

The Myth of Casinos and Economic Benefits

by Edward Bell, QVNA Board Member

We have heard over and over that we need casino gambling in Philadelphia for the economic benefit. On the surface, legalized gambling looks like a source of easy money. We are told that the sooner we get the casinos up and running, the sooner the benefits will come to our community. Since this is the most common reason given by the casino forces and politicians to allow casinos in, it makes sense to take a little time to check out the claim. How does it really work? Would casinos help or hurt the communities they are allowed into?

It's comforting to know that we are not the first community to face this decision. It's all been done before. We don't have to guess what the outcome of allowing gambling into our community will be. Like many other countries, gambling has been part of America's history for a long time. Lotteries were a favorite way to pay for roads and other common goods in the colonies. Gambling and games of chance existed on a small scale throughout our young country but the high point of gambling activity in America came after the Civil War, coinciding with the conquest of the west, and lasted until about 1910. At that point the social costs of gambling activities became undeniable and resulted in virtually all states passing laws to eliminate gambling. The gambling related problems these laws intended to address included: (1) increased taxes, (2) loss of jobs, (3) economic disruption of other businesses, (4) increased crime and (5) large social-welfare costs for society in general and government agencies in particular. (Frontline:Easy Money:Business-Economic Impacts of Licensed Casino Gambling in West Virginia. www.pbs.org/wgbh/pages/frontline/shows/gamble/procon/kindt.html) Tellingly, most states changed their constitutions to make the reversal of gambling prohibitions more difficult.

The consequences of gambling are fairly well known and the history of legalized gambling has not been positive. When Congress looked into the matter in the Congressional Hearings of 1994, Committee on Small Business, they concluded that the

use of gambling as an economic development tool didn't make sense. (Frontline-ibid) In the same year Florida conducted a comprehensive statewide analysis of the impacts of legalized gambling and concurred with the findings of the House committee. (Professor William Eadington, University of Nevada, Reno; Associated Press, 2/13/03.)

As legislatures across the country have tried to deal with budget shortfalls the idea of easy money has again come to the fore. Legalized gambling produced 586 billion dollars in 1996 and 48 billion of that was claimed by the industry.

(ECLA.org/socialstatements/economiclife/gambling/) The allure of this much money does seem irresistible until the hidden and overt costs are considered. Some legislatures appear to have approached the idea of gambling with a certain amount of caution. When South Dakota considered the matter they tried to deal with the unknown and indirect costs by calling for a straight 50 percent tax on all legalized gambling activity. (Frontline-ibid) When you think of it, you see that they were thinking that the negatives that they were inviting could be overcome by taxing the industry an amount that would be enough to compensate them for their trouble – and it looked like big trouble. Because gambling threatens to destroy any community it touches, Colorado placed its casinos in small mining towns, many of which were considered lost already.

The industry promises of shared wealth do not materialize either. Every state that uses gambling as a revenue source has a budget deficit – most notably Nevada and New Jersey. (www.texasgop.org/site/pageserver?pagename=library_gambling) After promising that Texas would become the next Nevada, the gambling industry committed to raising \$99.2 million in 1987 for legislation to allow race tracks. Instead revenues peaked at \$5 million and have been declining since that time. After claiming that Texas would make millions, the industry asked the State to forgive \$10.5 million in public debt in 1993, only 3 years after the first track opened. (ibid) South Dakota has had a similar experience. The first state to allow video slot machines in 1989 still had an estimated \$54 million budget deficit in 2004 and an estimated \$17 million deficit projected for 2005 (Center on Budget & Policy Priorities). New York State committed to VLTs at racetracks and found that it has received only half of the projected revenue. In my research, I have

not found one state that would claim that gambling had solved the problems it was intended to resolve.

Short term gains to the local economy include the benefits of a large building project. After the project is complete, the economic picture becomes much darker. A casino is highly subsidized by the taxpayer both directly and indirectly. Field research throughout the nation indicates that for every dollar that legalized gambling contributes in taxes, it usually costs the taxpayers at least 3 dollars. (Politzer, Morrow and Leavey 1981; Better Government Association 1992; Florida Budget Office 1994). These subsidies come in various forms. Some come in the form of problems that communities must deal with: (1) infrastructure costs, (2) relatively high regulatory costs, (3) expenses to the criminal justice system, and (4) large social-welfare costs (Illinois Governor's Office 1992). The same kinds of problems America discovered in 1910.

Other costs are more elusive. The concern that gambling interests will curry favor with politicians has led to prohibitions on contributions to politicians and political campaigns in Illinois and New Jersey. Political scientists are concerned that as gambling becomes more widespread in America, the industry will begin to dictate economic, social, and tax policies. (Frontline) For example, the industry drafted a state constitutional referendum in Florida that would have mandated the introduction of casinos into communities even if a particular community voted unanimously against a casino. (Dyckman 1994) In Philadelphia we are seeing something similar. Polls show that the majority of voters do not want gambling. The history of Act 71's passage and the fact that the mayor vetoed the unanimous vote by city council to allow a referendum on the matter indicates the casino industry may be effectively dictating policy in this state. With 48 billion in cash, the gambling industry is in a unique position to be heard.

What does this mean to you? If history is a guide, almost certainly the casinos will change our neighborhoods forever and most of those changes will not be positive. You can expect your home to drop in value nearly 5% immediately upon the resolution of site selection. (New Casinos May Harm Philadelphia Home Values, Ed Goppelt, 4/3/06, Hallwatch.org) Many of your favorite small neighborhood businesses will close. Those

that remain will have a much more difficult time attracting employees, they will pay more for employees, and service will suffer. The monies that have been promised to the state and to neighborhood groups will certainly be much less than promised. The casinos will not produce the expected tax revenues and will begin to lobby for expansion into full service gambling venues. The politicians will give in to their demands because policy decisions have already been made assuming these tax monies will be available. Tax revenue shortfalls will be made up by taxpayers and taxes will probably rise. In fact, the economic feasibility of casino gambling has come into question with the rise of internet gambling and the availability of gambling in new areas like Pennsylvania. Casino markets get stale and like all predators, the industry needs fresh meat. Recently reports of economic problems with the Trump casinos in Atlantic City have begun to surface. When asked, Mr. Trump denied the rumors but competitors say that some of his casinos are in trouble. (New York Times, 4/11/07) If the Foxwoods site is finalized on Columbus Blvd., we will have an enormous hulking structure blocking views of the river and other possible uses for a long, long time whether the casino is successful or not.

Because I have tried to concentrate on the financial impact of gambling, I have not looked at the social impacts but we will certainly see an increase in the number of friends and family experiencing financial difficulties, divorces, suicides and criminal charges. Have you ever heard a reporter ask, or a casino operative talk about their industries greatest successes? The casino industry does not talk about its history. In the end, the extraction of wealth that the casino industry represents is a one way street. If this picture concerns you, support the people who are fighting for you. Contact [CasinoFreePhiladelphia](#) and find out how you can help.