

The **Economics** of Casino **Gambling**: Evidence for Portugal

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Objectives | In this research, we analyze whether gambling receipts in Portugal are mainly originated on international tourism or on national income.

Methodology | We use a multiple regression model, with the tourism receipts depending on both international tourism and national income. The GLS estimation procedure is applied, under the assumption of auto correlated errors. Our sample is N= 21 years and the database (primary data) is the Estoril-Sol Group for gambling receipts, INE for tourists and the Banco de Portugal as for GDP.

Main results and contributions | The GLS estimators, under the assumption of auto correlated errors, exhibit statistically relevant coefficients for GDP for all Casinos in Portugal. On the contrary, international tourism has shown to be insignificant in all Casinos except for the special case of the Madeira Island.

As income elasticities are high in most cases and tourism elasticities are low in all cases we conclude that the demand for casino gambling in Portugal is mainly driven by residents instead of tourists.

Our literature survey shows that research in the field of the economics of gambling is still scarce. This research intends to provide a further contribution to this research area.

Limitations |

The limited sample data (N = 21)

Some alternative estimation procedures might also provide better results.

Conclusions | Considering that the model shows gambling receipts depending strongly on domestic income in Portugal, while international tourism is not statistically relevant, some policy and management implications can be derived from this main conclusion. Most notably, it can be argued that marketing investments and general promotion of the Casino business should be addressed to residents rather than non-residents given that the former are the ones holding the main potential for spending in Casinos in Portugal.

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Additionally, some questions might arise from these set of conclusions. On one hand, on what refers to tax policy, one could ask if it is fair to tax its receipts so heavily for tourism purposes (50% of gross total receipts), given that evidence shows that casinos do not work so much as a tourist attraction in Portugal. On the other hand, residents have a different demand profile when gambling in Portugal (when comparing to tourists), which implies the need for some rethinking on what concerns some casino management issues, such as the mix of services provided to customers, the type of shows, strategic marketing and others.