

<http://www.cjr.org/archives.asp?url=/94/1/gambling.asp>

Columbia Journalism Review

January/February 1994

When Gambling Comes to Town

How to cover a high-stakes story

by Stephen J. Simurda

Simurda, a frequent CJR contributor, lives in Northampton, Massachusetts.

Just five years ago state-authorized casino gambling in the United States was confined to Nevada and Atlantic City, New Jersey. Today, casinos can be found in eighteen states. Many are Indian-owned -- as in New York, Connecticut, Minnesota, Michigan, Arizona, and Oregon. Others are floating casinos -- like those on the rivers of Illinois, Iowa, and Mississippi.

And more are on the way. Missouri and Indiana have recently approved casinos, and the biggest one in the world is being built in New Orleans. Several more states, including Ohio, Pennsylvania, Massachusetts, and South Carolina, are considering various forms of legal gambling.

"All of a sudden it's like, bang! legalized gambling is the biggest economic development force in almost every state in the country," says Robert Goodman, an urban planner at the University of Massachusetts at Amherst who recently completed a two-year study of the gambling industry.

The current gambling surge can be traced, in part, to state lotteries, which have become a fixture in the American landscape in the thirty years since New Hampshire started the first public lottery of this century. Today, thirty-six states have lotteries, and legislators would be hard pressed to make fiscal ends meet without the millions of dollars they generate.

Taken together, these developments add up to a fundamental shift in the role gambling plays in U.S. society. In 1992, Americans spent a staggering \$ 0 billion on legal gambling, a figure The Wall Street Journal reports was more than was spent on books, movies, recorded music, and attractions (such as amusement and theme parks) combined.

The transformation of America into a gambling society was, of course, greatly accelerated by years of federal cutbacks, compelling cities and states to generate more revenue at a time when few politicians dare to prescribe an old-fashioned formula -- raising taxes. So state legislators, mayors, and governors are often quite receptive to gambling promoters, a group that generally includes deep-pocketed developers, prominent local attorneys or financial consultants, and, in some cases, powerful political colleagues. Armed with glowing economic impact studies,

promoters set out to convince communities that casino gambling will provide a big boost to their economy.

Journalists across the country who are asked to cover legalized casino gambling may find it a difficult and confusing assignment, for a variety of reasons. "It doesn't fit easily within the framework of a beat that most newspapers have, and there is a certain amount of technical expertise needed," says Robert Franklin, who covers philanthropy and charitable gambling for the Minneapolis/St. Paul Star Tribune. "There is no place from which to gather a lot of information in a hurry," adds Steve Wiegand, who has covered gambling for The Sacramento Bee. "And so many of the people I speak to are so self-serving it is hard to know how much of what they tell me is true."

These and other problems and potential pitfalls were mentioned by several journalists who have come up against one of the biggest local stories of the decade. What follows, then, is something of a field map for reporters and editors who find themselves suddenly compelled to explore and explain a complicated piece of terrain.

The proposal. It promises a lot and has a strong marketing effort behind it. In Bridgeport, Connecticut, a city that recently emerged from Chapter 11 bankruptcy protection, Steve Wynn of Mirage Resorts promised 12,000 new jobs, four million visitors a year, and millions in tax revenues. And over the first half of 1993 he and other casino promoters spent more than \$2 million on lobbying, the most ever in Connecticut, to gain approval of a casino bill.

Legislators declined to act on the bill after the Mashantucket Pequots -- a tribe that operates a huge and hugely successful casino on tribal lands in Ledyard, Connecticut -- agreed to pay the state \$ 113 million, an amount equal to the state's budget shortfall for the fiscal year, out of slot machine profits. (Indian-owned casinos nationwide enjoy tax-free status; their success has spurred efforts to legalize corporate-owned casinos that would pay taxes.)

Inevitably, casino proposals will promise lots of jobs and tax money, among other incentives, but the promises are just that, and the reality may not match the sales pitch.

In Iowa, residents of Davenport -- and the local media -- were dazzled in 1989 by promises of a \$76 million investment by a floating-casino developer, including the building of a fifteen-story hotel, a shopping center, and an office building. By last year it was estimated that less than \$20 million had actually been spent, and nothing had been built. "The city was looking for bricks and mortar, land-based development, and that's what we didn't get," says Clark Kauffman a reporter for the Quad- City Times in Davenport.

As a city or state reacts to a gambling plan with its own ideas about how the money might be spent, it's important to examine who will benefit. In many states, lottery revenues, for example, are supposed to contribute to education or services for the elderly. But in California and Illinois, among others, it's been shown that lottery funds have often just replaced legislative appropriations, not supplemented them, as many people thought they were intended to do.

Getting a variety of opinions. It's never hard to find promoters eager to make the case for gambling. "Reporters can expect to be showered with attention" by gambling promoters, says Daniel Heneghan, who has covered gambling for the Atlantic City Press since 1979 and has been offered free trips to other gambling properties by casino owners. (He declined the offers.)

Meanwhile, "informed critics of the industry are very hard to find," says David Johnston, a writer and editor at The Philadelphia Inquirer and author of *Temples of Chance: How America Inc. Bought Out Murder Inc. To Win Control of the Casino Business*. As a result, opposition presented in the media often comes from the religious community, which makes moralistic arguments against casinos -- the kind of arguments many people don't take very seriously. Last August 20, The Washington Post ran a front-page story about gambling headed D.C. CONSIDERING CASINO GAMBLING: OPTION VIEWED AS ECONOMIC BOOSTER. The only opponent quoted in the piece was an assistant pastor at a Baptist church, who said, "We don't support gambling, because it's anti-Biblical and anti-Christ."

Reporters can usually get a more cogent analysis from economists, planners, psychologists, and other professionals. Pauline Yoshihashi of The Wall Street Journal, for example, in researching a piece that appeared in the Journal last October, asked a cultural anthropologist to explain the lure of gambling, and an entertainment industry analyst from a brokerage house to talk about the effect gambling may have on other entertainment businesses.

In a five-part series in The Boston Globe last September, reporters Mitchell Zuckoff and Doug Bailey turned to an architect and regional planner to discuss the government's promotion of legalized gambling, and to a professor of commerce and legal policy to address the parasitic nature of legalized gambling on the economy.

Looking out for financial conflicts. "Gambling interests suck up everybody," says Vicki Abt, a professor of sociology at Penn State University and author of *The Business of Risk*. Abt says that includes her co-author, Eugene Christiansen, who is often described as a "gambling industry analyst," as he was in The Boston Globe's generally first-rate series on gambling.

In fact, Christiansen is a consultant who makes about half of his income working for the gambling industry -- a bit of background information he's rarely asked about. "Reporters are much less interested in exploring my ties to the industry than they are in getting me to give them the secret as to why gambling is bad," Christiansen says. His willingness to be critical of the spread of legalized gambling, it should be noted, does not conflict with the interests of some large casino companies that stand to lose revenue if rivals move in on their turf.

Then there's I. Nelson Rose, a professor at the Whittier Law School in California, whose resume calls him the "nation's leading authority on gambling and the law." But nowhere in his nine-page vita does Rose mention that for the past three years he has been a partner in a plan to develop a string of Indian-owned casinos in southern California.

"I have no trouble talking about it," says Rose when asked about his business venture, but he doesn't always volunteer the information to reporters. (In the Globe series, Rose was described as a professor "who studies gambling law." The Quad-City Times called him "one of the nation's top authorities on legalized gambling.")

It's worth noting that Christiansen and Rose are still good sources for gambling stories, says David Johnston, "but you need to put them in the universe."

Almost no source is safe, it seems. A reporter calling the National Council on Problem Gambling in New York City, for example, might expect to get an anti-gambling perspective, or at least a view that is cautious about the spread of legalized gambling. "That's not what my board wants me to do," says Jean Falzon, the group's executive director. Instead, the council, whose board includes several gambling industry executives, focuses on raising money, often from the industry, for research about, and the education of, compulsive gamblers.

What's a reporter to do? "You flat out ask them" if they make money off the industry, says The Wall Street Journal's Yoshihashi. (For the record, two of the experts quoted in this story, Goodman and Abt, say they take no money from the gambling industry.)

Evaluating the economic benefits. A casino proposal will offer enough numbers to confuse even an experienced business reporter. And they're all soft. Nevertheless, exploring the economic side of casino development can offer some of the best stories about the issue.

"Many real economic issues are not being discussed by promoters or local politicians" who are eager to get casinos open and generating money, says Yoshihashi. One of these issues involves how many of a projected casino's anticipated customers will come from outside the immediate area. If most of the gamblers are local, the dollars spent at the casino represent money not being spent on other things in the local economy, inevitably hurting some area businesses. Then, too, there's the issue of jobs, which are usually touted as skilled and high-paying. In reality, the skills are usually pretty minimal, as is the pay, which generally anticipates generous tips. There's also a history of racial discrimination and sexual harassment in the casino industry.

Another issue centers around the likelihood that a casino will help a community turn its luck around. "There can be a lot of false expectations about long-term economic development," says William Eadington, director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada at Reno. "It's all driven by a myopic perspective that all that matters is economic, which is bound to be disappointing." (Eadington, by the way, makes money off the industry, running training sessions for casino managers and sponsoring an international gambling conference that draws from industry and academia.)

Lastly, despite regular denials from gambling promoters, there is abundant evidence that legalized gambling, especially state lotteries, is regressive, with poorer citizens gambling a disproportionate share of their income. Information on this often-scanted subject has come from

the New Jersey Lottery Commission, The Heartland Institute in Chicago, and Duke University, among others.

Looking at the social costs. Examining the social cost of gambling can be a fertile area for an enterprising journalist. "There's absolutely been an explosion in the number of compulsive gamblers in Minnesota" since casinos began opening on Native American reservations across the state, says Jim Kelly, assistant city editor of the Star Tribune in the Twin Cities. The paper has attempted to cover this issue, a notable example being a page-one November 12, 1992, piece that examined increases in crime related to compulsive gambling.

Howard Shaffer, director of the Zinberg Center for Addiction Studies at Harvard University, says that between 3.5 and 5 percent of those adults exposed to gambling can be expected to develop into pathological gamblers. Even more disturbing, the percentage is higher (6 to 8.5 percent) for college and high school students, according to Shaffer's most recent research. "It's like crack was to cocaine. It's becoming too easy to gamble," says Shaffer.

New forms of legalized gambling may also contribute to an increase in crime, or at least increases in the cost of ensuring public safety. Meanwhile, there's the likelihood of more white-collar crime when gamblers who lose too much in the casinos try to make up their losses by stealing from employers or institutions.

How will it be regulated? "if you're going to have gambling as public policy, you have to have regulation," says Yoshihashi. The Wall Street Journal reporter suggests that communities consider imposing a waiting period between the time someone leaves the industry and the time the person can serve in a regulatory capacity, and vice versa.

David Johnston of The Philadelphia Inquirer adds that reporters should find out, for example, whether a tax agent will be required to be on hand when money is counted, and how much casino operators will have to disclose about their business relationships with those in the community. He also suggests looking into whether the casino will permit credit gambling, which he says creates a host of problems, and whether there will be stiff penalties for casinos that permit underage patrons to gamble.

Regulation is a particularly big issue at casinos on Indian reservations because their sovereignty status has put them into something of a regulatory limbo. A recent article in *Gaming & Wagering Business*, a trade magazine, raised allegations of misuse of funds, ties to organized crime, and sexual harassment at one reservation-based casino in Minnesota.

Chris Ison, one of five reporters at the Star Tribune who cover gambling in an unusual team approach, says he is aware of the allegations, but has yet to explore them in depth. Ison has uncovered and reported on other forms of wrongdoing, some of which involve the regulators themselves. Last year, for example, he co-wrote a piece revealing that the area director of the federal Bureau of Indian Affairs was receiving cash vouchers with which to gamble when he made regulatory visits to a casino.

The bottom line. In general, gambling needs to be covered like other economic development proposals -- glitz and hype notwithstanding. Journalists should not forget that they may be the only ones able to cast a skeptical eye on plans to expand legalized gambling in their community.

"Remember, this is an industry that's in the business of selling illusion," says David Johnston. "And it begins long before the casino ever opens."