

Preface

My first book on the gambling industry, entitled *State Lotteries and Legalized Gambling: Painless Revenue or Painful Mirage*, focused on the 30-year period between 1964 and 1993 that saw the sudden return and extraordinary growth of state lotteries in the US. During this period, state lotteries had become the largest segment of the \$50 billion gambling industry (McGowan, 1994: p. x). But it was apparent that the heyday of the lottery was about to end. While lottery sales were still growing, the rate of growth had significantly declined. In fact, many observers were satisfied that this mini-boom in gambling activity was coming to an end and that gambling would be ‘outlawed by 2029’ (*New York Times*, 1993).

But in reality 1993 proved to be the last year when lotteries would be the largest segment of the gambling industry. It was apparent that the government’s need for revenue that could be garnered from gambling had hardly been met. It was just a matter of time that ‘in the future casino gambling, legalized sports gambling, off-track betting and video poker will dominate the gambling industry, in both percentage of income and number of players.’ (McGowan, 1994: p. 160)

What I didn’t realize when I wrote those words was that change had already taken place in 1994. Casino gambling would not only overtake the lottery in terms of sales and revenue, but would also fuel a virtual explosion in gambling activity throughout the US. Hence the reader should be aware that any predictions this book makes about the gambling industry may have a very short life cycle! So why another book on the gambling industry? Hasn’t there been enough written about the industry by both anti-gambling and pro-gambling advocates?

Much like my previous work on gambling, this book will continue to examine both the economic and the political forces that are shaping the gambling industry as it enters the twenty-first century. While this goal is quite ambitious, it certainly makes the book unique. It will also give the reader a better understanding of how gambling firms formulate and implement the strategies that allow them to compete in an extremely competitive and turbulent industry environment. To accomplish this goal, the book is presented in three sections.

The first section of the book will focus on the historical and cultural forces that have shaped the current external environment that the gambling industry encounters in the US. The focus of this section will be on the attempt by the

'gambling' industry to transform itself into the 'gaming' industry. Critics often ridicule the gambling industry for using the term 'game' and dismiss this attempt as just a play on words. But how one defines a 'game' and whether this definition receives public acceptance has played a significant role in the current expansion of gambling activities, and will continue to be a force in determining the survival of the gambling industry.

The two types of games will be discussed, namely *agon* (games of skill) and *alea* (games of chance). The types of games that a society embraces have a significant impact on both the cultural and the moral development of a society. While no society plays merely one type of game, twenty-first century US society has seemingly taken to *alea*, games of chance, in a much greater fashion than previous generations. This development has had profound implications about the types of entertainment that Americans want and expect to find as they use their leisure dollars. It has permitted the gambling industry, particularly the casino industry, to enter into the mainstream of American entertainment. Hence this concept of game has changed the manner in which the various segments of the gambling industry compete for the gambling dollar, and also how they deal with public policy officials as they seek approval from public officials to expand gambling activities.

The second section of the book will focus on the economics of the gaming industry. As the gambling industry evolved into the gaming industry, the chief consequence of this transformation was that the industry became part of the 'mainstream' entertainment industry. This change has had a profound impact on both the structure of the gaming (gambling) industry and the strategies that firms utilize as they enter this new era of tolerated gaming. Each segment of the gaming industry (casino, lottery and *pari-mutuel*) has had to develop unique strategies in entering the entertainment industry. Obviously various firms (states in the case of lotteries) have formulated and implemented a variety of ways in which to compete in this new environment.

The political and social implications of gaming/gambling will be the focus of the third section of the book. A model that corresponds to Porter's model of industry analysis will be developed that will flush out the major political and social issues facing the gaming industry (addiction, fairness and honesty). The positions of the major stakeholders (gaming industry, anti-gambling groups and government) will also be highlighted. In order to ascertain how regulation affects the gambling industry, an empirical study was conducted that examined the requirement to post the 'odds' of winning on lottery tickets and its effect on lottery sales. The final chapter focuses on how the gaming industry will change in the future. It also includes a series of recommendations that will help both the industry and public officials to institute policies that might mitigate some of the problems associated with gambling.