 51% disapprove). Only the notion of riverboat gambling appeals to significantly more than half of Americans (60%) in 1992.

Practical Concerns

The contemporary resistance to casino gambling appears to be rooted in practical concerns more than in ethical or moral beliefs. Only about one-third of Americans in 1993 thought gambling to be immoral. Harrah’s 1991 survey found only 10% believing that casino gambling is not acceptable for anyone, while 35% said it is “acceptable for others, but not for me.”

Most Americans think there will be a lot of gambling with or without legalization, and therefore accept the notion that states should regulate it for their own advantage. In the 1993 CNBC study, 54% said that on balance society will be helped by legalized gambling because of increased revenues; only 37% chose the alternate, that society will be hurt because of the expansion of crime and compulsive gambling.

But a review of basic attitudes toward gambling available from 1989 to the present suggests ambivalence which may continually inhibit the ability of casino gaming to fully capitalize on public resignation to gambling. Americans are apprehensive about two aspects of gambling which apply more to casinos than to lotteries: exploitation of gamblers, and organized crime. A 1989 Gallup poll found 62% expressing concern that gambling encourages people to wager more than they can afford, 76% that organized crime infests the casino gaming scene.

As is evident with professional sports betting—for which reported incidence and tolerance dropped off sharply after Pete Rose’s troubles—casino gambling may be vulnerable to the first major scandal that comes along. Careful imaging of casinos as recreation can easily be scarred by anything that reaffirms Americans’ fears about organized crime or the significant growth in compulsive gambling. Thus, while the religious view that gambling is morally wrong is weakening, casinos will nevertheless be held to ethical standards meant to protect the innocent from temptation, and society from the fallout of greed.

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