



Top Urbanists Agree: Casinos Ruin Cities

Alongside all the moral arguments against gambling, it turns out casinos simply are a bad investment.

Aaron Renn | posted 5/09/2013

In a country with an estimated 1,500 casinos and more than 2 million weekly lottery players, it's hard to believe that as recently as 1975, Nevada was the only state that allowed casino gambling, and the vast majority of states did not have lotteries. Now it seems that every day we read about a proposal to expand casino gambling, and the urban casino appears headed toward ubiquity.

Not that long ago, most casinos were limited to Native American tribes and riverboats and operated in smaller, economically depressed communities like Gary, Indiana. But gambling laws have progressively liberalized, and today casinos are now penetrating the downtowns of major American cities.

Casinos are often touted for their ability to stimulate tourism and therefore a city's economy. But more practically today, they are explicitly targeted at raising tax revenues, as cities and states are under extreme fiscal duress and raising taxes is politically difficult.

Both of these reasons converge in Detroit, where there are three casinos and a fourth across the river, in Windsor, Canada. [Detroit](#) is clearly in desperate straits, with massive depopulation, job losses, disinvestment, crumbling public services, and a mountain of liabilities so high, the state called in an emergency financial manager to oversee it. But even healthier but fiscally challenged cities such as Chicago and Toronto have mayors who are aggressively pushing downtown casinos.

The pro-casino argument is this: Few tools in the government toolbox will generate the jobs, tourism, and revenue that casinos would. Also, given the relentless expansion of gambling, building a local casino can be seen as an almost required defensive measure to keep money local so that residents don't drive to the next town and spend all their money there. Clearly there's some legitimacy to these arguments. And no one can deny the major fiscal problems our state and local governments face.

Traditionally the arguments against gambling were that it is morally wrong and that it preys on the poor, the unsophisticated, and the gambling addict. But when it comes to downtown casinos, there's another way to look at it: Urban casinos are also counterproductive to economic health.

A Foolish Investment

Economist Richard Florida [sums it up](#) well, regarding a proposed Toronto casino: "Toronto's business leaders like to think that they are helping to build a great global city, but casino building is city-ruining of the highest order. Virtually every serious study that has ever been done of the economic impacts of casinos shows that their costs far exceed their benefits and that they are a poor use of precious downtown land."

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The practical problems with urban casinos are manifold. Start with the fact that unlike Las Vegas, most casinos attract a primarily local or regional audience. Thus, a casino does not draw many tourists to a city. The money that gets gambled away in the casino would otherwise be spent on other entertainment options in the city. Conventioneers and such who are already coming for a visit may spend money there, but again, that is likely money that would otherwise have been spent elsewhere in the community. Casinos may attract suburbanites to downtown, but downtown and the suburbs are part of an integrated economy, and shifting spending around within a region has no effect on a metropolitan area's economy.

Also, urban environments thrive on mixed uses, pedestrian traffic, street life, and attractions that feed off one another in an integrated urban fabric. The casino is the antithesis of this. Casinos are focused inward. They want to keep gamblers inside as long as possible. Gambling floors are large, relatively dark, windowless rooms with lots of bling and sound and no clocks. They are designed to suspend a sense of time and place. The casino may have some mixed use in terms of restaurants, shopping, and entertainment, but it is all inside the facility. The last thing any casino owner wants is a patron who leaves to go do something else.

Casinos are generally also large footprint buildings that are inefficient users of downtown land and require vast amounts of parking, much like a suburban mall.

If all of this is starting to sound familiar, it's because many of these qualities are also true of stadiums, another politically popular downtown development that economists have roundly panned as a waste of public resources. The big difference being that with stadiums, fans may actually visit bars and restaurants outside the venue. In fact, I like to think of casinos as basically like publicly subsidized stadiums, only worse.

Other features of casinos raise eyebrows. In Detroit, for example, the Motor City Casino is owned by Marian Ilitch, of the billionaire family who owns Little Caesar's Pizza and the Detroit Tigers. The Greektown Casino is [being acquired](#) by billionaire Dan Gilbert, who owns Quicken Loans.

Gilbert is a particular advocate of urban casinos. His Rock Gaming LLC owns casinos in Cleveland and Cincinnati. He [spearheaded](#) the effort to amend Ohio's constitution to permit gambling, leading a group that spent \$47 million to get it passed. Gilbert's constitutional-amendment initiative did much more than allow casinos, however. It permitted casinos on only four specific properties—properties controlled by the referendum backers—and thus granted them exclusive rights to open casinos. It exempted their casinos from zoning or most other types of local control, authorized them to operate 24 hours a day, and specified a very low license fee of only \$50 million per casino to the state. It also permitted them not only to run any game currently allowed by any surrounding state, but also any game those states might approve in the future. It's undoubtedly one of the most incredible constitutional amendments in United States history.

That local influential billionaires control most casinos, which operate in a highly restricted environment and thus are not exposed to the forces of the free market, is certainly troubling on its face. And when you look at the political machinations behind some of these, it becomes even more dubious.

But perhaps the easiest case to make against urban casinos is that there is no obvious case study for how a downtown casino in a major urban center has had a positive effect. It may well be that they generate revenue for the city and state. But it's hard to name a place where *prima facie* they've had major positive impacts on development.

Much more important than casinos is attracting businesses and residents. Gilbert himself has actually done remarkable work on this front in Detroit. He's moved several of his own businesses downtown from the suburbs, encompassing thousands of employees. Many of their employees have moved into the city. He's also invested many millions into other downtown real estate. This type of investment, much more than dubious casino projects, has been the real driver of any improvement in central Detroit.

While people of faith in most cases have not been able to successfully shut down casinos on purely moral grounds, the Bible's warnings about choosing economic expediency (as in "the fleeting pleasures of sin") over long-term wisdom are very applicable and may perhaps be more effective. After all, it's very clear that cities, just like people, end up reaping exactly what they sow.

Aaron Renn, "[the Urbanophile](#)," an urban affairs analyst, entrepreneur, speaker, and writer on a mission to help America's cities thrive in the 21st century. He has written for This Is Our City about [Detroit](#).