

**Gambling With Terrorism:
Gambling's Strategic Socio-Economic Threat
To National Security***

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Harvard University

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As requested, this summarizes¹ gambling's impacts on U.S. economic national security,² military readiness,³ and terrorism⁴ (including U.S./foreign organized crime).⁵ Decision-makers should visualize the most outrageous gambling environment possible and then strategize that gambling environment being extended into the entire developing world and the strategic world economy—but without U.S. high-caliber regulatory mechanisms.⁶ Recognizing these gambling scenarios, France, Italy, and Austria opted in 2006 to maintain their anti-gambling laws despite being censured by the European Commission, and thereby creating issues for future E.U.-U.S. interests in economic national security.⁷

By comparison in 2006, gambling issues prodded Russian President Vladimir Putin to close 2,230 Russian casinos.⁸ By 2007 only four gambling venues will be allowed in “uninhabited”⁹ areas of Siberia, the Far East, and European Russia¹⁰ (but not near Moscow).¹¹ China has maintained a total gambling ban (except Macao).¹² Examples include:

Turkey (legalized casinos 1983, banned casinos 1998);¹³
India (banned lotteries 1998);¹⁴
Norway (ban on all slot machines 2007);¹⁵
Trinidad (banned all slot machines 2006, online gambling ban likely 2007);¹⁶
South Korea (banned online gambling 2006);¹⁷ and
Kazakhstan (banning all gambling 2007, except two isolated areas).¹⁸

In 1999, the U.S. National Gambling Impact Study Commission (NGISC) recommended the re-criminalization of selected gambling activities, as well as a moratorium on the legalization of any more gambling of any type anywhere in the United States.¹⁹ However, Las Vegas interests continued to use Jack Abramoff tactics to legalize more gambling worldwide—deceiving Third-World governments into believing gambling is economic development and thereby destabilizing the infrastructures and economies of U.S. allies.

In the 2002 Economic Stimulus Act (ESA)²⁰ designed to help the U.S. economy after 9-11, the Congressional Gaming Caucus bragged that it inserted a \$40 billion tax write-off for casinos (for gambling slots/technologies), a supposed cut from the requested \$133 billion²¹—more than the \$80 billion cost of the 2003 U.S. incursion into Iraq.²² After the

1999 NGISC, it also took Congress 7 years finally to enact the 2006 U.S. Unlawful Internet Gambling Enforcement Act (UIGEA),²³ which was quickly emulated by South Korea.²⁴ Via the UIGEA, Congress began the re-criminalization process for gambling.²⁵

During the 1930s Great Depression, President Franklin Roosevelt and other governments worldwide did not decriminalize gambling, because economies cannot gamble their way to prosperity.²⁶ Gambling economies transfer consumer wealth,²⁷ destroy productivity,²⁸ undermine economic national security,²⁹ and destabilize banks,³⁰ financial institutions,³¹ and stock markets.³² For example, the UIGEA caused the overnight loss of billions of dollars in “speculative bubble”³³ gambling stocks, particularly on the London Stock Exchange--impacting allies.³⁴ The surge in Australian-Asian gambling as interfacing with gambling stocks on the Tokyo and Asian Exchanges constitute strategic economic threats.

Simultaneously, gambling worldwide creates: (1) new addicted gamblers like drug addiction (up 100% for adults, up 200% for teens/college-age),³⁵ (2) new personal, professional, and business bankruptcies (up 18% to 42%);³⁶ and (3) new crime and corruption (crime increasing 10% per year in gambling areas).³⁷

Fueled by gambling and the Akaka Bill³⁸ philosophy of Native Americans as “independent sovereigns,” in 2006 for example, Navajo President Joe Shirley announced “a trade agreement between two sovereign nations,”³⁹ the Navajos and Fidel Castro’s Cuba.⁴⁰ Tribes are using billions of gambling dollars for legal test cases and strategies expanding “tribal sovereign immunity”—superseding federal/state laws and opening U.S. borders.

As President Theodore Roosevelt’s Administration became the “Trust Busters” enhancing U.S. economic dominance of the 20th Century, the United States must reassert U.S. ethical economic dominance for national security. Accordingly, it is recommended that The President via Executive Order and other appropriate means:

1. Direct the U.S.-U.N. delegation, the State Department, the Department of Defense, and all U.S. agencies to return to pre-1985 restrictive philosophies on gambling and to negotiate with all nations, particularly U.S. allies, to ban all types of gambling;
2. Eliminate retroactively the \$40 billion in ESA tax write-offs claimed by gambling facilities⁴¹ and prevent such future write-offs via IRS determinations (if appropriate) that gambling technologies do not qualify under the ESA or similar legislation;
3. Impose a moratorium on recognizing any new tribes or tribal gambling facilities, as already suggested by Members of Congress (and the NGISC call for a moratorium);⁴²
4. Ask Congress to remedy the public’s so-called “climate of corruption” by reversing the FEC’s “Abramoff-abuse” rulings allowing unlimited political contributions by tribes,⁴³ repealing the Indian Gaming Regulatory Act (IGRA),⁴⁴ and changing gambling facilities into schools/businesses (as has already been done in Omaha, Nebraska);⁴⁵
5. Ask Congress, in the alternative, to enact Rep. Charles Dent’s bill H.R. 3431⁴⁶ and the Shays-Wolf bill establishing a Commission on Native American Policy.⁴⁷

During the oil crises of the Ford, Carter, and Reagan Administrations,⁴⁸ the Presidential option of the states losing federal funds prodded states to lower speed limits to 55mph

and take other actions. To respond to 9-11, the ESA should have required the states to re-criminalize lotteries and all state-sanctioned gambling to “pump-prime” the economy with consumer dollars.⁴⁹ In any future crises, The President should implement such action.

¹ Almost all of the academic studies/articles referenced herein may be downloaded for free at www.citizenlink.org/gamblingresearch and copies of sources will be provided upon request. For further analyses, contact Earl Grinols, Baylor Univ. Distinguished Professor of Economics at: 254-855-5943.

²Written under the auspices of former U.S. Secretary of State Dean Rusk, see John W. Kindt, *U.S. National Security and the Strategic Economic Base: The Business/Economic Impacts of Legalized Gambling Activities*, 39 ST. LOUIS U.L.J. 567-584 (1995) (referencing Fla. Governors Lawton Chiles and Jeb Bush), reprinted in *Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 528-45 (1995); and in *PROG. ARMS CONTROL, DISARMAMENT & INT’L SECURITY*, UNIV. ILL. 1-12 (1996).

³See, for example, John W. Kindt, *Gambling with Terrorism and U.S. Military Readiness: Time to Ban Video Gambling Devices on U.S. Military Bases and Facilities?*, 24 N. ILL. L. REV. 1-39 (2003) (lead article).

⁴See, for example, John W. Kindt & Anne E.C. Brynn, *Destructive Economic Policies in the Age of Terrorism: Government-Sanctioned Gambling as Encouraging Transboundary Economic Raiding and Destabilizing National and International Economies*, 16 TEMPLE INT’L & COMP. L.J. 243 (2002-03) (lead article) [hereinafter *Gambling Destabilizing Economies*].

⁵See, for example, Testimony and Prepared Statement of Bruce G. Ohr, Chief, Organized Crime and Racketeering Section, U.S. Dep’t Justice, *Hearing on H.R. 4777 Before the House Subcomm. On Crime, Terrorism, and Homeland Security*, 109th Cong., 9-16 (Apr. 5, 2006) [hereinafter *Justice Dep’t 2006 Statement to Terrorism Comm.*].

⁶See, for example, John W. Kindt, *The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance*, 27 S. ILL. U.L.J. 221-262 (2002) (lead article); *Justice Dep’t 2006 Statement to Terrorism Comm.*, *supra* note 5, at 9-16.

⁷Tobias Buck, Brussels, *EU nations face censure over curbs on gambling*, FINANCIAL TIMES, Oct. 10, 2006, at <http://msnbc.msn.com/id/15200158/>

⁸Itar-Tass, Moscow, *Another 315 gambling places to continue to be closed in Moscow*, Oct. 9, 2006, at <http://www.itar-tass.com/eng/level2.html?NewsID=10869516&PageNum=0>

⁹Interfax, Moscow, *New bill assigns four areas for gambling – Duma speaker*, Oct. 4, 2006, at http://www.interfax.ru/e/B/politics/28.html?menu=1&id_issue=11598914

¹⁰*Id.*; Itar-Tass, Moscow, *Moscow reluctant to host gambling zone—mayor’s office*, Nov. 2, 2006, at <http://www.itar-tass.com/eng/level2.html?NewsID=10949667&PageNum=0>

¹¹See, *id.*

¹²See, for example, Xinhua, *Former township head jailed for gambling away 110 mln yuan of public funds*, Nov. 24, 2006, (\$13.9 million), at http://english.people.com.cn/200611/24/eng20061124_324930.html

¹³See, for example, Daren Butler, Reuters News Serv., *Casino industry nears final days in Turkey*, ST. LOUIS POST-DISPATCH, Feb. 4, 1998, at A8; Assoc. Press, *Edict in Turkey closes casinos in anti-crime move*, CHI. TRIB., Feb. 12, 1998, Sec. 1, at 16.

¹⁴*India plans lottery ban*, USA TODAY, July 5, 1998, at A26; Neelesh Misra, Assoc. Press, July 4, 1998.

¹⁵Richard Honegger, *Norway: Gambling machines to be banned from next July*, Aug. 22, 2006, at <http://www.casinos.ch/newsflashartikel2.cfm?art=news7key=140925>

¹⁶Assoc. Press, *Trinidad moves to ban online gambling*, Oct. 5, 2006, at http://www.iht.com/articles/ap/2006/10/05/news/CB_GEN_Trinidad_Gambling.php

¹⁷Kim Tae-gyu, *Crackdown Intensifies on Gambling Web Sites*, KOREA TIMES, Sept. 14, 2006, at <http://times.hankooki.com/lpage/200609/kt2006091417465110160.htm> [hereinafter South Korea Ban].

¹⁸Dpa German Press Agency, *Kazakhstan to banish all gambling to two towns*, Nov. 13, 2006, at http://rawstory.com/news/2006/Kazakhstan_to_banish_all_gambling_t_11132006.html

¹⁹NAT'L GAMBLING IMPACT STUDY COMMISSION, FINAL REPORT, intro. by Chair Kay C. James (July 1999) [hereinafter NGISC Final Report]; see, *id.* at rec. 3.6.

²⁰Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat. 21 (2002) [hereinafter Economic Stimulus Act or ESA].

²¹Tony Batt, *Tax Break for Slots OK'd: Measure Will Let Companies Deduct Technological Expenses*, LAS VEGAS REV. J., Oct. 16, 2001, at 1 [hereinafter *Tax Break for Slots*]. Originally, the tax breaks were cut back from \$133 billion to \$40 billion. *Id.*

²²See, for example, *Senate OKs \$80 Billion War Package*, NEWS-GAZETTE (Champaign, Ill.), Apr. 12, 2003, at A3. See also, OFFICE OF THE UNDER SECRETARY OF DEFENSE, DEP'T DEFENSE, NATIONAL DEFENSE BUDGET ESTIMATES FOR FY 2002, at Tbl. 1-1 (Aug. 2001).

²³Title VIII of the Security and Accountability For Every Port Act of 2006, Pub. L. No. 109-347 (H.R. 4954, signed into law Oct. 13, 2006) ("SAFE Port Act") [hereinafter UIGEA].

²⁴South Korea Ban, *supra* note 17.

²⁵See, for example, *Hearing on H.R. 4777 Before the House Subcomm. on Crime, Terrorism, and Homeland Security*, 109th Cong. (Apr. 5, 2006). See also, John W. Kindt & Stephen W. Joy, *Internet Gambling and the Destabilization of National and International Economies: Time for a Comprehensive Ban on Gambling Over the World Wide Web*, 80 DENV. U.L. REV. 111-153 (2002) [hereinafter *Gambling's Destabilization of National and International Economies*].

²⁶PAUL A. SAMUELSON & WILLIAM D. NORDHAUS, ECONOMICS 208-09 (17th ed. 2001). Paul Samuelson won the Nobel Prize for Economics in 1970.

²⁷*Compare, id., with* PAUL A. SAMUELSON, ECONOMICS 398 (11th ed. 1980).

²⁸*Id.* See also Jack R. Van Der Slik, *Legalized Gambling: Predatory Policy*, ILLINOIS ISSUES, Mar. 1990, at 30, 30. As summarized by Professor Van Der Slik, "[State-sponsored gambling] produces no product, no new wealth, and so it makes no genuine contribution to economic development."

²⁹See notes 2-6 *supra* and accompanying text.

³⁰See generally, John W. Kindt & John K. Palchak, *Legalized Gambling's Destabilization of U.S. Financial Institutions and the Banking Industry: Issues in Bankruptcy, Credit, and Social Norm Production*, 9 EMORY U. BANKRUPTCY DEV. J. 21-69 (2002) (lead article).

³¹*Id.*

³²*Id.*

³³For examples of “speculative bubbles” destroying national economies, see John W. Kindt, *Follow the Money: Gambling, Ethics, and Subpoenas*, 556 ANNALS OF THE AM. ACADEMY OF POLITICAL & SOC. SCI. 85, 91-92, 97 (1998) [hereinafter *Follow the Money*].

³⁴Assoc. Press, *Experts: Ban Won't Stop Online Gambling*, Oct. 24, 2006, at <http://www.nytimes.com/aponline/us/AP-Online-Gambling.html> (The London Stock Exchange and AIM “lost a combined \$7 billion in market capitalization.”).

³⁵ NGISC FINAL REPORT, *supra* note 19, at 4-4 (up 100% in 50-mile feeder markets); John W. Kindt, *Diminishing or Negating the Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling: Should a Negative Socio-Economic “Crime Multiplier” be Included in Gambling Cost/Benefit Analyses?*, 2003 MICH. STATE DCL L. REV. 281, 312-13, App. (2003) (up 100% in 35-mile feeder markets); John Welte, St. Univ. N.Y. at Buffalo, 2004 Study (up 100% in 10-mile feeder markets); Durand F. Jacobs, *Illegal and Undocumented: A Review of Teenage Gambling and the Plight of Children of Problem Gamblers in America*, in *Compulsive Gambling: Theory, Research, and Practice* 249 (1989) (up 200% to 300% for teens/college-age problem gamblers).

³⁶SMR RESEARCH CORP., *THE PERSONAL BANKRUPTCY CRISIS*, 1997 (1997, commissioned by the American Banking Industry); SMR RESEARCH CORP., *THE NEW BANKRUPTCY EPIDEMIC* (2001).

³⁷Earl L. Grinols & David Mustard, *The Curious Case of Casinos and Crime*, 88 REV. ECON. & STAT. 28-45 (2006).

³⁸Native Hawaiian Government Reorganization Act of 2005, S. 147, 109th Cong.

³⁹Brenda Norrell, *Navajo Nation, Cuba negotiate trade agreement*, INDIAN COUNTRY TODAY, Aug. 31, 2006, at <http://www.indiancountry.com/content.cfm?id=1096413568>

⁴⁰*Id.*

⁴¹See *Tax Break for Slots*, *supra* note 21. See also, John W. Kindt, *Internationally, The 21st Century is No Time for the United States to be Gambling with the Economy: Taxpayers Subsidizing the Gambling Industry and the De Facto Elimination of All Casino Tax Revenues via the 2002 Economic Stimulus Act*, 29 OHIO N. UNIV. L. REV. 363-394 (2003) (lead article).

⁴²See, for example, Letter from U.S. Rep. Frank R. Wolf to President George W. Bush, June 24, 2005; Letter from U.S. Rep. Frank R. Wolf to President George W. Bush, May 19, 2005. See also, NIGSC FINAL REPORT, *supra* note 19, at intro. by Chair Kay C. James.

⁴³For example, the Federal Election Commission has ruled de facto that tribes are exempt from the “aggregate limitation” each calendar year for total contributions to all candidates. See, e.g., FEC Advisory Opinion No. 2000-05 (N.Y. Oneida Indian Nation). Combined with ineffective federal oversight and protected by “sovereign immunity,” tribal interpretations of FEC rulings allow tribes to funnel tribal “government” funds (allegedly including federal funds received) plus tax-free gambling “corporate” funds to political party committees. John Bresnahan, *Tribes' Donations Since 1999 Top \$25M*, ROLL CALL, Jan. 30, 2006 (Tribal donations at the federal level exceed those of the defense and manufacturing industries, and direct and indirect donations to local and state politics total more millions of dollars.). Compare *Follow*

the Money, *supra* note 33. For a helpful legislative proposal, see The Restoring Trust in Government Act, H.R. 4696, 109th Cong. (U.S. Rep. Mike Rogers, R-MI, sponsor).

⁴⁴25 U.S.C. sec. 2701 *et seq.* (1988).

⁴⁵John W. Kindt, *Would Re-Criminalizing U.S. Gambling Pump-Prime the Economy and Could U.S. Gambling Facilities Be Transformed into Educational and High-Tech Facilities? Will the Legal Discovery of Gambling Companies' Secrets Confirm Research Issues?*, 8 STANFORD J.L., BUS. & FIN. 169-212 (2003) (lead article) [hereinafter *Pump-Prime the Economy and Transform Gambling Facilities into Schools*].

⁴⁶Act amending the Indian Gaming Regulatory Act of 1988, H.R. 3431, 109th Cong. (U.S. Rep. Charles Dent, D-PA, sponsor).

⁴⁷Tribal and Local Communities Relationship Improvement Act (establishing the Commission on Native American Policy), H.R. 3745, 108th Cong. (U.S. Rep. Christopher Shays, R-CT, sponsor).

⁴⁸For historical analyses, see John W. Kindt, *Investment Interdependence as an Alternative U.S. Foreign Policy Response to the Spectre of Future Arab Oil Embargoes*, 7 AUSTRALIAN Y.B. INT'L L. 299-325 (1982).

⁴⁹*Pump-Prime the Economy and Transform Gambling Facilities into Schools*, *supra* note 45.