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## Gambling and the Law®: When Social Engineering Is A Disaster

The Mississippi Legislature went into special session at the end of September 2005 to decide whether to allow Gulf of Mexico casinos to be build on solid land. As this is being written, the result is not yet known. But I predict the law will be changed – if not this time, then after the next hurricane.

Gulfport and Biloxi's casino barges were some of the hardest hit victims of Hurricane Katrina. What were they thinking, to not only permit, but actually require casinos to float in a hurricanes zone? Hurricane Camille, in 1969, had flung ocean freighters over Highway 90.

The answer helps explain why the gaming industry is subjected everywhere to bizarre laws that are never imposed on any other business.

It is important to note that like the New Orleans levees that President Bush and Congress failed to reinforce, it was well known that the Gulf casinos could not survive a Category 4 hurricane.

"All the casinos were built to withstand a Category 3 hurricane. Beyond that, we are very nervous," Susan Barnes, general manager of Treasure Bay Casino told the New York Times before the storm hit.

She had every right to be nervous. Hurricane Katrina was Category 5, the strongest storm possible, before it weakened slightly to Category 4. Still, with gusts of winds reaching 145 miles per hour, the casinos were bound to be damaged.

Buildings built on land could be designed to withstand high winds, and many were, including the hotels connected to some floating casinos. But the storm also sent a roaring wall of water 30 feet high from the Gulf of Mexico smashing into the Mississippi coast.

Every floating casino was severely damaged, many beyond repair.

Casinos, including the floating parts of those casinos that were connected with buildings built on solid ground, were lifted and crashed inland. Others sank.

Those casinos that had been securely built on pillars over the water didn't move. But they were hit with the full force of the wave, because there was no land to protect them from the sea.

But it wasn't the shrieking wind and storm surge that destroyed so many casinos. It was bad laws.

The Mississippi Legislature is not entirely to blame. Requiring casinos to float was a political compromise necessary to overcome stiff opposition to legalizing at all.

Lotteries, racetracks and casinos were fairly common during the 19<sup>th</sup> century. But Victorian morality and scandals brought a backlash. By 1909, all the state lotteries had

been outlawed almost all tracks were dark and the only parts of the United States or Canada with legal casinos were the state of Nevada and the territories of New Mexico and Arizona, which were told by Congress that if they wanted to become states they would have to close their casinos. So, by the time the better known Prohibition on alcoholic beverages became law, all lotteries, parimutuel betting and casino gambling had already been banned.

The current wave of legalization began with the Great Depression. In 1931 Nevada relegalized casinos. Racetracks reopened. The state lottery was rediscovered by New Hampshire in 1963. And in 1977, New Jersey became the first of many states to authorize casinos, restricted to a limited number of locales.

It is sometimes hard to remember what it was like before state-licensed and tribal casinos popped up in a majority of states, and state lotteries advertised in virtually every major media market.

The under-regulated casinos of Nevada in the 1940s and '50s were infiltrated by organized crime. Gambling was seen as a dangerous vice. No politician would risk his career by supporting the spread of legal gaming.

The state lotteries helped changed that image because they were so well run, and were promoted as a fun way to avoid raising taxes. Nevada cleaned up its act, under threat of federal intervention. But, still, casinos were not churches.

Atlantic City was the first to limit casinos to a single resort city. But it was Iowa lawmakers who hit upon the formula for overcoming public scepticism.

Iowa's riverboats were sold as merely a means to enhance the state's tourist industry. Locations were limited to the Mississippi and Missouri Rivers, as images of Mark Twain and steamboats were floated through the media. I heard one proponent assert that Davenport, Iowa, would soon have visitors flying in from South America.

To force the industry to make gambling merely an adjunct to tourism, boats were required to cruise for four hours. Of course, operators quickly learned how to slip a few feet from shore and sail at exactly the same speed as the river so the boats stayed in one place.

The Iowa State Legislature was the first to attempt wholesale social engineering. One of the perceived dangers of legalizing casinos was the potential harm to problem gamblers. So bet limits were set at \$5 maximum. This also was designed to discourage Nevada casino companies.

No one thought about what would actually happen when a problem gambler was stuck for hours on a boat with nothing to do but stare at muddy water or gamble.

Other craziness followed. My favorite was "phantom cruises," where the boats were required to pretend to be on cruises, with locked doors, even though they had never left the dock.

Some Mississippi entrepreneurs and lawmakers saw the potential in riverboat casinos. The Gulf area's two main businesses, shrimp and timber harvesting, were in trouble. There already were cruises to nowhere, but these sometimes ran into rough seas. Patrons can't bet very much when they're busy throwing up.

For decades, Mississippi was known as the poorest state in the nation. Like impoverished Indian tribes, no matter what problems legal gambling brought, the situation could not be worse than it already was.

But fundamentalist Baptists, who oppose all legal gambling, are a powerful political force in the South. The compromise was to isolate the boats and surround them with holy water.

It is interesting to see how little rational thought goes into decisions about legalizing gambling. The only legitimate reason for putting boats on water was to limit access to their casinos, which can be easily done on dry land. Instead, the major argument is that going a few hundred feet inland is an attempt by the casino industry to expand. This ignores the fact that the current law sets no limits.

I have no doubt that the Mississippi Legislature will allow the casinos to reopen on land. No one wants to vote for a law that guarantees people will be killed during the next "once in a lifetime" hurricane.

But more importantly, Katrina closed the floating casinos, cutting off the flow of tax money just when the state needed it most.

So the result will doubtless be another compromise, with higher taxes and a new set of silly rules, which will, once again, lead to unintended problems which could have been easily avoided.

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