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A Good Georgian Gamble

By Paul Rimple

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What started as crusade to outlaw gambling advertisements has morphed into a push to prohibit casinos in Georgia. Lawmakers say they want to protect youth from the iniquitous vice of gambling, but they're betting on the wrong horse. Closing casinos won't keep children and teenagers out because they are already prohibited from entering them.

The most popular — and addictive — forms of gambling are electronic machines and Internet gambling. Until last year, slot parlors were unregulated and proliferated all over the country, contributing to a boost in gambling addiction. But when the government implemented a flat-tax regime and raised the annual fee for a slot parlor in Tbilisi from $12,000 to $60,000, virtually every slot club shut down. But young Georgians and addictive gamblers just moved to on-line sites, which are booming.

In Georgia, only land casinos have the right to operate online gaming sites at quarterly fees of up to $36,000. If the government wants to combat problem gambling, then it should restrict online betting sites, not casinos.

Last year, casinos contributed more than $10 million in licensing fees alone to the state budget. Rather than banning casinos, the government should be fine-tuning its efforts to turn the Black Sea port of Batumi into a regional gaming haven. With an average of 208 rainy days a year and a tourist season that barely lasts two months, Batumi needs all the help it can get to attract vacationers and other visitors.

The previous government banked on luring investors by offering dirt-cheap licensing fees, tax-free incentives and letting the free market take care of itself to lure gamblers from neighboring countries like Azerbaijan, Turkey, Iran and Russia, where gambling is forbidden or restricted. Having a vision is great, but it will just be a mirage without a plan to go with it.

The flat-tax system, in which table and slot fees are set, is fine for an established casino but terrible for a casino that is just starting up. This might explain why no other country uses such a system. Moreover, Georgia has not established a limitation on permits. For an investor, limitation equals return and lack of a limitation is a sign the government has no strategy.

The government expected that the more casinos they build, the more people would come to gamble, but it doesn't work like that.

Since the tax incentives were enacted in 2005, Batumi has only managed to accommodate four casinos. No studies have been done to determine the city's gambling capacity. Infrastructure remains a hurdle as Batumi has one small airport that serves about six small airlines, while Tbilisi is eight hours away, reachable only by a mostly treacherous road.

Casino clients are either tourists that drop a few bucks for fun or serious players that can typically afford to lose. Prohibiting casinos will do nothing to prevent children from gambling, and it will eliminate an opportunity to use the funds that casinos bring to help establish gambling-treatment programs the country severely lacks. Gambling is an addiction that goes in hand with drug and alcohol addiction. Therapists in Tbilisi state that 90 percent of those they treat for substance abuse are gambling addicts, too. The problem in Tbilisi is that there are too many fiends and far too little treatment facilities.

I don't see anything wrong with restricting the obnoxious gambling advertisements that are plastered across the city, but they shouldn't ban casinos. If the prohibition of alcohol and drugs has failed, then why should the prohibition of gambling succeed? It, too, will drive people underground, and it will be the house that gets nothing for something.

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