



## Casino analysis still in its infancy

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MINNEAPOLIS - An analysis of American Indian gaming is still in its infancy, according to an article published by the Federal Reserve Bank district, with opponents exaggerating the costs and proponents exaggerating the benefits of Native casinos.

And while the true costs and benefits have yet to be determined, "what is clear is that Indian casinos are neither cure-all nor catastrophe for the tribes or communities that host them," said the study in a recent issue of "fedgazette," a publication of the Minneapolis Fed.

Still, the article's analysis of Indian gaming in the Fed's territory, which extends from the Upper Peninsula of Michigan to the western part of Montana, shows "counties with reservations that had high per capita casino revenue ('rich casino counties') tended to have greater population growth, higher per capita income, and greater declines in unemployment from 1990 to 2000."

According to senior writer Douglas Clements, "more solid economic analysis would give policymakers a better look at how to maximize net benefits, by ensuring that both costs and benefits are measured accurately, and by offering economic policy options to reduce costs and enhance benefits."

The article claims that "casino opponents tend to neglect the very real entertainment value of casinos - millions of consumers voicing their preferences by spending money on casino gambling - and they often count as 'costs' money flows that are, in fact, simply transfers from one person to another."

But proponents tend to gild the casino lily as well, Clements wrote. "Casino proponents usually overstate the job creation and tax revenue benefits of casinos, neglecting the fact that any money spent at a casino would, in the casino's absence, create jobs and tax revenue elsewhere."

The article, "Milking the New Buffalo," which was published in the March 2003 issue, also gives a thumbnail sketch of Indian gaming in the ninth District, and cites many presumably unexaggerated instances of benefits to Indians from their casinos.

For instance, at the Mille Lacs reservation in Minnesota, "between 1989 and 1999, despite a huge influx in population - drawn in part by the prospect of new casino jobs - per capita income (adjusted for inflation) increased 322 percent for Mille Lacs reservation inhabitants. Median household income was up 213 percent to \$30,422 (compared with \$47,111 for Minnesota as a whole). The proportion of reservation children below federal poverty levels declined 67 percent."

And Clements cited a National Bureau of Economic Research report that compares casino and non-casino tribes nationwide. "Their analysis of national data showed that - compared to those without casinos - tribes opening casinos experienced a 12 percent population increase and a 26 percent employment increase." Mortality also decreased.

Casino money has also benefited Indian health and education, according to Clements. "Historically," he wrote, "Indians have suffered from lower health status and poorer education than virtually any other population group in the country. Casino wealth has begun to reverse that situation."

And he cited multiple casino-generated improvements at the homelands of the Mille Lacs Ojibwe, the Leech Lake Ojibwe, the Forest County Potawatomi and the St. Croix Chippewa. These include new schools, Head Start centers, a health care center, and better housing.

On the negative side, he quoted estimates made by the Lac du Flambeau Band of Chippewa, the Great Plains Gaming Association and the Minnesota Indian Gaming Association as to job and revenue creation from Indian gaming. But economic multiplier estimates like these are "imprecise" and tend to be overstated, he said, quoting the Montana Gambling Study Commission.

"In particular, proponents of casino expansion (and business growth generally) tend to exaggerate net benefits by

not recognizing opportunity costs - that is, the benefits foregone by not pursuing an alternative cost of action."

Other negatives cited in the article include increased crime and bankruptcy, pathological gambling, lost productivity at work and social disruptions like divorce.

But Clements admitted that "measuring such costs is difficult, if not impossible."

In a separate article, "Few Big Winners," Clements noted that not all Indians have grown rich due to casino gaming, and only a few tribes in the Ninth Fed district have "hit the jackpot."

"Of the 42 district reservations for which 1998 casino revenues could be estimated, the top five account for 54 percent of casino revenue but just 5.5 percent of reservation population."

And on the other end of the spectrum, "the bottom 10 reservations have 1 percent of casino revenue but 42 percent of total reservation population."

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