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GUEST APPEARANCE: The curse of big-time casino gambling

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By ALLISON STOKES

On the first national Stop Predatory Gambling Day in September, I was speaking at a friend's memorial service in Massachusetts and so could not attend the event in Geneva. This was a big disappointment because the Women's Interfaith Institute had co-sponsored the program, and I was especially eager to meet Robert Steele, one of the speakers. I had read "The Curse, Big-Time Gambling's Seduction of a Small New England Town," his gripping novel based on actual experience in Connecticut. Fortunately, Mr. Steele did send me a copy of this talk. He mentions at the outset, "We in CT are very familiar with the Wilmorite group, because it financed an effort to open an Indian casino in Connecticut. That effort ultimately failed because the tribe in question could not prove it qualified for federal recognition."

What follows is an excerpt from Robert Steele's talk on predatory gambling.

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As important as the environmental impact would be, I would like to zero in on the social and economic impact of what is being proposed for Tyre, using what is happening in Connecticut and elsewhere as background.

Connecticut's two casinos, Foxwoods and Mohegan Sun, got off to blistering starts. With no significant competition other than in Atlantic City, 250 miles away, they quickly grew into the two biggest casinos on the planet, drawing more than half their combined customers from out of state, creating over 20,000 casino jobs, and sending hundreds of millions of dollars a year in slot revenues to the state treasury.

Today, however, the bloom is off the rose for Connecticut's casinos as the Northeast fills up with competing casinos, fewer and fewer out-of-staters come to CT to gamble, and the out-of-state money that fueled CT's gambling boom, and that of other early casino states, increasingly dries up.

Thanks to the growing competition, the combined revenue for CT's two casinos is already down 38 percent from its peak. The casinos have eliminated 8,000 jobs and have been increasingly replacing full-time jobs with part-time jobs to reduce wage costs and eliminate medical benefits, while Foxwoods has stopped all profit-sharing payments to its tribal owners and is mired in debt.

The story is similar elsewhere, with growing competition cutting into the profits of casinos and changing the dynamics of the casino business in more and more states. For example, Delaware has had to put millions of dollars toward bailing out its three casinos, while New Jersey has spent hundreds of millions trying to prop up its casinos, only to see a third of them close in the past 20 months. In Ohio and Maryland, casino revenue is roughly 40 percent below original projections.

As the casinos' profits slide, we have also been getting a clearer picture of the overall economic and social downside of what has happened in Connecticut.

First, with less out-of-state money coming in, an increasing percentage of the casinos' profits and resulting state revenue is coming from the gambling losses of Connecticut residents, resulting in what Nobel Prize-winning economist Paul Samuelson called "the sterile transfer of money" from one group to another without creating any net new value.

Second, even with all the out-of-state money that came in in the past, the Connecticut casinos did little to create spin-off businesses, but did cannibalize other businesses.

One example of cannibalization actually involved a good friend of mine who owned one of the region's most successful restaurants and who I never saw more excited than when one of the casinos opened nearby. He thought

the casino would be great for his business, that with all the people coming down from Boston and up from New York, surely hundreds of them would stop at his restaurant every week.

Unfortunately, it didn't work out that way, and I remember what he told me when he closed his restaurant because of competition from the casinos. "I have to admit," he said sadly, "that I had no idea how the casinos actually work. But now I understand. People drive to the casinos, play at the casinos, go to shows at the casinos, stay at the casino hotels, eat at the casino restaurants, and then fill up their gas tanks at the casino gas stations and drive home. We as local merchants rarely see any of them."

As casino mogul Steve Wynn once told a group of Connecticut businessmen when he was trying to put a casino in Bridgeport: "Get it straight, there is no reason on earth for any of you to expect for more than one second that just because (people come to my casino) they are going to run into your store or restaurant."

And third, there is little evidence that casinos ultimately strengthen state or local government finances. Connecticut receives 25 percent of its casinos slots profits, which has provided the state with over \$6 billion in revenue in the past 22 years. Yet CT today is in the worst financial shape in its history, with a lagging economy and the third worst debt and unfunded liability ratio of any state.

And then there are the social issues.

For starters, the casinos have created a pervasive gambling culture in southeastern CT and they were followed by a steep increase in the number of CT residents seeking treatment for gambling addiction, with an attendant increase in debt, bankruptcies, broken families and crime.

One of the most remarkable findings from a 2009 state-sponsored study was that there had been a 400 percent increase in arrests for embezzlements in Connecticut since the casinos opened, a rate of increase 10 times the national average.

One of the embezzlers, incidentally, was my tax collector in the town of Ledyard, where Foxwoods is located. She stole \$302,000 from tax receipts to play the slots at Foxwoods. And of course she didn't win. Indeed, statistically it is almost impossible to win when the casino takes up to 10 percent of everything you bet over time. I should note that the embezzler, who was sentenced to prison, had a pristine record as an individual and public servant before she became hooked on slots.

There were so many embezzlement cases in southeastern Connecticut, in fact, that a columnist for The New London Day newspaper described the region as the embezzlement capital of America.