THE POLITICAL GEOGRAPHY OF GAMBLING IN THE MIDWEST

John I. Sharp
Department of Geography
SUNY-New Paltz
75 South Manheim Blvd.
New Paltz, NY. 12561

ABSTRACT: The rapid expansion of gambling during the 1980s and nineties has received a lot of attention from economists, sociologists and psychologists but little attention from geographers. Yet geography offers a unique perspective to scholars looking to explore issues involving relative location and scale within the gambling industry itself as well as the accompanying political process. This paper explores how the casino industry uses its unique position as a legislated monopoly to leverage one location against another and how it is able to jump scales in order to achieve its political and economic aims. Focusing on the gambling industry in the Midwest, and Illinois in particular, this paper examines how the industry has managed to gain a foothold in state and local politics and how it has maintained its presence despite growing political opposition.

THE GROWTH OF GAMBLING

Over the past 25 years there has been a tremendous surge in gambling across the United States. The National Gambling Impact Study Commission (1999) estimated that Americans spending on legalized gambling had risen from $3.3 billion in 1974 to $50 billion in 1998. Since that time, aided by the growth in internet gambling, wagers have continued to grow, reaching $73 billion in 2003 (Christiansen Capital Advisors, 2004). Most of this dramatic growth is attributed to the equally dramatic rise in gambling opportunities around the country. America is clearly in the midst of an expansion of legalized gambling that historians have termed the “third wave” of gambling (see McGowan, 1994; Rose, 1980; Thompson, 1997). The “first wave” of gambling occurred during the colonial period when lotteries were frequently used to raise funds for public-works projects. The “second wave” of gambling occurred during the Reconstruction Era when cash-strapped Southern states needed to raise revenues and when gambling became associated with frontier life in the American West. The “third wave” of gambling, which accounts for the most recent growth in gambling, can be traced back to New Hampshire’s legalization of a state-run lottery in 1964. The more celebrated legalization of casinos in Nevada in 1931 was really an anomaly, with respect to national trends, and stands outside of the major thrusts of gambling legislation in the United States.

The rise in gambling that followed New Hampshire is best explained by the economic struggles of the late 1960s and early 1970s. Decreases in productivity along with sharply rising energy costs propelled the American economy into its worst recessions since the Great Depression (see Harvey 1990; Heilbroner and Singer 1994). Many local governments, with limited powers of taxation, found themselves on the brink of insolvency. New York City was the cause celebre for such financial problems when it required a federal bailout in 1975 in order to pay its employees and make its bond payments. Hardest hit were the aging industrial cities of the Northeast and Midwest that were steadily losing manufacturing jobs both to the Sunbelt and overseas (see Teaford, 1983; Harrison, 1984; Markusen, 1987).

In order to solve their growing fiscal problems, state and local governments increasingly looked for more creative ways to lure new businesses and increase tax revenues. Among the various ways to increase tax revenues was the legalization of gambling, which was initially done through the establishment of state lotteries. Following New Hampshire’s introduction of the lottery in 1964 were New York in 1966; New Jersey in 1970; Michigan and Massachusetts in 1972; Maryland in 1973; Illinois, Ohio, Maine and Rhode Island in 1974; and Delaware in 1975 (Thompson, 1997). Today every state in the Northeast and Midwest has a lottery, a trend that is even more spectacular when compared to the Southeast where only Florida, Georgia and Louisiana have a government-run lottery (Figure 1).
Figure 1. The Growth of the Lottery in the United States

GROWTH COALITIONS SEEK GAMBLING

Despite the record economic prosperity of the 1990s, it was not uncommon to witness cities paying hundreds of millions of dollars to encourage economic development or simply to keep it from going elsewhere. Perhaps the foremost example of this is the construction of sports stadiums in order to entice a team to come or to keep the owner(s) of a local franchise from moving elsewhere. Governments in many locations offer not only tax abatements and/or enterprise zones, but many are expanding their incentive programs and offering to construct facilities and train workers if they agree to locate within their district for fear they will lose jobs and their accompanying tax base. Among the most celebrated cases of this approach was Alabama’s granting of $275 million in capital equipment, job training and transportation infrastructure to Mercedes Benz in order to lure them to their state (Applebome, 1993). Attuned to such logic, corporations are increasingly playing districts off one another, even after they have already decided where they are going to locate, thus exacerbating the process of ever-increasing incentives.

As more and more cities have begun to adopt aggressive place promotion it has become increasingly harder to attract development. Cities that are most actively promoting themselves are looking for ways to make themselves attractive to employees in the hopes that increasingly footloose companies—particularly those in tertiary and quaternary sectors—will want to locate in places with a high quality of life. In this light, growth coalitions are looking increasingly to promote their unique qualities and cater to the needs of an educated, upwardly mobile, workforce. Cities in the post-Fordist era frequently market the wonders of their natural environment or the historic features that set them apart (Short, 1993). However, not all cities possess such positive externalities and many are looking to differentiate themselves through the creation of new consumption districts (Hannigan, 1998). It is the attempt to find new ways of creating tax revenue combined with the desire to create new urban consumption districts that has been behind the more recent wave of casino development (Figure 2).
GAMBLING’S CONTESTED NATURE

While it is relatively easy to explain the growth of legalized gambling in the United States in terms of its spatial diffusion, the politics surrounding legalized gambling are not quite as clear. While the need of cities and states to raise revenues is unquestioned, the will of the public to use gambling as a tool to meet those needs has not been as forthcoming. Opposition to gambling has come from a number of areas including (1) moral opposition based on religious grounds, (2) the failure of politicians to make good on campaign promises with respect to spending additional tax revenues, (3) increases in gambling addiction along with the corresponding increases in crime and other social costs that it brings, and (4) the lack of promised economic development for local economies.

The moral opposition to gambling on religious grounds has a long history and helps to explain the various legislation used to outlaw gambling following the first and second waves of gambling. With respect to the first wave of gambling, it was the moral reforms associated with the Second Great Awakening and the Jacksonian era that, along with the improved fiscal position of the United States, brought about its end. The second wave of gambling began to fade around the turn of the century due primarily to the moral zealfulness of the temperance movements, as well as the economic prosperity that followed the 1893 depression. The fact that there was rampant corruption in lotteries only made their elimination that much easier. That said, the declining economic condition in certain regions of the United States during the shift from Fordism to post-Fordism, along with changing moral standards in the United States, combined to make the moral arguments against gambling much weaker during the third wave of gambling generally and in the discourse surrounding riverboat casinos during the late 1980s and early 1990s in particular. Also playing a role in the moral debates over casinos stemmed from the varying positions towards gambling that different denominations took, which ultimately prevented the Judea-Christian community...
Increasing family tension results in higher rates of divorce, domestic violence and neglect, suicide and homelessness (NGIC, 1999). Rising crime rates related to pathological gamblers stems mostly from various types of fraud—forgery and credit theft in particular—as well as drug and alcohol related offenses. Unfortunately many of the aforementioned problems associated with pathological gambling remain hidden for fear of embarrassment and only when a criminal act is discovered or a state of financial ruin is reached that the problem is acknowledged. Studies analyzing the total costs associated with pathological gamblers vary but estimates range from $9,469 (Thompson et al., 1996) to $13,200 (Goodman, 1994) per person—though casino advocates dispute such numbers.

Finally, casinos have the effect of increasing negative externalities much more than lotteries. Because they bring together large numbers of people, many of whom have large amounts of cash, they present easy targets for criminals and creating an increase in street crime (Miller and Schwartz, 1998). Furthermore, estimates are that nearly two thirds of “compulsive” or “problem” gamblers commit crimes in order to maintain their addiction thus exacerbating the problem (Grinols, 2000). Of course, all of this puts an increased strain on police departments and ultimately ends up costing tax payers money.

As a result of the problems with lotteries the public was weary of promises made by politicians about gambling revenues and discussions by gambling proponents turned to targeted plans aimed at helping only the most distressed communities. Politically this has been a wise strategy for the gambling industry for it is through such place specific proposals that riverboat casinos have gained their foothold in the Midwest. However, just like the lottery, promises of substantial economic development and new tax revenues are First and foremost are problems associated with market saturation. In order for casinos to be profitable they basically have to bring in tourists that normally would not be spending their money in a given location (Gazel, 1998). Otherwise, what is taking place is a mere shifting of money from one entertainment industry to another. To summarize, if only locals are gambling then casinos will cannibalize other entertainment industries and there will be no net gains for the local economy. Casinos can represent increased tax revenues for a city from presenting a united front. It was not uncommon for Protestants to speak out against Catholics for having opened the door to legalized casino gambling through their sponsorship of charity “Las Vegas Nights” and for conservative Protestant denominations to lash out at liberal denominations along the same lines (Lehman, 1993). It was not until the Methodist minister Tom Grey from Galena, Illinois organized the National Coalition Against Legalized (NCALG) gambling in 1994 that Church based opposition began to be a major factor and by that time riverboat legislation had spread throughout much of the Midwest.

The experience that many states had with lotteries and, in particular, the lack of follow through on campaign promises was a more salient factor in many of the discussions about riverboat casinos. The experience of many states with lotteries had been that while they proved wildly successful in raising revenues, they were fraught with problems. To begin with, lotteries exposed the hollow words of many politicians who promised increased levels of spending on social expenditures that never materialized. Money from lotteries that was specifically ear marked for special purposes such as education was generally offset by equal cuts to such programs such that there was no overall increase in spending (Brandon, 1993; Truitt, 1996). In California, for example, within three years of approving the state lottery—with education being the primary beneficiary—spending from the state budget dropped by over $600 million (Moran, 1997). Furthermore, numerous studies showed that lotteries were a very regressive form of taxation, deriving most of their revenues from lower socioeconomic classes that could least afford the additional tax burden (Clotfelter and Cook, 1989).

While horse racing and lotteries have been around for some time now, the increased presence of casinos, brings about large increases in levels of “pathological” gambling in the areas where casinos are introduced (for a definition of terminology and a literature review of gambling problems see NGIC, 1999). Studies have found that anywhere from two to five percent of the population may develop gambling problems when a casino is introduced into a community (Lesieur, 1998). This, in turn, leads to a number of social costs including increased tension in families, a rise in crime rates, and the monetary costs associated with law enforcement and treatment.

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because if profits are taxed at a high rate, but they may not have the desired effect of stimulating local economic growth (Grinols and Omorov, 1996).

SUCCESSFUL CAMPAIGNS TO LEGALIZE CASINOS

In the face of all these obstacles, cities looking to increase tax revenues through gambling have to be particularly careful with respect to how casino gambling is portrayed. Public opposition to gambling is usually quite strong and the vast majority of gambling proposals put before the general public have gone down in defeat (see Dombrink and Thompson, 1990; Goodman, 1995; Bedell, 1997). The most common strategy of lawmakers and the gambling industry has been (1) shifting the focus of public debate towards economic development and (2) avoidance of state-wide public referendum on casinos, opting instead to legalize gambling through elected representatives. Shifting the discourse on riverboat casinos from themes of morality and crime to economic development seems to be the key for successful casino legislation. In their analysis of 22 campaigns to legalize casinos in the United States between 1974 and 1989, Dombrink and Thompson (1990) found that in all 19 cases where the focus was on crime, corruption, morality or quality of life, the campaign failed. In the 3 campaigns where the focus was successfully shifted to economic development—New Jersey in 1976, South Dakota in 1988, and Iowa in 1989—casinos were successful in every instance.

As regards public referendum, shifting the scale from the state to the local level has been critical in most attempts to legalize casino gambling, and is exactly how the process played out in Iowa, Illinois and Indiana. With few exceptions, Missouri being one of them, there has rarely been broad enough support for casinos to allow passage at the state level. The goal of gambling interests has been to utilize representative democracy to pass bills at the state level and, if need be, allow for referenda at the local level, where economically depressed areas can be targeted (Goodman, 1995). The ability of the gambling industry to shift scales down to the local level has allowed politicians and multi-national corporations to target very specific areas and come up with tailor-made public relations campaigns. It also serves to isolate opponents and individual communities that typically don’t have the resources to fight effectively against such large interests.

THE MIDWEST BETS ON RIVERBOATS

The first state in the Midwest to consider riverboat gambling was Iowa. The loss of manufacturing jobs in Iowa, particularly with respect to heavy farm equipment, combined with the 1980s farm crisis created a desperate economic situation (Dombrink and Thompson, 1990). State Representative Tom Fey, from the industrial river city of Davenport, spear-headed an effort to use tourism associated with riverboat gambling to bring much needed tax revenues to Iowa and spur local economic development. Not content to simply focus on the potential economic benefits of casinos, Fey sought to tie the idea of riverboat casinos into a narrative of romantic 19th century paddlewheelers; offering a modern, sanitized version of “wild west” gambling boats. In the words of Iowa’s Democratic majority leader Robert Arnould, “We’re selling the lore of Mark Twain. Nobody on the Mississippi has capitalized on it. We want to give Tom Sawyer and Huck Finn a home in Iowa” (Peterson, 1989). In order to avoid the negative criticism in regards to the social costs, the proposal put forth included maximum bets of $5 and a total loss limit of $200 per excursion.

Iowa voters, however, did not agree with Fey and Arnould on the notion of riverboat casinos plying the Mississippi. The highly contentious bill was defeated when it first came up in 1985 and after three years of discussion, was defeated again in 1988. When the bill came up a third time in 1989 a statewide poll found that a majority of Iowans opposed the riverboat casino bill that was being discussed in the legislature (Peterson 1989). Like most successful gambling bills though, the citizens of Iowa never got a chance to express their opinions in a referendum as the bill was passed in the legislature with little public discussion. In keeping with the gambling industry’s strategy of using scale to its advantage, the bill was passed at the state level through a representative process, thus, avoiding a public referendum that surely would have failed. However, once the bill was passed, implementation required local referendum which allowed voting to
take place only in the most distressed counties in Iowa. This process of “jumping scales” has been key in the unfolding political process of riverboat casinos spatial diffusion. Once casinos were in place, the rules under which gambling was introduced have slowly been loosened and five years later Iowa did away with loss limits and no longer requires that riverboats even leave the dock to ply the Mississippi.

As Iowa passed its riverboat gambling bill in early 1989, Illinois legislators were drafting a bill to compete with Iowa. The central argument made by Illinois legislators was that they did not want to lose tax revenues to Iowa and therefore needed to create their own riverboat casino industry; a contagious spatial diffusion of sorts. The fact that cities in Iowa could differentiate themselves to tourists (or gamblers) through their monopoly casino rights meant that Illinois cities had to follow suit or lose out in the game of (perceived) economic benefits.

The casino bill in Illinois paralleled the casino bill in Iowa in many ways. Politicians framed the bill in much the same light as the Iowa, keeping the focus on the economic development of sagging industrial towns and waxing nostalgically with images of 19th century paddlewheelers moving up and down the Mississippi and Illinois Rivers. Striving to mute criticism of large scale casinos and widespread social costs, proponents of the bill pledged to include a $200 loss limit per person per excursion a ban on political donation from casino interests. Yet despite all of the safe-guards put in place, the public in Illinois did not appear to favor the bill—based on what little polling data exists. With no effort to gauge public sentiment made by the Illinois legislature or any of the state newspapers the best evidence of support comes from a poll conducted by Senator Carl Hawkinson from Galesburg whose staff polled 500 area residents and found 49 percent supported the measure and 51 percent objected to it (Vance 1989). That would seem to be in keeping with national polls about the same time that found only 43 percent of Americans supported legalizing gambling to reduce government deficits (Gallup, 1988) and only 42 percent of Americans favored the opening of a casino in their region (Harris, 1992). Questions about the “mood” of Illinois voters would later be evidenced by the fact that in riverboat gambling was defeated in 37 of the 39 counties that later held referendum (Bedell, 1997).

In the statehouse sailing was not as smooth for the riverboat casino bill as it had been in Iowa. Because Illinois politicians moved quickly without taking the time to build public support for the measure did not seek much public input on the measure but because the Iowa bill had created such a stir in the Midwest they could not avoid increasing public scrutiny. As a result of the attention the bill was receiving it was defeated in the Illinois House on two occasions in 1989 and didn’t even reach the floor on several others.

When the bill finally did make it through both the House and Senate, it was a hastily written measure that passed with a number of other spending measures in the early morning hours near the end of session. Whether by accident or design, the legislation was only a “shell bill” meaning that it contained no statutory language and thus had no $200 loss limit and no ban on donations to political campaigns. Supporters of the bill claimed that the missing language was an oversight and that it would be filled in later. This argument was also made by Governor Jim Thompson when he signed the bill a month later, still without the additional language, but with his word that it would be written in before boats were in the water.

The language never made it into the bill and Illinois boats were quickly out on the water out-earning Iowa boats which, in turn, prompted Iowa to eventually eliminate their loss limits as well. Ten years later it appears that riverboat casinos have taken on a life of their own much as they have in Iowa. Once Iowa did away with having boats ply its rivers, Illinois did so too. And in an effort to increase the floor size of the casinos the boats are increasingly looking like floating hotels and much less like paddlewheel replicas.

Once Iowa and Illinois had riverboat casinos it was relatively easy for Missouri politicians to argue that the only way for their state to avoid losing valuable tax revenues was to endorse a riverboat casino bill of their own; perhaps the only surprise was that it took Missouri officials a couple of years to finally pass their version. The perceived certainty of the Missouri was due in large part to the well financed public relations campaign which, for the first time vis-a-vis Midwestern riverboats, included large out-of-state donors. Foremost among them was well-connected Pittsburgh businessman and multi-millionaire John Connelly who spent over a million dollars of his personal wealth on a massive public
relations campaign in addition to the large sums he spent on a number of statewide political races in Missouri. Connelly, who already owned much of the St. Louis riverfront, purchased and a couple of historic paddlewheel boats in anticipation of winning and publicly guaranteed victory for the legislation. By his own estimates, when all was said and done, he had sunk roughly $10 million dollars of his own money into ensuring that the riverboat casino campaign was successful (Linsalata, 1992). The local casino developers in Iowa and Illinois were never able to overcome broad public skepticism and hence were never successful in convincing the majority of residents that casinos would be good for business. In large part this was because they lacked the resources and the public relations to effectively counter the prevailing public opinion.

Given the amount of time and money the gambling industry spent extolling the virtues of casinos for Missouri’s economy, when citizens finally did get to vote on the issue, they showed much greater support than their counterparts in either Iowa or Illinois with 63 percent of the population supporting the measure. The bill was also written much more to the liking of the gambling industry; without a $500 loss limit, with no ban on campaign contributions and with no requirement that boats actually leave the dock.

Unable to counter the gambling industry dollar for dollar in Missouri, opponents turned to the courts to fight the gambling legislation. Like many other states, Missouri had a constitutional ban against “games of chance” and as soon as the riverboat gambling referendum passed, gambling opponents got state courts to issue an injunction. However, the injunction covered only games of chance (e.g., slot machines and roulette) therefore allowing casino patrons to play “games of skill” (e.g., blackjack and poker). While the legal proceedings hurt casino operators in the short run, they managed to spend $3 million on their campaign to allow games of chance on riverboats – a near record at that time (Goodman, 1995). When the courts ruled that a constitutional amendment was needed to allow games of chance on riverboat casinos and the issue came to vote for a second time, it passed with much the same support as it had the first time around.

The last piece of riverboat casino legislation passed in the Midwest was passed in Indiana although serious consideration of casinos in Indiana began before it did in either Illinois or Missouri. Discussions began in Gary when Thomas Barnes was elected Mayor in 1988 and began pitching the idea of a casino as economic development for the city that experienced perhaps the worst decline of any Midwestern city. Beginning in the 1960s, Gary had seen its population steadily decline, its unemployment rate rise, its middle class flee, and its homicide rate become among the highest in the country; for four years in the mid-nineties Gary held the dubious distinction of being the “murder—capital” of the United States (U.S. Department of Justice, 1999). However, while the residents of Gary approved the measure in a referendum, the state was hesitant to back the measure for it called for large scale land-based casinos along the lines of Atlantic City. However, the impetus from Iowa and Illinois bills, along with serious consideration of a land-based casinos in Chicago in 1992, caused the state government to act and they approved riverboat casinos for Indiana waterways pending local voter approval. Similar to legislation in Illinois and Iowa, public input was avoided at the state level and inserted at the local level where economically depressed areas such as Gary could be targeted.

Given that the only navigable waterways existed along Indiana’s northern and southern borders, it was also hoped that a large percentage of the patrons would come from out-of state; primarily from Chicago, Cincinnati and Louisville.

Similar to other Midwestern states in the early nineties, the opposition to gambling consisted mainly of the religious community, namely the United Methodists, and was to disorganized to mount an effective campaign against legalization. There was some attempt to work with communities that were considering casinos to partake in alternative types of economic development strategies but these efforts were ad hoc. There was a legal challenge to the casino legislation which held the bill up for nearly a year, but unlike in Missouri, the legal proceedings were brought about by a city that wanted gambling but was going to be shut out because the county wouldn’t back the measure.

**CONCLUSION**

In the 21st century, opportunities to gamble are continuing to increase and there is little sign that
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the industry is slowing down. The gambling industry has quickly become one of the largest economic players in the entertainment industry and it will only become more influential as its revenues grow. Already the gambling industry nets more income than all the record producers, movie box offices, theme parks, cruise ships and professional sports teams combined and without major changes in campaign financing that trend will most likely continue (Christiansen, 1998).

Yet despite such rapid growth and tremendous income, independent research suggests that as the market is becoming saturated and most local economies are experiencing net losses (Gazel, 1998; Kindt, 1998). The fact that riverboat casinos can’t attract enough tourists from outside their area has meant that other economic sectors have been cannibalized and little net economic activity has been generated. Without the additional spending of tourists, urban casinos have not been able to support non-gaming activities and have so far only made money for their operators. In essence what has happened is that market saturation has been reached (see Figure 3) and profits have stagnated. While it made economic sense for each individual state to pursue its gambling import substitution policy, the end result is that no city has a real advantage over another.

It is precisely this kind of false hope that explains why, in the last Gallup poll measuring attitudes toward gambling, only 22 percent of voters across the United States favor an expansion of legalized gambling (Gallup, 1999). Yet unless the opponents of gambling learn to effectively jump scale and confront the gambling industry at the state and national level, it is unlikely that the wishes of the majority will see gambling halted. The amount of control local citizens are able to exert over the growth of the gambling industry and what concessions they can extract for the negative externalities they are

Figure 3. Cities with riverboat casinos in the Midwest, 2004
already forced to live with will be a major battleground in 21st century city and state politics.

REFERENCES


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