

## **Personal Statement from the BGA's Executive Director**

Our city is faced with a public policy issue that may change the color of our social fabric for the next thirty years. Our purpose has been to try to accurately define benefits and costs so as to balance the equation when considering Casino Gambling for Chicago.

This has been difficult due to the chronology of events. First, the city has not followed the normal planning process. The Mayor simply bought into the idea. He then appointed a fact finding group that everyone acknowledged from the beginning was merely a rubber stamp. They never even seriously debated the issue before reaching their decision. They made no attempt to investigate or analyze key issues by contacting the obvious experts across our country. They relied essentially on local responses. Their report makes no attempt at comprehensive fact finding.

The Mayor's office then adopted a campaign strategy to convince citizens to support this particular proposal. In a highly unusual approach, with the mayor in the role of chief salesman, the city government worked hand-in-hand with the casino owners and their PR firm to sell us on the project. The accounting firm who supposedly ran objective projections for the Mayor's Committee has joined them, appearing as an advocate, at the Mayor's press conferences. As a result, the Mayor's position 1) encouraged polarization 2) fostered misinformation and contradiction 3) shut the city out of state resources 4) discouraged honest review of social costs and other negative impacts and 5) foreclosed on open bidding process.

The Mayor had abdicated his responsibility to sit in judicial review on behalf of our citizens. This was in direct contrast to Harold Washington's role in the library dispute, where he let a raucous public debate continuing for months out of which Chicago's citizens got the "best deal," a competitive bidding process, a beautiful world-class library on time, on budget. I said after the debate "it was quite a battle, Mr. Mayor "and he said "I was hot, but we couldn't have gotten it (the library) a week sooner."

Out of that no-holds barred debate truth emerged and Harold in the role of Judge, recognized it at the appropriate moment. We still believe that this was a model, not only for Chicago, but also for the country on how to approach large public works projects. In this debate we've found it difficult to separate fact from fiction and truth from sales pitch.

It has been difficult to isolate, discern or agree upon a relevant set of facts. This is something that probably should have been done during the usual planning process. But we skipped that. We're now in the midst of a process in which obviously exaggerated, often phony and sometimes staged by the city, claims are made by the proponents. They are followed by emotional responses made by opponents citing the sleaziness and immorality of gambling. Much of this heated debate is completely uninformed.

It would appear to have been the city's responsibility, probably in conjunction with the state, to put together an objective panel to come up with an honest set of agreed facts and projections. Had this been done, much of our work would have been unnecessary. The debate would have concentrated on the weighing of these facts. But that didn't happen, so let's look at individual issues:

REVENUES: Having found, through their focus groups, that Chicagoans believe this is a regressive closed circle in which we all take in each other's laundry and produce nothing, the proposal was sold rather as taking the money from tourists. But even Deloitte & Touche says that 58% of the players are locals.

TAXES: Why merely 10%?

JOBS: We have three different views: - 66,000 - 36,000 - 15,000. It could be any of the three, based upon whose hypothesis you choose to adopt. Both the mayor's office and the casino owners have chosen to sell the project on the basis of new jobs. It is interesting that the proponents didn't suggest the alternate sales pitch, social gains from additional revenues. One may understand this by examining their public relation documents, Jewel in the Crown and PR Battle Plan, in which they found that Chicagoans simply don't believe the additional money will effectively cure social problems because of the Atlantic City experience and our own experience with the lottery.

The casinos take the position that how the additional revenue is used is up to us. They have chosen rather to sell us on the jobs idea. It would seem to be unusual for the casinos that are here, after all, to take away our money, to assume the responsibility to furnish our city with jobs.

Further they found we're not interested in low-pay desperation jobs. Thus they run full page ads promising 66,000, stable career path jobs, earning \$30,000 per year and infer that the black men and women from the inner city shown in their ads will get these jobs through a strong affirmative action plan. Sounds good. Consequently we have tried to determine the validity of this claim. We set out to check these facts since government statistics in the state of Nevada pointed to generally low wages in these types of jobs. Furthermore, court cases in Nevada indicated no job security. Many employees are fired "at will" in Las Vegas. Affirmative action studies pointed out the history of discrimination in their facilities, and when forced to adopt quotas by the Federal District Court edict, they failed to meet the quotas.

We decided to investigate on the ground in Las Vegas. What we found confirmed the State Data.

We found our highly qualified black investigator unable to get a job in the casino owners' facilities, having applied for openings in various positions. Another investigator got a job at Caesar's Palace as a Keno runner. She found it a low paying, temporary job with no benefits, and no future, in an atmosphere of sexual harassment.

We discussed the job situation with academics, union officials, and representatives of the NAACP who traced the history of discrimination, and lack of contribution to the local minority community. The New York Times had referred to Las Vegas as "Mississippi West." They told us of the low numbers of blacks in 'front house' and management positions such as dealers, in contrast to high numbers of minorities in 'back house' jobs such as maids. We then counted noses in their facilities and reaffirmed these conclusions.

We interviewed some of the 37 older dealers fired by Hilton for no reason. We found no job security or stability.

The question thus becomes, "Will these companies with bad records on affirmative action change when they come to Chicago?" Can we believe them? Can they be forced to comply by legislation when they've failed to meet court orders elsewhere?

Why not simply admit these are low paying unstable jobs. After all, one can argue that people still want and need them, and that all jobs are socially beneficial. Indeed, the fundamental question is why keep overstating the case. It precludes an honest exchange of ideas on this crucial decision for our city. A rational answer is to admit the obvious. They're kidding no one in Las Vegas. When we asked one man on a street in West Vegas about getting a casino job he simply laughed. "It's a joke," he said. His opinion corroborated our findings in Las Vegas.

If we look at the positives: additional spending, higher tax revenues, and new jobs (somewhere between 15,000 and 66,000). Not the greatest jobs. But still jobs.

Now on the negative side:

The overwhelming question, which was suggested by a high-ranking Nevada State official, is "Isn't this simply an extremely regressive tax on the poorest people in our society?" And is this therefore any way to run a government? To run a city? To run a country?

We all know from prior BGA investigations that the Illinois Lottery Statistics are obnoxious. We found that Black people from the inner city were playing the lottery at six times the rate of suburban whites, with the result that Chicagoans were subsidizing suburban schools. Thus the lottery which promised to solve our school problem failed.

The Mayor, while criticizing the lottery, has brushed off any moral issue connected with casino gambling. "We're past that," he's told us. But he misses the point. The moral question is not about gambling but rather the morality and ethics of running government off the backs of our poorest citizens.

But is this proposal really regressive? We've found that for a number of reasons, ease of play, immediate repeated gratification, and reinforcement, that slots fundamental appeal is to the low end "grind market." That Las Vegas has become "slot driven." That in twenty years Gaming Commission stats show that the ratio has flip flopped from 70% table games and 30% slots to 60% slots and 40% table games. Will it be like that in Chicago?

The proposed Chicago casinos have almost twice as many slots per casino as Las Vegas or Atlantic City. Clearly slots and Video Poker are the wave of the future. But their demographics are extremely low end.

The Mayor's office continues to maintain we'll have an admission charge of \$45 to keep poor people out. But the Nevada gaming people tell us that the casino owners cannot operate under such constraints, that they need mass numbers, that economics dictate casino operations. Further, representatives of the operators testified at our hearing that they cannot accept an admission charge.

And yet, naively, members of the Mayor's Commission continue to suggest that this will really be like Vienna, Budapest, or Monte Carlo. In fact, their PR plan suggests that if he sold it this way. 'London, Amsterdam, Paris, Cairo'... once these cities surface in-group discussions the entire flavor of the conversation changes. European casinos are designed to prohibit play by the local population and to appeal to tourists and high-end players. In London you must be a member. Monaco forbids its citizens to play. Vienna is heavily taxed. Nevada gaming analysts say "forget it, European gambling will not work in America. There are no more high rollers. We need low end players to make it work." Here 58% of the players will come from within a 35-mile radius. Indeed, the whole project like Las Vegas is aimed at the low-end market. This will not be Monte Carlo or Vienna. Indeed one international expert who read the Mayor's report said "Vienna? This is fantasy

land."

### **Compulsive Gambling**

In Nevada the industry doesn't even admit a problem exists. There is no recognition of compulsive gambling or the social costs that go with it. The Mayor's Commission found no social costs and instructed Deloitte & Touche not to bother to quantify them. They suggest that there's no academic research to support these costs. They also suggest that compulsive gamblers are already here and casino gambling will not increase their numbers.

In a sense these findings symbolize the debate, which is sometimes at the level of "bar talk." It once again avoids an understanding of the nature of the casino. A casino is not a lottery or a racetrack. The frequency and intensity of the action distinguish it. New games hook new people. Dr. Hunter of Las Vegas talks of compulsive gamblers' personality alterations when "in action." He says he'd rather be a heroin addict, and compares the addictive nature of video poker as the "crack cocaine" of compulsive gambling.

There is unanimity among America's academic authorities Shaefer at Harvard, Jacobs at UCLA, and Lesieur at St. John's. Teenagers who participate in casino gambling in Las Vegas and Atlantic City in stunning numbers are providing America's newest wave of compulsive problem gamblers. We found no attempt to stop their drinking and gambling in casino facilities in Las Vegas. Five percent of teenagers exposed to casino gambling will invariably become compulsive gamblers. These are gamblers in training. Of these, between 1.4 to 2% will become pathological gamblers. Over 80%, of these people will commit crimes in high numbers to support their gambling. Thirteen percent of New Jersey's prison population is incarcerated for crimes committed to support gambling habits. They will run up debts and almost 1/3 will attempt suicide.

Dr. Hunter suggests that 5% of Chicago area players exposed to casino gambling may be a low figure for problem gamblers. Dr. Politzer estimates social costs in excess of \$50,000/year/gambler. Any cursory review of the academic literature will indicate the tremendous social residue from casino gambling. We interviewed academics from coast to coast and found surprising agreement on the effect of casino gambling. We also found the Mayor's Commission had failed to contact any of these experts. Surprisingly, the chairman of the Public Concerns of the Mayor's Committee told me there were no social costs in Vienna. More fantasyland.

### **Crime**

In examining the casino operators' focus group findings, we see Chicagoans are afraid of added crime. Thus the proponents stress tourism and the fact that crime will happen to tourists not Chicagoans. As part of their PR push they maintained that there will be no additional crime in Chicago due to the casino project. At the same time in California in order to defeat gambling on Native American reservations, they adopted a PR plan which stressed the evils of casino gambling, including the message that casino gambling will bring increased crimes, prostitution and laundering drug money.

At the same time, internal documents in their Chicago PR offensive contained this startling admission: "Everyone knows crime and gambling go hand in hand and no amount of statistics will ever convince Chicagoans otherwise." Thus, once more, double talk and misinformation has muddled the public debate with the consequence that it's very difficult to determine the quantity of new crime.

Again the academics are unanimous in maintaining that casinos in and of them create crime not necessarily present in a tourist facility. Clearly our statistics show crime exploding in Atlantic City, Las Vegas, and Orlando.

Some statistics stand out:

An analysis of prisoners in Washington D.C. showed high percentages of inveterate gamblers. Whereas Las Vegas is now 82nd in crime rate, in the early 1980's it was first. After a massive, costly crackdown they now incarcerate 10% of their total population.

Similarly we know that academic studies indicate that casinos export crime. That lawyers who run up gambling debts in Atlantic City then return to New York and embezzle from clients. Professor Hakim's studies show crime rates exploding in suburbs lining expressways into Atlantic City. Obviously police budgets have grown proportionately 69% in Las Vegas between 1986 and 1991. How much more will it cost in Chicago? It is difficult to say. But we know based on other cities' experiences that it will take a massive increase in police and criminal justice facilities to handle the volume. A large number of the Job! Jobs! Jobs! that the casino will bring, according to Professor Lesieur, "will be prison guards and police investigators".

### **Organized Crime**

The Mayor's Commission suggested that additional organized crime connected with the casinos can be controlled. If this were not so serious that statement would be laughable. Never in any city in America have the law enforcement authorities "controlled" organized crime.

In my many years at justice I have never even heard the term used. We brought before our panel Kurt Muellenberg, former Chief of the Organized Crime and Racketeering Section of the Justice Department, who led 200 lawyers in strike forces in 20 cities across America. He is the top American authority on the subject. He said "It can be controlled, but not at a price I'd be willing to pay." The casino operators in their PR plan suggested that Chicagoans should merely "view the mob as businessmen." Muellenberg called this suggestion "ludicrous." He says, "it is an ongoing struggle, every time you take another look you are dealing with a new generation of people who are trying to do the same thing. It's not like a war when you win and you can raise the flag and go home. Organized crime by definition is an ongoing activity."

A number of obvious facts which stick out:

Increased casino gambling will produce more bettors who will bet on sports. The current volume for illegal sports betting, the main source of Mafia funds, is immense beyond the ability of Justice to even estimate. The casinos will increase that volume. As Gary Shapiro, Chief of Chicago's Strike Force told our panel, "Casinos are cash cows for the mob."

The very union official who presented the proposal to our mayor is an associate of organized crime figures. You may say SO WHAT? Twenty-two thousand Hotel Workers Union employees of local #54, who man the casinos in Atlantic City, had to be taken over by the Department of Justice. As Attorney General Thornburg stated: "It graphically shows how criminals and their willing union followers take control by means of murder, threats and manipulation through their brutal and sometimes deadly acts of violence and intimidation. Members of the Bruno/Scarfo organized crime family have destroyed the integrity of the union and it's leadership."

President Hanley's organized crime associations were set forth in the Justice Department's complaint. The Permanent Investigating Committee of the U.S. Senate chaired by Senators Roth, Rudman and Nunn and including Charles Percy, William Cohen and John Glenn, investigated Mr. Hanley and his union for two years. They found Mr. Hanley to have been handpicked for his position by Anthony Accardo.

Was organized crime "controlled in Atlantic City?"

The mafia founded Las Vegas. While a member of the Cleveland Organized Crime Strike Force, I worked on cases in which the mob infiltrated the manufacturers of the gaming devices, known members of La Cosa Nostra attempted to organize Las Vegas Dealers, and aging Cleveland mobsters continued to receive their cut on skim from the gaming tables.

Everyone in Chicago has observed the seemingly endless parade of prosecutions against organized crime figures, almost all of which have been brought by the U.S. Department of Justice since a succession of States Attorneys have proven ineffectual in fighting even our own mob. They often suggest that you cannot trust these cases to be tried before our Judiciary.

And they are correct, from these cases we've learned that when independent bookmakers try to cut into the mob's betting operations, they are simply systematically killed.

We learned from Mr. Jahoda's testimony, whose gambling expertise Gary Shapiro vouches for, the breadth and scope of the pervasive Mafia activity in illegal gambling in Chicago. And we've learned that they have systematically corrupted aldermen, legislators and judges. The dollar value of the bribe necessary to spring a mafia hit man being \$10,000.

Now is this control of organized crime? Were we controlling it in Cleveland? In Las Vegas? In Atlantic City?

When I was a member of the Organized Crime Section - the President of the United States declared war on Organized Crime. Our charge from the President was to stamp out Organized Crime across America.

If a member of our Organized Crime Section had suggested to Attorney General Robert Kennedy that we thought our goal was merely to "control it," he would have probably thrown him out the window onto Pennsylvania Avenue.

Is the Mayor's Commission serious? Is the Mayor serious?

Finally, a whole new range of issues arise out of the question of where to site the proposed facility. One hundred acres. Twelve city blocks presumably located somewhere near the downtown area. What are the social and real costs of uprooting the hundreds of families or businesses, building new roads, adding sewers, bringing in water, plus other new transportation routes. Why can't the citizens of Chicago be told exactly where this complex will be before we are being asked to approve it. We can't bring back Harold Washington, but at the very least we ought to go back to an intelligent, thoughtful, careful planning process. This project dwarfs both in size and in social implications the huge building projects now underway in Las Vegas and demands the most careful consideration.

## **Introduction**

The Chicago Metro Ethics Coalition formed a panel in May 1992, to address issues raised by the proposal to bring casino gambling to Chicago as endorsed in the Mayor's proposal for a family entertainment center containing four casinos. As an organization financially and politically free to disseminate unbiased data to the general public, our objective was to ventilate the issues and attempt to define the benefits and costs. The wide ranging investigation we subsequently undertook was complicated by the high degree of misinformation filtered to the general public by individuals and organizations which had already taken a position on the issue. There simply had not been an honest or objective look at the proposal.

1. The proponents suggest no negatives. The information the casino owners present to the public is fundamentally opposed to their views revealed in correspondence and public relations documents in Chicago and California. We discovered numerous contradictions on significant issues, such as the following:

### **With regard to crime:**

- Jeremy Margolis, former Chief of the Illinois State Police, "on board" on behalf of the proponents, says in **Chicago** that organized crime is not a problem, that street crime can be controlled, that gamblers are no worse than any other tourists, and finally, that Chicagoans' fear of crime is based upon preconceived notions and not an analysis of the figures." He stresses that "there is nothing inherent in the nature of (casino gambling) the tourist will do which makes them more at risk or makes them more likely to commit crime."
- The casino owners' **Chicago** public relations plan admits that "people know in their hearts that gaming and increased crime go hand-in-hand and there are no facts or statistics that we can use to convince them otherwise."
- In **California**, these casino owners sought to spread the following message: "While legalized gaming may contribute to California's coffers, it will bring with it all the things that follow - increased crime, prostitution, laundering drug money, etc."

### **Concerning jobs and minorities:**

- The casinos ran an advertisement in **Chicago** showing African- Americans demanding jobs: "We want jobs!"

- In their **Chicago** public relations battle plan they admit that economically this may be a closed circle: "Within the 'closed' circle thinking the economic claims for the benefits of the concept are made somewhat dubious," and, "The poor are getting poorer as they gamble away the rent."
- In **California**, these same casino owners' strategy papers even endorsed this message: "As a regressive form of entertainment, legalized gambling in California is most damaging to the minority population."

2. The Mayor's Commission accepted much of the proponents' sales pitch and failed to address major costs of such a proposal, most notably, the extensive social costs. It is clear that the Commission was aware of many negatives and chose to obfuscate them.

Consequently, we began a thorough investigation of the facts. We interviewed experts from Massachusetts to California, concentrating on Las Vegas, the location of most of the proponents' properties. We recorded many of these interviews on videotapes and presented them at hearings. Our academic research and on-the-street investigations confirmed that many of the proponents' claims were questionable.

The emphasis in our report on the negative aspects of the land-based casino does not constitute a particular philosophical bias, but instead an acknowledgement that the debate on the issue has thus far centered on the unchallenged benefits. The City of Chicago Gaming Commission *Report to the Mayor* accepts all of Deloitte and Touche's (D&T) estimates without any apparent questioning. The Commission's report does not contain any estimates or analysis of points which impact negatively on the economic benefits, such as a demographic overview of potential gamblers, the quality of jobs created, or the impact of the trend of legalized gambling on the market for casino gambling in Chicago. The Commission devotes only half a page to "Preventing Exploitation of the Poor," one and a half pages to "The Morality of Casino Gambling," and two pages to "Compulsive Gambling". There is no discussion of underage gambling, nor is there a mention of quantifiable social costs which could be hundreds of millions of dollars. Even the twenty pages concerning organized crime, street crime and public corruption focus primarily on how to "control" the negative impacts without ever achieving an analysis of what those impacts are. Without an objective assessment of the costs of such a complex, it is impossible to conduct a cost/benefit analysis. Given the enormous irrevocable impacts of legalizing land-based casino gambling in Chicago, the superficial information presented to the public must be replaced with an in-depth discussion of these complex issues.

# Social Impacts

## Background:

- Most experts on gambling *do not* hold positions for or against legalizing casino gambling or any other form of gambling.<sup>1</sup> Of those scholars who *do* take a pro or con position on legalized casino gambling, *most* argue that the social costs from the negative impacts of problem gambling, underage gambling, and gambling by low income individuals, raised by legalized casino gambling outweigh the potential economic gains which include the increase in jobs, tax revenue, and economic activity that might result from legalized casino gambling. We have found that no one argues that casino gambling has positive societal effects, except for the purported secondary effects from the economic gains of more jobs and tax revenue. As a result, any debate over the societal effects of legalizing an additional form of gambling centers around the *extent* of the negative social impact of legalized casino gambling.
- Gambling has increased rapidly in the U.S. in the last twenty years. From 1974 to 1989, the percent of the U.S. population that gambles increased from 61% to 71%, while the amount wagered has increased over 1400% from 1974 to 1988.<sup>2</sup> This increase is represented graphically following this section.

Two factors related to the legalization of gambling account for this increase:

- (1) Gambling is more accessible
- (2) Gambling is promoted by the government

- Over the past twenty years, state governments have legalized lotteries in 35 states, riverboat casinos in 4 states, and pari-mutuel betting in several states. The proposal being considered takes the trend in legalizing forms of gambling in an entirely new direction. In the past, casinos have been opened on riverboats and in small towns with the intention of bringing tourists from heavily populated cities nearby. This proposal is different because the casino is being located *inside* rather than *outside* a heavily populated city. A land-based casino has never before been located *inside* a major metropolitan city. In addition, the Chicago area represents one of the largest untapped casino gambling markets in the nation.<sup>3</sup>
- As states have become increasingly more desperate for tax revenue and economic development, the legalization of gambling has become more politically viable. Throughout American history, legalized gambling has become most popular in more depressed economic times.

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1 Those experts cited in this report who do not take a position for or against legalizing casino gambling or any other form of gambling include: Dr. Durand Jacobs, Dr. Rachel Volberg, Dr. Howard Shaffer, Dr. Henry Lesieur, Dr. Robert Hunter, Dr. Henry Steadman, Dr. Valerie Lorenz, Dr. William Eadington, Dr. R. Custer, Dr. L. Custer, Dr. Michael Frank, Dr. Robert Politzer, James Morrow, and Sandra Leavey. It should be noted that many of these individuals do hold strong positions on specific aspects of legalized gambling, e.g. opposition to underage gambling, advertisement of gambling, treatment of pathological gamblers, etc.

2 Commission 1976; Christiansen and McQueen 1990; Found in Lesieur, 1991, p. 1.

3 McCarron, John, television interview, Chicago Tonight, 7/18/92.

## **A. Pathological and Problem Gambling**

In this section, the discussion on the societal effects of the proposed "Family Entertainment Center" with legalized casino gambling will be divided into five categories:

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- (1) Pathological and problem gambling
  - (2) Underage gambling
  - (3) Minorities, low-income individuals, and legalized gambling
  - (4) Casinos in a *Family Entertainment Center*
  - (5) Underlying fundamental issues that need to be addressed
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Throughout the nation, the increased *accessibility* and more *attractive image* of gambling has fed two rapidly growing social problems: (1) Pathological gambling<sup>4</sup> and (2) Underage gambling. The proposed casino entertainment center would increase the *accessibility* of gambling, and would increase the *legitimacy* of casino gambling and gambling in general. The effect of these two factors on Chicago will be an intensification of the social problems of pathological gambling and underage gambling.

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- (1) Experts believe that the percentage of pathological and problem gamblers in the total U.S. population has significantly increased over the past two decades.
  - (2) The legalization of casino gambling in Chicago will increase the number of pathological and problem gamblers.
  - (3) An increase in the number of pathological and problem gamblers will have serious social costs.
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<sup>4</sup> A definition of "pathological gambling" is on the following page.

## (1) Definitions of Problem, Pathological, and Probable Pathological Gamblers:

**Problem gamblers** - Individuals for whom gambling creates serious problems in the life of the gambler and/or those around them. One portion of the category of problem gamblers are individuals who have full-fledged addictions to gambling, while another portion are individuals who are at risk of becoming pathological gamblers.

**Pathological (or "compulsive") gamblers** - Pathological gamblers are those individuals commonly referred to as "compulsive gamblers," "gambling addicts," or "Gamblers Anonymous type of gamblers." Experts on gambling prefer to use the scientific term, "pathological gamblers" when referring to these individuals.

Throughout this report, we will use the term "pathological gamblers" to refer to this segment of the population. Pathological gambling is a subset of problem gambling. Gamblers have a diagnosable mental disorder in which they are addicted to gambling. Pathological gambling is similar to addictions to alcohol and other drugs, possessing characteristics such as withdrawal and tolerance. In 1980, the American Psychiatric Association recognized pathological gambling as a diagnosable mental disorder, more specifically a disorder of impulse control. Problem and pathological gamblers are identified through the use of a set of criteria published by the American Psychiatric Association in its Diagnostic and Statistical Manual III (DSM-III).<sup>5</sup>

An event that took place in a Nevada casino illustrates the highly addictive and incapacitating effects of pathological gambling. While individuals were gambling in the casino, a massive explosion occurred at a nearby rocket fuel plant. The explosion was so powerful that it created a mushroom cloud. After the explosion, people frantically tried to get out of the casino. Amidst the turmoil, 6 individuals, who were probably pathological gamblers, had to be physically removed from the casino; the explosion did not interrupt their captivation by the alternative reality of their addiction.<sup>6</sup>

**Probable pathological gamblers** - This term is used many times when referring to individuals identified as pathological gamblers from surveys. The word *probable* is used because a clinical diagnosis is necessary for individuals to be classified as "pathological gamblers".

## (2) Effect of legalization of casino gambling in Chicago on the

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<sup>5</sup> DSM-III is a reference book which categorizes, defines, and provides guidelines for the diagnosis of every known mental disorder. DSM III has since been revised in 1987 in DSM III-R in order, "To emphasize. physiological symptoms such as tolerance and withdrawal." (Volberg and Steadman, 1988, p. 502) It should be noted that all the studies cited in this report are based on DSM-III criteria, or they are based on the South Oaks Gambling Screen developed by Professor Henry Lesieur and Dr. Sheila Blume which is derived from DSM-III criteria. The American Psychiatric Association's definition of pathological gambling is provided in Appendix A, and the South Oaks Gambling Screen is provided in Appendix B.

<sup>6</sup> Dr. Hunter, videotaped interview, 7/92.

## number of pathological gamblers:

- Legalizing casino gambling in Chicago will increase the number of pathological gamblers. In instances in the past two decades in which gambling has been legalized in one form or another, two major changes have occurred in each state after legalization: (1) Gambling has become more accessible, (2) Gambling is promoted by the government, has become more acceptable, and is seductively packaged. The combination of these changes caused by legalization has had two effects:
  - (1) An increase in the number of people gambling
  - (2) An increase in the number of problem and pathological gamblers
  
- For a number of years, all leading experts on problem and pathological gambling have believed that increased accessibility and acceptability of gambling causes the number of gamblers and the number of problem and pathological gamblers to increase.<sup>7</sup> Despite this, The City of Chicago Gaming Commission stated in its report on the casino proposal that, "There is no research on the effect of introducing a new form of gambling into an area that already has some types of gambling. As a result, we do not know whether the introduction of casino gambling will cause an increase in the number of compulsive gamblers."<sup>8</sup> Following this, the commission concluded that, "We see no reason, *based on the available evidence*, [italics added] to treat land-based casino gambling differently [from other forms of gambling that have been legalized]."<sup>9</sup> *These statements by the Chicago Gaming Commission misrepresent the body of evidence available on problem gambling.* The Commission ignores the belief held by gambling experts that there is a relationship between the *acceptability* and *accessibility* of gambling, and problem gambling. At this point, the kind of rigid evidence that the scientific community would like is not yet available. To prove this belief in accordance with the rigorous standards set by the academic community, follow-up studies need to be conducted that employ methodology that is comparable to earlier studies. By omitting all information on the question of whether the increased accessibility of casino gambling in Chicago will increase the number of pathological gamblers, the Commission leaves the reader with the erroneous impression that the number of pathological gamblers will not increase after casino gambling is legalized.
  
- Most experts believe that the total population is divided between those individuals who have the inherent potential to become pathological gamblers (regardless of whether they have ever gambled), and those who do not. According to this model, the increase in pathological and problem gamblers is caused when increasingly accessible gambling along with more seductive packaging reaches a larger portion of the population who could potentially become pathological gamblers. No one knows

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7 (Rosecrance, John. "The Next Best Thing: A Study of Problem Gambling," *International Journal of the Addictions*, 20 (1985): 1727-1740. Found in Volberg and Steadman, 1989, p. 9). (Volberg, 1992, p. 5); (Jacobs, personal communication, 7/92); (Poltzner et al., "Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment," 1981, p. 2); (Volberg and Steadman, 1989, p. 3, p. 8-9); (Shaffer, videotaped interview, 7/92.); (Kaplan, 1984, p. 102-104); (Hunter, videotaped interview, 7/92).

8 City of Chicago Gaming Commission, 1992, p. 78-79.

9 City of Chicago Gaming Commission, 1992, p. 79.

how many people in the total population have the potential to become pathological gamblers if gambling was more widespread. In other words, it is not known how much larger the pathological gambling population will become in those states with the highest prevalence rates.

- Below are examples of increases in the number of gamblers and problem and pathological gamblers following the legalization of forms of gambling. Studies comparing the prevalence rates of probable pathological gamblers in states which have had relatively fewer forms of gambling available for shorter periods of time, with states whose residents have had many forms of gambling available for longer periods of time, show that the states which have had more legalized gambling longer have higher percentages of problem and probable pathological gamblers.<sup>10</sup>
- In 1989, Iowa had a state lottery for 4 years, while its prevalence estimate of problem and probable pathological gamblers was 1.7%. In 1990, South Dakota had more legalized gambling than Iowa -- a lottery for 4 years, and video lottery terminals throughout the state for two years. Since South Dakota had more legalized gambling than Iowa, it had a prevalence estimate of problem and probable pathological gamblers (2.8%) that was higher than Iowa. In 1988, New Jersey had a lottery for 18 years and casino gambling for 12 years -- significantly more legalized gambling than Iowa and South Dakota. The prevalence estimates of problem and probable pathological gamblers in New Jersey for that same year were 4.2% -- also higher than Iowa and South Dakota. In 1989, California had a state lottery for 6 years, and had been within a half-day's driving distance from the nearby Nevada casinos for over 50 years. Like New Jersey, California also had a high estimate of problem and probable pathological gamblers (4.1%) which was higher than Iowa and South Dakota.<sup>11</sup> Please refer to the graph on the following page.

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10 Volberg, 1992, "Estimating the Prevalence of Pathological Gambling in the United States," p. 5.

11 These prevalence estimates, which were also included in the graph entitled, "Legalized Gambling and Pathological Gamblers," were found in Volberg, 1992, "Estimating the Prevalence of Pathological Gambling in the United States," p. 5.

- Evidence shows that the conclusions made about legalizing additional forms of gambling in general are even more appropriate to casino gambling in Chicago. Two characteristics make an increase in pathological gamblers more probable when the form of gambling to be legalized is *casino gambling* and the location is *Chicago*:
- (1) In addition to increasing the accessibility to gambling by adding an additional form of gambling, casino gambling, *per se*, increases the availability of wagering opportunities. In casinos, vast numbers of wagering opportunities are available at a *high frequency*, at *any time*. This characteristic distinguishes casinos from lotteries and race tracks where wagering opportunities are more limited.<sup>12</sup>
  - (2) Because Chicago is a *heavily populated, urban* community, legalized gambling will probably create a higher proportion of problem and pathological gamblers than the legalization of gambling in non-urban areas.<sup>13</sup> Furthermore, because of its size, Chicago will have a much higher *absolute* number of problem and pathological gamblers than other parts of the country.

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- In conclusion, if Chicago legalizes gambling, we will have more gamblers, more pathological gamblers, and more individuals with serious gambling problems.
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<sup>12</sup> Abt et al., feel that pathological gambling arises most in regards to casinos. (Abt et al., 1985).

<sup>13</sup> Li, Wen Lang and Smith, Martin, "The Propensity to Gamble: Some Structural Determinants," Eadington, 1976, *Gambling and Society*.

**(3) An increase in the number of pathological and problem gamblers will have serious monetary and intangible social costs:**

**MONETARY SOCIAL COSTS:**

The monetary social costs of more pathological and problem gamblers are generally divided into four areas:

- (1) Treatment costs
- (2) Gambling debt
- (3) Insurance Company costs
- (4) Total monetary social costs

**(1) Treatment Costs**

- Throughout the nation, estimates of treatment costs of pathological gamblers vary based upon the accessibility and type of gambling activities available to pathological gamblers served at local pathological gambling treatment facilities. Pathological gamblers may require low-cost self-help group support, more costly outpatient treatment, or very expensive in-patient treatment. The type of treatment varies according to the addiction. Two facilities supplying outpatient services for pathological gamblers provided us with estimates of \$3,000 to \$5,000, and \$8,000 to \$10,000 as the total treatment costs per pathological gambler receiving outpatient treatment. A comprehensive assessment of the costs of treatment and prevention programs for the problem of pathological and problem gambling in Illinois should accompany the State Legislature's consideration of the proposed casino.

**(2) Gambling Debt**

- Mean gambling-related debt of individuals in treatment ranges from \$35,500<sup>14</sup> to \$92,000.<sup>15</sup> "Gambling-related debt" *excludes* non-gambling debt such as auto loans, mortgages, etc., and excludes the gambling debt which an individual pays off.<sup>16</sup> Most likely due to their more limited access to financial resources, female compulsive gamblers tend to have less gambling-related debt.<sup>17</sup>

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<sup>14</sup> Volberg, personal communication, 8/14/92. Based on the final report of New York State treatment evaluation (1987).

<sup>15</sup> Politzer, et al., 1985: 138. Found in Lesieur, 1988, p. 129.

<sup>16</sup> Politzer, et al., 1985: 138. Found in Lesieur, 1988, p. 129.

<sup>17</sup> Lesieur found female Gamblers Anonymous members to have an average gambling-related debt of around \$15,000

- 18% of male, 8% of female long term Gamblers Anonymous members declared bankruptcy.<sup>18</sup>
- Pathological gamblers accumulate an estimated \$514 million in legal debt is per year in just New Jersey.<sup>19</sup>

### **(3) Insurance Company costs**

- \$1.3 billion in insurance-related fraud is committed per year by pathological gamblers in the U.S.<sup>20</sup>
- 47% of pathological gamblers engaged in insurance-related fraud, or "thefts where insurance companies had to pay the victims."<sup>21</sup>

### **(4) Total monetary social costs**

The following section is a cost estimate for the problem of pathological gambling in the Chicago Area if the prevalence of pathological gamblers were as high as in New Jersey (1.4%).

#### **Findings:**

- Cost of each pathological gambler  
**\$53,000 /yr.**<sup>22</sup>
- 69,000 adult pathological gamblers in the Chicago Area
- Total cost of adult pathological gambling to the Chicago Area  
**\$3.7 billion /yr.**

(Lesieur, 1987, *The female pathological gambler*. Paper presented at the 7th International Conference on Gambling and Risk Taking, Reno, Nevada) Found in Lesieur, 1988, p 129.

<sup>18</sup> Custer, R., Custer, L. (1981). Soft signs of pathological gambling. Paper presented at the Fifth National Conference on Gambling, Reno, Nevada (October). (Found in Lesieur, 1991, p. 5)

<sup>19</sup> (Lesieur, 1988, p. 129.) Gamblers outside of treatment assumed to accumulate comparable debt as those receiving treatment. Costs of bankruptcy proceedings, attempts to garnishee paychecks, and other civil suits were not included in this estimate. Dr. Rachel Volberg disagrees with Lesieur's assumption that gamblers outside of treatment accumulate comparable debt as those receiving treatment. (Volberg, personal communication, 8/14/92).

<sup>20</sup> Lesieur, 1991, p. 6.

<sup>21</sup> Study conducted on Gamblers Anonymous members. (Lesieur and Puig, "Insurance Problems and Pathological Gambling," 1987, *Journal of Gambling Behavior*, vol. 3(2), p. 123.)

<sup>22</sup> Politzer et al., 1981, p. 20. (Figure has been adjusted for inflation)

**COST BREAKDOWN:**<sup>23</sup>

	Cost per average pathological gambler.	Cost per average "Bottomed Out"
(1) Lost Productivity	\$23,000	\$27,000
(2) Crime Costs		\$4,123
(3) Incarceration Costs		\$21,000
(4) Abused Dollars	\$29,000	\$34,000
<b>Total cost, each</b>	<b><u>\$52,000/yr</u></b>	<b><u>\$86,123/yr</u></b>

Appendix C contains a more complete explanation of the methodology of this cost estimate.

**Definitions:**

**Lost Productivity** - "Estimates of percent of time not engaged in the production of goods and services for which the individual was employed, multiplied by the average gross annual salary."<sup>24</sup>

**Crime Costs** - "Estimates of the average annual law enforcement, adjudication, and detention costs for the typical type of 'white collar' crime committed by pathological gamblers multiplied by the average number of violations of the law per pathological gambler."<sup>25</sup>

**Incarceration Costs** - "Estimates of the average confinement costs for a typical crime committed by pathological gamblers multiplied by the average number of such crimes committed per pathological gambler."<sup>26</sup>

**Abused Dollars** - "Estimates of the average annual amount obtained legally and/or illegally by the pathological gambler which otherwise would have been used by the pathological gambler, his family, or his victims for other essential purposes. These abused dollars include earned income put at risk in gambling, borrowed and/or illegally obtained dollars put at risk in gambling, borrowed and/or illegally obtained dollars spent on basic needs and/or provided to the family which otherwise would have been used for gambling, and borrowed and/or illegally obtained

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<sup>23</sup> This cost estimate is based upon an estimate by Politzer et al., "Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment," 1981, p. 8-12.

<sup>24</sup> Politzer, et al., 1981, p. 8

<sup>25</sup> (Politzer, et al., 1981, p. 8) Politzer et al. 's source: Kole, B. Personal Communication, Baltimore City State's Attorney's Office.

<sup>26</sup> (Politzer, et al., 1981, p. 9) Politzer et al. 's source: Governor's Commission on Law Enforcement and Administration of Justice. Description of Maryland Criminal Justice System Costs and Resources - FY 1977, State of Maryland, April, 1977 12-479, Staff Report, Statistical Series III.

dollars for the partial payment of gambling related debts."27

**Average** and "**Bottomed out**" - There are much higher social costs per pathological gamblers who are in later stages of their addiction than per pathological gamblers who are in earlier stages of their addiction. To account for these sizeable differences Politzer et al. have divided pathological gamblers into two types: "**bottomed out**" pathological gamblers - those who are in the most advanced and devastating stage of their addiction, and "**average**" pathological gamblers - those who are at the beginning stages of their gambling addiction.28

• **Politzer et al.'s estimates are conservative for three reasons:**

- (a) Who should be diagnosed as being a pathological gambler is open to debate. Politzer et al. do not include those who are in the early stages of a gambling addiction in their estimate of total social costs.
- (b) The above cost estimate only includes the societal cost of the *adult* pathological gambling problem. The enormous costs of the *underage* pathological gambling problem are not included in this estimate. The exclusion of the costs of the underage pathological gambling problem results in a **significant underestimate** of the total social costs.
- (c) Many factors were not included in the estimate. Politzer et al. list the following significant factors that were not included in their estimate of the cost of pathological gambling: "non-market production - lost time 'off the job' and impaired judgement," "impaired morale of co-workers," "faulty decision-making," "lost efficiency," "prolonged lost productivity of the spouse," and "accumulated interest on pathological gambler's personal debt bailout dollars not realized by victims"29

• **69,000 pathological gamblers in the Chicago Area**

<u>CALCULATION:</u>	
Adult population within a 35 mile radius of Chicago	4,900,000
Percent of probable pathological gamblers in the Chicago Area (Assuming a prevalence equivalent to New Jersey's 1.4%)	<b>69,000</b>

This estimate is conservative for two reasons:

- (a) A population much larger than 4.9 million will be potential casino customers. Forty million people will be within a half day's drive of the proposed casinos. Using a population of this size would increase the cost estimate by a factor of eight.
- (b) Experts have made larger estimates of the number of pathological gamblers in the population than 1.4%. Two very different methodologies exist for estimating the

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27 Politzer, et al., 1981, p. 9.

28 Politzer, et al., 1981, p. 9, 10

29 Politzer et al., 1981, p. 26

prevalence of pathological gambling. Using an alternative methodology, one study estimated that 3.4% of the population of southern New Jersey were pathological gamblers.<sup>30</sup> Throughout this report we have used the more conservative methodology.<sup>31</sup>

• **Total cost of pathological gambling to the Chicago Area - \$3.7 billion /yr.**

CALCULATION:	
Number of probable pathological gamblers in the Chicago Area	69,000
[multiplied by]	
Cost per pathological gambler	
\$53,000	
Total cost of pathological gambling to the Chicago Area	\$3.7 billion

**INTANGIBLE SOCIAL COSTS:**

The intangible social costs of pathological and problem gambling are divided into three areas:

- (1) Family problems
- (2) Personal problems for the pathological and problem gambler
- (3) Work-related costs

- It is important to note that the suffering brought upon pathological gamblers and their families is so devastating that the dry description of family and personal problems provided below is in danger of diminishing the significance which most people would give to these problems if they witnessed them first hand. To describe the seriousness of pathological gambling, Dr. Robert Hunter (a psychologist who has worked with both gambling and drug addictions) stated, "If I had to wake up with an addiction tomorrow I would prefer personally to wake up a heroin addict than a pathological gambler. The level of hopelessness they experience is unbelievable."<sup>32</sup>

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<sup>30</sup> Sommers, 1988.

<sup>31</sup> The two different methodologies for estimating the prevalence of pathological gamblers are the South Oaks Gambling Screen and the Cumulative Clinical Signs Method. The South Oaks Gambling Screen is a 21 item scale that is based on DSM-III criteria. The test is usually administered in telephone interviews in which the respondents remain anonymous. Henry Lesieur and Sheila Blume developed the South Oaks Gambling Screen. The Cumulative Clinical Signs Method is a 28 question survey that is divided into 5 independently scored "tests".

<sup>32</sup> Dr. Robert Hunter, videotaped interview, 7/92.

- The problems of each pathological gambler harm about 10 to 17 people.<sup>33</sup> This fact indicates that if the proportion of pathological gamblers becomes as large as in eastern seaboard states, the problem of adult pathological gambling could harm from 690,000 to 1.2 million people in the Chicago area.<sup>34</sup>

**(1) Family problems:**

**•Physical and Psychological abuse**

8% of pathological gamblers and 37% of spouses of pathological gamblers are physically abusive to their children.<sup>35</sup> Children of pathological gamblers are more likely to be abused than children in the general population. <sup>36</sup>

- **Marital Instability**

Pathological gambling jeopardizes the overwhelming majority of marriages in which one spouse is a pathological gambler.<sup>37</sup>

- **Increased possibility of spouse and children having a variety of physical and psychological problems<sup>38</sup>**

Many children develop psychosomatic illnesses.<sup>39</sup> Spouses and children of pathological gamblers develop eating disorders,<sup>40</sup> substance abuse problems,<sup>41</sup> and are more likely to attempt suicide than the rest of the population. Suicide attempt rates for spouses of pathological gamblers are

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<sup>33</sup> Dr. Durand Jacobs, videotaped interview, Redlands, CA, 7/92  
 Kaapcke, B. "The Gambling Compulsion - Gateway to Crime." *The Journal of Insurance*, March, April, 1977. (found in Politzer et al., "Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment" 1981).

<sup>34</sup> The estimate of 690,000 to 1.2 million Chicagoans was derived by multiplying the adult population of the Chicago area (4.9 million) by the percentage of probable pathological gamblers in New Jersey ( 1.4 %). This product (the number of probable pathological gamblers in the Chicago area - 69,000) was then multiplied by the number of people harmed by the problems of each pathological gambler (10-17).

<sup>35</sup> Lorenz, 1981. Found in Lesieur 1991, p. 12.

<sup>36</sup> Lesieur & Rothschild, 1989. Found in Lesieur 1991, p. 12.

<sup>37</sup> Politzer et al. studied 92 pathological gamblers who sought treatment. All of those who were married (76) had unstable marriages. (Poltizer et al., 1981, p. 24.)

<sup>38</sup> Jacobs (1987) "Effects on Children of Parental Excesses in Gambling." Paper presented at the 7th International Conference on Gambling and Risk Taking, Reno NV, August. Found in Lesieur (1988) p. 124-127.

<sup>39</sup> Custer and Milt (1985); Lorenz and Yaffee (1988) had findings which did not support a higher rate of psychosomatic illnesses, though Lesieur pointed out that, "More systematic research is needed to examine this issue." (Lesieur, 1991).

<sup>40</sup> Jacobs, 1989, p. 273.

<sup>41</sup> Jacobs, 1989, p. 273-274.

more than three times the national average. 11-14% of spouses of pathological gamblers attempt suicide.<sup>42</sup> Children of pathological gamblers are at greater risk compared to children in the population as a whole in regards to health - threatening behavior, instances of psychosocial risk indicators and instances of dysphoria, school and work problems, and suicide attempts.<sup>43</sup>

- **Children of problem gamblers more likely to become pathological gamblers**

Children of problem gamblers are over 2½ times more likely to develop gambling problems themselves.<sup>44</sup>

## **(2) Personal problems for the pathological and problem gambler**

- **Psychiatric disorders**

In one study of male pathological gamblers:  
72% experienced at least one major depressive episode  
52% had recurrent major affective episodes  
20% had panic disorders  
52% had alcohol abuse or dependency problems<sup>45</sup>

In another study of pathological gamblers, 15-20% had attempted suicide.<sup>46</sup>

- **Physical disorders**

Pathological gamblers in the later stages of their addiction experience: depression, insomnia, intestinal disorders, migraines, and other stress-related diseases. <sup>47</sup>

## **(3) Work-related costs**

Few comprehensive studies of work-related costs have been conducted. Professor Henry Lesieur, an expert on pathological gambling, states that the work-related cost of the pathological gambling problem "appears to be rather extensive."<sup>48</sup>

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<sup>42</sup> Figure from Dr. Valerie Lorenz. Found in Lesieur, 1991, p. 10.

<sup>43</sup> Jacobs, 1989, p. 273-279.

<sup>44</sup> Percent of children who had a gambling problem: 17% reported their parents have a gambling problem, 5% did not report their parents have a gambling problem (Lesieur and Klein, 1987, p. 133).

<sup>45</sup> These figures are from a retroactive, non-clinical study by Linden et al. (1986) of 25 long term male Gamblers Anonymous members. (Found in Lesieur, 1988, p. 136-137.)

<sup>46</sup> These figures are for pathological gamblers in Gamblers Anonymous or receiving treatment. (Custer and Custer, 1978; Lesieur, 1988; Livingston, 1974; Moran, 1969; Nora, 1984). Found in Lesieur, 1991, p. 7.

<sup>47</sup> Lorenz, V.C. & Yaffee, R.A. 1988, "Pathological Gambling: Psychosomatic, Emotional, and Marital difficulties as reported by the gambler." *Journal of Gambling Behavior*, 2, 40-49. Found in Lesieur, 1991, p. 7.

<sup>48</sup> Lesieur, 1991, p. 12.

An intensification of the pathological gambling problem would impact businesses in Chicago in a number of ways, each of which creating unknown costs to businesses. Some of the ways in which businesses are impacted by the pathological gambling problem include:

- (a) Lateness and absences from work
- (b) Irritability, moodiness, and poor concentration at work
- (c) Gambling on company time
- (d) Borrowing from other employees
- (e) Theft of company property or the perpetration of other illegal acts to obtain more money to support gambling addiction<sup>49</sup>

## **B. Underage Gambling**

Underage gambling is becoming more of a serious problem among youth, beginning to rival youth problems of drugs and gangs. A number of facts outline the seriousness of this new youth crisis:

### **Findings:**

- (1) The overwhelming majority of minors have gambled in one form or another, and a significant proportion gamble regularly.
- (2) Relatively high proportions of underage gamblers have serious gambling problems.
- (3) A series of new high-tech gambling devices are especially appealing to the younger gamblers raised on video games.
- (4) The magnitude of gambling problems among youth could be a precursor to a much larger population of adult problem and pathological gamblers in the future.

### **(1) Underage gambling is a widespread problem.**

- Dr. Durand Jacobs, foremost expert on adolescent gamblers, estimates that there are approximately 7 million juveniles gambling for money in the U.S.<sup>50</sup> This estimate is of the number of juveniles who were gambling for money in 1988. Therefore, the *current* number of underage gamblers can be expected to be much larger as a result of four years of population growth and a possible increase in the proportion of juveniles gambling for money. Jacobs estimates that, on average, about half of high school students gamble.<sup>51</sup> Some studies have found that as many as 86% of high school students had gambled at least once in the past 12

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<sup>49</sup> Lesieur, 1991, p. 12.

<sup>50</sup> Jacobs, 1989, p. 250.

<sup>51</sup> Jacobs, videotaped interview, Redlands, CA, 7/92.

months.<sup>52</sup> The graph on the following page displays the widespread nature of high school age gambling through the results of five independent studies.

- These alarmingly high numbers of high school age kids who gamble are particularly significant in light of the fact that, as Lesieur and Klein write, "Every major investigation of pathological gambling has demonstrated that the vast bulk of those who become pathological gamblers in their adult lives start gambling in their teens." (Lesieur and Klein, 1987, p. 129). Volberg and Steadman have also done work in this area and have found that 23% of the problem gamblers in Iowa started gambling before the age of 15.<sup>53</sup>
- Studies have found that large proportions of high school students gamble frequently. In a study of high school students in New Jersey, Lesieur and Klein found that 32% of high school students gamble every week.<sup>54</sup> Three other independent studies also found significant numbers of frequent high school-age gamblers. All of these findings are represented graphically on the following page.
- Underage gambling is even more prevalent among college age students. In a three-year study conducted at an undergraduate institution near Atlantic City, 59-78% of college students reported gambling in the past 12 months, and 19-26% of students had reported they had gambled in the past month.<sup>55</sup>
- Evidence indicates that a large number of adolescents gamble at casinos.<sup>56</sup> One focus of study has been underage gambling at Atlantic City casinos. The New Jersey Casino Control Commission reported that over 200,000 underage individuals were stopped from gambling in 1987. Although no one knows exactly how many casino customers are underage, we do know that, most of the time, minors gamble undisturbed at Atlantic City casinos. In a study conducted in different parts of New Jersey, 46% of high school students reported gambling in casinos with 3% doing so weekly. On page 26, the number of times which minors were stopped from gambling in Atlantic City casinos in one year, is compared with the *total* number of visits by minors to Atlantic City casinos in the same year. The purpose of this diagram is to provide an idea of the number of

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<sup>52</sup> Lesieur and Klein, 1987, "Pathological gambling among high school students," *Addictive Behaviors*, 12, 129-135. Found in Lesieur, 1988.

<sup>53</sup> Volberg and Steadman, 1989, p. 7

<sup>54</sup> Lesieur and Klein, 1987.

<sup>55</sup> Frank, 1990, "Underage Gambling in Atlantic City Casinos," *Psychological Reports*, p. 907-912.

<sup>56</sup> The Better Government Association (BGA) researched underage gambling in Las Vegas casinos by interviewing underage gamblers, and by using a hidden camera to videotape underage gambling within casinos. The BGA's research confirmed the findings of other studies done on underage gambling: that many minors are not stopped from gambling in casinos. In response to questions raised regarding the validity and seriousness of the data gathered by the BGA (John McCarron, "Stacking the Deck Against Casino," *Chicago Tribune*, 8/9/92, sec. 7. p. 3.) we would like to point to the analysis of Dr. Howard Shaffer who read a transcript of some of the interviews. Shaffer stated that he thought the comments made by underage gamblers in the BGA interviews were, "Extremely representative...I think that is the mainstream." (Shaffer, videotaped interview, 7/92)

underage casino customers who are not stopped from gambling.<sup>57</sup>

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<sup>57</sup> Appendix F contains an unabridged version of this diagram as well as a description of the methodology and sources used to determine the estimates displayed in the diagram.

- Judging from the history, design, and policies of casinos in other cities, a very large number of underage individuals will most likely gamble undisturbed at a Chicago casino. In fact, Chicago could have more of a problem with underage gambling because of its urban setting.<sup>58</sup>

**(2) Problem and pathological gambling is particularly widespread among underage gamblers as compared to adult gamblers.**

Whereas estimates of adult problem and pathological gamblers range from 1.7% to 4.4% of the total adult population,<sup>59</sup> estimates of the number of adolescent problem and pathological gamblers range from 4% to 15% of the total population of the sampled age groups.<sup>60</sup> The graph following this section compares prevalence estimates of adult and adolescent problem and pathological gambling.

**(3) A new generation of video gambling machines bear a strong resemblance to video games.**

This new form of gambling has several consequences for adolescents:

- (a) The similarities of video gambling machines to video games make them particularly attractive to young people - who have been raised playing video games.
- (b) Video gambling machines enable the user to increase the speed and intensity of play. This characteristic enables the user to wager much more frequently than he or she could in other gambling activities.
- (c) Video gambling machines have been called the "crack cocaine of gambling,"<sup>61</sup> because serious gambling problems develop much more rapidly than with other gambling activities with less rapid sequences of stake-play determination. Pathological gamblers who play video gambling machines reach the most devastating stage in their addiction in 2 to 3 years. In contrast, pathological gamblers who engage in other forms of gambling, like horse racing, tend to reach the most devastating stage of their addiction much later, i.e. from 2 to 40 years.<sup>62</sup>

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<sup>58</sup> Lesieur, personal communication; Li and Smith, 1976.

<sup>59</sup> Volberg and Stuefen, 1991, p. 10, Table 5.

<sup>60</sup> The range stated above is from five independent studies conducted in four states. Jacobs, 1989, p. 256, Table 14-3. A positive response to the statement, "Would like to stop gambling, but could not (or) believed out of control," was assumed to be an indication of a serious gambling problem.

<sup>61</sup> Hunter, videotaped interview, 7/92.

<sup>62</sup> Lorenz, personal communication, 8/92. Hunter, personal communication, 8/92.

#### **(4) Future adult pathological gamblers**

The large number of underage problem gamblers could indicate that the number of adult problem gamblers will increase rapidly in the future. If the present generation of young people with serious gambling problems does not shrink in size, the number of adult pathological gamblers in this country will double when this generation gets older.<sup>63</sup>

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<sup>63</sup> At the moment no satisfactory answer to this question exists. Some scholars believe that maturational differences can partially explain the differences in the proportion of problem gamblers among adolescents and adults. A portion of scholars believe that adolescents are less likely to mature out of gambling than they are to mature out of 'soft' drug use. Frank found no relationship between age and undergraduate gambling behavior (Frank, 1990, p. 909). In contrast to soft drug use, when an individual gets older, gambling is just as available (or more so), and gambling is just as acceptable as an activity for an older person. Longitudinal studies are needed in order to adequately address this question. For discussions of this issue see: Lesieur, 1988, p. 105; and Jacobs, 1989, p. 280.

## **C. Casinos, Minorities, and Low-Income Individuals**

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### **Findings:**

- (1) Minorities, people earning lower incomes,<sup>64</sup> and high school drop outs are all *over-represented* in the population of pathological gamblers.
- (2) Minorities, lower income people, and women are significantly *less* likely to receive treatment for gambling problems than are men, whites, and higher income people.
- (3) The legalization of land-based casino gambling would be a *regressive*<sup>65</sup> way of increasing economic development and government revenue.
- (4) The proposed entertainment center would exacerbate the problem of homelessness in Chicago.

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### **(1) Over-represented**

Minorities, low-income individuals, high school drop-outs, the unemployed, and residents of New York City are all *over-represented* in the population of pathological and problem gamblers relative to their representation in the population as a whole. The graph on page 32 displays the findings of a 1988 study conducted in New York State<sup>66</sup> - a state with a large, racially diverse population which, compared to many other locations, probably has the most similarities to Illinois and the Chicago Area.<sup>67</sup>

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<sup>64</sup> "People earning lower incomes" are defined as: Individuals with incomes below the average.

<sup>65</sup> "Regressive" is defined as: A situation in which a group spends a higher proportion (% of) its income on gambling than does another group (even if it is a smaller *absolute* amount of money).

<sup>66</sup> Volberg and Steadman, 1988. A study conducted in the New Jersey and Maryland area paralleled the New York State study's findings on minorities and individuals without high school degrees. The New Jersey and Maryland study, however, did not find significant differences between problem and pathological gamblers and all gamblers in terms of income.

<sup>67</sup> In a personal communication with Dr. Rachel Volberg, who has conducted numerous studies of pathological gambling around the country, Volberg stated that Chicago would be more like New York State or other states with large metropolitan areas than locations such as Iowa and South Dakota (Volberg noted that no hard evidence exists which can prove or disprove this).

## (2) Less likely to receive treatment

Minorities, individuals with lower incomes, and women who have serious gambling problems are less likely to receive treatment for their gambling problems than individuals who are white, male, and have a higher income.<sup>68</sup> The proportions of women, minorities, and individuals under 30 years old that do not receive treatment are represented graphically on the next two pages.

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<sup>68</sup> Volberg and Steadman, April 1988, "Refining Prevalence Estimates of Pathological Gambling," *American Journal of Psychiatry*, p. 504. A look at methodology used to study problem gamblers shows how a deficiency of treatment is determined. In his report written for the New Jersey Governor's Advisory commission on Gambling, Professor Henry Lesieur notes, "Four different methods are available to determine the demographic characteristics of pathological gamblers: surveys of Gamblers Anonymous members, surveys of persons in treatment, examination of callers to hotlines, and epidemiological surveys of the general population." (Lesieur, 1988, p. 114) Drs. Rachel Volberg and Henry Steadman have found that a profile based on pathological gamblers in treatment differs significantly from a profile based on the general population. Volberg and Steadman's study was the first federally-funded and multi-state study on the subject to compare prevalence data based on pathological gamblers in treatment to data based on the general population. Their 3-year study covered six states: California, Iowa, Maryland, Massachusetts, New Jersey and New York. A treatment profile supports the traditional notion that pathological gamblers are "predominantly middle-aged, middle-class White men, with stable family lives and occupational histories prior to the time when their gambling-related problems became severe." Volberg and Steadman discovered that a profile based on the general population disproves the traditional stereotype. (Volberg and Steadman, 1988, p. 504); (Volberg, 1992, p. 10)

### (3) Regressive

The legalization of casino gambling in Chicago would be a regressive way of increasing economic development and government revenue. Whereas middle to upper income residents gamble most of the time for entertainment, lower income residents tend to gamble to increase their wealth. As a result of these tendencies, lower income residents will be over-represented among casino gamblers.<sup>69</sup> In addition, lower income individuals will lose much more money (in proportion to their income) to gambling than middle and upper income individuals.

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- Minorities, low income individuals, the unemployed, and individuals with less education tend to be hit the hardest by pathological and problem gambling, yet, at the same time, they tend to receive the least amount of help.
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### (4) Exacerbate the Homeless Problem

Based upon reports from homeless advocacy organizations in Las Vegas and Atlantic City, the Chicago Coalition for the Homeless believes that the homeless problem is in serious danger of being made worse by the proposed casino entertainment center in Chicago.<sup>70</sup> In Las Vegas and Atlantic City, the lure of many jobs combined with few jobs which pay a *living wage*,<sup>71</sup> and a shortage of low income housing<sup>72</sup> generates more homelessness.<sup>73</sup> From 1990-1991, 15,000 people moved to Las Vegas, 6,000 stayed, 600 become homeless. A report by the New Jersey State Police Intelligence Bureau corroborates these findings. In Atlantic City many small businesses and individuals were forced out of their properties because they were unable to afford high real estate values and taxes. The increase in property values and property taxes was caused when casinos bought out developable land in Atlantic City. Linda Lettich, who produced the report for the New Jersey State Intelligence Bureau, stated that casino gambling, "has been...the primary cause behind the lack of affordable housing in Atlantic City."<sup>74</sup> In addition to a lack of low cost housing, according to the Chicago Coalition for the Homeless, and reports by homeless advocacy groups in Las Vegas and Atlantic City, a large entertainment complex would likely result in further attempts to hide the homeless and more police hostility

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<sup>69</sup> Burke, 1974, "The Legalization of Gambling in the United States: An Analysis and Forecast," (chapter 2), p. 48-50. Eadington, ed. *Gambling and Society*, 1976.

<sup>70</sup> Testimony by John A. Donahue representing the Chicago Coalition for the Homeless at a public hearing held by the Chicago Metro Ethics Coalition on 8/5/92.

<sup>71</sup> The "living wage" is the lowest wage that an individual living in the city of Chicago needs, "In order to rent a two bedroom apartment...and not be in danger of becoming homeless." (Testimony by Chicago Coalition for the Homeless).

<sup>72</sup> Steve Schwitzer, Homeless Advocacy Project of Las Vegas. (Testimony by Chicago Coalition for the Homeless).

<sup>73</sup> Nevada State Division of Welfare. From the testimony of the Chicago Coalition for the Homeless.

<sup>74</sup> Lettich, Linda, The Social Impact of Casino Gaming On Atlantic City, New Jersey State Police Intelligence Bureau, p. 14.

towards the homeless.<sup>75</sup>

## **D. Casinos in a *Family Entertainment Center***

Some of the most significant problems with gambling in the U.S. today are the growing number of underage gamblers, the growing proportion of underage gamblers who have serious gambling problems (about one out of every five underage gamblers), and the large number of adults who are problem gamblers. Developing an entertainment center containing casino gambling to appeal to adults with children will intensify these serious problems for a number of reasons:

- **Casino gambling will be accessible to young people.**

Based upon the past experience of Las Vegas and Atlantic City casinos, a significant number of minors will gain access to the casino gambling facilities.

- **An increased number of young people will associate gambling with fun, acceptable entertainment.**<sup>76</sup>

Professor Lesieur described the carnival-like activities for young people at Circus Circus's family entertainment center as a place where children are, "training to gamble."<sup>77</sup> In a videotaped interview, Jacobs stated that parents are a significant force in underage gambling.<sup>78</sup>

- **Casino gambling will be more accessible to adults.**

Casinos marketed as one component in a family entertainment center, might include activities for children along with casino gambling for parents. Targeting a casino to adults with children enlarges the number of potential casino gamblers to include adults who might have considered casino gambling to be an inappropriate family activity, or might not have gone to a casino because they had to ensure that their children were being cared for.<sup>79</sup>

These three factors increase the *accessibility* and the *acceptability* of gambling. This will result in more individuals becoming pathological gamblers.

## **E. Underlying Fundamental Issues that Need to be Addressed**

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<sup>75</sup> Chicago Coalition for the Homeless, testimony.

<sup>76</sup> Shaffer, videotaped interview, 1992 (July).

<sup>77</sup> Lesieur, videotaped interview, 1992 (July).

<sup>78</sup> Jacobs, videotaped interview, Redlands CA, 1992 (July).

<sup>79</sup> Shaffer, videotaped interview, 1992 (July).

## **(1) Getting something for nothing**

A wide range of experts interviewed, both economic analysts and psychologists who have spent their careers observing the switch by government from illegal to legal gambling, argue that by introducing casino gambling into Chicago the government would be reinforcing the attitude in our society that *you can get something for nothing*. According to their argument, this attitude is increasingly prevalent in both the *public* and the *state*.

- *The public* finds opportunities to win money or merchandise increasingly more attractive. Sweepstakes, state lotteries, "free gift offers," and game shows have become more and more popular. They argue that the additional visibility and acceptability of gambling which would accompany the introduction of casinos into Chicago, would erode the *work ethic* in the society as a whole even further.
- *The State* has been looking for more ways to raise revenue without raising taxes in order to satisfy voters' expectations of increased government services, and voters' strong opposition to tax increases. They assert that if people want a certain level of government services, they should be willing to pay for it. Politicians seeking ways to provide increased services to citizens without corresponding increases in taxes are criticized for feeding into the public's lack of willingness to provide government with the funds needed to provide for the general welfare.

## **(2) Gaining government revenue and economic benefits from casino gambling**

- These experts have criticized the practice of funding government through gambling. One reason for this criticism is the argument that governments' use of legalized gambling as a source of revenue, is in itself like an *addiction*. Each time gambling is used as a source of revenue, governments become dependent upon the revenue and further revenue generation through gambling is sought.<sup>80</sup> Another argument behind the criticism of funding government services through gambling centers around the view that the government revenue from gambling is really the money its citizens lose in an activity in which they had intended to make money. This is made worse because many of these citizens are disproportionately low-income, non-white, have less education, and/or have an addiction to gambling.
- Others argue that making policy with the intent to prevent pathological gamblers and low-income individuals from gambling is arrogant and paternalistic. By this action, government attempts to impose its values on responsible adults who can decide for themselves whether they wish to gamble or not. As the argument goes, if people want to gamble, they should be allowed to do so.<sup>81</sup> Others believe that the government has no responsibility to pathological gamblers because they believe that pathological gambling "is an issue of individual responsibility."<sup>82</sup>
- Many psychologists who study and deal directly with pathological gambling differ sharply with the belief that pathological gambling is an *issue of individual responsibility* because pathological gambling has been recognized as a diagnosable disorder of impulse control by the American Psychiatric Association since 1980. Many of the academics and practitioners we interviewed, particularly Dr. Durand Jacobs, would argue that since the legalization of forms of gambling generates government revenue and economic development, government, therefore, should accept the responsibility for those individuals who become pathological gamblers as a result of more legalized gambling. They assert that government's need for a politically viable way of raising revenue conflicts with its responsibility to protect its most vulnerable citizens (i.e. the poor and pathological gamblers).

## **(3) Where do we draw the line?**

Much discussion on the proposed casino/entertainment center has focused on whether questions on the morality of casino gambling are relevant or irrelevant.

- Those who argue that the "moral issue" is not relevant to the casino proposal in Chicago:

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<sup>80</sup> Shaffer, videotaped interview, 1992 (July).

<sup>81</sup> Jeremy Margolis, television interview, Chicago Tonight, 7/18/92.

<sup>82</sup> Paraphrased opinion of Commissioner Thomas B. Rosenberg in the City of Chicago Gaming Commission - Report to the Mayor, 6/10/92, p. 79.

Many who have this perspective assert that *the moral issue is dead*.<sup>83</sup> Or, "That question has been answered already. Illinois is knee-deep in gambling."<sup>84</sup> It is argued that the state of Illinois passed a point of no return when it legalized lottery and pari-mutuel betting.<sup>85</sup> Thus opposing legalizing casino gambling on moral grounds is no longer a position which can affect any practical change since legalized gambling is already widespread and accepted by the public.

- Those who argue that "ethical" or "moral" issues are relevant to the casino proposal:

Some view all gambling as immoral. These individuals would contest the suggestion made in the Mayor's Commission report that if revenue from gambling is used to ameliorate the moral degradation of the poor areas of the city, the legalization of gambling is made morally acceptable. As the argument goes, if this were true, then prostitution and drugs would become morally acceptable if the government revenue from these activities were used for good purposes.

Some view some limited gambling as moral, but draw the line when gambling becomes too extensive. Gambling is viewed to be too "extensive" when it creates serious problems with pathological gambling, hurts lower income people and minorities, negatively affects society's value system, or creates other unacceptable societal problems. A metaphor which captures this view of legalizing casino gambling in Chicago is a *pot boiling over*. In this metaphor, each additional expansion of gambling makes the situation as a whole more and more unacceptable. Legalizing casino gambling is the critical step which causes the *pot to boil over*.

## **Economic Impacts**

The proposal for land-based casino gambling in Chicago represents a new trend in legalized forms of gambling. A land-based casino has never before been located in a major metropolitan city in the United States. The Chicago area represents one of the largest untapped casino gambling markets in the world. Proponents of casino gambling have described such an addition to cities as an economic panacea which will use money from tourists to stimulate urban renewal, and create numerous jobs and enormous tax revenue. Opponents respond with charges of local visitation, regressivity trends, land speculation, exaggerated jobs, and overwhelming social costs - negative impacts which outweigh overstated economic benefits.

Any benefits offered by land-based casino gambling clearly are economic ones. The City of Chicago Gaming Commission's Report to the Mayor uses a comprehensive report prepared for the Commission by D&T to assess the benefits accrue from legalizing another form of gambling in Illinois: "With respect to economic opportunity, the Report incorporates and is premised to a significant degree on, the evaluation prepared by the Commission's economic consultants, the accounting firm of D&T." Nothing in the Mayor's Report suggests that the D&T report was critically reviewed or even supplemented with additional reports or

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<sup>83</sup> Gary Chico, television interview, Chicago Tonight, 7/18/92.

<sup>84</sup> McCarron, John, Financial Editor, "Stacking the deck against casino," Chicago Tribune, 8/9/92, Sec. 7., p. 3.

<sup>85</sup> Governor Jim Edgar, television interview, Chicago Tonight, 4/1/92. Governor Edgar stated that his "serious reservations" about expanding casino gambling in Illinois are not based on the "moral issue" because he believes that, "We crossed that Rubicon a long time ago about gambling in this state."

studies.

Our research does not constitute a new economic study, but it does indicate that several of the economic conclusions in the Commission's Report and D&T do not account for essential factors which alter the cost-benefit analysis. Deloitte and Touche professionals<sup>86</sup> contend that many of the considerations we raise were deemed to be more "policy" or "social" than economic questions, and thus outside the scope of the report. However, their characterization applies only to some of the issues. Furthermore, the Commission did not take the necessary step of identifying the policy and social questions and commissioning further study from D&T or other economic consultants. In order to present a detailed consideration of the economic benefits, the following areas will be considered: revenues and expenditures, local visitation, regressivity trends, and employment.

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<sup>86</sup> Terry Brunner, Shawn Halbert and Laura Creasy met with Michael Medzigian and Mark Klender of Deloitte & Touche. 1992 (July).

## **A. Revenues and Economic Costs**

D&T provided a detailed list of revenues and expenditures which range from municipal costs to tax revenue to visitor spending. Our research in this area has been extensive but we focus on the following specific topics to encourage further analysis of costs and benefits:

- (1) Market competition and saturation
- (2) Convention visitation
- (3) Entertainment revenues
- (4) Impacts on economic diversity
- (5) Reallocation of spending and speculation
- (6) Gambling as a means of urban renewal

### **(1) Competition From National and Local Casino Gambling**

Neither Deloitte & Touche nor the Mayor's Commission indicate whether the land-based casino will give Chicago a distinct advantage, or will simply enable Chicago to compete with other locations which will soon acquire casino gambling. The former description is presented as a promise and the latter as a threat. Proponents acknowledge that the prevalence of casino gambling is increasing rapidly, but use this fact to encourage Chicago to pass legislation immediately rather than to reconsider the proposal. D&T writes "Casino gaming is expected to proliferate nationally, and the lack of such an amenity might ultimately pose a competitive disadvantage for the City of Chicago and the State of Illinois from a tourist retention perspective."<sup>87</sup> D&T accounts for competition by lowering the proponents figure of \$1.9 billion generated by the facility in the first year (a figure assuming the absence of competitive supply additions) to \$1.1 billion. Deloitte and Touche professionals state that they account for the proliferation of gambling, but do not assume a casino within a 75 mile radius. However, the volume of available gambling that can be anticipated in the next ten years threatens to undermine the stability of casino revenues.

- **General Trends:**

- Most experts predict that land-based gambling will spread rapidly throughout the United States and Canada, particularly as the new federal law governing Indian lands leads to the legalization of gaming.
- Professor Lesieur estimates that by 1995, over half of the states will legalize land-based casino gambling.<sup>88</sup> The New York-based investment banking firm of Wertheim Schroder described the spread of legalized gambling as "a juggernaut" likely to storm into new territory in the next two years, and Hilton President John Giovenco predicted that "in the next 8 or 10 years, there will be gaming in every major city in the United States in one form or another."<sup>89</sup>

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<sup>87</sup> Deloitte & Touche, p. 11.

<sup>88</sup> Lesieur, videotaped interview. 1992 (July).

<sup>89</sup> Chicago Tribune, 5/11/92.

- Casino gaming is already a significant source of income for Indian tribes. The 1988 Indian Gaming Regulatory Act was intended "to give Indians the same rights as states in the use of gaming for economic development. It dictated that once a state allows any form of gaming for any purpose...Indians must be allowed to run the same kinds of games for profit without government interference."<sup>90</sup> More than 50 tribes are in negotiations with state officials which could lead to Indian casinos in twenty states.<sup>91</sup> Current interpretation of the Regulatory Act indicates that states are not likely to be able to legalize land-based gambling generally without extending that right to Indian tribes as well. D&T estimates that gaming revenues generated on Indian reservations "Increased from an estimated \$300 million in 1989 to an estimated \$400 million in 1990,"<sup>92</sup> but our research shows a much larger market share. Minnesota officials estimate that Indian gaming revenues in Minnesota alone were over \$900 million last year and may reach \$1.5 billion next year. Indians are not required to disclose revenue figures.
- For the traveler who is willing to spend money on airfare and hotel costs in order to gamble, Las Vegas offers a more diverse and vibrant casino atmosphere than would Chicago, with only four casinos and limited space. D&T estimates that Las Vegas has 76,879 hotel and motel rooms, and in order to establish itself as a middle market destination, is implementing, "The concept of the 'mega-resort.'"<sup>93</sup> The Mirage and the Excalibur are two of the nation's largest hotels, and three additional 'mega-resorts' are in the works. D&T concludes that, "With the addition of these new resorts, and the ones already in place, Las Vegas far surpassed Atlantic City in terms of hotel, casino, convention and entertainment facilities."<sup>94</sup> Such developments far surpass the plans to implement casinos in Chicago and indicate that Las Vegas is much more likely to draw the type of tourist who is attracted by casino gambling. On the average, lodging expenditures in Las Vegas was \$49.35 per night. D&T estimates that the cost in Chicago is \$79.00. Airline companies frequently offer steeply discounted flight prices for travel to and from Las Vegas.

- **Local Markets:**

Casino gambling in surrounding states in particular threatens Chicago's market, especially since states would have an incentive to legalize gambling if Chicago did so.

- 44% of domestic visitors to the Chicago area are from the East North Central region, which includes Wisconsin, Indiana, Michigan and Ohio. This is followed by 15% from the West North Central region, which includes Iowa, Minnesota, the Dakotas and Nebraska.<sup>95</sup> Four of these states which Chicago draws most heavily upon for

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<sup>90</sup> Chicago Tribune, 6/30/92.

<sup>91</sup> Chicago Tribune, 5/11/92.

<sup>92</sup> Deloitte & Touche, p.65

<sup>93</sup> Deloitte & Touche, p. 81.

<sup>94</sup> Deloitte & Touche, p. 81.

<sup>95</sup> Deloitte & Touche, p. 47.

tourists are among the nine states which currently have land-based casino gambling-- Colorado, Connecticut, Iowa, Minnesota, Nevada, New Jersey, South Dakota, Washington and Wisconsin.<sup>96</sup>

- Wisconsin allows a form of casino gaming in 17 Indian casinos on reservations, which is protected by recent legislation for the next seven years. Track owners are lobbying for licensed video lottery terminal and riverboat casino gaming to protect against the threat of a Chicago casino complex.
- Minnesota has 14 Indian casino developments, two of which are the largest Indian casinos in the nation, with facilities including supper-clubs, entertainment centers, hotels and R.V. facilities offering discounts and complimentary services to gamblers. Already Minnesota entertainment industry spokesperson have reported being hurt by the expanding Indian casinos. Insiders do not anticipate any further expansion of non-Indian gaming for the next five years. A top official at Nevada's Gaming Commission indicates that, "Casinos tend to market to a regional clientele. Minnesota has already limited Chicago's potential region, and New Orleans will probably cut Chicago's region dramatically."<sup>97</sup>
- Even the casino owners have revealed their vulnerability to Indian gaming: A recent memorandum signed by the Chairman of the Nevada Resort Association, the Chairman of Circus Enterprise Inc., The President of Hilton Hotels Corp., and a partner of Barbara Coast/ Gold Coast shows that Nevada casinos regard the potential for Indian gaming in California as having, "a devastating impact on the future of our business," in Nevada. Documents indicate that they are willing to spend huge amounts of money to prevent Indian gaming. Their extreme reaction to Indian gaming confirms the severe competition that Indian Gaming can provide.
- If the General Assembly allows Chicago to build the land-based casino, such a development could "Boost prospects for the tribe's proposal" for a casino in Rolling Meadows.<sup>98</sup>
- Louisiana's recent legalization of land-based casino gambling, which had not occurred at the time of D&T's report, also poses a significant threat to Chicago's tourism base, especially since Louisiana has the atmosphere and amenities which would be independently attractive to people who are independently interested in gambling.
- Officials in Ontario, which borders six states from New York to Minnesota, announced in April that they would allow government-run casinos and other gambling.

## **(2) Saturation of Markets**

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96 Deloitte & Touche, p. 66.

97 The official requested to remain anonymous.

98 Chicago Tribune, 6/30/92.

Demand for gambling far exceed supply in most areas of the United States. If casinos proliferate to the extent that experts predict, casinos may become a less profitable enterprise that depends heavily on the local market.

- **Atlantic City**

In 1989, visitors to Atlantic City and gross casino revenues fell from levels recorded in 1988, which was the first time that either indicator had fallen since the opening of the first casino.<sup>99</sup>

Overall, Atlantic City casinos posted "a \$14.3 million loss in 1991, second in magnitude only to a 1990 loss of over \$266 million" <sup>100</sup> and revenue per square foot decreased to \$3, 873 in 1991 from \$3,935 in 1990.<sup>101</sup> These figures are particularly disturbing since gaming accounts for 63% of all jobs in Atlantic City and 1.14% of jobs statewide. D&T attributes some of these losses to the recession and weak regional markets for Atlantic City and Las Vegas.

- **Nevada**

Sources in Nevada have privately expressed concern about market saturation. A top official at the Nevada Gaming Commission cites Nelson Rose, who wrote that "all of the nation's legalized gambling will eventually destroy itself because the total market is not large enough to support all of the suppliers."<sup>102</sup> Nevada experienced a decrease in revenue per square foot in Clark County from 1980 to 1991 (\$1,662 to \$1,367) and in 1991, "Clark County had its lowest annual revenue increase in recent history at only 1.19%."<sup>103</sup> Casino revenue depends on the strength of the national economy, and particularly on the economies of the regions in which the casinos are located. The *Los Angeles Times* recently reported that new major resorts are, "Squeezing some older casinos," two of which have declared bankruptcy, and the March 1992 take on the strip dipped 2.5% from March 1991.<sup>104</sup>

### **(3) Convention Visitation:**

Increased convention travel as a result of the facility contributes significantly to the positive economic impact assessments that have been made, but our research indicates that there is no conclusive evidence that such an impact will occur.

- D&T estimates depend on increased convention travel as a particularly important component of the economic benefits.
- D&T estimates that by 1997, there will be more convention visitors than there are overnight pleasure visitors 4.4 million visitors and 16.7 million visitor days for Convention/Trade, as

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<sup>99</sup> Slasher, p. 23.

<sup>100</sup> Deloitte & Touche, p. 89

<sup>101</sup> Deloitte & Touche, p. 89.

<sup>102</sup> The official requested to remain anonymous.

<sup>103</sup> Deloitte & Touche, p. 82.

<sup>104</sup> Los Angeles Times, 5/27/92.

compared to 4.2 million visitors and 11.8 visitor days for overnight pleasure visitors with the ratio of convention visitors and visitor days to overnight pleasure visitors and visitor days decreasing slightly over the next five years. D&T estimates that only 147,252 of the additional 1,469,408 additional visitors to Chicago (10%) will be for Convention/Trade, but these visitors will account for 24% of additional visitor days (1,408,678 of a total 5,961,483)105 in 1997 and 7% of visitors and 17% of visitor days by 2002.

- Average expenditure per visitor-day, exclusive of gaming, is significantly higher for convention visitors than for other visitors--the figure of \$187 in 1991 dollars is 2.5 times more than for pleasures visitors who stay at hotels, and six times greater than money spent by non-hotel pleasure visitors.106 The D&T report assumes that 52% of spending by visitors outside of the subject facility by 2001 will be by convention visitors.
- **Negative Indicators:**

**The proposed increase in convention travel and length of stay is not supported by our research.**

- A poll taken by *Crain's Chicago Business* indicates that the gaming facility will have little impact on the choice of Chicago as a convention destination. The result of the poll of planners of the 50 largest trade shows and conventions was that 77% of respondents said that a casino/entertainment center would have no impact on whether they would select Chicago, 9.3% said that the proposal would make Chicago less attractive, and 14.0% said that the proposal would make Chicago more attractive. D&T professionals criticize the Crain's poll on several grounds, including the methodology utilized. D&T cites instead the results of their, "Informal poll of meeting planners undertaken as part of this analysis," but D&T professionals are not willing to make the poll public, or to explain the results in greater detail.
- Even if the results of the *Crain's Chicago Business* poll cannot be fully utilized, the issues introduced in the article have not been adequately assessed. To date, we know of no other independent poll of conventioners or business travelers. Most respondents in Crain's poll indicated that Chicago's "lousy weather" and high labor costs outweigh any attraction to a casino/entertainment complex. Some respondents even indicated that such an "amenity" might detract from their shows. Crain's also cites a 1990 survey commissioned by the Washington D.C. based American Society of Association Executives, in which "only 12% of the 1,000 respondents cited recreation facilities as a key factor in site selection--the least important of 13 determining factors." This information seriously contests the extent to which D&T depends on convention travel for increased visitation and, more importantly, expenditures.

#### **(4) Entertainment Revenues:**

The Mayor's Commission emphasizes that the entertainment portion comprises 80% of the complex, and the gaming component only 20%. However, a review of the expected revenues

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105 Deloitte & Touche, p. 127.

106 Deloitte & Touche, p. 186.

indicates that the entertainment component is minimal in terms of anticipated income. Little attention has been paid to the entertainment portion of the facility, and D&T does not provide a breakdown of the source of that revenue. D&T estimates that in 1997, of the total revenues of \$1,600,200,000 for the subject facility, \$1.1 billion will come from the gaming component and consequently \$500,200,000 will come from other parts of the facility. Of that \$500,200,000, much revenue can be expected to be from the hotels, which leaves little revenue to come from the entertainment complex. In fact, these figures indicate that 69% of revenues will come from only 13% of the square footage of the complex, suggesting that the other areas of the component are at best superfluous and, are merely means of luring entire families to the complex so that adults can gamble, or at worst, potential loss leaders intended to keep visitors within the confines of the complex.

Taxpayers should be concerned that since these holds may be 'loss leaders' the revenue gains from tax on them, reflected in the D & T report, may be offset by diminished revenues from lower occupancy in existing hotels elsewhere in the city.

## **B. Economic Impacts on the City of Chicago**

### **(1) Impact on Economic Diversity**

The Mayor's Commission stresses that since Chicago has a, "Strong, diverse economy," (unlike Las Vegas or Atlantic City) the city will not become dependent on the complexes or casino gambling. The public relations firm for the casino owners had a similar approach; they found that respondents were more positive when the development was described, as adding 'new strength' to an already 'strong city', rather than, "adding gambling to compensate for weakness."<sup>107</sup> Consequently, proponents insist that Chicago will only become stronger with the development.

Casino gambling created an economy in Las Vegas and revitalized the economy of Atlantic City, but has not fostered diversification. Las Vegas had little success in its attempts to diversify its service-based economy, and Atlantic City has a less diverse economy than it did in the pre-casino era.

- Atlantic City's attempts at economic diversification are still in their incipient stages. In her work, *Casino Gambling as Urban Redevelopment: A Case Study of the Political Economy of Atlantic City, New Jersey*, Kimberly Warker concludes that the domination of the service sector employment has led to an self-contained and self-reinforcing economy which is, "even less diversified than in earlier years when tourism was a mainstay of the economy."<sup>108</sup>
- Merchants in Atlantic City expected tourists to descend upon their stores, especially the ones closest to the casinos. Instead, local merchants found themselves in a losing battle with the casinos for business: "Ironically, local merchants who had been the biggest supporters of the casino referendum have become its biggest victims. Many of the stores along the adjoining downtown business district are vacant and rundown."<sup>109</sup> The executive director of Atlantic

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<sup>107</sup> Jewel in the Crown, p. 27-28.

<sup>108</sup> Warker, p. 168.

<sup>109</sup> Warker, p. 218.

City's Chamber of Commerce estimated in 1983 that only 10% of the businesses operating in Atlantic City in 1976 would remain by 1985, and there are more vacant stores now than before gambling was approved.<sup>110</sup>

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<sup>110</sup> Warker, p. 266.

- Casinos are designed specifically to encourage visitors to remain within the complex for as much time as possible, and the proposal for a "buffer zone" around the casino would only enhance the effect. Atlantic City casinos were strategically built on the idea that a "patron never has to leave during his or her stay to increase the chance that they will spend all their money in the proprietor's casino. These structures are designed to be a complete, self-sufficient environment in themselves."<sup>111</sup> There are no indications that cross-marketing will have any effect on this fundamental characteristic of casinos.

## **(2) Reallocation of Spending:**

To determine the impact of the facility on other businesses in Chicago, D&T estimated reallocation of spending. The amount that they found would be redirected from existing businesses and gaming was low. In spite of the \$1.1 billion total revenue, of which \$320 million was projected from people within 35 miles of the city, D&T estimates that the total amount of resident-based local product substitution as a result of the facility in 1997 to be \$66 million, of which \$47 million will be from other local gaming interests. They conclude that the total reduction in 1997 amusement and entertainment expenditures outside of the facility by both visitors and residents to be \$45 million.<sup>112</sup> The recently uncovered casino strategy papers reveal an awareness that many Chicagoans see the casinos as operating within a "closed circle," where, "benefits reflect only a redistribution and not a net gain." Respondents believe that casinos will, "hurt other businesses," "hurt other forms of gambling," and "will put Chicago money in Chicago and take it from here."<sup>113</sup> The Chicago Metro Ethics Coalition could not undertake an entirely new study, but evidence indicates that the D&T and Commission's numbers on reallocation of spending are optimistic:

- D&T estimates that the average amount of spending per household at the facility would be approximately \$170. Within this same ring, they estimate that annual expenditures on entertainment fees and admissions averages \$649. The facility will attract more than 25% of money spent on entertainment for people within this radius. Toni Hartrich of the Civic Federation, estimating that Chicagoans spend roughly one third of their incomes on entertainment, explained that her research indicated that the casino complex would divert money from other sources of entertainment and thus transfer income from an already stable industry to one with unstable growth strategies. Even accounting for new visitors. A total of \$45 million in reallocation seems conservative when billions of dollars are being wagered at a new attraction.
- D&T acknowledges that the magnitude of this redistribution and the components of the base that would be affected most negatively "will vary significantly depending on the resolution of a number of public policy issues related to the subject facility."<sup>114</sup> Given that such impacts could involve large scale lay-offs, we believe that this area must be more thoroughly researched so that an accurate cost/benefit analysis can be attempted. The D&T report assumes, in the calculation of the impact of visitors on the local economy, that, "All visitor-types who gamble

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<sup>111</sup> Warren/Canner Development Coalition, p. 15.

<sup>112</sup> Deloitte & Touche, p. 191.

<sup>113</sup> Jewel in the Crown, p. 13.

<sup>114</sup> Deloitte & Touche, p. 191.

at the facility bring additional dollars to do so beyond the above-mentioned current dollar figures for the area (the amount spent by each type of traveler)"<sup>115</sup> when in fact dollars to be spent gambling would logically substitute for dollars which were going to be spent on another activity.

- *Crain's Chicago Business*, in an editorial against the proposal, says that "60% of the 15 million projected visits to the casino will come from the metro area; the money these visitors will be spending necessarily will be diverted from other forms of entertainment and discretionary spending." D&T estimates that the facility will make expenditures of \$868 million for goods and services in 1999, but representatives told us that they have no estimates of where the businesses would be located (Chicago, elsewhere in Illinois, or out of state). In 1990, casino hotels in Atlantic City purchased goods and services from 10,185 companies, with a dollar volume of business totaling \$1.4 billion dollars from 4,033 New Jersey companies. However, no figures are available to indicate whether the ratio of in-state to out-of-state suppliers would be similar for Illinois.
- Our research on the impact of casinos on other forms of gaming indicates that, even considering increased demand for gaming, the total reallocation figure of \$47 million is low when compared to almost 2 billion dollars spent on gaming in Illinois in 1991 and the expected revenues of 1.1 billion to the casinos. We did not do extensive research on the impact on other gaming, but a few points are worth noting: Officials in New Jersey speculate that the continued success of the lottery in New Jersey may be attributed to the tremendous growth of the lottery industry in the 1980's. Additionally, most Atlantic City casino patrons are from out-of-state and thus New Jersey lottery sales would not be impacted in the same way as would sales in Illinois, where Cook County alone accounts for more than half of statewide lottery sales. The horse track in Minnesota has seen its revenues fall from \$133 million in 1986 to \$45 million in 1991, a decrease which a spokesperson for the Minnesota Racing Commission believes is "definitely connected" to the success of Indian Gaming.

### **(3) Gambling as a Tool for Economic Renewal**

The legalization of casino gambling in Chicago is viewed as a tool for creating jobs and spurring economic growth. The view of casino gambling as a partnership for urban development is not a new one:

"Casino gambling represents the investment of billions of dollars of capital by private firms that are granted monopoly privileges to earn profits from customers who play games of chance. These casino firms are regulated by a public authority and taxed to produce public goods. Viewed as a public-private partnership for urban redevelopment, casino gambling is hardly unique. Such partnerships have progressed to prominent status as mainline tools of urban aid and social policy in cities throughout the United States. Further, since the mid-1970s, national urban policy has consistently encouraged the formation of local partnerships for urban redevelopment."<sup>116</sup>

- **Atlantic City**

K. Warker comprehensively details the economic benefits of casino gambling in Atlantic City

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<sup>115</sup> Deloitte & Touche, p. 186.

<sup>116</sup> Warker, p. 4.

and concludes that gambling has failed as a tool for urban renewal:

"Atlantic City now exists as two distinct political economies: one prosperous, growing and gaining momentum from the continuous massive infusion of new capital along the boardwalk, the marina, and contiguous areas; the other concentrated in residential neighborhoods that continue to manifest a syndrome of economic and social decline reflected in physical deterioration, economic disinvestment and social disorganization. The continued existence of a political economy of decline in the midst of a development windfall leads this researcher to the conclusion that casino gambling has failed as a redevelopment policy for Atlantic City. However well it has succeeded as a stimulus to boardwalk reinvestment, the growth of the surrounding region and to state-level fiscal health, it has failed to stem the process of decline that has dominated the city's past and continues to characterize the most of the city's residential neighborhoods. As one observer noted: "People look at this city and say it was once a slum. Now it is a slum with casinos."<sup>117</sup>

Atlantic City has received great attention as "a tale of two cities,"<sup>118</sup> where luxurious hotels sit next to rundown slums. Atlantic City has thousands of slot machines, but no car washes, movie theaters, and only one supermarket.<sup>119</sup> The region and state have benefited at the expense of the city that bears most of the costs. Most workers do not reside in Atlantic City (Atlantic City's population has decreased by 20% since 1976) and so their income is not spent in the city. Local neighborhoods see little of the money taken in at casinos nearby. Residents expected an improved quality of life, but now claim that they "don't see any neighborhood that has benefited - neighborhoods are a thing of the past."<sup>120</sup> Warker concludes that the Atlantic City experience confirmed predictions of "the polarization of urban areas, the rise of the underclass, the deterioration of neighborhoods, infrastructure and services resulting from privately sponsored redevelopment."<sup>121</sup> Warker does not blame only the casinos, and as emphasized by Tom Carver, President of the Casinos Association of New Jersey in 1989, "We came here to produce the money, not to run the city."<sup>122</sup>

City merchants and residents alike were the victims of land speculation that drove up the prices of land surrounding casinos in Atlantic City. The *New York Times* reported in 1982 that land values had increased by more than 900% in some areas: "Casino money is pushing permanent residents out while it brings transients in."<sup>123</sup> Land values increase with the benefit of increased taxable valuation, "Inflated the first of property to such high levels that

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117 Warker, p. 265.

118 NAACP leader Pierre Hollingsworth, UPI, 1/18/84.

119 Planton, Priscilla, p. 68.

120 Warker, p. 178.

121 Warker, p. 257.

122 Planton, Priscilla, p. 64-68.

123 New York Times, 3/18/92.

redevelopment of property for non-casino uses was financially infeasible."<sup>124</sup> Low income and elderly populations were displaced because their incomes did not keep up with the increased value of their property.

A survey conducted by the South Jersey Center for Public Affairs on the quality of life in Southern New Jersey in 1987 demonstrated that increased land costs had led to various economic problems including an increased cost of living, higher taxes, increases in housing costs and a shortage of affordable housing.<sup>125</sup> Warker concludes that the increased land values, while they contributed to tax coffers, have a severe negative impact on those who have the least ability to react:

"Land speculation, an inevitable by product in a city with very little developable land, continues to not only displace poor residents from their homes and eliminate much of the housing stock from the city's inventory. The casinos need for parking areas has eliminated entire city blocks. Development has taken place, in some sections, around, between, and through individual residences. It is the land, not the buildings on it, that is valuable either for casino development or parking areas, and thus residential dwellings are permitted to decay and deteriorate."<sup>126</sup>

The Mayor's Commission says that since a site in Chicago has not yet been chosen it is not possible to consider the costs or negative effects. However, the choice of any location will undoubtedly greatly benefit some and adversely impact others. There is no reason to believe that the Atlantic City experience will not be relived in Chicago in varying degrees.

- **Las Vegas**

Our research on dual economies did not focus as extensively on casinos in Las Vegas as a tool of urban renewal since Las Vegas had only five blocks of paved streets when gambling was legalized in Nevada in 1931. Even so, Las Vegas is one of the nation's fastest growing big cities, but the development has bypassed the Westside, a depressed neighborhood of 20,000 a few miles from the Strip hotel - casinos: "There is no tourist casino on the Westside, nor is there a bank, fast food restaurant, pizza parlor or supermarket. There isn't even a bus service. Instead there is mostly anger - directed at the roughhouse reputation of the Las Vegas police and at the Strip hotels, which employ relatively few blacks."<sup>127</sup> One minority Las Vegas resident we interviewed told us: "If all the casinos were gone, it wouldn't make any difference. They don't help us at all."

The Atlantic City and Las Vegas experiences do not prove that casinos cannot be used as a tool for economic renewal, but the experiences do indicate that the casinos alone do not create an economy for everyone. Poor and minority populations bare the costs associated with gambling without experiencing the benefits. If gambling is legalized in Chicago, general

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124 Warker, p. 151.

125 Warker, p. 19.

126 Warker, p. 284.

127 Los Angeles Times, 5/27/92.

recommendations of the type issued by the Mayor's Commission will be insufficient to produce urban renewal. The second drive to bring the casinos to New Jersey was successful largely because casino backers appealed to "the state's `have-nots' - the minorities, the elderly, the handicapped and the jobless - who would supposedly benefit from casino taxes."<sup>128</sup> City officials have tried in vain for fifteen years to use the casino revenues to help the city. Using casinos for urban renewal in Chicago would require unprecedented measures.

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<sup>128</sup> UPI, 5/29/83.

## **(C) Employment**

The most significant benefit offered by land-based casino gambling is direct, induced, and indirect employment. The promise of jobs played a key role in the successful second attempt to legalize casino gambling in New Jersey. D&T estimates that the land-based casino will directly produce 12,060 full time equivalent jobs at an average 1992 salary rate of \$30,285. By 2001, D&T predicts that a total of 38,300 jobs will be produced, 29,700 of which will be in the city. The on-site jobs are described by the proponents as, "Stable, career path, \$30,000 dollar-a-year jobs."

Casinos in Atlantic City and Nevada have had remarkable impacts. Unemployment, in Atlantic City, which surged to 20% in 1976, was only 10.5% in May 1992, and unemployment in Las Vegas currently stands at 6.0%.

Chicago's economy demonstrates a need for jobs. Nearly one in four families live in poverty, with incomes of less than \$10,000/year. Chicago's numbers indicate an increase of 47% in just ten years. Even though more than 86,000 jobs were created in Chicago during the past decade, compensating somewhat for the loss of manufacturing jobs, those new jobs were located in or near downtown Chicago; the neighborhoods experienced a net loss of more than 80,000 jobs during the 1980's, while downtown jobs increased by 31,000. All families earning under \$15,000 (a third of all Chicago families) cannot live on their own salaries without experiencing at least one major hardship - lack of food, housing, or health care. Chicago needs a job creation program to help families described by these grim statistics.

Several factors mitigate the impact of a large number of jobs to the City. Mega-projects are of limited benefit to unemployed and underemployed Chicagoans if workers come from outside the city or state, or if jobs are part-time, low-paying or unstable. Such concerns are not, as contended by Robert Healy, "An elitist perception that jobs within the entertainment center would be substandard," nor are they a view that, "Certain jobs are 'beneath' one's dignity."<sup>129</sup> Rather, a rigorous analysis of the jobs created recognizes that job opportunities do not occur in a vacuum--this proposal will have significant costs which need to be weighed against potential benefits which include jobs. The recently uncovered strategy papers of the casino owners reveal how they used the promise of jobs to sell the proposal: "When there is loss of jobs, more jobs, any jobs, sound good."<sup>130</sup> They write that they should avoid mentioning, "Low paying, minimum wage jobs" in favor of, "Career trajectory, living-wage salary jobs,"<sup>131</sup> which explains the adverse reactions of proponents to any discussion of the quality of the jobs. They stress the message: "Jobs, Jobs, Jobs" as a way to silence and embarrass any opposition to the proposal. Our research indicates that the quality and quantity of the employment is not accurately represented by the Commission's Report. Atlantic City and Las Vegas agencies make available different types of data, so no direct comparisons can be made or full conclusions drawn. However, their figures can be used to test assumptions and projections made by the proponents. D&T refused to disclose their job information, the basis of their figures, saying it was privileged/confidential material. In these cases we utilized data from Las Vegas and Atlantic City.

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<sup>129</sup> Chicago Tribune, 8/12/92.

<sup>130</sup> A Jewel in the Crown of Chicago. p.27.

<sup>131</sup> A Jewel in the Crown of Chicago. p. 29.

## (1) 38,300 Jobs

D&T projects that 24,000 "ripple effect" jobs will be created in addition to on-site and construction jobs, but does not provide any description of where these 24,000 "ripple effect" jobs will be, or what the salaries will be for these jobs. The jobs are described only generally, as being, "concentrated in the retail trade, services, wholesale trade, construction, finance and insurance sectors and local government.<sup>132</sup> Out of necessity, the

<b>Subject Facility Employment</b>		
Category	Number of <u>FTE Employees</u>	Estimated Annual <u>Salary (1)</u>
Casino	6,250	\$35,780
Hotel	360	18,550
Food and Beverage	1,750	17,870
Entertainment/Retail	1,460	18,860
General and Administrative	525	29,760
Marketing	180	36,400
Maintenance, Security, and Other	<u>1,535</u>	<u>35,160</u>
TOTAL	12,060	\$30,285 (2)

Note: 1) In 1992 dollars.  
2) Weighted average of full-time equivalent salaries.

focus of this section will be on direct employment, which accounts for approximately 30% of the jobs.

## (2) Full-time Equivalent

In their secret strategy papers, the public relations firm's "key executional point" is to use, "Full-time jobs as the basis for the count of added jobs,"<sup>133</sup> because this count obscures the number of part time lower paying jobs. "Full-time equivalent" does not mean that 12,000 full-time jobs will be available, but that more than 12,000 part-time jobs will be available. For example, two half-timers would be represented as one full-time equivalent. All of Deloitte's estimates of facility and construction employment involve, "Full-time equivalent

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<sup>132</sup> Deloitte & Touche, p. 215.

<sup>133</sup> A Jewel in the Crown of Chicago. p. 30.

workers." Professionals from D&T did not describe how many jobs were actually full-time, but they indicated that the number of less-than-full-time jobs is high in this industry. The public does not know how many people will get full-time jobs, or part-time jobs because such information has not been presented. Counting the number of "Full-time equivalent" jobs obscures the fact that salaries will be significantly lower than for full time jobs. The Chicago Coalition for the Homeless opposes the building of casinos in Chicago. One of their objections is that low wages perpetuate the problem of homelessness. In Chicago, half of the homeless population is employed but do not earn enough to pay rent. The Coalition estimates that in order to rent a two bedroom apartment for a family, a person must make at least \$10.66/hr. The Coalition questions: How many casino jobs, for entry level workers would pay a living wage?<sup>134</sup>

Another important aspect is the question: *Which of these jobs are, "Jobs with benefits"?* (one of the key executional messages propagated by the public relations firm of the casino owners).<sup>135</sup> The proponents use benefits as a key selling tool for the jobs, but D&T never cites which jobs include such advantages. The figure of 12,060 jobs at \$30,200/year is a calculation and not reality.

### **(3) Low Wages**

D&T estimates the average annual salary of a "full-time equivalent" employee at the subject facility to be \$30,285. They achieve this result with the following calculation:

- D&T professionals told us that they could not provide any more data because it was confidential. Our research finds the typical salaries to be significantly lower. Even if the D&T estimate was technically correct, the "average salary" is a misleading figure - included in these figures are the salaries of top executive workers who make considerable more than the majority of workers in each category. The median salary would be a more instructive figure.
- Recent Department of Labor statistics demonstrate that unemployment figures alone do not describe employment overall. An August 22, 1992 *USA Today* feature article emphasizes that while unemployment may decrease in certain areas, many of the new jobs are low-paying jobs in the service sector. Poor families have suffered a significant decline in average income - while twenty-five years ago only 10% of new jobs paid less than \$7,400/yr. (in 1992 dollars), today 40% of new jobs pay this wage.
- **Employees in Atlantic City**
  - In Atlantic City, only 35% of the total number of employees make over \$25,000 a year.<sup>136</sup> 14% of the casino/hotel employees are included in the \$25,000 - \$30,000 a year range. The proponents' \$30,000/yr. projections appear very optimistic when compared with Atlantic City facts.
  - The number of high paying jobs is offset by the large number of low paying jobs: "The operation [of a major casino] employs nearly 4,000 persons. Approximately 10% of the jobs are at salaries of \$35,000 and over, while fully 1,300 - one out of three - fall into the \$5,000 to

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<sup>134</sup> Chicago Coalition for the Homeless, testimony before the Chicago Metro Ethics Coalition. 1992.

<sup>135</sup> A Jewel in the Crown of Chicago. p. 30.

<sup>136</sup> State of New Jersey Casino Control Commission Report on Affirmative Action Compliance in the Casino Hotel Industry Third Quarter - 1991.

\$10,000 range."137

- Waitresses and waiters have the lowest income; dealers and casino personnel who make up 1/2 of the total employees, earn \$10,000 to \$20,000 (not including tips). 138 Deloitte's figures included tips in their salary estimates, but when we disputed their figures attributed to tips and asked for documentation, D&T professionals that the figures were supported by internal documentation told we that they could not divulge.

<u>OCCUPATION</u>	<u>AVG. LOW WAGE</u>	<u>AVG. HIGH WAGE</u>
Boxtender, Dice	\$13.80	\$16.68
Cage Cashier	\$ 6.92	\$ 9.70
Dealer, Blackjack	\$ 4.03	\$ 5.52
Dealer, Craps	\$ 4.02	\$ 5.65
Gaming Change Person	\$ 5.30	\$ 7.30
Gaming Supervisor	\$13.02	\$19.58
Slot Mechanic	\$ 9.18	\$14.58
Bartender	\$ 6.58	\$ 9.38
Waiter/waitress	\$ 4.43	\$ 5.63

- In reference to D&T's \$30,285/yr. salary estimate, Nevada government source "A" claims, "The State of Illinois shouldn't be deluded into believing that casinos will generate such great jobs."

### **Employment in Nevada**

- In Las Vegas the average income for the casino industry in 1991 was \$18,349.139 The boxtender in Las Vegas will make between \$26,496 and \$37,593 annually. This is the highest paying casino floor occupation. A beginning craps dealer will make \$7,718 annually and an advanced blackjack dealer will make \$10,598.140 These figures are a far cry from the \$30,285/yr. estimates.

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137 Sternleib, p. 86.

138 Sternleib, p. 86.

139 Nevada Employment Security Department

140 Nevada Employment Security Department

- To evaluate the \$30,000 average salary for workers, a top official with the Nevada Employment Security Department made some Illinois-Nevada wage comparisons from a Department of Labor publication titled, "Employment and Wages Annual Averages, 1990." He explains why Chicago wages will be lower than Las Vegas wages:

Nevada includes virtually all of its casino activity into a category called Hotels, Gaming and Recreation (HGR), a category made up of the Bureau of Labor statistics' "Standard Industrial Classification (SIC)" Two-digit codes 70 and 79. The total of those two SIC codes are not available for Illinois, but two of the most important sub-sets can be compared. Average 1990 earning for SIC 7011 (hotels and motels) was \$17,868 in Nevada and \$12,839 in Illinois. In SIC 7999 it was \$15,787 in Nevada and \$10,411 in Illinois. In other words, in two of the most important four-digit SIC categories of the HGR industry, Nevada paid 39% and 51.6%, respectively, more than Illinois. In another important area of classification, SIC 581 (eating and drinking establishments), Nevada paid an average of \$8,903, while Illinois paid only \$8,439. Given those comparisons and the fact that Nevada's average HGR wage in 1990 was \$17,622, it's hard to believe that the average earnings for the 12,000 new jobs will be even close to the predicted \$30,000. It will probably even be a stretch to make a level of \$20,000 a year.<sup>141</sup>

- All employment estimates in the Deloitte report assumed an organized facility, a premise not discussed elsewhere in the report.

#### **(4) Illinois Residents as Employees**

Neither D&T nor the Mayor's commission make any estimates concerning what percentage of the jobs current Illinois residents could expect to receive. The clear implication of the jobs rhetoric is that people currently living in Illinois will be the recipients of the new jobs. If people who immigrate to Chicago from other states take significant portions of available jobs, the economic consequences should be adjusted accordingly. The state would still benefit from certain tax revenues from these new people, but we would have to revise the impact that this proposal will have on those people currently unemployed in Illinois.

- **Migration to Las Vegas and Atlantic City**

- If a large casino opens in Chicago, there will be migration of experienced casino workers from Las Vegas and Atlantic City. This shift of personnel happened when Atlantic city legalized gambling in 1976 and continues to occur on Indian reservations

today. Tim Parrot, co-owner of Boomtown Hotel-Casino, concurs, "I think the situation may heighten. There's just so few qualified people in gaming."<sup>142</sup> Dan Reilly, publisher of the Nevada Gaming Newsletter, explains the labor pool: "Obviously, it's like when you expand professional baseball. It gets better for the players, because there's more demand for them and there's only so much talent."<sup>143</sup> Since Nevada has a 60 year history of legalized casino gambling, it has an abundance of professionals who know the trade well. Skills in a variety of casino jobs, "Are among the skills desperately needed by new casinos in other states, where there is virtually no labor pool with gaming experience. And to survive, the upstart operations need trained professionals."<sup>144</sup> If this pool of labor is willing to relocate at a remote Minnesota Indian reservation, willingness to work at a large casino in downtown Chicago will obviously be great. Roger Wagner, president of Trump Castle in Atlantic City, explains that the migration occurs not only with dealers, but also with the upper echelons of the companies: "If a major metropolitan area legalizes casinos, you'll see another mass exodus of Nevada and Atlantic City executives."<sup>145</sup>

- Chicago can also expect to see workers from different occupations and other areas of the country attracted with the promise of jobs. Atlantic City experienced a significant influx of population when gambling was legalized. K. Warker reports on the employment difficulties in Atlantic City:

"Attracted by the prospects of employment, there is also a significant number of persons who have re-entered the labor force. Because they lack sufficient education, skills, or experience, they are unable to find or maintain employment. This core group of hard-to-employ persons is much like those found in other urban cities in the Northeast. Also contributing to the level of unemployment are new entrants and migrating workers, attracted by the expanding job market, but not always successful in securing work."<sup>146</sup>

When Las Vegas announced the construction of several large resorts in early 1991, thousands of job seekers flocked to the area. At one point, forecasters estimated that 6,000 people a month were moving into the Las Vegas area. Over a quarter of the 6,000 job seekers were from neighbor state California. As the national unemployment rate remains high, so does the number of people leaving home to find new jobs. Bruce Klein, an economist for the Bureau of Labor Statistics, affirms, "If I was a construction worker, I'd start looking for a job in Las Vegas."<sup>147</sup> People move to where there is opportunity. During Las Vegas' 1991 building boom, Nevada's inbound rate was 67%. The State Division of welfare in Las Vegas estimates that

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142 Reno Gazette Journal, 3/19/92.

143 Reno Gazette Journal, 3/19/92.

144 Gannett News Service, "Nevada Casino Workers Lured To Other States,". 1992 (March).

145 Reno Gazette Journal, 3/19/92.

146 Warker, p. 122.

147 Los Angeles Times 2/23/92.

during 1990 and 1991, 15,000 people a month moved to Las Vegas, 6,000 remained, and 600 become homeless.<sup>148</sup> As the number of jobs increase, so will the out-of-state job seekers that are drawn to the state. The proposed six month residency requirement is not a significant deterrent to many people when weighed against potential employment.

➤ City Residents

Even when current Illinois residents take jobs, it is not clear how many of these workers will be from poor areas with high unemployment. Recent studies in Atlantic City "confirm that most of the casino jobs have gone to nonresidents, and that most of the casino employees who elect not to live within the confines of the city."<sup>149</sup> The overall percentage of Atlantic City residents employed in the casino industry had dropped from 27% to 18.7% by the third quarter 1991.<sup>150</sup> Atlantic City residents comprised over a third of the work force in only two categories - Laborers 37%, and Service Workers 34%. Residents held less than 10% of the Officials and Managers category. Debbie Greenberg, statistician for the Division of Compliance, blames the demographics of Atlantic County for this low percentage. She cautions against using Atlantic County's resident percentage in reference to Chicago because of the size differential between the two cities.<sup>151</sup> The city of Chicago, excluding suburbs, would encompass this three county land span, so the parallels cannot be drawn between the two cities. The reason only residents of Atlantic County fill 26% of the jobs is that Atlantic City is populated primarily by underprivileged, and under-educated minorities. Chicago's South Loop may be compared with Atlantic County on the basis of their similar demographics. Thus, based on Atlantic County statistics, a majority of the jobs would go to people in areas of Chicago other than the economically drained South Loop.

## (5) Replacement Employment

The total number of jobs created will not decrease unemployment by the same amount. The unemployed people chanting "We Want Jobs!" in front of the Mayor's office may not be the recipients of the proposed jobs. The casino workforce in Atlantic City contains many people who were not previously listed as unemployed, such as homemakers, and people who changed occupations. A worker leaving old occupations for casino jobs is a common occurrence in Las Vegas and Atlantic City.

- when casinos opened in Atlantic City, nurses left nearby hospitals for jobs as cocktail waitresses. In one case, a local hospital lost 10% of its nursing staff to the casinos, forcing it to close its intensive care unit.<sup>152</sup>

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<sup>148</sup> Chicago Coalition for the Homeless, Testimony before the Chicago Metro Ethics Coalition. 1992

<sup>149</sup> Warker, p. 267.

<sup>150</sup> State of New Jersey Casino Control Commission Report on Affirmative Action Compliance in the Casino Hotel Industry Third Quarter--1991. p.7.

<sup>151</sup> The argument in defense of the low 26% figure emphasizes that the jobs do not leave the three county area into which the island is divided.

<sup>152</sup> Wall Street Journal

- Teachers are another group of workers who are attracted to the casino business. Vincent Cantillon, Atlantic County superintendent of schools, testified that at least 95 teachers left County teaching to work for casinos in 1980 alone. Mr. Stiver, a married 31 year-old teacher earning \$14,000 a year, states, "Teachers are being forced into the casinos or out of the area by the economic realities."<sup>153</sup>

## **(6) Minority Hiring**

The Mayor's Gaming Commission recommends that in order to ensure equal opportunity in both employment and contracts awarding, the existing City requirements for minority hiring must be applied. The Commission also remarks that the operators and major vendors must, "commit themselves to a pro-active and on-going outreach effort with existing minority- and women-owned businesses to ensure that these enterprises can fully realize the benefits presented by the project."<sup>154</sup> The proposal, thus far, has failed to lay down any real guidelines or means of regulation for affirmative action measures. An examination of Atlantic City and Las Vegas records on affirmative action reveals that "commitments" are easily broken in the casino industry. The proponents argue that it is too early to discuss such details, yet minorities have played a key role in the proponents public relations offensive.<sup>155</sup> It is important to look at Las Vegas and Atlantic City to examine the merits of projected minority job opportunities. The two cities have different means of regulation, which result in different sets of figures. The material used for this report represents all that was available to the public as of 8/2/92.

- **Atlantic City**

The State of New Jersey Casino Control Commission<sup>156</sup> requires the licensee to reach specific goals - 45% female and 20% minority representation at all levels of the workforce.<sup>157</sup> The industry, as a whole, was in compliance with exactly 20% minority representation.<sup>158</sup> However, this percentage was weighted heavily by the high percentages of minorities in low end jobs, indicating that minorities were under-represented in high end jobs.

- Minorities made up 71% of the total 1,486 Laborers.
- Minorities made up 52% of the 15,154 total Service Workers.<sup>159</sup>

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<sup>153</sup> New York Times, 7/16/80

<sup>154</sup> City of Chicago Gaming Commission Report to the Mayor. 6/10/92. p.33

<sup>155</sup> Chicago Tribune, 7/1/92.

<sup>156</sup> The state of New Jersey has a Division of Compliance within its Casino Control Commission. This division submits quarterly reports on affirmative action compliance in the casino industry.

<sup>157</sup> N.J.A.C. 19:53 - 1.5

<sup>158</sup> State of New Jersey Casino Control Commission Report on Affirmative Action Compliance in the Casino Hotel Industry Third Quarter 1991.

<sup>159</sup> State of New Jersey Casino Control Commission Report on Affirmative Action Compliance in the Casino Hotel Industry Third Quarter 1991.

The EEOC list of job categories defined Laborers as "unskilled manual workers," and Service Workers as "protective/non-protective service occupations including cleaners, cooks, guards, porters, and food/cocktail servers.

<u>EEOC Job Category</u>	<u>Representation of African American Minorities</u>	
Officials & Managers	7%	16%
Professionals	5%	18%
Technicians	4%	17%
Sales Workers	6%	37%
Office Clerk	9%	23%
Staff Worker	7%	46%
Quantity Officer	6%	41%
Bar tender	11%	14%
Cocktail Servers	15%	17%

SOURCE: 1990 EEOC Affirmative Action Goals for Las Vegas SIC job titles.

<u>Salary Level</u>	<u>Representation of Minorities</u>
Over \$50,000	13%
\$40,000-49,999	17%
\$35,000-39,999	18%
\$30,000-34,999	21%
\$25,000-29,999	35%

Atlantic City has set regulations for minority hiring and fairly accountable policies for compliance with these regulations.<sup>160</sup>

- **Las Vegas**

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<sup>160</sup> There is a disclaimer in the beginning of each quarterly report stating that all data is self reported by the casinos and that although it is presumed to be factual, the Commission does not certify its accuracy.

African-American workers represent 11% of the total employment in Las Vegas. In white-collar occupations (officials & managers, professionals, technicians, sales workers, office & clerk workers) African-American workers made up 7% and white workers made up 83%. The representation of African American workers is highest in blue-collar jobs (craft workers, operatives, laborers, service workers). Minorities, as a whole, have very little representation in the Las Vegas workforce.

Unlike Atlantic City, Las Vegas casinos are loosely regulated. Not until 1971 was any action taken to ensure equal employment rights in Nevada's casino industry. In 1971 the U.S. Department of Justice filed a complaint against 16 Strip hotel/casinos and four labor unions.<sup>161</sup> The complaint stated that because of various discriminatory practices, more than 90 percent of the African-American workers employed in the industry were limited in and segregated to the "lowest paying, least desirable duties, jobs, and occupations."<sup>162</sup> A consent decree signed on June 4, 1971, between the Department of Justice and the 16 Strip hotel/casinos and four labor unions, ordered a change in practices.<sup>163</sup> The casinos have failed to reach the 12.5% black representation in all job categories; as a result the decree still remains.

## **(7) Limitations in Employment**

The proponents boast that anyone can work in the casino industry. This may be true for an individual with a clean police record who seeks a janitorial job. However, in Atlantic City, an executive level or managerial job requires a 67-page state application and a five page employer sheet in order to be considered for employment. Along with this paper work, a \$500 non-refundable deposit is required. A \$30 an hour fee for an investigation undertaken by the Division of Gaming Enforcement is also required. Lower level job seekers, must have proven games experience or be a graduate of an approved gambling school. Courses at various gambling schools vary from four to 15 weeks and cost from \$328 to \$1,520. Rosalind Norrell-Nance, Atlantic City Mayoral aide, comments about the availability of casino jobs to underprivileged: "Individuals are unaware of the long wait to secure a casino license, that many of the available jobs are low paying, and that many of these jobs require training."<sup>164</sup> Jobs are accessible to workers with money, time, a clean record and experience.

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<sup>161</sup> The complaint alleged that the hotel/casinos and unions discriminated against blacks in four different areas: assignment of employees to job classification on basis of race and not qualification, failure to provide opportunities for training and promotion to unemployed blacks, recruitment/hiring on the basis of "clout," to the disadvantage of black applicants and employees, failure to take appropriate action in correcting discriminatory practices.

<sup>162</sup> Nevada Advisory Committee to the U.S. Commission on Civil Rights - "The Impact of Two Consent Decrees on Employment at Major Hotel/Casinos in Nevada." 1989 (June).

<sup>163</sup> An excerpt from the consent decree is quoted below:

Shall hire and assign applicants for employment, and shall promote, transfer, train, demote and dismiss employees, without engaging in any act or practice which has the purpose or the effect of discrimination against any individual because of his race or color in regard to his employment opportunities, and shall promote and transfer employees in such a way as to provide employment opportunities to black persons which are equal to those provided to white persons.

United States v. Nevada Resort Association, No. LV1645 (D. Nev. filed June 4, 1971).

\*The major feature of this decree was the goal section, requiring the hiring or referring of one black for each three non-black employees or applicants until the number of black employees is at least 12.5 percent of the total number of employees in each of the 21 job classifications, within any 6-month period in a continuous 12-month period. Once this percentage is reached the decree will automatically expire.

<sup>164</sup> UPI, 12/5/89.

Atlantic City casinos have been involved in several programs that attempt to employ welfare recipients.

## **(8) Quality and Stability**

Our research indicates that while the casinos supply an abundance of low-skill employment, even the skilled employment is not always quality employment. The nature of casino industry jobs is not the picture painted by the proponents model employees who testified in front of the Mayor's Gaming Commission. Dr. Robert DiCuio, director of the Institute for Better Living, treats Atlantic City casino employees suffering from stress, anorexia, bulimia, panic attacks and substance abuse. Dr. DiCuio cautions people considering casino employment to take an in-depth look at the jobs before accepting the employer's sales pitch. He outlines the variety of health problems that occur at work:

"It's the environment. Many dealers work a 6 P.M. to 4 A.M. shift. They're tired and may do drugs to stay awake. There's no windows or clocks to give them a sense of time. The lights, noise of the slots and the screaming and music is never ending. Somebody is always mad at them, either the players who were losing or the house if the players are winning. Smoke is constantly being blown in their faces."<sup>165</sup>

G. Michael Brown, Atlantic City Division of Gaming Enforcement director, states that illegal use of drugs is a "serious problem" among casino employees. He claims the monotonous nature of a dealer's work and the long hours contribute to the problem.<sup>166</sup> Our sources also indicate that many casino employees also have gambling and substance addictions, enhanced by the environment in which they work, and that many spend their earnings in other casinos.

- The casino industry is seasonal in Atlantic City and would surely be so in Chicago. Casino workers pay the toll of this industry reality. Every winter, Atlantic City's off season, all the casinos make large scale layoffs to compensate for lost gambling revenue. Numbers as high as 500 layoffs per casino have been reported.<sup>167</sup> Chicago would surely be subject to these same seasonal trends. "They promised good jobs and they provided poor jobs," claims William DeJesus, director of the Latin Organization of Atlantic City. "It is pay slavery . . . We continue to get laid off in the winter," he continued. The number of unemployed in Atlantic County remains high because the county "still experiences seasonal variations in employment which tend to keep the number of unemployed higher, on the average, than areas with little or no seasonal variation."<sup>168</sup> These seasonal layoffs seriously undermine the proponents "stable, career path jobs" theme.

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<sup>165</sup> New York Times, 11/12/89.

<sup>166</sup> UPI, 6/18/81.

<sup>167</sup> UPI, 2/13/81.

<sup>168</sup> Warker, p. 122.

## **D. Local Visitation and Regressive Taxation**

Land-based casinos are promoted as a "painless tax" in the form of a fun tax. However, any economic assessment must consider profiles of gamblers in order to determine the source of the tax revenue. While Illinois stands to gain millions of dollars in tax revenues, this amount is a much smaller amount than the total money lost by patrons in casinos. Two primary questions to consider when examining the source of revenue are as follows:

- Where do the patrons reside?
- What is the income level of the patrons?

The more people that patronize the casino from Illinois, and the lower the income level of those people, the less effective the casino is as a source of revenue for state and city government, because money is shifted rather than created. D&T does not describe profiles of the players, and even though D&T calculates the proximate market, there is no assessment of the economic impacts of an Illinois residents-supported casino. An "export" of costs occurs when problem gamblers, who have enormous negative effects on society, leave the state or at least the city after they gamble. The negative impact on Chicago is magnified because not only will the casinos take a substantial amount of Illinois money, but Illini must also pay the costs associated with casino gambling.

### **(1) Chicago's Metropolitan Population**

- **Revenue:**

D&T claims that, "The largest number of visitors are estimated to come from the local market, the majority of casino revenues are estimated to be generated by visitors residing beyond 300 miles from the subject facility,"<sup>169</sup> and yet also notes that, "Chicago has the highest percentage of aggregate income in its zero to thirty-five mile ring, indicating the potential for the proposed facility to capture substantial visitation and expenditures from the most proximate market."<sup>170</sup> Specifically, D&T claims that 29% of total revenue will come from within zero to thirty-five mile radius of the casino complex and 42% will come from the 300+ mile radius, even though 57% of visitors will be from the zero to thirty-five mile radius and only 20% will be from the 300+ miles radius (revenue roughly parallels visitor days). The "Secret Casino Papers" (see appendices P, Q, and R) reveal the strategy to emphasize tourists and de-emphasize Illinois residents as visitors to the facility. Respondents' support varied "depending on the `ratio' between the Chicago/Illinois portion of the universe to the tourist portion."<sup>171</sup> And yet no amount of public relations strategy should obscure the importance of the number of Illinoisans who will visit the casinos and spend their money.

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169 Deloitte & Touche, p. 163.

170 Deloitte & Touche, p. 140.

171 Jewel in the Crown, p. 15.

- **Population:**

Chicago's 4.9 million adults living within a 35 mile radius in 1991 is nearly 10 times the adult population of 548,749 within 35 miles of Las Vegas and over 14 times the adult population of 351,541 within 35 miles of Atlantic City. Chicago's 6.4 million adults living within a 75 mile radius is more than 11 times the adult population of 560,409 within 75 miles of Las Vegas and 1.3 times the adult population of 4.9 million within 75 miles of Atlantic City. In terms of area, Illinois accounts for more than one half of the second radius ring of 35 to 75 miles. These figures demonstrate that a significant number of "locals" can be expected to frequent the facility. While Las Vegas and Atlantic City can export social and economic costs of casinos, much less will be exported from Chicago, where 58% of the patrons of the facility will originate from within a 35 mile radius.

## (2) Regressive Gambling

Having already determined that a significant number of the patrons will be from the metro area, it is necessary to examine which social and economic groups casinos will attract.

- **Player Profiles:**

Casinos generally attract three types of patrons:

- The high roller, who gambles in excess of \$25,000, is heavily comped and tends to lose a lot of money.
- The vacationer/conventioner, who gambles amounts under \$1000 purely for entertainment during free time between meetings/sporting activities.
- The small-time gamblers, who gamble small amounts of money, usually at the slot machines.

To predict which types of players Chicago is most likely to attract, it is useful to examine the patterns of different types of players. The high roller players are a limited species, and as casinos guard their patronage, it is difficult for new casinos to gain access to these players.<sup>172</sup> The vacationer/conventioner is attracted by the complete vacation/convention packet offered in and outside of casinos, and is profitable to casino owners primarily for other services paid for directly. Las Vegas has been very successful in attracting this type of patron, while Atlantic City has had almost no success.<sup>173</sup> Chicago would likely draw many of these types of players since the city has much to offer independent of the casinos. The small-time player is typical of the "daytrippers" so common in Atlantic City. These players are not comped, although they often receive cut-rate deals on food, transportation or accommodation. They usually play until they lose all of the money that they've brought with them and

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172 Warren\Canner Development Coalition. p. 13.

173 Sternleib & Hughes, 1983, p. 94.

are generally "very profitable patrons for the casino owners."174

- **Chicago and "Small-Time" Players:**

To what extent will Chicago depend on the small-time players? Accessibility of the facility is an important factor in predicting the presence of these types of players. When gambling is more accessible, more people gamble, especially those who might not otherwise make a long trip to gamble. The huge metropolitan population will undoubtedly result in a significant proportion of day trippers. But can these people afford to gamble?

- The Detroit Report indicates that the "small-time" players tend to have moderate incomes and to be elderly. They state that "Gambling by this type of patron...makes the tax on casino revenues paid to the government a relatively regressive tax, meaning that relative to their disposable income, lower income people gamble a greater percentage of their income than individuals with higher incomes."175
- The location of casinos in Las Vegas and the higher cost of transportation to get there, means that "casino gambling is a progressive source of tax revenue in Las Vegas because most patrons are middle and upper middle income people."176 Our research indicates that even in Las Vegas, gambling is a regressive tax. However, due to the location of casinos in Atlantic City and the low cost of getting there, many of the patrons are moderate and low income people, making it a relatively regressive form of taxation to Atlantic City, County and the State of New Jersey."177
- A top research analyst in Nevada states that while Caesars is a "high roller" market, Hilton and Circus Circus "largely concentrate on the 'grind' market. As such, they depend on volume play from middle-class gamblers--most of whom will travel relatively short distances to gamble." He warns that such a 'grind' market can mean that "instead of getting a financial injection from out of state, Chicago will just be redistributing money within the state." Toni Hartrich of the Civic Federation testified before the CMEC that, "Since most of the gamblers will be local, we will only be taking money from ourselves, namely the less fortunate, and redistributing it uniformly, creating a significant regressive tax."
- The Nevada experience of exporting social costs will not be repeated in a major metropolitan area: "Casino operators... warn that any other states that follow the Nevada example are likely to be sorry. Gambling has worked well here, they say, because the state is relatively isolated and has catered to those

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174 Warren\Canner Development Coalition, p. 14.

175 Warren\Canner Development Coalition, p. 14.

176 Warren\Canner Development Coalition, p. 14.

177 Sternleib, p. 165167.

who can best afford it. Putting casinos in metropolitan areas, they claim, will tempt people who cannot afford to lose."<sup>178</sup>

- **Regressivity of Slot Machines:**

- D&T states that, "A casino with an upscale market orientation will have a higher ratio of table games to slot machines."<sup>179</sup> However, D&T estimates that 675 table games and 13,500 slot machines will be located in four casinos in the complex, which gives Chicago a slots to tables (in casinos) ratio of 20:1 as opposed to a ratio of under 17:1 for Atlantic City and 21:1 for Las Vegas, even though D&T indicated that the slot machine market was "saturated" for Atlantic City. These figures signify that Chicago will have 1.874 more slot machines per casino than Atlantic City and 1.765 more slot machines than Nevada. The ratios of slots to tables indicate that casinos in Chicago would attract the small-time player. The trend in both Las Vegas and Atlantic City has been towards slot machines and away from tables. Not only are slots capital intensive rather than labor intensive, but the machines have become more popular in recent years, causing many to suggest that casinos may become facilities dominated by machines like slots and video poker, with a few tables added for atmosphere.
- As of the end of the first quarter, 1992, 61.9% of Atlantic City's total gaming revenue was generated by slot machines, and Las Vegas produced an almost identical figure of 61.4%. The percentage of revenue from slot machines rose from only 33% in 1970 in Las Vegas, and Atlantic City has experienced similar trends since its casinos opened in 1977. Slots are well-known for encouraging regressivity among gamblers, and according to Nevada Government Source B, "Once Circus Circus realized slots were the dominating source of revenue, they purposely changed the game plan so that lower income players would become the prime targets of casino gambling." There has been remarkably little study concerning the regressivity of slot machines, and casinos in general. Atlantic City has not released any player profile information, and Las Vegas has released some figures on overall gambling, but not enough to fully support any conclusions regarding casinos and slots in particular.
- D&T did not include any player profile information, even though a regressive tax on the poorest Chicagoans would have obvious economic consequences. Many casino proponents argue that concern for regressivity trends are paternalistic, but regressive patterns have significant economic effects. If a segment of the population is losing a disproportionate amount of money, the effects will be felt in terms of increased crime and increased costs for social services. Unfortunately, neither the City nor D&T studied player demographics or the economic effects of a highly regressive tax.

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<sup>178</sup> Lang, 1981, p. 67.

<sup>179</sup> Deloitte & Touche, p. 25.

# **Organized Crime**

The City of Chicago Gaming Commission (CCGC) Report on crime titles its introduction, "The Consensus that Organized Crime Can Be Controlled," and asserts that, "There is a consensus among current law enforcement officials that, with sufficient expenditures, strict regulation, and vigilant police work, organized crime can be controlled."<sup>180</sup> This facile conclusion is not supported by our research and contact with law enforcement officials, nor is it even confirmed by the extended testimony of the experts cited by the Commission. Kurt Muellenberg, former Chief of the Organized Crime and Racketeering Section of the Justice Department, reported to the Chicago Metro Ethics Coalition (CMEC) that he found the assertion that organized crime could be controlled, "a little troublesome," as anything can be "controlled" with certain associated qualitative and quantitative costs. Muellenberg concluded that, "It can be controlled. I don't think it can be controlled at a price I'd be willing to pay."<sup>181</sup> The costs are not only measured by dollars needed to fortify law enforcement but also by the loss of freedom necessitated by the passage of crime control laws: "Ultimately, a government can control almost anything if the citizens are prepared to pay that kind of price."

## **A. Quantifying Organized Crime**

### **(1) Crimes**

Organized crime, by its nature, is elusive. Extensive statistical data concerning the

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<sup>180</sup> City of Chicago Gaming Commission, Report to the Mayor, p. 43.

<sup>181</sup> Testimony of Kurt Muellenberg before the Chicago Metro Ethics Coalition panel. 1992 (August).

Mafia are difficult to obtain because organized crime activities such as extortion, loan-sharking, sweetheart deals and kickbacks are largely unreported. Many of organized crime's common victims--prostitutes, drug addicts, losing gamblers--are among the least likely to seek the help of law enforcement. Other victims, such as union members and consumers, are often too far removed from the illegal activity even to realize that they are victims. Most of the crimes for which organized crime is directly responsible fall into other criminal categories such as prostitution, burglary, battery, murder, and drug trafficking, and are rarely officially identified as the work of organized crime.

## (2) Criminals

Convictions of organized crime members are also rare. Law enforcement agencies have long lists of "known" organized crime figures and their crimes, but do not have the solid evidence needed to convict in a court of law. Gary Shapiro of the Justice Department and former head of the Organized Crime Strike Force in Chicago, who is cited in the Mayor's Report, concurs:

We don't keep statistics...because so many "organized crimes" fall into other categories. Although I may know an individual is an organized crime member, I can't say it. I can count on one hand how many times we have actually proved in court that an organization or individual is actually "mobbed up." We are often forced to prosecute on charges like tax evasion.<sup>182</sup>

Rarely are Mafia figures prosecuted for the illegal skimming, extortion and kickbacks through which their unreported income was obtained.

Even when mobsters are convicted and jailed, the war against organized crime does not end. Experts agree that organized crime families operate much like legitimate businesses; when the head of an organization is removed, a new person takes his place and business continues as usual. Director of New Jersey Division of Gaming Enforcement Anthony J. Parrillo concurs, "The frustration is that you never really eliminate (organized crime) entirely. New generations take the place of old ones, there is new leadership, new blood."<sup>183</sup> As Kurt Muellenberg told the CMEC panel,

It's an ongoing struggle. Every five years you take another look and you're dealing with a new generation of people who are trying to do the same thing. It's not like a war when you win and you can raise the flag and go home. Organized crime by definition is an ongoing activity.<sup>184</sup>

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<sup>182</sup> Telephone interview conducted by BGA intern. 1992 (July).

<sup>183</sup> Christian Science Monitor, 1986 (August).

<sup>184</sup> Testimony of Kurt Muellenberg before the Chicago Metro Ethics Coalition panel on casino gambling. 1992 (August).

Speaking on the changing face of Chicago organized crime, Fred Foreman, district attorney for Northern Illinois, also cited in the Mayor's Report, told the CMEC that, "Organized crime is transforming. Asian groups are attaining greater influence, and new faces are emerging within the traditional crime families."<sup>185</sup>

Not only are the faces of mobsters changing, but so are their methods of operation. Bookmakers avoid wire taps and traces by employing computerized "mail sort" systems, call forwarding and cellular phones. Debt collectors have become less aggressive and thus avoid prosecution, and hitmen are less conspicuous than they have been in the past.<sup>186</sup>

The study of organized crime is an inexact science that cannot rely on statistics as can the study of street crime. For this reason, provides the most accurate information for measuring the prevalence and effect of organized criminal activity.

## **B. Pervasiveness of Organized Crime**

The statistical data that are available do suggest organized crime's continued pervasiveness. The total number of racketeering convictions rose from 82 in 1981 to 159 in 1984.<sup>187</sup> Since then, over 30 influential organized crime figures have been convicted in Chicago alone. Recent convictions indicate that the Chicago mob has been most active in local unions and in legal and illegal gambling. In the past ten years in Chicago, there have been numerous convictions of union officials and organized crime figures for illegal gambling, tax evasion, racketeering, extortion and murder.

A 1990 Chicago Crime Commission report contends that mobster convictions indicate that the organized crime continues to maintain a considerable presence. The report asserts that it is "a dangerous misconception" that organized crime is a thing of the past:

Organized crime members continue to exert influence over courts and government offices. Their stranglehold over a few powerful unions remains intact. They dominate the so-called "adult entertainment" business. They hold interests in businesses ranging from automobile dealerships to waste hauling firms, from hot dog stands to fancy bars and clubs. Most importantly, organized crime in the Chicago area continues to reap substantial profits from illegal gambling, loan sharking, narcotics, prostitution, and contract murder.<sup>188</sup>

The Mayor's Commission asked the Chicago Crime Commission (CCC) to give its expert opinion on the issue of the proposed casinos in Chicago and organized crime. According to the City of Chicago Gaming Commission, the CCC stated that:

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<sup>185</sup> Testimony of Fred Foreman before the Chicago Metro Ethics Coalition panel on casino gambling. 1992, (June).

<sup>186</sup> Chicago Crime Commission, "Organized Crime in Chicago". 1990.

<sup>187</sup> The National Law Journal. p. 10.

<sup>188</sup> Chicago Crime Commission, Organized Crime in Chicago, 1990.

The casino proposal should be rejected for a number of reasons, including its belief that organized crime will infiltrate casino operations and unions, and will be involved in related loan-sharking, prostitution, and drug activities...[and] public corruption will render regulatory measures ineffective in preventing such problems.<sup>189</sup>

The Mayor's Commission largely ignored the Crime Commission's advice, relegating the CCC's opinion to the obscurity of a footnote in their report. The opposition of such an expert Commission undermines the "consensus" claimed by the Mayor's Commission.

## **C. Costs of Organized Crime**

### **(1) Monetary Costs**

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<sup>189</sup> City of Chicago Gaming Commission, Report to the Mayor. p. 44 n. 20.

The two major groups endorsing legalized gambling in New York acknowledged that, "Organized crime activities resulting from legalized casino gambling will cause law enforcement problems of major dimensions for the State and its local municipalities."<sup>190</sup> In its 1986 report to President Reagan, the President's Commission on Organized Crime concluded:

Organized crime in America is entrenched in the marketplace. It owns and operates legitimate businesses, and in some areas of the country, it controls segments of entire industries. Throughout the economy, organized crime distorts the cost of doing business through theft, extortion, bribery, price fixing, and restraint of trade.<sup>191</sup>

Even when not involved in violent crime, organized crime drains scarce economic resources. A 1985 Presidential Report estimated that the mob annually made in excess of \$100 billion on a national level, approximately 1.1% of the U.S. gross national product.<sup>192</sup> The taxes on most of this money are never paid. In casinos alone, according to a 1980 report by an IRS Subcommittee on Casino Unreported Income, the, "Tax loss to the federal government on unreported gambling income is staggering."<sup>193</sup>

## **(2) "The Mob as Businessmen"**

The Glick Associates report for Circus Circus, Hilton Hotels and Caesars World reveals that the strategy of casino owners was to portray, "*The Mob as Businessmen*." The public relations campaign intended to maintain, "The more positive interpretation of 'the mob'." The crime involved in this interpretation, "Is skimming profits off the top--which is understood as the equivalent of normal business practice." Strategists hoped to convince Chicagoans that, "The `money left afterward' justified the, "Money taken off the top."<sup>194</sup>

The word "organized" when placed before "crime" should not alter a perception of the severity of the impact of organized crime. Organized crime, even in its purely financial aspects, is not victimless crime, but an enterprise which uses intimidation and corruption to achieve its ends.<sup>195</sup> Kurt Muellenburg reacted to the "mob as businessmen" public relations

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<sup>190</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

<sup>191</sup> President's Commission on Organized Crime, *The Edge: Organized Crime, Business, and Labor Unions*. 1986 (March).

<sup>192</sup> Chicago Crime Commission, *Organized Crime in Chicago*, 1990.

<sup>193</sup> Final Report of the IRS Unique Compliance Subcommittee on Casino Unreported Income, 1980 (July).

<sup>194</sup> Jewel in the Crown of Chicago. p. 25

<sup>195</sup> For example, in 1988, several mobsters were convicted of running the mob's gambling operations in the Chicago suburbs following an investigation dubbed "Operation Safebet." In 1990, Chicago mobster Rocco Infelise and 19 of his subordinates were imprisoned after they were found guilty of using "bribes, violence, and murder to protect their lucrative gambling, extortion and juice loan rackets." In this suit, Infelise was also found guilty of murdering one man and torturing and slaying another, who was an independent (i.e. not mob-connected) bookmaker. The recent conviction of former Illinois State Senator John D'Arco, Jr. (D-Chicago) on charges of bribing public officials to influence legislation and the indictments of his associates Pat Marcy and Fred Roti on charges of fixing a murder trial in order to get three On Leong Association (the Chicago Chinese mafia) members off, provide the latest and most stunning evidence of organized crime's current influence in government and its presence in illicit gambling operations in Chicago. The On Leong Association allegedly oversaw a gambling enterprise that spanned several cities and netted more than \$11 million in more than 25 years

campaign by calling it "ludicrous." He explained that the U.S. Government is spending hundreds of millions of dollars to put these "businessmen" in jail, and is running a witness protection program with 300-400 participants, also at great expense. "They're not there because [mobsters are] businessmen. They're there because they are afraid for their lives, and to try to project it any other way defies all reason...the best PR campaign can't pull that one off."196

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of operation. (4/5/91 Chicago Tribune, "Federal Prosecutors Lay Out Chinatown Charges.")

196 Testimony of Kurt Muellenburg before the Chicago Metro Ethics Coalition panel on casino gambling. 1992.

## D. Organized Crime Involvement in Casinos

Organized crime is especially attracted to casinos over other businesses because of the enormous amounts of money involved and because gambling is mainly a cash business. Former New Jersey Attorney General John Degnan said in 1981, only a few years after gambling was legalized in his state, "Anybody who goes into gambling should recognize, particularly in an urban center, that organized crime will be attracted to it like sharks to a bloated body."<sup>197</sup>

### (1) Ownership

Ownership of casinos is the most profitable means by which organized crime can steal from the casinos. Money laundering and skimming are simple procedures and particularly difficult to detect when those in charge are involved. However, after years of concerted effort by the Justice Department and Nevada and New Jersey regulatory agencies, organized crime has been largely eliminated from casino ownership. Today, law enforcement experts agree that as long as regulations similar to those existing in New Jersey are used and enforced at new casino sites, organized crime can be prohibited in casino ownership and management.

While organized crime can be kept out of ownership, owners and upper management are not always operating in an entirely legal manner. In 1983, Caesars Boardwalk Regency in Atlantic City paid the largest fine ever assessed in Atlantic City for deliberately violating gaming regulations.<sup>198</sup> Only a year later, the same casino and nine of its top officials were charged with violating credit regulations and cash credit procedures.<sup>199</sup>

### (2) Money Laundering and Skimming

The most recent IRS report on unreported casino income, written in 1980, admitted that governmental authorities in Nevada have not been able to control some skimming by owners and management, such as kickbacks, fictitious bills, fictitious gaming losses and fictitious cash advances.<sup>200</sup> New Jersey law enforcement authorities believe that even under the strict New Jersey casino regulations, there are numerous opportunities for unscrupulous operators to funnel casino gambling profits into illegitimate and/or organized crime-controlled businesses and activities.<sup>201</sup> Organized crime figures do not need to own or manage a casino in order to use it for money laundering,<sup>202</sup> evidenced by a 1980 government investigation of

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<sup>197</sup> UPI, 3/25/81

<sup>198</sup> New York Times, 3/6/83

<sup>199</sup> New York Times, 8/2/84 "New Jersey Charges Casino Broke Laws on Issuing of Credit." As a penalty for these violations, the New Jersey Casino Control Commission ordered Caesars to shut down for one day, costing Caesars up to \$1 million in revenue. (12/1/85 UPI, "Caesars Reopens After 24-Hour Closing.")

<sup>200</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Gambling in New York State. 1981 (May).

<sup>201</sup> *Ibid.*

<sup>202</sup> Money laundering filters money which is made illegitimately through the casinos in order to make the bills untraceable. Because current money laundering laws do not require records be kept for chip purchases under \$10,000, it is

one crime family who allegedly laundered millions of dollars from illegal drug sales through Caesars Palace in Las Vegas.<sup>203</sup> Only weeks ago, on August 9, 1992, an article in the New Jersey Star-Ledger uncovered a current IRS investigation of New Jersey casinos' lax approach toward federal money laundering laws. One U.S. official described money laundering as, "A convenient way for drug traffickers, racketeers, tax cheats and other criminals to transfer illicit cash into the mainstream economy."<sup>204</sup> John J. Jennings, Director of the IRS in Newark said that a number of civil enforcement matters are pending against New Jersey casinos. In recent testimony before Congress, Jennings said the IRS has uncovered 11,829 possible violations of the federal money laundering law by New Jersey casinos though he would not reveal which casinos would be named. A number of those allegations are being countered by the casinos.<sup>205</sup>

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a simple procedure to exchange dirty money for chips, return the chips later, and receive clean money.

<sup>203</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May). It should be noted that federal money laundering laws have become stricter since 1980 and Congress may strengthen them once again very soon.

<sup>204</sup> Star-Ledger, 8/9/92

<sup>205</sup> Ibid.

The mob may also skim money, by taking money from the floor before it is counted. Employees such as pit bosses and security officers perpetrate such crimes. A 1980 IRS report, referring to regulations in both New Jersey and Nevada, stated that "in the opinion of this study group, these systems of internal control are not effective to prevent skimming."<sup>206</sup>

### **(3) Ancillary Services**

Law enforcement officials agree that the mob usually infiltrates ancillary services to the casinos. New Jersey law enforcement officials believe that organized crime has infiltrated legitimate businesses such as those which provide the casinos with ancillary services including limousines, linen, meat, and vending machines.<sup>207</sup> Gary Shapiro of the Justice Department told the CMEC that the Mafia interests:

Don't have to come in the front door, they often come in the back through ancillary services....Not only is legalized gambling a "cash cow," it is also irresistible to organized crime. We know that.<sup>208</sup>

William Roemer agreed that the Mafia gains its influence through the ancillary services<sup>209</sup> and then profits from the casinos through schemes such as false billing, and inflated prices, and methods of intimidation to prevent free market competition for casino contracts.

### **(4) Unions**

Organized crime control of casino unions is another "back door" to casinos. In its 1986 report to President Reagan, the President's Commission on Organized Crime concluded that, "In many instances the key to this marketplace corruption is the control and exploitation of labor unions by organized criminals."<sup>210</sup> Labor unions appear to be ripe for corrupting. A 1980 U.S. News & World Report special report found that racketeers are deeply entrenched in the unions.<sup>211</sup> A survey of public documents showed U.S. News & World Report that about 450 union officers and employees were convicted of serious labor-related crimes between 1973 and 1980.

Union corruption is also growing more sophisticated, moving away from street crimes and toward stealing through complex financial transactions, resulting in a lower detection rate.

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<sup>206</sup> Final Report of the IRS Unique Compliance Subcommittee on Casino Unreported Income, 1980 (July).

<sup>207</sup> New York Times, 9/1/82 "Mob Alliance to Share Casino Riches Reported. Atlantic City FBI agent Paul Adamowski a BGA intern in a phone interview on 7/6/92 that "the Mafia is present in ancillary services in Atlantic City."

<sup>208</sup> Testimony from Gary Shapiro before the Chicago Metro Ethics Coalition panel on casino gambling. 1992 (June).

<sup>209</sup> Interview with William Roemer conducted for the Chicago Metro Ethics Coalition panel. 1992 (July).

<sup>210</sup> President's Commission on Organized Crime, The Edge: Organized Crime, Business, and Labor Unions. 1986 (March).

<sup>211</sup> U.S. News & World Report, 9/8/80

Furthermore, punishment is fairly lax, with only 168 of the 450 officials convicted being formally barred from holding union office as required by the Landrum-Griffin Act.<sup>212</sup>

Organized crime is attracted to unions because of the extensive legal protection they enjoy, such as the National Labor Relations Act. The NLRA's intent is to protect unions from malicious management and government practices, however, this shield also makes it difficult for a government to intervene when it suspects corruption in a union.<sup>213</sup> Because of the staggering amount of money owners would lose in the event of a strike or other problem with a casino union, unions have great power over the operation of casinos and can easily extort and direct the spending of significant amounts of money.

Shortly after casino gambling began in his city, the Atlantic City prosecutor told the New York Times that, "Based on what we have seen, the most likely target for monopolistic control by organized crime of a significant segment of the casino economy would be through these unions."<sup>214</sup> In 1980, New Jersey intelligence sources stated "the mob has targeted the unions as the easiest point of entry into the Atlantic City casino industry."<sup>215</sup> Indeed, entry by organized crime into the casinos through the unions is one of the largest concerns held by intelligence and law enforcement officials wherever casino gambling exists or is considered.<sup>216</sup>

- **Hotel Employees Union:**

The Hotel Employees and Restaurant Employees International Union (HEREIU) is the union which represents casino workers where land-based gambling is legal. The Permanent Subcommittee on Investigations (PSI) conducted an extensive three-year investigation of the HEREIU in mid-1981.<sup>217</sup> <sup>218</sup>

The Subcommittee found that organized crime interests, especially Chicago organized crime interests, have substantially influenced the affairs of the International Union. Their evidence also left little doubt that Atlantic City's Local 54 is controlled by organized crime and that Local 226 of Las Vegas has been so influenced in the

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<sup>212</sup> Ibid.

<sup>213</sup> 42 Industrial and Labor Relations Review 536. 1989 (July).

<sup>214</sup> New York Times, 12/1/80 (As quoted in Report of Attorney General Abrams in Opposition to Legalized Casino Gambling in New York State). 1981 (May).

<sup>215</sup> Trenton Times, 3/8/80. (As quoted in the Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State). 1981 (May). p. 17.

<sup>216</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State, 1981 (May). pp. 15-17; Testimony of Gary Shapiro before the Chicago Metro Ethics Coalition Panel for the Discussion of Legalized Gambling, 1992, (June).

<sup>217</sup> Report made by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, "Hotel Employees & Restaurant Employees International Union," August 1984. (PSI Report).

<sup>218</sup> Among them were Edward T. Hanley, General President; Herbert Schiffman, International Vice-President; John Gibson, former General Secretary-Treasurer; Alvaro Gonzalez, International Vice-President; and Gerald McHugh, International Administrative Assistant.

past. Locals 54 and 226, "are thoroughly intertwined with the casino industry and thus subject to the constant pressure of infiltration by organized crime interests."<sup>219</sup> PSI concluded that the Bruno organized crime family controls Local 54.<sup>220</sup>

PSI also showed that the Las Vegas Local 226 was connected to the Chicago mob through Anthony Spilotro.<sup>221</sup> PSI also found that the dental plans of HERE Locals 54 (Atlantic City) and 226 (Las Vegas) had excessive administrative costs and conclusively determined that, at least in the case of local 54's dental plan, part of the excess costs were being kicked back to organized crime.<sup>222</sup> Mobsters were able to siphon off hundreds of thousands, perhaps millions of dollars, from the dental plans by controlling the administration of the plans and then charging the union trust funds for services which were exaggerated or not provided.<sup>223</sup>

- **The President's Commission on Organized Crime Report:**

The President's Commission on Organized Crime conducted the first comprehensive survey of labor and management racketeering in nearly thirty years<sup>224</sup> and examined labor racketeering in the four international unions most frequently

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<sup>219</sup> Report made by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, "Hotel Employees & Restaurant Employees International Union," August 1984 (PSI Report). p. 63.

<sup>220</sup> *Ibid.* p. 63.

Lt. Col. Justin Dentin of the New Jersey State Police and an expert on organized crime in New Jersey, told PSI, "I am absolutely convinced that Nicodemo Scarfo has significant influence over Local 54." (*Ibid.* p. 64.) Lt. Col. Dentin named Frank Gerace, former president of Local 54, and Al Diadone, former vice-president of Local 54, as Scarfo's fronts within the union. Diadone was sentenced to life imprisonment following his conviction in 1984 for conspiracy to murder the head of Atlantic City's Roofer's union, John McCollough. Mr. McCollough was killed in 1980 allegedly due to the battle between his union and the Local 54 to organize Atlantic City's bartenders. In 1982, the New Jersey Division of Gaming Enforcement ordered Frank Gerace to be removed from his office as president of the local due to his apparent involvement with organized crime. The United States Supreme Court has upheld the state's right to require such removal. However, when he resigned in 1984 from his position as president, he was retained as a union "consultant," (BNA Daily Labor Report, 12/12/84, "Gerace Resigns Presidency of Casino Union, But Remains As Consultant to HERE Local 54.") snubbing the DGE and continuing to influence the union. Despite the apparent involvement of Mr. Gerace in organized crime found by the Division of Gaming Enforcement, Ed Hanley also allowed Gerace to remain an organizer for the International and as a trustee to the International Trust Fund. In 1989, Ed Hanley appointed Mr. Gerace to be an International Union administrative aide. (Complaint, *United States of America v. Edward T. Hanley, et al.*, filed 12/19/91 in the United States District Court of New Jersey.)

<sup>221</sup> With the cooperation and assistance of former 226 secretary-treasurers Al Bramlet (murdered in 1977) and Ben Schmoutey. Schmoutey appointed Steven "Stevie Blue" Bluestein as a local organizer when he became secretary-treasurer. Through Bluestein, according to Las Vegas law enforcement, Spilotro influenced the day-to-day activities of the Local. p. 68-72. (PSI Report).

<sup>222</sup> *Ibid.* p. 8.

<sup>223</sup> *Ibid.* at 110-36; UPI, 9/30/83.

<sup>224</sup> President's Commission on Organized Crime, *The Edge: Organized Crime, Business and Labor Unions*. 1986, (March).

associated with organized crime: the Teamsters, Laborers, Longshoremen, and HERE IU. They relied on and endorsed the 1984 findings on the HERE IU of the Permanent Subcommittee on Investigations.

The President's Commission found that union and business involvement with organized crime has serious adverse effects on the free market system, and that labor racketeering is a growing national problem. The costs of labor racketeering are imposed on workers as their dues and benefit monies are siphoned off and their collective bargaining agreements are used to benefit the mob and not just the workers. The public also pays high costs for organized crime's participation in the market: consumers pay what amounts to a surcharge on goods and services, and the demands of organized crime inflate the costs of construction and production.

- **The 1990 Justice Department Suit and Settlement:**

Edward R. Hanley, president of the International Union, has thus far been the most prominent figure to approach the Mayor in favor of casino gaming. In December 1990, the Justice Department brought civil charges against Edward T. Hanley; Frank Gerace, administrative aid to Mr. Hanley and president of Local 54 from 1978-1984; Roy Silbert, president of Local 54; Felix Bocchicchio, vice president of Local 54; and six other present and former Local 54 officers. The complaint charged that Local 54 of the Hotel Employees and Restaurant Employees International Union has been dominated and controlled by the Bruno/Scarfo family of organized crime. Attorney General Richard Thornburgh characterized the complaint by saying it, "Graphically shows how criminals and their willing union followers take control by means of murder, threats and manipulation."<sup>225</sup> He also stated that, "Through their brutal and sometimes deadly acts of violence and intimidation, members of the Bruno/Scarfo organized crime family have destroyed the integrity of the union and its leadership."<sup>226</sup>

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<sup>225</sup> UPI, 12/19/90

<sup>226</sup> Daily Labor Report, 12/20/90 "Justice Department Seeks Trusteeship for Atlantic City Hotel Employees Local."

In culminating a ten year investigation, the government sought through this action to place the union into court-appointed trusteeship and bar the defendants from participating in Local 54 business.

The complaint carefully detailed allegations of murder and intimidation used to control the union, plunder the health and welfare funds, and extort money from businesses. It also detailed the cooperation between Union officials and organized crime members on how the Union was run and how its money was used to benefit the Bruno/Scarfo Family. The complaint was supported by affidavits from several organized crime figures, including Philip Leonetti, nephew of Nicodemo Scarfo, who was also a key informant in the John Gotti case.

According to the complaint, (The complaint alleged that Edward T. Hanley is and was associated with Angelo Bruno, Ralph Natale, Allen Dorfman, as well as members of the Chicago-based organized crime family of La Cosa Nostra such as Anthony Accardo, Joseph Aiuppa, John Lardino, Alfred Pilotto and Anthony Spilotro) in 1977 or early 1978, a series of meetings were held in Atlantic City which were attended by Ed Hanley, mobster Angelo Bruno, mob associates Ralph Natale, Ray Martorano, John McCullough, and Allen Dorfman, and others. They met to discuss "the control of the unions in Atlantic City and the lending of monies from union benefit funds, for a price, to benefit people designated by Angelo Bruno." (Complaint, *United States of America v. Edward T. Hanley, et al.*, filed 12/19/90 in the U.S. District Court of New Jersey.) The government charged that the defendants engaged in embezzlement of Local 54's Severance Plan and Welfare Plan, obstructed commerce by acts of extortion, violated Union members' rights to free speech and loyal representation by Union officers and fiduciaries, and intimidated members through real and threatened acts of violence.

On April 12, 1991, the defendants and the government entered into a consent decree, which effectively settled the case.<sup>227</sup> The named officers of Local 54, resigned from their offices, stating the action was not an admission of guilt.<sup>228</sup> The parties expressly agreed that the United States was not precluded from investigating or bringing suit against any of the parties in the future. The action remains open as to Local 54, the 54 Severance Fund, Edward Hanley, and Frank Gerace until the terms of the consent decree and the monitorship is completed. Edward T. Hanley agreed that during the monitoring period, he would isolate himself from Local 54 and was prohibited from any action involving Local 54 without the monitor's permission.<sup>229</sup>

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<sup>227</sup> Consent Decree, *United States of America v. Edward T. Hanley, et al.*, filed 4/12/91 in the United States District Court of New Jersey.

<sup>228</sup> The parties agreed to a court-appointed monitor who would have authority over all Union functions, with exclusive control over Union finances. The monitor would also have broad investigatory powers, as well as the right to file lawsuits on behalf of Local 54.

<sup>229</sup> Frank Gerace was permanently barred from participating in any way in the provision of services or management of the HERE IU or its affiliates, including any involvement with Local 54. He was also prohibited from holding any position of fiduciary responsibility in any HERE IU union. Roy Silbert resigned as president of Local 54 and was barred from participating in or influencing the provision of services to or management of Local 54 affairs for at least 10 years. Felix Bocchicchio resigned as vice president of Local 54 and was prohibited from participating in Local 54 activities for at least 10 years just as Mr. Silbert was. Two of the other Local 54 defendants were prohibited from participating in Local 54 affairs for at least seven years. Three of the other Local 54 defendants were permanently enjoined from participating in Local 54 affairs. Two of the named mob figures were permanently barred from participating in Local 54 activities. The other mob figures made no agreements with the government.

Edward Hanley's involvement in New Jersey makes his status as a "point man" in Chicago particularly troubling. Mr. Roemer told the CMEC, "From what I know about Hanley, I have an aversion to the idea of the casinos."<sup>230</sup> Mr. Roemer alleges that Edward Hanley is still mob connected.

## **(5) Illegal Gambling**

New York Attorney General Robert Abrams noted that the casino environment offers organized crime groups the opportunity to engage in a wide range of illegal and lucrative activities which include juice loans and prostitution.<sup>231</sup> Legalized casino gambling gives organized crime, "A window of opportunity," to provide gamblers with such services.<sup>232</sup> William Roemer, a retired Senior FBI Agent on Organized Crime in Chicago for 22 years,<sup>233</sup> agreed that, "Even if you can keep them out of the casinos, the Mafia will still benefit immensely through increased illegal gambling, loan-sharking, and other such activities. The net effect of this alone on Chicago would be terrible...I don't see how it could be effectively regulated."<sup>234</sup> Mr. Roemer stated:

If the Chicago mob can't keep out of Las Vegas, is there any realistic hope of shutting them out of their own backyard? Mr. Margolis' "Hollywood imagery" theory is incredulous. The Chicago mob is still the most powerful Mafia organization in the country.<sup>235</sup>

Loan-sharking, or providing loans at extremely high rates of interest,<sup>236</sup> is a massive source of income for the mob. Organized crime grants credit to the gambler who has run his or her credit cards to the limit and emptied his or her bank account. Often, the gambler commits crimes to repay the loan. To date, no regulation has effectively eliminated loan-sharking.

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<sup>230</sup> Mr. Roemer first came to learn about Edward T. Hanley when his supervisor at the FBI initiated an investigation on Mr. Hanley in the 70's. On December 17, 1973, Ricardo Scalzetti, a/k/a Dick Cane, a top echelon member of the Chicago mob, told Mr. Roemer that Mr. Hanley was brought into the HERE IU by Joey Aiuppa, who was then in charge of mob activity in the Cicero area. The mob murdered Scalzetti three days later. A few days before the interview with the BGA investigator, Mr. Roemer checked with his law enforcement sources, who told him that Mr. Hanley's status with the mob had not changed since Mr. Roemer was investigating him.

<sup>231</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

<sup>232</sup> Chicago Tribune, 3/29/92

<sup>233</sup> William Roemer is the most decorated Agent in the history of the FBI, and the man mobster Jackie Cerone once called, "The nemesis of the Chicago mob." Mr. Roemer is also the author of *Roemer: Man Against the Mob*,

<sup>234</sup> Interview of William Roemer conducted for the Chicago Metro Ethics Coalition. 1992 (July).

<sup>235</sup> Roemer, 6/30/92, personal communication.

<sup>236</sup> Ibid.

Illegal sports and numbers betting are the, "life-blood of the mob."<sup>237</sup> In the Chicago area there are almost no independent bookmakers, after murders and threats of violence persuaded Chicago area bookmakers either to work for organized crime figures directly or to pay the demanded "street tax."

The claim that casino gambling will eliminate the mob's market for this and other illegal gambling is not supported by expert testimony or by the data. In fact, this claim is directly contrary to the opinions of many experts. Because a land-based casino will produce an entirely new base of gamblers, the number of new mob customers offsets the number of people who will forego illegal betting in favor of the casino. Some people will become illegal gamblers with the legalization of casino gambling because they will find that illegal gambling offers better odds, more credit, and gambling opportunities not offered in casinos. Many social scientists concur that the new gamblers created by a new form of legalized gambling will result in increased income for the Mafia.

William Jahoda (the ex-Mafia gambling director for Cook and Lake Counties, who during his tenure oversaw approximately \$250 million in illicit gambling activity for the mob) stated to the Chicago Crime Commission that new legal gambling leads to a proliferation of illegal activity:

During my criminal career, there always existed one solid constant--any new form or expansion of legal gambling always increased our client base. Simply put, the stooges who approved Las Vegas nights, off-track betting, lotteries, etc. became our unwitting front men and silent partners. Of most benefit to us in the illegal gambling underworld were: (a) agency marketing and media advertising blitzes promoting gambling, coyly, as urgent opportunity or healthy entertainment; and (b) the resultant de-sensitization within the community from the reality that most forms of gambling, whether ruled by the State, a corporation, or the mob, are by their very nature an actual and potentially dangerous vice.

Both Mayor Richard Daley and Jeremy Margolis have dismissed this testimony by rejecting its source and ignoring the argument. Both Robert Fuesel, Executive Director of the Chicago Crime Commission, and Gary Shapiro of the Justice Department, who used Mr. Jahoda as a witness in the Infelise trial and who has interacted extensively with Mr. Jahoda, view Mr. Jahoda as an expert witness.<sup>238</sup> Mr. Shapiro told the CMEC panel that Mr. Jahoda is "an expert on gambling; as knowledgeable as anyone I've ever met. They (Jahoda and Robert Cooley) believe that legalized gambling will impact illegal gambling, and I believe them."<sup>239</sup> Bob Walsh, Assistant Director of the FBI in Chicago, also warned of the expansion of illegal gambling should casino gambling become legal in Chicago. He told the CMEC that "gambling generates new gambling; the more accepted it becomes, the more all

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<sup>237</sup> William Roemer, Roemer: Man Against the Mob

<sup>238</sup> According to Mr. Fuesel, "Jahoda's credibility was proven in U.S. District Court where a jury believed everything he said. He has been there and it takes one to know one." (Testimony of Robert Fuesel and Gary Shapiro before the Chicago Metro Ethics Coalition panel on gambling, 6/25/92.)

<sup>239</sup> Testimony of Robert Fuesel and Gary Shapiro before the Chicago Metro Ethics Coalition panel on gambling, 6/25/92.

forms of gambling benefit....Organized crime is continuously involved in gambling..."<sup>240</sup>

We need not rely only on what experts predict would happen if casino gambling were legalized in Chicago; we can look to what happened in Atlantic City when casino gambling was legalized. Organized crime families greatly profited through increased illegal activities when casinos opened in Atlantic City. Their traditional business in loan-sharking, drug sales, prostitution, and illegal numbers and sports betting has multiplied since the casinos opened in Atlantic City.<sup>241</sup> Prostitution is also well suited to a casino environment: a gambling and drinking facility where money is easy come, easy go, in an urban area saturated with vacant hotel rooms. Should a casino be built, the demand for prostitutes will rise, thus necessitating an increase in supply. The Mafia will be one of the sources of that supply and the benefactor of its revenue, if only indirectly. This common-sense conclusion is supported by reality in Atlantic City. It appears that the existence of casinos in Atlantic City spurred the formation of a prostitution ring run by Joseph Altamari, an associate of Nicholas Scarfo, head of the Philadelphia mob. The ring, which was begun in 1980, was uncovered by a grand jury in 1982.<sup>242</sup>

Rather than undermining the mob's illegal gambling operations as some expected legalized gambling to do, organized crime is busy filling a rising demand in Atlantic City for drugs, loansharking, and illegal gambling. According to Jeffrey Blitz, Atlantic County prosecutor, legalized gambling has actually increased the size and profitability of the mob's gambling ventures.<sup>243</sup>

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<sup>240</sup> Testimony of Bob Walsh before the Chicago Metro Ethics Coalition panel on gambling, 6/25/92.

<sup>241</sup> New York Times, 9/1/82

<sup>242</sup> UPI, 11/16/82

<sup>243</sup> Christian Science Monitor, 8/28/86

## **(6) Construction**

Organized crime also received hundreds of thousands of dollars in illicit payments during the construction of the Atlantic City casinos. Payments were made for labor peace, and organized crime received some of those payments.<sup>244</sup> The Roofer's Local 30 of Philadelphia which built the Atlantic City hotel casinos was connected to organized crime in a 1980 Pennsylvania Crime Commission report.<sup>245</sup> Others, not necessarily involved with organized crime figures, also criminally profited from the construction money pouring into Atlantic City. For instance, contractors received kickbacks and paid out bribes during the construction of casinos and were involved in bid rigging schemes.<sup>246</sup>

Organized crime was also involved in the construction of the casinos more directly. A loophole in the New Jersey Casino Control Act did not require licensing or investigation of those involved in the construction of casinos.<sup>247</sup> Although the New Jersey Attorney General recommended in 1981 that this loophole be closed, it was not done until 1988, by which time construction of most Atlantic City casinos was already completed.

## **(7) Junkets**

Organized crime interests also can infiltrate casinos through junkets. New Jersey Attorney General Irwin I. Kimmelman told the New Jersey Casino Control Commission that unlicensed junket officers located in other states operated a network covering 65 cities to direct gamblers to Atlantic City. Many of these operators have criminal records and associations with organized crime and could not be licensed under New Jersey standards; they get around the licensing barrier by using licensed operators as fronts who pay them fees for doing their work. One unlicensed junket operator told an undercover investigator that unlicensed operators took in \$16 to \$20 million a year in these fees.<sup>248</sup>

# **E. Casino Regulation**

## **(1) Proposed Regulation**

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<sup>244</sup> Ibid.

<sup>245</sup> New York Times, 12/2/80

<sup>246</sup> UPE, 11/23/82

<sup>247</sup> Law enforcement officials said that Nicodemo Scarfo's construction companies handled millions of dollars worth of Atlantic City casino construction contracts which they believe were obtained through mob manipulation of the city's construction industry and building trade unions. (5/9/89 *UPI*, "Fourth Scarfo Mob Member Defects.")

<sup>248</sup> New York Times, 2/6/85

The Mayor's Commission promises that Illinois casino regulations would be "the most stringent in the nation."<sup>249</sup> They recommend a dual regulatory structure consisting of an enforcement branch and a judicial commission similar to those of New Jersey and Nevada to regulate ownership and upper management. In order to own or manage a casino, individuals would have to be licensed by the state. Applicants and their investors would have to have a clear criminal record and could not be associated with organized crime figures. New Jersey laws require a demonstration of moral integrity, as well. Both applicant and investor would also have to show that they are financially stable. The Mayor's Commission also endorses having on-site compliance inspectors as is done in England and parts of Europe, New Jersey-style employee licensing and regulation of junkets, or, alternatively, prohibition of junkets entirely. They also suggest restricted credit for gamblers.

The Mayor's Commission recommends licensing of ancillary services, as well. However, unlike the Atlantic City laws, they propose that disqualification be based on actual conviction. Association with organized crime figures would be irrelevant to receiving a license in Illinois, while in Atlantic City, those who do business with the casinos are subject to the same licensing requirements as the casinos themselves. Thus, in Atlantic City, ancillary business owners and operators must demonstrate financial stability, good character, a clean criminal record, and can be disqualified if they are identified as a member of the mob or a mob associate.<sup>250</sup> Because so few mobsters are ever convicted of anything, and because association with a mob member is difficult to prove, this regulation is particularly important to "controlling" organized crime influence in the casino industry.<sup>251</sup>

## **(2) Corruption of Regulators**

Organized crime has a propensity to avoid regulations by corrupting public officials, especially when gambling is involved. Incidents of corruption and conflict of interest within government may be more damaging than organized crime interests in a casino, because public corruption allows the Mafia, or any other private interest group (such as casino operators), to compromise the public interest. The former head of New Jersey's Gaming Enforcement Division considered corruption of officials an even bigger threat than organized crime in Atlantic City.<sup>252</sup> Due to the complex regulatory structures required by legalized gambling and the massive volumes of money changing hands, efforts to corrupt officials or to institute blatant conflicts of interest among them are frequently successful. William Roemer discussed this phenomenon with the CMEC:

Today, money is coming into the Chicago mob from Las Vegas....With this money from the casinos, they corrupt those people who are supposed to guard against corruption....They corrupt judges, law enforcement, legislators and other public officials...if they didn't have these people "on the pad," they couldn't operate....Recent as well as ongoing Justice Department investigations--Pendorf, Strawman, Greylord, and now Gambat--show that they are still active in the corruption of public officials.<sup>253</sup>

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249 City of Chicago Gaming Commission, Report to the Mayor. 1992 (June).

250 T.R. O'Brien, M.J. Flaherty. 16 Rutgers Law Journal 721 (1985).

251 If the Mayor's Commission truly wants Illinois casino regulations to be the most stringent, it is foolish not to follow Atlantic City's lead on the licensing of ancillary services.

252 Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

253 William Roemer interview for the Chicago Metro Ethics Coalition, 7/12/92.

Even the best regulatory system is undermined by the corrupting influence of organized crime. As the mob gains political footholds, the handle from the casinos increases progressively, which in turn allows organized crime to solidify and expand influence. Money corrupts, and corruption produces more money. Once the cycle begins, it is difficult to stop. The mob was able to corrupt numerous officials in New Jersey, and given the current rate of official corruption in Chicago, it is not unlikely that the same or worse would happen here.

### **Corruption in New Jersey and Atlantic City:**

- New Jersey, the state lauded for its efforts in regulating corruption and organized crime, the state whose regulations are being viewed as a model for casino regulations in other states, has had an extremely difficult time keeping organized crime out of the casinos and keeping officials clean. For instance, New York State Attorney General Abrams reported that the New Jersey State Police were reluctant to share with the Atlantic City Police Department sensitive intelligence information regarding illegal gambling and drugs because of purported relationships between certain local police officers and Atlantic City numbers officers.<sup>254</sup>
- Organized crime reached even former Atlantic City Mayor Michael J. Matthews, who was sentenced in 1985 to 15 years in prison after pleading guilty to one count of extortion after the trial started.<sup>255</sup> Frank Lentino, identified as a close associate of New Jersey organized crime, as well as a business agent for HERE IU Local 54, admitted to conspiring with Mr. Matthews and reputed organized crime leaders in return for the Mayor's aid in getting a city contract and in favorably purchasing city-owned casino-zoned land.<sup>256</sup>
- Non-mob corruption is also an issue with casinos since individuals stand to make enormous amounts of money with the right "deal." Regarding the importance of licensing in Atlantic City to casino operators, New York Attorney General Abrams said that legalized casino gambling poses a danger to the integrity and credibility of government institutions and public officials. "High stakes ride

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<sup>254</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

<sup>255</sup> Atlantic City Mayor Michael J. Matthews was indicted in March 1984, and the indictment charged that Mr. Matthews had close dealings with the Scarfo organized crime family even before he was elected Mayor in 1982:

The Scarfo organization attempted to control through corruption the governmental processes of Atlantic City by paying bribes to Michael Matthews. In return, Matthews agreed to use his office in a corrupt fashion for the benefit of the Scarfo organization. (3/28/84 *New York Times*, "Ex-Atlantic City Mayor Indicted on Federal Charges of Extortion.")

By pleading guilty to accepting a \$10,000 bribe from an FBI agent posing as a businessman who wanted his help in buying, on favorable terms, a parcel of city-owned land zoned for casinos, Matthews got the government to agree to drop seven other counts. The dropped counts were of extortion, bribery and conspiracy, including one alleging that Matthews had conspired with organized crime figures to use his office for their benefit in return for campaign financing. (1/1/85 *New York Times*, "U.S. Judge Sentences Ex-Mayor of Atlantic City to 15 Years for Extortion.")

<sup>256</sup> *New York Times*, 12/16/83. "Atlantic City Mayor Reported Under Inquiry;" *New York Times*, 10/30/84 "Defendant Admits Guilt in an Atlantic City Plot;" *New York Times*, 11/8/84 "Arguments Given in Ex-Atlantic City Mayor's Trial;" *BNA Daily Labor Report*, 1/7/85 "Former HERE Official Sentenced to 10 Years on Federal Conspiracy Charge."

on the licensing, regulation and control of casinos. Pressures exerted on government officials and institutions have been relentless where casino gambling has been legalized."<sup>257</sup> The casinos seduce New Jersey's state and local officials with special privileges and courtesies, which led former New Jersey Attorney General Degnan to label the industry as "inherently dangerous" because of its propensity to curry official favor.<sup>258</sup> Once gambling was legalized in Atlantic City and the casinos were able to show their strength, the casinos put enormous pressure on government officials to, "subvert and erode casino control mechanisms..."<sup>259</sup> After only a few years in the state, the casino industry mobilized an intensive lobbying effort to ease state regulation of casinos, regulations which they accepted when they came into the state. The industry was successful in easing the regulations.

➤ Incidents of corruption and conflicts of interest within both the State of New Jersey and Atlantic City itself are numerous and range from low- to high-level officials. Attorney General Abrams found that several federal, state and local officials were involved in influence peddling in licensing decisions.<sup>260</sup> Many Atlantic City officials and government employees, including members of the Planning Board and Zoning Board, are financially involved in the casino industry. For instance, many bought stock in casino gambling companies and have been involved in the purchase or sale of property for casino use. There has also been a significant display of the "revolving door" phenomenon between city enforcement jobs and casino jobs.<sup>261</sup>

➤ In July 1989, following a seven-month investigation, Atlantic City Mayor James L. Usry, along with 13 other political leaders and executives, were charged with influence peddling, corruption and official misconduct.<sup>262</sup> Following the indictments of the Mayor and the others, New Jersey legislators began building a movement to strip Atlantic City of many of its governmental powers, with many believing Atlantic City ruined its chance to redevelop due to the corruption.<sup>263</sup>

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<sup>257</sup> Ibid.

<sup>258</sup> New York Times, 3/4/80. (As reported in Ibid.)

<sup>259</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

<sup>260</sup> Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State. 1981 (May).

<sup>261</sup> Ibid.

<sup>262</sup> Mr. Usry, who was elected on a reform platform, became the fourth of the city's last six mayors to be charged with corruption. Also arrested were the City Counsel President, two Counsel members, a former Counsel member, the chairwoman of the Zoning Board, and the former director of the Housing Authority. In July 1991 Councilman Gene Dorn was found guilty of official misconduct, conspiracy to commit official misconduct and campaign contribution violations. (Another councilman was found not guilty of official misconduct and conspiracy, and a former city official and his business partner were found not guilty of conspiracy to commit bribery and attempted theft by extortion. 7/3/91 *New York Times*, "Atlantic City Official Found Guilty of Official Misconduct.") In December 1991 Mr. Usry pled guilty to campaign contribution violations, and in exchange all other charges against him were dropped. (Another councilman was found not guilty of official misconduct and conspiracy, and a former city official and his business partner were found not guilty of conspiracy to commit bribery and attempted theft by extortion. 7/3/91 *New York Times*, "Atlantic City Official Found Guilty of Official Misconduct.")

<sup>263</sup> New York Times, 2/25/90

- **Corruption in Illinois and Chicago:**

➤ A 1987 index compiled by John Gardiner and Kathryn Malec details corruption throughout Illinois during the past 15 years, and focuses on Cook County. The report cites 487 instances of criminally illegal or otherwise improper conduct by those granted positions of public trust. The offenders included elected members of the Chicago City Council, employees of the City Department of Inspectional Services, policemen, bureaucrats, board members, managers and supervisors. They were charged with crimes including extortion, bribery, mail fraud, tax evasion, and improper use of influence.<sup>264</sup> They found that the regulatory functions of government produce the most misconduct cases.

➤ This misconduct has grave implications for the prospect of casino gambling in Chicago. Half of the city's electrical and health inspectors, two-thirds of its sewer inspectors, 61 judges and other Cook County Circuit Court employees had been convicted between 1985 and 1987 of some form of government corruption.<sup>265</sup> 74% of all corruption cases between 1970 and 1987 implicated licensing, zoning, inspection and regulatory officers. These numbers reveal widespread corruption, yet the numbers themselves probably underestimate the problem. Malec and Gardiner cite unreported misconduct and stress that for every reported incident which leads to publicity or prosecution, there are at least as many which are unknown to the public.<sup>266</sup>

➤ A 1991 Department of Justice report which indexed all corruption convictions of public officials by judicial district ranked Northern Illinois (Chicago) number one in the total number of convictions with a grand total of 357 in the last five years. Southern New York (New York City) came in second with a meager return of 231.<sup>267</sup> The City's credibility in promising "the most stringent regulation" is undermined by these credibility issues. Regulations become less than stringent when they are evaded through the corruption of officials who enforce and apply them.

➤ Aside from this lower-level corruption, which many Chicagoans see as merely "business as usual," there have been a number of more unusual instances of officials compromising the public trust in recent years. A 1987 Chicago Tribune investigation revealed widespread waste, patronage and conflicts of interest in Chicago City Council.<sup>268</sup> Operation Greylord, as of the end of 1991, had resulted in 15 convictions and only two acquittals of Cook County Circuit judges.<sup>269</sup> Most recently, FBI Operation

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264 K. Malec, J. Gardiner. May 1987 (unpublished).

265 Chicago Tribune, 11/12/87

266 K. Malec, J. Gardiner, May 1987 (unpublished).

267 U.S. Department of Justice, Public Integrity Section, "Report to Congress on the Activities and Operations of the Public Integrity Section for 1990," September 1991.

268 Chicago Tribune, 10/18/87 "Ready for Reform? Cleaning Up City Council May Be Uphill Battle." They reported that thirteen Chicago aldermen in the previous 15 years had been convicted of crimes involving misuse of their offices.

269 Chicago Tribune, 10/3/91

Gambat implicated various Chicago officials in a corruption ring.<sup>270</sup>

- A regulation is strong only if it is enforced. Our research indicates that the cash flow involved in the casino business, as well as the nature of the business itself, encourages corruption and undermines the most well-intentioned regulations. The Mayor's Commission's simple "consensus." That crime can be controlled avoids the more complex realities of organized crime and public corruption.

## Ambient Crime

The extent to which land-based casino gambling will increase criminal activity is of critical importance to cost-benefit analysis. The costs of crime are not fully quantifiable and cannot be nullified by a more sophisticated police infrastructure. Publicly, the casino owners dismiss concerns about ambient crime in the city and suburbs, but privately, they recognize the significance of crime to a discussion of the proposal. A survey conducted by the public relations firm for the owners found that 51% of the total sample would oppose the project on the basis of an increase in street crime; of this 51%, 42% had initially supported the project.<sup>271</sup> A recently uncovered document instructing how the casino project should be marketed, acknowledges, "People know in their hearts that gaming and increased crime go hand in hand and there are no facts or statistics that we can use to convince them otherwise."<sup>272</sup> The Commission's Report to the Mayor discussed only how street crime could be controlled, remarkably making no mention of possible increases in crime that Chicago could experience. The assertion was that ambient crime could be controlled although "controlled" was never even defined. Our research focuses on what type of increases in crime would occur even with increased enforcement, the definition of "controlled" crime, and whether "control" is an acceptable goal.

Atlantic City and Las Vegas serve as models to study in order to assess the impact of legalized land-based casino gambling on ambient crime. Atlantic City legalized casino gambling in 1976, and Las Vegas legalized casino gambling in 1931. Many different factors can affect a city's crime rate. Our focus is on whether legalized land-based casino gambling is one of those factors. The Mayor's Commission asserts that all previous discussion of the issue is inconclusive, but does not present any data on which it bases its decision. Even though experts disagree about the conclusiveness of the data, the information should still be presented and discussed. We assess the crime status of Las Vegas and Atlantic City by using the Uniform Crime Reports, published by the Federal Bureau of Investigation, which detail statistics for the following crimes: criminal homicide, forcible rape, robbery, aggravated assault, burglary, larceny and auto theft.<sup>273</sup>

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<sup>270</sup> Alderman Fred Roti (1st), state senator John D'Arco Jr. (D-Chicago), former chancery Judge David Shields, 1st Ward Democratic Organization secretary Pat Marcy and D'Arco's law partner Pat Frank De Leo in a corruption ring which operated to fix murder cases, grease zoning changes and sell tailor-made legislation, according to the indictment filed in December 1990. (12/20/90 *Chicago Tribune*, "5 Indicted in 'Corruption Feast': Stalwarts of 1st Ward Are Targeted.") U.S. Attorney Fred Foreman said that "this movable feast went from the 1st ward to Springfield, to City Hall, to the Circuit Court of Cook County (and) the highest levels of the Chancery Court."

<sup>271</sup> KRC Survey, p. 28.

<sup>272</sup> Herring, D. and Glick, J. 1992. "Notes on the Chicago Tourist and Convention Entertainment Project," Strategic Communications: Chicago.

<sup>273</sup> Figures for the cities and their respective standard metropolitan statistical areas (SMSA) are used. We will not consider statistics for arson.

Many studies have noted that crime is an externality of the tourism industry; the introduction of any tourist attraction to any area will result in an increase in the number of crimes. The significant question is: Does the type of tourism matter? Will the introduction of casinos result in a greater increase in crime than the introduction of a non-gambling attraction, such as Disney World? With a central concern being a potential disproportionate increase in crime, we compare the ambient crime of Las Vegas, Atlantic City and Orlando with crime data provided by the Federal Bureau of Investigation.

Finally, we present law enforcement costs and predict how these may change in Chicago as a result of legalized land-based casino gambling.

## **A. AMBIENT CRIME IN CITIES WITH LEGALIZED CASINO GAMBLING**

Because of the distinct geographies of Atlantic City, Las Vegas and Chicago, Atlantic City and Las Vegas are not perfect predictors of how Chicago's crime rate will be impacted by casino gambling. However, the crime history of these two cities does suggest what the city of Chicago can expect in varying degrees. The numbers will undoubtedly differ, but the trends are instructive. Experts concur that although Chicago is not Atlantic City or Las Vegas, a casino is a casino and will have similar effects.

### **(1) Exported Crime**

Much of the crime stemming from legalized casino gambling does not occur where the casino is located. Professor Henry Lesieur explains that crime rates in Atlantic City and Las Vegas do not reflect the actual increase in crime caused by casinos:

Casinos export crime. A gambler with debts may commit crimes in his home area, travel to the casinos in Las Vegas and gamble his money away, and then return home to commit more crimes. These crimes may range from simple larceny to writing bad checks, to not even paying property taxes.<sup>274</sup>

Atlantic City casinos and especially Las Vegas casinos attract visitors who do not live in either of the two cities. These visitors travel from all over the United States and some from other countries. The high proportion of people from out of the city/state makes it impossible to calculate how much crime the casinos actually cause. While only a relatively small percentage of visitors to Atlantic City and Las Vegas are from within a 35 mile radius, 58% of Chicago's visitors are expected to be from within 35 miles of the city.<sup>275</sup> Consequently, for the casinos in Chicago, the substantial portion of local clientele means that Chicago cannot export crime as can Las Vegas and Atlantic City. As a result, an even greater increase in crime should occur in Chicago.

### **(2) Atlantic City**

Since the introduction of casinos to Atlantic City, the city's crime situation has changed dramatically.

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<sup>274</sup> Halbur, S. 1992. Personal Interview with Professor Henry Lesieur.

<sup>275</sup> Deloitte & Touche p. 28.

Atlantic City currently has a crime rate atypically high for its size and nature:

- Atlantic City ranks first in crime among cities with populations between 37,000 and 38,000, according to the 1990 FBI Uniform Crime Report.<sup>276</sup> Atlantic City's crime index of 14,496 is more than 10,000 crimes higher than the second highest crime index of a city in that category.<sup>277</sup>
- With its population of 37,986, Atlantic City's crime index resembles the rate of cities 4.2 to 4.8 times larger than itself.<sup>278</sup>
- Both the 1988 and 1990 County and City Data Book found that Atlantic City had the highest crime rate (per 1,000 people) in the nation.<sup>279</sup>

Victor Crown, in an article he wrote for Illinois Politics, notes that Atlantic City's crime rate was decreasing prior to the legalization of

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<sup>276</sup> Crown, V. 1992. "Gambling Casino Causes Increase in Crime," Illinois Politics, p. 5.

<sup>277</sup> With a population of 37,446, Jackson, Michigan had a crime index of 3,950 in 1990, the second highest for cities with populations of 37,000 to 38,000. Cities in Illinois do not have crime indexes because of the discrepancies concerning the definition of forcible rape. However, the highest crime index, not including rape, for an Illinois city (Calumet) with a population between 37,000 and 38,000 is 2,947.

<sup>278</sup> Crown, V. p. 6.

<sup>279</sup> Crown, V. p. 6.

casinos.<sup>280</sup> However, after the first casino was built, the crime rate started to increase significantly. The crime index for Atlantic City increased by 171% while the index for New Jersey increased only 26% from 1977 to 1980.<sup>281</sup> In 1977, Atlantic City reported one crime every 119.7 minutes, as opposed to 1990 where one crime was reported every 36.3 minutes.<sup>282</sup> Robert Abrams, Attorney General of New York in 1981, in his report on legalized casino gambling, notes that local law enforcement officials in Atlantic City have described the deluge of muggings, purse snatchings, car thefts, crimes of trickery, prostitution and dope peddling which appeared after the advent of casino gambling as "devastating" and that narcotics deals are routinely made along busy streets.<sup>283</sup>

As further evidence of the crime-gaming correlation, a 1987 crime study funded by the National Institute of Justice found that all types of crime were present at a higher level after legalized gambling became a reality, between the years 1978 and 1984.<sup>284</sup> The study concentrated on Atlantic City itself and localities up to 30 miles away from the city's center and took into account the area's population and socio-economic profile. The study revealed that all types of crimes were higher in the post-casino period (1978-1984) than in the pre-casino period (1974-1977):<sup>285</sup>

- Violent crime rates were 78% higher.
- Burglaries were 41% higher.
- Auto thefts were 30% higher.
- Larcenies were 3% higher.

Our analysis of the Uniform Crime Reports concentrated on data for 1970, 1980 and 1990. When looking at the changes that occurred, it is important to note that Atlantic City's permanent population decreased by 20% from 1970 to 1980 and 1% from 1980 to 1990. The changes that occurred are as follows:

- Total crimes increased by 110% from 1970 to 1980 and by 22% from 1980 to 1990.
- Criminal homicide increased by 83% from 1970 to 1980 and by 27% from 1980 to 1990.
- Forcible rape increased by 104% from 1970 to 1980 and by 35% from 1980 to 1990.
  
- Robbery increased by 80% from 1970 to 1980 and by 3% from 1980 to 1990.
- Aggravated assault increased by 176% from 1970 to 1980 and by 98% from 1980 to 1990.
- Burglary decreased by 23% from 1970 to 1980 and by 14% from 1980 to 1990.
- Larceny increased by 152% from 1970 to 1980 and by 40% from 1980 to 1990.
- Auto theft increased by 23% from 1970 to 1980 and decreased by 56% from 1980 to 1990.

### **(3) Las Vegas**

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<sup>280</sup> Crown, V. p. 5.

<sup>281</sup> Abrams, R. 1981. "Report of Attorney General Robert Abrams in Opposition to Legalized Casino Gambling in New York State," p. 3.

<sup>282</sup> Crown, V. p. 5.

<sup>283</sup> Abrams, R. p. 5.

<sup>284</sup> Friedman, J. and Hakim, S. 1987. "Casinos and Crime: Atlantic City's Experience," Casino Gaming: Finance, Management, Regulation and Technology. p. 10.

<sup>285</sup> Friedman, J. and Hakim, S. p. 10.

Las Vegas has had legalized casino gambling for over 60 years. Our analysis focuses on the past 20 years as a timeframe comparable to that used for Atlantic City and Orlando. As the Mayor's Commission stressed, Las Vegas is currently 82nd out of approximately 250 cities in terms of its crime rate.<sup>286</sup> However, this status has not always been the case. For a period of 3-4 years in the early 1980's, Las Vegas had the highest crime rate in the nation.<sup>287</sup> For example, in 1981:

- The state of Nevada led the nation in total crime.
- In Las Vegas, there were 34,257 serious crimes, including 92 murders, additionally Las Vegas had the nation's highest per capita crime rate.<sup>288</sup>
- There were 10,000 prostitutes in the Las Vegas area -- one out of every nine women between the ages of 15 and 39.<sup>289</sup>

Las Vegas reduced its crime rate by adopting a very aggressive policy; the aggressive tactics have resulted in charges by the minority community that the police department employs brutal methods, which have led in turn to increased strife between the minority community and the police department.<sup>290</sup> In 1990, Las Vegas incarcerated 63,354 people in regional correctional facilities.<sup>291</sup> During that same year, Las Vegas had a total permanent population of 640,846 within the greater Las Vegas police district. Las Vegas' incarcerated population was 1/10 of the total population that gave Las Vegas one of the nation's highest incarceration rates.

Our analysis of the FBI Uniform Crime Statistics for Las Vegas focused on data for 1970, 1980 and 1990. In 1970, only one agency, the Las Vegas City Police, reported to the Uniform Crime Bureau. In 1973, the Las Vegas City Police Department and the Sheriff's Office consolidated to become the Las Vegas Metropolitan Police. Consequently, for 1980 and 1990, there were 'two' agencies, and the change in the numbers of crimes from 1970 to 1980 is large. Because of the alternative reporting, it is not possible to know the magnitude of the changes that occurred. We present the figures available in the Uniform Crime Reports. The changes that occurred are as follows:

- Total crimes increased by 856% from 1970 to 1980 and by 6% from 1980 to 1990.
- Criminal homicides increased by 283% from 1970 to 1980 and decreased by 14% from 1980 to 1990.
- Forcible rapes increased by 1,355% from 1970 to 1980 and by 27% from 1980 to 1990.
- Robberies increased by 748% from 1970 to 1980 and decreased by 15% from 1980 to 1990.
- Aggravated assaults increased by 916% from 1970 to 1980 and by 31% from 1980 to 1990.
- Burglaries increased by 637% from 1970 to 1980 and decreased by 31% from 1980 to 1990.
- Larcenies increased by 568% from 1970 to 1980 and by 26% from 1980 to 1990.
- Auto thefts increased by 271% from 1970 to 1980 and by 53% from 1980 to 1990.

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286 Telephone Interview with Undersheriff Eric Cooper. 1992.

287 Should check FBI publication, Crime in the United States for 1978-1982 to get the years.

288 Abrams, R. p. 2.

289 Abrams, R. p. 2.

290 Cooper, E. 1992. (July) Telephone Interview with Shahna Gooneratne.

291 Las Vegas Metropolitan Police Department, "Annual Statistical Report: Fiscal Year 1990-1991," p. 1.

As Las Vegas has had casinos for over 60 years, the preceding data does not reveal a before and after picture as does comparable data for Atlantic City. However, crime levels in 1970, 1980 and 1990 indicate that Las Vegas' extraordinarily high levels in 1980 were "controllable" only with aggressive and controversial methods.

## **B. ORLANDO, LAS VEGAS AND ATLANTIC CITY**

To assess whether legalized land-based casino gambling influences a city's crime rate more than any other tourist attraction, we studied the effect of Disney World on the crime rate of Orlando. Orlando was chosen as a comparable city for a number of reasons, primarily because Orlando has been singled out in the discussion of the casino proposal both by the Illinois State Police and the casino proponents themselves. In addition, Atlantic City's casinos and Disney World were introduced within 7 years of each other which make them conveniently comparable.

Our comparison is based on crimes that are included in the Uniform Crime Index for the years 1970, 1980 and 1990.<sup>292</sup> These years account for pre-tourist attraction crime data and indicate the long-run impact of the tourist attractions on crime. Two types of statistics are important: 1) the number of crimes committed each year, 2) the rate of the crime increase. The statistics detailing the number of crimes committed each year can be found in the below tables.

### **(1) Crimes Per City**

The comparison of Atlantic City, Las Vegas and Orlando is based on percentage changes; the increases or decreases in the number of crimes per city. Because of the change in reporting methods used in Las Vegas from 1970 to 1980, Las Vegas experienced the greatest increases in all crimes of the three cities from 1970-1990: total crimes, 915%; criminal homicide, 229%; forcible rape, 1755%; robbery, 617%; aggravated assault, 1,227%; burglary, 416%; larceny, 743%; auto theft, 466%. (See appendix J for graph representation). Comparing Atlantic City and Orlando, the changes that occurred are as follows:

- Orlando's total crimes increased 221% from 1970 to 1980 and 35% from 1980 to 1990, and Atlantic City's total crimes increased 110% from 1970 to 1980 and 22% from 1980 to 1990.
- From 1970 to 1990, Orlando's total auto thefts increased 344%, and Atlantic City's total auto thefts decreased 46%.
- From 1970 to 1990, Orlando's total forcible rapes increased 805%, and Atlantic City's total forcible rapes increased 176%.
- From 1970 to 1990, Orlando's total robberies increased 443%, and Atlantic City's total robberies increased 85%.
- From 1970 to 1990, Orlando's total burglaries increased 119%, and Atlantic City's total burglaries decreased 33%.
- Atlantic City experienced greater increases in some crimes than did Orlando from 1970 to 1990: Atlantic City's total larcenies increased 253%, and Orlando's total larcenies increased 193%; Atlantic City's total aggravated assaults increased 445%, and Orlando's total aggravated assaults increased 414%.

<del>7 REVENUE HV</del>	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	5,644	11,847	14,496	110%	22%	157%

<sup>292</sup> We will not consider data for arson.

Las Vegas	4,331	41,405	43,944	856%	6%	915%
Orlando	5,466	17,532	23,750	221%	35%	335

UP + RP	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	6	11	14	83%	27%	133%
Las Vegas	24	92	79	283%	-14%	229%
Orlando	15	17	30	13%	76%	100%

RUPEES	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	25	51	69	104%	35%	176%
Las Vegas	20	291	371	1,355%	27%	1,755%
Orlando	20	190	181	850%	-5%	805%

5 REEHU	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	358	644	662	80%	3%	85%
Las Vegas	311	2,636	2,229	748%	-15%	617%
Orlando	267	742	1,449	178%	95%	443%

\$ J J U D M G \$ W D X W	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	120	331	654	176%	98%	445%
Las Vegas	138	1,402	1,831	916%	31%	1,227%
Orlando	476	1,401	2,449	194%	75%	414%

% J J O A	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	2,097	1,620	1,401	-23%	-14%	-33%
Las Vegas	1,971	14,526	10,176	637%	-31%	416%
Orlando	2,492	5,264	5,453	111%	4%	119%

/DEQ	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	3,168	7,993	11,174	152%	40%	253%
Las Vegas	2,847	19,019	24,009	568%	26%	743%
Orlando	4,318	9,022	12,662	109%	40%	193%

<del>§ XXV</del> KHW	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	975	1,197	522	23%	-56%	-46%
Las Vegas	927	3,439	5,249	271%	53%	466%
Orlando	344	896	1,526	160%	70%	344%

## (2) Crimes per 100,000 Permanent Residents

Total crime figures do not take into account how the size of the permanent population affects a city's crime rate. From 1970-1990, Atlantic City's permanent population decreased 21%, Las Vegas' permanent population increased 390%, and Orlando's permanent population increased 66%. (See appendix K for graph representation). With permanent population taken into account by calculating number of crimes per 100,000 permanent residents, the changes that occurred are as follows:

- From 1970 to 1990, the total crime rate increased 224% for Atlantic City, 161% for Orlando and 107% for Las Vegas.
- From 1970 to 1990, the aggravated assault rate increased 586% for Atlantic City, 209% for Orlando, and 170% for Las Vegas.
- From 1970 to 1990, the larceny rate increased 344% for Atlantic City, 76% for Orlando and 72% for Las Vegas.
- From 1970 to 1990, the forcible rape rate increased 450% for Orlando, 275% for Las Vegas, and 250% for Atlantic City.
- From 1970 to 1990, the robbery rate increased 226% for Orlando, 133% for Atlantic City, and 47% for Las Vegas.
- From 1970 to 1990, the burglary rate increased 32% for Orlando, 5% for Las Vegas, and decreased 16% for Atlantic City.
- From 1970 to 1990, the auto theft rate increased 167% for Orlando, 16% for Las Vegas, and decreased 33% for Atlantic City.
- From 1980 to 1990, the criminal homicide rate increased 38% for Orlando, 28% for Atlantic City, and decreased 46% for Las Vegas.<sup>293</sup>

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<sup>293</sup> We present the increase in criminal homicides from 1980 to 1990 because in 1970, no figure is given for manslaughter by negligence for Atlantic City.

7 RVD&UP HV	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	11,793	30,981	38,161	163%	23%	224%
Las Vegas	3,443	10,743	7,131	212%	-34%	107%
Orlando	5,521	13,717	14,421	148%	5%	161%

&UP IQD +RP IEGH	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	13	29	37	129%	28%	194%
Las Vegas	19	24	13	26%	-46%	-32%
Orlando	15	13	18	-13%	38%	20%

) RUPGUS LSH	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	52	133	182	155%	36%	250%
Las Vegas	16	76	60	375%	-21%	275%
Orlando	20	149	110	645%	-26%	450%

5 REEHX	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	748	1,684	1,743	125%	3%	133%
Las Vegas	247	684	362	177%	-47%	47%
Orlando	270	581	880	115%	51%	226%

<del>\$\$\$</del>	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	251	866	1,722	245%	99%	586%
Las Vegas	110	364	297	231%	-18%	170%
Orlando	481	1,096	1,487	128%	36%	209%

<del>%%</del>	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	4,382	4,237	3,688	-3%	-13%	-16%
Las Vegas	1,567	3,769	1,651	141%	-56%	5%
Orlando	2,517	4,119	3,311	64%	-20%	32%

<del>/</del>	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	6,619	20,903	29,416	216%	41%	344%
Las Vegas	2,263	4,935	3,896	118%	-21%	72%
Orlando	4,361	7,059	7,688	62%	9%	76%

<del>\$\$\$</del>	1970	1980	1990	1970-1980 (% change)	1980-1990 (% change)	1970-1990 (% change)
Atlantic City	2,037	3,130	1,374	54%	-56%	-33%
Las Vegas	737	892	852	21%	-4%	16%
Orlando	347	701	927	102%	32%	167%

### (3) Crimes Per 100,000 People • Days

Many criminologists contend that permanent population figures do not account for the large populations of tourists and commuters that may influence the crime rate; they argue that the transient population also needs to be considered.

To determine the increase in people vulnerable to crime, beyond the resident population, it is necessary to account for the amount of visitors and the length of their stay. "Visitor-day/year" describes one visitor staying for one day. To calculate the total number of visitor-days/year, we multiplied the number of visitors in one year by average length of stay. This figure is added to "resident-days/year." One resident-day/year is one resident residing for one day. Resident-days/year are obtained by multiplying the number of residents by the average length of stay per year (350 days). Visitor-days/year added to resident-days/year yields the total amount of people vulnerable to crime in one year-"people-days/year." Having calculated the total number of people-day/years, we determined the number of crimes per 100,000 people-days/year.

Tourist data for the city of Orlando is not available so Orlando's corresponding Standard Metropolitan Statistical Area (SMSA) is used.<sup>294</sup> Tourist data for the Atlantic City SMSA and the Las Vegas SMSA are not available so city data is used. Permanent population data for Orlando's SMSA is compared to permanent population data for Atlantic City and Las Vegas.<sup>295</sup> In 1990, there were 452,981,800 people-days for Orlando, 299,685,050 people-days for Las Vegas, and 49,108,500 people-days for Atlantic City. Tourist data is not available for the three cities for 1970 and 1980 so we are not able to make conclusions about the changes in the rates. Only statistics for 1990 are included. (See appendix L for graph representation).

The results are as follows:

- The total crime rate per 100,000 people-days is 29.52 for Atlantic City, 19.80 for Orlando, and 14.66 for Las Vegas.
- The forcible rape rate per 100,000 people-days is 0.14 for Atlantic City, 0.12 for Las Vegas, and 0.10 for Orlando.
- The robbery rate per 100,000 people-days is 1.35 for Atlantic City, 0.74 for Las Vegas, and 0.67 for Orlando.
- The aggravated assault rate per 100,000 people-days is 1.76 for Orlando, 1.33 for Atlantic City, and 0.61 for Las Vegas.
- The larceny rate per 100,000 people-days is 22.75 for Atlantic City, 10.49 for Orlando, and 8.01 for Las Vegas.
- The burglary rate per 100,000 people-days is 5.20 for Orlando, 3.40 for Las Vegas, and 2.85 for Atlantic City.

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<sup>294</sup> Disney World is not located in the city of Orlando. Rather, it is located in Lake Buena Vista, a southern suburb of Orlando.

<sup>295</sup> Even when using permanent population data for Atlantic City's SMSA and Las Vegas' SMSA, Atlantic City or Las Vegas still has the highest crime rate per 100,000 people-days except for aggravated assault and burglary. For Atlantic City, the rates per 100,000 people-days are the following: total crimes, 21.94; criminal homicide, 0.02; forcible rape, 0.14; robbery, 0.67; aggravated assault, 1.11; burglary, 3.61; larceny, 15.47; auto theft, 0.92. For Las Vegas, the rates per 100,000 people-days are the following: total crimes, 14.36; criminal homicide, 0.03; forcible rape, 0.14; robbery, 0.68; aggravated assault, 0.58; burglary, 3.34; larceny, 7.94; auto theft, 1.66.

- The auto theft rate per 100,000 people-days is 1.75 for Las Vegas, 1.57 for Orlando, and 1.06 for Atlantic City .
- The criminal homicide rate per 100,000 people-days is 0.03 for Atlantic City and Las Vegas and 0.01 for Orlando.

1990	Atlantic City	Las Vegas	Orlando (SMSA)
Total Crime	29.52	14.66	19.80
Criminal Homicide	0.03	0.03	.01
Forcible Rape	0.14	0.12	.10
Robbery	1.35	0.74	.67
Aggravated Assault	1.33	0.61	1.76
Burglary	2.85	3.40	5.20
Larceny	22.75	8.01	10.49
Auto Theft	1.06	1.75	1.57

### (3) Quality of Life

Residents of Orlando believe that it is a safe place to live. Although Orlando currently draws 13.3 million visitors a year, surpassed as an international tourist destination only by the Vatican, Mecca and Kyoto, Japan, residents and visitors praise the atmosphere. "[Orlando] brings you back to a moral clean time that today we've lost," said visitor Shirley Schwartz of Wayne, New Jersey.<sup>296</sup> "Do you see anybody here lying on the street or begging for money? Do you see anyone jumping onto your car and wanting to clean your windshield--and then when you say no, they get abusive? Look at the quality of the people. Doesn't that say anything?" asked Linda Staretz of Livingston, New Jersey.<sup>297</sup> Even though Orlando is one of the top international commercial tourist destinations in the world, residents still find Orlando to be a safe place to live.

Conversely, in 1988, *Money Magazine* rated Atlantic City as the worst place to live in America.<sup>298</sup> In describing Atlantic City, Attorney General of New York State in 1981, Robert Abrams relates, "Street thugs, drawn to the people and the money saturate the avenues leading to the casinos and the public parking areas. . . Visitors unfamiliar with the city wander a block or two off the beaten path and are attacked."<sup>299</sup> He continues, "People are getting mugged almost as soon as they get off the bus at the Atlantic City Bus Terminal. . . Many of those who get safely through the terminal become victims of crime on their way to the casinos." "I've lived in Atlantic City for thirty-three years, and I can't remember when it's been so open--that when you walk down Kentucky Avenue you are solicited for drugs and stolen merchandise," said a long-time Atlantic City resident.<sup>300</sup> Las Vegas is

<sup>296</sup> Painton, P. 1991. "Fantasy's Reality," *Time*. p. 54.

<sup>297</sup> Painton, P. p. 54.

<sup>298</sup> Eisenberg, R and Wishik-Englander, D. 1988. "The 300 Best Places to Live," *Money Magazine*. p. 84.

<sup>299</sup> Abrams, R. p. 5.

<sup>300</sup> Sternlieb, G. and Hughes, J. 1983. *The Atlantic City Gamble*, Boston: The Harvard University Press. p. 134..

ranked 180th out of 300 in the same listing. The previous year, it had been listed as the 270th best place to live.<sup>301</sup>

Our calculation of the crimes per square mile for Orlando, Las Vegas and Atlantic City suggest why Orlando residents and visitors find Orlando to be safe while residents of Atlantic City do not find this to be the case: Atlantic City had 1,224 crimes per square mile, Las Vegas had 732 crimes per square mile, and Orlando had 330 crimes per square mile.

## **C. CRIMINAL PROFILES**

Three types of criminals operate in Atlantic City and Las Vegas: pathological gamblers, criminals 'imported' from other areas, and sociologically deprived residents of the areas in question.

### **(1) Pathological Gamblers**

Many studies examining the relationship between pathological gamblers and crime conclude that there is a significant link between the two. Pathological gamblers are those individuals commonly referred to as "compulsive gamblers", gambling addicts or members of Gamblers Anonymous and have a diagnosable mental disorder. Illegal behavior in pathological gamblers includes: check forgery, embezzlement, employee theft, bookmaking, hustling, larceny, armed robbery, fencing stolen goods, burglary, pimping, selling drugs, systematic loan fraud, tax evasion, and insurance fraud.<sup>302</sup> Pathological gambling related insurance fraud costs more than \$1 billion annually.<sup>303</sup>

Professor Lesieur and R. Klein conducted a study of two New Jersey prisons, Yardville and Clinton. Professor Lesieur and Klein note a close association between degrees of sociopathy in prisoners and higher incidences of severe gambling-related problems. Their study reveals the following information:

- 1) 85% of 118 female inmates and 78% of 230 male inmates had gambled at some point in the previous six months.<sup>304</sup>
- 2) At a minimum, 10% of the prisoners are pathological gamblers, with a possibility of up to 30%.<sup>305</sup>
- 3) 13% of the inmates questioned admit to having been incarcerated for committing gambling-related crimes ranging from selling drugs, burglary and larceny-theft, as well as pimping and prostitution.<sup>306</sup>
- 4) Approximately, two-thirds of non-incarcerated and 97% of incarcerated pathological gamblers admit to having engaged in illegal behavior in order to subsidize their gambling-related debts.<sup>307</sup>

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301 Eisenberg, R. and Englander, D. p. 81.

302 Lesieur, H. 1987. Governor's Report. p. 132.

303 Lesieur, H. 1992.

304 Blaszczynski, A., McConaghy, N., and Frankova, A. 1989. "Crime, Antisocial Personality and Pathological Gambling," Journal of Gambling Behavior. p. 139.

305 Lesieur, H. 1987. p. 133.

306 Lesieur, H. 1992.

307 Lesieur, H. Governor's Report. p. 105.

Julian Roebuck conducted a study of 409 prisoners in a Washington, D.C. prison. His study revealed the following information:<sup>308</sup>

- 1) 38% of the prisoners "spent most of [their] leisure time at cards, dice, race tracks, lottery games etc."
- 2) "56 percent of armed robbers, 14 percent of drug addicts, 100 percent of numbers men, 70 percent of assaultive drinkers, 63 percent of 'jack of all trades' offenders (these dabble in everything), 55 percent of burglary-larceny offenders (did both types of crime) and 53 percent of burglars were classified as inveterate gamblers."

A significant connection exists between pathological gambling behavior and criminal activity. Pathological gamblers undoubtedly contribute to the unusually fast crime rate increase in Atlantic City in the years following the opening of the first casino. Consequently, some of the crime near a casino can be differentiated from that near a different type of tourist attraction, because casinos attract pathological gamblers who commit crimes in order to support their addiction.

## **(2) Imported Criminals**

In a study of crime patterns in the Atlantic City area, Professors Simon Hakim and Joseph Friedman discovered that crime rates rose significantly along major nontoll routes from New York and Philadelphia to Atlantic City. Their study examines the increases in crime rates between the years 1978-1984 in comparison to the years 1974-1977. Communities located to the south and southwest of Atlantic City which are not on the major routes to Philadelphia and New York City did not experience the same increases in crime rates.<sup>309</sup> In fact, the more accessible the localities, the higher the increase in crime rate it experienced.<sup>310</sup>

- Total crime in all localities increased by 13.6% in the post-casino period while the total crime rate increased 25.8% in accessible locations.
- Violent crime in all localities increased by 27.6% in the post-casino period while violent crime increased by 105.5% in accessible locations.
- Burglary in all localities increased 2.7% in the post-casino period while burglary increased by 44.1% in accessible locations.
- Larceny in all localities increased by 20.0% in the post-casino period while larceny increased by 23.1% in accessible locations.
- Vehicle theft in all localities increased by 25.8% in the post-casino period while vehicle theft increased by 56.1% in accessible locations.
- Increased criminal activity was shown to be related to area wealth.<sup>311</sup>

In 1980, areas of Atlantic City which experienced higher crime rates were twice as wealthy as other localities. These wealthy areas spent 40% more on police protection and suffered up to 530% more crime than other localities. Police protection was found to be more effective in poor areas.

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308 Lesieur, H. 1987. Governor's Report. p. 132.

309 Friedman, R. and Hakim, S. p. 10.

310 Friedman, J., Hakim, S., and Weinblatt, J. 1989. "Casino Gambling as a 'Growth-Pole' Strategy and its Effect on Crime," *Journal of Regional Science*. p. 621.

311 Friedman, R. and Hakim, S. p. 10.

Professors Friedman, Hakim, and Weinblatt write, "These levels are higher than they would have been in the absence of casinos. Thus, the statistical results suggest that casinos might have 'brought' significantly more crime than the population increase warranted."<sup>312</sup>

These statistics suggest that criminals drive to Atlantic City from New York City and Philadelphia. In 1978, 95% of those people arrested in Atlantic City for street crimes have been visitors.<sup>313</sup> There is no evidence to suggest that a similar pattern will not occur in Chicago. Criminals will have a great incentive to make a commute to the highly accessible city of Chicago and surrounding suburbs to prey on tourists and residents. This fact has significant implications for the proposed casino complex in Chicago, for criminals from all over the Midwest would be attracted to the downtown area. Consequently, suburban areas along expressways to Chicago would experience a significant increase in crime rates. Furthermore, previous studies indicate that criminals commuting to Chicago will target the suburbs with more wealth. All of the suburban localities will experience interjurisdictional crime spillover even though they will receive no direct economic or development benefits from legalized gambling. The Mayor's Commission failed to address potential concerns for the Chicago suburbs or to take into account possible negative or even positive effects on them in its discussion of the proposed complex.

### **(3) Poor Residents**

Both Las Vegas and Atlantic City have historically had trouble with poor residents and crime. When gambling boomed in Las Vegas in the late 1970's and early 1980's, city planners promised that the casinos would bring jobs to poor urban residents, but many of the city's poor have remained poor. Similarly, Atlantic City expected to revitalize the city as a result of legalizing casino gambling, but instead, a dichotomy has continued to grow between the casinos and the ghettos.

Casinos in both Atlantic City and Las Vegas are located near large ghettos. Professors Friedman and Hakim in their study of ambient crime's effect on property values, found that "crimes are positively related to population size, density and unemployment and inversely to the education level."<sup>314</sup> Poor residents look out onto the richness of the casinos and want part of the action. Author of the Atlantic City Gamble, George Steinlieb writes:

The crime data are only partly a result of the vast increase in transient population, including criminal, attracted to Atlantic City from relatively close urban areas. They are also the result of the drastic social dislocations caused by sudden wealth in the midst of continued poverty. The spillover of casino largess has been limited, displacement has broken the tenuous lines of neighborhoods, and many find criminal activity an irresistible way to share in the wealth they see all around them.<sup>315</sup>

In other words, sudden wealth amidst continued poverty creates crime.

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312 Friedman, R., Hakim, S., and Weinblatt, J. 1989. p. 622.

313 Abrams, R. pp. 4-5.

314 Friedman, R. and Hakim, S. p. 10.

315 Sternlieb, G. and Hughes, J. p. 135.

## **D. LAW ENFORCEMENT COST OF LEGALIZED LAND-BASED CASINO GAMBLING**

Ever since the introduction of casinos in 1978, law enforcement costs in Atlantic City have increased greatly.<sup>316</sup>

- In 1976, before gambling became big business in Atlantic City, the police budget was \$4.4 million dollars. By 1981, the police budget increased to \$9.6 million, and by 1986 the police budget for Atlantic City totaled nearly \$22.1 million. In just 10 years the Atlantic City police budget increased by \$17.7 million dollars.
- State wide police costs rose from 0.009% of Atlantic County's annual budget in 1977 to 2.7% in 1990--a 620% increase in county-wide police costs.
- The cost of maintaining correctional facilities has also risen dramatically. Atlantic County spent \$2.1 million on corrections in 1977, \$2.9 million in 1982 and \$10.2 million in 1990. In terms of percentages, it rose from 3.7% of the county's budget in 1977 to 7.7% of the county's budget in 1990--a 385% increase or in monetary terms an increase of \$8.1 million dollars.
- In 1975, Atlantic City had 293 officers which translates into one officer for every 130 residents while in 1990, Atlantic City had 425 police officers--one officer for every 89 permanent residents.<sup>317</sup>

Las Vegas' law enforcement costs have also increased from 1975 to 1990.

- The police budget for Las Vegas for fiscal year 1976 was \$20,777,000 while for fiscal year 1981 it was \$36,345,121, an increase of 75%. Furthermore, the budget increased 69% from \$54,049,223 in 1986 to 91,272,829 in 1991.<sup>318</sup>
- Currently, Las Vegas has 1046 police officers, and in fiscal year 1990, there were 905 officers.<sup>319</sup>

Another issue that is important to mention is the social cost of crime associated with legalized gambling. "The social costs of gambling may be high enough to outweigh any economic gain, if writes Buck, Hakim and Spiegel, "residents of several localities may suffer from crime spillover while gaining none or less of the development benefits [produced from legalized casino gambling]." <sup>320</sup>

Terry Gainer, current director of the Illinois State Police, noted that many of the police departments for cities in Colorado which have legalized casino gambling have had to increase their departments substantially. The Mayor's Commission stressed that street crime can be controlled, but Gainer qualifies their assessment by

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316 Crown, V. p. 7.

317 Crown, V. p. 6.

318 Spokesperson for the Las Vegas Police Department. Phone Interview. 1992

319 Sergeant Keller of Las Vegas Police Department, phone September 3, 1992 he said he'd call back with more info. Jennifer Brunner will call 9/14/92.

320 Buck, A., Hakim, S., and Spiegel, U. "Casinos, Crime, and Property Values: Do they Relate?" *Journal of Research in Crime and Delinquency*. p. 622.

saying that controlling crime "is a very, very costly venture."<sup>321</sup> Several law enforcement officials with whom we spoke said that "controlling crime" is reactive and not pro-active, which is not necessarily good law enforcement. Gainer does not believe that Chicago is in a position where it can readily handle an increase in crime, as it is having difficulty with its current crime situation. Gainer testifies, "I'm here to suggest that our current infrastructure, our current number of police offers, cannot handle one, two, three, four percent more crime. And if it's anything close to some of these other studies, we're in a heap of trouble."<sup>322</sup> He further testifies, "The day you break ground for the gambling center will need to be a year to the day, a year to the day, after we build a new prison, seriously expand Cook County Jail, complete the probation of hundreds more police officers, hire more prosecutors, retain more social workers."<sup>323</sup> Gainer is skeptical of Chicago's ability to handle an increase in crime, for the current infrastructure is overworked and needs to be supplemented.

## **D. CONCLUSION**

"Chicago's crime rate is already very high," said Professor Lesieur. "A casino will just bring more crime into the area."<sup>324</sup> Professor Hakim agrees, "Many gamblers will come from the City of Chicago. After legalized gambling, the Chicago Crime Index will rise to some extent. The exact amount of the crime increase depends on the size and extent of the final gambling complex."<sup>325</sup>

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321 Gainer, T. Testimony in front of Mayor's commission. p. 68.

322 Gainer, T. Testimony. p. 69

323 Gainer, T. Testimony. p. 67.

324 Lesieur, H. 1992.

325 Hakim, S. Personal interview. 1992

# Conclusion

*The Commission's Report to the Mayor*, the official document on the legalization of land-based casino gambling, is a superficial treatment of a complex issue. The Report accepts Deloitte & Touche's economic estimates without any independent investigation of extremely controversial claims and does not analyze factors that inevitably diminish economic benefits. Such factors include a demographic survey of potential gamblers, the quality of jobs created, or the impact of the trend of legalized gambling on local visitation. The Report devotes only half of one page to "Preventing Exploitation of the Poor," one and a half pages to "The Morality of Casino Gambling," two pages to "Compulsive Gambling," and does not address underage gambling or social costs at all. Even the limited discussion of organized crime, street crime and public corruption focuses on how to "control" the negative aspects without ever defining any of those impacts.

The study performed by the staff of the Better Government Association emphasizes the negative aspects of the land-based casino only because the debate thus far has centered on unchallenged benefits to the project. Our contention is not that the negative effects necessarily outweigh the positive effects, but that they are of a magnitude to warrant a serious cost/benefit analysis. A cost/benefit analysis that does not include an objective assessment of the costs of such a complex is necessarily incomplete. Given the enormous and irrevocable impacts of legalizing land-based casino gambling in Chicago, an in-depth discussion of complex issues must replace the skewed and superficial information presented to the public. The issues introduced in our study must be answered, and if necessary supplemented by further professional study.

Experts on gambling across the nation concur that the societal effects of land-based casino gambling mandate that a project not be evaluated in terms of economics alone. Even a purely economic analysis does not present a clear justification for land-based casinos. Our studies indicate that the proliferation of gambling in the United States makes gambling an unstable source of income in the long-term. The indirect effects of casinos, which include regressive and local taxation, transient employment, and a decrease in economic diversity, reduce the persuasiveness of promises that are based on already questionable estimates of state taxes and employment. The economic study by Deloitte & Touche unaccountably neglects factors that directly limit the benefits of the casino complex. At the very least the study must be supplemented, or a new independent study should be commissioned which addresses the fact that lower income and in-state players disproportionately support casino gambling. Land-based casino gambling is most likely to harm those who are already socially and economically marginalized and thus have little political power.

An examination of social costs has been effectively eliminated from the public discourse on casino gambling. Proponents propagate the misconception that legislators cannot weigh intangible social costs. To the contrary, many of the social costs are quantifiable. Our estimates, which we base on the most authoritative national study and which leading experts verify, indicate that the social costs associated with legalized gambling could amount to more than three billion dollars. Even the unquantifiable costs directly affect millions of people.

A significant dimension of the social costs is the increased ambient and organized crime and increased levels of public corruption. The arguments that crime and corruption can be "controlled" are without any evidentiary basis. To the contrary, previous studies indicate that Chicago will experience a significant increase in crime and corruption. The only unresolved question is the extent of the increase.

Even if proponents can prove that the legalization of land-based casino gambling would have a beneficial net economic effect in spite of all of the enormous direct and indirect costs, legislators must consider whether gambling is an idea that merits the considerable risk involved. The "moral issue" is not dead. The fact that Illinois currently allows certain gambling is independent of the issue of whether land-based casino gambling should be legalized. The burden of persuasion is on the proponents of the casino to explain why a project without social worth is justified on a purely economic basis, specially when the economic arguments are tenuous.

The Mayor's Commission states: "In the absence of regulations of the kind recommended in this report, we would have serious reservations about pursuing the project." Forty-two recommendations follow this sweeping reservation. In the discussion of the casino, proponents and opponents alike have demonstrated that many of the recommendations, such as the mandatory admission fee or the prohibition of sports betting, have been effectively eliminated as practical possibilities. Since most of the regulations either do not exist or are not effectively enforced in casinos in Atlantic City and Las Vegas, proponents have the burden of showing why Chicago will be different. Furthermore, the history of casinos in Las Vegas and Atlantic City demonstrates that the greater the interest that casino owners have in a state, the greater the power to influence the legislature to revoke many of the regulations in that initially enacted.

If Chicago does not accept the casino, another city probably will accept the proposal. The negative consequences for Illinois in such an event would be considerable because the state would still incur a substantial portion of the costs and reap few benefits. However, such a consideration is not sufficient to justify accepting a project with striking social and economic costs.

The paucity of research on the effect of land-based casino gambling on Chicago would make legalization at this stage irresponsible. The primary purpose of our study is to consider the crucial issues that no group has adequately addressed. Proponents of the casino dismiss every social cost with the argument that they cannot accurately determine the extent of the effect. Our studies indicate that even where costs are not precisely quantifiable, they are of such an obvious magnitude that a decision-maker can weigh them generally. While our staff was able to produce and gather a substantial amount of data, we could not possibly perform the complex professional studies that should be performed in order to judge how Chicago will be affected by casino gambling. Proponents have an obligation to address the conclusions reached by our staff. To the best of our knowledge, there is little data specific to Chicago. This lack of data cannot form a rationale to minimize the significance of costs, as has been the strategy of the proponents, but instead should be a mandate that more data be gathered. Several states have commissioned comprehensive studies on gambling by distinguished national experts. Illinois legislators should not be induced to accept a proposal which has not been adequately considered and about which the public has not been informed.

## **RECOMMENDATION:**

### **Baseline and follow-up studies should be conducted to assess the societal impact of the proposed casino entertainment center.**

To the best of our knowledge, no data exists *which is specific to Chicago* in the areas relevant to assessing the societal costs of legalizing casino gambling.<sup>326</sup> As opposed to using this lack of data as a rationale for minimizing the significance of social costs when considering the casino proposal (as the Mayor's Commission suggests in its report<sup>327</sup>), we believe that a *lack of data* provides the rationale for *more data to be gathered* - especially when a \$2 billion dollar land-based casino is being considered for a major, metropolitan city. Several states have commissioned comprehensive studies on gambling by distinguished national experts on gambling.<sup>328</sup> We strongly recommend that if the proposed casino entertainment center is approved by the state legislature, a baseline study should be conducted before the opening of the center, along with follow-up studies conducted after the opening of the center. The purpose of these studies would be to obtain an accurate assessment of the

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<sup>326</sup> e.g. pathological gambling, underage gambling, gambling by low income individuals, etc.

<sup>327</sup> The Mayor's Commission does state that pathological gambling, "Must be treated as a serious concern," "Even without further research," yet at the same time a *lack of research* on the question of whether casino gambling would increase the number of pathological gamblers is used to argue that there is insufficient grounds for recommending the project not be pursued. (Commission, 1992, p. 78-79.)

<sup>328</sup> Examples include: New Jersey, Minnesota, Iowa, South Dakota, Montana, and Texas.

social impact of the casino entertainment center. Such a series of studies is essential to determining the social costs of gambling legislation. For leaders to make well-informed decisions, a team of experts should study a number of areas before and after casinos are built. Some of these areas include: adult gambling, adult problem gambling, underage gambling, underage problem gambling, the effect of gambling on individuals of various incomes, races, and educational attainment. The team of experts should also study the existing treatment options for pathological gamblers in Illinois, and the existence of programs dedicated to minimizing the problem of pathological gambling among both adults and young people through prevention and education. We suggest that those scholars cited in this report, or other nationally renowned experts on gambling, should conduct these studies. A series of recommendations should accompany the commissioned studies.