

1 MR. HARWOOD: Good morning. Nice to be with you here
2 today.

3 I'm going to try and give you a quick overview of what
4 you have written down in the report that has attempted to
5 estimate for the first time at a national level the economic
6 impacts, the adverse impacts, of pathological gambling and
7 problem gambling, as noted from the perspective of the
8 individuals who experience these disorders. In other words, what
9 are the consequences that they experience that we're able to put
10 some dollar tag on for that small fraction of people who do
11 engage in gambling who have engaged in problematic and
12 pathological gambling? And how can we attach values to it?

13 We have really built this analysis on several studies that
14 have been done by Dr. Lesieur and William Thompson, who have
15 intensively studied populations who were engaged in treatment for
16 gambling problems, including Gamblers Anonymous.

17 These are very, very fruitful studies that have been
18 done looking at those individuals who have self-attributed to
19 having problems, exploring with them the impact, the adverse
20 impact, tangible and intangible, -- and I'll try and work with
21 you on those terms in a few minutes -- that they have experienced
22 as a consequence of these problems that they've had.

23 Specifically, the things that have been noticed are up
24 there. Starting with the family -- and I think the family and
25 the interpersonal are the most critical, although, quite frankly,
26 perhaps the least amenable to have dollar tags attached to them.

1 But what we could look at and what we do see in the
2 analyses is that people who are scored as pathological gamblers,
3 as problem gamblers have significantly elevated divorce rates.
4 We can only attach a relatively insignificant cost to that. And
5 we know that it doesn't reflect much, but it does reflect the
6 legal costs of going through a divorce. But we know that there
7 are quite elevated rates.

8 In addition, what we see is that those people who were
9 classified as Type E or Type D gamblers have on average poorer
10 health and/or higher rates of utilization of mental health care
11 services. So they're experiencing mental health problems.

12 You can move on to the impacts in their career, that
13 they have excessive job loss, lost wages from unemployment. And
14 these are things that we'll get into in detail.

15 I think, in particular, there is always a lot of
16 concern about bankruptcy that these individuals may have bad debt
17 that they incur and that they, therefore, are I think spreading
18 their excess in terms of taking risks, financial risks, to their
19 household, to their family, and to the institutions from which
20 they or individuals from whom they receive money.

21 Then, finally, we have looked at the crime and criminal
22 justice dimensions. And we again see elevated rates of these
23 adverse consequences and/or behavior.

24 This framework for doing the economic analysis is -- as
25 I said, it's built upon what we have learned from studying these
26 clinical populations. But, in fact, the framework in the
27 approach is one that is based upon the Public Health Service's

1 recommended methodology for studying the impact of health care
2 problems, including cancer, alcoholism, drug abuse, stroke,
3 diabetes.

4 So we're working from a pretty well-understood
5 framework in terms of trying to identify consequences and then
6 attach values that have some meaning to them.

7 The study questions that we use to organize our
8 approach, we started with the approach of identifying these kinds
9 of tangible consequences that I just enumerated for you and tried
10 to explain. And then we really asked the question: To what
11 extent do pathological and problem gamblers have elevated rates
12 of these problems relative to other individuals in the community
13 and society?

14 The point is that people get divorced for many
15 different reasons. And, surely, having a problem with gambling
16 can contribute to that, but that is not the only reason that
17 people do get divorced. That's not the only reason. Gambling
18 problems are not the only reason that someone may lose a job.

19 So it's important when we make these analyses and try
20 and study the rates of problems presenting to these individuals
21 that we try and control for the extent to which others may
22 experience them.

23 We did ask in the survey specifically whether these
24 individuals attributed particular problems, be it divorce, be it
25 arrest, job loss, to their gambling. And we look for that
26 because we would count that as a direct attribution.

1 Then, finally, once we have identified that, the
2 difference in rates, whether there are excessive rates, and
3 whether we think that statistically these are meaningful; in
4 other words, they didn't happen because someone rolled the dice
5 and it just popped up, then how do we attach dollar values to it?
6 And, again, we made recourse to the methodology the Public Health
7 Service recommends pretty much promulgated 20 years ago to study
8 disorders.

9 Let's go on to the next slide. Okay. Just jumping
10 right to where we get, I guess the data comes up. And this is in
11 the report. We know we see from this study that pathological and
12 problem gamblers do have significantly elevated rates of these
13 costly consequences, higher than otherwise similar persons do,
14 otherwise similar, people of the same gender, same age, same
15 education, same ethnic background, same income class, and also
16 standardizing for whether or not these people have alcohol and/or
17 drug problems.

18 So we did these kinds of factors to give us a measured,
19 as it were, estimate of the impact of their gambling problem.
20 From this, we do our calculations. We're concluding that there
21 are thousands of dollars, several thousands of dollars, that are
22 being imposed by these individuals with the problem per year.

23 We did find that, despite the fact that you have these
24 significantly elevated rates of divorce, job loss, health care
25 problems, that, for the most part, the individuals may not
26 perceive or at least they're not necessarily willing to say that
27 these problems are due to gambling in their life, that if they

1 have been arrested, they're not very likely to say that they were
2 arrested because of the gambling.

3 There are probably a lot of reasons for that, and I
4 won't get into it. But let's just suffice it to say that if
5 someone is stealing and gets caught, they may fail to
6 differentiate between whether they're stealing to gamble or
7 stealing to pay the rent or to buy food for the family.

8 Ultimately, the money comes out of the same pocket.
9 But in the analysis that we're doing, we are identifying
10 pathological and problem gamblers. We're looking for these
11 differential rates. We are standardizing for the other factors,
12 then making the attributions that the difference is indeed
13 strongly associated, if not caused, by the gambling problem.

14 Here we have gone to specifically the items for which
15 we have estimated the cost. And I have already gone through
16 them. What we have done is we have broken these costs down into
17 a per-person basis, per pathological gambler, per problem gambler
18 per year. And some of the costs could be measured for the past
19 year. Some of them could only be measured for lifetime. Certain
20 things, such as filing bankruptcy, occur few times in one's life,
21 hopefully few times, for most of us never.

22 What we do find for pathological and problem gamblers
23 is that there certainly are higher rates that they're
24 experiencing this. The values that you see here are really
25 adjusted for two kinds of things: first of all, the differential
26 rate with which these individuals experience the problem; second

1 of all, what is the expected cost to someone, to others in
2 society, if they experience this problem.

3 So in the past year, what we estimated -- I guess we
4 don't have summaries. It's on the next one. Rather than going
5 through these, again, some of these could only be measured
6 because they were infrequent over the lifetime. And we didn't
7 have a solid basis for adjusting these to a past year. It was
8 not available. That wasn't something that we were able to
9 measure with this sample size. Others for the past year we could
10 get estimates of, but we didn't have a basis to project it back
11 over the lifetime.

12 Moreover, it's important to understand that for the
13 pathological gamblers, we're dealing with a proportion of this
14 group that is current gamblers and currently experiencing these
15 consequences and another proportion who has not been gambling,
16 has not been partaking in risk leisure activities in the past
17 year. They were in recovery perhaps.

18 So these are averages for both kinds of individuals:
19 those who currently have problems and those who have experienced
20 it in the past. But, nonetheless, we would estimate that there
21 may be some carryover of these problems some time after they have
22 stopped the problematic behavior.

23 Let's go on. So for pathological gamblers, what we
24 estimated was that the total cost per person with a lifetime
25 pathological gambling problem is about \$1,200 per year. On the
26 other year, lifetime costs -- and this is a different set of
27 impacts, including divorce and bankruptcy, as well as arrests and

1 incarceration -- amount to about \$10,000 accumulated over their
2 lifetime.

3 There's another type of cost here that we're calling
4 transfers. These transfers of gamblers, I think this is what we
5 think of when we note that people may engage in theft or that
6 they may be borrowing excessively and incur bad debt and declare
7 bankruptcy.

8 These are transfers where an economist may sometimes
9 pick and nit in terms of our articulating this. It surely is a
10 cost to someone when you borrow or steal and do not repay or do
11 not make good upon your debt to society. Nonetheless, economists
12 will call these kinds of costs transfers simply because what has
13 been lost by one part of society is gained by another. I think
14 that is a very real impact. And in many senses, it may be one of
15 the most important impacts.

16 So we put it up here. We develop these estimates, and
17 we show it to you. But we net it out so that we can be
18 methodologically correct within the company of our fellow
19 economists.

20 Let's go on. I think just one of the things that we
21 did after we developed these estimates was to take the numbers
22 and to put them beside some other health problems. And this is
23 meant, as much as anything, to give some perspective on it.

24 Again, remember that for pathological and problem
25 gambling, we're dealing with people who have the current problems
26 as well as those who may have had the problems and are in
27 recovery.

1 The total annual cost that we're getting for
2 problem/pathological gambling is about \$5 billion. How does it
3 compare? It's in aggregate, shall we say, smaller than it is for
4 drug abuse, for stroke, for motor vehicle crashes.

5 The prevalence count, though, I think we need to keep
6 in mind. Again, the prevalence count is lifetime, rather than
7 current year. And that is somewhat smaller. The annual cost per
8 prevalence case is about \$900 versus the other estimates; this is
9 to say, the problem/pathological gamblers experiencing these very
10 real significant issues, tangible.

11 In addition, we have values that we have not been able
12 to estimate. And these we euphemistically term "intangible
13 impacts." They relate to family disruption, interpersonal
14 relationships, the pain, the suffering, the anxiety, all of the
15 things that we understand are at the heart of what is going on,
16 probably are the true crux for pathological gamblers, individuals
17 whose behavior is out of control. Right now we don't have a good
18 way to assign a value under this methodology to it.

19 This really is some statistical background. I won't
20 spend much time. It's in there. The column on the left-hand
21 side of that table shows the rate of the consequence that was
22 experienced for the particular problem. The rate that is on the
23 right-hand side of the table is the rate for low-risk gamblers.

24 The difference between those two is adjusted down
25 somewhat in that so-called predicted rate without gambling. And
26 it's the difference between the rate of the consequence for your

1 pathological gamblers and the predicted rate without gambling
2 that we use to do attribution.

3 This is, in effect, an attempt to standardize for these
4 demographic differences, educational level differences, different
5 region of the country, whether or not people have alcohol and
6 drug problems. So we've tried to be again somewhat conservative
7 in making attribution and these estimates.

8 I think what you'll see, though, if you look at those
9 three different columns is that these individuals, the
10 pathological gamblers, really do have significantly elevated
11 rates relative to people who are otherwise similar.

12 In terms of divorce, what we see is pathological
13 gamblers. Over 50 percent of those who have ever married had
14 been divorced, compared to -- and it's not trivial, and it's very
15 unfortunate; it's a modern tragedy -- 30 percent for low-risk
16 gamblers.

17 When we do the adjustments for these other factors, are
18 they alcoholics, low education? Have they dropped out of school?
19 We still see that we have a major elevation in the risk for
20 divorce by pathological gamblers, an expected rate of 33.5
21 percent, an actual rate of 53.5 percent.

22 Probably the greatest differential down there is in
23 terms of having been arrested and having been incarcerated.
24 Again, the rates that we're looking at in that left column, all
25 of these rates are self-attributed rates. And what we're seeing
26 is that the pathological gamblers, a third of them are admitting

1 that they've ever been arrested at some time in their life,
2 versus an 11 percent rate for low-risk gamblers.

3 And I think for individuals who have never gambled,
4 that rate is only about four percent. It is smaller yet. Again,
5 we try to take a relatively conservative approach to estimating
6 what these costs are.

7 The rate of incarceration, again, 21 percent of those
8 that are scored as pathological gamblers have been incarcerated
9 at some point in their life, compared to 4 percent for low-risk
10 gamblers. And for non-gamblers, that rate was a fraction of a
11 percent, virtually zero. So you have a major difference.

12 These same kinds of patterns -- and all of these rates
13 that we put up here, we performed statistical analyses to make
14 sure that these just weren't accidents. And what you can see is
15 a clear and very small pattern. It is consistent with what has
16 been observed and reported on this study in treatment centers and
17 for Gamblers Anonymous that there are these different rates.

18 These are individuals who, by and large, not every one
19 of them but by and large, have significant life problems that
20 affect themselves, affect their significant others, their
21 families, their households, their employers. They're declaring
22 bankruptcy at much higher rates than others.

23 Again, it doesn't mean it has happened in the past
24 year. And many of the people that we're studying here are in
25 recovery. I think that they changed their ways, if I may say
26 that.

1 But this is the scientific basis and the approach that
2 we have used to try and estimate these. There are very tangible
3 and real costs. These are warning bells for individuals that
4 their behavior has gotten out of control and in terms of I think
5 that there is an important message to be sent to individuals that
6 letting gambling behavior get out of control can have a host of
7 consequences.

8 And, moreover, if they see some of these consequences
9 coming up, they might look at their whole life and think about
10 whether gambling or drinking or other kinds of problems are
11 present and that these need to take these as warning signs to
12 think carefully about their life and how they structure it.

13 At this point, I think I'm pretty well done. And I'll
14 stop my presentation. Thank you.

15 CHAIRPERSON JAMES: Thank you very much.