In Re: Summary Analysis of Methodologies for Studying and Detailing Effects of Foxwoods and Mohegan Sun Casinos on Connecticut’s Consumer Economy

Introduction

As part of the University of Illinois’ mission to inform the public discourse via academic research, this review was produced pro bono as: “Summary Analysis of Methodologies for Studying and Detailing Effects of Foxwoods and Mohegan Sun Casinos on Connecticut’s Consumer Economy.”

Academics at the University of Illinois (UIUC) College of Business have been studying gambling issues since 1978. As a focus for Illinois research universities, the College has continually coordinated with U.S. academics, particularly academics who were instrumental in the establishment and expert academic reviews by the Congressional 1999 U.S. National Gambling Impact Study Commission. NAT’L GAMBLING IMPACT STUDY COMM’N, FINAL REPORT (June 1999) [hereinafter NGISC FINAL REPORT]. The UIUC College of Business is listed on the first page of the U.S. Gambling Commission’s “Sources for Information.”

As part of the summary analysis herein, a specific review was requested of the study titled: “Mohegan Sun & Foxwoods Resort Casino: Potential Impact of Gaming Expansion in Massachusetts & New York” (Mar. 2015) [hereinafter Mohegan Sun & Foxwoods Study].

For informing statewide and regional decision makers, this summary review will primarily utilize the strategic methodology developed in the early 1940s at Yale University and known as the McDougal-Lasswell model for decision-making. See, e.g., Harold D. Lasswell & Myres S. McDougal, Legal Education and Public Policy Training in the Public Interest, 52 YALE L. J. 203, et seq. (1943). This decision-making methodology for government officials has been widely-utilized throughout government agencies, including the U.S. State Department.

Executive Summary

2. **Recommendation: Connecticut Should Have Traditional Economics Experts (sans the Casino-Industry) Conduct a Cost/Benefit Study Focused on the “Statewide Economic and Social Impacts of Existing Casino-Style Gambling and Any Projected New Casinos.”**

**Delimitation of Problems**

1. **The Mohegan Sun & Foxwoods Study Has a Myopic Focus re Legislative Decision-Making.**

From the perspective of decision-makers interested in the economic prosperity of the entire State of Connecticut, the primary short-coming of the Mohegan Sun & Foxwoods Study is that it focuses almost exclusively on what will benefit the casinos—without a comprehensive overview of what will economically benefit the state’s consumer economy. The authors of the Mohegan Sun & Foxwoods Study apparently indicate in the executive summary that the sponsors of the study established the limited parameters within which the gravity modeling was to be performed. Mohegan Sun & Foxwoods Study, *infra*, at i-ii (exec. summary).

2. **The U.S. National Gambling Impact Study Commission Called for “Economic Impact Statements” before any Expansion of Gambling Venues.**

As recommended by the 1999 U.S. National Gambling Impact Study Commission enacted by the U.S. Congress, the State of Connecticut and all states would benefit significantly from periodic cost/benefit studies analyzing the statewide socioeconomic impacts of gambling activities on the consumer economy—and particularly before the expansion of any type of gambling. NGISC *Final Report*, *infra*, recs. 3-16, 3-18.

3. **Any Economic Impact Statement Should Study the Needs of the Entire Connecticut Consumer Economy vis-à-vis the Needs of Casino Gambling.**

Within the limitations given the authors of the Mohegan Sun & Foxwoods Study, the gravity modeling was complex, but well-done; however, the overall consumer economy of Connecticut needs to be reviewed to give decision makers information for maximizing the benefits to citizens. *See generally*, NGISC *Final Report*, *infra*, recommendations.

4. **Decision Makers Should Recognize that by Definition the “Gross Gaming Revenues” of Connecticut Casinos are Generated Primarily at the Expense of the Connecticut Consumer Economy—with a Concomitant Loss in Sales Taxes and Other Consumer-Economy Tax Revenues.**

It is economically counterproductive to the state economy and tax revenue generation if the goal is to benefit casinos at the expense of consumer businesses. For example, in the table “Estimated Gross Revenue for Foxwoods Resort Casinos, CY 2014 Thru CY 2019” the displacement of
gross gaming revenues to New York and Massachusetts is simply market competition. The
displacement back to New York and Massachusetts can be visualized primarily as a loss of New
York and Massachusetts gaming tourists back to the “more convenient” local casinos being built
in New York and Massachusetts. This phenomenon has long been observed as a function of the
“accessibility factor.” See, e.g., *The National Impact of Casino Gambling Proliferation:*
*Hearings Before the House Comm. on Small Business*, 103d Cong., 2d Sess. 4-8, 82-86

More Connecticut casinos will just take more of Connecticut’s consumer dollars out of
Connecticut residents. Technically, it is important to note that pursuant to the Mohegan Sun &
Foxwoods Study approximately $1.5 billion or 75% of the current gross gaming revenue to
Connecticut casinos is primarily coming from Connecticut residents and the Connecticut
consumer economy. See, e.g., Mohegan Sun & Foxwoods Study, infra, at iv. These significant
amounts dwarf the contributions of the casinos to the local consumer economy, and result in a
net loss to the overall Connecticut consumer economy and the associated consumer-economy tax
revenues.

For an example of American Indian casinos costing a state approximately $600 million to $1
billion (in current dollars) in annual economic costs, see WILLIAM THOMPSON, ET AL., WIS.
POL’Y RESEARCH INST., WISCONSIN POLICY RESEARCH INSTITUTE REPORT: THE ECONOMIC
IMPACT OF NATIVE AMERICAN GAMING IN WISCONSIN (1995) [hereinafter THOMPSON ET AL.,
WIS. POL’Y RES. INST.]. For a local example of the multimillion-dollar negative impact of one
American Indian casino which was publicized by the tribe itself, see Press Release, Osage Tribe,
Land Acquired in Chautauqua County for Possible Casino (May 8, 2001), originally at
www.osagetribe.com/gaming.htm [hereinafter Tribal Casino Causes Multi-Million-Dollar
Economic Losses], reprinted in, Gambling’s Crime Multiplier Effect, infra, at 386.

5. **Connecticut’s Casinos Are Requesting Competitive Advantages Not Enjoyed by
“Consumer Businesses” Facing Competition and Market Saturation.**

Connecticut consumer businesses, such as auto dealerships, have not been afforded the
competitive advantages being requested by the Mohegan Sun and Foxwoods casinos. Notably,
the tables in the Mohegan Sun & Foxwoods Report indicate that if these casinos are not allowed
to expand, these casinos will still be profitable into the future with reasonable management. The
national press has reported that if casinos’ management is deficient, consumer businesses should
challenge why taxpayers are subsidizing substandard managerial practices. See, e.g., Donald L.
Barlett & James B. Steele, *Look Who’s Cashing In At Indian Casinos: Wheel of Misfortune,
TIME* (Cover Story), Dec. 14, 2002 (republished at U.S. Congressional requests and distributed to
all Members of Congress) [hereinafter *Look Who’s Cashing In*]. See generally, John W. Kindt,

Clarification of Goals


It is well-established by the U.S. Bureau of Economic Analysis (BEA) that a U.S. consumer economy has an economic multiplier of “2” to “3,” which means that for every dollar spent in the consumer economy, the re-spent dollars circulating throughout the consumer economy double or triple the economic increase.

2. Casinos do not Generate the Economic Multiplier That is Found in a Traditional or Pre-existing Consumer Economy.

At best a casino’s multiplier is below a “2,” and in 1994 an extensive University of Massachusetts report indicated that the starting-point for casinos was a “negative multiplier.” ROBERT GOODMAN, LEGALIZED GAMBLING AS A STRATEGY FOR ECONOMIC DEVELOPMENT 50, 51-56 (Ctr. Econ. Dev., Univ. Mass. 1994) [hereinafter UNIVERSITY OF MASSACHUSETTS REPORT]. See generally, John W. Kindt, Diminishing or Negating the Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling: Should a Negative Socioeconomic “Crime Multiplier” be Included in Gambling Cost/Benefit Analyses?, 2003 MICH. ST. DETROIT COLLEGE OF LAW L. REV. 281, 281-313 (lead article) [hereinafter Gambling’s Crime Multiplier Effect].

The Mohegan Sun & Foxwoods Study analyzes non-gaming revenue (NGR), but the parameters given by the study’s sponsors to the authors seem primarily to be focused myopically on the interface with the actions of gambling at casinos—to the exclusion of the entire state’s consumer economy.

For decades there has been economic evidence that casinos cannibalize existing consumer businesses, siphoning purchasing power away from consumers buying cars, refrigerators, electronics, and even the necessities of life. Around new casinos, locals spend 10% less on food and 25% less on clothing. Also, 37% of the local populace withdraw their savings to lose to casinos. THOMPSON ET AL., WIS. POL’Y RES. INST., infra, at 1, 2, 25 (analyzing tribal casinos).
Historical Background

1. *A Consumer Economy is not a Gambling Economy.*

The economic principles applicable to a consumer economy are frequently assumed to apply to a gambling economy. Decision makers who apply traditional consumer-economic principles to gambling activities are making a common but indefensible mistake. A gambling economy does not create consumer goods, but instead only transfers wealth.


Prior to 1995, but definitively during 1995 Connecticut legislative hearings, prescient Connecticut legislators predicted many of the 2016 economic and social problems associated with the legislative authorization of Connecticut casino gambling. The tax revenues negotiated with the Connecticut American Indian casinos do not cover the costs of the deleterious economic and social impacts which are created by casino gambling activities.


By comparison and similar in 1995, one state’s tribal casinos’ economic and social costs of $600 million to $1 billion (in 2016 dollars) parallel those of Connecticut casinos, see THOMPSON ET AL., WIS. POL’Y RES. INST., *infra*, at 38-39.
Trends and Conditioning Factors

1. *As Casino-Style Gambling Spreads Market Saturation Will Continue to Occur.*

The Mohegan Sun and Foxwoods Study adequately addresses the trend toward market saturation in the Northeast United States. For the last 25 years, states legalizing casino gambling have tried to give casinos regional monopolies so that the primary 50-mile “feeder markets” do not overlap. Obviously, with the proliferation of American Indian casinos, in particular, there are more instances involving the overlapping of the 50-mile feeder markets. See generally, Gambling’s Market Saturation, infra.


Despite numerous taxpayer subsidies and bailouts dating back to the 1980s (only a decade after being authorized in 1975-1976), Atlantic City exemplifies that market saturation via continually building casinos will eventually not only bankrupt individual casinos, but also the entire market—as is the case in 2016 Atlantic City. As a result of the casinos, the well-documented consumer economy around Atlantic City has continually decreased. For early academic examples of these inevitable trends, see Gambling’s Market Saturation, infra.


After Chicago rejected a $2-billion casino complex in 1994, the same casino companies went to the Detroit area and within a few years lobbied 1996 authorizations for Detroit casinos on the promise to the Michigan legislature and public that casinos beginning in 1997 would save the City of Detroit. However, in 2014 Detroit was the first major U.S. city forced into bankruptcy. For academic predictions pointing to such an outcome—as published in the 2003 law review for Michigan State Detroit College of Law, see Gambling’s Crime Multiplier Effect, infra.

Although a state cannot declare bankruptcy, the State of Illinois is technically bankrupt with $112 billion in unfunded liabilities and no state budget for almost one year. As noted in 2015 Congressional hearings, the most identifiable loss of monies to the Illinois Treasury since 1990 consists of $35 billion to $100 billion in giveaways to Illinois casino interests. See, e.g., Hearing Before the House Subcomm. on Crime, Terrorism, Homeland Security, and Investigations, 104th Cong., 1st Sess. 13, 19-21 (prepared statement of lead witness, Univ. Illinois Prof. John Kindt).

4. *Modern Casino Gambling is Predicated on Taking Electronic Slots Gambling to Local Populations.*

The trend by casino companies to solicit and receive non-competitive regional monopolies was reflected in the February 2016 legislative hearings in Georgia to authorize casinos. Notably,
despite an overwhelming lobbying campaign by casino companies working in concert to legalize Georgia casinos, the Georgia Legislature rejected a carefully crafted 71-page bill. (Nota bene: The Georgia Legislature also rejected legalizing “Daily Fantasy Sports”.) See, e.g., Hearing Before the Georgia House Committee on Regulations, Atlanta, Ga., Feb. 25, 2016 (testimony of Ga. Rep. Ron Stephens (R-Savannah) v. testimony of Prof. John Kindt).

Policy Alternatives and Recommendations


Contrary to trends in some states to curb the expansion of casinos and electronic slot machines, Connecticut could increase casino gambling venues. This policy would further cannibalize the state’s consumer economy although it would temporarily increase gross gaming revenues primarily from Connecticut residents due to the “accessibility factor” phenomenon which will operate to keep tourists from Massachusetts and New York in their home states.

2. Increased Marketing and Savvy Management by Existing Connecticut Casinos Can Compete with the Casino Gambling in Other States.

Expanded casino gambling is the “go-to” alternative of mismanagement and unimaginative marketing. Expanded types of casino gambling and expanded gambling venues would probably temporarily increase gross gaming revenues—but at the expense of the state’s consumer economy. Resentments by consumer businesses and taxpayers will necessarily grow with the spread of casino-style gambling, as consumer businesses recognize the difficulties of competing for dollars with electronic gambling machines.


There is no need for any legislature to rush into expanded casino-style gambling which several states have recognized as a failed policy. For example, in one of the first states to legalize casinos, Illinois Governor Patrick Quinn twice vetoed more Illinois casinos in 2012 and 2013. Similarly, in 2016 the Georgia Legislature would not pass any legislation authorizing casinos.

More expert analyses from sources outside the gaming industry can inform legislative decision making if conducted with focus on the statewide implications of existing casino-style gambling and any new casino proposals.

It is essential that any analysis focus on electronic gambling machines (EGMs) a.k.a. electronic gambling devices (EGDs) or other types of electronic slot machines. Between 80% and 95% of all gross gaming revenues to casinos are from EGMs/slot machines.*

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* Caveat: From a socioeconomic perspective, EGMs/slot machines are known as the “crack cocaine” of creating new addicted gamblers. See, e.g., “Slot Machines: The Big Gamble,” 60 Minutes (Leslie Stahl reporter) (available on YouTube and Google). See also, NGISC Final Report, infra.

Card games are not “the” profit center in modern casinos. EGMs/slot machines are the profit center. Also, comparisons to Las Vegas are false and pejorative. Las Vegas cannibalizes the economy of Southern California and is the only genuine U.S. “destination resort.” See, CAL. GOVERNOR’S OFFICE OF PLANNING & RESEARCH, CALIFORNIA AND NEVADA: SUBSIDY, MONOPOLY, AND COMPETITIVE EFFECTS OF LEGALIZED GAMBLING ES-1 (1992).