



Portsmouth Herald

Connecticut's casinos – A cautionary tale

By Robert H. Steele

Posted Apr. 7, 2015 at 5:18 PM

Casino proponents used to cite the spectacular success of Connecticut's two casinos, Foxwoods and Mohegan Sun, as a prime argument for legalizing casinos in New Hampshire. It's an argument you don't hear any more. And for good reason.

Opened in the 1990s, Connecticut's casinos got off to blistering starts. With no competition other than from Atlantic City, 250 miles away, they quickly became the two biggest casinos on the planet, attracting over half their combined customers from out of state, creating some 20,000 casino jobs, and sending as much as \$430 million a year in slots revenue to the state.

But we are now getting to see the full life cycle of the casinos and learning more and more about their downside. For starters, they have created a pervasive gambling culture in southeastern Connecticut, they've skewed the region's economy heavily toward low-paying service jobs, and they were followed by a steep increase in the number of Connecticut residents seeking treatment for gambling addiction.

Despite a sharp drop in crime in Connecticut as a whole over the past two decades, a 2014 study from Western Connecticut State University shows that the number of violent crimes (including murder, rape, robbery and aggravated assault) increased in nearby towns after Foxwoods and Mohegan Sun arrived. Moreover, while the number of theft crimes declined modestly, the value of property stolen skyrocketed by nearly 40 percent. Interviews with police and judicial officials also indicated increases in prostitution and illicit drug use.

Nonetheless, the conventional wisdom has been that the casinos have been a net economic plus for Connecticut because of all the out-of-staters who leave their money here. But the monopoly that allowed Connecticut's casinos to attract so much out-of-state money has now disappeared. When Foxwoods opened there were 10 other casinos in the Northeast, all in Atlantic City. Today, there are 53 casinos in the Northeast and the number could easily go to 70.

As a result of the growing competition, Connecticut's annual slots revenue is already down 35 percent. The casinos have eliminated thousands of jobs, they are replacing full-time employees with part-timers in order to reduce wage costs and eliminate medical benefits, and Foxwoods has stopped payments to its tribal owners and defaulted on a half billion dollars of debt.

In the meantime, the casinos have done little to create spin-off businesses, but have cannibalized existing businesses and left Connecticut residents with less money to spend on other goods and services. Nor is there evidence that the casinos have strengthened the state's long-term finances. Connecticut has taken in over \$6.5 billion in slots revenue, yet is in the worst financial shape in its history, with a lagging economy and the third worst debt and unfunded liabilities ratio of any state.

Connecticut's response to its declining casino revenue has been to try to replace it with more gambling. The state began by increasing the casinos' free play allowance so they could beef up promotions, and it tried to put keno in restaurants, bars and convenience stores until public opposition killed the effort. Now a group of top legislative leaders have introduced a bill to allow the two Indian casinos to jointly build three commercial "convenience" casinos across the state.

The story is similar in an increasing number of maturing casino states: the casinos start strong, the revenue begins to decline as competition mounts, and the states rush to prop up the casinos and/or add other forms of gambling in order to keep the easy money flowing. And in the process, the casinos leave a host of problems in their wake. According to a recent landmark report from the non-partisan Institute for American Values in New York, they drain wealth from communities, weaken nearby businesses, hurt property values, and reduce civic participation, family stability, and other forms of social capital that are at the heart of a successful society.

Despite the lessons from Connecticut and elsewhere, those seeking to bring casinos to New Hampshire continue to argue that their benefits would outweigh their costs. But would they? With the social costs of casinos becoming clearer and the economic arguments that have been used to justify those costs unraveling, it's becoming an increasingly difficult argument to make.

*Robert H. Steele is a former U.S. Congressman from Connecticut and the author of *The Curse: Big-Time Gambling's Seduction of a Small New England Town* (Levellers Press).*