Effects of Casinos on Existing Businesses

In locations that have removed prohibitions on casino gambling, reliable sales data tend to show that **existing local businesses either hold their own or perform better after the advent of this new form of gambling**. Some examples:

- Researchers at the University of New Orleans examined multiple casino jurisdictions and concluded that "When casinos are developed, all aspects of the local food and beverage business increase: the number of establishments increases, the number of people employed increases, and payroll increases at an even greater rate than the first two."[1]
- Even after accounting for the so-called "substitution effect," economists at the University of Missouri and Washington University concluded that casino gambling in Missouri had a net positive annual impact on Missouri output of $759 million, corresponding to a continuing higher level of employment of 17,932 jobs generating $508 million more in personal income.[2]
- The Minnesota Planning Agency reported in May 1993 that revenues of bars and restaurants in counties with Indian casinos grew by 10.7 percent between 1989 and 1991, compared to 5.4 percent for non-casino counties. Moreover, these figures understate the positive effects of casinos, because they do not include revenues of bars and restaurants in casinos themselves. Overall gross business sales in the 10 counties with casinos increased 8.2 percent from 1989 to 1991, compared to 4.9 percent for the rest of the state. There was "no evidence" that any part of the state has suffered economically because of casinos.[3]
- Ninety percent of southeastern Connecticut business managers report stable or increased sales since the Foxwoods Indian casino opened. Here, businesses reporting sales increases outnumbered those reporting decreases by a margin of more than four to one.[4]
- A multi-jurisdictional analysis of retail spending conducted by Arthur Andersen found that in Biloxi/Gulfport, Mississippi, annual retail sales growth rates increased from average of 3 percent between 1990 through 1992, the year when casinos were introduced. Between 1993 and 1995, retail sales jumped 13 percent. In Will County, Illinois, retail sales growth lagged statewide trends until 1992, when riverboat casinos were introduced in the local economy. But each year between 1992 and 1995, retail sales growth in Will County exceeded the state rate. In Shreveport/Bossier City, Louisiana, retail sales increased by more than 10 percent during 1994, the year that riverboat casinos opened, as the region enjoyed the highest retail sales increase in more than a decade.[5]

An economic impact analysis prepared by Penn State economist Adam Rose for the National Gambling Impact Study Commission explained: "**The preponderance of empirical studies indicate claims of the complete 'cannibalization' of pre-existing local restaurants and entertainment facilities by a mere shift in resident spending is grossly exaggerated**."[6] Benefits to local businesses exist both because of new tourism and because casinos increase employment opportunities and incomes in local communities. This expands the pool of income available for consumer purchases. Gaming facilities would have these positive effects even if they attracted no new tourist dollars to the local economy.[7]

The view that gaming permanently substitutes for other expenditures distorts historical experience. In free market economies, providing new outlets for consumer spending creates new incomes. It doesn't make any difference what the "product" is, or whether there's even a tangible "product" at all. Satisfying consumer demand creates new spending and creates new jobs and increases overall incomes. The history of the American economy shows that disposable income grows over time -- and that the economy grows precisely because businesses are successful in supplying what consumers want to buy, whether it's microwave ovens, mini-vans, hula hoops, tickets to the movies or an NFL game, or the chance of a winning blackjack hand.

Not only is the whole economic pie expanding, but the entertainment and recreation sectors are where consumers are choosing to spend their discretionary income. As disposable income increases, consumers have historically spent a greater proportion of their incomes on discretionary purchases such as entertainment.[8] Since 1970, consumers have increased spending on entertainment and recreation by 80 percent, adjusted for inflation.[9] Only a very small portion of that increase is due to incremental spending on casino gambling.

Casino gambling clearly satisfies some of the recreational desires of a broad segment of the U.S. public -- for that reason, it's an economic growth engine for local and state economies.

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[1] George Fenich and Kathryn Hashimoto, "The Effects of Casinos on Local Restaurant Business," paper presented at the International Conference on Gambling and Risk-Taking, Montreal, Quebec, Canada, 1997.

[2] Charles Leven et al., "Casino Gambling and State Economic Development," paper presented at the Regional Science Association, 37th European Congress, Rome, Italy, August 26-29, 1997.

[3] Minnesota Planning, *Minnesota Gambling 1993*.

[4] Associated Press, May 3, 1995.

[5] Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 2: Micro Study*, May 1997.

[6] Adam Rose and Associates, *The Regional Economic Impacts of Casino Gambling: Assessment of the Literature and Establishment of a Research Agenda*, prepared for National Gambling Impact Study Commission, November 5, 1998.

[7] For empirical confirmation, see Douglas M. Walker and John D. Jackson, "New Goods and Economic Growth: Evidence from Legalized Gambling," *Review of Regional Studies* 1998, 28(2), 47-69.

[8] Dora L. Costa, "Less of a Luxury: The Rise of Recreation Since 1888," National Bureau of Economic Research, Inc., Working Paper 6054, June 1997.

[9] Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 1: Macro Study*, December 1996.