DR. GERSTEIN: Thank you. And, again, I appreciate the opportunity. Again, thank you to the Commission members, to the Chair for this opportunity to present some of the material that we have included in our report subsequent to the previous meeting. CASINO GAMBLING, PARI-MUTUEL GAMBLING, AND SOCIAL AND ECONOMIC IMPACTS.

DR. GERSTEIN: As you know, the last meeting we really went pretty comprehensively through the contents of the report. And I don’t intend to try and rehash that, particularly because the time is short, and we have been asked to focus on a few dimensions on the report in particular.

I did bring a few slides. And I can project these on the overhead, although they’re not particularly critical. Indeed, maybe I should just run through most of my talk without them.

CHAIRPERSON JAMES: The slides may be helpful, but would you like someone to put them up for you?

DR. GERSTEIN: The first thing I’d just like to do is indicate that we have completed work with a substantial crew of people. And I have listed them again just as an acknowledgement of the extent of dedication that people have shown in this project over the course of time.

I particularly want to point to Henrick Harwood, my colleague with whom I worked a number of years ago at the National Research Council. Rick subsequently was in the Office for National Drug Control Policy, with which I think the Chair is a little bit familiar, and has been at The Lewin Group for
six-seven years, eight years now. He is an economist and is largely responsible for the development of the economic analysis in Chapter 3 of the report.

The things that we have been asked to address today, namely the gambling casinos and horse races, horse tracks, in particular, are addressed to a couple of points in the reports, although we have tried throughout to focus on the individuals who gamble, making the venues somewhat secondary to the problem of pathological gambling.

Nonetheless, it is very clear that if you look at the changes over time since the last report, which I have vacillated between calling the time of the previous national survey, 1974 and 1975 simply because the survey took place in 1975 but when asking people about the past year, which is an important point for gambling participation, it always referred them to calendar 1974.

What we see in comparing these two points in time are some pretty substantial differences. The first and major difference is simply that the experience of gambling has become much more widespread in the population, as represented by the fact that one out of three of the people who were interviewed and represented in the previous survey said they had never gambled in their lifetime and that number has dropped to one out of seven. That’s a pretty substantial change in a behavior over this span of time.

And, secondly, perhaps as indicative is that when you look at the extent of spending as a percentage of personal
income, -- and this is a figure that is presented particularly in Eugene Christensen’s and Will Cummings’ and Sebastian Sinclair’s work -- that percentage has increased by about two and a half times in this period as a percentage of income, which, of course, has also itself changed and increased to some extent; and, whereas, in the 1974 era, the total amount that people spent gambling -- now, this I should stipulate is on legal wagering. And there is a whole other conversation about illegal wagering, which, by and large, the experts, such as Eugene Christensen, view as a small part of the overall picture, a declining part.

But legal wagering has basically increased from .3 percent to .75 percent of personal income in this period. That’s a jump of two and a half. And it’s an indication that population-wide, just as fewer people are not gambling, those who are gambling are also spending more of their money on gambling activities.

There is a substantial change over time, however, in the nature of gambling, in addition to these changes in participation and the amount spent. And that’s represented by the fact that both lotteries and casinos have become more the standard and the norm.

Would you put up that next picture? It really illustrates this point most effectively. The blue lines on this chart; that is, the blue bars, representing 1975, if you look at that distribution, it’s clear that, even in 1975, when there were fewer lottery states but still 13, as I remember, lottery was clearly the most prominent form of gambling. But second to that...
was bingo; third, horse-racing; and casinos, fourth, when we look at people saying what kind of gambling they had engaged in in the past year.

And the picture has really changed dramatically. Looking at the purple lines, lottery play is, of course, a far more substantial part of the population’s behavior now. It’s basically doubled in terms of past year participation.

Casino play has also doubled; whereas, bingo and horse-racing -- and I should note that in the report of the 1975 survey, horse-racing was referred to as the American pastime as far as gambling is concerned. Clearly that pastime has not been sustained relative to these other forms of gambling over the course of the past 25 years.

The final point is that when we look at these numbers, we find that the reduction in pari-mutuel betting has brought its participation rate in the population down to about 18 percent. That is, one in 12 people bet off track or on track. And that’s as compared to about one-fourth of people who have gone to a casino and about half of the people bought a lottery ticket in the past year. And, as I said, this really represents a substantial change over time in the position of the racing industry and its relationship to gambling.

I’d like to rehearse again, as you’re familiar, as the Commission members are familiar, with from the report, the typology of lifetime gambling behavior.

As you know, we had previously simply identified these different categories. We have not changed what the definitions
are. We have simply given them labels that correspond to the kind of language people use to define these behaviors, what had previously been called Type A, what it meant before, and what it means now as someone who is not a gambler, somebody who has not gambled in their lifetime.

We refer to a low-risk gambler; that is, people who either had never lost an appreciable sum of money or who had done so but in reviewing the series of questions on the DSM-IV-based gambling screen didn’t subscribe to or affirm a single problem in their lifetime. And we refer to these as a low-risk group.

Obviously some of them are at lower risk than others. Someone who has only been gambling for a year or two and has no problems, has sort of not quite the track record of gambling without problems as someone who has been gambling for 30 or 40 years and affirms no problems.

Nonetheless, in epidemiologic terms, this looks like a low-risk group; that it is engaging in a behavior and doesn’t report that the behavior is yielding problems.

Type C, which is a group that in DSM-IV comes at us with one or two problems. We refer to this as an at-risk group. Again, this is sort of a standard epidemiologic term when you refer to a risk group, one in which you think there is an appreciable difference between a group where there is very little likelihood, at least in the immediate term, of seeing the problem of reference arise and one in which there is some track record.

And so there is some sense that a little more attention ought to be paid to people who fall into this group, that it does
represent a category that’s a little different from the other. And in general terms, as we’ll see in a moment, this is a much smaller group than the low risk and a somewhat larger group than the others we have identified.

This group has had various terms in different nosologies. And I think it’s called a transitional group. In some people’s language, there’s really no fixed label to be used. The one we use here is the most general term that epidemiologists use for categories like this.

The term that’s the problem in "pathological gambler" we have assigned here, there’s really little controversy in a sense about the term "pathological gambler" because it’s an exact transcription from the DSM-IV criteria. It is the term that is widely used clinically, and it is the category in which most of our evidence indicates high rates of all of the sorts of problems that clinically are identified with pathological gambler.

As you know, the term "problem gambler" is used a lot. And it’s a term that doesn’t have quite the extent of agreement about how it should be defined. We restricted that term here to individuals who show three or four lifetime DSM-IV criteria. I’d make the point because it’s been made to us a number of times by the people who are instrumental in development of those criteria that they felt that the category of individuals who report for a lifetime DSM-IV criteria are really indistinguishable from pathological gamblers.

So in some sense, this is kind of a shading between those who clearly are in the kind of trouble that people go to to
require clinical treatment for or at least that most people who
go to clinical treatment belong in and those who are at a
somewhat lower level. I am not sure what else it makes sense to
call it.

But since the term "problem gambler" again is widely
used in the literature and has been used by other researchers
specifically to this point; that is, to identify people with
three or four criteria, we use this term here as well.

We can go on to the next one as well. This is the
distribution of these categories. And, as the Commission asked
us to do previously, as you know from the beginning of the
discussion about the patron survey, I’ve pretty much maintained
that the purpose of it was as a supplement to the telephone
survey.

And in that sense, finding the way in which it made the
most sense from a statistical point of view, to combine the two
is what we finally achieved here. It’s that combinatorial
approach as defined in the report.

And I’m certainly happy to discuss that further,
although I should note that the statistician most responsible for
it, with whom I did work very closely, happens to be on his
vacation at this point. So we do have a clear record, and I do
know what he did.

The combined group, of course, yields a larger number
of individuals in both the problem and pathological categories.
And that was kind of the principal point, to be able to kick the
numbers of people up so that we could analyze them a little more effectively.

What we found when we made that combination, the non-gambler group was not affected because, of course, the patron survey had virtually no non-gamblers in it, to begin with, being collected at places where people go, largely for the purpose of gambling. There were three. And that’s testimony to the fact that when we sample people, it was not at gaming tables or equivalent but as they walked past. And some people were simply there with others and themselves gambling in the past year.

We do get that one in seven as, therefore, the continued portion of non-gamblers. The low-risk group is virtually the same after this adjustment, which is not surprising. That is, about three-fourths of the population are low-risk gamblers by the definitions that we have used and the instrumentation that we have used.

The at-risk group is about the same size. That is, it’s not statistically distinguishable. It is a little bit smaller when you look at the bare number. It still runs about 7.7 percent.

And I’ve translated these. I couldn’t quite get these to fit in the table. So I simply put them at the bottom. You translate these into numbers. The 14.4 percent translates to 29 million non-gamblers, 148 million low-risk gamblers, and about one-tenth that number. Now it says an at-risk group. And, specifically, we mean at-risk with problem gambling.
Obviously if you look at these ratios that exist, which is one of transition and possibly transition out of as well as possibly transition into, it’s a little difficult to know because the group is quite heterogeneous.

That group of 12 million is substantially larger than the 3 million or so who fall into that problem gambling category, which is one and a half percent of the adult population.

The 1.2 percent who in the combined survey are estimated to be pathological gamblers, I just note that that 1.2 percent is a higher figure by a just barely statistically significant amount than what the telephone survey alone yielded.

And I continue to believe that the combined estimate is the best one. It was, I repeat, the point of doing the patron survey to enable us to bring these numbers up so that we had enough individuals that we could feel more confident about the reliability of the statistics.

So those numbers are what we feel is the best estimate. They are not dissimilar to numbers that people in other surveys, obviously not at a national level but at a state level, have come up with when they abrogate across and try and extrapolate to the national estimate.

The other place in the report -- and here I just want to point to a couple of points that are pertinent to the questions that we’ve been asked to look on today, and that has to do with racetracks and casinos.

In looking at our community case studies, we did find pretty clear evidence in many of these that there was outright
competition between for the gambler dollar, between racetracks and casinos. And this is specifically in the testimony that when casinos opened in proximity, racetracks had a tough time maintaining their business operation. And in that sense, we’re not just looking at disparate phenomena. We do appear to be looking at populations that are making choices.

The other points on this slide are all ones that we discussed last time having to do with the impact of casinos on local areas. And these are all points that correspond in the community studies to the statistical results to the extent that the statistics and the community studies were able to speak to the same issues.

This is just a reminder of how the community case studies were carried out. And we can go on to the next one.

In the statistical database, we analyzed the effect of community opening. And, as you may recall, what we found is that the indicators of bankruptcies, which were derived directly from data out of the Administrative Office of the United States Courts, where bankruptcies are filed, the several health indicators that were useable and rates of violent crime, as these are measured, that’s what we think of as, of course, predatory or street crimes were not changed.

We could not analyze simply because the national statistical data collection system for nonviolent crimes. That is principally what we think of as white collar crimes, embezzlement, fraud. These rates are simply not in a condition
that one can do this kind of comparison without a substantially
greater investment in working with these sites to get the data.

The FBI uniform crimes report focuses on violent crime.
It’s a voluntary reporting system. And it’s very well-ascribed
to on that level. I think that’s nearly the end of this set of
pieces. Again, this is the methods one might share, again, I’ve
described previously.

At this point, I’d like to turn over the discussion to
my colleague, Rick Harwood. We have analyzed the data from the
survey and this report from the combined survey, although I
believe we used the combined survey the last time but this time
were able to use the data fully weighted. And I’d ask Rick to
describe the results for you.