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The Interactions of Native American, Detroit, and Canadian Casinos

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Michigan is the most prominent gambling destination between Atlantic City and Nevada. Since the mid-1990s, there has been competition between casinos in Ontario, Detroit, and those on Native American reservations. The Ontario, Detroit, and Chippewa casinos in Mount Pleasant and Sault Saint Marie are full-scale, land-based, Las Vegas–style gaming venues. Other smaller Native American casinos that rely largely on machine gaming revenues are scattered throughout the state (in a manner similar to other midwestern and Northern Plains states).

Keywords: *tribal gambling; Michigan gambling; economic development; gambling industry*

There are three emergent gambling cultures in Michigan. I term the Detroit culture "static." The three Detroit casinos approved in 1996 provide tax monies to the state (more than $111 million in 2004; "2005 Detroit Casinos," n.d.), but the city has suffered from inadequate leadership and the extractive nature of the modern corporate casino. The smaller casinos operated by tribes and bands, most now located in the remote Upper Peninsula, are termed "marginal." With the spread of machine gambling to taverns and to racetracks (called "racinos"), these institutions may lose their distinctiveness. The larger Chippewa casinos, the midstate Mount Pleasant Soaring Eagle and the Sault Saint Marie Kewadin Casino in the Upper Peninsula, are designated as "revitalizing." The Chippewa, along with the communities adjacent to the reservations, gain many benefits from the monies generated by these casinos. The bulk of this article lays out the history of casino development in Michigan and the justifications for suggesting that three distinctive cultures and sets of impacts exist for legalized gambling in the state.

Political Economy of Gambling's Rise

Michigan, prior to the 1970s, was a stronghold of progressive politics, and its political leaders were consistently against gambling. Two economic trends broke this

tradition. First, the cities of the state suffered the fate of the rest of the Rust Belt as manufacturing jobs declined. Michigan lost its centrality in the manufacture of automobiles and trucks and its cities precipitously declined in quality. The state is now well into a phase of postindustrialism that is reflected in pockets of service and high technology growth near universities and in the northern suburbs of Detroit where "edge cities" are booming. The second trend was the growth of legalized gambling in Michigan and in its Canadian neighbor, the province of Ontario. By the late 1980s, there were two thriving casinos, both tightly controlled by provincial ministries, in Windsor, Canada, a virtual stone's throw across the river from Detroit and several Native American casinos.

It is now clear that Michigan has taken the lead in the Midwest in promoting casinos. During the decade of alcohol prohibition, the 1920s, it was the chief center of rum running and the home of the infamous Purple Gang. Today, however, it takes pride of place as a supplier of new forms of hedonism that fit with its growing reliance on service and tourist industries. Moreover, with the loss of factory jobs in manufacturing, the state is hungry for (some would argue addicted to) the increased revenues provided by levies on gambling.

These new postindustrial trends, shifting moral attitudes, and dependencies have been noted by many political and economic experts during the past decade (Collins, 2003; Wacker, 2001). Michigan's distinctive feature, at least at this time, is the scale and variety of gambling venues available. The success of the Windsor casinos, which were taking in approximately US$1 million per day in the early 1990s, led to a surprising election result in November 1996: Michigan voters approved an initiative that legalized up to three land-based Las Vegas–style casinos in Detroit (Thompson & Wacker, 2002). Detroit's leaders and the potential owners of the casinos outspent the disorganized opposition, and large state-controlled casinos were approved for the first time since New Jersey approved them in 1974 (Dombrink & Thompson, 1990).

The 1996 breakthrough should be viewed in the context of Detroit's decline and the success of Canadian initiatives. Earlier discussions of potential legalized gambling in Detroit had gathered steam in the mid-1970s. This was the period of fear and a loss of confidence as the "Japanese" challenge to the auto industry became too large to ignore and the industry and its many suppliers began a downward cycle that now seems permanent. In Detroit, nonbinding referenda votes held in 1976, 1981, 1988, and 1993 were soundly defeated. These results can be attributed to the combined efforts of prominent African American religious leaders and horse racing interests who sought to protect their tracks in Detroit's suburbs. However, in 1994, when the Canadian province of Ontario legalized casino operations in Windsor, the voters of Detroit approved the referenda to allow, after state approval, the operation of casinos in the city.

The rise of the provincial casinos in Windsor was not the only competition for Detroit. By the late 1990s, there were several operating Native American casinos in Michigan. The most important of these was in Mount Pleasant, a college town

located 2 to 3 hours north of the Detroit metropolitan area. The 1988 Indian Gaming Regulatory Act grandfathered in casinos offering card games in Michigan and three other states. Michigan initially refused to allow the Native locations to install machine games, but when a lawsuit appeared inevitable, the governor, in 1993, agreed to an Indian Gaming Regulatory Act compact to avoid litigation. The compacts with the tribes were signed in August of 1993 and quickly approved by the state legislature (Thompson & Wacker, 2002).

The compacts allowed the tribal casinos to run all casino games including machines. The governor in effect gave the tribes a temporary monopoly by agreeing that no other enterprise could conduct gambling with machines that paid cash prizes. The tribes sweetened the deal by in turn agreeing to give Michigan a portion of their machine revenues. This was not a "tax" but a quid pro quo for their monopoly, understood to include later tribal enterprises, on slot machines. The state would receive 8% of machine revenues, whereas 2% of machine revenues were to be paid to local governments closest to the Native casinos (Mount Pleasant and Sault Saint Marie for the largest two Chippewa casinos). According to Thompson and Wacker (2001), the Native casinos soon were grossing approximately US$1 billion a year, or 3 times that of the Windsor casinos. It had been estimated that approximately four fifths of the monies gambled in the Windsor casinos were from metropolitan Detroiters. The Mount Pleasant casino drew not only Detroiters but also gamblers from other declining industrial cities such as Flint, Saginaw, and Lansing. It seems clear that these clean, safe, and exciting venues had legitimated gambling for many Michigan citizens. Nevertheless, given the lack of success of all statewide casino approval campaigns since the vote in New Jersey in the mid-1970s, most experts predicted that the 1996 vote in Michigan would result in a continued monopoly for the Native American casinos (Thompson & Wacker, 2001).

The 1996 Proposition E Campaign

Ballot proposal Proposition E, which Michigan voters were asked to consider in November 1996, was not at all clear on its face. Even if we assume that many voters were cognizant of the fact that Detroit voters had finally voted to allow gambling in the city, Detroit was not mentioned in the language of the initiative. Nor did most "outstaters" know that two groups had already started planning projects for the new casinos. One project was developed by entrepreneurs from the Greektown area of downtown Detroit in partnership with the Sault tribe of Chippewa from Michigan's Upper Peninsula. The tribe was planning to buy land in the Greektown locale and work through the Indian Gaming Regulatory Act. The other project involved the Atwater group of local investors, which envisioned gaming boats on the Detroit River. The Chippewa initiative was rejected by Republican Governor John Engler in

July 1995 after the secretary of the interior had approved it. This led to the two sets of developers joining to support a statewide referendum vote.

These entrepreneurs paid for statewide television and radio promotions for the referendum. The television ads showed the new mayor of Detroit, former State Supreme Court Justice Dennis Archer, pleading for voters to give Detroiters a chance to create jobs. Casinos would supply steady jobs and because it was proposed that Detroit firms would be preferred suppliers to the casinos, the economic impacts could be significant. According to Stocker (2005) and Thompson and Wacker (2002), these efforts must have been effective, because many outstate voters who had long been largely uninterested in the fate of the Detroit area voted to support Archer and the city. Archer, in this respect, was successful in creating a counterimage to the feisty previous mayor, Coleman Young, who had constantly fought with suburban and state legislatures, and especially with the conservative Republicans who had brought John Engler into power. There was no antigambling persuasion presented on television and little on the radio. Small and underfunded groups in the more Republican western Michigan region placed a few notices in newspapers. However, the power of the former coalition of religious leaders and racetrack interests of the previous years had melted away. The Greektown and Atwater groups spent approximately US$8 million dollars on this putative "pro-Detroit" campaign. Proposition E passed, 51.8% to 48.2% (Stocker, 2005; Thompson & Wacker, 2002). Governor Engler was instrumental in setting up the current Michigan gaming system. His aides and pro-gaming legislators developed Senate Bill 569, which was quickly approved by July 1997. This bill and Proposition E compose the Michigan Gaming Control and Revenue Act of 1997. Because Native American gaming is governed by the Indian Gaming Regulatory Act and tribal associations, the Michigan Gaming Control and Revenue Act covers only the Detroit casinos. After the normal vetting process, three casinos were developed in or near downtown Detroit—Greektown, the Motor City, and MGM. These venues were understood to be temporary, but numerous legal, political, and land acquisition conflicts have meant that no progress toward new casino-hotel complexes has been forthcoming for a decade.[1] The Greektown casino is in a remodeled building and has a small hotel attached. The building, called Trapper's Alley, initially contained approximately 12 small businesses, but the shop spaces are currently empty. The Motor City/Atwater casino is in a former factory on the near west side. It was managed by the Mandalay Bay interests until the 2004 merger of Mandalay and MGM. It is now largely owned by Miriam Illich, the wife of Mike Illich—pizza entrepreneur and owner of the Detroit Tigers and Detroit Red Wings. The third casino is the MGM, housed in the former Internal Revenue Service building. The three casinos are not adjacent to each other, as suggested by most gaming marketing experts, and at the present time, no public transit links them. As noted above, the many imaginative and hopeful plans to place the casinos near each other in a complex or along Detroit's waterfront have all floundered on the shoals of political infighting. Moreover, although Windsor revenues declined slightly after the

Detroit casinos opened, the provincial casinos (a new one opened in Sarnia, Ontario, about 70 miles from downtown Detroit, whereas Windsor's two temporaries have been replaced by a large and new venue) remain very successful.

Impacts of the Michigan Gaming Complex

The Michigan set of casinos gives the state the largest gaming complex between Atlantic City and Nevada. Michigan will continue to be the third largest complex until California or some other Sun Belt state approves Las Vegas–style land-based casinos. Michigan entices gamblers from surrounding states, especially from northern Wisconsin, Ohio, and Indiana. On the other hand, southwestern Michigan gamblers find it convenient to frequent casinos in northern Indiana. Michigan now contains 15 Native American casinos, most of them controlled by Chippewa tribes. Most are located in small towns in the western and northern portions of the state. Each is vital to the tourism industry in the towns, as are the larger casinos in Mount Pleasant and Sault Saint Marie. The Soaring Eagle casino in Mount Pleasant has the largest floor space of any Native casino after Foxwoods in Connecticut. Soon, compacts between new Governor Jennifer Granholm and Native Americans in the southwestern portion of the state will lead to small casinos that will compete with the boat casinos of Indiana and Illinois.

Michigan has 18 casinos in all, compared to Minnesota and Iowa with 16 and Wisconsin with 15. Michigan's casinos, however, offer a more complete gambling experience than the others because of the state's compacts, which are more liberal. The Escanaba, Mount Pleasant, and Sault Saint Marie casinos are able to offer entertainment nearly equal to that of the Detroit casinos. Only the Wisconsin Potawatomi Bingo Casino in Milwaukee and Iowa's Meskwaki Bingo Casino Hotel have, at this time, comparable entertainment venues.

No empirical examinations have yet been produced that measure the overall impacts of Michigan's casinos on their surrounding areas. There can be little doubt, however, that the Native American enterprises have had a great psychological and financial impact on their surrounding communities: New schools and community centers have been built and others renovated, low-income housing and loans are increasingly available on and off the reservations, and cultural activities and traditions have been strengthened (Weeks, 2004).

The communities near the Native American casinos receive many beneficial spillover impacts from the casinos. They also receive 2% of the machine revenues. In Mount Pleasant and Sault Saint Marie, these monies have improved community health and education. As might be expected, however, these gains are not always received graciously, because racism and jealousy toward Native Americans is never far below the surface. The 2% monies are distributed by the tribes and bands in the manner they determine. The general impact, therefore, of the casinos on the Native

American communities have led to reinvigorated pride and economic and cultural initiatives ("Tribe Allocates," 2005).

Unfortunately, the same generalizations cannot be made regarding the Detroit casinos. The casinos may have reduced the level of illegal gambling, but illegal sports betting remains an important part of the gambling culture. The areas around the three supposedly temporary casinos are dismally similar to those in Atlantic City and provide dramatic evidence of the inability of urban casinos to stem economic decline. Detroit's casinos employ many Detroit locals as workers, but it remains unclear how many workers will be able to enter into management. Also unclear is whether the skills developed within the casinos are transferable to other jobs.

It is still possible, however, that Detroit's citizens may see permanent casino-hotel-entertainment complexes. *Lac Vieux Desert Band of Lake Superior Chippewa Indians v. Michigan Gambling Control Board* (2002), which led to an injunction on further development, has been settled out of court. In April 2005, the 6th Circuit Court of Appeals approved the settlement, which bought off the Lac Vieux Band for US$80 million. This ruling now frees the corporations to build the promised permanent complexes.

Conclusion

Michigan seems to be in the process of developing three distinct gaming subcultures or regional emphases. Detroit's gaming culture can be termed static. The small tribal casinos in remote areas are called marginal. The larger Chippewa casinos are termed revitalizing.

Detroit's casino culture is similar to that of Atlantic City. This outcome, which may be reversed in the future, was predicted by many citizens prior to the unanticipated approval of casino development in 1996. Although the three casinos still hold out the promise of providing a tourist and convention draw, thus far they have not brought much beyond an alternative form of hedonism and entertainment into the city. The approval of these establishments stemmed in part from what was perceived as the "sucking sound" of cash flowing to Ontario. Detroit's business and civic leaders have not been able to make full use of their economic potential. As noted above, the resolution of the *Lac Vieux* lawsuit may open a new chapter for Detroit casinos.

In contrast, the larger Native American casinos have laid the foundation for many forms of revitalization. The tribal council has been eager to fund educational and cultural initiatives. The quality of housing on the reservations has markedly improved. Casinos offer much to tourism, which is perhaps Michigan's chief postindustrial service. Michigan had already created a year-round set of vacation activities before it benefited from the Native American casinos, so the casinos have been welcomed almost universally. The fate of the Upper Peninsula casinos is perhaps the

most troublesome and uncertain, in large part because they are inherently marginal and share this quality with most smaller Native casinos throughout the Midwest and Northern Plains states. Because of their remote location and the low educational levels of their populations, these areas may in the future experience only the maintenance of glorified taverns and "slot barns." If Michigan goes forward to introduce machines into bars and taverns, as well as racinos, the differences between these casinos and bars may prove to be minimal ("Tribal Official Explains," 2005).

The Detroit/Atlantic City culture can be termed static, although the future could, if leadership is adequate and the corporations believe the risks of success outweigh the dangers of the large investments needed, lead to a more positive set of outcomes. Although the three casinos employ many locals as servers, security, dealers, and maintenance personnel, most pit bosses and nearly all management have been brought in from outside properties of their owners. Moreover, because all casino profits flow to the corporate owners and have thus far been used to prop up the price of their stock or for expansion outside the state, the casinos are largely a drain on the metropolitan economy.

The Upper Peninsula casino culture can be termed marginal. Both the geographical and human capital environment will constrain these casinos from being much more than additional tourist attractions. Given the remote locations and postindustrial prospects of the communities involved, however, any jobs provided are welcomed. The remnants of Protestant or progressive opposition to gaming seem totally absent from the Upper Peninsula. These casinos will persist, but mainly as "slot palaces" chiefly serving locals.

The Mount Pleasant and Sault Saint Marie cultures and communities, in contrast, deserve to be termed revitalizing. The Chippewa are able to build on their size and cohesion and seem to have the requisite leadership to benefit from casinos. The surrounding communities, both through the increased tourist flow and the solid 2% funding, are also happy with the large casinos. Even in areas where residual racism exists, there is a grudging admiration for how far the tribes have come. As in California, New Mexico, and Arizona (and increasingly, elsewhere), the tribes are seen as political "players" in local and state politics. In such circumstances, despite the warnings of so-called experts such as Robert Goodman and antigambling diehards such as Virginia's Frank Wolf, casinos represent more than a simplistic "return of the buffalo." They appear to be, at least for the Chippewa and others with solid leadership, good bets for cultural, social, and economic revitalization.

Note

1. The complicated story of Detroit casino and economic development politics has been well reported by Bill McGraw and Tina Lam of the *Detroit Free Press* and by Becky Yerak of the *Detroit News*. The Web sites www.michigangaming.com and www.mich.govb/mgcb are useful for political and legal developments. Recently, the state increased taxes on the Detroit casinos from 18% to 24%. The corporations

and casino unions have lobbied vigorously against tax increases and the threatened competition from the spread of machines to taverns and racetracks. The mobilization of these interests against the "spread" of gambling is obviously quite distinct from the antigambling opinion of the 1970s and 1980s.

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