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

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

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

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

Specifically, the things that have been noticed are up there. Starting with the family -- and I think the family and the interpersonal are the most critical, although, quite frankly, perhaps the least amenable to have dollar tags attached to them.
But what we could look at and what we do see in the analyses is that people who are scored as pathological gamblers, as problem gamblers have significantly elevated divorce rates. We can only attach a relatively insignificant cost to that. And we know that it doesn’t reflect much, but it does reflect the legal costs of going through a divorce. But we know that there are quite elevated rates.

In addition, what we see is that those people who were classified as Type E or Type D gamblers have on average poorer health and/or higher rates of utilization of mental health care services. So they’re experiencing mental health problems. You can move on to the impacts in their career, that they have excessive job loss, lost wages from unemployment. And these are things that we’ll get into in detail.

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

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

This framework for doing the economic analysis is -- as I said, it’s built upon what we have learned from studying these clinical populations. But, in fact, the framework in the approach is one that is based upon the Public Health Service’s
recommended methodology for studying the impact of health care problems, including cancer, alcoholism, drug abuse, stroke, diabetes.

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

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

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

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

We did ask in the survey specifically whether these individuals attributed particular problems, be it divorce, be it arrest, job loss, to their gambling. And we look for that because we would count that as a direct attribution.
Then, finally, once we have identified that, the difference in rates, whether there are excessive rates, and whether we think that statistically these are meaningful; in other words, they didn’t happen because someone rolled the dice and it just popped up, then how do we attach dollar values to it? And, again, we made recourse to the methodology the Public Health Service recommends pretty much promulgated 20 years ago to study disorders.

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

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

We did find that, despite the fact that you have these significantly elevated rates of divorce, job loss, health care problems, that, for the most part, the individuals may not perceive or at least they’re not necessarily willing to say that these problems are due to gambling in their life, that if they
have been arrested, they’re not very likely to say that they were arrested because of the gambling.

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

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

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

What we do find for pathological and problem gamblers is that there certainly are higher rates that they’re experiencing this. The values that you see here are really adjusted for two kinds of things: first of all, the differential rate with which these individuals experience the problem; second
of all, what is the expected cost to someone, to others in
society, if they experience this problem.

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

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

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

Let’s go on. So for pathological gamblers, what we
estimated was that the total cost per person with a lifetime
pathological gambling problem is about $1,200 per year. On the
other year, lifetime costs -- and this is a different set of
impacts, including divorce and bankruptcy, as well as arrests and
incarceration -- amount to about $10,000 accumulated over their lifetime.

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

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

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

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

Again, remember that for pathological and problem gambling, we're dealing with people who have the current problems as well as those who may have had the problems and are in recovery.
The total annual cost that we’re getting for problem/pathological gambling is about $5 billion. How does it compare? It’s in aggregate, shall we say, smaller than it is for drug abuse, for stroke, for motor vehicle crashes.

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

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

This really is some statistical background. I won’t spend much time. It’s in there. The column on the left-hand side of that table shows the rate of the consequence that was experienced for the particular problem. The rate that is on the right-hand side of the table is the rate for low-risk gamblers. The difference between those two is adjusted down somewhat in that so-called predicted rate without gambling. And it’s the difference between the rate of the consequence for your
pathological gamblers and the predicted rate without gambling that we use to do attribution.

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

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

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

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

Probably the greatest differential down there is in terms of having been arrested and having been incarcerated. Again, the rates that we’re looking at in that left column, all of these rates are self-attributed rates. And what we’re seeing is that the pathological gamblers, a third of them are admitting
that they've ever been arrested at some time in their life, versus an 11 percent rate for low-risk gamblers.

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

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

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

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

Again, it doesn’t mean it has happened in the past year. And many of the people that we’re studying here are in recovery. I think that they changed their ways, if I may say that.
But this is the scientific basis and the approach that we have used to try and estimate these. There are very tangible and real costs. These are warning bells for individuals that their behavior has gotten out of control and in terms of I think that there is an important message to be sent to individuals that letting gambling behavior get out of control can have a host of consequences.

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

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

CHAIRPERSON JAMES: Thank you very much.