

Theological Musings from Dave's Laptop

December 13, 2016

I'm afraid this week's *Laptop* is not going to be very "Christmassy." The December issue of *The Atlantic* has a major article on casino gambling,¹ which gets my attention because I frequently drive past Baltimore's *Horseshoe Casino* on the way to downtown hospitals and because I frequently drive past the *Live! Casino* at Anne Arundel Mall when I go to the *Bass Pro Shop* there.



The article troubles me for many reasons, not least of which is the apparently cavalier attitude that many church folks take to casino gambling, whether here, at Atlantic City, Las Vegas, or wherever. What follows are excerpts from this long article, which I commend to you in its entirety. . . .

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“Americans now spend more money on casino gambling than on music purchases and going to movies and sports events combined. The largest share by far goes to slots and video poker – and much of that is spent by people who are literally addicted to the machine. Many wind up losing their jobs, their families, and sometimes their lives.”

“Scott Stevens got his first taste of casino gambling while attending a 2006 tradeshow in Las Vegas. On a subsequent trip, he hit a jackpot on a slot machine and was hooked. Scott and Stacy soon began making several trips a year to Vegas. While back at home, he became a regular at the Mountaineer Casino. Over the next six years his gambling hobby became an addiction. Though he won occasional jackpots, some of them six figures, he lost far more – as much as \$4.8 million in a single year.

“Stevens methodically concealed his addiction from his wife. He handled all the couple's finances. He kept separate bank accounts. He used his work address for his gambling correspondence. When Stevens ran out of money at the casino, he would leave, write a company check on one of the accounts for which he had check-cashing privileges, and return to the casino with more cash. He sometimes did this three or four times in a single day.

“Even after he was fired for stealing more than \$4 million from his company, Stevens continued to gamble as often as five or six times a week. He gambled on his wedding anniversary and on his daughter's birthday. He drained \$200,000 out of their retirement funds, maxed out his credit card and lost all of a \$110,000 personal loan from the bank. He eventually took his own life.”

“Less than 40 years ago, casino gambling was illegal everywhere in the United States outside of Nevada and Atlantic City, New Jersey. But since Congress passed the Indian Gaming Regulatory Act in 1988, tribal and commercial casinos have rapidly proliferated across the country, with some 1,000 now operating in 40 states. Casino patrons bet more than \$37 billion annually – more than Americans spend to attend sporting events, go to the movies, and buy music combined.”

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<sup>1</sup> “Losing It All,” John Rosengren, photographs by The Voorhes, *The Atlantic*, December 2016

“The preferred mode of gambling these days is electronic gaming machines, of which there are now almost 1 million nationwide, offering variations on slots and video poker. Their prevalence has accelerated addiction and reaps huge profits for casino operators. A significant portion of casino revenue now comes from a small percentage of customers, most of them likely addicts playing machines that are explicitly designed to lull them into a trance-like state that the industry refers to as *continuous gaming productivity*.”

“The manufacturers know that these machines are addictive and do their best to make them addictive so they can make more money,” says Terry Noffsinger, the lead attorney on the Stevens suit. “This isn’t negligence. It’s intentional.”

“Even by the estimates of the National Center for Responsible Gaming, which was founded by industry members, 1.1 to 1.6% of the adult population of the United States – approximately 3 to 4 million Americans – has a gambling disorder. That is more than the number of women in the United States with a history of breast cancer. The center estimates that another 2 to 3% of adults, or an additional 5 to 8 million Americans, meet some of the American Psychiatric Association’s criteria for addiction. Those outside the industry estimate the number of gambling addicts to be higher.”

“Despite the fact that there is no external chemical at work on the brain, the neurological and physiological reactions to gambling are similar to those of drug or alcohol addicts. Some gambling addicts report that they experience a high resembling that produced by a powerful drug. Like drug addicts, they develop a tolerance, and when they cannot gamble, they show signs of withdrawal such as panic attacks, anxiety, insomnia, headaches, and heart palpitations.”

“Scott Stevens’s story is not anomalous. Given the guilt and shame involved, gambling addiction frequently progresses to a profound despair. The National Council on Problem Gambling estimates that one in five gambling addicts attempts suicide – the highest rate among addicts of any kind.”

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## **Approximately 3 million to 4 million Americans are pathological gamblers—and one in five gambling addicts attempts suicide.**

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“Problem gamblers are worth a lot of money to casinos. According to some research, 20% of regular gamblers are problem or pathological gamblers. Moreover, when they gamble, they spend – which is to say, *lose* – more than other players. At least nine independent studies demonstrate that *problem gamblers generate anywhere from 30 to 60% of total gambling revenues*.”

“Casinos know exactly who their biggest spenders are. According to a 2001 article in *TIME* magazine, back in the 1990s casino operators bought records from credit card companies and mailing lists from direct mail marketers. These promised to deliver the names of 200,000 people with ‘unquenchable appetites for all forms of gambling.’ The casinos used these records and these lists to target compulsive gamblers.”

“These days, the casinos have their own internal methods for determining who their most attractive customers are. According to a New York University professor who spent more than 15 years researching the industry, 70% of patrons now use loyalty cards, which allow the casinos to track data points such as how frequently they play electronic gaming machines, how long they play, how much they bet, how often they win and lose, what times of day they visit, and so on.”

“Each time a patron hits the Spin or the Deal button, which can be as frequently as 900 to 1,200 times *an hour*, the casino registers the data. Even gamblers who choose to forgo loyalty cards do not necessarily escape the casino’s watchful eye. In some machines, miniature cameras watch their faces and track their playing behavior.”

“Several companies supply casinos with ATMs that allow patrons to withdraw funds through both debit and cash-advance functions, in some cases without ever leaving the machines they are playing. ‘The whole premise of the casino is to get people to exceed their limits,’ says the national director of the advocacy organization Stop Predatory Gambling.”

“All of these data have enabled casinos to specifically target their most reliable spenders, primarily problem gamblers and outright addicts. Despite those customers’ big losses – or rather *because* of those losses – the casinos lure them to return with perks that include complimentary drinks and meals, limo service, freebies from the casino gift shop, golf excursions for their non-gambling spouses, and in some cases even first-class airfare and suites in five-star hotels.

“They also employ hosts who befriend large spenders and use special offers to encourage them to stay longer or to return soon. Some hosts receive bonuses that are tied to the amount

customers spend beyond their expected losses, which are calculated using the data gathered from previous visits. As one law professor at Northeastern University explained at a forum on casino gambling, ‘the business plan for casinos is not based on the occasional gambler. The business plan for casinos is based on the addicted gambler.’”



“Casinos have developed formulas to calculate the ‘predicted lifetime value’ of any individual gambler. Gamblers are assigned value rankings based on this amount; the biggest losers are referred to as ‘whales.’ These gamblers become the casinos’ most

sought-after repeat customers, the ones to whom they market most aggressively with customized perks and VIP treatment.”

“Slots and video poker have become the lifeblood of the American casino. They generate nearly 70% of casino revenues, up from 45% four decades ago. These are not your grandma’s one armed bandits. Today’s electronic gambling machines feature highly sophisticated computers driven by complex algorithms. The old-fashioned three-reel slot machines consisted of physical reels that were set spinning by the pull of the lever. Each reel would have, for example, 22 “stops”: 11 different symbols, and 11 blank spaces between the symbols, for a total of 10,648 possible combinations. If the same symbol aligned on the pay line on all three reels when they stopped spinning, the player would win a jackpot that varied in size depending on the symbol. The odds were straightforward and not terribly hard to calculate.

“The big breakthrough in slots technology was the invention of ‘virtual reel mapping’ in 1982. According to some researchers, about 20 to 30% of slot machines today resemble the old-fashioned ones with physical spinning wheels. But where each reel stops is no longer determined by the force of the pull of the lever. Instead, a computer chip within the machine chooses an outcome using ‘virtual reels,’ which may include different quantities of the various symbols – more blank spaces, for instance, and fewer symbols for a big jackpot.

“The physical reels are not spinning until they run out of momentum as it might appear. Rather, the chips tell them where to stop the moment the customer pulls the lever or pushes the button. Thus it is possible for game designers to reduce the odds of hitting a big jackpot from 1 in 10,648 to **1 in 137,000,000**. Moreover, it is almost impossible for a slots player to have any idea of the actual odds of winning any jackpot, however large or small.

“Virtual reel mapping has also enabled the deliberately misleading feature, the ‘near miss.’ That’s when a jackpot symbol appears directly above or below the pay line. The intent is to give the player the impression of having almost won, when in fact, he or she is no closer to having won than if the symbol had not appeared at all. Some slot machines are specifically programmed to offer this near-miss result far more often than they would if they operated by sheer chance, and the psychological impact can be powerful, leading players to think,

*I was so close. Maybe next time.*



“Research has shown that an elevated number of near-miss results does increase playing time. As early as 1953, B.F. Skinner, the godfather of modern behaviorism, noted, that ‘Almost hitting the jackpot increases the probability that the individual will play the machine.’ And this effect is even stronger for gambling addicts, whose brains respond to near misses more like wins than losses.

“Astonishingly, the patent application for virtual reel mapping, the technology that made all these deceptive practices possible, was straightforward about its intended use: **It is important to make a machine that is perceived to present greater chances of payoff than it actually has** within the legal limitations

that games of chance must operate.’ Countries such as Australia and New Zealand have outlawed virtual reel mapping because of the harm it inflicts upon players.”

“Losses disguised as wins also create a ‘smoother ride,’ allowing a machine to slowly deplete a player’s cash reserves rather than taking those reserves in a few large swipes. Because the machine seems to be telling the player that he or she is winning, the gradual siphoning off is less noticeable.”

“Video poker terminals are similar to electronic slots, but require more skill – or at least a basic understanding of probabilities – and as such, they appeal to people who want to have some sense of exerting control over the outcome. But designers of video poker machines discovered that they could influence gamblers’ behavior by creating an experience similar

to multi-line slots, in which players are likely to win back a portion of each bet by frequently hitting small pots even as they are steadily losing money overall. Regardless of the machine, the casinos' ultimate goal is to maximize players' 'time on device.' This is crucial for casinos, because **given enough time, the house always wins.**"

"Casinos and game designers have come up with many ways to keep patrons at their machines and playing rapidly. The chairs are ergonomically designed so that someone can sit comfortably for long stretches. Winnings can be converted back to credits or printed on vouchers to be redeemed later. Waitresses come by to take drink orders, obviating the need for players to get up at all."

"A 2002 study showed that individuals who regularly played video gambling devices became addicted three or four times more rapidly than other gamblers (in one year, vs. three and half years), even if they had regularly engaged in other forms of gambling in the past without problems."

"Casinos are highly attentive to their patrons' 'pain points' – the moments when they are close to giving up. The data the casinos track in real time on player loyalty cards alert them to these pain points: a big loss, for instance, or when credits start to run low after a dry run. Hosts are also on the lookout for telling behavior, such as someone striking a machine in frustration or slumping over in discouragement.

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"When hosts spot someone in a state like this, they may swoop in and offer a voucher for some free credits, a drink, or perhaps a meal in the restaurant, where the player can take a break until the resistance passes and he can resume gambling. The hosts also offer encouraging lies such as 'You'll win it back.' When players do exhaust all their funds, casinos will sometimes loan them additional money."

"Problem gamblers can put themselves on self-exclusion lists, which bans them from gambling in a particular state, and from collecting winnings if they violate the ban. But such bans do not prevent banned patrons from *losing* money if they visit a casino despite the restriction. So casinos will allow self-excluded patrons to come in and *lose* money; but if a self-excluded gambler begins to *win* money, workers will tap them on the shoulder and say 'You're being arrested for trespassing.' 'If you go to any casino,' one author says, 'the gamblers will tell you this happens regularly.'"

"Predatory gambling interests are now the most powerful lobby in the country at the state level because government is in partnership with them," says a representative of Stop Predatory Gambling. Indeed, many states have created a government gambling complex that implicates them in the casinos' practices.

"West Virginia has a proprietary interest in the slot machine software, and *receives 10 percent of all state revenue from gambling.* Kansas actually owns the games and operations of non-tribal casinos. New Jersey, Delaware, and Rhode Island have all provided financial bailouts to

faltering casinos. 'It's a pretty sleazy way to fund state government,' says Peter Franchot, the Comptroller of Maryland. 'We have set ourselves up in partnership with a predatory industry whose profits come mainly from a group of addicts that are recruited and nurtured by casinos until they're out of money.'

"Make no mistake about it, the casinos know exactly what they're doing. As a Nevada Gaming Commissioner explained in 1983, 'If slot machines were to disclose the real odds of winning a payout, that would take away the mystery, the excitement, and the entertainment and risk of playing those machines.'"

"An economics professor at Baylor University has estimated that for every dollar of benefit a casino brings to a community, it brings about three dollars in social costs, whether in increased crime, declining productivity, or more spending on services such as unemployment. "It's a social negative," he said. **'Casino gambling is bad for the economy. It should not be allowed by anyone, anywhere, anytime.'**

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You have been warned.

Dave

