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## The economic growth fallacy of supporting casinos

**By themselves, they don't aid local economies, studies show. So why back them when other steps would be more helpful?**

By Larry Platt

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Is it just me, or does it feel a little, I don't know, *gross* that, while we're awash in headlines about a "Doomsday Budget" for our public schools, a cadre of well-coiffed businessmen are sharing grandiose plans for yet another Philadelphia casino?

How'd we get here? Seems as if, over the last decade, gaming has become a type of crack cocaine for a whole generation of politicians: With their budgets squeezed by economic downturn and an electorate all too willing to vote out of office anyone who considers a tax hike, our so-called leaders - rather than make the hard choices and right-size their governments - have opted for the quick-fix high of casinos, long-term consequences be damned.

Under Gov. Ed Rendell, perhaps the nation's casino cheerleader-in-chief, our state took in \$1 billion in revenue from gaming in 2010. Proponents of this trend will tell you to think of it as economic development; the truth is, revenue from gaming funds *government* - not growth. Not one study unaffiliated with the American Gaming Association backs up the claim that casinos contribute to economic development. One, by Douglas Walker of the College of Charleston in South Carolina and John Jackson of Auburn University, not only found that casinos don't foster growth, they also found scant evidence that casinos positively affect employment (outside of an initial employment burst for construction, the jobs they add are minimal and low-wage) or aggregate tax revenues.

In other words, there is no multiplier effect. Casinos regressively redistribute money that would be in the economy anyway.

Even Alan Greenberger, deputy mayor of economic development and the city's director of commerce, concedes that casinos are no economic panacea.

"Casinos are economic drivers in the sense that they provide jobs and tax revenues to the governmental entities that sponsor them," he told Plan Philly when the six candidates for the city's second casino license made their plans known a couple of months ago. "I haven't seen them generate local economic development. Yet. But one of the ones in this room could. Some might, some might not."

"Casinos point to the past and not the future," says Jeremy Nowak, the former head of the William Penn Foundation, who, as a consultant, is now counseling cities on innovative ways to grow their economies. "And they are not the kinds of amenities that build public life with spill-over effects. Their design and architecture is all about keeping people penned in to a kind of timeless and spaceless arena without any connection to the city itself."

Rendell's meltdown in defense of casinos on *60 Minutes* in 2011 made news because he called journalists like interviewer Lesley Stahl "simpletons." To those of us who know and love him, that was just Ed being Ed. But the controversy over his temper tantrum overshadowed the speciousness of his argument: Pennsylvanians were already traveling to Atlantic City to gamble, so why not keep that money in the state?

But recapturing wayward locals flies in the face of conventional economic wisdom, which holds that the *only* possible way a casino can drive economic development is if, like Vegas, it's drawing the vast majority of its visitors from out of state, who come here to stay in our hotels, eat in our restaurants, and buy our goods and services on our streets. Now, of the six applicants, three are in South Philly. Are we really going to get a lot of Midwesterners vacationing at Ninth and Packer?

Warren Buffett - whom I trust on all matters economic - saw through the hype nearly a decade ago. He led the charge to keep casinos out of Omaha, saying that pulling a slot machine might be a "good exercise, but it's bad economics." He unwittingly rebutted Rendell: "The argument is made that these people are going to [gaming in] Iowa. Well, if you had a house with a nice lawn and you had a neighbor with a chihuahua and that dog occasionally strayed over to your lawn and fouled the lawn, your reaction would not be to go out and buy a St. Bernard, would it?"

Alas, I'm a realist. As much as I wish we were more forward-thinking, the fact is Philly is the largest American city with a casino - and soon to add another. Here's hoping that the remaining license is granted to either Ken Goldenberg's Market8 or Bart Blatstein's Provence on North Broad. Because both are close to the Convention Center and Center City restaurants, they stand a better chance of getting feet on their respective streets, the better to circulate money throughout the local economy.

But one of the South Philly applicants got me thinking. PA Gaming Ventures is a joint venture between Penn Gaming and a nonprofit pushed by Rep. Bob Brady (D., Pa.) to provide revenue from gaming to the city's schools and underfunded pension plan. It's an intriguing idea and it led me to want to challenge *all* the men - and they are all men - who are clamoring to make Philly Casinotown USA:

If education is the greatest form of economic development, why don't all you guys get together, pool the money you'd otherwise be spending building these monuments to what is essentially a regressive tax, and instead bail out our schools, making your largesse contingent upon real,

radical reform and true accountability measures? You guys - bold developers all - are urban gunslingers. Casinos are beneath you. And they're so yesterday. Want a real legacy? Try fixing our schools. Whaddya say, Ken Goldenberg? Joe Weinberg? Steve Snyder? Joe Procacci? Steve Wynn? Bart Blatstein?

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