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

Professor John Warren Kindt 

Harvard University 
International Business Conference 
February 10-11, 2007 

sponsored by 
Harvard Business School 
Harvard Law School 
Kennedy School of Government 

*After the conference, this memo/presentation was forwarded to appropriate Members of Congress for use as a bipartisan reference. 

Professor John Warren Kindt 
Box One, Wohlers Hall 
1206 South Sixth Street 
Champaign, IL 61820 

Phone: 217-333-6018 
Fax: 217-244-7969
Gambling With Terrorism:
Gambling’s Strategic Socio-Economic Threat
To National Security

Professor John Warren Kindt
Harvard University
International Business Conference
February 10-11, 2007

As requested, this summarizes
gambling’s impacts on U.S. economic national security,
military readiness, and terrorism (including U.S./foreign organized crime). 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. 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.

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

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

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. 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) 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 billion—more than the $80 billion cost of the 2003 U.S. incursion into Iraq. After the
1999 NGISC, it also took Congress 7 years finally to enact the 2006 U.S. Unlawful Internet Gambling Enforcement Act (UIGEA), which was quickly emulated by South Korea. Via the UIGEA, Congress began the re-criminalization process for gambling.

During the 1930s Great Depression, President Franklin Roosevelt and other governments worldwide did not decriminalize gambling, because economies cannot gamble their way to prosperity. Gambling economies transfer consumer wealth, destroy productivity, undermine economic national security, and destabilize banks, financial institutions, and stock markets. For example, the UIGEA caused the overnight loss of billions of dollars in "speculative bubble" gambling stocks, particularly on the London Stock Exchange--impacting allies. 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); (2) new personal, professional, and business bankruptcies (up 18% to 42%); and (3) new crime and corruption (crime increasing 10% per year in gambling areas).

Fueled by gambling and the Akaka Bill philosophy of Native Americans as "independent sovereigns," in 2006 for example, Navajo President Joe Shirley announced "a trade agreement between two sovereign nations," the Navajos and Fidel Castro's Cuba. 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 facilities 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);
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, repealing the Indian Gaming Regulatory Act (IGRA), and changing gambling facilities into schools/businesses (as has already been done in Omaha, Nebraska);

During the oil crises of the Ford, Carter, and Reagan Administrations, 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. 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
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
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
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,
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,

8Itar-Tass, Moscow, Another 315 gambling places to continue to be closed in Moscow, Oct. 9, 2006, at

9Interfax, Moscow, New bill assigns four areas for gambling – Duma speaker, Oct. 4, 2006, at

10Id.; Itar-Tass, Moscow, Moscow reluctant to host gambling zone—mayor’s office, Nov. 2, 2006, at

11See, id.

12See, for example, Xinhua, Former township head jailed for gambling away 110 mln yuan of public funds,


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


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.


24South Korea Ban, supra note 17.


28Id. 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.

31Id.

32Id.

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].


35NGISC 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).


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

40Id.


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 Bresnahen, 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


* 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).


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