

The dangerous effect of legalization of casinos in Japan

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I very much appreciate the FCCJ for providing me this opportunity to express my opinions on this issue. Why am I against the legalization of casinos in Japan? I would like to submit five reasons in this regard.

1 . Gambling is crime banned under the Japan Penal Code. However, in reality, Japan is a country with the highest rate of gambling (see table 1), and the ratio of problem gamblers is high compared to the rest of the world.

Let me confirm, first of all that in Japan, we have an old tradition of gambling, Tobaku in Japanese, which has been a banned crime under article 185 of the Penal Code. But under this Law, gambling in the form of Keiba (horse racing), Keirin (bicycle racing) and so on are treated as legal gambling. According to the Justice Ministry of Japan, the type of gambling that satisfies the conditions of public interest, public management, and low speculation and so on are lawful. On the other hand, “Pachinko” (public slot machine arcade), which is essentially gambling, is treated as a game because the balls, which come out as a prize, cannot be cashed directly.

As a result, we have many problem gamblers in Japan, amounting to 4.8% of our population or about 5.4 million Japanese, suffering from addiction. In spite of this situation, problem gamblers mostly bred through Pachinko, have not been rescued by public funding because Pachinko is not considered as gambling under the law. The first reason as to why I am against the casino legalization is that it will induce more severe gambling addiction, on top of the already severe problem we have today.

2 . The IR type (integrated resort) casino will not contribute to the development of the Japanese Economy. On the contrary, it will destroy the regional economy and expand the economic gap between the rich and the poor.

Today, the advocators of casinos are emphasizing that the large investments to build the IR as well as the large profit to be generated from the IR will have a tremendous effect in boosting the Japanese Economy through strengthening the competitiveness

of our tourism industry. However, the economic character of gambling, according to the suggestion of Paul Samuelson, is the simple shift of money from pocket to pocket with the production of no new economic value. In addition to this, the more the gambler continues to bet, the more the casino will win. This business model inevitably makes the gamblers poorer and destroys their lives. I believe that the economic gain of the casino is only a result of cannibalization caused by the casino, which results in a zero sum in total.

Alan Mallach, from the Reserve Bank of Philadelphia pointed out the following four aspects in his paper, “ Economic and Social Impact of Introducing Casino Gambling” (March 2010): destination effect, recapture effect, substitution effect, leakage effect (see table 2). He concluded that these elements must be incorporated when calculating the net economic effect of a casino. In this meaning, Japan will have to cannibalize other countries in order to gain net profit. In other words, Japan must be in the position of the “winner” in the VIP gambler market in Asia, especially by feeding upon the super-rich Chinese gamblers. Having said that, the Asian gambling market is saturating rapidly and the competition between the IRs will become more intense. Therefore, the probability of rich foreign gamblers visiting Japanese IRs is getting lower as we speak.

3 . If IR casinos target the Japanese residents’ income and financial assets, it will

Table 1 The number of EGMs installed in each country

Country	No of EGM
Japan	4,592,036
U.S.	889,070
Italy	412,252
German	265,000
Spain	249,820
Australia	198,418
U.K	157,002
Canada	97,289
Mexico	90,000
Peru	76,278

Source: The World Count of Gambling

Machiens 2013

Table 2 The Economic effects of Gambling

Destination Effect	The Legalization of casino gaming draw visitors from outside of the host region. Spending by casino patrons from outside the region increases the aggregate amount of economic activity within the region
Recapture Effect	The legalization of casino gambling reduces the propensity of residents of the host region to engage in gaming activities outside of the region. Instead, these individuals patronize casino venues within the host region
Substitution Effect (cannibalization)	The legalization of casino gaming causes a reallocation of expenditures by individuals within the region. The increased expenditures by residents of the region cause a decrease in expenditures on other forms of consumption or in net savings
Leakage Effect	The revenue generated by casino in host region is lost to other region when casino purchases supplies from out of area vendor or so.

Resource : Greater Boston Chamber of Commerce " Casino Gaming in Massachusetts

Alan Mallach " Economic and Social Impact of Introducing Casino Gambling"

cannibalize the community around the IR casino. It will never bring benefit to Japan, but will increase the cost burden of the increasing problems of gamblers.

The foreign casino operators, such as the likes of Las Vegas Sands, expressed that they will invest \$10 billion to construct an IR in the Kanto or Kansai areas, and advocates insist that the IR operation will generate huge gambling revenues amounting to two thousand or 3 trillion yen which will enable the low revenue department of casinos to operate. I would like to remind you that “The Odaiba Casino”, the first plan for a casino in Japan by the Tokyo Metropolitan Government estimated a revenue of thirty billion yen. The revenue jumped to the levels a digit higher after the plan for the casino changed from a casino house, such as the European type casino, to the IR type.

The 12 MGM casinos located in the US earned a revenue of \$ 2.7 billion, the average is \$ 0.22 billion(see table 3). But MGM China earned \$ 3.3 billion in 2013 at its peak. The secret to their huge revenue, greater than in the US, is that the rich Chinese gamblers who lost \$ 2.2 billion amounted to 63 % of the whole revenue. The revenue from slot machines and table games targeting the middle class and elderly people of the US earn only a small amount, compared to the huge revenue of those such as in Macau or Singapore.

How can an IR in Japan earn more than Macau or Singapore? Is it possible for an IR in Japan to gain such a high profit in the case that ordinary foreign travelers visiting Japan

	2011	2012	2013	2014	2015
Casino in US	2,492.5	2,553.7	2,599.6	2,637.2	2,670.5
Table game	800.2	821.7	861.5	892.8	880.3
Slot machines	1,625.4	1,666.5	1,671.8	1,680.0	1,720.0
Hotel	1,513.8	1,531.8	1,589.9	1,705.4	1,813.8
Food and beverage	1,374.6	1,393.1	1,382.5	1,470.3	1,500.0
Entertainment and Retails	1,139.1	1,097.2	1,130.3	1,184.3	1,167.5
Revenue exclude casino	4,027.5	4,022.2	4,102.7	4,360.1	4,481.4
Domestic Gross Revenue	6,520.0	6,575.9	6,702.3	6,997.3	7,151.9
Promotinal Allowance	-627.1	-643.1	-649.6	-655.2	-654.5
Net Revenue	5,892.9	5,932.8	6,052.6	6,342.1	6,497.4
% of Casino	38.2%	38.8%	38.8%	37.7%	37.3%
MGM China Casino VIP	1,055.3	1,762.6	2,062.2	1,742.0	977.2
Table game	338.7	733.4	923.4	1,237.5	986.1
Slot machines	116.5	269.8	290.6	262.0	209.1
Casino	1,510.5	2,765.8	3,276.2	3,241.5	2,172.3
Other than Casino	80.6	135.5	141.5	147.8	135.6
Abroad Gross Revenue	1,591.1	2,901.4	3,417.7	3,389.3	2,307.9
Promotinal Allowance	-56.1	-93.7	-100.8	-107.0	93.2
Net Revenue	1,535.0	2,807.7	3,316.9	3,282.3	2,214.8
Casino/Gross Revenue	94.9%	95.3%	95.9%	95.6%	94.1%
VIP/Casino	69.9%	63.7%	62.9%	53.7%	45.0%
Source: MGM Resort Annual Report					

	1HKD=1.03MOP(unit:MOP million)								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	8,575	13,937	18,571	25,040	26,864	28,739	23,748	18,674	19,255
Feb	7,912	13,445	19,863	24,286	27,084	38,007	19,542	19,521	
Mar	9,531	13,569	20,087	24,989	31,336	35,453	21,487	17,981	
Apr	8,340	14,186	20,507	25,003	28,305	31,318	19,167	17,341	
May	8,799	17,075	24,306	26,078	29,589	32,354	20,346	18,389	
Jun	8,269	13,642	20,792	23,334	28,269	27,215	17,355	15,881	
Jul	9,570	16,310	24,212	24,579	29,485	28,415	18,615	17,774	
Aug	11,268	15,773	24,769	26,136	30,737	28,876	18,623	18,836	
Sept	10,943	15,302	21,244	23,866	28,963	25,564	17,133	18,396	
Oct	12,600	18,869	26,851	27,700	36,477	28,025	20,059	21,815	
Nov	12,215	17,354	23,058	24,882	30,179	24,269	16,425	18,788	
Dec	11,347	18,883	23,608	28,245	33,460	23,285	18,340	19,815	
Total	119,369	188,345	267,868	304,138	360,748	351,520	230,840	223,211	
In Dollar	14,944	23,578	33,534	38,074	45,161	44,006	28,898	27,943	61.9%

Source : Gaming Inspection and Coordination Bureau Macao SAR
 Notice : 1MOP = 0.12519USD(1 dollar = 7.988MOP)

just happened to drop into a casino for night time fun?

Advocators insist that the Japanese market will never become over-competitive, because the number of casinos in Japan will be restricted to around 10 in the future. But the Japanese Government cannot control the number of IR casinos in the Asian VIP gambling market. The Asian gambling market is shrinking rapidly (see table 4). For example, the revenue of casinos in Macau decreased to 60 % of its peak, mainly due to the sharp decrease of Chinese VIP gamblers, and the several Korean IR casinos such as the Resort World Jeju, will come into an already saturated market. It will be very difficult for Japanese IRs as latecomers, to gain a certain percentage of foreign VIP gamblers. I believe that Japanese IR casinos will fall into the same severe situation as in the Asian market, or the US Atlantic City market, where the revenue of casinos reduced by half and five casinos among the twelve collapsed because of the high competitive pressure from legalized casinos in neighboring states(see table 5).

The real target of foreign casino operators willing to invest in Japan is the income and financial assets of the Japanese people, especially the wealthy and the elderly. It is said that the revenue of casinos in Japan will be 2.2 trillion-yen if Japanese gamblers spend as much as the Chinese gamblers, who spent an amount equivalent to 0.45% of the GDP of China. The foreign casino operators, such as the LV Sands, are willing to invest because they are confident that they can achieve high profitability only in the Japanese market. In this case, their huge revenue is a simple result of cannibalization, which brings a negative effect through the leakage effect. For example, LV Sands claimed that they returned \$ 15.4 billion to their investors since 2012.

4 . The legalization of casinos in Japan will make the gambling problem more severe and increase social costs(see table 6).

Table 5 Casino Industry in Atlantic City				Thousands in dollars	
Gross Revenue	2012	2013	2014	2015	2016
Atlantic Club	15,733	174,126	5,016	0	0
Bally's AC	413,608	346,399	314,058	299,472	234,857
Borgata	903,539	913,516	970,448	1,036,759	816,245
Caesars	470,642	444,295	442,689	423,456	312,016
Golden Nugget	175,064	177,769	245,547	279,280	222,597
Harrah's	584,754	530,881	550,461	568,861	420,582
Resort Casino	183,424	176,547	184,420	206,800	168,510
Revel	196,499	250,426	165,937	0	0
Showboat	318,088	275,351	163,853	0	0
Tropicana	348,022	318,194	388,243	405,720	328,083
Trump Plaza	141,250	104,685	57,060	0	0
Trump Taj Mahal	402,623	353,932	298,830	245,276	168,914
sum	4,153,246	4,066,121	3,786,562	3,465,624	2,671,804
Internet Gaming only	0	1,378	21,416	29,591	34,797
Total	4,153,246	4,067,499	3,807,978	3,495,215	2,706,601

Source: New Jersey Office of the Attorney General DGE Announces Quarterly

Advocators insist that the global standard measures to prevent gambling addiction, such as those in Singapore, can minimize the harmful effects of casinos, and they insist that they can use the casino revenues to reduce the number of problem gamblers by strengthening preventive measures for gambling, including such forms as Pachinko.

Certainly, the NCPG (National Council on Problem Gambling) of Singapore emphasizes the reduction in the ratio of problem gambling from 2.6 % in 2011 to 0.7 % in 2014, which means minus 73%, according to their survey. But if we observe the survey in detail (see table 7), the rate of participation in casinos also decreased from 7% to 2%, that is minus 71%. Which means that the number of Singapore residents participating in casinos decreased drastically. On the other hand, the number of residents who applied to the self-exclusion system, which is a ban on entering casinos, has reached about 325,000 (see table 8). The NCPG is educating people on how gambling, especially in casinos, is dangerous, with videos expressing, “Gambling did not make me rich. Instead, I had a mountain of debt to clear”, from the true story of Mr. Wang Lei (see picture). Since Singapore has been focusing on restricting residents from participating in casinos, I believe that the decrease of problem gamblers in Singapore is merely a result of lower participation rates.

It is said that casino gambling has a strong nature of speculation, as compared to other forms of gambling, to induce the gambler into addiction. According to the Exposure Theory of gambling addiction, casino gambling, which has no limitation on betting money, and 24 hours playing time with no closing hours, is more addictive than other forms of gambling that have limited opening days, operating hours, and limits on the money they can bet.

According to a research conducted by John W. Welte, Research Institute on Addictions,

Table 6 The Social Costs of Gambling

Category	Examples
Production	Reduced on- the -job productivity
	Reduced workforce(absenteeism, unemployability, suicide)
	Reduced unpaid household services
	Resource allocation effects of corruption
Health and Counseling	Psychosocial treatment of gamblers
	Treatment of families of gamblers
	Treatment of victims of crime attributable to gambling
Crime	Policing
	Judicial systems
	Penal systems
	Insurance administration
Regulation	Regulation Supervision
	Regulatory programs
Research and evaluation	Research
	Evaluation
	Development
Welfare	Welfare
	Other support programs
Prevention	Prevention programs
	Crime prevention
	Regulation Supervision

Source: Alan Mallach "Economic and Social Impact of Introducing Casino Gambling" March 2010

Table 7 Participation in Gambling Activities Among Singapore Residents

	2008	2011	2014
Problem Gambling	1.7%	1.2%	0.5%
Pathological Gambling	1.2%	1.4%	0.2%
Gambling Participation	54.0%	47.0%	44.0%
Casino(IRs)	0.0%	7.0%	2.0%
First Regular Gambling Activity at Casino	0.0%	2.3%	0.0%
Average Monthly Betting Amount	176	212	70
More than 1000 dollar	17.8%	21.0%	2.0%
501 - 1000 dollar per Month	37.0%	21.0%	8.0%
Median Monthly Betting Amount Among Pathological Gamblers	619	1,713	313
Frequency of Gambling Participation Among Pathological Gamblers	100.0%	68.0%	83.0%
Sample	2300	3315	3000
Response rate	89.0%	81.0%	73.0%

Source : NCPG "Report of Survey on Participation in Gambling Activities among Singapore Residents"

Note Survey based on DSM - fourth edition

S.U.N.Y at Buffalo, comparing the rate of problem gamblers in 1999 and 2013 in the US, the residents in the neighborhood closest to a casino tend to have a higher chance of becoming frequent gamblers and problem gamblers (see table 9). It is very difficult to cure problem gamblers, because they tend to deny their addiction. I cannot say it is OK, just because problem gambling can be cured in the long run, after they have exhausted their money and assets, sacrificed their friends and family, and have committed some crimes, thanks to the money from casino revenue.

	2010.6	2011.6	2012.5	2013.6	2014.6	2015.6	2016.3	2016.6	2016.9	2016.12
Total Exclusions	1,669	47,178	93,029	155,136	215,331	262,546	294,469	307,243	316,964	325,033
Family Exclusions	123	613	1,083	1,475	1,782	1,989	2,168	2,231	2,284	2,319
Self-Exclusions	1,546	18,049	64,064	115,460	165,627	212,022	243,981	256,212	267,426	276,516
Singapore Citizens	1,546	5,389	8,549	11,124	13,834	16,255	19,699	20,374	20,866	21,454
Foreigners	na	12,660	55,515	104,336	151,793	195,767	224,282	235,838	246,560	255,062
Automatic Exclusions(1)	na	28,516	27,882	38,201	47,922	48,535	48,320	48,800	47,254	46,198

Source :National Council on Problem Gambling " Casino Exclusion & Visit Limit Statistics"

Notice (1) Individuals will be automatically excluded by law from all casinos in Singapore if they are undischarged bankrupts, receiving financial aid from the Government, living in subsidized HDB rental flats and have 6 or more months of rental arrears, and receiving legal aids.

	1999	2013
Percent gambled in past year	82.2%	76.9%
DSM- 3 or more	3.5%	4.6%
DSM- 4 or more	2.0%	2.4%
DSM- 5 or more	1.4%	1.0%
SOGS 3 or more	5.5%	5.0%
SOGS 5 or more	2.0%	2.4%

source :J.H.Welte etc. " Gambling and Problem Gambling in the United States : Changes Between 1999 and 2013" June 2014

Table 9-2 Table Effect of distance to nearest casino on past year gambling

Nearest casino (miles)	Any gambling	Frequent gambling	Problem gambling
0 ~ 10	77.7%	11.2%	5.5%
10 ~ 20	77.8%	10.0%	5.3%
20 ~ 30	78.9%	10.4%	3.5%
30 ~ 40	74.4%	4.5%	2.0%
40 ~ 50	74.3%	8.4%	2.1%
50 or more	72.2%	7.5%	2.9%

source :J.H.Welte etc. " The Relationship Between Distance from Gambling Venues and Gambling Participation and Problem Gambling Among U.S. Adults " November 2015

Notice: Pathological gambling is 5 or more DSM- . Problem gambling by SOGS is 3 and 4, Pathological gambling is 5 or more.

Frequent gambling is twice a week or more.

5 . The IR casino is the most dangerous among the several types of casino gambling, because it leads more Japanese families to casinos, drives more and more Japanese to gambling addiction and destroys our society at its base.

Advocators insist that casinos will occupy only 3 % of the whole IR floor space, and claim that it is just an entertainment facility for all family members to enjoy. But in real ity, the IR is a business model that drives more families to casinos and causes more ordinary people to experience gambling. For example, in Las Vegas, visitors intending to gamble jumped from 1 % to 12 % after they tried gambling on their first visit. 73 % of

Table 10 LV Visitor profile			
	2015		
% of first-time visitors	16.0%		
% of primary purpose was to gamble	10.0%	% of who gambled while visiting	73.0%
% of primary purpose was to gamble in repeat visitors	12.0%	Average number of hours per day spent gambling	2.9
% of primary purpose was to gamble in first-time visitors	1.0%	Average trip gambling budget	578.5
Average number of visit in past year	1.8	% of visits to nearby places	16.0%
1 visit	62.0%	Grand Canyon	67.0%
more than 5	3.0%	Hoover Dam	51.0%
% of visitors with persons under 21	8.0%		
Proportion of visitors from the West	53.0%		
% of visitors from California	29.0%		
% of visitors from a foreign country	16.0%		

資料: Las Vegas Convention and Visitors Authority "Las Vegas Visitor Profile Study 2015"

the visitors to Las Vegas gambled in casinos over their 3 nights stay, and the temporary winning experience of gambling opened the door to gambling addiction (see table 10). It is said that the ratio of female problem gamblers has increased dramatically since many states in the US legalized casinos.

The casino as the profit engine of the IR needs to earn a huge revenue of over 20 % ROI to recover its large investment and also to support other low-profit facilities and comps to satisfy the investors (see table 11). For casinos to earn the annual revenue of two trillion yen, 20 million Japanese residents must continue to lose 100 thousand yen every year. In other words, the IR casino has a strong economic incentive to drive the entire Japanese population into gambling addiction. Strong prevention measures such as those of the Singapore NCPG, are impossible to introduce in Japan because it will harm the profitability of the casino.

Conclusion : The legalization of the casino is a bad choice for Japan.

Presently, foreign visitors to Japan have increased dramatically more than those of Singapore (see table 12), and there is no need to hurry to legalize the casino in order to strengthen the competitiveness of international tourism in Japan. First of all, we must tackle the deep issue of gambling due to Pachinko and other such forms of gambling.

The IR bill has many defects. For example, it has no articles concerning an NCPG the like of Singapore's, and no democratic process such as a referendum to allow the community to decide whether or not to accept a casino, especially after evaluating the economic benefits and social costs (see table 13). I want to stress that this IR bill which contains many problems will bring a devastating result to Japan in the future.

Thank you very much.

The dangerous effect of legalization of casinos in Japan

Borgata						Dollar in Thousands		2013
	2009	2010	2011	2012	2013		Comp	No of Recipients
Gross Revenue	990,601	949,785	954,520	903,539	913,516		Room	606,359
Casino	691,428	643,904	648,442	609,128	615,734		Food	1,393,175
Rooms	113,143	115,199	115,548	112,709	113,195		Beverage	5,939,853
Food and Beverage	143,410	147,751	148,083	140,391	140,292		Gaming	2,814,840
Promo Allowance	213,193	211,356	224,246	217,317	217,816		Cash gift	532,952
Net Revenue	777,408	738,429	730,274	686,222	695,700		Entertainment	127,082
Operating Cost	-573,023	-563,763	-567,716	-566,639	-574,087		Retail	44,768
Operating Profit	204,385	174,666	162,558	119,583	121,613		Other	87,593
Depreciation etc	-78,719	-69,640	-61,745	-63,956	-60,908		Total	11,546,622
Other cost	-6,487	-55,532	-90,670	-82,071	-121,785			Dollar Amount
Intrest	-27,668	-50,199	-84,772	-82,902	-81,335		Room	70,792
Net income	108,241	44,221	8,405	-25,191	-56,577		Food	32,486
Allow /Casino	30.8%	32.8%	34.6%	35.7%	35.4%		Beverage	19,305
Allow /Gross Revenue	21.5%	22.3%	23.5%	24.1%	23.8%		Gaming	70,371
Source The State of New Jersey, Division of Financial Evaluation Reporting Manual							Cash gift	13,324
							Entertainment	5,083
							Retail	2,238
							Other	4,217
							Total	217,816

	2009	2010	2011	2012	2013	2014	2015	2016	increase	
Japan number	na	861	622	836	1,037	1,341	1,974	2,403	386.3%	1,781
spending (Oku-Yen)	na	11,490	8,135	10,846	14,166	20,278	34,771	37,477	460.7%	29,342
Singapore number	968	1,164	1,317	1,450	1,557	1,510	1,523	1,640	169.4%	672
spending (billion S Dollar)	12.6	18.9	22.3	23.1	23.5	23.6	21.8	na	186.3%	10.9
Source: 観光庁「訪日外国人消費動向調査」(2010年4-6月期より開始)より シンガポール Annual Report on Tourism Statistics										
Notice: The increase was calculated from the bottom to the peak										

	\$ Millions
Total positive economic impact	1,410.55
Total negative economic impact	-1,083.83
Net economic impact before social and infrastructure costs	326.72
Low-estimate social costs	160.46
High-estimate social costs	320.92
Median-estimate social costs	456.69
Net economic impact with low social costs	166.26
Net economic impact with medium social costs	5.80
Net economic impact with high social costs	-129.97
Source: Alan Mallach "Economic and Social Impact of Introducing Casino Gambling" March 2010	