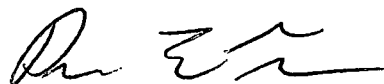


To the Graduate Council:

I am submitting herewith a thesis written by James Richard Hoffman entitled "The Economic Impact of Harrah's Cherokee Casino on Swain and Jackson Counties, North Carolina." I have examined the final copy for form and content and recommend that it be accepted in partial fulfillment of the requirements for the Master of Science in Planning, with a major in Planning.



Bruce Tonn, Major Professor

We have read this thesis
and recommend its acceptance:



Accepted for the Council:



Interim Vice Provost and
Dean of the Graduate School

**THE ECONOMIC IMPACT OF HARRAH'S CHEROKEE CASINO ON SWAIN
AND JACKSON COUNTIES, NORTH CAROLINA**

A Thesis

Presented for the

Master of Science in Planning

Degree

The University of Tennessee, Knoxville

James Richard Hoffman

May 2001

DEDICATION

This thesis is dedicated to my extraordinary parents,
Timothy R. Hoffman and Debra A. Hoffman.

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TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION.....	1
II. LITERATURE REVIEW.....	7
III. THE CASES OF SWAIN & JACKSON COUNTIES, NC.....	29
IV. INTERVIEWS.....	59
V. SUMMARY & CONCLUSIONS.....	69
REFERENCES.....	74
APPENDIX.....	80
VITA.....	82

LIST OF TABLES

TABLE	PAGE
Table 1	Indian Gaming Regulatory Act Gaming Classes.....11
Table 2	Changes in Retail Sales in Tribal Gaming Counties.....24
Table 3	Tourism Data for Swain County, NC...42
Table 4	Average Wage Per Job for Swain County, NC.....44
Table 5	Swain County Average Wage Per Job Compared with North Carolina as a whole.....46
Table 6	Gross Retail Sales Figures for Jackson County, NC.....52
Table 7	Changes in Tourism Expenditure, Payroll, & Employment 1995-1999 for Jackson County, NC.....53
Table 8	Average Wage Per Job for Jackson County, NC & North Carolina as a Whole.....56
Table 9	Occupancy Tax Revenue for Jackson County, NC.....57

LIST OF FIGURES

FIGURE	PAGE
Figure 1	Income and Poverty Rates Comparison Between the American Indian Population and U.S. Population.....8
Figure 2	Number of Tribes Compacting with State Governments...12
Figure 3	Monthly Unemployment for Swain County.....34
Figure 4	Monthly Unemployment as Compared to Previous Year for Swain County.....35
Figure 5	Average Annual Unemployment for Swain County and North Carolina.....36
Figure 6	Average Off-Season Unemployment in Swain County and North Carolina.....37
Figure 7	Monthly 3% Occupancy Tax Revenue for Swain County..38
Figure 8	Monthly Occupancy Tax Revenue Comparison for Swain County.....39
Figure 9	Off-Season Occupancy Tax Revenue & Monthly Off-Season Occupancy Tax Revenue for Swain County...40
Figure 10	Gross Retail Sales in 1000s for Swain County.....41
Figure 11	Swain County's Share of State Tourism Expenditure, Payroll, and Employment.....43
Figure 12	Monthly Unemployment for Jackson County & Average Annual Unemployment for Jackson County.....49
Figure 13	Off-Season Unemployment Rate for Jackson County.....51

Figure 14	Annual 3% Occupancy Tax Revenue for Jackson County.....	51
Figure 15	Annual Gross Retail Sales in Jackson County.....	53
Figure 16	Jackson County's Share of State Tourism Expenditure, Payroll, and Employment.....	55

CHAPTER 1

INTRODUCTION

*"Let no man thinke that he shall loose,
though he no Prize poscesse:
His substaunce to Virginia goes,
which God, no doubt will blesse:
And in short time send from that land,
Much rich commoditie;
So shall we thinke all well bestowed,
upon this Lotterie."*

Organized gambling has been practiced throughout American history as a form of entertainment, a means of producing revenue for various needs and causes, and with varying success, as a tool for economic development. The above ballad was written in 1612 in an attempt to attract more people to wager in the Virginia Company lotteries that had been established to help finance its Jamestown Colony (Findlay, 1986). This colony had become a huge financial liability as it failed to sustain itself and required constant resources to be shipped over from England. While the English businessmen made use of wagering to raise capital to send the necessities of survival to the colonists, many of the colonists took to their own gambling (Findlay, 1986). It has been reported that in the earliest years of the settlement some Virginians even wagered away indentured servants in various contests (Findlay, 1986).

Gambling would continue to be a part of American society throughout its founding. During the years of and leading up to the War of Independence

American colonists utilized games of chance to raise money for a sundry of activities including: road construction, infrastructure for defense, schools, churches, and other public as well as private causes (Findlay, 1986). During the early days of the war, the Continental Congress attempted, without much success, to utilize a national lottery to raise capital (Findlay, 1986).

In the decades following the Revolution, gambling would continue to spread. Pari-mutuel wagering became increasingly popular and nascent forms of casino style wagering could begin be found (Dunstan, 1997). As the idea of "Manifest Destiny" pushed the American population west towards California, a greater number of gambling establishments began to appear. Fueled by the economic success of the river trade up and down the Mississippi River, the Mississippi Valley became an early 19th century hot spot for organized wagering (Dunstan, 1997). The Valley would become the home to many professional gamblers that would eventually be persecuted by local citizens, and driven out by lynch mobs who claimed that the gamblers were disrupting business and stunting economic expansion (Dunstan, 1997). Thus, the gamblers moved from the land to the riverboats and gambling continued to move west. At the same time the organized lotteries began to face their first obstacles in the population centers of the east as many states that had organized lotteries began to abolish them due to the amount of corruption and scandal that had begun to surround them (Dunstan, 1997).

With the discovery of gold in California, and the subsequent rush that ensued, gambling quickly spread and expanded. The mining that sprung up

across the region became known for new types of gambling and the volume of gambling that was taking place (Dunstan, 1997). This was largely due to the immense amount of money that was flowing through the camps, and the lack of other forms of entertainment. Playing draw poker was the favorite gambling activity in this area and pretty much the rest of the western U.S. at the time, followed by stud poker, craps, roulette, and faro (Barker and Britz, 2000). Unlike in the Eastern states, lotteries were never popular in the west, largely due to the difficulty of operating a lottery with such a spread out population (Barker and Britz, 2000).

Soon the residents of California began to oppose gambling, much like the residents of the Mississippi Valley years earlier, on the grounds that gambling diminished the respectability of the area and that the professional gamblers were the cause of the economic woes of the time (Dunstan, 1997). In San Francisco in 1856, some 40 years prior to it being the birthplace of the slot machine, professional gamblers were lynched (Dunstan, 1997). Soon thereafter in 1860 the state would ban all banked casino games, and finally in 1891 laws were passed that would punish both those that ran the games as well as those that played them, putting a de facto end to much of the gambling in California (Dunstan, 1997). Between 1869 and 1910 gambling remained legal in California's neighbor to the east—Nevada (Dunstan, 1997). Thus, a lot of gambling activity that had been centered in California moved to Nevada where it thrived until 1910 when Nevada closed its casinos (Evans and Hance, 1998).

Legalized gambling was largely absent from American life from 1910 through 1929, when the crash of the stock market and the subsequent economic depression caused Americans to look to gambling for economic development (Evans and Hance, 1998). A new phase of gambling began, in which legalized gambling would increasingly be looked at as an economic development tool. In 1931, Massachusetts legalized bingo games so that churches and other charitable organizations could raise funds (Dunstan, 1997). In that same year Nevada, also trying to bring about economic development, legalized gambling to help capture the dollars that were being generated due to the building of the now Hoover Dam (Dunstan, 1997). While experiencing slow growth at first, the gaming industry in Nevada eventually took off with the post-war explosion of American wealth.

In 1978, citing the extreme economic success of legalized gambling (for the casinos and the state alike) in Nevada, the State of New Jersey legalized casino gaming in Atlantic City in an attempt to revitalize the area (Dunstan, 1997). In the two decades that followed more and more states began looking at land based casino gambling as a possible solution to fiscal shortfalls, and economic disparity. In the 1970s the Native American Reservations, historically some of the most economically depressed areas of the country, also began to look towards the legalization of gambling as the possible solution to their economic hardships.

According to the National Coalition Against Legalized Gambling, in 1998, only two decades after New Jersey became the second state in the Union to

legalize land-based casinos, 28 states now have casinos operating within their borders. Today, the growth of the casino industry continues across the country as more cities, states, and Native American reservations allow casinos to be built and operated. In November of 1997, this growth found its way to Western North Carolina when the Eastern Band of the Cherokee Indians opened Harrah's Cherokee Casino (Harrah's Entertainment Company was chosen by the reservation to manage and market the casino). According to the Harrah's Entertainment Company website (www.harrahs.com) the casino includes 2,594 gaming machines, and is currently 175,000 square feet with 60,000 square feet being utilized for gaming.

Purpose of this Study

The purpose of this study is to attempt to detect what economic impact the casino has had on the two counties that surround the Cherokee Reservation. This evaluation will analyze various aspects of the two counties' economies and attempt to determine if the business owners/managers that do business in the study area have experienced any changes in business since the introduction of the casino. This analysis will attempt to determine whether the casino has had an impact on the local markets of the two counties that surround the casino.

Importance of the Study

The case study of the Cherokee Casino should be interesting for academics, policy makers, and planners alike. First, given the recent growth of the Native American gaming industry new casinos will inevitably be built and operated in parts of the country that have never dealt with the economic forces

associated with gaming. Cherokee is an excellent example of where a gaming facility is introduced into a market that, like most markets in the country, has never dealt with the economics of a major casino.

Second, many academics and policy makers alike question what affect a casino will have on an area's economy. Furthermore, the Cherokee Case will show what happens when this type of activity is introduced into an area with an already well-established tourism industry. The Cherokee case study will also help shed light on these questions, in that the two counties being studied have had a mature tourism industry for years. This is largely due to their role as a gateway for the eastern approach to the Great Smoky Mountains National Park, its proximity to Interstate 40, and the natural beauty and amenities that they offer.

This study will also hopefully serve to enlighten the communities and community leaders near the reservation as to what the most recent economic data concerning the effects of the casino. The most recent economic study of the area predates the opening of the casino that exists today. This study will utilize the most recent data available to demonstrate what is occurring in the local communities.

CHAPTER 2

LITERATURE REVIEW

Indian Gaming: History

Since the beginning of European involvement in North America, the story of the Native American has been one of despair and tragedy. Throughout the centuries of European settlement on the continent and the subsequent centuries of American dominance, the Native Americans have been mistreated and cheated. During the 18th and 19th centuries, the United States government adopted policies that led to the killing of countless Native Americans. More often than not, as the American people sought to take advantage of natural resources and the most productive lands, the Native Americans that survived the plundering and pillaging of their ancestral lands were relocated. They would be relocated to reservations; areas of the country that were either far less valuable than their ancestral homes or were simply so undesirable that they were not valuable at all.

Today, the toll that has been taken on the Native Americans, through years of forced relocation and other destructive federal policies, is as apparent as it has ever been. Figure 1 compares: Native American median family income to median family income for the rest of the United States, and Native American per capita income versus United States per capita income; and compares, the percent of families in poverty for the U.S. population at large and the American Indian population; and the percent of persons in poverty for the same groups (1990 U.S. Census).

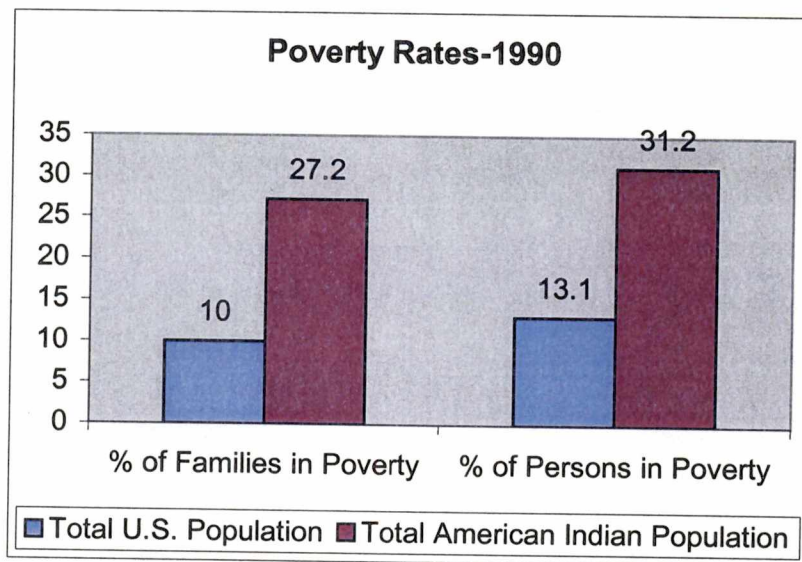
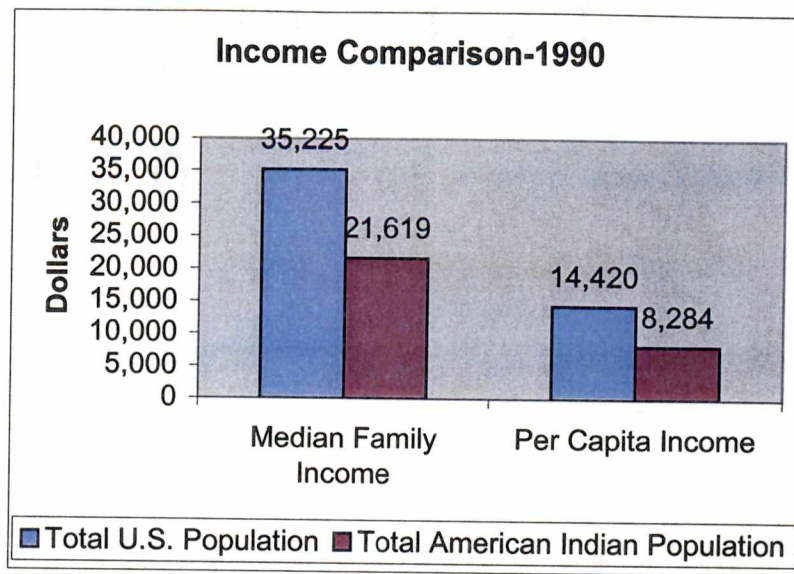


Figure 1: Income and Poverty Rates Comparison Between the American Indian Population and the U.S. General Population (U.S. Census 1990).

Figure 1 illustrates the tremendous economic divide that exists between the American Indian population and the general United States population. This has been the situation for decades; and for decades, the federal government has implemented numerous programs with the goal of improving the quality of life for the Native Americans. U.S. Presidents from Kennedy through the present have enacted various programs, large and small in scale, the major ones include: the Area Redevelopment Administration Act of 1961, which allowed the buying of lands by Native American Nations, the Indian Education Act of 1972, the Indian Financing Act of 1974, the Indian Self-Determination and Educational Assistance Act of 1975, the Indian Child Welfare Act of 1978, and the Tribally Controlled Community College Assistance Act of 1978 (Thompson 1999).

Moving into the 1980s and into the 1990s, the tribal governments and the Native American population were beginning to realize that years of federal programs were not solving the economic and social problems that troubled their people. After observing years and years of federal failure the Native American population began to look elsewhere for economic resources and development. Their discovery would be legalized reservation based gaming.

Native Americans were using low-stakes charity gaming in the 1970s as a means of raising money. Like other non-Indian based games, these small operations were required to comply with state regulations. The Seminole Indians in Florida ran a bingo game that was comported in accordance to Florida state regulations concerning, among other things, the amount of prize money that could be offered (Thompson and Dever 1997). In 1978, the Seminole Nation

decided to change their bingo operations in Hollywood, Florida by offering a high-stakes game that violated the state's prize limit restriction (Thompson and Dever 1997). The Seminoles had not simply acted in defiance but were taking a legal "gamble."

Two years earlier, the U.S. Supreme Court had handed down Bryan v. Itasca County (1976), which held that states could not regulate tribal activities if such "activities were not totally prohibited by the state (Thompson and Dever 1997)." This opinion suggested that while federal law allowed the states to have criminal jurisdiction over tribal lands, the states did not have the authority to regulate *legal* gaming activities that were not prohibited by state law outright (Thompson and Dever 1997). When the local officials attempted to enforce state requirements, the courts went with the Itasca reasoning allowing the bingo operations to continue (Thompson and Dever 1997).

It would be 1987 when the U.S. Supreme Court handed down a ruling that would further change gambling practices on the reservations. In the California v. Cabazon (1987) decision the court held that the only way to regulate reservation gaming would be through an act of the U.S. Congress (Thompson and Dever 1997). Congress responded with the Indian Gaming Regulatory Act of 1988 (IGRA). This act, which attempted to balance Native American sovereignty and state sovereignty, permits casino gaming, or Class III gaming, on reservations if the games are otherwise allowed for any purpose in the state, and the reservation and the state have agreed to a compact concerning various aspects of the casino operation (Thompson and Dever 1997).

The IGRA defines three classes of gaming. Table 1 breaks down the differences between the three classes. Only Class III gaming requires the tribe to enter into a compact with the state. States may not tax tribal gaming as a part of the compact (Thompson 1999). IGRA also requires the gaming profits be used to meet tribal needs, these include tribal economic development, funds for charitable organizations and local government needs, and in some cases a percentage of the profits may be distributed as per capita payments to all tribal members (Thompson 1999).

Since the passage of the IGRA Indian gaming has seen an amazing amount of growth. As Figure 2 illustrates, the number of Native American tribes compacting peaked in the mid-1990s and began to taper off towards the end of the decade (National Indian Gaming Commission, 1998).

Table 1: Indian Gaming Regulatory Act Gaming Classes (Thompson, 1999).

IGRA Classes of Gaming	Class Description
Class I	Small stakes gaming that takes place between tribal members and is usually part of a ceremony or tribal festival.
Class II	Gaming that includes: bingo & instant bingo games, pull tabs, punch boards, tip jars, and card games, such as poker, as long as they are not banking games.
Class III	Includes all other forms of gaming and wagering, including: craps, banking card games (blackjack, baccarat), roulette, slots, pari-mutuels, and lottery type games.

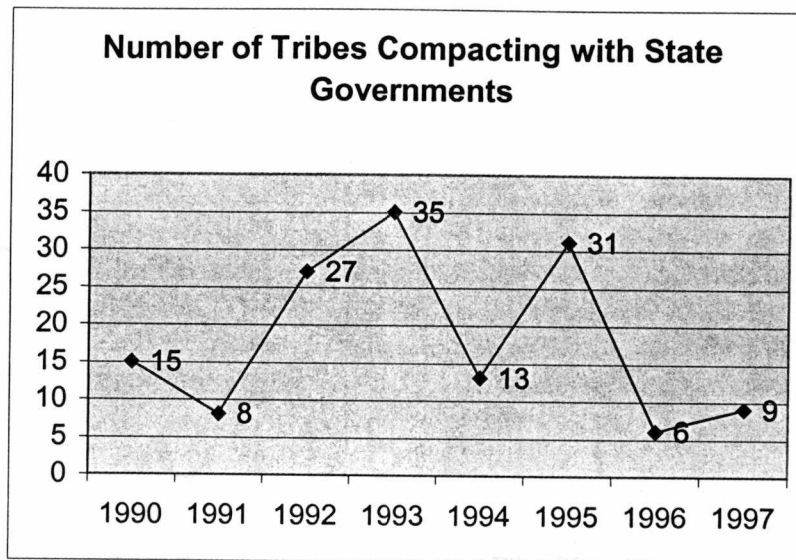


Figure 2. Number of tribes compacting with state governments (National Indian Gaming Commission, 1998).

As of the end of 1997, according to the National Indian Gaming Commission, roughly 189 tribes in 28 states have Class III gaming operations. These operations range in size from very small facilities to huge casinos that rival the Vegas style super casinos. Today this tremendous growth continues as more groups of Native Americans attempt to attract outsiders and their dollars to the reservations through the operation of casinos.

The Economic Impact of Casino Gaming: The Literature

Today, the growth of Indian gaming is due to the notion that gaming, and the subsequent economic activity and revenue that is generated, benefits the reservation and the surrounding counties. William R. Eadington (1998) observes that the "Justifications for gambling are not to be found in the joys of consumption (Spanier 1995) but, rather, in economic spin-offs that occur when gambling is authorized, especially in markets where it was previously prohibited" (53). Eadington (1998) further states that, "Such expected benefits as tourism

development, economic revitalization, tax revenue generation, job creation, investment stimulation, or contributing to a deserving cause or disenfranchised group are typical of the reasons why jurisdictions legalize gambling" (53). While legalized gaming can be beneficial, Eadington (1998) states that, "policymakers should prioritize their goals and objectives when authorizing gambling," and that they should be aware of the various trade-offs that are taking place due to their decisions (59).

Most policymakers and academics agree that Indian gaming facilities have benefited the Indian populations that own them, while the impact of the casino on the surrounding area is far more questionable. Most casino proponents argue that casinos contribute to the local economy through three basic effects: direct effects, induced effects, and the attraction of more tourists to the area. Harrah's Entertainment, Inc., which manages the Eastern Band of Cherokee Indians' Casino, owns and operates casinos all across the country. They publish literature that highlights the economic benefits that are often associated with casinos.

Harrah's (2000a) contends that casino gaming is an industry that can quickly generate jobs and revenue for the local community. They maintain that this economic development takes place due to direct economic activity associated with the construction and day-to-day operation of the casino (Harrah's Entertainment, Inc. 2000a). Like any other major building project, a casino requires extensive labor and capital, which Harrah's contends is largely supplied by the local market (Harrah's Entertainment, Inc. 2000a). After the casino is built

and is operational, it, depending on size and types of activities offered, will require a workforce of considerable size (Harrah's Entertainment, Inc. 2000a). This workforce, like any other business, will include various positions, varying levels of responsibility including marketing staff, human resources, finance, and floor personnel (Harrah's Entertainment, Inc. 2000a).

Along with these direct impacts comes the other activity that is caused by the presence of a casino. First, the casino itself requires services and materials that may be supplied by the local economy (Harrah's Entertainment, Inc. 2000a). Second, the expenditure streams that are generated by the wages that the casino pays to its employees will enter into the local economy, as will the per capita payments paid to tribal members, creating induced effects (Harrah's Entertainment, Inc. 2000a), in theory bringing about economic growth. Harrah's (2000a) further promotes the economic advantages of the casino industry based upon the additional tourism that will be generated due to this activity. Harrah's (2000a) maintains that the presence of a casino can stimulate the tourism and recreation sectors of the local economy, generating jobs and incomes.

According to economist Ricardo Gazel (1998), the economic theory surrounding the development that many attribute to casinos follows these dynamics: the casino will consume goods and services and it will pay wages. These goods and services include things like local consumption of utilities, local marketing expenditures, insurance that is provided by local companies, local food and drink purchases for casino restaurants and vending, along with contracted

labor needs (i.e. plumbing, electrical work, wireless connections, etc.) (Gazel, 1998).

The casino, in consuming the goods and services from the local economy, provides local businesses with revenue. At the same time, the local businesses get to provide goods and services to the casino employees, who are taking their wages paid to them by the casino and consuming various goods, and to tourists; this provides revenue to the local businesses as well (Gazel, 1998). This revenue is then used by these businesses to pay their employees, and possibly other firms that provide goods or services to them, "creating a second round of expenditure, which in turn creates a third round, and so on" (Gazel, 1998, 70). The sum of the indirect expenditures that have taken place during the subsequent rounds is called the multiplier effect (Gazel, 1998).

Gazel (1998) explains the extent to which the multiplier effect can greatly enhance a region's economy depending on the leakages that are present in the economy and local population's average propensity to consume. Leakages, which include expenditures on imported goods or services and taxes, are activities that take dollars out of circulation in the local market. Another leakage takes place when a consumer saves money as opposed to spending it. Gazel (1998) gives the example that assumes that for every dollar spent in the local community after the first round of expenditure half of the dollar is subsequently spent on goods and services and half of the dollar is leaked out of the economy. Thus, a dollar would be spent in the first round, and half of that amount in the second round or \$0.50, and then half of that in the third round or \$0.25 and so

forth (Gazel, 1998). By the sixth round of expenditure, there has been \$1 of direct expenditure and \$0.968 of indirect expenditure (Gazel, 1998).

In stark contrast to the economic benefits that are hailed by Harrah's Entertainment, Inc., and some in Minnesota, the National Coalition Against Legalized Gambling (NCALG) states "the best way to drain an ailing economy of whatever life it has left is to give it a dose of casinos" (National Coalition Against Legalized Gambling, 2000, 1). The NCALG (2000) states that casinos have a negative impact on an economy; how great of a negative impact is the only question.

One of the biggest factors that will determine the answer to this question, according to NCALG (2000), is whether the majority of gamblers are "new" tourists, that is, tourists that would not have come to the area prior to the casino being built, or locals or the pre-existing tourist population. This is because if the majority of casinos patrons are pre-existing tourists or locals, the casino is not acting as an export, or basic industry. In some cases, the casino can actually be an economic "leakage" for the local economy.

The effect that casinos will have on an economy, which is based on their impact on tourism, involves the export-base theory of economic growth. Earl Grinols (1994) creates a good analogy involving the difference between the development of a restaurant and that of a factory that explains the export-base theory as related to the economics of casinos.

A factory, when it locates to an area, sells to the rest of the country. Its payroll, materials purchases, and profits spent locally are new money to the area that

represent tangible goods produced. On the other hand, adding a new restaurant that caters to local population in an area simply takes business from local firms. The question for a region therefore is: Is a casino more like a factory or a restaurant? In Las Vegas, casinos are more like factories because they sell gambling services to the rest of the nation. In most other parts of the country gambling is like a restaurant drawing money away from other businesses, creating no economic development, but leaving social costs in its wake (Grinols, 1994).

William Eadington (1995) agrees with this notion he states,

If a casino is purely a tourist facility – if all patrons come from outside the jurisdiction – then the facility is effectively exporting casino services. As a result, all revenues generated within the casino, all jobs created within the casino, can be classified as “exports” and will stimulate, via the multiplier process, additional economic activity in the jurisdiction (52).

Eadington (1995) continues with,

At the other extreme, locations or regions which have casinos that cater predominantly to local or regional residents will not have a stimulative effect on the region's economy. In effect, customers to such casinos would just be redirecting their expenditures from other goods and services provided within the region to the casinos. Thus, jobs created and revenues generated in the casinos would be offset by jobs lost and revenue shortfalls elsewhere in the region (52).

Unfortunately, there is evidence that casinos, with the exception of those in Las Vegas, Nevada (Grinols, 1994), tend to draw heavily on the local population as opposed to “new” tourists. Grinols (1994) states that in a study that he conducted concerning 10 counties in Illinois where casinos had been recently opened he found evidence that the casinos were acting more as

restaurants than factories. He found that 7,806 direct gambling jobs had been added to an 118,000 employment base, but that the number of net jobs gained in the counties was 2,038, with only a 21 person decrease in the number of unemployed (Grinols, 1994). According to Grinols (1994), once you take into consideration the fact that some job gains would have taken place regardless of the introduction of the casinos, "the net effect of gambling was that roughly one job was lost for each gambling job created" (2).

The NCALG (2000) reports that, according to a Wisconsin Policy Research Institute Report, residents of Wisconsin were responsible for roughly 80% of casino revenue in the state; and that, according to a University of Minnesota study, there is no evidence of gaming in that state having an effect on tourism. This is bad news for proponents of casino gambling as a means of economic development. John Warren Kindt (1994) states, "Unless massive numbers of *new tourists* are attracted by the advent of legalized gambling activities, the pre-existing economy and tourist trade are eventually depleted, and consequently the legalized gambling will not provide state-wide economic growth, jobs, or tax revenues" (135). Kindt (1994) further explains that while any large infusion of money, such as that from the building of a casino, can have an immediate short-term positive effect on the local economy, the long-term outlook is sure to be bleak. Henry Gluck, Chief Executive Officer of Caesar's World casino company, stated that he doubts that the introduction of casino based gambling into new markets would do much to stimulate local economies he said that the casinos would probably only "recirculate the local money" (Goodman

1995, 33). Gluck went on to say that only a few major cities in the United States could be successful at attracting a significant number of "outside dollars" (Goodman 1995, 33).

There is also a belief by some that even if the introduction of a casino does increase the number of tourists visiting the region, these tourists will not have much of a positive impact on the local economy. This is because many argue that these tourists will be in the area only to gamble. The rationale is this: if people want to go on vacation to gamble—they will go to Las Vegas, because of its "Mecca-like status" rather than another gambling spot (National Coalition Against Legalized Gambling, 2000, 2). This being the case, that leaves non-Vegas casinos competing for "convenience gamblers," or gamblers who will gamble at the closest available location (Better Government Association 1992).

In a 1994 study, Steven C. Deller and Susan Chen, use the term "Atlantic City Effect" to describe the situation when the tourists that are coming to the area due to the casino are for the most part "convenience gamblers" (252). The "Atlantic City Effect" takes place when "visitors to the casinos travel to the casino, enjoy the gaming experience, then return home" (Deller and Chen, 1994, 252), without spending money on lodging, food, retail or other recreational activities. When this is the case, the possibility of these tourists stimulating other sectors of the local economy is severely limited. This in turn reduces the effects of additional tourism and limits the positive economic "ripple" affects associated with the local multiplier.

Some individuals well known due to their connection to the gaming industry have deflated the claims concerning the positive impact that casino tourism can have on local markets. Steve Wynn, arguably the most powerful man in casino development, has also cast doubt on the notion that casinos can attract tourists that will invigorate an ailing local economy. In 1992 speaking to community leaders in Bridgeport, Connecticut, stated,

Get it straight. I think I know how to bring people to Bridgeport, and keep them coming, but there is no reason on earth for any of you to expect for more than one second that just because there are people here, they're going to run into your store, or restaurant, or bar. That didn't happen in Atlantic City...it should never have been promised in Atlantic City. It is illogical to expect that people who won't come to Bridgeport and go to your restaurants or your stores today will go to your restaurants and stores just because we happen to build this building here (Judson, 1992).

Cannibalization and Substitution Effects

While gaming proponents maintain that casinos will help existing businesses, many policymakers and academics disagree with this notion. When rating the economic impact of casinos, two related economic phenomena are often examined: the substitution effect and the cannibalization effect.

The substitution effect results from the basic idea that consumers have a finite amount of disposable income. The substitution effect is, in the most basic sense, the idea that as a consumer, you have to sacrifice consuming a certain amount of butter in order to "consume" a certain amount of guns. Thus, in this example, guns are being "substituted" for butter. Tim Ryan (1995) states, "if you

spend more on gambling, you are going to spend less on something else" (146). The NCALG (2000) maintains that once a casino has been introduced into an area, consumers will "consume" gambling as opposed to something else. Well-known businessman Donald Trump, a owner of casinos himself, summarizes the effect well, "People will spend a tremendous money at the casinos—money that they would normally spend on buying a refrigerator or a new car. Local business will suffer because they'll lose customer dollars to the casino (Goodman, 1995, 34)." In a 1998 report to the National Gambling Impact Study Commission, Stephen Cornell et al., state, "casino revenues may come at the expense of local non-gaming establishments, such as eating and drinking establishments (41)." According to a study that was done by the State of Florida, in that state the introduction of casinos would divert between 2 to 2.5 billion dollars from just the other tourism sectors of the state economy (Executive Offices of the Governor of Florida, 1994).

Some argue that consumers substituting gambling for other goods and services results in the cannibalization effect. Cannibalization takes place when businesses fail because too much of their revenue is being diverted to other businesses. Many economists believe that due to cannibalization, casinos have a negative effect that at the very least cancels out whatever positive impact that may be derived from their direct expenditure in the local economy.

As local residents shift more of their discretionary dollars to gambling and away from other purchases, a negative economic multiplier effect comes into play. Since less consumer time and money is available to be spent at these businesses, their profits decline and

sales clerks, restaurant personnel, and others work fewer hours or are laid off. These unemployed and underemployed people now have less money to spend on other local goods and services, which, in turn, further reduces the need for workers in yet other local businesses (Goodman 1995, 27).

Goodman (1995) further comments on the diversion of consumer time to the casino from the other local businesses he states,

[Consumers] also spend a great deal of time in the process of betting, the time that might otherwise have been spent buying the products or consuming the services of other local businesses. This is an especially significant loss for recreational or entertainment enterprises, since people require a considerable amount of time if they are going to attend sports events, movies, theatres, museums, amusement parks, or restaurants (28).

Ricardo Gazel (1998) also describes the cannibalization effect he states,

An easy example [of cannibalization] is the effect of the opening of large and more competitive firms such as Wal-Mart on small retailers in small communities. In the case of a casino, local patrons may shift their expenditures away from local businesses, such as restaurants and movie theatres, to the casino (71).

People that have traditionally been associated with the casino gaming industry have also commented on cannibalization. Jeffery Lowenhar, a former research consultant to Hilton Gaming stated that casinos would affect numerous industries and that they "will definitely cannibalize some of those existing businesses (Goodman 1995, 32)." Clifton Henry, a development consultant for numerous casino companies, also believes that casinos can harm existing businesses (Goodman 1995, 32).

"What we're doing," said Henry, "is we're just rearranging dollars....and the people who usually win, quite frankly, are the casino operations. The people who lose are the cultural activities in the city, the eating and drinking establishments in other parts of the city, even automobile dealers, retail stores, etc" (Goodman 1995, 32).

Expectedly, Harrah's Entertainment Inc. challenges the validity of these notions. Harrah's (2000b) states, "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 (1)." Harrah's (2000b) cites numerous studies that suggest that the impact of cannibalization has been exaggerated. According to Harrah's (2000b), a 1993 Minnesota Planning Agency report stated that revenues of eating and drinking establishments located in counties with Indian casinos grew by 10.7% from 1989 to 1990, while establishments in non-casino counties only saw a 5.4% increase. Harrah's (2000b) also cites an Associated Press article from May 1995 that reports that business managers in southeastern Connecticut saw sales increase or remain unchanged since the introduction of the Foxwoods Indian Casino.

In an effort to better understand the effects of casinos on local businesses, a small study was included as a part of the report to the National Gambling Impact Study Commission. Stephen Cornell, Joseph Kalt, Matthew Krepps, and Jonathan Taylor (1998) looked at changes in retail sales in 9 counties that had recently introduced tribal gaming.

The results of their study, as shown in Table 2, indicated that of these 9 counties two out of three of them showed stronger growth in retail sales than the respective state, while the other third demonstrated weaker retail sales growth than the respective state (Cornell et al., 1998).

While it is possible that these aggregate increases in off reservation sales mask a number of bankruptcies or sales declines for particular outlets, it would be hard to attribute such declines to Indian gaming. In other words in off-reservation businesses as a whole benefited, then the failure of some non-Indian businesses would predominantly reflect their inability to compete with other non-Indian businesses, rather than an inability to compete with the newly introduced casino facility (Cornell et al., 1998, 44).

Furthermore, Harrah's (2000b) cites a 1998 report for the National Gambling Impact Study Commission wherein economist Adam Rose states, "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 (1)." Harrah's (2000b) continues with, "Benefits to local businesses exist both because of new

Table 2. Changes in Retail Sales in Selected Tribal Gaming Counties (Cornell et al., 1998).

Tribe	Gaming County	Gaming County*	State*
Ho-Chunk	Jackson, WI	39%	47%
	Sauk, WI	83%	47%
	Wood, WI	24%	47%
Mashantucket Pequot	New London, CT	31%	23%
Oneida	Brown, WI	38%	47%
Sault Ste. Marie Chippewa	Chippewa, MI	53%	29%
	Mackinac, MI	57%	29%
Standing Rock Sioux	Sioux, ND	63%	42%
	Corson, SD	118%	57%

* Percent Growth in Retail Sales Between the Year Before Gaming Compact Approval and 1996.

tourism and because casinos increase employment opportunities and incomes in local communities (1)."

Case Studies

Native American Gaming in Minnesota

According to a 1997 study completed by Marquette Advisors, Minnesota's eleven Native American casinos had nearly 12,000 employees by the end of 1996, with 75% being non-Indians (Boger et al., 1999). Of these 12,000 employees, it was determined that 22% of them had been unemployed for three months prior to working for the casino, while 15% had been unemployed for six months or more. These casinos paid roughly \$184 million in wages for 1995, with an average of wage of \$16,082, which was significantly higher than the other service jobs in the state (Boger et al., 1999).

The study also looked at the expenditures that had been made by the casinos in the state. These included \$74 million being spent on advertising, food, and beverages in the state (Boger et al., 1999). The casinos spent a notable amount of money to attract people to gamble. These expenditures succeeded in attracting an estimated 19.6 million people, with over 3 million coming in from out of the state.

Native American Gaming in Rural Wisconsin

In a previously mentioned study, Steven Deller and Susan Chen (1994) conducted an analysis of the economic impact of tribal casinos on counties that surround them. Their analysis involved comparing and contrasting the economies of the counties that surround the casino to a control group, or the

economies of those counties without casinos. There were 11 counties that were included in the group that could be affected by nearby casinos and 50 counties in the control group. The study examined the economies by using 13 socioeconomic indicators. These indicators included: population, total personal income, per capita income, total employment, retail employment, income maintenance benefit payments, food stamps, other income maintenance payments, unemployment insurance benefit payments, AFDC payments, and supplemental security income payments. The authors then used these 13 indicators to create an index to be used in comparing the two groups.

Their results indicated "very few shifts that might be attributed to the development of these casinos [have been] observed" (Deller and Chen, 1994, 252). Their study also revealed that the quasi-experimental group had not shown a noticeable difference in income growth as compared to the control group, while only showing a slight increase in service employment (Deller and Chen, 1994). Deller and Chen (1994) further explain their results they state, "This makes intuitive sense in that direct impact of bringing gamblers (or tourists) into a region would most likely take place in the services sector (e.g., hotels, restaurants, etc.)" (252). Based on their results the authors believe that the tribal casinos are not having much of an impact on the local economies.

Based on casual observations of visitors to these casinos, it is speculated that many of the communities surrounding these casinos are experiencing what the authors call the "Atlantic City Effect." Here visitors to the casinos travel to the casino, enjoy the gaming experience, then return home. Indeed previous studies of casinos in Wisconsin suggest that many of

the visitors to these casinos are older and their trip to the casino was the nucleus of the trip (Deller and Chen, 1994, 252).

In further trying to explain their results Deller and Chen (1994) explain that,

Once the casinos have been built, the operating costs tend to be limited to labor (dealers, janitors, security guards, etc.). Thus the opportunity for non-labor linkages (i.e. induced effects) are limited. For example, maintenance expenditures for slot machines generally leaves the local area because the machines are so specialized that local suppliers are limited. The impact of new wages (i.e. induced effects) appears to be limited, given this analysis. There are two reasons for this: many of the new job holders are Native American and they often retain the income on the reservation; and many of the jobs are low paying, thus limiting the induced impact (253).

Foxwoods High-Stakes Bingo and Casino

The Mashantucket Pequot Indian Tribe established the Foxwoods Resort Casino in rural Connecticut near the city of Ledyard, an area that has experienced recent economic turmoil due to defense cuts (Boger et al., 1999). According to a 1993 study of the casino and its economic impacts on the surrounding area by Wright et al., the casino has provided 9,500+ jobs with an average wage of roughly \$35,000 with benefits and tips. The study revealed that the jobs offered by the casino offered compensation that was about \$2000 more a year than other jobs in the area (Wright et al, 1993).

The study done by Wright et al. (1993) also estimated that, due to the economic multiplier, for every job that is offered by the casino, 1.23 jobs are created in the surrounding county of New London. This equates to over 20,000 new jobs being created in the county due to the casino (Boger et al., 1999).

Furthermore, the study estimates that for every 1000 jobs created by Foxwoods, 175 individuals receiving AFDC benefits are taken off of the rolls (Wright et al., 1993).

CHAPTER 3

THE CASES OF SWAIN & JACKSON COUNTIES, NC

This chapter will examine economic indicators from Swain and Jackson Counties. The chapter will focus on what has been taking place in the two counties' economies since the opening of Harrah's Cherokee Casino in November of 1997. The findings on the two counties will be presented separately. The chapter will also review the facts concerning the casino that are germane to the economic analysis of the two counties.

Study Design and Limitations of the Study

The study will analyze the economies of Swain and Jackson County. Both analyses will consist of two parts: one quantitative, which serves as its primary focus, and one qualitative, which serves as an ancillary aspect of the study that will be presented in the next chapter. The quantitative portion is centered on economic trend data that has been collected concerning the two counties. The research contained in each analysis will be limited to data concerning the economic spillover effects of the casino only, and how Swain and Jackson Counties have been affected from such spillover. Each of the two case counties presented will include a brief background of the county's economic situation, followed by the findings from the data collection. Data for the following economic indicators will be presented: local occupancy tax revenue, unemployment rates, tourism expenditure, tourism employment, tourism payroll, and wage data.

While the case of Harrah's Cherokee Casino may not easily lend itself to generalizations, it is a helpful addition to existing research on the topic. As

Palumbo and Harder (1981) state, "case studies do not lend themselves to broad theoretical generalizations, but they do often point to factors that must be considered in the development of theory" (xii). A limiting factor that must be taken into consideration is that; as with most social science research, it is impossible to take into account all of the factors that could be affecting the economies of the two counties. While according to local officials no other major developments have taken place in the two counties since the casino came into existence, it is possible that the casino could simply be one of many factors affecting the study area.

Another problem is that the casino has only been in operation since late 1997, thus, there is not a lot of economic trend data available. Furthermore, most economic data collection agencies present data with a one to two year lag. This further exacerbates the problem. It is because of this reality that this study is meant to only provide a detailed review of the limited data available. It will demonstrate to planners and policy makers what has been taking place in the two counties, and provide them with information on where further, more comprehensive research needs to take place in the future.

The Casino

Harrah's Cherokee Casino, which opened on November 12, 1997, is a 175,000 square foot gaming facility located on the Eastern Band of Cherokee Indians Reservation in Western North Carolina. The casino, including purchasing the land, development of the site, general construction and a required waste water treatment plant, cost \$66,346,470 to build, with an expansion that

was completed 7 months later costing \$6.2 million. Of this roughly \$72.6 million in construction and expansion costs, only \$19.1 million of these costs, roughly 26%, were paid to the tribe or other vendors in North Carolina. The casino is collectively owned by the Eastern Band of Cherokee Indians and managed by Harrah's Entertainment, Inc. The casino includes a 60,000 square foot gaming floor which houses 2,594 electronic gaming machines, that is located on a 56.3-acre parcel of land. There are no table games with live dealers offered; all games are electronic in nature.¹ The casino has 1,943 parking spaces available to patrons. The casino is, at this time, the only casino gaming operation in the Southeastern United States this includes Alabama, Florida, Georgia, Kentucky, South Carolina, Tennessee, Virginia, and the remainder of North Carolina (Eller, 1995). At the time of this study, the casino has been in operation for just under 3.5 years.

The revenue that is generated by the casino goes to the Eastern Band of Cherokee Indians. Harrah's Entertainment, Inc. is paid a fee for managing the casino. Half of the profits are distributed to enrolled tribal members in the form of semi-annual payments. The other half is used for various tribal needs as mandated by IGRA. These needs include: tribal capital improvement programs, health and education assistance programs, housing improvement programs, and others.

In 2000, Harrah's Cherokee Casino had a workforce of 1,534 people (Harrah's Cherokee Casino, 2000). In that year, the casino paid \$28,272,670 in

¹ This is due to the language of the tribal-state compact that was agreed to by tribal and state leaders.

salaries and wages, and an addition \$10.5 million in benefits. The year prior the casino paid \$25,169,749 in salaries and wages, and roughly an additional \$8 million in benefits to its 1,494 employees (Harrah's Cherokee Casino, 1999). According to the casino, the average hourly wage in 2000 was \$9.03 without including tips, and the average salary was \$37,153 annually (Harrah's Cherokee Casino, 2000). Also in 2000, of the 1,534 employees, 246 or 16% were from Jackson County, while 221 or 15% were from Swain County. In 1999 and 2000 combined, the casino spent \$53,442,419 on salaries and wages.

These salaries and wages, as noted in Gazel (1998) in Chapter 2 of this paper, are important due the economic growth that they generate. This process takes place due to the consumption of goods and services by the employees with their wages. Harrah's Entertainment Inc. realizes this fact, and as a part of their Annual Harrah's Cherokee Casino Community Review, they include data from an annual survey of their employees that includes information on what their employees have been consuming.

In the 2000 Community Review, Harrah's states that in an average month in that year Harrah's Cherokee Casino employees and their families ate dinner at a sit-down restaurant 2,770 times. They consumed fast food 3,626 times. They also ordered take-out from full service restaurants or ordered pizzas 2,504 times. According to Harrah's Community Review (2000), this equals over 8,900 meals per month being consumed by their employees from food providers on the reservation and in the surrounding communities, including, but not limited to, Swain and Jackson Counties. Harrah's Cherokee employees and their families

also visited "formal entertainment options" (movies, concerts, amusement parks, etc) an average of 2,648 times per month in 2000.

The 2000 Review also covers major purchases that have been made by casino employees. According to the Review, in 2000 Harrah's employees purchased: 387 new cars, 1, 595 "major household goods" (stereos, VCRs, televisions, computers, etc.), 101 new homes, and 648 major home appliances (washers, dryers, ranges, microwaves, etc.).

It is also important to note other expenditures that have been made by the casino, in order to get a further sense of its presence in the local economy (Gazel, 1998). In 1999, the casino paid \$104,534 to vendors in Swain County, and \$554,488 to vendors in Jackson County (Harrah's Cherokee Casino, 1999). In 2000, the casino paid \$178,370 to vendors in Swain County, and \$1,201,478 to vendors in Jackson County (Harrah's Cherokee Casino, 1999).

Swain County, North Carolina

Swain County, North Carolina, with an estimated population in 1996 of 11,847 individuals is located in the western part of the state (North Carolina Office of State Planning). The State of Tennessee and the counties of Macon, Jackson, Haywood, Cherokee and Graham border it. The county also includes parts of the Eastern Band of Cherokee Indians Reservation or the Qualla Boundary. The county seat is Bryson City, a small town of only 1,145 individuals in 1990 (U.S. Census, 1990).

Unemployment

Data concerning the unemployment, a chief indicator of an economy's well being, was collected for the past decade for the county. Swain County has for years had high unemployment rates compared with the other 99 counties in the state. It also suffers from extremely seasonal unemployment as shown in Figure 3. Of particular interest is what begins to take place circa late 1997 when the casino was built. A distinctly noticeable change begins to occur particularly concerning the troughs, which represent the traditional tourist season of the summer and early fall months. Figure 4 further illustrates the changes that are taking place around the time the casino was being built and thereafter.

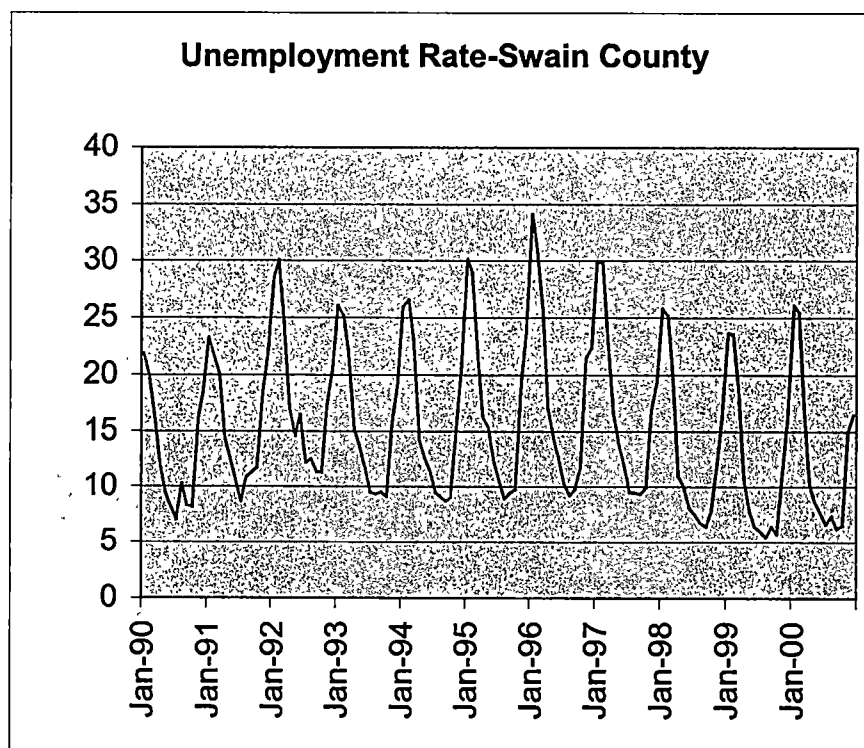


Figure 3: Monthly Unemployment for Swain County, North Carolina (U.S. Bureau of Labor Statistics).

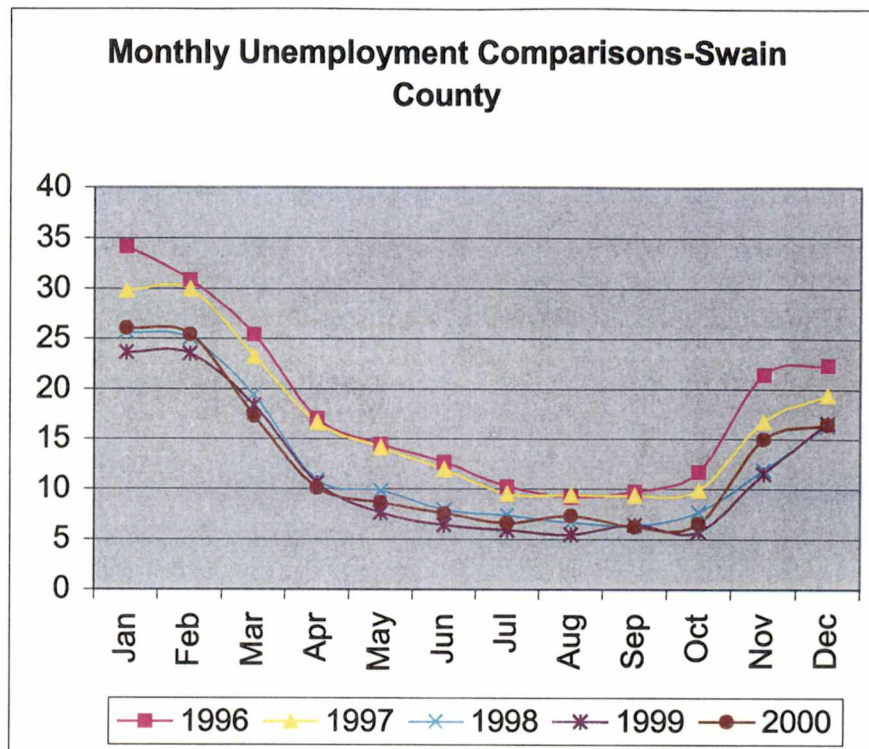


Figure 4. Monthly Unemployment as Compared to the Previous Year for Swain County, NC (U.S. Bureau of Labor Statistics).

Figure 4 illustrates the difference in the monthly unemployment rates over the last five years. Perhaps the most interesting aspect of this figure is the distance between the 1997 and 1998 lines, representing the change in unemployment during the first year the casino was in operation.

The period from 1996 through the year 2000 was a time of extraordinary macroeconomic growth in the United States. This growth would certainly lower unemployment rates across the country. Figure 5 illustrates the average annual unemployment rate for Swain County as compared with the average annual unemployment rate for the State of North Carolina.

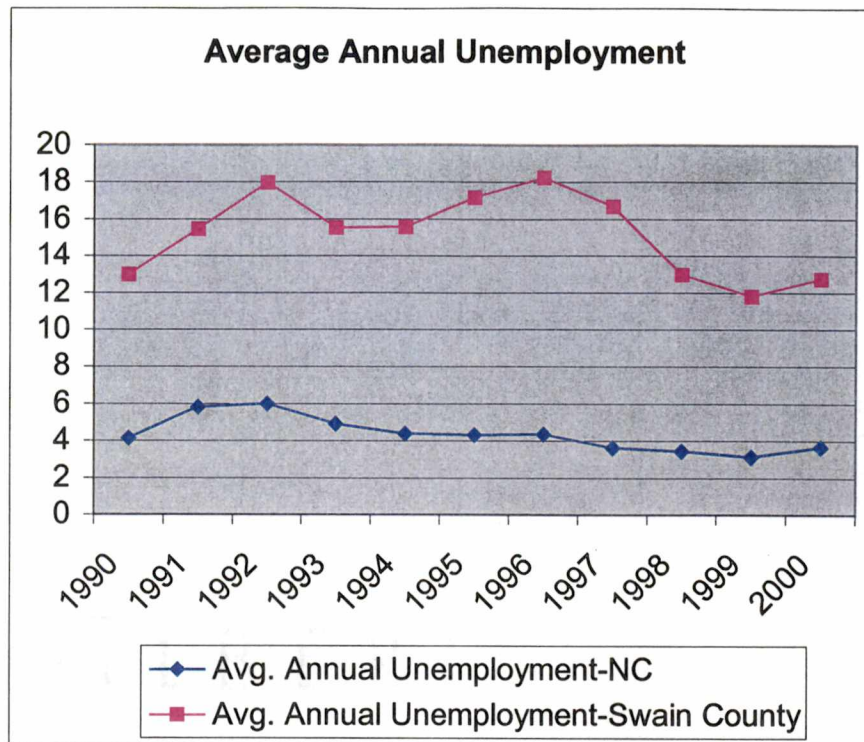


Figure 5. Average Annual Unemployment for Swain County and North Carolina (U.S. Bureau of Labor Statistics).

This figure too shows the change in unemployment that takes place near the same time the casino was opened in 1997, while at the same time showing the relative steadiness of the unemployment rate for the state as a whole.

While Figures 3 through 5, adequately demonstrate the changes in unemployment for Swain County, there is one other aspect of the county's unemployment rate is worth pointing out. Figure 6 displays the average unemployment during off-seasons (the months of November through March), again as compared with North Carolina as a whole. This figure illustrates an important indicator in determining what economic change has been occurring in the county during the off-season. As Figures 3 through 6 show, the county has,

in recent years, seen a noticeable decline in unemployment, with a slight increase in 2000.

Occupancy Tax Revenue

One of the key indicators chosen to determine growth or recession in the county's tourism sector is the amount of occupancy tax collected. This indicator is proficient at measuring tourism activity perhaps more than any other indicator because it most likely does not include activity by local residents. This is based on the assumption that local residents will not elect to stay at local hotels or

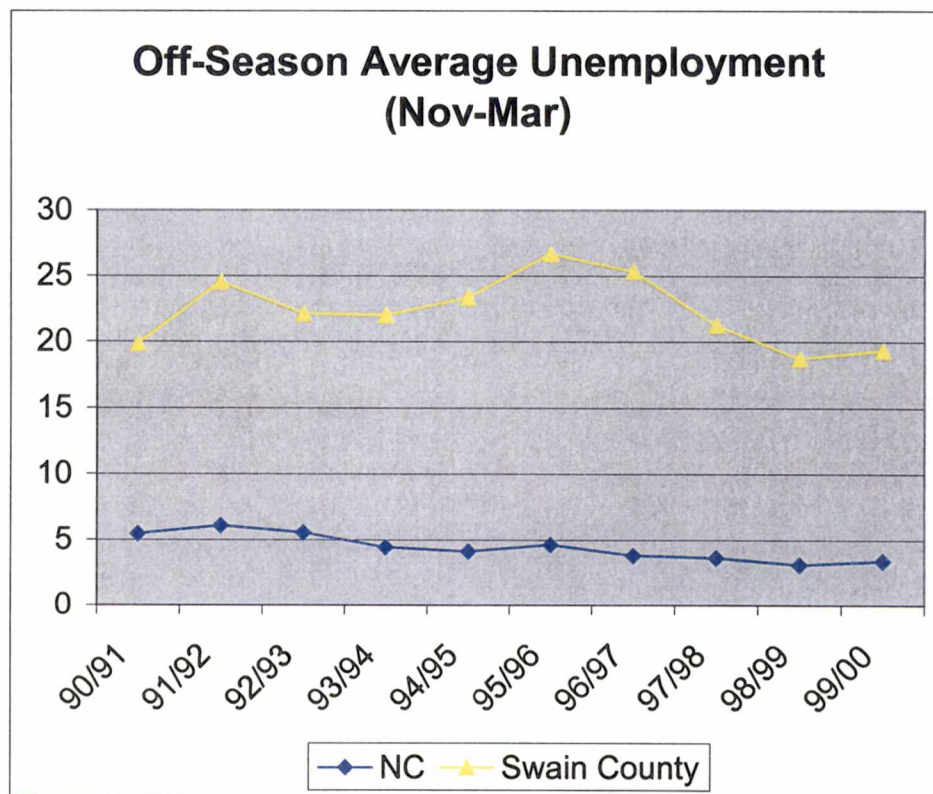


Figure 6. Average Off-Season Unemployment in Swain County and North Carolina (U.S. Bureau of Labor Statistics).

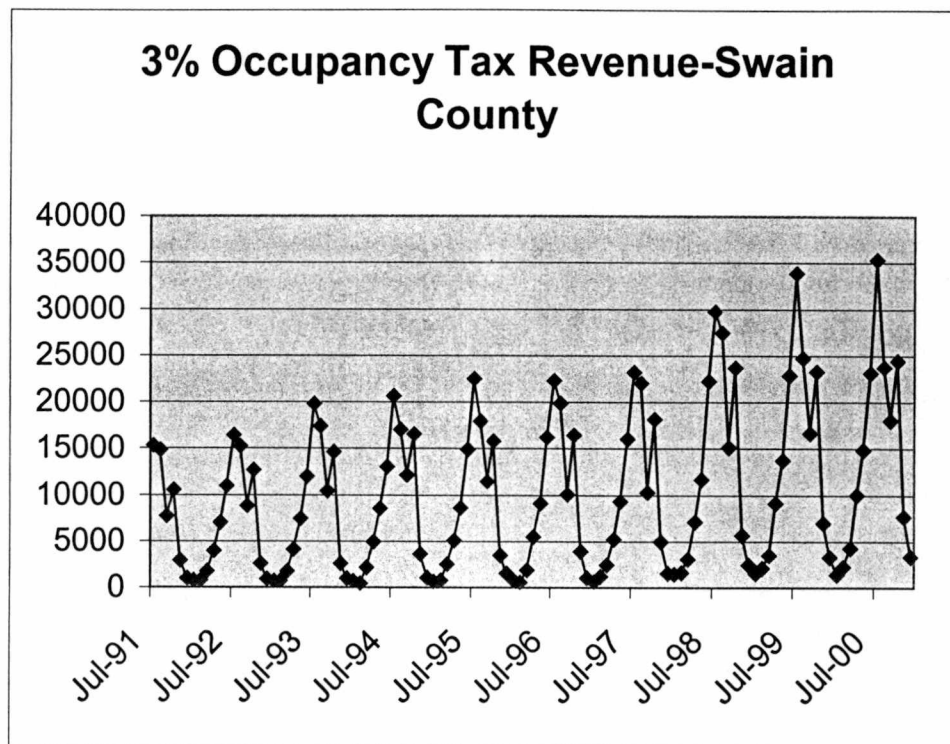


Figure 7. Monthly 3% Occupancy Tax Revenue for Swain County, NC (Swain County Administration).

motels. As Figure 7 shows, not unlike the unemployment rate, the monthly occupancy tax collection in Swain County is extremely seasonal.

While fiscal years 93/94 through 96/97 look identical for the most part, an upward trend begins after the casino is opened in November of 1997. This trend can be better illustrated by the data presented in Figure 8.

Monthly Occupancy Tax Comparison- Swain County

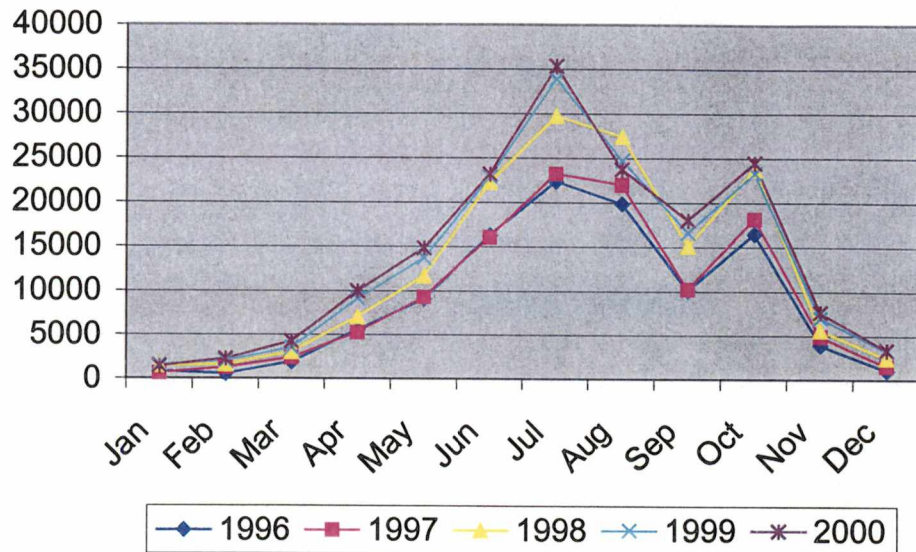
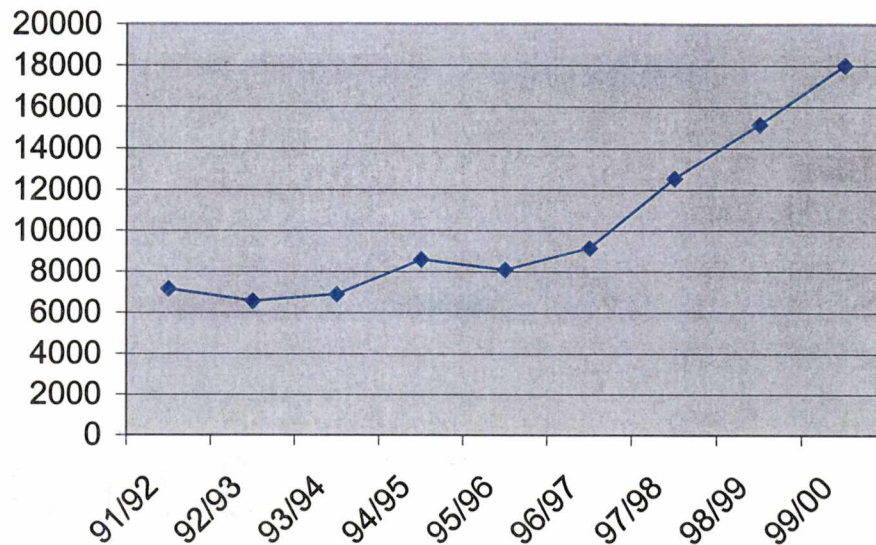


Figure 8. Monthly occupancy tax revenue for Swain County, NC from 1996-2000 (Swain County Administration).

Off-Season (Nov-Mar) Occupancy Tax Revenue-Swain County



Off-Season Occupancy Tax Revenue-Swain County

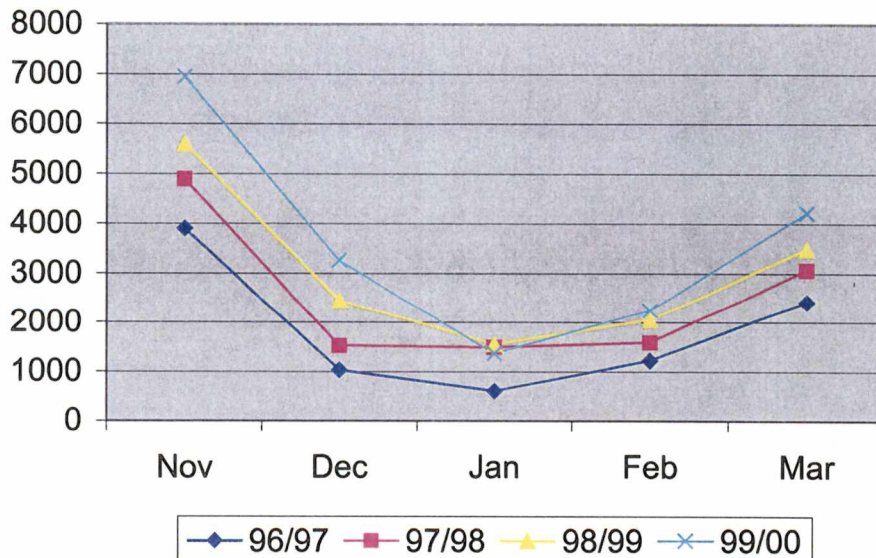


Figure 9. Off-season occupancy tax revenue for the past 9 nine seasons and monthly off-season occupancy tax revenue for Swain County, NC (Swain County Administration).

Retail Sales

Another indicator that has been utilized for this study is that of gross retail sales. Gross retail sales for the county serves as a general indicator for commercial activity. This indicator has been included to attempt to detect any marked changes in commercial consumption since the opening of the casino. These changes would suggest that the county economy is benefiting from consumption that is being induced by the casino as described in Chapter 2. Figure 10 shows the gross retail sales in Swain County for the past 7 years. Retail sales in Swain County have been growing at a tremendous rate in the past three years. While nearly no growth occurred between 1997 and 1998, in 1999, the county experienced nearly \$78 million in gross retail sales, which amounted

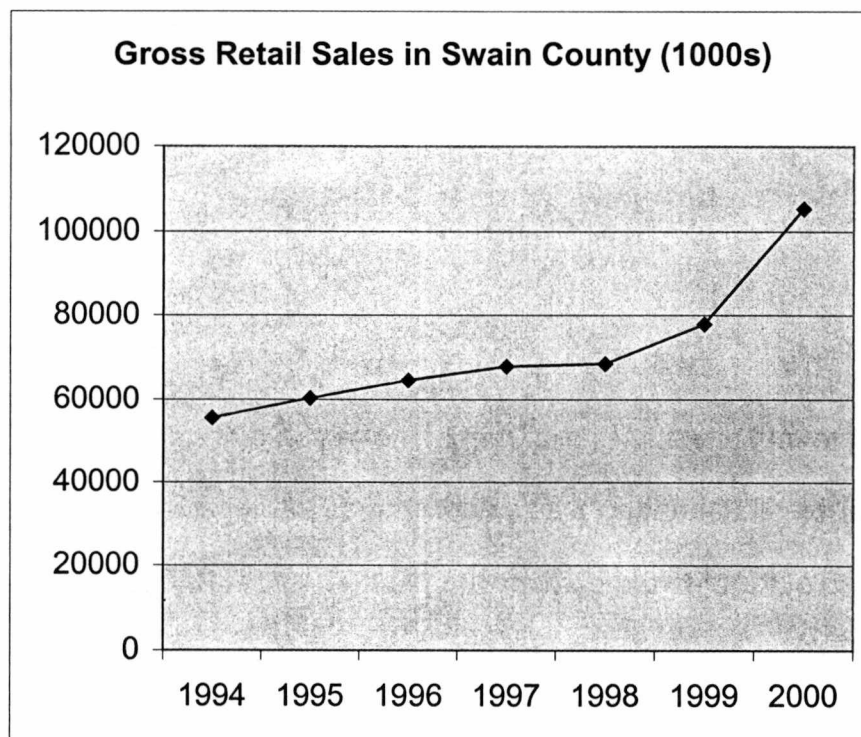


Figure 10. Gross retail sales in thousands for Swain County, NC (North Carolina Department of Revenue).

to a nearly 14% increase from the previous year. The following year, 2000, gross retail sales had increased from the previous year by just over 35%.

Tourism

The next set of indicators concerns tourism. Given the importance of tourism in determining whether or not the casino will be economically viable for the surrounding community, and the traditional importance of tourism on Swain County, the following indicators of tourism activity have been included: tourism expenditure, employment in the county that is reliant upon tourism and the payroll associated with this employment. All statistics associated with these indicators are from the North Carolina Department of Commerce.

Based on the data presented in Table 3, all three categories show tremendous growth from 1998 to 1999. From 1998 to 1999 tourism expenditure in the county increased by 17.7%, while the payroll and employment due to tourism increased by 15.3% and 12.7% respectively. At the same time, tourism expenditure across the state increased by 6.1%, while tourism payroll and employment saw growth of 3.5% and less than 1% respectively.

The following charts illustrate Swain County's percentage share of the tourism statistics included in Table 3. Figure 11 illustrates Swain County's share

Table 3. Tourism Data. Source: N.C. Dept. of Commerce

Year	Tourism Expenditures (\$millions)	% Change	Tourism Payroll (\$millions)	% Change	Tourism Employment (1000s)	% Change
1995	37.64	NA	8.76	NA	0.75	NA
1996	39.49	4.9	8.99	2.6	0.76	1.3
1997	39.93	1.1	9.60	6.8	0.77	1.3
1998	42.92	7.5	10.99	14.5	0.79	2.6
1999	50.52	17.7	12.67	15.3	0.89	12.7

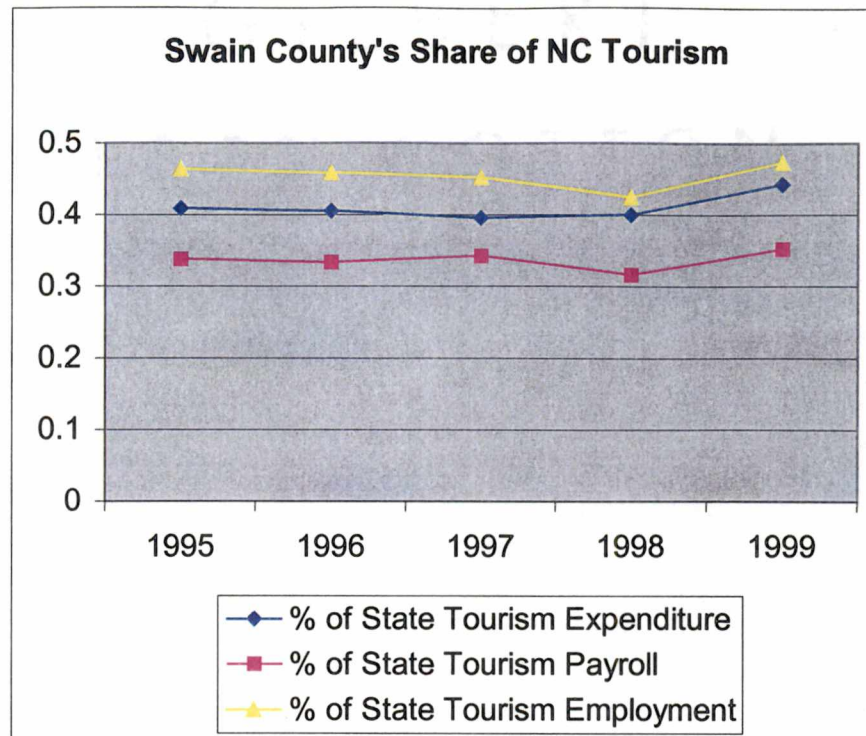


Figure 11. Swain County's percent share of state tourism expenditure, payroll, and employment (N.C. Dept. of Commerce). Numbers on the y-axis are percentages.

of state tourism expenditure, state employment due to tourism and the payroll from that employment.

Figure 11 shows a slight, yet noticeable, increase in the county's share of state tourism in all three categories from 1998 to 1999. This increase comes after losing a small share of state payroll and employment from 1997 to 1998, while experiencing virtually no change in the county's share of state tourism expenditures. This means that from 1998 to 1999 Swain County gained tourist dollars and consequently tourism jobs and payroll.

Wage Data

Data on average wage per job were also collected for the county. These data are from the United States Department of Commerce's Bureau of Economic

Table 4. Average wage per job for Swain County, NC with the percent change from the previous year (U.S. Dept. of Commerce Bureau of Economic Analysis).

Year	Average Wage Per Job	Percent Change from Previous Year
1994	\$16,011	5.91%
1995	\$16,139	0.80%
1996	\$17,594	9.02%
1997	\$18,032	2.49%
1998	\$19,808	9.85%
1999	\$20,404	3.00%

Analysis. Table 4 presents data on average wage per job for 1994-1999 and the percent change from the previous year.

The average wage per job data for Swain County shows that wages have not experienced substantial growth. Furthermore, when compared with the same statistic for North Carolina as a whole there is even less evidence of there being positive pressure on wages. In 1995, the average wage per job in Swain County was \$16,139; this was only 67% of the average wage per job for North Carolina as a whole (U.S. Department of Commerce Bureau of Economic Analysis). By 1999, the average wage per job in Swain County had increased to \$20,404, but this figure was only 70.6% of the same statistic for the total state, growth of only 3.6% during the period when the casino was built and opened (U.S. Department of Commerce Bureau of Economic Analysis).

Summary

After examining the seven economic indicators for Swain County, it can be said that after its first three years of operation the casino is having a positive effect on the Swain County economy. All indicators, with the exception of the

indicator concerning wages, suggest that the opening of the casino in November of 1997 brought about substantial positive changes.

Perhaps the most remarkable finding is that concerning the occupancy tax revenue collected during the off-season months and the unemployment rates during the same period. The growth in occupancy tax revenue implies that the casino is attracting a significant number of "new tourists," or tourists that would not have visited the area during this season otherwise based on past data, to the county. The increased number of tourists to the area translates to increased labor opportunities for local residents. This is because of the simple fact that a business that is open year-round to cater to the needs of these tourists will offer employment opportunities year-round. The change in unemployment during this time further suggests that the county is reaping the economic benefits of the labor purchased by the casino from county residents. This is unlike the traditional tourism industry in the county in that the casino is a 24-hour a day, 365 days a year business.

The retail sales data provides additional evidence that the casino is having positive effect on Swain County's economy. From January of 1998 through December of 2000, gross retail sales in the county grew by an astounding 53.8%, compared with having growth of only 6.1% for the previous two-year period (North Carolina Department of Revenue). These numbers, in addition to the occupancy tax numbers, suggest that not only are more tourist visiting the county, but that they are deciding to shop while they are there.

The data collected concerning tourism expenditure, employment and payroll also indicate that the casino is, at least, partly responsible for the growth taking place in the county. Given the sectors of the market that these numbers are associated with, the growth here also strongly points to the casino having a clear positive impact on the local economy. Tourist expenditures in the county have increased substantially during 1998 and 1999. During the same period, the employment and payroll associated with the tourism sectors of the local economy all grew at a considerable clip. While, it should be noted that the indicators concerning Swain County's share of the state tourism expenditure, employment, payroll, show stagnant growth and even recession during 1998, the first year the casino had been open, this demonstrates that during that year the tourism industry in other parts of the state grew faster.

The only indicator that did not detect noticeable changes due to the casino was that of the average wage per job. This indicator only demonstrated a marginal increase. As shown in Table 5, compared to the average wage per job growth for the State of North Carolina as a whole, the changes in Swain County were even less significant.

Table 5. This table compares the Swain County average wage per job to the average wage per job for the state as a whole (U.S. Dept. of Commerce Bureau of Economic Analysis).

Year	% of State Average Wage Per Job
1995	67
1996	70.3
1997	68.8
1998	71.7
1999	70.6

Based the percentages shown in Table 5, it is hard to detect any impact in wages for the county. This idea makes intuitive sense. Even if there is a considerable amount of economic growth taking place in the county due to the casino, the immense amount of unemployment would create a labor market that would be able to absorb a sizeable amount of labor demand without there being positive pressure on wages.

After examining the findings for Swain County, it is difficult to doubt that the casino is having a positive impact. The occupancy tax revenue suggests more "new" tourists are visiting the county. The tourism expenditure data and the retail sales data suggest that these tourists are not simply spending all their time gambling, but are consuming goods and services within the county. This means that Swain County, at this time, is not suffering from the "Atlantic City Effect" as described by Deller and Chen in their 1994 study. This additional consumption is being translated into new jobs for residents of the county which is reflected in the noticeable drop in unemployment rates for all times of year.

Jackson County, North Carolina

Jackson County, with a population of 28,108 in 1994, is located in the western part of the state. It shares borders with Macon, Swain, Transylvania, and Haywood Counties, along with the states of Georgia and South Carolina. The county also includes parts of the Eastern Band of Cherokee Indians Reservation or the Qualla Boundary. The county seat is Sylva. While Jackson County's economy has traditionally been weak relative to other parts of the state, it has been and still is much stronger than Swain County's economy.

Unemployment

Like Swain and its other neighboring mountain counties, Jackson County has an exceptionally seasonal unemployment rate. The highest unemployment is traditionally found in the winter months, typically January, with the lowest unemployment being in the summer months. Figure 12 illustrates the monthly unemployment rate for Jackson County and the average annual unemployment rate for Jackson County and North Carolina as a whole.

As Figure 12 illustrates, the county has seen its unemployment rate decline considerably since November of 1997. While it remains seasonal in nature, the decline between the summer unemployment and the off-season unemployment is noticeable. For instance, in January of 1997 the unemployment rate was 12.3% while it dropped to only 2.6% in September of that same year. In the following year, 1998, the unemployment rate peaked in January at 7.8% while it dropped to 2.3% in September. Thus, it seems as though in the past 3 years the seasonality of unemployment in Jackson County has been reduced.

Figure 12 also demonstrates another important finding. The chart that illustrates average annual unemployment rates for the county and for North Carolina shows that while for most of the early and mid 1990s the average annual unemployment rate for Jackson County parallel the average annual unemployment rate for the state almost perfectly. The only difference in the two

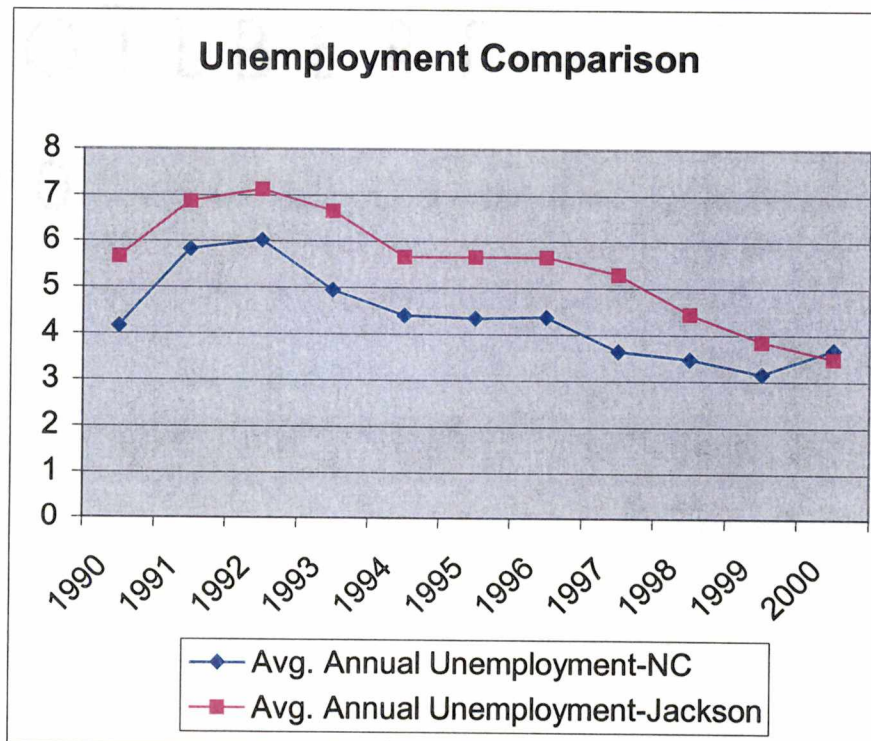
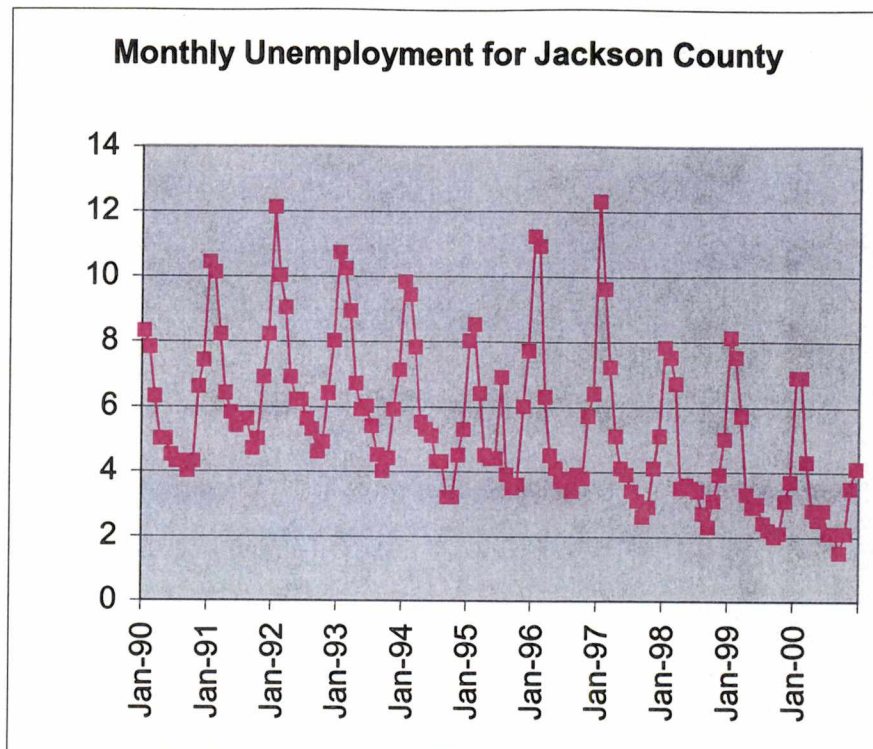


Figure 12. The top chart illustrates monthly unemployment for Jackson County. The bottom chart compares average annual unemployment for Jackson County to average annual unemployment for North Carolina (U.S. Bureau of Labor Statistics).

rates being that Jackson County always had roughly 1% to 1.5% more unemployment over the course of a year. As the chart shows, this begins to change in 1998 as the two lines begin to converge. The most striking aspect of this chart is that in the year 2000 the two lines intersect indicating that for the first time in at least a decade Jackson County had a lower average annual unemployment rate than the state.

Jackson County has also seen a decline in its off-season unemployment rate. As shown in figure 13, the county saw a decline in unemployment during the off-season (November through March) from season 1996/1997 through the present. While the off-season unemployment rate does decrease between the 1997/1998 season and the 1999/2000 season, the amount of the decrease is trivial.

Occupancy Tax Revenue

Occupancy tax revenue in Jackson County experienced clear growth since the casino was introduced. As figure 14 demonstrates, the county's occupancy tax revenue grew noticeably from 1997 through 2000 showing a 24% change during the period. While 24% growth during the three-year period may stand out, it is important to realize that during the period from 1992 through 1996 annual occupancy revenues grew by 26%. Thus, while there has been growth in occupancy tax revenue in the years following the opening of the casino, it is difficult to say that the casino is responsible. Unfortunately, the occupancy tax revenue data for Jackson County, unlike the same data for Swain County, does not include monthly occupancy tax revenue but only the annual collection figures.

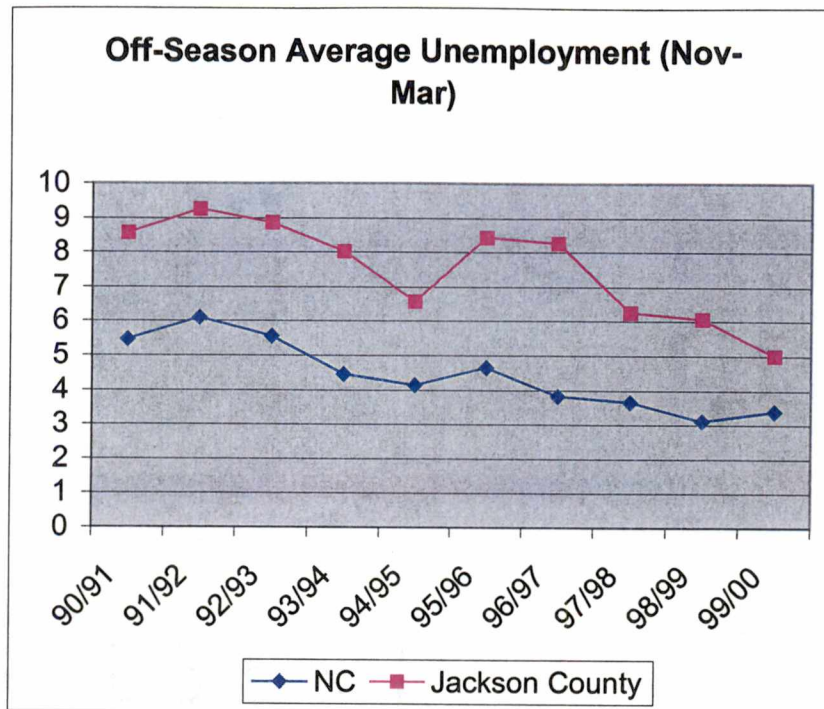


Figure 13. Off-season unemployment rate for Jackson County and North Carolina (U.S. Bureau of Labor Statistics).

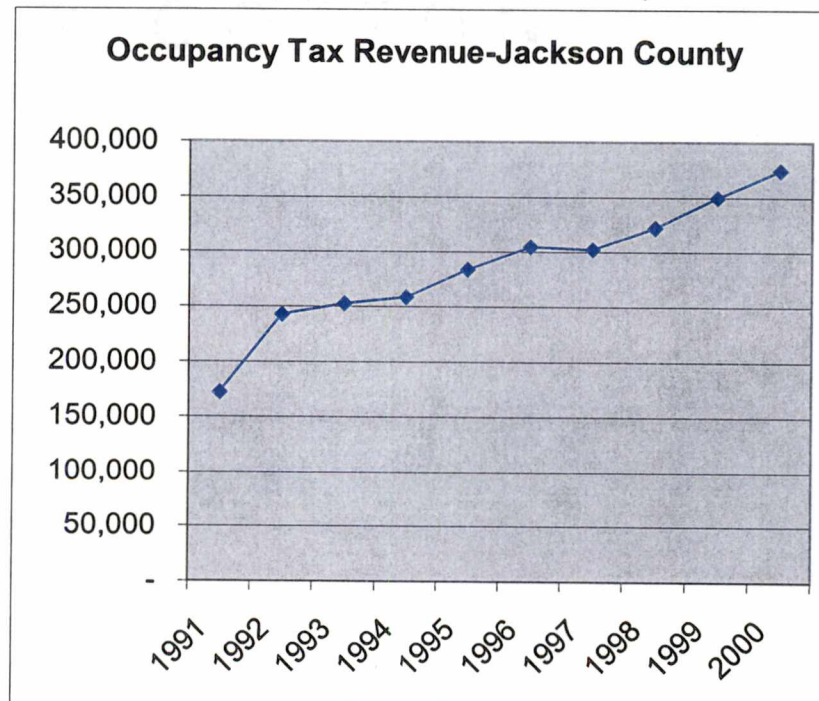


Figure 14. 3% occupancy tax revenue collected annually in Jackson County (Jackson County Administration).

Gross Retail Sales

Gross retail sales in Jackson County expanded at a steady pace for the most part during the last decade. With the exception of a fall in gross retail sales in 1994, the county has seen steady growth during the 1990s. As shown in figure 15, during the last three years, growth in retail sales continued at a steady rate with no noticeable change from the growth rates of the last three years. As Table 6 shows the only year that shows marked growth is 1997, but the casino did not open until November of that year. While steady retail sales growth is an indicator of a healthy economy, there is no evidence, relating to gross retail sales for the county, that the casino is having either a negative or positive effect on this aspect of the market.

Tourism Data

Data on tourism expenditure and tourism payroll and employment were collected for Jackson County. Tourism expenditure in the county grew by less

Table 6. Annual gross retail sales figures and the percentage change from the previous year for Jackson County, NC (NC Dept. of Revenue).

Year	Gross Retail Sales (000s)	% Change from previous year
1990	180,837	NA
1991	184,952	2.3
1992	198,740	7.5
1993	208,399	4.9
1994	169,120	-18.8
1995	188,712	11.6
1996	206,421	9.4
1997	248,406	20.3
1998	266,270	7.2
1999	273,638	2.8
2000	303,301	10.8

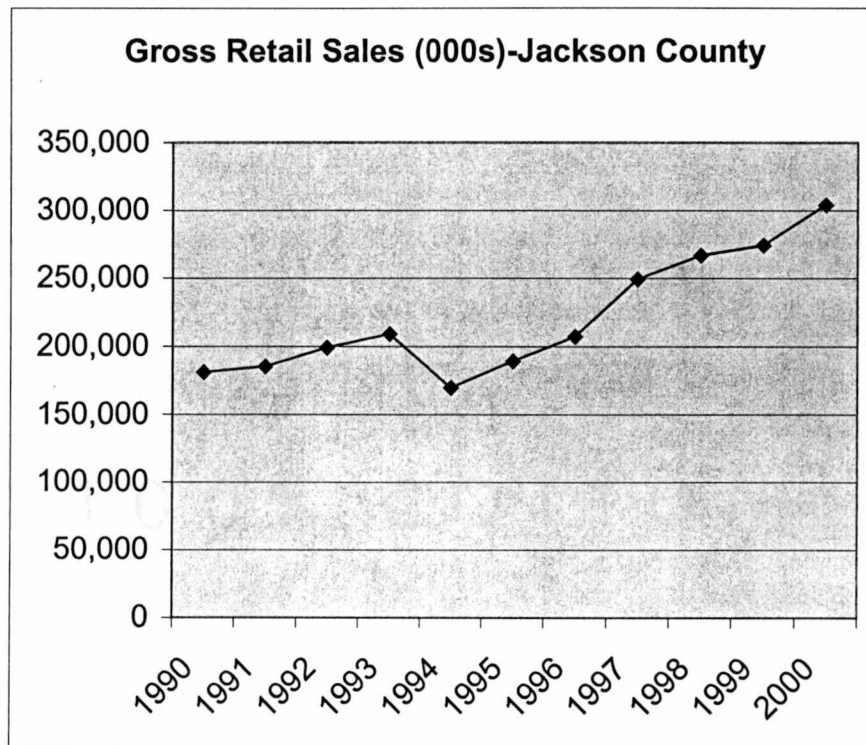


Figure 15. Annual gross retail sales taking place in Jackson County, NC (NC Dept. of Revenue).

Table 7. Tourism expenditures and the payroll and employment due to tourism in Jackson County, NC, and the percent change from the previous year (NC Dept. of Commerce).

Year	Tourism Expenditures (\$millions)	% Change	Tourism Payroll (\$millions)	% Change	Tourism Employment (1000s)	% Change
1995	44.28	NA	8.20	NA	0.66	NA
1996	47.32	6.87	8.64	5.37	0.69	4.55
1997	46.94	-0.80	9.29	7.52	0.68	-1.45
1998	47.31	0.79	9.96	7.21	0.65	-4.41
1999	48.45	2.41	9.80	-1.61	0.62	-4.62

than 1% the year after the casino opened, and only 2.4% from 1998 to 1999. As seen in Table 6, the amount of employment in the county due to tourism, and the payroll associated with that employment actually receded by 1.6% and 4.6% respectively. This means that the amount of tourism money being spent in Jackson County between 1998 and 1999 is only growing approximately one-third the rate of the rest of the state while at the same time the county has lost tourism jobs and subsequently the payroll associated with those jobs.

Data regarding Jackson County's share of total state tourism expenditure, tourism employment, and tourism payroll were also collected. As with Swain County, this data will provide evidence concerning how the tourism industry in Jackson County compares to the tourism industry in the rest of the state. Figure 16 includes two charts that illustrate recent trends in Jackson County's share of state tourism expenditure, tourism employment, and tourism payroll.

As illustrated by the charts, all three indicators show recession for the county's share of tourism. Jackson County's share of state tourism expenditure and its share of tourism employment have been receding since 1996, while the county's share of total state tourism payroll has been receding since 1997. This means that not only is the tourism sector of the Jackson County contracting, but that it is losing tourism expenditure, tourism jobs, and tourism payroll relative to other parts of the state.

Income Data

Finally, data were also collected concerning wages in Jackson County. Average wage per job was collected. The results are shown in Table 7.

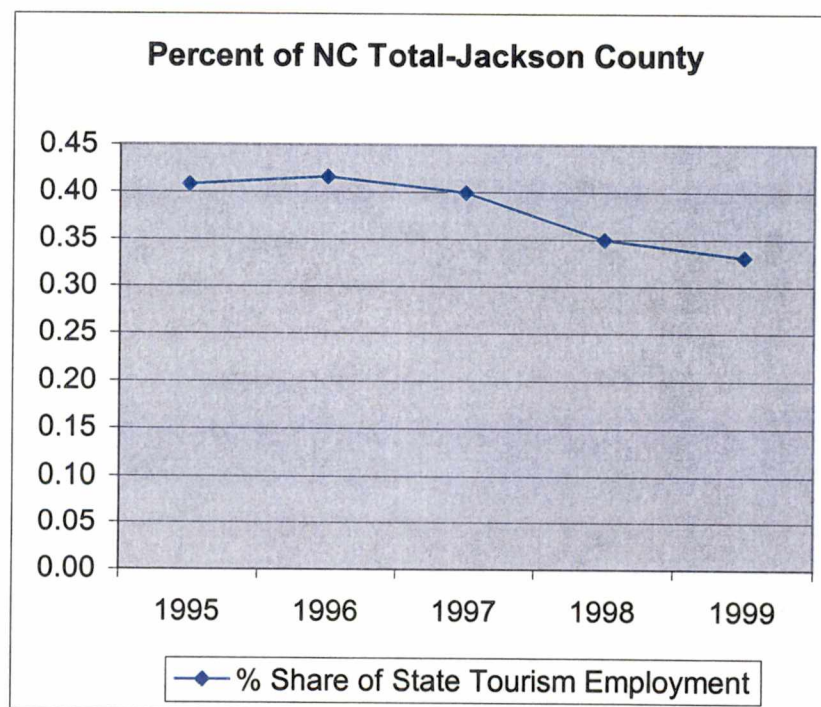
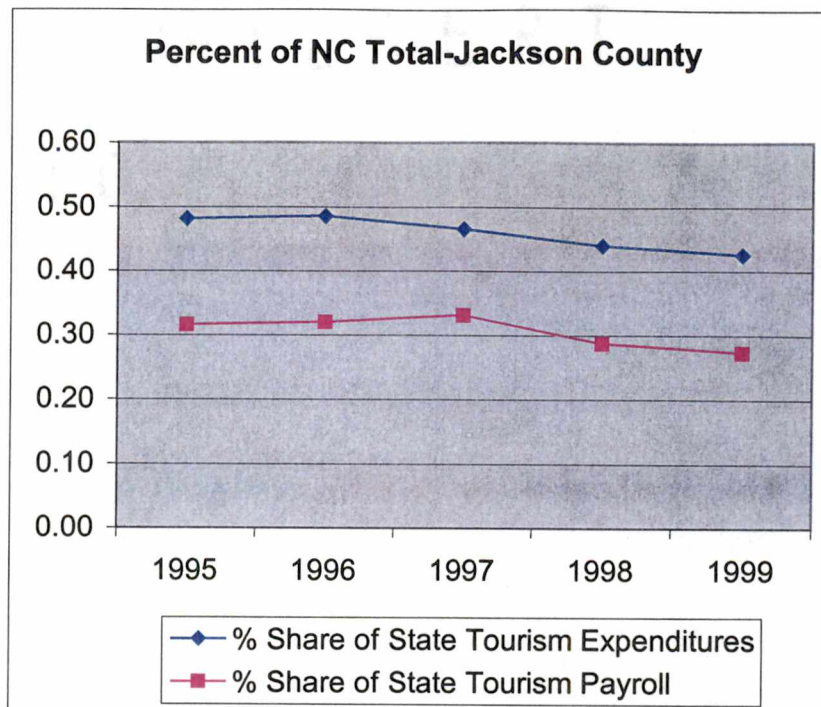


Figure 16. These charts illustrate trends in Jackson County's percentage share of NC's tourism expenditure, payroll, and employment (NC Dept. of Commerce).

Table 8. This table includes data on Jackson County's average wage per job, the percent change from the previous year, along with NC's average wage per job, and the percent of the NC average wage per job that is held by Jackson County for the same statistic (U.S. Dept. of Commerce Bureau of Economic Analysis).

Year	Avg. Wage Per Job	% Change	NC Avg. Wage Per Job	% of NC Avg. Wage Per Job
1994	17655	0.36	23222	76
1995	18460	4.56	24075	76.7
1996	19059	3.24	25022	76.2
1997	19809	3.94	26220	75.5
1998	20457	3.27	27632	74
1999	21029	2.8	28902	72.8

In 1999, the average wage per job in Jackson County had grown by roughly 6.1% from its level in 1997. The growth rate during that period was approximately 4% lower than the growth rate for the state as a whole.

Summary

After taking into account the data for the seven indicators, the casino's impact on Jackson County's economy does not appear to be positive and may even be somewhat negative. All indicators suggest that the casino has not been increasing the number of tourists that visit the county, and thus the county is not experiencing the induced effects associated with additional tourists coming to the area and consuming services and goods. This notion is based on the following analysis of the data just presented.

If the casino is bolstering the number of tourist visits to the county, this would first and foremost probably be reflected by a clear increase in the growth of occupancy tax revenue. This has not been seen. As shown by Table 9, the

Table 9. Occupancy tax revenue for Jackson County, along with the percent change from the previous year.

Year	Tax Revenue	% Change
1993	\$ 252,081	3.93
1994	\$ 257,999	2.35
1995	\$ 283,456	9.87
1996	\$ 304,460	7.41
1997	\$ 302,147	-0.76
1998	\$ 321,735	6.48
1999	\$ 349,382	8.59
2000	\$ 374,186	7.10

growth in occupancy tax revenue has, for the most part, been on track with past revenue.

The data on tourism expenditure and tourism payroll and employment also support this theory. Of these three indicators only tourism expenditure shows slight growth, however when compared with its past growth rate it is hard to say that this growth is due to the casino. At the same time the payroll due to tourism grew the first year the casino was in operation, 1998, while receding the following year. The other tourism indicator, tourism employment, declined a noticeable amount in both 1998 and 1999. During the same period the county's share of state tourism expenditure, payroll, and employment all declined. These facts, along with the trend that has been seen with occupancy tax revenue, are evidence that the casino has not increased tourism in Jackson County by a significant amount.

Gross retail sales figures, when compared to past performance, demonstrate that there has not been a significant increase in retail consumption in the county. This yields support to the view that the casino has not been attracting additional tourists to the county, and thus, the county's economy has

not benefited from exporting goods and services to these "new" tourists.

Therefore, the economic multiplier has not been able to boost economic activity in the market.

The data concerning the average wage per job in the county also fail to show that the casino is having a positive impact of the Jackson County economy. Since the casino opened the average wage per job in the county has seen a decreasing rate of absolute growth, and has further slowed when compared to the rest of the state.

All things considered, it seems as though Jackson County is not experiencing a significant amount of economic activity due to the casino. While the county has been experiencing a distinct decrease in unemployment, this is probably attributable to the direct employment offered by the casino itself and the possibility that Jackson County residents are seeking employment opportunities in areas around the casino that are experiencing growth, like neighboring Swain County. The gross retail sales data further suggest that the new employment opportunities being found by Jackson County residents do not offer particularly high wages. If the new jobs indicated by lower unemployment were high paying then higher retail sales would be expected.

CHAPTER 4

INTERVIEWS

In order to get a more complete picture of what has been happening in Swain and Jackson County the second part of this study consists of the results of a number of interviews that were conducted between February 15, 2001 and March 21, 2001. While the economic indicators presented in Chapter 3 provide evidence on what has been taking place in two counties' economies, this chapter will focus on testimony by various business owners or managers in the two counties in order to augment the quantitative results already provided.

The Study—Interviews

Twenty-three interviews were conducted in Swain and Jackson Counties. Thirteen interviews were completed in Swain County, while ten were completed in Jackson County. The same eight questions were asked of all interviewees.

These questions were:

1. How many years have you been in business at this locale?
2. How many years have you lived in this area?
3. Are you aware that the Cherokees have located a casino on their reservation?
4. Since the introduction of the casino has the business environment changed? If so, how? Have these changes been good or bad for business?
5. Has your company had to raise prices to keep up with demand? (*if appropriate*)
6. Has your company had to increase wages to compete with the casino, and to your knowledge have you lost any employees to the casino?
7. Has there been anything else that has been happening in the area that has changed the business environment?
8. Any thing else you would like to add?

The questions were chosen in order to get a general sense of what changes have been taking place since the casino opened. The interviews were completed one-on-one, in an informal conversational manner. All respondents were guaranteed that their names would not be given out to the public, nor connected to their responses in any manner.

The interviewees were selected at random using business lists from the two counties' chambers of commerce. The only requirements that had to be met in order for a potential respondent to be included in the study was that they had to be either the owner of the business or the manager in the case of chains and franchises, and they had to have been in business in the respective county for at least five years. The latter requirement was put in place in order to ensure proper perspective as far as being able to detect changes

In general, the interviews were conducted to get a broad sense of what business people in the counties think about the casino and its impact on business and the market. The interviews provide insight about changes that have been taking place in the community that may otherwise be difficult to detect. The interviews may also provide information on new trends that are taking place in the area now and are not yet reflected by any quantitative data.

While it is not possible to draw hard, concrete conclusions from non-scientific data taken from a sample of only ten and thirteen, these results and the opinions expressed in them are being presented to allow researchers to get a sense of what the members of the business community believe in regards to the casino.

The Results-Swain County

In the case of Swain County, the interviewees were from lodging businesses, food and beverage establishments, retail firms, and general recreation activities. The average time of residence in the area was 18 years; with the average time in business in the area was just less than 13 years. All 13 respondents were well aware that the casino had been built and was in operation on the reservation. Eight of the interviews were conducted in person, while the remaining were done over the phone.

The results will be presented in five categories. These categories will concern business, customer base, labor, quality of life, and other concerns. These categories were selected in order to cluster the answers the respondents gave in the best possible format for the purpose of the study.

Concerning Business

Out of the 13 respondents, 6 believed that the casino had increased the business volume for their businesses, while 5 believed that they had not seen much of a change, and the remaining 2 said that the casino had actually caused a decline in business. All of the six that thought the casino has had positive impact believed that the casino is responsible for increasing business in the area during the off-season. Many of them stated that since the casino opened they have been able to stay open year-round, and that they know of other businesses that are in the same situation. Two owners stated that they have been able to increase prices by roughly 30% since the casino came to town. Of the two respondents that believed that the casino has had a negative impact on

business, they both stated that they thought that it was due to the lack of traditional family tourists.

Change in Customer Base

Perhaps the most striking opinion that was, to some degree, stated by all but one respondent, was that the casino had begun changing the tourists that traditionally come to the area from families to singles and retirees. One gentleman interviewed even had his own indicator for detecting this trend he said, "The older traditional tourism venues are suffering. The folks come now to gamble. You can tell in the summer by looking at the motel swimming pools. They used to be packed full of children; nowadays they're empty. The families just aren't coming as much as they used to; it's all singles and retirees looking to win."

Most believe that this is taking place for two reasons. One, some families simply do not want to come to an area that has a casino, due to the negative stigma attached to gambling and gamblers in general. One merchant said, that she had actually had possible customers call to ask which hotels were the farthest away from the casino. The other reason is that the influx of gamblers to the area has, as stated above, allowed some merchants to raise prices considerably, this would dissuade the traditional budget minded family from coming to the area for a vacation.

Concerning Labor

While no one mentioned having a problem finding labor in the off-season, 8 respondents did mention that finding labor in the tourist season has always

been extremely difficult and that the casino has made it much worse. All cited the same issues. The casino is capable of offering extremely competitive wages, while at the same time offering good benefits. These benefits often include health care and retirement benefits. While the casino can offer these benefits, many of the smaller businesses in the area cannot afford such benefits. Two of the business owners said that they have raised wages to try to keep up with the casino; while three others said they would like to raise wages to compete with the casino but cannot afford to do so. Three business owners stated that they have lost employees to the casino with one business losing an assistant manager. One owner even said that the casino uses deceptive tactics to draw employees away from traditional local businesses, but she would not go into detail. One business owner also said that in the summer of 1999 he had to close down one of his shops because he could not find anyone to work.

Changes in Quality of Life

There were four reoccurring issues concerning changes in the overall quality of life in the area that were raised throughout the interviews. The four issues were: one, the type of tourists being attracted to the area since the casino opened. The respondents stated that people that caused more problems for the area were replacing the families. One interviewee noted that there has been a huge increase in the amount of litter on the roads in the area. Another said that there are a lot more people that visit and bring alcohol and other drugs with them to consume.

Another issue that was raised concerns the increase in traffic that has taken place since the casino opened. According to the interviewees the roads during the traditional tourist seasons, while already stressed prior to the casino, have now become overburdened. Four respondents mentioned the immense amount of people traveling up from Atlanta.

Nearly all the respondents mentioned the fact that a lot of locals have taken to gambling as an area of concern. Many feel that this is damaging the community. The interviewees all shared tales of individuals going bankrupt due to gambling too much, and one had even had a son-in-law that had lost his house because of gambling too much.

While there were concerns, one aspect of the casino that was mentioned by 8 of the interviewees in a positive light concerned the entertainment and restaurant options offered by the casino. These respondents spoke of the fame that had been brought to the area because of Harrah's name as a national entertainment company. They stated that they enjoyed having big name performers come to the area to perform, something that almost never happened prior to the opening of the casino. Interviewees also mentioned the quality and value of the restaurants that are available at the casino.

Other Thoughts

In general, those individuals that have seen benefits to their businesses are happy that the casino exists, while those that feel that the casino has harmed their businesses feel the opposite. All individuals did demonstrate one way or the other that they are concerned about the rapid changes that have been taking

place since the casino was built. These changes include the already mentioned changing face of the visitors to the area, possibly losing the quiet laidback nature of the communities near the casino (one respondent said that he no longer feels comfortable leaving his door unlocked at night), and too much stress on the natural environment.

Summary-Swain County

All things considered, the set of interviews from Swain County show a community with a jury that is still out. Many people see advantages to having the casino in the area, but seem to be becoming ever more conscious of the negative side of this situation. One lady commented that she was happy to see an increase in business, particularly in the winter, but wonders if there is not another way to bring about such changes that does not include gambling.

There also seems to be a lot of uncertainty about the future of the area because of the casino. Nearly everyone mentioned the fact that the casino is expanding to include a 15-story hotel with 250+ rooms, with a 30,000 square foot conference center and new restaurants. These business people realize that this is likely to take business away from establishments off of the reservation. One person even likened it to the boom/bust of the California Gold Rush. Some interviewees also mentioned hearing rumors that the tribe is going to try to legalize the sale and consumption of alcoholic beverages in the casino; which some think, as one man said, "would absolutely destroy our community."

The Results-Jackson County

Ten interviews were conducted in Jackson County, with four of them being in person and the other six being accomplished over the phone. The interviewees were business owners and managers from lodging establishments, restaurants, retail establishments, and general recreation attractions. For the ten respondents the average time of being in business in Jackson County was just over 11 years, while the average time living in the county was 16.5 years. As with Swain County, the results will be presented in five categories. These categories will concern business, customer base, labor, quality of life, and other concerns.

Concerning Business

Of the ten people that were interviewed seven of them said that, with the exception of the off-season, they have not noticed much of a change in business volume. Two of the seven said that they have been able to stay open year-round since the casino was opened and both of these were lodging establishments, the rest of the businesses contacted remained closed during the off-season. Of the other three, only one of them said that they had seen a noticeable positive change in business volume.

Change in Customer Base

In Jackson County, according to eight of the ten respondents, the same trend has been taking place as in Swain County—families, the traditional tourists to the area, are being replaced by singles and retirees. All eight that shared this observation demonstrated personal concern over the issue. They all shared the fear that this trend was going to change the community for the worse. One lady

even said that, "unlike the families that used to be our main customers, the people that we're starting to see more of are gamblers. And gamblers come to the area to gamble, and that's all that they do."

Concerning Labor

In Jackson County, only one of the individuals interviewed expressed concern over a tightening labor market. She said that she had lost employees to the casino and that she had to raise wages in order to maintain competitiveness. She further stated that these additional costs had her contemplating going out of business since the amount of business had not increased to pay for additional wages. The rest of the respondents all stated in one form or another that they really have not noticed much of a change concerning labor. Some did mention however that the casino itself offers year-round, stable, well paying work for a lot of people that otherwise may not have year-round opportunities.

Changes in Quality of Life

Unlike the interviews in Swain County, the ten individuals interviewed from Jackson only really had three observations to make about changes in the quality of life since the casino opened. All but two of them mentioned to some extent concern over not feeling as safe in the community, particularly during the tourist seasons due to the type of people that are visiting the area now. Another comment, which was made by all ten respondents, concerned the enjoyment that came with having the casino nearby because of the shows and events that took place there (three respondents mentioned Kenny Rogers alone) and the restaurants. Lastly, seven of the respondents mentioned that they were

surprised over the number of neighbors that they know to be visiting the casino to gamble. They are concerned about this trend.

Summary-Jackson County

In general, based on the ten interviews, it seems as though the casino is not having much impact on these aspects of Jackson County. It is important to note that the individuals interviewed in Jackson County appeared to be somewhat blasé concerning the casino when compared with the attitudes and opinions expressed by the people interviewed in neighboring Swain County. It seems as though the various effects of the casino are not affecting these people to large extent. Overall, their responses were not as emotional and were shorter. This may simply be the result of having an extremely small sample size, but it seems to suggest that the business owners and managers in the county are not extremely concerned about the casino as one owner put it, "There are a lot of changes happening, just none in Jackson County."

CHAPTER 5

SUMMARY & CONCLUSIONS

Chapter 5 summarizes the results of the study and the conclusions that have been made. This chapter will also address the need for further research in the future.

Summary

This paper has examined the economic impact of Harrah's Cherokee Casino on the surrounding counties of Swain and Jackson in Western North Carolina. The study included economic indicator data on each county and qualitative data gathered from a small number of interviews with business owners/managers from each county. The study attempted to determine whether the casino is having a positive, negative, or neutral affect on the two surrounding counties' economies.

The study has revealed that the two counties are having very different experiences with regard to the affect of the casino. It is apparent that Swain County has been able to reap considerable benefits in regard to decreased unemployment and increased tourism to the county. There is evidence that this tourism has led to further demand for other goods and services in the county leading to economic expansion and job creation. In this case, based on the data available, it would seem that Swain County has been successful at capturing the economic benefits of increased tourism due to the casino and thus, it is not suffering from the so-called "Atlantic City Effect" (Deller and Chen 1997).

All in all, Swain County's economy is currently benefiting from the presence of the casino. The results presented also serve as evidence that there is little to no cannibalization taking place in Swain County. If there was marked cannibalization it would be indicated by slumping tourism expenditures, employment, payroll, and retail sales. This is not the case. The county has shown growth in all these areas. The interviews in Swain County show a business community that are aware of the benefits that followed the casino to the area, but are also becoming more aware of the various trade-offs that have been made as noted by Eadington (1998). Also, based on the interviews that were done, it seems that the businesses in the county are, for the most, part happy about the new business opportunities, but are concerned about the disappearance of the traditional family tourists. This concern is well based, because these changes in the tourist base could cause the older more traditional tourist and recreation establishments to lose a tremendous amount of business.

In Jackson County, the economy does not appear to be benefiting as much from the existence of the casino. While the county has shown a noticeable decline in unemployment since the casino opened, it is hard to find evidence that the casino is responsible for this, beyond the employment opportunities that the casino itself directly provides to the local labor market. In other words, the casino has employed a considerable number of people from Jackson County, but it does not appear that the casino has spurred additional economic activity that has created additional employment opportunities. The other indicators all show either

growth in line with past growth rates, or recession. Therefore, it is difficult to believe that the casino has had positive impact on the county.

At the same time, the tourism data provided by the North Carolina Department of Revenue shows that the county is losing its share of state tourism activity. This, augmented by the occupancy tax data, demonstrates that the casino is not attracting new tourists to Jackson County. This means, as shown by retail sales data, that the county is not benefiting from additional expenditure that the tourists would likely bring; in turn, not much economic growth.

The interviews that were completed in Jackson County also demonstrate the lack of impact due to the casino. The majority of the people interviewed demonstrated a neutral opinion of the casino. They were happy about some aspects of having the casino in town because of the shows and restaurants for instance, but at the same time they did not like the idea of their neighbors becoming gambling addicts. They also did not think that the casino had made that much of a difference on the economy.

Conclusion

This study serves to show a glimpse of what has been happening with the Jackson and Swain Counties' economies. Based on the methods used by the study it appears now that the casino is having a positive impact on the Swain County economy, while not having much of an impact on the Jackson County economy. This is probably due to the difference in size and the different levels of economic strength. Swain County simply has a smaller economy, thus any additional economic activity will be much more apparent because it will represent

a greater proportion of the economy. Swain County also has a weaker economy than Jackson County. This too would create a situation where any positive economic benefits would be for more noticeable in Swain County. The study does demonstrate that casinos are capable of precipitating a lot of profound changes.

This study only utilized a limited amount of data available to show a small piece of the puzzle. It is important that more research is done in the future, and that this research is more comprehensive in its scope. Input-output studies should be done to get a better idea of how the casino is affecting the local markets. While the economics of Harrah's Cherokee Casino are important, the public and policy makers alike need more information on the environmental impacts the casino is having on the environmentally sensitive Great Smoky Mountains National Park and its neighboring areas. The social impacts of the casino needs to be examined, including its relationship to increased crime rates, increased default rates on mortgages and other loans, and increased alcohol and drug abuse; particularly given the fact that so many of the 23 people that were interviewed mentioned either knowing or hearing of someone that had lost an extreme amount of money to the casino.

This study was completed after the casino had been in operation for only roughly 3.5 years. Another reason why future research is necessary is because many experts believe that casinos are capable of having a short term economic benefit, but end up contributing to long-term economic ruin. Economist John Warren Kindt (1994) maintains that while there may be "short-term progress,"

"legalized gambling activities eventually effectuate: (1) economic dysfunction, (2) the exploitation of minorities and low-income groups, (3) social dysfunction, and (4) an eventual increase in taxes to address new social problems necessarily generated by legalized gambling" (136). Therefore, in the case of Harrah's Cherokee Casino—only time will tell.

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APPENDIX

Appendix A: Maps



JACKSON COUNTY, NC



SWAIN COUNTY, NC

VITA

James Richard Hoffman was born in Camp LeJeune, North Carolina on May 19, 1977. He graduated from LeJeune High School in 1995. He attended the University of North Carolina at Chapel Hill from 1995 to 1999, where he earned a Bachelor of Arts in Economics degree. He then attended the University of Tennessee at Knoxville from 1999 to 2001, where he earned a Master of Science degree in Planning in May of 2001.