

Before the
National Gambling Impact Study Commission

**Statement of
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Thank you for the opportunity to appear here today. My name is Joe Kalt. I am the Ford Foundation Professor of International Political Economy at Harvard University's Kennedy School of Government. I am also the Co-Director of the Harvard Project on American Indian Economic Development. Along with my colleagues, Prof. Steve Cornell of the University of California at San Diego and Dr. Manley Begay at the Graduate School of Education at Harvard, we at the Harvard Project have been working for ten years for and with tribes and tribal organizations.

Our primary objectives have been to try to get a handle on what is working in Indian Country when it comes to sustained economic development and socially successful reservations. Our work has put us in the field for many hundreds of man-days, and we have worked with dozens of gaming and non-gaming tribes. Through our research and advising, we have seen clear patterns emerge when it comes to the impacts of gaming and other economic development strategies. I hope that the Commission will find our observations helpful.

It is perhaps useful to begin with a discussion of perceptions versus reality. I am continually struck by the extent to which public perception of the impact of gaming in Indian Country is colored by the phenomenal financial success of a tiny handful of tribes—led, of course, by the Mashantucket Pequot Tribe in Connecticut. In 1996, more than half of all Indian gaming revenues were generated by only 8 tribes' operations—out of a total 112 Class III facilities.¹ The media's attention to these cases obscures the facts that only

¹ U.S. General Accounting Office, *A Profile of the Indian Gaming Industry* (Washington, D.C.: U.S. General Accounting Office, May, 1997).

about one-third of the nation's 550+ tribes have any gaming operations at all, and that for every highly visible, well-run, well-capitalized casino there are many more tribal operations that are modest enterprises providing employment and income in low-volume, rural markets.²

Whether it is the tiny operation operating out of a pre-fab building on the Pine Ridge reservation in South Dakota, serving travelers moving between Rapid City and northern Nebraska; the development of the Hon-Dah facility at a vacation crossroads in the White Mountains of Arizona; or the development of a destination resort at Fond du Lac in rural Minnesota, our research repeatedly finds that tribal gaming enterprises yield positive economic and social benefits to those tribes that exercise their sovereignty and choose to enter the game.

The contributions that gaming is making to the affected tribes come in two primary forms: the first is ***economic***. The jobs, personal income, and governmental revenues that gaming enterprises generate are making dents in the long-standing problems of poverty and associated social ills in Indian Country. The second kind of contribution is ***institutional***. The success of tribal gaming enterprises is enabling tribes to break decades of institutional dependence in which tribal governments have been compelled to operate as *de facto* appendages to federal programs and bureaucracies. If there is one thing that our research on gaming and non-gaming tribes alike demonstrates it is that economic, social, and political success in Indian Country does not occur unless tribes have the sovereignty to govern themselves on their own terms with their own institutions.³ We are aware that this is a very “pro-Indian” thing to say. But, it is based on the research: We cannot find a single case in Indian Country where federal planning, programs, and management of the reservation economy has produced sustained economic development and social well-being. The only thing that is working is self-determination—self-government.

Tribal gaming operations are the epitome of self-determination and self-government. If and when they are undertaken, they represent acts of political will, expressed through tribal members' own governments. Tribal gaming enterprises are not private for-profit businesses. Rather, they are publicly-owned enterprises that provide employment and income. If successful, they generate revenues available to meet the needs of reservation citizens and to

² *Ibid.*

³ See, Stephen Cornell and Joseph Kalt, “Reloading the Dice: Strategies and Institutions in American Indian Economic Development” in Cornell and Kalt, eds., *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development* (Los Angeles, CA: University of California, 1992).

fund investments by tribal governments in the social and physical infrastructure that is so needed at so many reservations.

The contributions of tribes' investments in the gaming industry can only be assessed against the backdrop of long-standing deficits of income, infrastructure, employment, education, and social health that plague Indian Country. That is, measurements of employment gains, income improvements, and the like must be gauged against how far America's reservation citizens have to go. The deficits of economic and social deprivation in Indian Country are simply staggering.

I have summarized but a few key indicators in Figure 1. As of the 1990 U.S. Census, just as Class III gaming was entering the picture for tribes, Indians on reservations were America's poorest population. Per capita income in Indian Country was only \$4,478, compared to \$14,420 for the average American. More than half of all Indian persons on reservations were living below the poverty line, as opposed to 13% for the U.S. as a whole. Educational attainment lagged sharply behind the nation overall. Reflecting the virtual absence of a productive private sector on many reservations, almost one-half of American Indians on reservations worked in government jobs (compared to 15% in the total U.S. population). Unemployment on reservations pushed over 40% at a time when the national economy showed 6%. In fact, in the late 1990s, unemployment on reservations commonly exceeds 50%, and in some places real joblessness pushes above 90%. On reservations such as Northern Cheyenne in Montana or Rosebud Sioux in South Dakota, the economy subsists overwhelmingly on governmental transfer payments. Along with these economic factors, indicators of social ill-being, from suicide to tuberculosis and from the quality of roads to the age of school buildings, are discouraging in their seriousness.

It is in this environment of extreme deprivation that successful gaming ventures can make their contributions. For, it is important to reiterate that, unlike the net income earned by private owners—shareholders—of private gaming operations, tribal gaming enterprises yield public revenues. These revenues are employed by tribal governments to meet the needs of their citizens in much the same way that state government lotteries support states' legitimate governmental functions and obligations. The use of tribes' gaming revenues is in accord with the Indian Gaming Regulatory Act of 1988 (IGRA) and has been documented in numerous studies. Typical uses of tribal governments' gaming revenues are summarized in Figure 2. They span the range from health and education to community infrastructure and job training.

A recent study of the use of tribal gaming revenues in Oregon, for example, gives the following breakdown of gaming revenue use:⁴

- 15%-25% **Government Operations**, including tribal courts, fire departments, gaming regulation, and social services.
- 25%-30% **Economic Development**, including non-gaming investment and employment projects.
- 30%-40% **Public Investment**, including education funds, land acquisition, recreation programs, and language programs.
- 10%-20% **Direct Assistance**, including charitable giving, other local governmental agencies, and income supplements.

Through tribal-state gaming compacts, contributions are made directly to non-Indian governments' and local communities' programs—from state universities and law enforcement to chambers of commerce and off-reservation elementary schools.⁵

Tribal gaming operations are not only enhancing the ability of tribal governments to meet the needs of their citizens. They are also making direct and indirect contributions to reservation and off-reservation economies through the commerce they create. Apart from the generation of governmental revenues, Indian gaming operations create income and jobs, as well as tax revenues and savings on unemployment and income assistance. For the longer term, they provide critical workplace experience to otherwise unemployed individuals, and such experience is repeatedly shown to be the key to increases in standards of living and workplace advancement.

Perhaps the most widely studied impacts of Indian gaming are those in Wisconsin. There it is estimated that Indian gaming is contributing a net addition to employment of approximately 18,000 workers and on the order of \$1 billion per year to the state's gross domestic product.⁶ In study after study, tribal unemployment is reduced with the introduction of gaming, and ancillary employment is created both on and off reservation as patrons travel, feed, and lodge themselves during their visits.⁷ Improvements in employment are

⁴ Marquette Advisors, *Economic Benefit of Indian Gaming in the State of Oregon* (Minneapolis, 1996).

⁵ See, for example, University Associates, *Economic Impact of Michigan's Indian Gaming Enterprises* (1994), at 32.

⁶ Murray, James M., *Direct and Indirect Impact of Wisconsin Indian Gaming Facilities on Wisconsin's Output, Earnings, and Employment* (University of Wisconsin Extension, December 1997).

⁷ See, e.g., Center for Applied Research, *The Benefits and Costs of Indian Gaming in New Mexico* (Denver, CO: Center for Applied Research, January, 1996); Center for Applied Research, *Indian Reservation Gaming in New Mexico: An Analysis of Its Impact on the State Economy and Revenue*

accompanied by net increases in income and sales taxes for state and local governments,⁸ and AFDC and unemployment insurance costs are reduced. Finally, multiple studies consistently find that crime is reduced with the advent of tribal gaming—apparently correlated with the improvements in employment and income.⁹

The impacts that tribes are having, and that they are bringing to surrounding communities, when they decide to undertake and succeed in developing gaming operations have led many outside Indian Country to view the rights of tribes to enter the industry as some sort of welfare program for tribes. This perspective fails to recognize that the decisions of a tribe to enter gaming—or to forgo gaming—are acts of self-governance that do not differ in character from those taken by a state or a national government. Importantly, research indicates that tribes with long cultural histories of receptivity to and social control over gambling have been more likely to enter into gaming than tribes with long-standing cultures that are more resistant to gambling.¹⁰ In other words, the tribes that have been most willing to undertake gaming have been those for whom it is most culturally appropriate, and numerous tribes have voted down gaming as self-determined acts of self-governance.

System (Denver, CO: Center for Applied Research, 1995); Clapp, John M., *et al.*, *The Economic Impacts of the Foxwoods High Stakes Bingo & Casino on New London County and Surrounding Areas* (Arthur W. Wright & Associates, September, 1993); Coopers & Lybrand, LLP, *Analysis of the Economic Impact of the Oneida Nation's Presence in Oneida and Madison Counties* (February, 1995); Deller, Steven C., Amy Lake, and Jack Sroka, *The St. Croix Casino: A Comprehensive Study of Its Socioeconomic Impacts* (Madison, WI: University of Wisconsin Extension, August, 1996); Eyrich, Gerald I., *Economic Impact Analysis: Cabazon Band of Mission Indians* (Constituent Strategies, Inc.); Hoenack, Stephen A., and Gary Renz, *Effects of the Indian-Owned Casinos on Self-Generating Economic Development in Non-Urban Areas of Minnesota* (Plymouth, MN: Stephen A. Hoenack and Associates, May, 1995); Klas, James M., and Matthew S. Robinson, *Economic Benefits of Indian Gaming in the State of Minnesota* (Minneapolis, MN: Marquette Advisors, January, 1997); Klas, James M., and Matthew S. Robinson, *Economic Benefits of Indian Gaming in the State of Oregon* (Minneapolis, MN: Marquette Advisors, June, 1996); Minnesota Indian Gaming Association and KPMG Peat Marwick, *Economic Benefits of Tribal Gaming in Minnesota, 1992* (Minnesota Indian Gaming Association, April, 1992); Murray, James M., *Direct and Indirect Impact of Wisconsin Indian Gaming Facilities on Wisconsin's Output, Earnings, and Employment* (University of Wisconsin Extension, December, 1997); Murray, James M., *The Impact of American Indian Gaming on the Government of the State of Wisconsin* (University of Wisconsin Extension, 1993).

⁸ See, e.g., Murray, James M., *The Impact of American Indian Gaming on the Government of the State of Wisconsin* (University of Wisconsin Extension, 1993); Center for Applied Research, *The Benefits and Costs of Indian Gaming in New Mexico* (Denver, 1996).

⁹ *Ibid.*; Nelson, Dennis J., Howard L. Erickson, and Robert J. Langan, *Indian Gaming and its Impact on Law Enforcement in Wisconsin* (Attorney's Process and Investigation Services, Inc., 1996).

¹⁰ Jorgensen, Miriam, doctoral dissertation (Kennedy School of Government, Harvard University, unpublished, 1998).

Herein lies the most important impact of tribes' rights to embark on gaming. Just as with economic progress in sectors other than gaming, tribes' powers of self-government are repeatedly found to be the prerequisite of success.¹¹ Both the economics and the morality of the issue argue against reining in the rights of tribal citizens to govern themselves. To do so not only violates basic rights, but also portends a return to policies of dependence and subjugation. Policies that have made Native Americans and their governments dependents of the federal or state governments have been the most destructive of tribal members' well-being. For many tribes, gaming has provided the opportunity and the resources for breaking the cycles of dependence.

¹¹ See, e.g., Kalt, Joseph P., *Statement Before the United States Senate Committee on Indian Affairs* (September 1996).