

OVERVIEW OF THE ECONOMIC IMPACTS OF GAMBLING

SUMMARY OF REMARKS

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In 1997, gaming in the United States—in terms of total revenue after prizes—was a \$50 billion industry. Casinos made up slightly over half of that total (26 billion), of which 6 billion was Indian gaming.

With the exception of gaming in the State of Nevada and Atlantic City, New Jersey, the proliferation of legalized gambling has occurred within the last 10 years. Gaming was prohibited in all states, with the exception of Nevada, from 1931 to 1978 and then was allowed only in Nevada and Atlantic City, New Jersey, from 1978 to 1989. Now, more than 25 states allow some type of casino-style gambling.

A variety of forms of gambling have been legalized since 1989 for a variety of economic development reasons.

First in Deadwood, South Dakota and then in three mining towns in Colorado (Cripple Creek, Central City and Blackhawk), statewide referendums were passed to authorize small-scale casinos in the late-1980s. The primary justification for these casinos was to foster economic development in an attempt to resuscitate dying communities. These four jurisdictions were late-19th Century mining towns which had languished throughout the 20th Century.

There was also a wave of river boat casinos introduced beginning in the late-1980s. This venue of gaming began in Iowa in 1989 and followed in Illinois, Mississippi, Louisiana, Missouri and Indiana. The

general belief that developed for riverboats was that the casinos in Nevada and New Jersey had the reputation of being mob-infested and sinful. If you made casinos leave land and sail, you would protect your citizens from vice.

Gaming on Indian lands came as a result of a 1987 Supreme Court decision and the enactment of the Indian Gaming Regulatory Act of 1988. The location, size and types of gaming allowed in Indian casinos are strongly influenced by the state in which the tribe resides. Indian casinos have been influenced by various court interpretations, negotiated compacts between state officials and tribal members and the proximity of the casinos to population centers. For example, one Indian casino in Connecticut, Foxwood's, is the largest and most profitable casino in the world. It has gross gaming revenues approaching \$1 billion/year. This is primarily due to its local monopoly status and its proximity to Boston and New York City.

It is likely that the pressures which exist in the United States to expand gaming to additional venues will continue. Whether casino-style gambling is a good idea for economic development remains to be seen. Most of the justification for the legalization of gambling has come from the attempt to exploit economic rewards. As the drive continues to build more gambling franchises—a highly competitive industry failing to constrain supply—the ultimate winners may be the consumers, not the casinos.