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Gambling away our cities

Why New Yorkers must fight the drive to legalize full-scale gaming

By Richard Florida / NEW YORK DAILY NEWS

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LUCAS JACKSON/REUTERS

Gamers play the slot machines at the Empire City Casino in Yonkers.

Early in September, Sheldon Adelson, the 79-year-old founder of The Sands (and a lavish political donor — he contributed more than $50 million to help Mitt Romney and other Republicans get elected), announced that Madrid will be home to a massive EuroVegas gambling and entertainment complex. When construction is completed in about 10 years, there will be six casinos with 18,000 slot machines and a dozen hotels with 36,000 rooms.

Adelson would like to do something similar in New York City, on the site of the Jacob K. Javits Center on the West Side. As New York State begins the process of amending its constitution to allow up to seven new full-scale private casinos, eager gaming interests have flooded the state with lobbying money and campaign contributions, according to a report by Common Cause New York.

In Miami, the Genting Group — the same Malaysian company that operates the casino at Aqueduct — has proposed a $3 billion plus city-within-a-city on the site of the Miami Herald building, which it has already purchased for $236 million. The project would include two condo towers, four luxury hotels, 50 restaurants, 60 luxury shops and a yacht marina.

Casinos have either been built or proposed in Detroit, Cleveland, Chicago, Boston, Toronto and countless other cities across the United States and the world.

This "casinoization" of just about everywhere has been going on for some time. Three decades ago, only three American cities — Las Vegas, Reno and Atlantic City — had casinos. Today, gambling is legal in more than 40 states, and roughly 2,000 gambling venues can be found across America.

Gambling generates about $90 billion in revenues annually, a figure that is projected to expand to $115 billion by 2015. A third of this flows from casinos.

For politicians, casino money is a powerful allure. Casinos offer a potent triple whammy of big ground-breakings; new jobs in construction, hospitality and gaming tables; and substantial new sources of public revenue. "[I]t's important to look at other sources other than taxing people to death," Florida City's Mayor Otis Wallace (whose city just proposed a 25-acre horse racing, jai alai and casino complex), told the Miami Herald.

While politicians and casino magnates seek to sell gambling complexes to the public as magic economic bullets, virtually every independent economic development expert disagrees — and they have the studies to back it up.

More than a decade ago, the bipartisan National Gambling Impact Study Commission's Final Report concluded that while the introduction of gambling to highly depressed areas may create an economic boost, it "has the negative consequence of placing the lure of gambling proximate to individuals with few financial resources."

When gambling is added in more prosperous places, "the benefits to other, more deserving places are diminished due to the new competition. And as competition for the gambling dollar intensifies, gambling spreads, bringing with it more and more of the social ills that led us to restrict gambling in the first place."

In his 2004 book "Gambling in America: Costs and Benefits," Baylor University economist Earl Grinols totaled the added costs that cities must pay in increased crime, bankruptcies, lost productivity and diminished social capital once they introduce casinos to their economic mix. He found that casino gambling generates roughly $166 in social costs for every $54 of economic benefit. Based on this, he estimates that the "costs of problem and pathological gambling are comparable to the value of the lost output of an additional recession in the economy every four years."

Atlantic City's first legal casino opened in 1978 amid expectations of economic spillover in the form of retail businesses, restaurants, rising property values and jobs. But a study conducted 13 years later found that any "anticipated multiplier effect has not moved much beyond the core industry . . . Half of the population still receives public assistance, and city services continue to be substandard. Social problems, including increased crime and prostitution, are worse than ever. Since most people holding the better casino jobs live in Atlantic City suburbs, they contribute little directly to the city."

Casino cities are "dual cities" defined by "two-tiered economies," according to John Hannigan of the University of Toronto. "[C]rack cocaine-addled prostitutes struggle to survive in the underground economy that flourishes . . . in close proximity to the glittering casinos."

The typical customer of an urban casino is neither a tourist nor a deep-pocketed whale, but a local of modest means. Dave Jonas, president of Philadelphia's Parx Casino, told the Pennsylvania Gaming Congress in 2010 that his typical customer spends $25 or $30 dollars a visit — and many of them return three, four and five times a week.

Much of the tax revenue produced by gambling comes out of their pockets. A "tax on ignorance" is what Warren Buffett once called it.

"I find it socially revolting when a government preys on the weakness of its citizenry rather than serving them," he added.

Even the profits from vice are subject to diminishing returns. According to a report from the University of Las Vegas' Center for Gaming Research released in March 2012, Atlantic City's gambling revenues have fallen by more than 36% since 2006, when the first casino in nearby Pennsylvania opened its doors.

The city had been plowing $100 million into restoring its vaunted Steel Pier, upgrading its beach and boardwalk, making improvements to the Atlantic City Historical Museum and the Atlantic City Arts Center — efforts that suffered a devastating setback from superstorm Sandy last month.

Competition from Bay Area tribal casinos has taken a devastating toll on Reno, which has seen its gambling revenues fall by a third since 2000. Its leaders hope that a $1 billion Apple data center and a 78-lane National Bowling Stadium will help revitalize the city.

Meanwhile, Las Vegas is trying to reduce its dependence on casinos, transforming itself into part clubland, part Disneyfied family resort destination — and is emerging as the world's leading destination for high-end business conferences. The city is working to create mixed-use urban living around the huge City Center complex on the Strip, while Zappos CEO Tony Hsieh has invested $350 million in a live-work-play district in the area surrounding the old city hall, where he has opened his new corporate headquarters.

It's ironic: Even as America's original gambling resorts seek to remake themselves, countless struggling cities are looking to gamble their way out of these tough times.

The late Susan Strange read the writing on the wall in her landmark 1986 book "Casino Capitalism," in which she compared the whole economy to a giant game of Snake and Ladders: "This cannot but have grave consequences," she wrote. "When sheer luck begins to take over . . . then inevitably faith and confidence in the social and political system quickly fades."

The recent surge in gaming across American cities is an outgrowth of this system of casino capitalism, which, as Daniel Denvir wrote in Salon last March, "feeds on America's job insecurity; people, whether gambling or seeking employment, have fewer viable ways to make good money." Indeed, casino capitalism has given way to casino fiscalism.

While gamblers might fool themselves into thinking that they can get something for nothing, public officials and civic leaders should know better. "I don't think the state should be in the position of selling the needle," Buffett said.

"When the capital development of a country becomes a by-product of the activities of a casino," John Maynard Keynes famously wrote in "The General Theory of Employment, Interest and Money," "the job is likely to be ill-done."

It could be the punch line of a joke, if it weren't so tragic.

Florida is director of the Martin Prosperity Institute at the University of Toronto, Global Research Professor at NYU and senior editor at The Atlantic, where he co-founded Atlantic Cities.