

## Will New York's Casino Plan Really Work?

Written by Administrator

Tuesday, 09 July 2013 11:01 -

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As I walked down the main drag in Ellenville, N.Y., a small town about halfway between Manhattan and Albany, I noticed that if you turn your head at the proper angle, at the right time of day, at just the right intersection, the future doesn't seem so scary. Right where Hermance Street runs into Canal, there's the Shadowland Theater, a beautifully restored vaudeville house that abuts Aroma Thyme Bistro, which has four stars on Yelp. Off in the distance is the lush Witch's Hole State Forest and the valley around Rondout Creek.

But if you lower your gaze a little or look just over your shoulder, another reality sets in fast. Canal Street is littered with abandoned storefronts. One block over, almost all the shops were torn down in a federal urban-renewal project. And because nothing ever replaced them, all you see are a lot of empty parking lots without much worth visiting. "There's plenty of parking," Mary Sheeley, the village manager, told me.

Like many small towns in New York's borscht belt, Ellenville was fairly prosperous throughout the 20th century. The town had a factory for Channel Master, a leader in TV antennas, and the Nevele, a classic Catskills resort. These days, though, nearly half of Ellenville's adults don't work. Channel Master closed in the 1980s. Imperial Schrade Cutlery, which took over the factory, closed in 2004. The Nevele also closed that decade. The average income in town is now just over \$19,000 a year.

But Ellenville just got some hope. Last month, the New York State Legislature and Gov. Andrew M. Cuomo agreed on a deal to give the town a shot at one of the state's four new proposed casinos. (A referendum is expected to be held in November.) As I was walking up Center Street, I couldn't help wondering if this town had what it took to host a casino. Or if a casino could really persuade people to spend their money in Ellenville and turn around its moribund economy. But Michael Treanor, the current owner of the Nevele, who runs the company that is hoping to get the state's gaming license, told me that that wasn't the right way to look at it. "Our ability to do business is based upon a *scarcity* of casinos," he told me. If the state allowed a dozen casinos to break ground, Ellenville would be toast. "We would never be able to build something luxurious enough to draw people," he said. With only four casinos spread out over the entire state, though, whoever got a license could thrive.

Whatever you think of gambling, its regulations are mesmerizing. Gambling is outlawed in one way or another in all 50 states, but almost all — except Hawaii (surprisingly) and Utah (less so) — have exceptions. Most offer state-run lotteries. Thirty allow Indian casinos. Seventeen have full-scale non-Indian casinos (New York and Massachusetts are poised to join that group.) In

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each case, government officials limit the number of casinos and determine where they will be located.

Economically speaking, these anticasino regulations are the single greatest profit generator for casino operators. By limiting the number and location, and therefore artificially keeping the market underserved, governments essentially guarantee outsized profits for those in business. (The New York City Taxi and Limousine Commission, which limits cab licenses, ensures a similar regulatory oligopoly, as do many state liquor-distribution regulators.) If there were unlimited licenses, each casino operator would have to compete — like every restaurant or movie theater — with all the others. There might be some large resortlike casinos, along with boutique outfits catering to different sorts of markets; many would have to spend more upgrading their rooms; others would invest in more affordable high-end dining, and so forth. But all of them would have to compete harder to find a profitable niche, and, like pretty much all other businesses, some would fail in the process. Limited licenses, however, enable casino operators to profit without having to look over their shoulders. They also give operators the incentive to build the largest operations they possibly can. The big, sprawling, gaudy casinos that we've become accustomed to are less a response to what consumers want than they are to the unrivaled opportunity afforded by regulations.

Given the fact that casinos don't really operate in the free market, it's hard to discern whether or not these sprawling places actually benefit their surrounding areas, even depressed ones like Ellenville. Pro-gambling groups often cite data showing that casinos can revitalize broken economies and bring a fortune in tax revenue to the state. Antigambling groups argue that casinos turn communities into the stuff of country-music songs — rife with broken homes, car accidents and prostitution — and make them less desirable.

Chad Cotti, an economist at the University of Connecticut, who has studied the effects of legalizing gambling in numerous counties, found that both sides overstate their cases. Cotti told me about two significant observations he made from his data. When a casino was built in a rural area with little employment, there would usually be a sudden spike in jobs, partly because casinos tend to have more workers per guest than other forms of recreation, like movie theaters or ball parks. But those jobs were unlikely to lead to ancillary businesses that could lift the prospects of the greater economy. At the same time, placing casinos in remote areas seemed to increase the number of fatal car crashes. "It's not that people drink more at casinos," he said. "It's that the miles driven after drinking is so much higher." These two effects — more jobs and more crashes — create something of an economic riddle. To lower instances of drunken driving, it would make sense to put casinos closer to dense population centers. But casinos in big cities have no noticeable impact on overall employment. They don't add jobs, they just switch around the jobs that already exist.

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The economic prospects of Ellenville, like much of 21st-century upstate New York, have for a long time been dependent on decisions made in Albany and New York City. Catskills resorts survived so long as people from New York City decided to vacation near home. When summer camps for children and cheap airfare for adults provided other options, most resorts collapsed. Over the past 20 years, many city residents have bought homes in the area, but that may have hurt the working class more than it has helped. It has raised real estate prices significantly without providing an influx of tourism-related jobs. Catskills towns have remarkably few high-end restaurants and other businesses, like boutique shops, that could transfer money from weekenders to permanent residents.

There are signs of support for the casino proposal almost everywhere in Ellenville. All this excitement, during my visit, struck me as rather poignant. The Nevele's developers project 1,600 new jobs once the casino is running, in around 2016. That would represent around 1 percent of the work force of Ulster County. And unlike a new factory, which can encourage subsidiary investment from suppliers, an isolated casino, Cotti's research has shown, has virtually no multiplier effect. There just isn't a Plan B. I asked Sheeley, the village manager, what other plans Ellenville's leadership has to help the local economy if the gaming-board application falls through. Sheeley shook her head. "Don't ask me about that," she said.

Adam Davidson is co-founder of NPR's "Planet Money," a [podcast](#) and [blog](#) .

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