

## Flushed

### Why South Carolina killed its gambling industry.

By David Plotz

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**T**oday's decision by the South Carolina Supreme Court to outlaw the state's \$2.8 billion video poker industry is the most remarkable defeat for gambling in memory. Other states have blocked gambling—as Alabama did by defeating a lottery referendum this week—but this marks the first time in 50 years that a state has outlawed gambling and uprooted a living industry.

The South Carolina decision is a triumph for anti-gambling activists, who have been hammering the Palmetto state for years. Yet, weirdly, it is also a victory for gambling—at least the kind of gambling that Americans want.

To understand why, you have to realize how ugly the South Carolina video poker industry is. Those who have not visited South Carolina recently don't know what a favor the Supreme Court has done the state. Gambling everywhere in America has produced its share of social disarray and political sleaziness, but nothing remotely equals South Carolina, whose poker industry was built on lies, legal chicanery, and just plain crime.

Most Americans don't realize South Carolina even has legal gambling, yet it has 7,000 places to gamble—more than any state and three times as many as Nevada. It has 34,000 gambling machines, more than all but three states. South Carolina is—and there is no other word for it—blighted by gambling. About one-quarter of all South Carolina retail businesses offer gambling. Every place you can think of that might have gambling has gambling: Convenience stores, bars, restaurants, bowling alleys, truck stops, etc., are fogged with cigarette smoke and filled with people who don't have much money playing games they can't win for five, 10, 20 hours at a stretch. (I'm not exaggerating. I have seen this.) Video poker operators grossed \$750 million last year, and their take has been growing 20 percent annually. And all this has occurred in a state that never intended to legalize gambling.



The video poker industry finessed itself into existence. South Carolina law clearly banned gambling. But in 1986, as a favor to a big local businessman, a state senator stuck a tiny amendment in the back of a gigantic budget bill. The amendment erased two words—"or property"—from an obscure South Carolina law. It passed without any debate—public or private—and without legislators knowing what they had done. It legalized video gambling, allowing game owners to pay jackpots to video poker winners. It wasn't until 1989 that the state even realized what had happened.

Having legalized itself through the backdoor, the industry proceeded to duck, skirt, or break every law passed to control it. When the state banned big jackpots by forbidding machines to pay more than \$125 to a player in a day, poker operators ignored the law. They continued to offer

multithousand dollar jackpots: If a gambler hit the jackpot, he was simply paid \$125 a day for as many days as it took to empty the pot.

When the state banned casinos by limiting operators to five machines on one “premises,” operators surmised that “premises” meant, essentially, anything with a wall and a door. Then they jammed 40 or 60 or 100 machines into a single building and subdivided it into endless five-machine closets. (They call these places, with a sick sense of euphemism, “video malls.” More dismal casinos you cannot imagine. At one “video mall” where I spent several days, the only food on offer was Tootsie Rolls.) Unlike virtually every other state with gambling, South Carolina does not tax gambling revenues, does not forbid children to play the machines, and does not ban felons from owning them. Gambling experts call it the “Wild West” of gambling.

The video poker industry’s latest trick was buying itself a governor. After Republican Gov. David Beasley tried and failed to ban video poker last year, the industry went to war against him. It spent at least \$3 million—and almost certainly a lot more—to defeat Beasley’s re-election bid. By one estimate, video poker supplied more than 70 percent of Democratic gubernatorial candidate Jim Hodges’ war chest, plus another million from a single poker operator on his own anti-Beasley operation, plus another million or more in soft money for the Democratic Party. (The chairman of the state Democratic Party is the leading lawyer for the poker industry.) Beasley, a popular Republican governor in a thriving Republican state, lost to a little-known, uncharismatic Democrat. The poker money swamped him.

But despite Hodges’ victory, the backlash against video poker grew. The overwhelming image of American gambling is of Vegas glamour, but the new reality is “convenience gambling.” This is the industry euphemism for the infiltration of gambling into everyday life (which is indeed convenient for the businesses that make millions off it). Traditionally, Americans have separated gambling, exiling it to the desert of Nevada, the horse track, or the beach. But convenience gambling has brought it next door, in the form of video gambling in places such as Montana, South Dakota, and Louisiana, and in the form of scratch-off lottery games all over the country. South Carolina is by far the most extreme example of convenience gambling.

Experts deplore convenience gambling. It is extremely dangerous to addicts: Every trip to the store becomes a temptation. (Video poker, which is fast and requires skill, is known as “video crack” because it is by far the most addictive form of gambling. According to the only study of South Carolina gamblers, the state seems to have a problem-gambling rate twice as high as Nevada’s.) Convenience gambling also addicts businesses. South Carolina hooked previously independent gas stations, convenience stores, bars, and restaurants on gambling dollars.

Most alarmingly, convenience gambling exacts huge social costs in the form of addiction and financial hardship without providing any economic benefit. Unlike casino gambling, convenience gambling does not bring with it hotels, restaurants, tourists, or good jobs. “There is no pretense that this is about tourism or about a nice night out or this is entertainment. This is hard-core, grab-the-paycheck gambling,” said Tom Grey, founder of the National Coalition Against Gambling Expansion, when I interviewed him about South Carolina this spring for *Harper’s*.

Today’s decision is the culmination of the anti-poker backlash. This summer, the legislature ordered a Nov. 2 referendum to decide the status of poker once and for all. The law specified that if the referendum were ruled unconstitutional, poker would be banned in July 2000. South Carolina has no referendum right, so the Supreme Court canceled the vote and upheld the ban.

It’s unfortunate that the Supreme Court voided the referendum, because it deprives voters of the opportunity to throw out the poker industry themselves. And there is little doubt they would have done so. The anti-poker campaign has galvanized the state like no issue ever has. Virtually every church in the state, the top strategists from both parties, the state chamber of commerce, and thousands of grassroots organizers banded together to defeat poker. The most recent poll suggested that the anti-poker forces would win in a rout: More than 60 percent of voters

avored banning poker, and only 16 percent wanted to keep it.

“Poker was a like a houseguest that was unwelcome in the first place, that stayed too long, and was really obnoxious. People just want it gone,” says Glenn Stanton, who runs the anti-gambling Palmetto Family Council. Video poker is not gone yet. The industry has a magnificent aptitude for escaping defeat. It has used suits and lobbying and more suits to stymie previous efforts to restrict it. There is no doubt the industry will ask the legislature—poker usually “asks” with thousands of dollars in campaign contributions—to reconsider the ban.

The irony of the South Carolina fight is that video poker’s death may actually help the gambling industry. For the past few weeks, rumors have been circulating in South Carolina that Nevada casino owners were subsidizing the anti-poker campaign. The American Gaming Association has spoken out against the state’s gambling anarchy, and for good reason. The gambling industry wants to be the gaming industry. Casino owners have carefully cultivated a family-friendly, law-abiding image: They loathe South Carolina, where gambling is criminal, ugly, and unpopular. Kill video poker in South Carolina, and you erase the biggest stain on gambling’s image. The businesses that remain—perfumed slot palaces, Indian bingos, lotteries—seem virtuous, and are virtuous, by comparison. ■

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