

## House of Cards

### Will Massachusetts voters rescue their state from Deval Patrick's gambling law?

**Christopher Caldwell**

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#### *Boston*

When Massachusetts voters go to the polls in November to pick their next governor, they will also define the legacy of their last one. You might think that legacy had something to do with liberation. When Deval Patrick came to power in 2006, all the talk was of his being the first black this and the first black that. A product of Harvard, the Clinton Justice Department's civil rights division, the corporate suites of Texaco and Coca-Cola, and the boardrooms of America's biggest subprime lender, he somehow satisfied a lot of his voters that they were striking a blow for outsiders. Funny. In his first days as governor, Patrick intervened with Citigroup's Robert Rubin on behalf of his former company Ameriquest. He replaced his predecessor Mitt Romney's Ford limousine with a Cadillac Escalade. More recently he appointed his chief of staff to John Kerry's vacant Senate seat. Last week he fired the head of the Massachusetts sex offender registry in part because of her handling of his brother-in-law's sex-offender status. His only claim to be an outsider is that he had just moved to the commonwealth when he ran in 2006.

One issue alone obsessed Patrick throughout his eight years as Massachusetts governor: giving international gambling corporations a foothold in the state. Question 3 on November's ballot calls for overturning the "Expanded Gaming Act" Patrick pushed through in 2011. That bill called for three "destination" casinos and one slots parlor. The state would claim a quarter of the take in taxes (half in the case of the slots parlor), producing around \$400 million in annual revenues.

Although Massachusetts is overwhelmingly Democratic, it is not as liberal as it looks. Patrick's legislation pitted certain key constituencies of the Obama-era Democratic party (billionaires, slum mayors, and non-workingmen who claim to speak for the defunct labor movement) against

those the Democratic party has traditionally represented. Now, just as construction was about to begin on the MGM casino in Springfield, and just as Steve Wynn was being awarded a casino contract worth billions outside Boston, a grassroots movement among those traditional constituencies is bidding—against all-out opposition from the governor’s allies—to do away with casino gambling altogether.

A generation ago, Nevada and Atlantic City were the only places in the country people could gamble. There are now casinos in 38 states. They hold close to a million slot machines. Americans lose \$119 billion a year gambling, which is more than they spend on watching and playing sports. Casinos have spread rapidly since the 1990s. They allow politicians to raise money not through taxation but through tax-farming. Instead of forthrightly asking overburdened citizens for more in taxes, state governments can, in the style of moribund autocracies, protect a monopoly for gambling moguls and prosper from their predation.

State-sponsored gambling is a bit like health care reform—when people first hear the vague outlines of a cost-free reform, they like it. Patrick’s plan for casinos was popular when he initially broached it shortly after his election. Gambling creates jobs, and not just for prostitutes and drug couriers. What is more, Connecticut, which shares a long border with Massachusetts, has two huge Indian casinos. Once neighboring states have gambling facilities that your citizens are using anyway, better to share in the profits along with the public expenses for addiction counseling and suicide hotlines. Or so the reasoning goes.

On closer examination, though, every route to casinos leads to a situation worse than the status quo. Look at Atlantic City. In recent weeks, four of its big casinos—the Atlantic Club, the Showboat, the Revel, and the Trump Plaza—have closed, with the possibility of a fifth closing in November. It was in an elevator at the Revel, which opened only in 2012, that former Baltimore Ravens running back Ray Rice, perhaps exuberant from the night’s “entertainment,” knocked his fiancée out cold last winter. What happened in Atlantic City seems obvious. Its gambling industry is viable as long as it can suck profits out of six states and pay the damages for only one. Recent expansions of gambling in metropolitan New York, eastern Pennsylvania, and Maryland have wrecked New Jersey’s model of legalized gambling. Perhaps the Deval Patrick method—which does not legalize gambling but allows the state to grant local monopolies—will work better fiscally. But it will not bring jobs or improve the local economy. Casinos often wind up costing states money. Three decades after Atlantic City introduced gambling, the city has a 13 percent unemployment rate. Its number of “eating and drinking establishments” has fallen from 242 to 142, according to the nonprofit Council on Casinos. It still lacks a major supermarket.

In Massachusetts, the case for jobs is most often made by the casino industry. The pro-casino Committee to Protect Massachusetts Jobs is run by MGM Resorts International and Penn National, two of the beneficiaries of the casino concession. Whether the jobs are going to be filled by the people who vote for them is open to question, since the committee’s Facebook page promises:

Vota ‘No’ en 3 este noviembre para crear 10,000 trabajos permanentes de buena calidad y 6,500 trabajos de construcción—trabajos con compensaciones cerca a los \$45,000 anuales incluyendo beneficios.

It sounds like Massachusetts's problem is not so much one of creating jobs as of enforcing immigration laws.

Mayors of the very poorest Massachusetts cities—Springfield, Everett, Chelsea—have tended to be most accepting of gambling. But Joseph Curtatone, anti-casino mayor of Somerville, has been categorical: “You can’t find one example of a casino improving the quality of life or the economic outlook of a state or region.” Les Bernal, the director of the national organization Stop Predatory Gambling, notes that in certain states, the number of people on the “self-exclusion” list—the list of presumed problem gamblers who ask casinos to bar them from doing further damage to their lives—exceeds the number of jobs created. By extension, the number of families wrecked by a gambling problem may exceed the number of families buoyed up by a job.

Perhaps Americans have not yet fully taken the measure of the kind of society they now live in. They seem unfamiliar with the first rule of life in corrupt countries, which is: Just because nobody wants something to happen doesn’t mean it won’t happen. There was never any public clamor for casinos in Massachusetts, nor is there one now. The demand for casinos comes only from casinos, and from those politicians whom casinos will owe for their windfall.

In recent years, these pro-gambling activists have tended to be Democrats, although there is no obvious ideological reason that this should be so. The Indian Gaming Regulatory Act, which opened the floodgates to expanded gambling, was passed during the Reagan administration, and Republicans were arguably more eager proponents of gambling in the 20th century. Reagan-era RNC chairman Frank Fahrenkopf became head of the gambling industry’s trade association. The casino mogul Sheldon Adelson (a Boston native, strangely absent from the negotiations over casinos there) is something of a kingmaker in Republican politics. But the scandal of Republican lobbyist Jack Abramoff, who was jailed in 2006 for infractions related to irregular Indian gambling concessions, dampened Republican enthusiasm for pushing gambling.

A handful of Democratic governors have taken the lead since then: Ed Rendell of Pennsylvania, Kathleen Sebelius of Kansas, Martin O’Malley of Maryland, and Patrick. For them, casinos have been not just a policy option in their own states but a fundraising model for the whole party. Gambling interests have been pivotal in funding so-called 527 organizations, which can participate in campaigns without disclosing their donors, so long as they don’t coordinate with candidates. The consultant Craig Varoga, who worked with David Axelrod and Rahm Emanuel in the early 1990s, helped set up big 527s that backed not only Deval Patrick in 2006 but also the successful 2007 Kentucky governor’s campaign of Democrat Steve Beshear, who has fought year after year, thus far unsuccessfully, to bring casinos to his state.

Perhaps because of the influence of 527s, pro-casino politicians have not just been determined—they have been relentless. When the New Hampshire house voted 173-172 against casinos last spring, it was the third vote in two years. There will be as many more as are necessary, and money will be no object. As in other matters where the money is all invested on one side, from European Union expansion to gay marriage, 99 nos and 1 yes make a yes. Casino interests do most of the social science research in gambling, in a way that is reminiscent of the role of tobacco companies in smoking research. The American Gaming Association sponsors the National Center for Responsible Gaming. (Of course, any organization that refers to gambling as

“gaming” deserves about as much credence on the matter as one would accord a “people’s democracy” on matters of democracy.) Casino interests also give to the media. Harrah’s Entertainment donated \$1 million to WGBH, the Boston public broadcaster, for a series on caring for one’s aging parents.

Gambling’s role in capturing the Democratic party for big money has occasioned anguish among those who think of theirs as the party of the common man. Whom to back? The people who bankroll your party or the people your party claims to represent? The only one of the four leading candidates in the recent Massachusetts Democratic primary for governor to oppose casino gambling unequivocally was President Obama’s former Medicaid administrator Donald Berwick. Maybe that was naïve of him—as naïve as thinking that a recess appointment from an unpopular president could be the launching pad for a career in state politics. On the other hand, Democratic attorney general candidate Maura Healey ran the most successful primary campaign of the season by addressing casinos directly. She called casino gambling the state’s number-one consumer-protection issue. Standing in Springfield, where the mayor hopes slot machines will soon have the city’s underclass designing software and eating *insalata caprese*, she said, “When I see casino gambling, I see predatory lending, I see personal bankruptcies, addiction, prostitution, and organized crime.” She clobbered her closest rival, the former lieutenant governor nominee, Warren Tolman, by 24 points.

This contradiction—between the party’s money and the party’s heart—leaves Democratic politicians ambivalent. But as long as Sal DiMasi of Boston’s Italian North End was speaker of the house, the common man’s view of gambling’s merits won out over the plutocrat’s view. That changed when DiMasi—alas, alas—was sent to prison and replaced by Robert DeLeo, a broker of deals along the lines of his near-homonym Tom Delay, in 2009. DeLeo’s interest was in rescuing the struggling Suffolk Downs horse track, where his father had once worked. His solution was to stick a bunch of slot machines in there.

Thick-browed locals in leather jackets running a slots operation down at the track is not what Patrick and his gilded backers had in mind. Patrick insisted that the kind of casinos he wanted were “destination casinos”—places where high-rolling tourists arrive from some other part of the planet and transfuse the region with cash. Las Vegas was like that in the 1960s, but it is a pipe dream in today’s casino market. Casinos make the vast majority of their money not through glamorous games like blackjack and roulette but through slot machines. In 1980, 45 percent of floor space in Nevada casinos was taken up by machines; today, it is 77 percent. Bluntly put: Casinos take their money off the dinner tables of people who live down the street. Patrick initially rejected DeLeo’s plan, but it wound up as the compromise on which the 2011 bill was built. DeLeo’s vision of a revived Suffolk Downs humanized the casinos. Remember when the Beatles played at Suffolk Downs? Remember when Suffolk Downs was the center of a horse-breeding economy? It seemed like a straightforward deal had been struck under which DeLeo would sell Patrick’s casinos to the legislature if Patrick would help out DeLeo’s neighbors in East Boston, Revere, and Winthrop. It didn’t work out that way.

The conscience of the Democratic party—that is, the reservations of people like Berwick and Healey—was not just for show. It had its effect. One result is that expanded gambling came accompanied by a five-person Gaming Commission. Maybe it was designed to be a puppet of the

top ranks of the Democratic party. One member would be picked by Patrick, another by attorney general Martha Coakley, another by treasurer Steve Grossman, with the remaining two picked by the bunch of them together. On the other hand, casino opponents insisted that high ethical standards be written into the law governing the commission. When a business partner of the commission chair was found to have had an interest in a land parcel to be sold to casino mogul Steve Wynn, the chairman recused himself. The commission investigated the ties of one bidder, Caesars Entertainment, to a Russian mafia-connected hotelier, at which point Suffolk Downs dropped Caesars as a partner.

And the legislation expanding gambling called for a local option. Any town that would be the home of a gambling palace would get to vote on it, and towns began to reject casinos left and right. In 2011, Wynn, who had the support of New England Patriots' owner Robert Kraft to build a casino next to the Patriots' stadium in Fox-borough, found himself the subject of a small-town popular uprising. The plan was voted down. In Holyoke, Alex Morse, born during the George H.W. Bush administration, got elected as the youngest mayor in the United States on an antigambling platform and has since been reelected. Boxboro followed Foxborough. Tewksbury said no to a casino. The Connecticut casino Mohegan Sun had a plan rejected in Palmer last year. And—shockingly—working-class, Italian, Catholic, loyally Democratic East Boston, home of Suffolk Downs, said no last November to the casino that DeLeo and Patrick had planned for it. Out of this East Boston opposition, led by a local computer scientist named John Ribeiro, arose a group called Repeal the Casino Deal. Ribeiro and former state attorney general Scott Harshbarger, who recalled seeing Southern communities “sucked dry” by casino gambling when he visited them in the 1990s, were behind the drafting of the referendum question to be put to Massachusetts voters this November to do away with casino gambling altogether. That is where the big political battle began.

A referendum question can go on the ballot as long as there is nothing in it that explicitly violates the constitution and the requisite signatures have been gathered. Since this question involved a simple reversal of a legislative vote, certification appeared pro-forma. But attorney general Martha Coakley, who is supposed to sign off on referendum language, is running for governor. She is still smarting from her loss to Scott Brown in the 2010 special election for Ted Kennedy's Senate seat, a loss that many Democrats attribute to a lack of enthusiasm for her among organized labor.

She refused to certify the question, on the grounds that changing the law would constitute a “taking.” It was a weird opinion for a lawyer to hold. Under this logic, no state decision could ever be reversed that would result in the loss of a state contract. We would have to fight the Iraq war forever, lest a ceasefire damage the interests of Blackwater or Bechtel or some other contractor! Stranger still, Coakley admitted that the license wasn't private property, but (to the extent one can follow her logic) asserted that the right to apply for one somehow was. To say that this view was laughed out of court would be a fair description. In June the state's Supreme Judicial Court, in a 7-0 ruling, wrote: “We reject this distinction and this departure from common sense.”

In September, the Gaming Commission was set to rule on which of two sites would be awarded the casino contract for metropolitan Boston. There were two bids: one for Suffolk Downs by

Mohegan Sun, one for the decaying marshland highway town of Everett by Steve Wynn. At this point the Suffolk Downs bid, the *raison d'être* of house speaker DeLeo's surrender to national gambling interests, had turned into a joke. After the rejection by the voters of East Boston, a plan that had once taken up the whole of the racing complex had been redrawn so it could be squeezed into a corner of the track that lay over the border in Revere. Mohegan Sun's role in the bid was frighteningly unclear. Sixty percent of its capital seemed to have been put up by some opaque Cayman Islands-based entity. As soon as the commission euthanized the bid, Suffolk Downs announced it would close the racetrack. "What's depressing is we worked so hard to get that gaming bill passed with the idea that it was going to save the farms and save racing in Massachusetts," horse farmer George Brown said to the *Globe*.

The winning \$1.6 billion Everett package was the product of considerably more savvy. Wynn generously bankrolled Barack Obama in 2008, but his Wynn Resorts has subsequently given hundreds of thousands to the Republican Governors' Association. His lead lawyer on Massachusetts gambling issues is former Republican governor William Weld. Wynn had promised to clean up an estuary laced with lead and arsenic left by a Monsanto plant that closed in 1992. He had promised water taxis. On being awarded the license, he rejoiced that Cathay Pacific and Hainan Airlines had just announced nonstop flights from Beijing and Hong Kong to Boston. "You have no idea what a big deal this is," he said. (Anyone familiar with the prevalence of problem gambling among East Asians knows exactly what a big deal it is.)

There were, however, problems with the Everett bid. Three owners of the Everett plot had been involved with a convicted felon (and friend of Everett mayor Carlo DeMaria), Charles Lightbody, according to Andrea Estes of the *Globe*. Lightbody had reportedly even been a partner in the deal at one point. He has been banned from two New England mega-casinos for infractions there. One of the owners had borrowed money from Lightbody to buy it. Lightbody had been recorded in prison saying he was going to make a pile selling the property to Wynn. An associate of Lightbody's had bought a strip club near the site and stood to make 3 percent on the deal as a "consultant slash lobbyist," according to Gaming Commission investigator Karen Wells.

Construction on both the Springfield and the Everett casinos is on hold until it is determined whether Massachusetts residents will tolerate casino gambling at all. In June a *Boston Herald* poll found only 37 percent want casinos in the state. More recent polls have shown an edge for the pro-gambling side. That is ominous for the enemies of casinos. The economist Earl Grinols has written of a rule of thumb in referenda: The casino side loses when it does not outspend its opponents by at least 75 to 1. An imbalance, albeit smaller, appears inevitable in Massachusetts. According to the website Wicked Local, foes of casino gambling have 40 times the number of donors but only one-seventh the money. Of the \$1.78 million that the above-mentioned Coalition to Protect Mass Jobs has raised, \$1.77 million comes from the gambling companies.

Even if one would not want to bet on Massachusetts voters' overcoming the casinos' funding advantage, the 2011 law was a backroom deal that voters never swallowed. It was pushed on the state by a governor who had arrived via Chicago, Washington, New York, and Atlanta, and clearly saw no reason why Massachusetts ought to aspire to have an economy or culture different from that of Las Vegas. Casinos are a big risk even for economically desperate states such as

Mississippi. For Massachusetts, which is perennially among the half-dozen richest states, the risks are unfathomable. The reasons for Massachusetts's success are rather straightforward. First, it is socially stable. Second, in an information economy, it has a premier information infrastructure, consisting not just of universities but also of hospitals, banks, and laboratories. Other states have striven to turn themselves into such a place, but there is no magic formula. Richard Florida and other theorists of the "creative class" have tried to find one. None has suggested turning your capital city into the sort of place that people visit for the hookers.

*Christopher Caldwell is a senior editor at The Weekly Standard.*

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