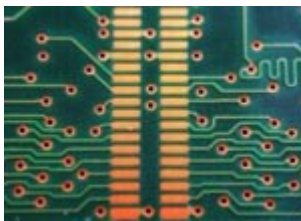




But these improvements don't fly with machine gamblers who know the odds of hitting the jackpot are better on the older machines.



Then, in 1984, Inge Telnaes invents a slot machine powered by a micro chip. The chip, not the reels themselves, now determine the outcome of every spin and it becomes possible to decrease the odds of hitting a jackpot while still having the machine appear to offer much better odds. Essentially, working on the same principle as a pair of loaded dice.

The president of Bally Gaming, among other players in the industry, objects to these new machines, writing to the Nevada State Gaming Board that "It would appear to us that if a mechanical reel on a slot machine possesses four sevens and it is electronically playing as if there were one seven, the player is being visually misled." Nevertheless, in a decision that would change the course of the gambling industry, the Board approved the Telnaes machines - and 'virtual' reels become the new industry standard.



Over time, slot machines are adapted to encourage players to play faster, longer, and for larger wagers than ever. Ergonomics, visuals, sounds, buttons instead of levers, credit cards and slot club cards instead of coins, bonus rounds, rapid-fire pay outs, deceptively programmed near-wins, machines engineered to allow the player to play more intensively - and to lose faster.

Addiction experts begin to refer to slots as the "crack cocaine" of the gambling industry.

The modern slot machine has now become the industry's cash cow, with 70 - 80% of all casino revenue originating from slot machines - and 60% of that revenue coming from problem and pathological gamblers - making this demographic the industry's best customer.





States without gambling decide to get in on the action - by "recapturing" gambling dollars going out of State.

But costs associated with gambling are difficult to quantify and therefore often not factored into, or are underestimated in cost/benefit studies.



Gambling legislation is passed, in no small part due to ignorance of the product, budgeting and political pressures, influence from lobbyists, improper or inadequate review of the data, artificial urgency, and overstatements of benefits.

While in-state gambling does recapture some revenue and create mostly low-paying jobs, it also creates more addicts. It brings increased crime and social problems which will require State and local intervention. Property values decrease, local businesses, lotteries and charities suffer from limited discretionary dollars. The industry must be regulated. Cost per pathological gambler per year is \$11,300. The cost per U.S. household, even for those that do not gamble is \$460.



New slot revenue is quickly spent, but now impacts like crime and social problems have become more apparent and costly, as does regulation, requiring a new State bureaucracy with State employees with pensions and health care.

Revenue is somehow not paying for everything it was supposed to.



Then, neighboring states decide to legalize gambling in their own effort to recapture revenue.

Gambling revenue is no longer enough, but by now the State has become dependent on it.



Competition from other States, along with normal dips in the economy assures drop in gambling revenue, but the State has now become both regulator and stakeholder in gambling industry.

So... State sells more casino/slot licenses, repeals smoking ban, lowers the gambling age, allows 24/7 drinks, relaxes previous regulations, gives concessions to investors, opens more gambling venues -



all in order to create more problem gamblers - that all-important demographic - which in turn creates more impacts, resulting in less money for the State.

Now State has casinos, slots, another growing bureaucracy, multiple financial and social impacts, not to mention lives ruined, children neglected, businesses hurt, people dead - and STILL NOT ENOUGH REVENUE.



Meanwhile... billionaire casino investors (and the policy analysts who love them) continue to smirk all the way to the bank.

