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40 Economists Side Against More Gambling

Signers: Costs Likely Higher Than Benefits

BY ROBERT DORR
WORLD-HERALD BUREAU

Lincoln — Forty Nebraska economists say they oppose the expansion of gambling in Nebraska because the economic costs "are likely to far outweigh" the benefits.

Gambling has a better reputation than it deserves because the economic benefits — mainly jobs at casinos — are easy to see, said Loretta Fairchild, economics professor at Nebraska Wesleyan University in Lincoln.

"The economic costs are hidden," said Dr. Fairchild, the main drafter of a statement released Saturday.

The statement opposes gambling only on the basis of its economic costs related to economic benefits.

The signers, mostly economics teachers at Nebraska colleges and universities, might or might not have moral reasons for opposing the expansion of gambling in Nebraska, Dr. Fairchild said.

Two expanded-gambling petition issues have fallen short of the 98,939 valid signatures needed to get those measures on the Nov. 5 ballot in Nebraska. A federal judge has given the leaders of both efforts until Oct. 8 to come up with evidence that too many signatures were invalidated by local election officials.

One issue, supported by Nebraska racetracks and horse owners, would permit opening casinos at or near the state's tracks. The second issue, backed by some keno parlor owners, would allow local voters to authorize slot machines and other electronic gambling at keno parlors.

The statement signed by the 40 economists reads: "We, the undersigned Nebraska economists, are opposed to the expansion of gambling in Nebraska be-

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40 Economists Pan Expanded Gambling

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cause the additional direct and indirect costs are likely to far outweigh the additional direct and indirect benefits for the state as a whole."

Dr. Fairchild said studies on gambling have indicated that casinos that draw most of their customers from the local area and the surrounding region "siphon consumer dollars away from other local businesses."

"Regional casinos simply recirculate dollars that already exist, bringing little or no new money to the local economy," said Dr. Fairchild, who has a doctorate in economics from Cornell University.

Dr. Fairchild said many people believe that all the money from gambling stays in the state. "That's a myth," she said. "It depends on the ownership structure. Many of the casinos are owned by a few large Las Vegas- or East Coast-based corporations."

In calculating economic benefits, Dr. Fairchild said, economists include new jobs, profits to any in-state owners, additional tax revenues and savings by consumers in traveling to a nearby casino compared with going to one farther away.

Costs include the loss of revenue and job reductions at other retail businesses, sales-tax revenue losses, profits going to out-of-state owners, revenue lost by existing forms of gambling, costs of regulating gambling and costs to businesses because of increased absenteeism and lower productivity.

Other economic costs result from an increase in people with gambling addictions, she said. Those costs include increased crime leading to more police, jails and courts; costs to businesses of embezzlements, forgeries and thefts; and costs of treating addicted gamblers.

In assessing other gambling studies and drafting the statement, Dr. Fairchild worked with Charles Lamphear, director of the Bureau of Business Research at the University of Nebraska-Lincoln, and John Anderson, professor of economics at UNL.

The economists signed as individuals. The statement did not list their employers. The signers in addition to the three coordinators:

UNL economics professors or associate professors: Craig MacPhee, David Rosenbaum, Ann Mari May, Roger Riefler, Jerry Petr and Benjamin Kim.

UNL economics professor emeritus: Wallace C. Peterson.

UNL professors or associate professors of agricultural economics: Michael S. Turner, Glenn A. Helmers, George H. Pfeiffer, Richard K. Perrin, Raymond J. Supalla, James G. Kendrick, Bruce Johnson, Dale Anderson and R. Garth Taylor.

Creighton University economics professors or associate professors: Joseph Phillips, Gerard Stockhausen, Thomas Nitsch, James Knudsen, N.R. Vasudeva Murthy and Edward Fitzsimmons.

Bellevue University: Judd W. Patton, associate professor of economics, and James R. Moore, instructor in economics.

Nebraska Department of Economic Development: James Knotwell, economist, and Kim Newell, recycling economic development advocate.

Doane College, Crete: Les Manns, assistant professor of finance and economics, and Mary Sue Carter, associate economics professor.

Nebraska Wesleyan University: Joyce Gleason, professor, and Clayton D. Feis, retired economics teacher.

Others: Ron Konecny, associate professor of management and marketing, University of Nebraska at Kearney; Mehdi Afiat, Chadron State College business department; William Snyder, professor of business, Peru State College; Meenakshi Dalal, economist at Wayne State College; Donna Dudney, business division head, College of St. Mary, Omaha; and Clifton A. Sexton Jr., Lincoln, and Joe Watkins, Grand Island, whose affiliations could not be determined.

Troubled casino owners often walk away with profit

By NICOLE ZIEGLER DIZON
THE ASSOCIATED PRESS

CHICAGO — Illinois gambling regulators found Horseshoe Gaming mogul Jack Binion unfit to run a riverboat casino in their state, so he left — after selling his suburban Chicago casino for $465 million.

Players International Inc., tainted in a scandal involving ex-Gov. Edwin Edwards in Louisiana, got out of its jam with a $425 million sale to Harrah's Entertainment.

And Station Casinos, in hot water with Missouri regulators over allegations against a former company lawyer, left the state after selling to Ameristar Casinos for $488 million.

Across the country, riverboat casino owners in trouble with state regulators have found profit in their problems. Faced with heavy fines or the loss of their licenses, they've sold their operations to less-troubled companies — a practice gambling critics blast as license laundering.

"It's a pattern that is disturbing," said the Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. "Now we've got regulatory bodies that are acting as Laundromats."

Grey has been fighting Emerald Casino Inc.'s attempt to build a riverboat casino in Rosemont, a suburb near O'Hare International Airport. Illinois regulators refused to OK Emerald's casino plans in part because they said top executives Donald and Kevin Flynn had lied to investigators.

Now the Flynns are negotiating with Las Vegas casino giant MGM Mirage to sell their shares in the state's only idle casino license. The Illinois Gaming Board condemned the discussions, and Grey has vowed to fight any deal that lets the Flynns profit.

But while Grey and other gambling critics cite approved buyouts as examples of lax casino regulation, industry representatives say they're evidence of just the opposite.

Frank Fahrenkopf, president and CEO of the American Gaming Association, said it's easier for some gambling companies to sell than jump through the hoops put up by various state regulators.

"You've got a tough regulatory regime, and some companies just don't want the hassle," Fahrenkopf said.

The cases involving Players, Stations and Horseshoe are the exception rather than the rule, Fahrenkopf said. He also said it's only fair for casino companies to recoup their investment in a state if they're forced out.

> *"It's a pattern that is disturbing. Now we've got regulatory bodies that are acting as Laundromats."*
>
> —THE REV. TOM GREY
> EXECUTIVE DIRECTOR OF THE NATIONAL COALITION AGAINST LEGALIZED GAMBLING

"We still live in a country where government cannot take away people's property without due process," he said.

In the Horseshoe case in Illinois, regulators already had approved the company's move into the state before they rejected Binion as an owner of the Joliet Empress.

The board alleged Binion used shell minority vendors in Louisiana to fulfill minority participation goals and said he had once posted a $2 million bond for a jailed high-stakes gambler in Nevada. Horseshoe appealed the decision.

Horseshoe spokesman Guy Chipparoni said Argosy Gaming's buyout of the Joliet boat, approved Tuesday by the Illinois Gaming Board, recognizes the investment Horseshoe made in Illinois. Horseshoe moved its headquarters to the state as part of the original agreement to purchase the boat.

"Profit's not a bad word," Chipparoni said. "With respect to this industry as with every other industry, they're in it to make a profit."

Riverboat profits also help out the states and municipalities that play host to the casinos, making it hard for regulators to threaten the most drastic penalty: closure.

"It becomes a lot more difficult to wield that hammer when you're talking about an operating casino," said Michael Pollock, publisher of the newsletter Gaming Industry Observer.

Michael Fanning, a Montana gambling regulator and president of the North American Gaming Regulators Association, said gambling boards must consider the effects their decisions may have on innocent third parties, such as casino workers.

Fanning stressed that each case is different. But he ticked off reasons for allowing buyouts, such as the cost and time spent on lawsuits and whether an offense is serious enough to merit a shutdown.

"There are a lot of sensible and defensible reasons for removing the bad apples from the barrel," Fanning said.

The trend toward consolidation in the casino industry makes it easy for companies to find willing buyers, Pollock said. Players International, for example, would likely have been bought out even if it had not been involved in the Edwards scandal, he said.

Federal prosecutors claimed that Players executives funneled money to Edwards and his son, Stephen, to get a Louisiana gambling license. The former governor was found guilty of extorting applicants for casino licenses but remains free while his case is on appeal.

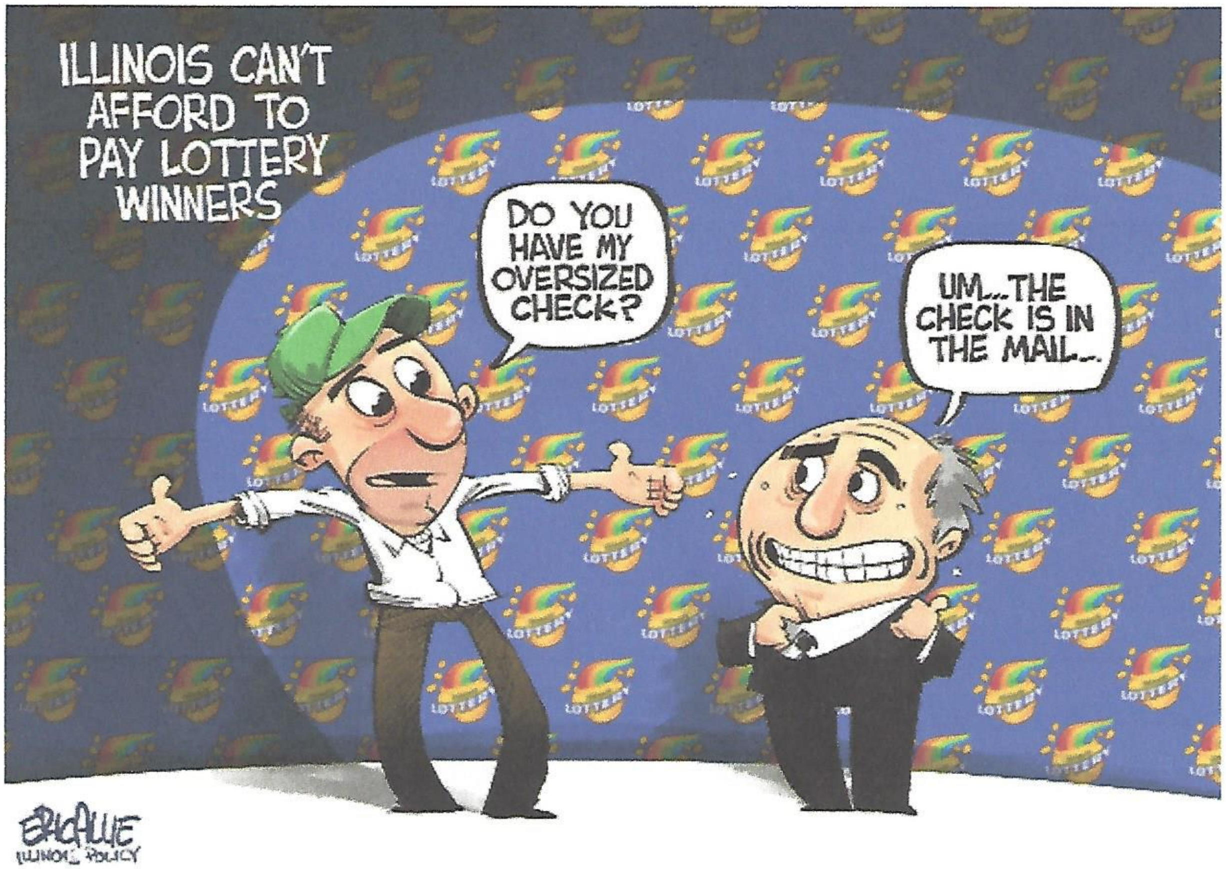
Players, though not indicted in the case, agreed to leave the state and pay a $10.2 million fine. In return, regulators approved the Harrah's buyout.

In Missouri, Station Casinos paid a $1 million fine and sold its riverboats in Kansas City and St. Charles after a one-time Station lawyer was accused of trying to influence the regulatory board's former chairman.

Station and Horseshoe still own casinos outside the states where they ran into trouble.

Grey, the anti-gambling activist, said settlements that let casino operators sell their problems away send a dangerous message.

"It says you can screw up, sell at a profit and keep in the gambling business," Grey said. "Once they're in, they're protected."



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Again Proves
Consumer Job
Losses

110 Pokies per Australian

Driscoll: "Retailers Could Cut Unemployment in Half Without Pokies Scurge"

Monday, 18 January 2010

Scott Driscoll, National Executive Director of ***The Retailers Association*** has called on Prime Minister Kevin Rudd to intervene and curtail the States drunk on Pokies revenue, for the sake of job creation, if protecting families wasn't enough.

"With Australia now in the "***World's Top 10***" poker machine countries, with a Pokie per 110 Australians, we are killing off jobs and industry, so that our Governments can get fat on Pokies blood money at the expense of lives and jobs," said Mr Driscoll.

"As well as families suffering more with the growth of Pokies numbers across Australia, the retail sector suffers dramatically also as the Pokies plague spreads. People who can least afford to pour their wages down the throats of Pokies, in turn reduce spending on food, clothes and household essentials for their families. This has been a serious retail trend since Pokies emerged in Australia," said Mr Driscoll.

"Most of the ***$10Billion*** that now goes into Pokies each year in Australia used to be spent across the retail sector. It used to support the creation of real jobs," said Mr Driscoll.

"If we wiped out Pokies overnight and returned that same $10Billion to where it used to be spent we would halve the unemployment rate in Australia tomorrow and could create ***303,000 new retail jobs***," said Mr Driscoll.

For further comment call Scott Driscoll on 0413 831 045.