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The Economist

Gambling and poverty

Of slots and sloth

How cash from casinos makes Native Americans poorer

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ON A rainy weekday afternoon, Mike Justice pushes his two-year-old son in a pram up a hill on the Siletz Reservation, a desolate, wooded area along the coast of Oregon. Although there are jobs at the nearby casino, Mr Justice, a member of the nearly 5,000-strong Siletz tribe, is unemployed. He and his girlfriend Jamie, a recovering drug addict, live off her welfare payments of a few hundred dollars a month, plus the roughly \$1,200 he receives annually in “per capita payments”, cash the tribe distributes each year from its casino profits. That puts the family of three below the poverty line.

It is not ideal, Mr Justice admits, but he says it is better than pouring hours into a casino job that pays minimum wage and barely covers the cost of commuting. Some 13% of Mr Justice’s tribe work at the Chinook Winds Casino, including his mother, but it does not appeal to him. The casino lies an hour away down a long, windy road. He has no car, and the shuttle bus runs only a few times a day. “Once you get off your shift, you may have to wait three hours for the shuttle, and then spend another hour on the road,” he says. “For me, it’s just not worth it.”

Mr Justice’s situation is not unusual. After the Supreme Court ruled in 1987 that Native American tribes, being sovereign, could not be barred from allowing gambling, casinos began popping up on reservations everywhere. Today, almost half of America’s 566 Native American tribes and villages operate casinos, which in 2013 took in \$28 billion, according to the National Indian Gaming Commission.

Small tribes with land close to big cities have done well. Yet a new study in the *American Indian Law Journal* suggests that growing tribal gaming revenues can make poverty worse. The study looks at two dozen tribes in the Pacific north-west between 2000 and 2010. During that time, casinos owned by those tribes doubled their total annual take in real terms, to \$2.7 billion. Yet the tribes’ mean poverty rate rose from 25% to 29%. Some tribes did worse: among the Siletz poverty jumped from 21.1% to 37.8%.

Experts offer several explanations. Drug and alcohol abuse are rampant on reservations, so many tribal members find it hard to hold down a steady job. Poor health is another problem: Native Americans have high rates of obesity and diabetes, which are often aggravated by a lack of good medical care. More than 14% of Native Americans are in poor or fair health, according to the Department of Health and Human Services, compared with 10% of the overall population. Some 27% of Native Americans under 65 lack health insurance, compared with just 17% of Americans. “A lot of people in these communities are suffering,” says Greg Guedel, a Seattle-based attorney who wrote the study.

But the biggest problem may be the way casino profits are sometimes disbursed. Per capita payments have grown as gaming revenues have risen. “These payments can be destructive because the more generous they become, the more people fall into the trap of not working,” says Ron Whitener, a law professor, tribal judge and a member of the Squaxin Island Tribe in Washington state. Of the 17 tribes in the study that handed casino profits directly to members, ten saw their poverty rates rise. Of the seven tribes that did not, only two saw such an increase (see chart).



Per capita payments range from as little as a few hundred dollars a year to more than \$100,000. In some tribes, members receive 18 years of per capita payments in a lump sum when they turn 18. “There are a lot of very successful car dealerships around reservations that make their money off 18-year-old[s],” adds Mr Whitener.

One very small tribe in the study, Jamestown S'Klallam in northern Washington, has eliminated poverty entirely. That tribe does not issue any per capita payments and has used its casino profits to diversify into other businesses, such as harvesting huge molluscs for export to China. Squaxin Island, which reduced its poverty rate from 31.4% in 2000 to 12.4% in 2010, used casino profits to get into cigarette manufacturing about ten years ago. Leaders of the Siletz tribe, by contrast, allot 40% of the casino's net revenues to per capita payments and only 17% towards economic development. Of the tribes surveyed, the Siletz has one of the highest poverty rates.

Direct payments are popular, so tribal leaders are reluctant to cut them. And some experts think they help. "I get terribly annoyed by folks who suggest that Natives become lazy once they have a little guaranteed income," says David Wilkins, a professor of American-Indian studies at the University of Minnesota. He says he doesn't hear that argument used often against rich non-Natives with trust funds. Perhaps he has never seen the film "Arthur".

Kevin Goodell, a 51-year-old Siletz tribal member, works on the tribe's forestry crew. It had several job openings last year—but no qualified applicants, according to Mr Goodell. He says he tried to get young people interested, but they told him they didn't want to work in the woods. With free housing and health care, "a lot of people have figured out a way to use the system to survive," he says. "Why get a job if you don't need one?"