



2002

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Recommended Citation

Borrromeo, Lisa (2002) "The Economic Impact of Native American Gaming: Cost-Benefit Analysis of the Mashantucket Pequot Tribal Nation," *University Avenue Undergraduate Journal of Economics*: Vol. 6 : Iss. 1 , Article 2.

Available at: <https://digitalcommons.iwu.edu/uauje/vol6/iss1/2>

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**The Economic Impact of Native American Gaming:
Cost-Benefit Analysis of the Mashantucket Pequot Tribal Nation**

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I. Introduction

After years of failed government programs, Indian reservations are among the poorest communities in the United States. Alcoholism, discrimination, and inadequate education steadily stripped American Indians of their dignity, pride, and economic status (Eisler, 2001). Overall, Native American reservations have some of the highest rates of poverty, unemployment, welfare dependency, school dropout, alcoholism, and other indicators of poverty and social distress of any communities in the United States (National Gambling Impact Study Commission, 1999). To put the state of Native Americans into perspective, the following are some facts according to a report to the National Gambling Impact Study Commission (1999):

- Indian per capita income is about 40 percent of the national average
- The Indian poverty rate is almost four times the national average
- The incidence of Indian homes lacking complete plumbing is over 14 times the national average
- Alcoholism death rates are more than five times the national average for Indian adults and more than 17 times the national average for Indian youths
- Nearly a third of those working earn less than \$9,000 a year

Indian gaming appears to be the most successful strategy in turning around 150 years of failed attempts by United States government to aid American Indians, by providing a means to self-sufficiency for Tribal nations. In the past, tribes relied heavily on governmental grants, agriculture, forestry, tourism, and some light manufacturing (Anders, 1996). The businesses they had tried to start over the years – smoke shops, museum stores, and basket-weaving companies had largely failed, and over time they had become what the government considered impoverished wards of the state (Eisler, 2001). Indian gaming has been a major catalyst for community growth and economic development, replacing federal dependence with productive, tribally generated, economic activity and generating revenues for Tribes like no federal stimulus effort ever has before.

The policy of Indian self-determination has found its most controversial expression in the operation of tribal casinos. According to the Report on Tribal Priority Allocations (1999), development of self-sufficient reservation economies has been a goal of the Federal Government for almost 40 years. However, the efforts of Federal agencies such as the Office of Economic Opportunity, the Economic Development Administration, the Small Business Administration, and the Bureau of Indian Affairs (BIA) have had minimal impact. Indian gaming is however; the most severely regulated type of gambling in the United States with local, state, and federal governments as well as privately held gaming interests challenging Indian autonomy to control Tribal gaming.

Proponents of Indian gaming say it brings wealth and power to tribes that are plagued with poverty, sickness, and misery from centuries of mistreatment. Because of the dire conditions on these reservations that subsequently introduced tribal gaming, even small amounts of economic activity have proven a tremendous gain to many gaming tribes (National Gambling Impact Study Commission, 1999). Critics say that only a small percentage of Native Americans reap any real benefits from casino revenues and that gambling is a social vice that encourages drug use and organized crime, destroys families, and attracts money laundering and loan sharking. They also say that tribes now looking for federal recognition are barely of Indian decent and are only looking for a share of the Tribal gaming phenomenon.

The purpose of this paper is to put the economic and social importance of Indian gambling on and off the reservation into perspective. Because the economic and social effects of Indian gaming are additive, one cannot form a coherent picture of the net impact of gaming without measuring both the economic and social effects (Cornell et al., 1998). Because gambling has impacts beyond reservation boundaries, studying the surrounding local economy is

a necessary action. As both the number of tribes with gaming operations and the magnitude of the operations increase, so do their effects. This paper combines a general overview of existing studies and available data on Indian Tribes with a focused case study on the Mashantucket Pequots of Connecticut.

My thesis is that Indian gaming, especially on the Pequot Reservation, has had an overall positive net benefit effect on Indian Reservations and the surrounding vicinity. I will compare the environment prior to the legalization of Indian gaming, through its initial implementation, and the effects of today to predictions of what the environment would have been like had it not existed. For many Indian tribes, however, estimating what the level of tribal activity would have been in the absence of a casino is that there would have been no significant activity at all. I will raise the question of the success of Indian gaming by conducting a cost-benefit analysis of the Pequots Indian Nation, on the state and people of Connecticut. I will finally hypothesize if there is a better alternative to gaming or if gaming is the only successful route to the revival of Native American economies and self-autonomy.

II. Literature Review

Only a limited number of independent studies exist regarding the economic and social impact of Indian gambling. Some have found a mixture of positive and negative results of the impact of gambling on reservations, whereas others have found a positive impact of the tribal governments, its members and the surrounding communities. This is an area greatly in need of further research.

According to Cornell, Kalt, Krepps, and Taylor (1998), there are three qualitatively distinct types of economic effects used to determine whether the net impact of a casino on a state is positive or negative (p. 41). They are broken into casino effects, non-casino effects, and

multiplier effects. Casino effects are calculated by counting the dollars coming out of the casinos that are spent within the state. The goal of non-casino effects is to assess whether the increased spending by casino visitors at in-state businesses outweighs possible substitution away from non-gaming businesses, mostly on the retail, leisure, and entertainment sectors in areas contiguous to the casino (p. 42-43). Multiplier effects measure the full impact on the local economy of the dollars counted as casino and non-casino effects and measure how much in-state economic activity is generated by these expenditures. Throughout this paper, these effects will be shown in reference to the Mashantucket Pequot study.

Cornell et al. also conclude that the experience gaming tribes have had can be grouped into three categories: major, minor, and limited social impacts. Major social impacts are felt by tribes with successful gaming enterprises whose revenues and jobs bring social benefits such as increasing health benefits and education and substantial reductions in social pathologies such as domestic violence, crime and suicide rates. Gaming operations that have helped tribes to keep conditions from worsening and caused modest forward progress on some social problems with little gain on social pathologies are considered to experience modest social impacts. Limited social impacts make a very small contribution due to remoteness and regional competition leading to little if any impact on the employment and the economy and dependency on federal funding (p. 52). This evidence will show that the success of the Pequots gaming enterprises has allowed them to enjoy major social impacts since the casino opened in 1992.

Another topic covered by the Cornell et al. study was the four broad categories of social infrastructure that tribes with enterprise income (gaming and non-gaming) that tribes invest in (p. 61). These categories consist of: making up for federal shortfalls, investing in tribal culture, rebuilding tribal assets, and strengthening tribal government. Again, this paper will illustrate

these categories in reference to the Pequots and comment on the effects of their investments. This study concludes that the idea that the consequences of Indian gaming are largely negative, either for Indians or for non-Indians, is misguided and unacquainted with the facts (p. 77). It concludes that the positive social and economic impacts of gaming, both on and off reservations, far outweigh the negative. It also finds that the alternative to gambling is the *status quo ante*: poverty, powerlessness, and despair.

The National Gambling Impact Study Commission released a report in 1999 to the President, Congress, Governors, and Tribal Leaders. It states that the revenues from Indian gambling have had significant – and generally positive - impacts on a number of reservations. In addition to the report, the commission includes their recommendations for the future of Native American Gambling. In particular, it recommends that labor organizations, tribal governments, and states voluntarily work together to ensure the enforceable right of free association – including the right to organize and bargain collectively – for employees of tribal casinos (p. 6-22). The Commission proposes that certain aggregated financial, Indian gambling data, like that of private casinos of Las Vegas and Atlantic City, be published by the National Indian Gaming Commission (NIGC) annually and independently audited. Also suggested is that gambling tribes, states, and local governments recognize the mutual benefits that may flow into communities from Indian gambling and that all parties involved should enter into reciprocal agreements to mitigate the negative effects of the activities that many occur and to balance their rights (p. 6-23). Tribes should also be encouraged to use some of the net revenues to further diversify their economies to reduce dependence on gaming enterprises. Overall, the Commission recommends that tribal and state sovereignty should be recognized, protected, and preserved and that all relevant governmental gambling regulatory agencies should recognize the long overdue

economic development Indian gambling can generate (p. 6-23). I will refer to all of these recommendations in my paper, their relevance, and importance to Tribal gaming and the relationship with non-Indians and their compacted states.

Anders, Siegel and Yacoub (1998) in their attempt to test if tribal casino gambling reduces state revenues concludes that the Indian Gaming Regulatory Act (IGRA) created gaming monopolies that have enabled impoverished tribes to generate a substantial windfall (p. 354). Their results suggest that the introduction of Indian gaming may have shifted consumer spending from taxable to non-taxable sectors but that due to the increase in tax revenue from non-gaming sectors the displacement effects are masked. Consumers that incorporate gaming into their expenditures may reduce their purchases of other goods and services. Anders et al. believe that the leakage of tax revenues may lead to reductions in expenditures on education, social services, economic development, and environmental protection (p. 351). They feel that given the economic importance of the Indian gaming sector that it is critical for researchers to have access to more data in order to understand the policy implications of IGRA (p. 355). I will show that the Mashantucket Pequot are now the third-largest generator of revenue in the state of Connecticut and that the state has benefited from these revenues.

III. Regulation

In the early 1970s, several cases concerning Indian sovereignty on taxes, licensing, criminal and civil jurisdiction, and balancing state and federal powers began to be heard in deferral courts. In almost every case, the courts expanded the sovereignty and increased the independence of Native American reservations from state laws (Eisler, 2001). The most influential of these cases was *California vs. Cabazon Band of Mission Indians*. Through the Supreme Court's ruling in favor of the Cabazon, the Indian casino boom was born in 1987.

In its decision, the court affirmed the right of Indian Tribes to conduct gambling operations on reservations, free of state regulation. It ruled that: “The State’s interest in preventing the infiltration of the Tribal bingo enterprises by organized crime does not justify state regulation and that State regulation would impermissibly infringe on the Tribal government.” This decision was aided by the role of state lotteries. It was deemed hypocritical for states to decry gambling on reservations while they were sponsoring and promoting state lotteries, which politicians saw as a way to earn additional revenue without having to raise taxes. Almost immediately, what had previously been a relatively small and isolated phenomenon began to grow very rapidly.

Because the *Cabazon* decision created pockets of unregulated gambling in the United States, Congress passed the IGRA in 1988. The IGRA created a framework of regulation for Indian gaming and a regulatory body known as the NIGC. Regulation of tribal gaming operations occurred at four distinct levels – Tribal government, state government, the National Indian Gaming Commission, and federal government agencies such as the U.S. Justice Department, the FBI, the IRS, and the BIA (American Indian Gambling and Casino Information Center). In passing the IGRA, Congress declared that its purpose was to promote Tribal economic development, self-sufficiency, and strong tribal governments. The sole purpose of the IGRA is to ensure that the revenues will help the Tribes and surrounding communities become economically self-sufficient. The IGRA has arguably come closer to meeting its stated purpose than any other Indian policy legislation (Report on Tribal Priority Allocations, 1999). The IGRA also requires that federally recognized Indian Tribes codify special gaming agreements, called compacts, with their respective state governments (Sokolow, 1990). Compacts between states and Tribes give states some regulatory power over Indian gaming, though the IGRA recognizes

that the federal government has primary responsibility for government-to-government relations with sovereign Indian nations (American Indian Gambling and Casino Information Center). The compacting process allows the state to raise its concerns for gaming, be they related to traffic congestion, visitation-related crime, and security and organized crime anti-infiltration measures (Cornell et al., 1998). According to this study, the compact of the Pequots in Connecticut reads as such:

The tribe must disclose its programs of instructional and on-the-job training and its systems of internal organization for all gaming operations to the State gaming industry. State law enforcement officers have free access to all gaming facilities – including locked and secured areas – for monitoring purposes. In addition, the State Department of Consumer Protection monitors the serving of alcohol within gaming facilities. The tribe funds both the police and the liquor control services. (p. 21)

Since gambling revenues are used to feed, educate, and employ Tribal members, and are a primary source of economic development for these tribes, Tribal governments are the front-line regulators of the industry, placing their highest priority on its security. Tribes that have proven most effective at improving on-reservation socio-economic conditions share the three common traits of sovereignty, effective institutions, and a cultural match (Cornell et al., 1998).

IV. The Mashantucket Pequots

In the early 16th century, the Mashantucket Pequots, whose name means “destroyer”, were the most feared Indian Tribe on the East Coast. However, by the 18th century after suffering many defeats by the American colonists, along with smallpox and other European diseases, the Tribe was left to only a few members and neared the brink of total elimination. By the 1970s, there were only two members. Due to strong litigators, changes in federal laws, and the financial backing of a Chinese businessman, the Pequots were able to create the largest and most successful casino in the world. Over time people of Pequot decent and their families began to apply for certification and moved back onto the reservation to rebuild their lost culture.

Eventually, the reservation began to become repopulated with Indians traveling from across the country to find their roots and begin a new life. From two people to thousands, this Tribe has now become the wealthiest Indian Tribe in the history of North America.

Foxwoods, opened on February 15, 1992, is the largest casino in the world with more than 315,000 square feet of gaming space in a complex totaling 4.7 million square feet (Foxwoods WebPage). Proponents and critics alike acknowledge that Foxwoods casino is unique in the world of Indian gaming and can attribute much of its success to its location. Located in southeastern Connecticut, it has over 200 million adults within 150 miles and enjoys a near-monopoly of the New England market. Foxwoods was not the first Native American casino, but it did manage to become the grandest and most complete (Eisler, 2001).

V. Benefits

According to Eadington (1998), there are three main advantages to gambling in general. The first is that there are ancillary economic benefits such as job creation, investment stimulation, tourism development, or the improvement of economic status of underprivileged groups. Another advantage is the additional tax revenue generated to the public sector. The third benefit is that those who gamble in moderation receive enjoyment from the overall entertainment experience; their gain in utility should be counted as a benefit. (186-187). Additionally, in the case of Native American gambling, there is the contribution to cultural revival and tribal well-being. These conclude that the value of gambling is on what it can do rather than what it is.

VI. Employment

From early 1989 to 1992, Connecticut's defense industry eliminated 155,800 jobs due to continued cutbacks in governmental submarine-building programs. Since its opening in 1992,

Foxwoods has created over 41,000 jobs, directly and indirectly, for both Indian and non-Indians accounting for 2.4 percent of all jobs in the state (Zeilbauer, 2000). The following table gives the Local Employment Impact of Mashantucket Pequot Tribal Nation (MPTN) operations on the surrounding towns of the reservation.

| Towns | Total number employed (1998) | Employed by the MPTN (1998) | Percentage of direct employment | Percentage of indirect employment based on 1993 study | Percentage of total employment based on 1993 study |
|-------------------------|-------------------------------------|------------------------------------|--|--|---|
| Ledyard | 7759 | 779 | 10.03% | 10.7% | 20.7% |
| Preston | 2678 | 218 | 8.14% | 8.5% | 16.7% |
| North Stonington | 2762 | 218 | 7.89% | 8.4% | 16.3% |

Source: CCEA, the Economic Impact of the Mashantucket Pequot Tribal Nation Operations on Connecticut

As noted in the table, there was a significant positive impact by the reservation on local employment. Approximately 21% of total employment in Ledyard, 17% in Preston, and 16.3% in North Stonington is due to Pequot operations alone. It is also clear to see that Ledyard has more than three and a half times more people employed than the other two towns, in general and by the Pequots operations. Ledyard also has the highest percentage of direct employment, indirect employment, and total employment compared to the other two towns. Comparing exactly where the effects of employment are felt show two conclusions. The effects of the Pequot operations are felt the most by the closest town, Ledyard, and diminish the further away from the reservation you go. The other conclusion is that there has been an undeniable general impact on employment in the area surrounding the reservation. Although this table only accounts for a creation 1215 jobs, it does not take into account other towns in Connecticut,

Indian jobs, and a cumulative summation of all jobs created during the all operating years of Foxwoods.

Jobs given to Indians were not limited to those living on the Pequot reservation but attracted Indians from around the country, causing an increase of Indian culture in the region. The Pequots have an agreement with other tribes to give preferential hiring to fellow Indians who are qualified for jobs as compared to non-Indian applicants. The migration of Indians to Connecticut was evident in the 2000 U.S. Census, which found 9,639 Indians in the state, an increase of 50 percent in 10 years.

Not only have casino jobs provided business experience that has permitted tribes to diversify and expand their economies, but also the satisfaction associated with earning a living, combined with increased tribal revenue, have prompted many tribes to invest in recovering parts of their cultural heritage. The case of the Pequot revitalization of culture will be discussed later in the paper.

VII. Tourism

Foxwoods Resort Casino hosts nearly 41,000 people per day on average, with 73% of the customers coming from out of state (CCEA, 2000). The increase in tourism and the \$1.9 billion gain in personal income throughout the state are generated mostly in New London County where Foxwoods is located (Zeilbauer, 2000). The high tourism rate has had a significant effect on the region's hotel and dining industries.

According to Cornell et al. (1998), there was also a 31% increase in New London County and a 23% increase Connecticut in retail sales since the year before the compact was signed by the Pequots and 1996 (p. 44).

VIII. Revenues – Native Americans

The IGRA limits gaming operation ownership to Tribal governments, not individuals. The most fundamental distinction between Indian gaming and non-Indian gaming is that the former is a government activity while the latter is a commercial enterprise. Like state and local governments, the revenues accruing to Tribal governments from any source are used to fund essential services, such as education, law, enforcement, Tribal courts, economic development, and infrastructure improvements (National Congress of American Indians). As a requirement of the IGRA, the profits from gaming operations are solely directed to Tribal government operations and programs, the general welfare of the tribe and its members, tribal economic development, and charitable organizations and local government agencies (Report on Tribal Priority Allocations, 1999). In addition to paying stipends to adults, the tribe also pays smaller stipends to children, as well as housing costs, medical coverage, day care, college tuition, and other membership benefits (Benedict, 295).

With the profits from Foxwoods, the Pequots have established their own police, fire, health and ambulance services, developed their own court system for civil cases, and continued to build and buy homes that are free to tribal members (Eisler, 2001). The tribal council gives full academic scholarships to any Pequot that attends college and gives scholarships to Indians outside of their tribe in the form of donations to the American Indian College Fund and the Native American Rights Fund. The Pequots have also been beneficiaries to less fortunate tribes, donating millions of dollars to their relief funds. Therefore, a direct effect of tribal gaming has been higher graduation rates and lower rates of participation in social assistance programs (Cornell et al., 1998).

IX. Revenues - State

Aside from spending money in the local economy, tribal casinos do contribute significantly to the local, state, and federal tax base. Through a unilateral deal with the state, the Pequots were able to secure legalized slot machines in their casino. According to its 1992 compact with the state of Connecticut, Foxwoods agreed to pay the state \$30 million for the rest of that year in return for a statewide monopoly of slot machines. For each sequential year after that, they are required to pay the state 25 percent of its gross slot machine revenue every year, or \$100 million if the slot revenue falls short. In exchange for their promised monopoly, the Pequots pay one of the highest effective tax rates in the country, but feel it was worth the cost to keep the competition out and retain excludability. Accordingly, all 169 cities and towns of Connecticut benefit from the distribution of this money every year. For the fiscal year ending June 30, 2001, the state share was about \$332 million and for the 2001-2002 fiscal year the state's projection is \$365 million from Foxwoods and Mohegan Sun slot machines (Bixby, 2001). In addition to the slot machine revenue, the Pequots pays directly to the state the costs for regulating its gaming enterprises by the state police, the Division of Special Revenue and the Department of Consumer Protection, now totaling over \$5 million per year (CCEA, 2000). Money raised from legalized gambling has replaced the corporate income tax as the third-largest generator of revenue in Connecticut, ranking only behind the personal income tax and the sales tax (Bixby, 2001).

The following is a summary table for the Economic Impact of MPTN Operations. The numbers represent annual average differences from the baseline forecast of the New London and Connecticut economies (2000-2019).

| | New London County | | Connecticut | |
|------------------------|-------------------------|----------------|-------------------------|----------------|
| | Level Change | Percent Change | Level Change | Percent Change |
| GRP | 805 Mil 92\$ | 8.54% | 1,228 Mil 92\$ | 0.89% |
| Employment | 31,358 | 17.83% | 41,363 | 1.80% |
| Personal Income | 1,145 Mil Nom \$ | 10.15% | 1,913 Mil Nom \$ | 1.01% |

Note: GRP is the gross regional product, the region being either a county or a state

Source: CCEA, The Economic Impact of the Mashantucket Pequot Tribal Nation Operations on Connecticut

From the percentage changes in the above table, it is clear to see the large impact that the MPTN has had on the county the reservation is located in. New London County has had a dramatic increase in employment and personal income to its residents. Since the opening of the Pequot operations, over 31,000 jobs have been created within the county and there has been over a billion-dollar increase in personal income. Across the state of Connecticut, there have also been positive percentage changes across the above listed categories. This concludes that the MPTN has had positive impacts on the gross regional product, employment, and personal income on New London County and the state of Connecticut.

X. Cultural Impacts

Benefits are not limited to within state boundaries or to only economic effects. Revenues are also used to support tribal language, history, and cultural programs. In 1994, the Pequots donated \$10 million to the Smithsonian National Museum of the American Indian on the National Mall in Washington, DC. It was the largest single donation in the Smithsonian's 148-year history, beating the previous record by \$3 million (Bixby, 2001). This gift prompted the Mohegan Indian Tribe to give a matching \$10 million gift in June 2001.

The interest of the Pequots to invest monies in preserving their Indian culture was not limited to the National Museum of the American Indian but lead to the creation of the world's largest Indian museum of their own. The Mashantucket Pequot Museum and Research Center, including the largest Native American library, celebrates the tribe's resurrection to a new people.

“Our Legacy is Yours” is the slogan of the museum and aims to eradicate popular misconceptions of Pequot history and culture. The museum now attracts more than 250,000 people per year, making it one of the most popular museums in the state and captures tourist dollars that otherwise would flow out of state (CCEA, 2000). The museum has also served as a way to ease tensions with the surrounding neighbors who resisted the Pequots power and growth.

XI. Problems

From society’s perspective, what sets gambling apart from many other commodities is its longstanding relegation as one of the “vices.” Along with alcohol, tobacco, illicit drugs, and the commercial sex industry, gambling has historically been a morally questionable and controversial consumption activity (Eadington, 1998). Public opposition to the spread of casino gaming has been driven mainly by fears of adverse social impacts such as robberies, larceny, loan sharking, and drug dealing. Topping the list of criticisms are straightforward moral disapproval and the fears of adverse social impacts. These criticisms come from the surrounding community as well as from other Native American Tribes. The most important of the social impacts relate to the phenomenon of problem or disordered gambling. The hard issues are the extent to which problem gambling increased by the legalization of casinos and the difficulties of separating personal costs and social costs (Eadington, 1998).

XII. Addiction

One of the main social costs of gambling is addiction and economic losses due to compulsive gamblers. Problem, or compulsive gamblers, the terms are interchangeable, are those most likely to bet with food or mortgage money, to max out credit cards, to sometimes steal or embezzle to keep their habits going and on rare occasions – to kill themselves after a very bad night chasing a dream (Ryan, 1998). People have been known to lose their homes, cars,

savings, and alimony to this disease. A private, non-profit educational organization named the Connecticut Council on Problem Gamblers formed to combat this problem. The basis of this help-line was that if the state wants to rake in hundreds of millions of dollars in revenue from gambling it should also be willing to help those adversely affected by it, sometimes disastrously (Ryan, 1998). In 1991, Connecticut had the highest ratio of problem gamblers in the nation, 6.3 percent. In 1996, the ratio was 5.4 percent of the adult population, which was not a significant decrease, and was only exceeded by New York and Louisiana (Bixby, 2001). In 1996 and 1997, the help-line received 700 calls each respectively (Ryan, 1998).

Unfortunately, the state does not seem to feel the same way. This year Connecticut is supposed to commission its fifth comprehension study on the prevalence of problem gambling (Bixby, 2001). However, the governor is in the process of changing a law that requires studying the impact of gambling from every five years to every ten because he wants to save \$500,000. The Pequots were the first people to support this organization and are by far the largest donators. They display brochures and signs in the casinos about getting help and train their staff to detect problem gamblers. This, however, is not an all-encompassing solution to a growing problem of compulsive gamblers.

XIII. Indian Culture

According to National Gambling Impact Study Commission Report (1999), a common theme among many opposed to Indian gambling is a concern that gambling may undermine the “cultural integrity” of Indian communities (p. 6-3). Other tribes are worried about the downsides of Native American Gambling as well. Many reservations members worry about long-term effect of gambling on Tribal members. A problem some tribes could face is the loss of cultural identity, which often accompanies economic success. There is the fear that the new Indians,

coming back to the reservation after years of neglect, eager to share in the new found revenues of gaming, will not remember the past and not represent the culture of their ancestors. Other concerns stem from the fear that many Tribal individuals may become gambling dependent. There is also a desire that the Tribes involved in gambling pursue economic development strategies more compatible with traditional Indian culture.

Philip Martin of the Choctaws in Mississippi is one of the most respected and visionary American Indian leaders. He has spoken privately of his concern that the incredible success of Foxwoods gives Indians a get-rich-quick glass that in the end will do more damage than good (Eisler, 2000). This statement contrasts the positive cultural impacts stated earlier. Although Martin acknowledges the success of the Pequots and the impact it has had on Indian Culture, he is weary of the repercussions. He is concerned that the end result may not necessarily justify the means of getting there. It is important that with this new found success, the Pequots, and all those applying for recognition to move onto the reservation, remember why they are there and why they have achieved such success. It is because of their Indian culture that they are allowed gaming enterprises to the extent that they do, and although the Pequots have begun to diversify their economic base, it is important that they set the right image and precedent for other tribes to follow. It is important that all tribes see gambling as a beginning to economic growth and success, rather than an end.

In 1990, before the construction of Foxwoods, the total population of the Pequots was 194. By 1993, there was a 36 percent increase to 275 members and a dramatic change in the racial makeup of the Tribal Council. Today over 600 people have joined the tribe and are living on the reservation, with thousands applying. The influx of new members has placed a great strain on the profits of the casino. This influx raises two issues: the integrity of the reasons why

people are coming back to the reservation and the strain it is putting on the economy of the reservation. One might ask the real reason for coming back – are they truly interested in regaining their lost heritage when they themselves might be as little as 1% Pequot or is it due to the success of the gaming operations, and the enormous revenue stream. In addition, because the Tribal Government pays for everything from housing, to healthcare, to education, this enormous increase in people has put a strain on the amount of money left for investing in infrastructure and necessary government programs.

There is also the concern of fairness from private casino owners who feel at a disadvantage because of all the extra taxation and strict regulation they face compared to Indians. Unlike the casinos in New Jersey, Foxwoods does not have to worry about unions. As a separate nation, not only is the reservation exempt from most Department of Labor regulations, but also from the entire National Labor Relations Act (NLRA), which permits employees to form unions and to bargain collectively with their employer. The law does not contain language that expressly exempt Indian tribes from the Act's coverage; however, the Act does expressly exempt government entities (NGISC Report, 1999). Thus, tribal labor laws apply and state labor laws do not apply to tribal gambling employers under federal law.

XIV. Traffic

Another major issue is the drastic increase in traffic congestion. According to the Connecticut Department of Transportation Traffic Logs of 1989 and 1998, traffic volume has increased by 81% (CCEA, 2000). Between 1990 and 1996, traffic counts on I-395 in Norwich increased from 37,000 to 50,000 vehicles a day and on I-95 traffic doubled (Eisler, 2001). What used to be quiet, wooded roads are becoming superhighways to the casinos, especially Route 2. Traffic in the neighboring town of Preston, has gone from 6000 cars a day along the roads

leading to the casino, to 28,000 cars a day (Hamilton, 2000). There has also been almost an 81 percent increase on Route 2 (Zeilbauer, 2000). According to state traffic projections, traffic on Route 2 through North Stonington is expected to increase by about 10,000 vehicles per day by 2020 and an estimated 5,000 more vehicles a day will travel on Route 2 through Preston (Miller, 1999). The state has several plans to reduce traffic, but the estimated costs range from \$93 million to \$701 million with operating costs between \$250,000 and \$26.7 million. Not only would these traffic reducing plans draw more people to the already 40,000 that pass through the doors of Foxwoods daily, it would have a extremely detrimental effect on the surrounding natural environment. In order to reduce congestion, existing roads would need to be widened or new roads created. This in turn would disrupt what used to be a quiet, wooded area and turn it into a driveway to the casinos, destroying natural habitats, historical structures, and water quality.

Taxpayers in the three towns that border the casino have spent almost \$1.3 million fighting the expansion of the reservation and the recognition of two other tribes in the region (Hamilton, 2000). They refuse to let their tax money be spent on a “driveway to the casino” in order to preserve the natural beauty and peaceful surrounding that attracted them to their towns in the first place (Miller, 1999).

XV. Crime

According to Cornell et al. (1998), there are two dimensions of crime associated in the public mindset with casino gambling: organized crime and the crimes associated with visitation – the concentration of large numbers of non-residents in and around casinos may move crime to new levels (p. 73). Although the Pequots pays directly to the state the costs for regulating its gaming enterprises by the state police, the Division of Special Revenue and the Department of

Consumer Protection, there is still the additional demand for police and fire protection due the influx of visitors and crime levels. In some places and emergency calls have gone from 200 calls a year to 1,000 calls a year (Hamilton, 2000). The following table sites the Crimes per 1000 people and the percentage change from 1990-1998 on surrounding communities:

| Town | 1990 | 1998 | Percentage change |
|---|-------------|-------------|--------------------------|
| Ledyard ('out of casino' crime only) | 14.3 | 24.5 | +70 |
| Preston | 18.0 | 12.3 | -31.4 |
| North Stonington | 18.4 | 21.0 | +14.1 |

Data: Connecticut Department of Public Safety

Source: CCEA, The Economic Impact of the Mashantucket Pequot Tribal Nation Operations on Connecticut

This table deals with 'out of casino' crime only to disaggregate the total crime in the area. If crime were not disaggregated between 'in casino' and out of casino, the crime rate in Ledyard would show an increase of more than 300%. Even though there was a decrease in the crime rate in Preston, overall crimes have increased. Although the increases in crime might not have to do specifically with gambling itself, there are secondary effects, such as the dramatic increase of people to the area that are responsible partly for the increase in crime.

XVI. CONCLUSION

My thesis was that Indian Gaming, especially on the Pequot Reservation, has had an overall positive net benefit on the Indian Reservation and the surrounding vicinity. Through this investigation and the cost-benefit analysis of the Mashantucket Pequots, this original hypothesis has been proven correct.

The MPTN has created over 41,000 jobs to both Indians and non-Indians in a market that was suffering from years of layoffs and unemployment. It now accounts for 2.4 percent of all jobs in the state of Connecticut. The revenues generated from the Pequot gaming operations

have had substantial effects on the Pequot people and the people of Connecticut alike. The Pequots have seen an increase in their standard of living and levels of education and yielded positive improvements in social health. They have used revenues to build necessary infrastructure and develop their own police, fire, and court system. They have been able to gain economic stability and self-sufficiency through these gaming revenues. The state and surrounding towns have also sustained positive benefits. Casino revenues have become the third largest generator of revenue in the state, falling only behind personal income tax and the sales tax. Connecticut has also seen a \$1.9 billion increase in personal income statewide.

This investigation has proven that along with the benefits are costs to the gaming operations on the Mashantucket Pequot reservation to both the Indians living on the reservation and to non-Indians living in Connecticut. For the Indians, there is a fear that there is a loss of identity and that these new Indians with their new wealth are forgetting their history and traditional means of generating revenue. It can also not be denied that gambling addiction and traffic have posed huge problems on the people of Connecticut. Traffic is the largest problem caused by the casino and unfortunately, the state and people are going to have to find other ways to deal with the loss of the natural environment and huge costs associated with extensive highway projects to relieve congestion around the casino. Although the gambling addiction rates in Connecticut are one of the highest in the country, the state government is guilty of not supporting the Connecticut Council on Problem Gamblers, a private organization who aims to help problem gamblers. In fact, the governor has cancelled a study done every five years to track the impact of gambling to save \$500,000 this year and expanded the study to every ten years. If the state is grossing hundreds of millions of dollars each year in gambling revenues, they should take some of the money to research addiction and try to help compulsive gamblers. Gambling

addiction might not be as high as it is in Connecticut if the state stepped in with public funding and the affects of the lottery, such as Powerball, was taken into account.

Indian gaming is one of America's fastest growing and most profitable industries. Gambling sponsored by Indian Tribes has exploded from bingo games with penny-antes in the late 1970s to full-fledged casinos owned by 196 legally designated "gaming tribes." These tribes generated \$10 billion in revenues last year – with approximately 175 more groups petitioning for Tribal recognition and casino rights (Morrison, 2001). It has had a huge beneficial economic impact on some of the most impoverished communities in the United States, has provided thousands of jobs for Indian and non-Indians, and paid millions of dollars in payroll taxes and other direct benefits to the state and local governments (American Indian Gambling and Casino Information Center).

Reservations are slowly recovering from decades of failed government programs. They are using their newfound revenue to build new houses and infrastructures and improve their quality of life. Indians are denouncing their need for welfare and becoming taxpayers while the local and state governments are enjoying their own increases in revenues, with the new money from casino gambling, and a maturing of Tribal power.

Only a relatively small number of the 600 tribes have been fortunate enough to have successful gaming operations. The 20 largest Indian gaming facilities account for 50.5% of total revenues with the next 85 accounting for 41.2% (Coleman, 1998). Even after the advent of gambling, Indian reservations continue to have a 31 percent poverty rate and a 46 percent unemployment rate (six times the national average). Similarly, Indian health, education, and statistics are the worst in the country (National Congress of American Indians). These revenues are just beginning to address these tribes' needs for essential services and infrastructure needs

(W. Ron Allen, 1999). Of the 500,000 Indians whose tribes operate casinos, only about 80,000 belong to tribes with gambling operations that generate more than \$100 million a year (Pace, 2000). Thus, even for tribes that earn substantially more capital revenue from gaming operations than the average amount spent by local governments from their own revenue sources, there remains a great disparity between reservation communities and non-Indian communities (Report on Tribal Priority Allocations, 1999). Social problems such as alcohol and drug abuse, limited education, and lack of jobs are far greater on the reservation. Investments gaming tribes have made in their social and economic infrastructure do not translate into immediate improvements in quality-of-life indicators like poverty. Investments are however taking hold slowly in educational success, greater family integrity, greater personal health, and greater crime prevention (Pace, 2000).

If Foxwoods were only a moderate success, it would have attracted far less attention. However, the Pequot gaming enterprises are an exception to the rule. No other Native American gaming operation comes close in size or scope to Foxwoods. The enormous wealth generated by Foxwoods has allowed the Pequots to experience a lifestyle unmatched by any other attempted aid policy. The example of Foxwoods has led many other New England Tribes to petition for Federal Recognition, such as the Eastern Pequots, The Paucatuck Eastern Pequots, and the Schahtiockes Indians of Kent (Groark, 2001). Although some criticize the Pequots for their avarice, it is important to point out that the non-Native Americans primarily support the gambling industry.

Many things need to be discussed and rectified to determine the future of Native American Gambling. For example, although the federal courts have ruled that Indian tribes have a right to establish gambling facilities on their reservations, the IGRA requires that compacts be negotiated

between the tribes and the states, obviously requiring the state's consent. Clearly, some form of mutual agreement is required. In order for Indian gaming to be successful and to benefit all parties involved, each side must voluntarily compromise for the good of all involved. Otherwise, the revenues will not be distributed efficiently and the growth of casinos, if it is determined that gaming is the best policy, will be stagnated. The NIGA (1998) encourages all those who would disparage Indian governmental gaming to first add up all the benefits to their own communities from Indian gaming and what would happen if the jobs and businesses were no longer there. The Indians should heed this advice as well. They need to determine if gaming truly is the best source of revenue, keeping in mind both economic and social factors that effect them, their culture, and non-Indians in the like.

The Tribes also need to use some of the net revenues to further diversify their economies to reduce dependency on gaming enterprises. Casinos represent an opportunity for tribes to gain managerial experience that is desperately needed on reservations across the country. The value provided by the casino gaming experience will be seen in diversifying non-gaming enterprises. Many gaming tribes have made use of gaming revenues to provide start-up capital and other types of financial assistance to non-gaming enterprises operated by the tribe or by tribal members. This is only the beginning. If tribes who operate gaming enterprises diversified and earned revenue in non-gaming avenues of business, they would be able to achieve a much more stable economic environment to serve Indians and non-Indians while achieving the highest net benefit to both peoples as possible.

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