

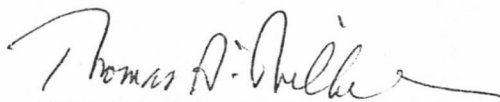
**THE EFFECT OF LEADERSHIP ON RIVERBOAT GAMBLING IN
EVANSVILLE, INDIANA**

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in partial fulfillment of the requirements
of the degree
Master of Arts in Liberal Studies
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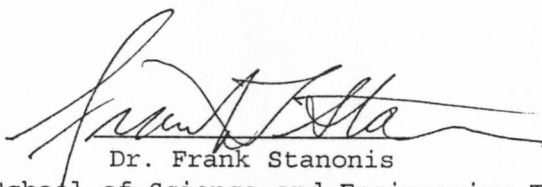
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Abstract

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The leadership regarding gambling in Evansville, Indiana lacked a zeal to achieve what was good for the community on a long-term basis and gave in to the appeal of immediate gratification. The phenomenal emergence of gambling was not an overnight occurrence; it did not grow into the largest industry in America by chance or without challenge. The success of gambling in American and Evansville, Indiana was the result of a process requiring leadership.

In Evansville there were many different types of leaders, ranging from state and local politicians to wealthy casinos and landowners as well as ministers and concerned citizens. The followers were the voters who allowed these leaders to influence their vote.

This paper briefly examines several leaders who played a role in the process and what type of leadership qualities they utilized. Were their choices based on principles or tactical maneuvers? Were they seeking long-term benefits or immediate gains? This paper also seeks to succinctly establish a premise of what leadership is and how it should be used.

This examination concludes that the leaders achieved success in bringing riverboat gambling into Evansville but questions whether it really was in the community's best interest over the long-term. Leadership based on principles and core values may have established a different outcome. Finally, this capstone project as a thesis in Liberal Studies, is intended to be more of a commentary on the leadership involved in bringing riverboat gambling to Evansville rather than a traditional research paper.

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Former Vice President and Indiana citizen, Daniel Quayle stated in his book, *Standing Firm*, "Politics is supposed to be strategic, but is almost always tactical." Strategic suggests, "Value of the position, necessary to or important in the initiation, conduct or completion of a strategic plan or, of great importance within an integrated whole or to a planned effect" (Berquist). Tactical, on the otherhand, means "Involving actions or means of less magnitude or at a shorter distance from a base of operation than those of strategy: made or carried out with only a limited or immediate end in view" (Berquist). Quayle's's point then, is that any proposed activity or project, should be strategic - that is, it should 1) represent the will of the majority of the people, 2) provide the long term benefits to the community, 3) minimize future problems, and 4) altogether represent a benefit, not a liability, to the community. But as Quayle points out, political decisions "almost always become tactical" because leaders almost always position themselves for quick results, i.e. personal gain or the gain of some interest group they represent. This study intends to determine if political planning went from "strategic to tactical" in regard to the riverboat gambling issue in Evansville, Indiana.

This study concludes that development of riverboat gambling in Evansville,

Indiana is due partly to the strategic planning of the gaming companies and the tactical maneuvering of local leaders.

Before riverboat gambling could come to Evansville, it had to gain legislative approval from the state. This required a statewide lobbying effort from interested river and lakeside cities and waterbased casinos themselves, lobbying that would require a great deal of leadership from several levels of government and from different people widely separated by location and ideology.

Therefore, the issue needed to be examined from two time references: events leading up to and concluding with a local referendum and events occurring after that date. The local referendum was important to this issue because it was the pivotal decision which would allow riverboat gambling to come to Evansville; it also provided local and state leaders with an opportunity to demonstrate their leadership skills.

MEANING AND PHILOSOPHY OF LEADERSHIP

In a complex and diverse situation like the one represented by riverboat gambling, there are multiple levels of leadership required.

According to Ross Perot, being a good leader means being a good servant. Riverboat gambling represented an opportunity for local leaders to exhibit the best in public service, nonetheless, constituents are skeptical about the ability of their leaders to be servants. They tend to believe such critics as Perot whose book, *United We Stand*,

shows how government leadership is faltering because politicians have forgotten they are servants of the people, a mistake leading to the graft and corruption that have proliferated in Congress. Perot argues that elected officials have lost their focus concerning who is to be served. He believes the nation's leaders are working to serve themselves and not their constituents. He fears they are taking their authority and misusing it to achieve their own ends. Similar opportunities for misuse existed in the gambling issue.

Stephen Covey describes in his book, *Principled Centered Leadership*, how leadership style is of critical importance and directly relates to one's ability to do so effectively. Covey states that "the essential leadership choice is to decide on a power base--coercion, utility, or principles" (Covey, 105). An examination of the gambling issue from these three perspectives are presented as well.

Coercion is the most common form of leadership. When the leader is in a crisis, using a position of power and status to force someone else to follow is the easy choice to make. Covey says that "in the absence of well-developed interactive skills, or the capacity to remain true to deeply held values under pressure or a history of integrity and trust with others, it is almost impossible not to resort to force when a leader is in the middle of a crisis" (105).

Covey calls utility leadership one which provides incentives to change, like a parent who seeks to persuade a child with a reward: "Son, if you eat all of your supper you can have dessert." The utility power base seeks to provide a positive incentive not a negative one like coercion.

Covey believes that the best power base for leadership comes from principle-

centered power. He advises that this form of principle-centered leadership requires long term commitment: "The more a leader is honored, respected, and genuinely regarded by others, the more legitimate power he will have with others" (106). He lists suggestions to augment this power base:

- * sharing reasons and rationale
- * patience
- * gentleness
- * value view points, judgements, insights and experience
- * acceptance
- * kindness - sensitive, caring and thoughtful
- * openness
- * compassion - give room for mistakes
- * consistency - use a set of values, do not manipulate
- * integrity - think about the good of others (106).

All three power bases described by Covey are exhibited in the riverboat gambling case. For example, the powerful Republican State Senators, Lawrence Borst and Robert Garton, tried to use coercion to stop the riverboat gambling bill before it became the current law by not allowing it out of a legislative committee. The lobbyists for the riverboat casinos used the utility power base. They attracted the state legislators with the benefits of economic development and tax revenues from riverboat gambling. Finally, State Senators, including Greg Server and Johnny Nugent, used some of the qualities of the principle-centered power base. They worked within the ranks of the State Senate to successfully pass the law which now allows riverboat gambling. A discussion of the legislative role will come in greater detail later.

Of course, other, less savory, models of leadership may sometimes apply. Robert Ringer, in *Winning Through Intimidation*, advises people to wear sunglasses and to stand

up in a business meeting while the others sit down. His argument is that if one is standing, then their stature appears bigger. Ringer, like others, is trying to utilize the "surface" to penetrate into success. *Value Added Selling Techniques*, by Tom Reilly, describes how a person can become a leader in the sales industry by manipulating customers. If one applies certain techniques in a certain order, one can get the sale.

Clearly, "salesmanship" had a role in the riverboat scene. Aztar Corporation, one of the original casino applicants vying to do business in Evansville, eventually the one to receive a license and start operating a riverboat on the Ohio River, offered attractive and expensive benefit packages to local governments for choosing them. Here and elsewhere such incentives have successfully coaxed morally conservative communities into allowing riverboat gambling, where normally it would not be permitted.

Salesmanship, presentation, and a nice incentive package was important in convincing the voters to allow riverboat gambling, but real success and leadership has depth to its values. Covey again points out in his book, *Seven Habits of Highly Effective People*, that such "selling techniques" are shallow at best. The value is not in the wrappings but in the product. Are the benefits of riverboat gambling greater than its negative effects?

Leaders should have weighed these differences as they formulated their decisions and questioned whether wrappings of riverboat gambling could keep its appeal over time.

One reason leaders are tempted to base their decisions on the wrappings, Covey notes, is that in today society, Americans have passed into a "me" generation and have abandoned the character ethics of earlier Americans like Benjamin Franklin. Whereas

character ethics were the foundation to successful leadership, he feels, many people emphasize personality traits today (Covey). In other words, personality traits and character ethics are metaphors for immediate gratification and long-term benefits and those who buy into or sell riverboat gambling based on personality traits are more apt to ignore its long-term effects.

This riverboat gambling case study found that, some state legislators worked unwaiveringly to fulfill personal and public needs and that these motives are often mixed. If leadership is the ability to direct or guide others, a leader may use many different levels of ability during the course of his day. Similarly, different leaders may act from different motives. This case study found that the goals for some leaders are completely different than for others (i.e. economic development, pride, prestige), yet they work together to achieve the same end result.

Why did Evansville's Mayor, Frank McDondald II, abstain from taking a stand against riverboat gambling? Was his need to maintain his popularity, by avoiding a highly controversial issue, greater than the need to take a stand for or against riverboat gambling? This question goes unanswered. Many critics of McDonald believe he left the leadership up to other people in *CARG* (Committee Against Riverboat Gambling) and the *YES! Committee*.

Other questions remain. Is riverboat gambling popular in areas where the economy is robust and unemployment is low? If the economic development need is not present, would local leadership vehemently fight to adopt legalized gambling?

Legalized Riverboat Gambling in the United States

In June of 1993, Indiana became the sixth state to pass legislation allowing riverboat gambling. Under the law, voters in the counties along the river and Lake Michigan had to first approve admitting riverboat gambling by referendum. According to the law the largest city in the county would be the home of a riverboat casino if it was approved by a local referendum. Evansville, the largest city in Vanderburgh County, stood to be the first site to eventually (December 7, 1995) open up for casino style business on a riverboat in Indiana (Simpson D1-D2).

Within the United States, gambling has had a long and troubled history going back to the time when Native Americans made cards out of tree bark and painted pictures on them and laid odds on which colored stone would land up in a game of toss. Dice and card games were played by the sailors who traveled with Columbus. Wages were made on horse-racing by the Spaniards who brought horses to America. Later, after the colonies were thriving the Puritans made it illegal to gamble. Even at that, the colonists gambled despite the harsh consequences. In 1607, the colony of Virginia raised revenues by means of a lottery making gambling part of its founding (Thompson 66-73).

In 1748 even the founding fathers got involved. For instance, Benjamin Franklin helped establish a lottery in Pennsylvania. George Washington, like Thomas Jefferson, relaxed by playing games of chance. Washington often gambled on horse races while Jefferson enjoyed Backgammon and Lotto. One reason the Stamp Act of 1765 angered so many colonists was its taxation on gambling paraphernalia such as playing cards and dice. (Haskins 7).

Just as the American Revolution captured freedom for those living in the newly formed United States, it also ushered in a new frontier for gamblers. By 1835, over two thousand gamblers risked their money while riding on riverboats traversing the Mississippi River. Nearly every town that sprang into existence in the western frontier had a saloon where a man could drink whiskey and play poker.

By 1860, there were 557 riverboats operating. Nearly two thousand gamblers who ran gaming operations were cheating in favor of the "house" (Thompson 66).

In 1868, the first legalized state lottery began in Louisiana. Even though it was riddled with corruption, the lottery enjoyed nationwide success via the U.S. Postal Service. The Civil War played a key role in the start of lotteries because states like Louisiana were war-torn and badly needed the revenues lotteries promised to bring.

Less than twenty years after the first state lottery, today's most popular form of gambling, was invented in San Francisco by a man named Charles Fey, it was a machine that allowed its players to deposit nickels and at random intervals receive pay-offs (66). On Aztar's "City of Evansville" riverboat, there are 1,260 such slot machines. It is not only the most popular machine, but it also garnishes the most earnings for casino operators.

Nonetheless, gambling has been a divisive entity in public affairs, and moralists have tried to outlaw it because of the corruption and crime it attracts. In 1621, the colonists at Plymouth and later at Massachusetts Bay restricted forms of card playing because it was seen as a dangerous vice. By 1840, twelve states banned lotteries because of mismanagement and scandals. By the Civil War, all forms of legalized gambling

ceased to exist. However, it wasn't long after the war that lotteries made a fresh start as governments approved gaming. Nonetheless, the acceptance and rejection of legalized gambling in the United States has gone through cycles (Manougian 40-41).

Continuing this pattern of acceptance and rejection, the Louisiana Lottery ended when the U.S. Postal Service eliminated lottery sales in 1890. A few years later at the turn of the century, Kentucky developed a state organized and operated racing commission while other states were closing down and outlawing horseracing. Again, by 1910, virtually all legalized gambling was eliminated in the United States (Thompson 67).

Just as the prohibition on liquor in the 1920's and early 1930's failed, so did prohibition on gambling. In 1931, the Nevada state government legalized all forms of casino gambling. Soon, over seventy five percent of Nevada's state government income was being generated from gambling. Slowly, other states began legalizing horseracing in order to collect needed tax revenues during the depression. Many other states, however, passed rigid laws against gambling because it became associated with organized crime and gangsters. During the 1940's and 1950's, Congress investigated vigorously the connection of organized crime to gambling. Many establishments controlled by the mafia and organized crime moved to Las Vegas seeking legal jurisdiction. At the same time, Nevada was implementing the Gaming Control Board in order to legitimize the professionalism and integrity of gambling in the Las Vegas casinos. Some integrity and an improved public image was brought to gambling during the 1960's when billionaire businessman Howard Hughes started buying the traditionally mafia-connected casinos.

Casinos were now being viewed as an honest business rather than an operation of criminal activity. Outside of Nevada, the means of reinitiating legalized gambling into society was the lottery (Thompson).

Gambling proliferated in New York City during the 1940s and 1950s even though it was an illegal activity. Some illegal gambling was viewed as morally acceptable and was not vigorously pursued by local law officials. Gambling by charity groups such as the Knights of Columbus or Catholic churches were deemed not only acceptable but necessary in order to raise charitable funds. One such case in the early 1950s led to the demotion of a New York City police officer, Deputy Chief Inspector Goldberg, when he attempted to close charity bingos. This case became so controversial that the state of New York eventually legalized charity gambling (Inter-University Case Program). This and well-known celebrities, Howard Hughes, and the introduction of state run lotteries has helped legitimized gambling as a morally acceptable activity despite the negative affects it bestows on its participants. An unusual parallel is occurring in China today. According to an article in the *Economist* magazine, China is beginning to experience gambling as the United States has already. Specifically, illegal gambling is gaining credibility with the communist government if the gambling operators show they are making measured contributions to charity (*Economist*, 84).

Another step toward the acceptability of gambling was when the federal government relinquished its powers of authority over it to the states. Control of gambling by individual states was affirmed by the Commission on the Review of the National Policy Toward Gambling. The Commission's authority and purpose was established by

the Organized Crime Control Act of 1970. This apparent government control seemed to add legitimacy to gambling.

With the advent of computer technology, lottery games grew to enormous portions in which games exceeded payouts of \$100 million. Many states within the United States and provinces inside Canada hastened to initiate lotto games. By 1985, the President's Commission on Organized Crime considered gambling a legitimate industry (69-71).

In 1989 the state of Iowa approved riverboat gambling. Less than a year later gambling boats were navigating the waterways in Iowa. Later in 1990, Illinois approved riverboat gambling for its state. Wanting to cash in on potential revenues, Mississippi, Louisiana, and Missouri approved similar laws permitting riverboat gambling. In 1993, Indiana legalized riverboat gambling (Faragher 4-5).

THE RIVERBOAT GAMBLING PROCESS IN INDIANA

Given legalized gambling's checkered past, it is interesting to investigate the manner in which it came to Indiana. When the process began in 1993, lobbyists representing river boat gambling companies approached several key state legislators concerning a law that would allow floating casinos in Indiana. Two were from southwestern Indiana. In 1993, Republican Senator Greg Server and Democrat Senator Joseph O'Day co-sponsored a bill that was killed by central Indiana Republicans Robert Garton and Lawrence Borst, who never allowed the bill to get out of the Senate committee. This action stirred strong feelings in Evansville where some took it as

another example of the alleged state neglect of southwestern Indiana. Tom Tuley, President of the *Evansville Courier*, used his editorial voice to pressure Republicans to pass legislation which would allow a local referendum which would allow communities located on a river or Lake Michigan to decide for themselves whether or not they wanted riverboat gambling. Tuley met several times with Gary and New Albany newspaper executives to develop an editorial strategy that would encourage the successful passage of riverboat gambling legislation based on local referendums. These newspapers did not want central Indiana legislators dictating whether or not communities could have riverboat gambling, especially since gambling had been permitted in Indiana since 1988.

According to a recent article on riverboat gambling in a local publication:

State Senator Greg Server (Evansville) confirmed that he and O'Day had the votes. "We work together well, and I had enough Republican votes that when combined with O'Day votes, Evansville would have benefited from a new industry of riverboats and entertainment that would have grossed megamillions" (Ewers, 32).

But the problem still lay with Republican Senators Lawrence Borst and Robert Garton. They could have tied it up again in the Senate committee. In stepped the Vanderburgh County GOP chairman, Joe Harrison, Jr., who wrote an open letter to the Indiana Republican chairman, Al Hubbard, rebuking them for not allowing southwestern Indiana an opportunity to decide for itself whether it wanted riverboat gambling.

Joe Harrison, Jr.'s letter, along with several telephone calls from the Vanderburgh

County GOP threatening to segregate state Republicans (in addition to Tuley's editorial campaign), helped pressure Borst and Garton to retract their opposition to riverboat gambling and to a bill that would allow local referendums to decide on the fate of the floating casinos.

Now the State, just five years after amending the State's Constitution to permit a lottery, would also permit local referendums to decide on riverboat gambling in its specific counties.

The first big hurdle was passed. The next challenge to the growing number of proponents for riverboat gambling was to convince the masses to vote in favor of floating casinos in Vanderburgh County. The dilemma was that Vanderburgh County is a conservative community rich with religious and moral convictions that would oppose riverboat gambling out of fear that corruption would ruin a fairly safe community. After all, claimed many gambling opponents, gambling can be as addictive as alcohol. The proponents of riverboat gambling knew they would have to get organized in order to be successful on November 2, 1993, the date set for the referendum. Immediately after legislation was approved, a group in favor of riverboat gambling in Vanderburgh County formed. There was no doubt what they wanted. Their name was "YES!", because they wanted voters to punch "yes" on the ballot in favor of riverboat gambling.

The YES! Committee was not lacking political support. Greg Server and Joe O'Day had done their part in Indianapolis; now it was up to the local leadership. The YES! Committee was spearheaded by two long-time business leaders and political gurus, realtor and Republican, Don Cox, who teamed up with Bank Executive and Democrat,

Bill Brooks. This bi-partisan approach gave the YES! Committee an objective appearance. Some of Yes's objectives in achieving this goal included the following:

1. To make gambling an economic issue by focusing on the economic benefits.
2. To avoid the religious or moral issues.
3. To market the "yes" vote like running a political candidate in a close campaign.

The opposition against riverboat gambling in Vanderburgh County also formed a committee entitled Citizens Against Riverboat Gambling or CARG for short. The Rev. John Williams was CARG's chairman and the Rev. Rick VanHoose was the treasurer. The group did not have the political influence the Yes! Committee possessed, but it did have a large following from the religious community. Don Childress, Director of Missions for the Southwestern Indiana Baptist Association and a CARG member, said "he had never seen main-line denominations join with evangelicals for one cause," (Beck, A7). CARG would have to rely on a grass roots effort. They had no money and were political neophytes. The YES! Committee, however, had the political expertise and the riverboat gambling applicants money. Before it was over, the YES! Committee had outspent CARG by over \$250,000.

As a result of the referendum which took place on November 2, 1993, riverboat gambling passed in Vanderburgh County by a narrow margin. Despite its victory, those who voted "no" received over 48% of the vote. The City of Evansville was not authorized to select the casino company to operate on the city's river banks. Mayor Frank

McDonald II, who had maintained neutrality up to that point, was faced with the challenge of recommending a casino applicant to the Indiana Gaming Commission.

McDonald, decided to ask the riverboat casino applicants to submit proposals to him and his newly formed 20 member riverboat committee. As the *Evansville Press* reported:

"McDonald said the committee not only would be diverse, but also would help him continue a 'methodical and deliberate' approach to a future with riverboat gambling," (Wiesenhahn, 11).

Mayor McDonald II and his committee, after reviewing and negotiating offers from Aztar, River City, Players, Gold Strike, Stations, and Jumers, finally chose Aztar. The Mayor gave his selection to the Indiana Gaming Commission where their decision was stalled by a constitutional challenge from a Porter County judge's ruling in May 1994. The judge's ruling contended that the state law which allows riverboat gambling violated the state constitution's prohibitive use of special legislation favoring a particular community. After reviewing and interviewing the casino applicants, the Indiana Gaming Commission was allowed to select a company for Evansville and Vanderburgh County. The Indiana Supreme Court overruled the Porter County judge's decision. The Indiana Gaming Commission selected the Mayor McDonald's recommendation and chose Aztar as the casino to operate on the Ohio River. The commission's vote was not unanimous. There was some controversy and dispute about Aztar's financial creditability. Ultimately, Aztar was awarded the first license in Indiana and opened its doors just 2 1/2 years after riverboat gambling legislation was passed in Indiana. Aztar had their grand-opening in Evansville on December 7, 1995.

LEADERS INVOLVED IN THE RIVERBOAT GAMBLING PROCESS

Riverboat Casinos

The main purpose for riverboat gambling companies is that of every business: to make money. While the mission of riverboat casinos is to provide quality entertainment, their purpose is to create big earnings.

Like the first bars that opened after Prohibition, modern gambling halls are enormously successful. "It will be impossible not to make a lot of money" (Popkin, 43).

Riverboat gambling companies, like individuals, display characteristic traits of leadership. Their mission, maybe not as noble as some, was nonetheless determined. Riverboat gambling companies have developed effective ways and means to make money.

Two characteristics the riverboat gambling industry share with successful leaders are determination and motivation. These companies are motivated by the easy and huge profits. As *U.S. News and World Report* states: "over \$330 billion was wagered on legal gambling in 1992" (43). Their motivation is indicative of their determination. Bob Stupak, a Las Vegas casino owner, states:

It's our duty to extract as much money from the customer as we can. And send them home with a smile on their face (49).

Casino operators are effective planners in developing an atmosphere that is

attractive and fun for its customers. Everything about casinos is designed to promote greater profitability. The chairs are designed for comfort. Why? Keeping customers at the casinos longer means more money. Even the aroma inside the casinos has been engineered to increase the length of time a customer stays at the casino. Lighting, room size, types of games, refreshments all have hidden purposes. For example, slot machines have built in bill acceptors so people no longer have to wait in line for change. "Casino managers love them because they keep slot hounds glued to their stools" (48). In Kansas City, Casinos offer customers a wide assortment of giveaways to attract them to the gaming boat. Preferred customers, according to Phil Saluter, general manager for Argosy Riverside Casino, may receive free box seats at a Royals baseball game, theater tickets, free hotel accommodations, or number of other entertainment choices. The catch, according to Joe Canfora (president of a Station's Midwest casino operation), is that customers must be privileged members. Time in the casino and volume of dollars spent qualify customers for prizes (Linafelt 13-14). Aztar's riverboat casino, the *City of Evansville*, requires customers to spend a minimum of three hours on the boat while it cruises the Ohio River and offers membership cards with prize rewards for volume spending.

One extraordinary leadership trait the riverboat gambling industry has shown is persistence, i.e., persistence with its companion characteristic of having the ability to overcome challenges:

It took six decades for gambling to become America's

Pastime, from the legalization of Nevada Casinos in 1931

to April Fool's Day 1991, when Davenport, Iowa, launched the Diamond Lady, the nation's first legal riverboat casino"

(42).

The casino companies broke down the barriers against gambling slowly over the years, but their big break came with the introduction of state lotteries. State lotteries brought a perception of trust and honesty to gambling. Gradually, states like Indiana, were amending their constitutions to permit gambling.

It was no easy task. Armed with lobbyists, large investment funds, and politicians that needed economic development, casino companies began to push for riverboat gambling legislation in every state across the country. The process started in Indiana when gambling was allowed in 1988 to accommodate the state lottery. Finally, legislation was introduced in 1991, but it failed in the House of Representatives. They tried again in 1992, but this time riverboat gambling failed in the Senate. Finally, during a special session in 1993 after much political maneuvering and an expensive lobbying effort, a bill was attached to the budget and passed into law which would allow riverboat gambling. However, the gambling could only take place where local counties approved it by a referendum vote.

There is no doubt the gambling industry's persistence and ability to overcome challenges has paid off for them. Ninety five percent of all Americans are expected to live within a 3 or 4 hour drive of a casino before the year 2000, (43). Evansville is now a part of that statistic with the approval of riverboat gambling.

Another leadership trait in which the gambling industry has excelled is creating a

circle of influence. In Evansville, the circle of influence include downtown business people, politicians, economic developers, and the poor. The reason riverboat gambling companies have been so influential can be attributed to the power of the motivation trait: money.

There are certain people in Evansville who have the ability to move a political issue. These people are inside the riverboat gambling circle of influence. For example, the mayor was influenced by the incentives offered to the city. The selected riverboat casino's offer to Evansville could make Mayor McDonald look good politically if his constituents were satisfied with the offer and if it generated economic growth on a local level. Ultimately, Mayor McDonald benefitted from his role in the riverboat gambling process during the 1995 election.

Other people were influenced by potential profits. Allan Braun, a local contractor and downtown landowner, benefitted from land values jumping from \$3.00 to \$25.00 per square foot, when he optioned 3.6 acres of the old Mesker Steel site to Aztar Corporation (Kinney, A1). Allan Braun's company, Industrial Contractors, has also done much of the construction work related to Aztar's casino operation. This work has amounted to millions of dollars in contracts for Braun. Don Cox and Bill Brooks, Yes! Committee co-chairmen, both took jobs lobbying for the riverboat casinos. In effect, those being courted by the riverboat casinos were the ones who eventually made riverboat casinos a reality.

Minorities in Evansville's fourth ward were promised an affirmative action program that exceeds government mandates (Ogburn, personal interview, 26 Aug. 1994).

Why? Because they represented a large voting bloc, and it took votes to win the referendum. It is clear the riverboat casinos created a circle of influence in order to increase their chances of operating in Evansville.

Finally, the riverboat casinos possessed an ability to communicate.

Communication, perhaps the most important leadership skill, was used at every level.

The Yes! Committee had a powerful ally in the Rev. W.R. Brown, pastor of the New Hope Baptist Church in Evansville's fourth ward, who helped deliver their message from the pulpit on October 31, two days before the election (Kroeger, E1).

The riverboat casinos were able to use people like Rev. Brown, Allan Braun, Don Cox, and others within their circle of influence effectively to communicate on their behalf. The Yes! Committee spent over a quarter of a million dollars getting its message out to the voters. It used phone banking, yard signs, television, radio, mailers, and people going door to door.

Additionally, the riverboat casinos did their own advertising to send a community awareness message. They paid lobbyists to communicate with state legislators and local politicians. At every level, their communication and marketing skills were utilized effectively to convey a message: Riverboat gambling is good for Evansville, Vanderburgh County, and Indiana.

Were there any leadership skills that the riverboat gambling industry didn't exhibit in their quest for operating in Evansville? The results leave some doubt. There was no mandate for gambling in Vanderburgh County. This was evident on election day: 24,950 votes to 23,261, a plurality of 1,689 votes (E1). People did not seem to trust the riverboat

casinos, nor did they believe the casinos' commitment, principles, or service to the community was genuine.

When one considers the money spent on lobbyists, incentives to the community, advertising, options on property, and economic development, the vote difference should have been greater than it actually was. The results should have been lopsided in favor of riverboat gambling.

Did people trust the economics of which the riverboat casinos boasted? As the *Evansville Press* reported: "Two economists whose views are frequently sought by Evansville business groups say 'no'..." Ray Arensman, a retired Professor of Economics and Dean of the Business School at the University of Evansville believes: "there's a lot of yellow flags flying as to whether this is going to be a real, bona fide shot in the arm for the economy" (Kinney, 1). Forty eight percent of the voters in Vanderburgh County did not trust the casinos for several reasons. First, as stated above, it can be reasonably argued that riverboat gambling is not economically feasible. Morton J. Marcus, an Indiana University Economist and Director of the Indiana University Business School's Research Center, "objects strenuously" to riverboat gambling, "I feel the salvation of our economy does not depend on more entertainment resources" (12). Phil Fisher, Dean of the University of Southern Indiana School of Business, said that "gambling could replace spending on other forms of entertainment and move money out of the community." The choice for many voters boiled down to a decision whether riverboat casinos would bring crime and moral decay or jobs and economic growth (12).

The *Evansville Courier* talked to several voters on election day. "Jeff Doughty,

28 was skeptical that a riverboat would bring jobs". He added: "the dollars that will come in will have to go through the politicians, and I don't trust them to do the right things with it." Others voted against the referendum because they did not trust the people involved nor did they believe it was the moral thing to do (Dewitte, A1).

Although riverboat gambling barely passed in Vanderburgh County, just a few miles away in Warrick County it was soundly defeated. The count was 7,456 "no" votes to 5,736 "yes" votes. Overall, in southwestern Indiana, the public did not favor riverboat gambling. Not only did the voters in southwestern Indiana not trust riverboat gambling or identify with its principles, they did not believe the casinos would stay committed to the community (Raithel, 6).

Jim Price, a long-time City Councilman who also served on the Mayor's committee, worries that the selected casino will open and operate only while the profits are great. As soon as the Midwest becomes saturated with gambling, the floating casino will undock and leave (Price, personal interview, 15 April, 1994).

The riverboat gambling industry did display some tremendous leadership skills. It possessed persistence, determination and motivation, mission or purpose, communication, planning and goal setting, establishing a circle of influence, and delegating. Also, it was able to delegate and motivate those in its circle of influence to make gambling a local issue, especially with groups like the Yes! Committee. Of course, the riverboat casinos were able to operate from a position of power. Many leaders use their power position when leading, according to leadership guru Stephen Covey. The riverboat casinos had one of the most important power assets in business: money.

In retrospect, the riverboat gambling industry has been a successful leader in establishing gambling depots across the country and now in Indiana. They overcame tremendous challenges from the state house. It took three regular sessions and one special session to pass a law that would allow local referendums. They narrowly won a local referendum in Vanderburgh County. But a win is a win, and now a riverboat casino is operating on the Ohio River.

After gaining the public's approval, The Aztar Corporation was able to successfully maneuver a first place vote by the Mayor and his selection committee. Then, by garnishing local support, Aztar acquired the necessary license from Indiana's gaming commission. They were able to use the same leadership tactics in every phase of the process. They were able to communicate their position through their circle of influence.

The State Legislators

As mentioned earlier, it took four sessions for the Indiana legislators to finally pass a law that would allow referendum voting on riverboat gambling. It was a difficult process. State Senator Greg Server said it was the second most difficult bill he had observed in his 22 years as a state legislator. According to Server, gaining independence for the University of Southern Indiana was the only bill more complicated and difficult than riverboat gambling (Server, personal interview 16 Mar. 1995).

A bill of this nature required special leadership skills. The power positions in the senate were controlled by two senators, Robert Garton and Lawrence Borst, who were against riverboat gambling. But Server and others like him had something in their favor. A growing number of states were turning to casino gambling as a way to "painlessly" raise money for the public coffers. Slow economic growth, cuts in federal funding to states, and growing public needs were forcing many states and local governments to seek other sources of revenue. Governor Bayh was in need of \$200 million for Medicaid in Indiana's 1993 budget (Ewers, 34). This, ultimately, is where the bill was placed in order to be passed. But how did it get there?

The most important leadership traits at the state legislative level were probably commitment, determination and motivation, and communication. State Representative Larry Lutz introduced a bill that would allow riverboat gambling in areas with local city council's approval, but, in 1991, his bill did not make it out of Indiana's House of Representatives. The following year Lutz made another attempt with Representative Bill

Cocharan as his cosponsor. This time it passed the House, but the powerful Republican Senators thwarted it. Server said it never made it out of the committee because Senator Borst thought the bill would hurt opportunities for horse racing in Indianapolis.

In 1993, Server worked with the Senate membership to secure the necessary votes without the approval of the Republican power players - Borst and Garton. Unfortunately, for Server, several members changed their minds. Instead of seeing the bill fail, Server decided not to offer it. He did not give up though; he just tried a different tactic (Server, personal interview, 16 Mar. 1995).

There are several reasons why Server was committed to the passage to allow a referendum vote for riverboat gambling. Borst and Garton were against it. This, at first, irritated Server because he felt southwestern Indiana was being ignored by the two central Indiana Republican leaders. Server was not alone in these feelings. Evansville Entrepreneur Ron Riecken was quoted saying:

Because Borst has race horses and he wants a track near Indianapolis with out any competition from the riverboats. They also passed into law four off-track betting parlors which are nothing more than legalized bookie joints. One of these will be placed in Evansville without the benefit of a referendum... It's unjust. Indianapolis takes what it wants, but gives Evansville nothing (Ewers, 32).

Server, who was not partial toward riverboat gambling, became more motivated and committed in reaction to Borst and Garton. Secondly, Server believed that the local

communities should have the opportunity to make their own decisions concerning riverboat gambling.

Server's next move after retreating during the regular session was to attach riverboat gambling to the budget bill. The key was to get it attached without the objections from Borst, Garton, and Governor Bayh.

According to Server, Governor Bayh was opposed to riverboat gambling for personal reasons. He didn't want to become known as the "gambling" governor. It was during his first administration that lotteries and parimutuel betting became legal. Now off-track betting and riverboat gambling would be added. Server needed the governor's support, but would have to garner it through the Speaker of the House, Mike Phillips. Although Phillips was a Democrat, political affiliations meant less because he and Server were tied together geographically. Phillips would be a key player in gaining Bayh's approval and getting riverboat gambling introduced into the special session.

Recruiting Phillips showed Server's ability to delegate, as well as when he asked Senator Johnny Nugent, from Lawrenceburgh, to make the motion to add riverboat gambling to the budget. Server knew if he asked Borst or Garton, they would strenuously object. Garton saw himself as the moral purveyor who would keep the evils of gambling from spreading and Borst favored horse racing. These powerful Republican leaders would not hesitate to reject Server's attempt to put riverboat gambling in the budget. But if Nugent made the request, neither the Republican leadership nor the rank and file members could reasonably oppose his request. Why? Because Johnny Nugent has always been the team player. He often voted with the powerful GOP even though his

district never benefitted directly. He seldom asked for much. Now Nugent was asking for riverboat gambling. His district desperately needed jobs, and riverboat gambling was an opportunity.

When Senator Server stepped out of the public eye to allow Senator Nugent to carry the riverboat gambling banner, he assured the success of riverboat gambling at the state legislative level. This showed Server's commitment to achieving the objective of getting it passed at the state level.

Server demonstrated his commitment to get a referendum. He was motivated by the fact his central Indiana colleagues were against it. He was able to delegate responsibilities to other legislators. He overcame challenges from his own party and showed good communication skills. Also, Server had an "abundance mentality." He believed there would be enough good things coming from riverboat gambling that everyone involved would be a winner. The local communities would gain jobs and tax revenues; the state would collect enough tax revenues to help maintain a balanced budget.

When Senator Server was asked about leadership qualities he used to help make riverboat gambling successful at the state level, he answered that it was his ability to get things done with the "rank and file" senate membership. Server was able to work within his circle of influence to beat the power position (Borst and Garton) that opposed riverboat gambling. Server added that he acted as a strategist. He said he was able to do this because of his long experience as a state legislator. He had knowledge of the process and knew how to work it. This skill gave him the ability to plan and to face his challengers.

Senator Server demonstrated many of the leadership traits. A combination of his efforts along with those of the lobbyists and riverboat gambling companies led to the successful passage of the bill to allow a referendum. There was one trait Server and his legislative supporters did not utilize: principles.

Senator Server admitted that he did not necessarily favor riverboat gambling. However, it was not a matter of principle to him. What he cared most about was making a point to central Indiana legislators. Southwestern Indiana could get a bill passed, even if central Indiana did not want it. According to Server, Indianapolis was not going to deny Evansville an opportunity (Server, personal interview, 16 Mar. 1995).

Some people can argue there are long-term ill effects that result from gambling. Some economists, as mentioned earlier, argue riverboat gambling is not good in the "long-run" for the economy. CARG and its religious organizations fear moral decay, crime, and gambling addictions will result from riverboat casinos doing business in Evansville. Books have been written about gambling and its pros and cons.

Gambling, without a doubt, is a controversial issue. In the case of Senator Server and his role in getting riverboat gambling legislation passed, it is fair to question the motivation behind the implementation of his leadership skills. What principles did he utilize? Did he examine the moral or ethical side of gambling before he vigorously pursued this issue?

According to Server, gambling was not something he cared about one way or the other. His concern was dealing with legislators like Borst and Garton. He wanted to show them southwestern Indiana could receive something without sharing the largest

part of it with central Indiana.

Server, although well intentioned, pursued riverboat gambling for the wrong reasons. He should have weighed and measured both sides of the gambling issue first. Then, after determining that the benefits exceeded the negative aspects, he could have pursued riverboat gambling.

It is not relevant here to argue whether riverboat gambling is good or bad, only to analyze the leadership involved in the approval of the riverboat gambling issue. The legislators, like all leaders according to Steven Covey, should base their actions and decisions on traditionally sound principles. Covey, in his book: *Principle Centered Leadership*, advocates that "the essential leadership choice is to decide on a power base - coercion, utility, or principles" (Covey, 105). Neither Server nor the riverboat gambling industry utilized principle centered leadership as described by Steven Covey.

The Press

The Evansville newspapers claim to be objective and neutral in reporting news. They leave any bias to the opinion page. According to *Evansville Courier* officials, they had no influence on riverboat gambling outside of using their editorial pen. The *Courier's* claim that it was neutral may be wishful thinking on the newspaper's part. Prior to the referendum vote, according to an Evansville Public library list, the Evansville Courier and the Evansville Press printed 127 articles on riverboat gambling. There were 79 front page articles; only 6 of these were written showing the negative side of

gambling. Seventy three front page stories delved into the positive impact of riverboat gambling.

Obviously, the press has the use of one of the most powerful leadership tools: communication. They are able to use this tool to wield power. It is plausible to say the press uses coercion and utility, as Covey would describe, as their leadership choices.

The *Evansville Courier's* editor, Tom Tuley, took an active role in encouraging the legislative passage of the riverboat gambling bill. Also, Tuley was successful in getting other newspapers to use their "editorial voice". He held a meeting at his office to develop an editorial game plan with newspapers from Gary and New Albany. According to Tuley, there were two or three similar meetings held in Indianapolis. The purpose of these meetings were to coerce the powerful legislators from Indianapolis and central Indiana into allowing river cities, such as Evansville, an opportunity for a referendum vote.

The use of this kind of tactic by Tuley is what Steven Covey calls coercive power or the "big stick" approach (Covey 103). As long as Tuley buys his "ink by the barrel," one reporter touted, the power of the press can be very persuasive.

When one of Tuley's targets, Senator Robert Garton was informed that Tuley accused him of abuse of power, he retorted: "Southern Indiana always cries when it doesn't get its way" (Ewers 33).

What was the Evansville newspaper's mission or purpose in actively pursuing riverboat gambling? When Mr. Tuley was asked this question he answered "economics." He felt it was good for the community. Riverboat gambling would bring badly needed

jobs to the community and revitalize downtown Evansville. The fact that the *Evansville Courier and Press* had a building for sale near the riverfront did not allegedly play a part in its pursuit to get the rich riverboat casinos operating in Evansville. It is fair to speculate, from talking to Tuley and reading his editorials, he was motivated by the fact that the Victory Theater project would benefit financially from riverboat gambling in Evansville. Tuley was the Chairman of the Theater District Committee and an organizer in establishing funds to refurbish the Victory Theater. According to an Evansville Press article, Station Casinos Inc., had optioned the property when they first made application for a riverboat casino license in Evansville. If awarded the license, they would donate the property to the city with money for renovating Victory Theater to be used by the philharmonic and other arts.

The *Courier's* leadership role in helping get legislation passed and public support for riverboat gambling in a referendum vote cannot be denied. The papers were exemplary in communicating their position with an editorial "bully pulpit."

Tom Tuley was able to exhibit his leadership skills by planning and goal setting. He planned to use the newspaper to assist the riverboat gambling initiative, and he was able to make a difference with the large number of positive riverboat gambling articles in the paper. Additionally, he demonstrated his skill of working within his circle of influence by using the press and his newspaper cohorts from Gary and New Albany. Being able to delegate and share the responsibility with the other newspaper companies was effective in mounting coercive pressure on the opposing State Senate leadership.

Local Politicians

Mayor Frank McDonald II, has received mixed reviews concerning his activity with riverboat gambling in Evansville. This is not unusual since he is the mayor; political figures are often targets for criticism. The strange thing about Mayor McDonald's response to riverboat gambling was his neutral stance prior to the referendum. As the *Evansville Courier* noted:

The neutral position Mayor Frank McDonald II and other Evansville officials have taken about floating casinos is unusual among major Indiana cities.

Elsewhere in Indiana, political leaders are stumping for votes to get the gambling referendum passed, making public appearances and giving speeches on the economic potential of riverboat gambling" (Husk, A4).

In Evansville, Mayor McDonald was taking a neutral stance on riverboat gambling. His critics charged him with not being a leader. They suggested he felt any response he took would be too controversial.

The referendum narrowly passed with less than 52% of the vote. This voting pattern was no surprise. Vice President of Operations, Lester Brzozsky, of the Aztar Corporation, stated gambling typically passes with narrow margins: "Generally, people are split 50-50 on gambling" (Brzozsky, personal interview 15, Feb. 1995).

When asked about his neutral stance prior to the referendum vote, Mayor

McDonald stated that the voters should decide. According to McDonald, his neutrality had nothing to do with alienating himself from the voters.

There are two ways to view Mayor McDonald's leadership ability: before and after the referendum. Prior to the referendum, McDonald did not take a leadership role. He acted more as a manager gathering requests for proposals from gaming operators. Tom Tuley, editor of the Evansville Courier, strongly criticized McDonald for not taking a leadership role. Tuley believed McDonald should have taken a stance instead of playing it politically safe. Tuley said: "Local leaders should lead" (Tuley, personal interview, 10, May 1994).

The lukewarm stance taken by McDonald on this volatile issue is what prompted criticism from both supporters and opponents of riverboat gambling. People interviewed, regarding McDonald's stance prior to the referendum vote, unanimously stated the Mayor's neutrality demonstrated a lack of leadership. However, these same critics praised McDonald for his exemplary leadership skills after the referendum vote allowed legalized gambling on floating casinos in Vanderburgh County.

Richard Murdock, an opponent of riverboat gambling, praised McDonald's leadership during the riverboat selection process after the referendum. Murdock, a Republican and a political adversary to McDonald, felt this praise was due McDonald. One leadership skill McDonald effectively utilized was delegating responsibility. This was pointed out in an *Evansville Press* article:

The committee - which consists of two members to the group that supported riverboat gambling and one member

of the group that opposed it - is to meet 10 times between February 8 and March 15 before naming two or three competing riverboat casino proposals that it says are best for Evansville. McDonald said the committee would help him continue a "methodical and deliberate" approach to a future with riverboat gambling (Wieseahn, 11).

McDonald's approach, as former Republican City Councilman Jim Price put it, "was to do everything in his power to see Evansville got the best deal." Not only did McDonald delegate the decision process, but he hired professional consultants to attract the best offers from the riverboat casinos. McDonald wanted to get the best offer possible.

While McDonald was strong in delegating skills, his opponents believe he was weak in other areas.

1) Was he committed? McDonald's 1995 Republican Mayoral opponent, Lori Frary, argued he did not want to make a decision without being able to lay the responsibility on someone else, e.g., the voters through a public referendum and the selection committee for choosing a casino operator.

2) Did he act on principles? The question of principles was left to the voters on the day of the referendum. Once the voters gave McDonald the okay to proceed, his job, as he stated, was to acquire the best deal possible for Evansville, Indiana. Did he tackle the important issues such as crime or gambling addictions, or was his primary concern the financial benefits?

Regardless of McDonald's critics, most people involved in the process admired him for not using the traditional, behind "closed doors" method of "cutting a deal" to select the riverboat casino. McDonald's method could be construed as a paradigm shift. Astar's Lester Brzozsky called him and Evansville a role model for others going through a riverboat gambling process. Of course, Aztar was selected to be that riverboat casino, but Brzozsky's statement came before it was approved by the selection committee or before Aztar received its license from the Indiana Gaming Commission.

Since McDonald was delegating the decision making process to the voters and then to the riverboat gambling selection committee, many people credit him as someone who listens to his constituents. Not only did he gain favor with the leadership skill of listening, but many people now trust him.

As Covey reiterates in all of his books: "Trust determines the quality of the relationship between people" (Covey 170). Bringing the riverboat casino selection process out into the open and away from the closed doors went a long way in establishing trust.

McDonald could have easily and quickly made a decision concerning the selection process. He could have followed the traditional management style of disseminating decisions from the top to the bottom. Covey might call what McDonald did "stewardship delegation." The focus is on effectiveness, not efficiency (Covey 178). Supporters of McDonald believe if the riverboat casino selection committee was just for esthetics, and the decision was already made, few volunteers would have shown interest and those few would have been lazy in their efforts.

According to the *Evansville Press*, seventy five people wanted to join McDonald's riverboat gambling evaluation committee: "We could have had a committee that filled Roberts Stadium" (Wiesenhahn, 11). The number of volunteers for this committee indicates a high level of trust in the mayor. The fact that McDonald followed through with recommending Aztar, the casino operator selected by his committee, indicates he trusted his selection committee. However, his mayoral opponent argued this leadership process effectively eliminated competitive offers in the interim between the committee's selection and the awarding of a license by the Indiana Gaming Commission.

In reviewing McDonald's leadership style, an argument can be made by both his opponents and supporters that he used leadership traits effectively or ineffectively depending on which side of the argument one is on. He was open about his refusal to take a stance regarding the passage of riverboat gambling or the selection of a casino afterwards.

Choosing neutrality prior to the referendum was a passive leadership position. It may even indicate a lack of principles regarding the issue. But his other actions point to some good leadership qualities. For example, delegating the selection process to a committee after the referendum was a paradigm shift. He demonstrated trust, appreciation for the will of the people, servant leadership, communication, and a mission to acquire the best deal for Evansville. He was proactive in putting together a plan and implementing it. His leadership role guided Evansville in recommending a riverboat casino while obtaining a lucrative incentive package for the community.

Although some of these leadership qualities are rare, they are not new. Many

companies throughout America are changing their management and leadership styles. This new trend is called "total quality management." The philosophy behind this concept is to involve people at all levels in the decision making process.

In McDonald's case, he was able to solicit J.A. "Skip" Simms of WEVV-44 and Bill Kelley, chairman of the Center City Corporation and Executive V.P. of Old National Bank. These men were on the Yes! Committee. McDonald was also able to recruit Richard Murdock, a Koester Contracting executive and a representative of CARG, to work with Simms, Kelley, and other business and political leaders to select a riverboat casino (11). Every person on the committee represented a different level of expertise and perspective. Obviously, Murdock would see things differently than Simms or Kelley. Likewise, 4th Ward City Councilman James Landers, a Black minority who represents the largest bloc of those whom voted in favor of riverboat gambling, may have had a different perspective than someone representing the Chamber of Commerce or the Parks Board.

One reason why it is important to allow decisions to come up, rather than down, is explained by Sam Walton, in his book, *Sam Walton: Made in America*. Walton points out how it is important to "force ideas to bubble up".

This goes hand-in-hand with pushing responsibility down.

We're always looking for new ways to encourage our associates out in the store to push their ideas up through the system (Walton 228).

McDonald, like Walton, allowed others to participate in the decision making process.

Yes! Committee

There are two ways to view the leadership skills of the Yes! Committee. The first would be to acknowledge that they were successful in winning the majority of votes in the referendum. The second would be to recognize that they narrowly won the election considering the assets and advantages they held over CARG.

They did, of course, overcome the challenges of winning the approval of riverboat gambling in a predominantly conservative region. The Yes! Committee effectively brought out the voters with a bipartisan effort. The election was conducted much like a typical political campaign. There were buttons, literature, yard signs, phone banks, and expensive media advertising. On election day, the Yes! Committee had poll book holders checking to see who had voted or not. If someone needed a ride to the polls, the Yes! Committee had car pools available.

There were two assets the Yes! Committee held in its favor. It was well organized and well financed. With two affluent business and political leaders spearheading its campaign efforts and over \$270,000 donated by the riverboat casino applicants, the Yes! Committee was able to capture over 51% of the votes (Beck, A7).

Analysis

It is difficult to assess the ultimate effectiveness of the leadership involved in bringing riverboat gambling to the city of Evansville and the state of Indiana. As the

future unfolds, we will be able to better judge and answer the questions regarding the ethical and policy considerations of riverboat gambling and its impact on economic development in this area.

One thing we can judge thus far is the process in which riverboat gambling has proceeded. Like any issue, there are two sides to the riverboat gambling story and the leadership which brought it about.

The negative side of riverboat gambling in Indiana has included alleged favoritism, political influence, and, in general, practices that could be construed as unethical. A recent article in the *Cincinnati Enquirer* on June 25, 1995 emphasizes these negative aspects:

The Hoosier State is promising good, clean fun.

But with so much at stake, casino operators are leaving little to chance - and raising serious questions about how clean the state's fledgling gaming industry really is.

In their bid to win lucrative gaming licenses, casino operators have engaged in an intense, money-driven lobbying campaign designed to buy influence inside small Indiana cities and inside the state capitol.

They have put influential people on their payrolls. They have made multimillion-dollar promises and large campaign contributions...

Welcome to riverboat gambling, Indiana style

(Braykovich and Henterly, A1).

The *Cincinnati Enquirer* went on to state in their investigation that favoritism and unethical influence is common and the process of bringing about riverboat gambling has some serious flaws and abuses. The *Enquirer* specifically mentions Evansville in its investigation and uses it as an example of such alleged corruption:

Licensing decisions appear to be made based more on favoritism than financial wherewithal of applicants. In Evansville, Phoenix-based Aztar Corp. was selected over two applicants despite carrying enormous debt and needing to borrow another \$110 million for its new venture. Critics say the casino firm put influential residents on its payroll in hopes of gaining favor with the city and, in particular, its mayor, Frank McDonald. The mayor doesn't disagree; he merely notes that every company competing in Evansville hired people with close ties to him...

The *Enquirer* goes on to say how the role communities played in the selection of riverboat casinos appeared somewhat dubious because it was an aggressive campaign supported by casino financing. The *Enquirer* prompts its readers to believe that the casinos were virtually bribing the City to win its favor(A7).

Big money was promised by each of the casino operators to Evansville in hope of being selected as the local operator. Over \$60 million dollars was promised as well as financial input on city revitalization projects. But, as the *Enquirer* points out, financial

incentives were offered in other, more influential, ways:

McDonald, the city's mayor, took \$6,000 in campaign contributions from gaming firms bidding for a license in Evansville, then quietly returned the money after the contributions became public. As mayor, McDonald became the point man for the city's negotiations with casino operators.

Friends, business associates and campaign contributors of the mayor were put on the payroll of almost every casino company competing in Evansville. For instance, Aztar optioned land owned by Alan Braun, who had contributed to the mayor's election campaign and gained nearly \$13 million in city contracts from the McDonald administration. The company also hired Edmund Hafer as its local architect. He also was a contributor to the mayor's campaign and his firm had been awarded contracts paying hundreds of thousands of dollars by the mayor's administration (A7).

Again, the *Enquirer* article illustrates how Mayor McDonald, in his own words, has individuals with close ties to him affiliated with the riverboat gambling casinos. McDondald pointed out how he not only had friends and associates connected with Aztar, the gaming company he selected, but also the other competing casinos. McDonald

defended himself by stating impropriety could be alleged no matter which casino was selected because of that association.

Opponents of McDonald's leadership style argued he eliminated the competition for Aztar by making a preselection and endorsement before the gaming commission did their job. The gaming commission's job was to choose the best casino. The *Enquirer* notes:

McDonald's committee held private negotiations with three finalists, including Aztar, but not three other firms who had applied for gambling licenses in Evansville. Those shut out had no way of gaining an endorsement (A7).

This endorsement confused many people because Aztar had such a huge debt - \$430 million last year. They plan to add to that debt by financing \$113 million for the Evansville venture. At least one other company was going to finance the Evansville project with cash. Others didn't offer as much because it didn't make economic sense. These facts led the *Enquirer* to wonder about the selection of Aztar as indicated below:

So why did the commission pick Aztar?

Commission members said their votes were swayed by Mayor McDonald's endorsement.

Two of the seven commission members disagreed with the vote, however, including Hensley, a semi-retired banker and accountant. Hensley resigned shortly after the Aztar decision, citing his frustration that cities are allowed

to endorse casino applicants.

Such endorsements, Hensley told the Enquirer, encourage preferential treatment and put companies closed out of the local process at an unfair disadvantage (A7).

In Evansville's case, only one was endorsed while five others were exempted from the process of bidding for a license to the gaming commission. The gaming commission was only able to look at Aztar's offer and that of Players International. Everyone else dropped their bid because the mayor had already made his selection.

The *Cincinnati Enquirer* article suggested the leadership in Evansville was heavily influenced by a process lacking principles. As discussed earlier, principle is an important aspect of leadership. The lack thereof could be the ruination of not only Mayor McDonald but the community which he leads.

As critical as the role principles play in determining if one is a good leader, there are yet other components to good leadership. What was the motivation of the local leadership involved in the riverboat gambling process? As noted throughout, money has been a key factor in motivating people. The state legislators or the mayor may call this economic development. But what they call economic development, the opponents of riverboat gambling call greed and profiteering. If Allan Braun, one of McDonald's associates, had owned property optioned by another casino willing to pay more than Aztar, would the mayor's selection have been different? The *Cincinnati Enquirer* article suggest it would be.

Money, obviously, is a powerful influence. There is with gambling, a lot of

money. This money helped state legislators change public policy regarding gambling. Sixty million dollars promised to Evansville by Aztar and local jobs offered by competing casino operators provide a strong motivation to support riverboat gambling. The governor's office wasn't exempt from these influences either. One of his close associates was hired by casinos before it became allowed in Indiana.

According to William Eadington, Professor of Economics at the University of Nevada, legalizing gambling is a common trend:

Public policy attitudes towards gambling throughout the industrialized world had shifted from viewing gambling as a vice to seeing it as an opportunity to be exploited. This perhaps the main reason why there was, and continues to be, such a strong trend toward legalization of new forms of commercial gaming and the relaxation of constraints on existing commercial activities over the past decade...

The economic impacts of introducing commercial gaming industries are generally tangible, quantifiable and perceived as positive, whereas moral issues and social impacts linked to gambling are usually intangible, difficult to measure and on balance considered to be negative. However, when gambling is moved from the list of prohibited activities into legal status with specified criteria

for eligibility for gambling suppliers and particular rules as to how gambling services can be offered, substantial potential economic rents often arise. Allocation of such economic rents then becomes an integral part of the public process, though allocation of the social costs is usually ignored (Eadington, 2).

In other words, once gambling becomes public policy and the economic benefits are quantified (the money is counted), then the social impacts are almost ignored. This is why local leaders ignored the moral issue of gambling. The Yes! Committee, for example, refused to argue about the morality of gambling.

This important part of the issue was virtually ignored. The social impacts of gambling should have been examined more closely.

It is important to examine some of the problems of gambling as experienced by other states and people. It is a fact, the more gambling becomes available to society, the more people play the odds. In Nevada, where gambling has been legalized for many years, more people gamble more often, and residents spend more money on gambling than anywhere else in the country. More money is spent on gambling because of its availability as a legalized form of entertainment (Grouchowski 4-5). Will the Evansville area spend more and more money on gambling? Will Evansville follow the trend that follows gambling?

Obviously, since gambling is a high source of financial revenues for states and local municipalities, many legislators are moving to legalize it. However, are the states'

and local municipalities' leaders analyzing costs versus benefits? However profitable legalized gambling appears on the "bottom line," many gambling critics are concerned about the effect it has on the poor. Many people believe the good of gambling is far outweighed by the harm because it acts as an regressive tax. It has been proven that more people living in poverty spend more money on gambling than those earning higher incomes. Although gambling is not forced on its participants, it has been shown that it takes money from the people who can least afford it (Thompson 40-46).

Another phenomenon about the extension of legalized gambling has been the proportioned growth of illegal gambling. One would think, on face value, legalized gambling would compete and reduce the need, power, and profits of illegal gambling. On the contrary, as stated earlier, Americans are changing their morality view regarding gambling. Where once it was considered evil, its legalization has moved gambling into the acceptable mainstream. In the past, people avoided illegal gaming because it was morally wrong. Today that prohibitive inclination has been erased by the governments wide acceptance of gambling. The various state lotteries and off-track betting parlors may actually be creating a whole new generation of illegal bettors. Legal bettors may find better odds, credit, and tax-free payoffs more attractive than its legalized counterparts (47-48).

America and Evansville are going gambling crazy. More money is being spent on gambling than ever before, and its moved into the largest and fastest growing industry in the country today. In 1960, U.S. citizens were spending \$5 billion per year on legalized gambling. Today, that figure has exceeded the \$350 billion mark and is still getting

larger. Casinos throughout the United States paid more than 1.9 billion in state and local taxes in 1995 alone. In only eight years, pari-mutuel gambling has gone from being legal in only two states to being legal in forty states (Stuart 8-14).

Gambling is a phenomenon rapidly spreading throughout the United States. Seventeen states have casinos and riverboats established for gambling (Bourie 5). According to a recent issue of C.J. Lawrence's authoritative *Gaming Weekly*, only 15% of the U.S. population has even been inside any kind of casino, yet gambling is still the largest entertainment industry in the country. Gambling revenues exceed \$350 billion as compared to the \$5 billion movie industry or the \$8 billion recording industry. Gross revenues exceed corporate giants such as Kmart and American Express. Now with lotteries legal in 34 states and gaining approval in others, riverboat gambling will soon be spreading to every state as well. According to William Thompson, author of *Legalized Gambling*, a trend has been established with gambling and will continue to expand at a more rapid pace.

The risk Evansville faces is not the failure of riverboat gambling, but its success. The trend is for gambling to expand. This includes gambling which is not legal. This will occur because the more gambling is available, the more it becomes morally acceptable. This whole process becomes self-perpetuating.

Many authorities, such as Scott Fargher, who wrote *The Complete Guide to Riverboat Gambling*, believe it has expanded rapidly because of a shift in public consciousness in moral conduct. In a large sense, riverboat gambling has become acceptable moral conduct by the evolutionary process of gaming. The legality and

implementation of state lotteries was gambling's watershed. Each decision legislative leaders made regarding it has been pivotal to the escalation of gambling and the positive and negative trends that come with it. Today, lotteries seem less like real gambling (especially if the profits go toward education or better roads). This more appealing form of government approved gambling has made it a source of entertainment as opposed to the immoral act of gambling. Additionally, as William Thompson points out in his book, *Legalized Gambling*, the permissiveness of gambling parallels the acceptance of other social issues that, like gambling, usually carried negative moral connotations. For example, abortion, occasional drug use, alternative sexuality, pornography, have all experienced increased acceptance in society. The idea that government should not be restricting individual liberties and rights has expanded. How people spend their leisure time and money it is argued is no business of the government.

With the increased spread of gambling and its ever burgeoning moral acceptance comes its ill-effects on the society. Evansville and the state of Indiana are no different than other areas. They will share the same experiences inherent in legalized gambling. Not only does gambling act as a regressive tax, as mentioned earlier, but it virtually eliminates charity gambling (which is extensive in Evansville). Charity gambling can not compete against the competitive commercialization of casino style gambling. Evansville charity gambling, such as many Catholic bingos, run the risk of losing financial revenues that support many social programs. Additionally, the state lotteries that support many state projects will be jeopardized as legalized gambling becomes privatized, as is the case with Aztar. In Canada, many lottery supported social programs were eliminated when

privatized gambling was established (Thompson 106-110).

As indicated earlier, the more gambling grows, the more illegal gambling occurs. This, in itself, is not the only problem, illegal gambling is a revenue source that breeds graft, corruption, and organized crime. According to Anthony Cabot in the *Casino Journal*, law enforcement has been tainted by corruption in order to ignore the illegalities that come with gambling. Prostitution and illegal drug activity have expanded in areas where gambling has grown (46-49).

Where there is gambling, there will be compulsive gamblers. The growth of riverboat gambling in the city of Evansville and the state of Indiana may bring economic benefit to the city and state coffers, but it will bring economic disaster to the families of the compulsive gamblers.

Gambling has been compared to alcoholism and drug addiction. It has also been classified as a disease or an illness. According to the book, *Compulsive Gambling: Theory, Research, and Practice*, gambling leads people to committing crimes in order to support their addiction. In many cases, families breakup because the compulsive gambler is spending food and rent money on their gambling habit.

Illegal or criminal activity is almost inevitable. As in other states, antigambling proponents argue that the growth of gaming is a catalyst for many kinds of crime. They believe it is a personally destructive means which leads many to a pathological behavior. This is a result of a loss of control in their gambling habit. In other words, some gamblers become so addicted to it, they become psychologically dysfunctional (Popkin 42-46).

According to a recent article on gambling in *U.S. News & World Report*, Iowa (first state to allow riverboat casinos) experienced a problem with compulsive gambling. Compulsive gambling increased from 1.7 percent to 5.4 percent of Iowa's population in less than four years. The article goes on to point-out many other problems caused by gambling. Psychologist Howard Shaffer of Harvard University Medical School notes how gambling can be compared to the addiction of drugs. He argues that there should be limitations placed on gaming advertisements aimed toward young people (Impoco 52-62). The ten page U.S. News article also recognized how gambling acts as a regressive tax on the poor and does lead to an increase in crime. Cities that got new casinos showed a crime rate increase of 7.7 percent in one year. Regarding the indigent, the article point-out:

People with incomes under \$10,000 spend a larger percentage of their household incomes on lotteries, a few studies have shown. Now spreading casinos are attracting the poor as well. Welfare recipients from the two counties surrounding Minneapolis and St. Paul are withdrawing more than \$400.000 a year of their welfare benefits from ATMs at state casinos...(3).

Will the pitfalls of gambling happen in Evansville? Are the economic benefits of gambling greater than the problems inherent in it? Whenever a decision by a leader is made that is not rooted in principle, there is the risk of inefficacy and discordance.

Unfortunately, this lack of principle centered decision making also affects the level of trust to which leaders aspire. When decisions are not based in principles it becomes difficult for people effected by that leadership to trust them. And when there is

a lack of trust, communication becomes vitally important.

Opponents of riverboat gambling, more specifically, those opposed to Mayor McDonald, argued there was a lack of communication. Although no one can deny local newspapers inundated their readers with stories regarding riverboat gambling, many critics believed there were too many closed door meetings among leaders promoting specific casinos, and lopsided reporting by the media in favor of riverboat gambling. Many opponents allege that key elements of the riverboat gambling selection process were kept from the community. For example, it wasn't well publicized Mayor McDonald took \$6,000 in campaign contributions from different casinos seeking a license in Evansville. Also, what went on in the closed doors sessions between the mayor's office and the top three casino license applicants selected by his committee?

Before the referendum vote, how well did CARG communicate to the community that the minister of New Hope Baptist Church, Rev. W.R. Brown, was having private conversations with Aztar Corporation on affirmative action programs? Was there any donations made to New Hope Baptist Church by Aztar? Did Rev. Brown preach from the pulpit to vote "Yes" on election day?

Critics of the leadership that supported and endorsed riverboat gambling and its operators decry favoritism and the same old methods of "cronyism." Lori Frary, the candidate for mayor who opposed McDonald in the 1995 election, has been quoted many times alleging McDonald predictably involved his friends and supporters so they would benefit from Aztar being selected as the casino operator in Evansville. According to Frary, there has been no new way of doing business from his administration. No

paradigm shift has occurred.

Candidate Lori Frary, also a former Center City Corporation member, believed McDonald was not doing what was best for the downtown area. She advocated docking the riverboat at the end of the downtown walkway as a way of revitalizing the area. She also accuses McDonald of not being creative in choosing the riverboat gambling docking location (Frary, personal interview, 4 Jan. 1995).

Being able to shift from one paradigm to the next is critical to leaders looking for more effective ways to better serve their constituents. Although some critics refuse to believe there was a paradigm shift in leadership style, there was an anomaly in the whole approach of passing public policy and acquiring riverboat gambling in Vanderburgh County.

For example, the gambling industry had to overcome the stigma of being related to organized crime, political corruption, and moral decay. Those adversely effected reached outside the realm of gambling with prostitution, loan sharking, drugs, and ruination of the family. This is were the gambling industry has been successful in shifting society's paradigm of gambling (Eadington, 1).

By the 1990s in the United States, Canada, the European Community, Australia and New Zealand, there had emerged a substantial increase in the legal and social acceptance of commercial gambling. Gaming industries had become increasingly sophisticated and legitimate to reflect this reality. From a consumer's perspective,

gambling had transformed itself over the last thirty years from and inappropriate 'sinful' endeavor to a mainstream participatory activity (1).

The gambling industry did not acquire legislative acceptance in Indiana overnight. They first introduced gambling as a legal opportunity at the beginning of Evan Bayh's gubernatorial administration. The state was attracted to it because of the financial incentives lotteries offer the state. Once gambling was approved for lotteries, then a precedent for allowing gambling was created. This, according to an article written in the *U.S. News and World Report*, has helped gambling become the fastest growing industry in America. Casinos have been quick to shirk the old images of gambling for a new paradigm of economic development and legitimate entertainment.

The leaders of this industry have also been excellent communicators. They have effectively communicated to the state and local policy makers the benefits of gambling. They were able to communicate enough information to minimize fears of corruption and moral decay while maximizing the benefits of economic development. They did this effectively by hiring professional lobbyists in the state's capitol.

Above and beyond their abilities to effectively communicate and to shift away from old paradigms, the gaming industry's commitment, determination, and motivation to expand legalized gambling throughout the United States has been their number one asset. They have not been deterred by time or opposition. They have effectively utilized money to entice and motivate others to join their cause. They have clearly set their goals and objectives and accomplished them.

Like the gaming industry, the Yes! Committee effectively used leadership qualities as well. Their GOTV (get out to vote) strategy reached the pinnacle of success on election day when gambling was approved by a referendum vote. GOTV was a combination of communication skills, paradigm shifting, and determination. They didn't target voters who held unfavorable views of gambling. Their goal was to get those who held no moral objections to gambling out to vote, as opposed to trying to change the minds of those against it.

Additionally, The Yes! Committee was able to effectively communicate to the minority segments of the inner-city. They utilized churches like New Hope Baptist Church and influential black leaders, such as Rev. W.R. Brown, to capture large blocs of the voting population.

Local media, especially the newspapers, used their editorial pen to encourage legislators from central Indiana to support public policy that favored riverboat gambling. It was especially effective when Tom Tuley, editor of Evansville's morning newspaper, printed Joe Harrison, Jr.'s (Vanderburgh County's GOP chairman) letter to the state's GOP chairman, criticizing central Indiana legislators for not allowing Evansville to have a referendum vote on riverboat gambling.

The enormous number of stories about riverboat gambling in the Evansville newspapers indicate a commitment on the newspaper's behalf to keep the public well informed. The local newspapers could argue this commitment to the riverboat gambling issue has been a vital part of keeping the public informed, hence making the community more adept in their decision making.

It could be argued that Mayor McDonald demonstrated exceptional leadership skills by assimilating a selection committee made up of advocates for and against riverboat gambling. That he was fair and objective in the process which he evaluated the different casinos. That he used an unbiased method of soliciting the best offer for Evansville. He could argue that his selection committee was non-partisan and that all of their meetings involving any decisions were open to the public. The Mayor could say he communicated, shifted away from old paradigms by using a selection committee, and committed himself to getting the best deal for Evansville by using his process. He could claim he built trust with his constituents by being neutral before the referendum and using a non-partisan selection committee afterwards. Finally, he may believe he was only motivated by puristic reasons such as economic development. He may also reason his leadership was principle centered, in that he developed a position and a systematic approach, and arduously followed it.

Conclusion

In summary, much is involved when a community begins to participate in riverboat gambling. As the stakes become greater, the politics of the issue begin to become less strategic and more tactical. This, in fact, happened in the case for riverboat gambling in Evansville. The politics and leadership of riverboat gambling moved from strategic to tactical as the actions/decisions of politicians/leaders tended to be of lesser magnitude than strategy. The long term goal became less important than the quick

results, i.e. personal gain or the gain of some interest group they represented.

My opinion on the leadership involving riverboat gambling is simple. Everyone and every group involved did utilize some of the traits necessary to be a good leader, but none displayed the ability that would signify them as a great leader in the history of Evansville.

The most discerning observation regarding the leadership involving riverboat gambling is the lack of a principle centered approach. This is indicative of a tactical approach. The leadership regarding riverboat gambling seemed to be carried out with only a limited or immediate end in view. Additionally, many of the leaders were basing their decisions and actions on some extrinsic motivation: money, resentment toward central Indiana legislators, or promised jobs to minority groups. I do not believe many decisions were made based upon a thorough analysis of whether riverboat gambling was right or wrong, and how it would affect the community on a long term basis.

To reiterate, success and leadership can be confused for one another, and without virtues or principles as a foundation to a person's character, constructive leadership can not take place. Author Paul Greenberg said: "No other qualities - statesmanship or showmanship, experience or youth, perseverance or imagination, intelligence or knowledge, labor or imagination - can make up for its [character] absence" (Greenberg, 104).

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