COMMISSIONER McCARTHY: The meeting of the Subcommittee on Research of the National Gambling Impact Study Commission will now reconvene.

We intended this meeting today to do two
things: To take testimony from any members of the public as to what kind of research they feel should be undertaken; and, secondly, to develop the research agenda that will be presented to the Commission at the October 31 meeting in Washington, D.C.

At the Subcommittee's last meeting, we had Dr. Peter Reuter and Dr. Tim Kelly in a three-hour interchange with the three of us, and we asked them to frame what that primary research agenda would be and to start talking about how we would schedule this to the budget limitations of the Commission.

I would now like to get into a dialogue with Doctors Reuter and Kelly. I would like Dr. Reuter to open up and take us through the draft research agenda that has been begun. Let's get to it.

DR. REUTER: Okay. Dr. Kelly and I worked on this collaboratively and perhaps the discussion on pathological gambling and the prevalence of gambling should best be directed to Dr. Kelly.

This agenda is intended to be responsive to the discussion of October 2 and to focus on trying to sort of get from the answers to the questions that the Subcommittee legitimately asked, to a set of activities that could be put in some order for purposes of the collection of data and the
commissioning of research.

We took, as central to this collection, data both about individuals, and about communities. Those are sort of the two major empirical lines of research. The document describes surveys, both a national survey and, potentially, a national household survey. Also, surveys of communities with specific gambling facilities, certainly including casinos, and, perhaps, targeted surveys of frequent players, including problem and pathological gamblers.

Now, the reason for not simply relying on the national household survey is that such surveys are likely to turn up predominantly people who are not pathological or heavy gamblers. Given budget constraints, if we want to do a collection of data about problem and pathological gambling, we may have to do our own surveys that are much more targeted. Hence, the focus is on frequent players and communities in which frequent gambling is likely to be more prevalent.

I'm not sure what exactly I should cover in terms of discussing this or whether you would like me to go over everything and then come back to --

COMMISSIONER McCARTHY: Yes. I think we want to take these up in sequence.
DR. REUTER: Great. I appreciate that,
yes.

Are there any questions at this stage
about the surveys?

COMMISSIONER McCARTHY: All right. Well,
let's take up the issue of the national survey first,
the National Survey of Gambling Behavior.

Dr. Dobson?

COMMISSIONER DOBSON: First of all, I'd
like to say I think you all did an outstanding job.
I'm very impressed with the work that you've done. It
was a tough assignment in a short period of time, and
I think we're well on the way. I have some comments.
Some of them are nit-picky, and one or two of them, I
think, have some substance to them.

Let's start with the nit-picky -- in
regard to that first item.

DR. REUTER: Okay.

COMMISSIONER DOBSON: The Footnote 2 at
the bottom of page 2 says, "In addition, this is a
relatively rare behavior." I'm not sure we're ready
to say that; I don't think we have documentation to
say that. And even if we do, I'm not sure I would
want to put it in this statement which pre-supposes
what we're going to find.
DR. REUTER: Could I just defend that and explain why it had some significance to that? I believe that an estimate as high as ten percent would be regarded as an extremely high estimate on the basis of anything we know from the world generally. Just knowing that ten percent is a high estimate tells you a lot about what you're going to get by way of data from the household survey in terms of the number of respondents who fall into this category. So it's important to know that it's likely to be less than ten percent, rather than somewhere between 25 and 50 percent, because that tells you about sample design issues and what not.

COMMISSIONER DOBSON: I would be more comfortable if it would refer to it as a percentage of the population or something.

DR. REUTER: Absolutely.

COMMISSIONER DOBSON: But it's like saying HIV and AIDS is a relatively rare disorder. Well, it isn't to the guy who has got it, you know.

DR. REUTER: Well, I take your point.

COMMISSIONER DOBSON: Okay.

DR. REUTER: We'll remedy that.

COMMISSIONER DOBSON: We're still on the first point?
DR. REUTER: Right.

COMMISSIONER DOBSON: Okay. I am concerned that, on page 3, we're dealing with information that comes from the industry itself in a kind of a passive --

COMMISSIONER McCARTHY: I'm sorry. You meant -- are we leaving the national survey issue?

COMMISSIONER DOBSON: That's right. I'm still on that.

COMMISSIONER McCARTHY: That's fine.

COMMISSIONER DOBSON: Do you want to let somebody else talk?

COMMISSIONER McCARTHY: No.

COMMISSIONER DOBSON: It's still that first group of --

COMMISSIONER McCARTHY: It's still the national survey?

COMMISSIONER DOBSON: Yes, page 3.

COMMISSIONER McCARTHY: Yes.

COMMISSIONER DOBSON: Again, I think the wording here is unnecessarily passive and a little delicate.

DR. REUTER: Okay.

COMMISSIONER DOBSON: -- to get information from the industry.
COMMISSIONER WILHELM: Okay. Jim, are you

in the middle of page 3?

COMMISSIONER DOBSON: That's right, the

paragraph that says, "If the casino industry is

willing to cooperate." And it might be possible.

The statute allows us to seek information

voluntarily from the gaming industry, and then there

are other avenues if we're not able to get it. But

this almost implies that we're at the mercy of their

willingness to cooperate and, maybe, they'll come up

with several people we can talk to.

Well, you know who they're going to come

up with; they're going to be very carefully chosen,

and I wouldn't blame them for doing that. So it

bothers me that this is written in a way that appears

that we're vulnerable to whatever they choose to

cooperate with us in doing. Obviously, if we had to,

we have subpoena power for documents. So I think that

ought to be strengthened.

COMMISSIONER WILHELM: I have a different

question about that which is really a methodological

question.

I have a sort of instinctive dislike for

the notion that a government agency, which, in one

sense or another, this Commission is, is going to go
dig up on an involuntary basis the names of citizens.

And I recognize we have a purpose for that that we believe to be benign or constructive, that is -- to assess the problem gambling issue.

But, you know, by the same token that I wouldn't be particularly happy with the IRS or some government agency seizing names of people and then going and talking to them about something, I'm not quite comfortable with the notion that, one of the things that the Commission is going to do is go to the casino industry or, for that matter, anybody else. I'd feel equally uncomfortable, for example, if the Commission were going to go treatment agencies and say, "Well, how do you perceive the problem?," or, "What kinds of difficulties are you treating?," or things like that which, I think, are highly legitimate. But, rather, on an individual name-by-name basis say, "Tell us who these people are; We, the government, are going to go talk to them."

That makes me very nervous. So, methodologically, I'm wondering whether, either now or between now and our next meeting, you could think about whether there's some other way to get at that. To me, this is Big Brother, and I don't like it just as a matter of general principle.
DR. REUTER: I'm not sure that, on that,
I should be the one to respond to your concern about
privacy. I certainly take your point that, of course,
we want to consider whether there is an invasion of
implied privacy associated with these records. I'm,
obviously, not a lawyer, and my opinion's worth
exactly that.

I thought the methodological problem that
you were going to raise is the one that's sort of
referred to in a rather back-handed manner here, which
is a sample of people who the casinos know play
heavily in an individual casino. We know very little
about what that represents as a part of the population
of people who gamble heavily.

Now, we may be able to get something from
our own household survey. If we found in the
household survey that of those that we classified as
pathological gamblers, 55 percent reported that most
of their gambling was at casinos, then one might be
able to draw some conclusions. Or, we might be able
to describe that part of the universe of pathological
gamblers by going to the casinos, but there is the
delicate task of getting from any of these samples to
a description of the population that they represent.

COMMISSIONER WILHELM: Just to pursue this
point, because I happen to believe that the government doesn't belong in people's personal lives as distinguished from studying social problems of the kind that we're talking about here.

So just to personalize it, in my own life, if some agency of the United States Government is conducting a study of union activity and I'm an officer of a labor union, I don't have any problem with that. But if that agency were to come to the union and say, "Give us the names and addresses," presumably, "The names of rank-and-file workers in the hotel industry who are activists in the union," I'd have a problem with that.

And I would apply that to virtually any walk of life that I can think of. It's Big Brotherism to me, and it makes me worry. So the reason that I, perhaps clumsily, put that as a methodological question is that I'm just wondering whether we can accomplish the objective here, which I perceive to be a legitimate one, without invading the privacy of individual people.

COMMISSIONER McCARTHY: Let me make a comment on this, if I may. There are two questions here. One is our willingness to subpoena the casino industry or any gambling company to obtain the
information that we need for our deliberations.

But the separate issue, I think, is the one that Mr. Wilhelm is touching upon. That is, what are the rights of privacy of customers?

COMMISSIONER WILHELM: Yes. Not companies, but customers. Exactly.

COMMISSIONER McCARTHY: What are the rights of customers here as to whether they give out that information or not? I frankly would want to examine very carefully the grounds casino customers may have to bring law suits against this Commission for doing that.

COMMISSIONER DOBSON: I think I agree with that and you make a good case, John. There's obviously information on compulsive gambling and on the percent of the income to a casino that comes from the heavy better. Information that relates to this question would not identify individuals.

COMMISSIONER WILHELM: Well, I don't know. I represent workers in the industry. I don't know exactly what they do in terms of player tracking and that sort of thing. I know they do it.

To me, a statistical inquiry, I think, is a legitimate kind of inquiry, as distinguished from an inquiry about individual people. So there may be
stuff like that, and that would make more sense as an avenue, rather than asking about Jim Dobson or Leo McCarthy.

COMMISSIONER McCARTHY: May I chime in on your question?

COMMISSIONER WILHELM: Sure.

COMMISSIONER McCARTHY: The value of the research being presented by Dr. Reuter and Dr. Kelly here is the interview of the serious or pathological gambler. It's not some information that any particular gambling company might make with a list of nameless players, A, B, C, D. If we couldn't interview, how would we know how to evaluate --

COMMISSIONER DOBSON: Yes. Well --

COMMISSIONER McCARTHY: -- the nature of the problem, the characteristics of the serious gamblers?

COMMISSIONER DOBSON: Would it be helpful for us to know as a hypothesis that 60 percent of the income to a casino comes from people who are very, very heavy betters and gamblers?

COMMISSIONER McCARTHY: I should think it would.

COMMISSIONER DOBSON: There's only one way to get that information: It's either voluntary or
subpoenaed from the gambling industry. They're the only ones that know that.

COMMISSIONER McCARTHY: All right. Well, that's a different issue than what we're talking about in this paragraph.

COMMISSIONER DOBSON: Well, it's not what we're talking about in this section --

COMMISSIONER WILHELM: Yes. I was just reacting to this specific notion about getting the names of heavy players. That's all.

DR. REUTER: Well, could I --

COMMISSIONER McCARTHY: Yes. Dr. Reuter?

DR. REUTER: I mean I agree that there are two useful kinds of information. And one seems to be uncontroversial in terms of the Commission's right to get it, which is the statistical information about the share of any individual casino's revenues that it estimates comes from gamblers who play more than and spend more than so much. And my understanding is that is, indeed, for marketing purposes, a record or a database, that many of them maintain very scrupulously.

It's -- the second issue that was raised. As it appears here, we were indeed trying to identify a set of people that we could interview as possible
pathological gamblers. I think Mr. Wilhelm has raised a serious concern about whether that is consistent with the privacy rights that someone has in entering a casino and in their database.

I would say that the household survey, if it is well done, should provide us some information about the contribution, the share of all casino gambling and casino expenditures accounted for by pathological gamblers, because you get an estimate of how much play comes from pathological gamblers by the type of gambling. You know what is the industry total, and you can from that estimate what share is generated by the pathological gamblers.

Now, the question is whether the precision of the estimates from a household survey for this not rare, but small, group is large enough to give us much confidence in that.

I found one of the few, probably, excellent copies of the 1976 survey. I kept it. I was always planning to throw it out, but, somehow it sat on the shelf. And here it is.

I was amazed at how accurate were their survey-based estimates of total wagering. They came, and even they admit that this was just bizarre, but they came within .1 percent of the actual estimate of
total expenditures on legal gambling from the survey.

Now, when you get down to the individual games, there was more variation, and as much as 20 percent difference from one form. But they were really quite impressive in that respect. And I think that, now, we have better methods for asking questions and so on.

I think it is possible that in addition to anything that the casinos might supply us by way of statistical information about the individual casinos and what share of wagering comes from heavy gamblers, we'd also have a separate estimate from the survey of the share of casino wagering generated by pathological gamblers.

COMMISSIONER McCARTHY: John?

COMMISSIONER WILHELM: Okay.

COMMISSIONER McCARTHY: We're still on the national survey issue here.

COMMISSIONER WILHELM: Does that include the targeted surveys which are listed here sort of as a subset of the national survey at the bottom of page 2?

DR. REUTER: Yes. The surveys of casinos. Again, I went back to the 1976 survey. And I had entirely forgotten --
For the audience, I was a research
director for the 1976 study.

I ought to remember those things, and just
haven't, you know. I forgot we did a special survey
of Nevada and, you know, the sample there.

COMMISSIONER WILHELM: Both people that
lived in Nevada at that time?

DR. REUTER: It wasn't that long ago.

And the purpose of that was to see whether
there was a difference between Nevada participation
rates and participation rates elsewhere, with some
interesting results.

With the targeted surveys, I think you
could weight them so as to increase the precision of
your estimates of the share of casino wagering coming
from heavy gamblers. I'm pretty confident you could
design it so that it was mastered inside the national
survey. So you would be able to do that.

COMMISSIONER WILHELM: Well, I would have
two comments with regard to the targeted surveys.
Again, as I said in the other room in response to the
testimony that was given, I think that the -- and I
think we're all agreed on this -- the notion of a
national survey of gambling behavior overall makes an
enormous amount of sense.
Without trying to be oblivious to the budgetary issues, it would seem to me that -- and you have some observations on the top of page 2 about various methodological approaches to such a survey. It would seem to me, without being oblivious to the budgetary issues that if we're going to do this at all, we might as well do it as close to right as we reasonably can, whatever that means. And I'm not an expert on surveys.

DR. REUTER: Yes, right.

COMMISSIONER WILHELM: With respect to the targeted surveys that you discuss at the bottom of page 2 and the top of page 3, I had an observation and a question. Well, two observations, I guess.

First, you do in Footnote 3 nod in the direction of using the targeted survey approach for, as you put it, "Other locally important forms of gambling," even though the body of your text refers only to the casino communities.

I want to reiterate a point I tried to make at our last meeting, which is: I think that if we're going to go to the effort and the expense of assessing these things, it makes no sense at all in my mind to focus only on casino communities.

Again, I recognize that the footnote nods
in this direction, but I don't believe -- first of all, I don't think this ought to be a question of a footnote, and I'm not trying to nit-pick. But, secondly, I don't think the footnote goes far enough. Just as an example, I think that a community which is known to be a very heavy lottery community in a state which has become more aggressive with respect to the types of more predatory lottery systems that it has been implementing, like Massachusetts -- somebody told me that Massachusetts has an extraordinarily high incidence of average lottery betting per capita.

DR. REUTER: Twice the next-highest state.

COMMISSIONER WILHELM: So it seems to me that within the notion of targeted surveys, we ought to look at, certainly, casino communities -- I don't dispute that at all, but we ought to -- and you make reference in the footnote perhaps to card rooms or to parimutuel facilities.

I would hazard a guess that you'd have trouble identifying a place that has enough card room people customers in it to make a worthwhile survey. But I could be wrong about that because card rooms are only now becoming large-scale facilities.

But, certainly, with regard to things like
lotteries and the more predatory forms of lotteries
and so on, it seems to me that it would be important
to have a diversity of communities in the targeted
surveys.

Secondly, it seems to me that -- and I
tried to make this point before, but I think that we
make a fundamental mistake from which we'll never
recover if we talk about casino communities as though
they're all the same. Somewhere else in here, you
have a reference to rural and urban and the like, and
that is certainly an important variable.

But I think -- both with regard to the
problem gambling issues and with regard to the
economic issues, I think we have to take a look at a
diversity of casinos. I mean just to use the extremes
of the spectrum -- and, of course, it depends on what
one means by casinos. But, the truck-stop video
lotteries that draw from the surrounding 25 miles in
Louisiana are one set of facts with respect to problem
gambling and with respect to economic impact,
including the number of jobs that are created and the
type of jobs and the quality of jobs that are created.

Destination resorts that employ thousands
of people and draw customers from all over the country
and all over the world are probably the other end of
the spectrum. And intuitively -- and this needs to be
tested, but intuitively, it seems to me that that
range of so-called casino-type operations probably has
fairly different impacts with regard to both problem
gambling and economic impact.

And for those reasons -- and I will make
this point later on at another part of this proposal
that you've put together here -- it seems to me that
these targeted surveys ought to take those variables
into account.

DR. REUTER: Could I just respond? You're
quite right. The footnote was -- you know, late in
the process when I realized that it shouldn't just be
casinos. I couldn't find any elegant way of putting
it in the text, and so I stuck it in a footnote. But
your point is certainly correct, and I'll try to
figure out a better way of saying it and putting it
into the text.

I agree that it would be desirable to take
into account the range of casino activities. In a
previous document that I think you've seen, I did try
to make the point that casinos were a heterogenous set
of activities

COMMISSIONER WILHELM: Yes, you did.

DR. REUTER: There's a limit to what you
can do with a national survey in terms of capturing all those dimensions of variation. I think one can say that there should be a recognition in designing this that the casino communities should be sampled in a way that takes account of the most important dimension of variation. I don't know what that is, but it could account for the one or two dimensions. There would be a limit to how much of that one can do, however.

COMMISSIONER WILHELM: Well, I certainly recognize, as I said, that there's probably no use in even thinking about that in relation to the national survey. I was thinking --

DR. REUTER: Even in the targeted -- I'm sorry.

COMMISSIONER WILHELM: -- of those issues with regard to the targeted surveys and, in particular, with regard to the database of communities. I think it would be essential, since you're talking about a fairly large number of communities to make sure that you include the diversity of those kinds of communities.

In that connection, if I might, Mr. Chairman, since this seems to be logically connected, talk for a moment about the item that begins on the
bottom of page 3 about databases --

COMMISSIONER DOBSON: Before you move on,
could I --

COMMISSIONER WILHELM: Sure, yes.

COMMISSIONER DOBSON: Would it be our
intent then to stratify the sample for that?

DR. REUTER: Yes. The reason I say yes
cautiously is just that I'm not that good of a
statistician; I haven't really thought through how
much we can stratify in this supplemental survey for
that household survey. But I'm pretty sure the answer
is yes, we will stratify, and we'll have different
weights for different --

COMMISSIONER DOBSON: That would
accommodate John's concerns to --

DR. REUTER: To some extent --

COMMISSIONER DOBSON: -- some degree.

DR. REUTER: To some degree --

COMMISSIONER DOBSON: Yes.

DR. REUTER: -- it will.

COMMISSIONER WILHELM: I've had
discussions about this very issue with Reverend Gray,
for example. I think that most people who have looked
at this have recognized that, at least, intuitively,
there are variable impacts of these different kinds of
operations.

DR. REUTER: Oh, yes. And, I mean, it's going to be a major design issue. But I would try to draft the document to make it clear that we recognize the heterogeneity and that it must be captured as best as possible in the targeted surveys.

COMMISSIONER WILHELM: On that same point, on page 4, in the first full paragraph on the page where you talk about the database on communities which, I think, is a wonderful idea, -- in my view it would be, along with the national survey, perhaps the most important informational contributions that we could make to, as Leo keeps reminding us, the people in local and state communities who have to make these decisions because it would be information, as opposed to argument.

But I would make the same point about the diversity of the types of gambling operations. In the first full paragraph, in the second sentence, where you say, "Thus the sample would consist of perhaps as many as 100 communities, depending on the cost, divided into four groups: No legal gambling," which certainly makes sense, and you can find those quickly these days because there aren't very many of them --

DR. REUTER: Not allowed to go to Alaska.
COMMISSIONER WILHELM: -- "lottery only; lottery plus parimutuel; and lottery plus casino."

Again, there's different and more scary kinds of lotteries. There's all different kinds of casinos. I would hope that in designing this diversity of communities -- and by talking about as many as a hundred, you've certainly got room -- those kinds of considerations would be taken into account.

DR. REUTER: Again, I certainly agree and will change the language to reflect the fact that this is a preliminary listing and that there has to be recognition that terms like "casino" and "lottery" cover a range and it may be that it's important to make the distinction between lottery states which are fairly passive in the types of games, if there are any left -- I don't know -- and those that have very high, sort of very quick turn-around games and aggressively promote them.

COMMISSIONER WILHELM: Leo, I don't know how you want to run this. I have a few more questions and comments. Should I just keep going, or do you want to --

COMMISSIONER McCARTHY: No. By all means, both of you, go ahead. This is --

COMMISSIONER WILHELM: Jim, I
interrupted --

COMMISSIONER DOBSON: Go ahead, John.

COMMISSIONER McCARTHY: Bringing in the database communities was relevant because it's connected in the context you're raising it to the targeted survey issue. So --

COMMISSIONER WILHELM: Again, on the targeted survey issue, Dr. Reuter, it makes complete sense to me with regard to the national survey that it would be oriented toward gambling behavior if, for no other reason, than because of the nature of a nation-wide sample. If you try to get at economic impact, you wouldn't find hardly any. It would be accidental if you found any.

But with regard to the targeted surveys, I have this methodological question: Might it not be possible to begin to get at some of the economic impact issues in a targeted survey, as opposed to a national survey?

DR. REUTER: Well, precisely because you're doing it -- you're collecting data on individuals, I don't know how you would pick up the economic impact. And you --

COMMISSIONER WILHELM: Well, the targeted surveys are going to be in gambling --
DR. REUTER: Communities.

COMMISSIONER WILHELM: -- communities in some fashion.

DR. REUTER: Well, I think I'm not being very swift. I don't see, you know --

COMMISSIONER WILHELM: Well, let's take an extreme example.

DR. KELLY: Do you mean a self-report of cost related to gambling?

COMMISSIONER WILHELM: No -- I wasn't thinking so much of costs, although, now that you mention it, yes. Certainly, you could approach costs that way, it would seem to me, but, also, things like jobs or what's the perception of the impact of casino development or other kinds of gambling development in that community and on taxes, for example. I mean --

DR. REUTER: Yes.

COMMISSIONER WILHELM: As an example, if you went next year and you took a targeted survey in Biloxi, Mississippi -- Biloxi, Mississippi is a relatively small community that now has this enormous concentration of casinos -- well, I would think you could find out at least as much information in a targeted survey of people in Biloxi, Mississippi about the economic impact of that casino development as you
could about the problem gambling impact. Couldn't you?

DR. REUTER: I would say that the economic impact you would want to get from aggregate data because it is an aggregate phenomenon and we have pretty good measures for that. Pathological gambling is an individual phenomenon in as much as it has community effects that are very indirect and we can't get them by summing well, let me just stop there.

For the economic impacts, we have other and much finer indicators, rather than perceptions of individuals. If we have a sample of 400 in Biloxi, and we don't know the extent to which that makes -- we can't extrapolate from that the performance of Biloxi's labor market. I mean we wouldn't want to estimate an unemployment rate from this kind of survey, whereas, for the pathological gambling, we're really looking here to get information about the individual behavior of pathological gamblers; that's a principal purpose of that targeted survey.

COMMISSIONER WILHELM: Individual behavior, but, also, individual behavior as a function of that community, too. Right? I mean, in other words, isn't a targeted study not only trying to find out about, let's say, my individual behavior if I'm
one of the studied people, but, also, how many people
like me that are behaving that way proportionally in
the community?

DR. REUTER: Oh, you're certainly correct
that one would get out of this, as the 1976 survey
did, an estimate for a particular area -- that was
Nevada; this might be Biloxi and Memphis or somewhere
else -- you would get estimates and that would be very
important. You'd get estimates of the prevalence of
pathological gambling in those communities. And
that's indeed one of the important reasons for doing
this.

But in addition, you simply get a larger
yield and have a larger database of pathological
gamblers about whom you have information not related
just to their gambling behavior but to their families
and economic situations.

I'm just saying that it's not clear how we
get from that to a measure of the economic impact of
gambling on Biloxi, Mississippi; that's where I think
the community database is the more appropriate source.

Now, if this works out, the targeted surveys are going
to be covering a very small number of communities; if
it's five, I would be surprised.

So we'll have five communities that will
be in the database, and we'll have additional
information from the individual surveys to add to
those five. But there will be just this tiny number
of communities from which we have that information.

COMMISSIONER WILHELM: Well, then let me
ask you the same types of questions without repeating
them about the case studies that you refer to on page
4.

DR. REUTER: Sure. Yes.

COMMISSIONER WILHELM: Again, it would
seem to me that -- if you're going to make a case
study of Biloxi, Mississippi, in addition to finding
out the things that you're talking about here about
welfare case workers' experiences and law-enforcement
officials' experiences and so on, why not find out
whether, in fact, there has been a significant impact
on jobs in the poorest part of Biloxi, just as an
example?

DR. REUTER: You're right: There is the
aggregate data that you get for all the communities in
the database. But here, you may actually be able to
get down to more qualitative measures, but something
like, "How is this" -- "How has the distribution of
employment shifted," in particular, to take your
example.
COMMISSIONER WILHELM: Or if people come off welfare.

DR. REUTER: Right. If people come off welfare. And it might be hard to pick that up from any of the standard indicators, but --

COMMISSIONER WILHELM: I think it would.

DR. REUTER: -- through interviews, we can do that, right.

COMMISSIONER WILHELM: Or, just to use another type of source in addition to saying welfare workers and law-enforcement officials, public health people might know whether or not these newly created jobs have health benefits and, if so, has that had some impact on the Medicaid or welfare or health issue. I mean, there are things like that that seem to me to be just as discernible from that kind of case study as the social and problem gambling issues.

DR. REUTER: Right. I did not flesh these out in part because I didn't want to imply that I was trying to provide a complete list of all the things that we studied. But I appreciate that I've probably gone too much in the other direction, and --

COMMISSIONER WILHELM: I understand.

As I indicated in the first Subcommittee meeting where we were putting together, Jim, our lists
of all the questions that --

COMMISSIONER DOBSON: Right.

COMMISSIONER WILHELM: You know, I have no resistance whatsoever to all the social questions. But I don't want the economic issues to disappear in comparison to the social questions. That's all.

DR. KELLY: Could I make a comment? I see the point that you're raising, and I think it's very valid. I would think in the case studies, for instance, one could flesh in some of the gaps not only on the social side, but, perhaps, on the economic side, as well.

DR. REUTER: Yes.

DR. KELLY: Wouldn't it ultimately, though, be driven by where those gaps are? So I think, as we move along, we will see what sort of data we have to work with already based on some of the data sets we're working with. For instance, maybe we can already answer to what extent people coming off welfare is a factor that can be related to some of the economic impact.

COMMISSIONER WILHELM: Maybe -- we've been cautioned by Richard, Leo and others that community-level economic data is not very good. I think you made this observation.
DR. REUTER: Well, yes. I certainly reinforced it.

COMMISSIONER WILHELM: So that was why I thought of trying to supplement that with the surveys. But you're quite right: To the extent it is available, we ought to, obviously, take advantage of it.

DR. KELLY: So it would be a matter of basically identifying the gaps, both on the economic side and the social side, and then trying to fill in as best we can with these other mechanisms.

COMMISSIONER DOBSON: Can I -- I'm sorry.

COMMISSIONER McCARTHY: I just want to make a general observation. It's impossible not to look at all of these various studies and subtexts proposed for research without trying to see what the connection is between them.

John Wilhelm has been raising the point that in the small number of case studies you do, we should include economic/job characteristics and job movement: More jobs, less jobs, everything to show the economic impact, which is, of course, the other side of the coin from the social problem impacts.

I say that where ever we can do that, in any of the information we end up authorizing, we need
to add that because, when we get to the economic impact modeling on Five, what you've said to us is that it would be extremely costly for the Commission to undertake its own economic modeling problem. Maybe one option is for us to do a synthesis identifying the strengths and weaknesses of different approaches that have already been taken by others.

I had the impression from previous conversations, though not with you, Dr. Reuter, that the valuable research in this field is fairly limited.

DR. REUTER: Yes. Well, I struggled with this issue when I worked for the Maryland commission and it was a much smaller scale.

But, you know, we had the duel of the competing studies: Studies from the industry sponsored by different parts, and we had a study from two branches of the government. One, I have to say, not distinguishable from the industry and the other one, I think, as a serious government study. They came out with radically different findings as to the economic impact of casinos on Maryland.

The issues were pretty easily identified when you read the studies carefully, I mean, because they come out of the assumptions that are made. The data that underlie this effort are not in great
question in terms of how much is spent at a casino by players coming from different locations relative to the casino, different distances from the casino.

   It is very much how you use those data and logically and analytically. This is a topic which has attracted no writing by anybody that would be taken seriously in the economic research community; I mean, this is a very specialized sub-field which has, basically, been a consulting area.

   I believe that it is possible to make a substantial advance, without having to do major data collection, by trying to engage somebody of real standing -- I think regional economic development is the right field -- and have them synthesize the literature.

   Now, it's a much narrower task: I mean, why can't the NRC study be supplanted by this is a much narrower task? Frankly, I don't think it's really all that difficult, but I think we can get a good deal of clarity related to this.

COMMISSIONER McCARTHY: Dr. Dobson?

COMMISSIONER DOBSON: I think, from earlier discussions, you all know that I have great skepticism and almost suspicion of studies funded by the industry, and for good reason. Why would they
fund something that's going to hurt their own industry? In the same way, I would be very suspicious of studies of the effect of tobacco on health by the tobacco industry, you know.

And if that is, as you say here, the large percentage of what's available in that they are advocacy related, I'm not going to put a lot of confidence in that no matter how you massage the data.

DR. REUTER: It's -- could I make a point? That it's -- because this battle has been played out over a number of years and a number of -- in front of a number of state bodies, and there are the sorts of counter-studies done by advocacy groups on the other side or, occasionally, by a disinterested government agency -- and those government agencies are not -- obviously, are not disinterested -- a lot of the underlying detailed data have become entered into the public record.

And I don't think that the claim is that the industry is misrepresenting these descriptive data; it's how they use those descriptive data that is where the advocacy comes in. And, you know, I could be wrong, but I'm moderately confident that that's an accurate statement.

COMMISSIONER DOBSON: Well, I guess my
comment reflects a broader bias that I think I've admitted before, but I spent ten years in research and I'm very suspicious of it, even when your intent is right.

DR. REUTER: Yes.

COMMISSIONER DOBSON: Error is everywhere. Bias creeps in. Methodological problems affect the outcome. And, at best, it has got to be taken with a grain of salt. Then, when it is mostly old, before this spread of Kudzu across the country, like gambling has done --

DR. REUTER: Yes.

COMMISSIONER DOBSON: It's in the local communities, instead of off in the desert or in Atlantic City or what have you. I just don't think we're going to find very much there.

Thank you for your contribution, Dr. Dobson.

COMMISSIONER McCARTHY: Wherever we ask the questions trying to glean information, what we're trying to end up with at the end of our research is an understanding of the impact of various forms of gambling on the individual, on the family and, in a larger sense, on the community.

I'm thinking of what affects the public
dialogue. Two, three, four, five, six, seven or eight
years from now, those state and local officials will
come at this information with different viewpoints.
A lot of them will want to know what the impact is on
individuals and on the family. A lot of them will
only look at it in terms of how it impacts the
community economically. Or if a case is made that
it's costing the government a great deal forms, they'd
be interested in that.

Now, wherever we ask these questions in
the research, what we're talking about here, at the
end of all that, we need to be able to give useful
information to tens of thousands of state and local
officials and, to the public at large who will want to
engage in this dialogue. Indeed, to the media, the
five percent of the media who will take the trouble to
read the research that's done on this, so that.

DR. REUTER: All right. I mean --

COMMISSIONER McCARTHY: Dr. Dobson's point
is a valid one. We need to be confident that there's
enough good research out there that's independent in
nature and can be judged objective.

DR. REUTER: Mr. Wilhelm, before you
comment, I hope this is responsive.

Could we suggest a two-stage process in
which, initially, we actually engage a serious economist, not just someone with a degree from 20 years ago, to briefly look at the literature, engage in a dialogue about how would one move forward on this and get from that person, in a brief period of time -- a few weeks -- an assessment of what could be done here that would substantially improve our understanding of the --

COMMISSIONER DOBSON: I like that.

COMMISSIONER McCARTHY: That would be very helpful.

DR. KELLY: That makes sense.

COMMISSIONER WILHELM: I think that's an excellent suggestion. As you've indicated already in your text, Dr. Reuter, to the extent that person can be a person of considerable stature and reputation and objectivity and credibility, I think it would be helpful to all of us.

I don't disagree with part of what Jim said at the outset of those comments about, you know, data that -- or studies that come from the gambling industry. In my own professional occupation, I am regularly presented with studies by the gambling industry that show that they never have made any money, they don't presently make any money and they
never will make any money, as the reason for why labor contracts should be settled for gifts from the employees to the industry, rather than the other way around.

On the other hand, I've consistently found that on those occasions when, either through persuasion and an interest in dialogue or through compulsion because there's the labor law analog of a subpoena, we can actually get the data as distinguished from the interpretations of the data, if you will, Jim, then we can generally get at a pretty good approximation of the truth.

I think the suggestion that you just made is a very good one. I think it's critically important.

The way I listen to the terms of the debate about the growth of gambling -- and I realize this is highly over-simplified. But, in many ways, in communities, it seems to come down to people saying, "Well, if we expand gambling opportunities in this community or this state, there are going to be some negative impacts in terms of social problems and pathological gambling and so on."

I don't think anybody seriously says, "No, none of that ever happens," when one of these debates
occurs. But, rather, there's the argument made that, "Yes, but that's balanced by," a bunch of stuff, which usually comes down to taxes and jobs.

Then, of course, the response to that is, "Yes, but that's really" --. There are those for whom the benefits are really misleading, either because the societal and governmental costs of dealing with problem gambling overwhelm the presumed benefits, and/or because the jobs are not real in the sense of the substitution argument.

I myself have never gotten my arms around the substitution argument because the substitution argument, it appears to me, assumes that there are always a certain number of jobs in the universe, sort of like a certain amount of water level.

But, anyway, you point out in this section on economic impact modeling the substitute issue and the other issue which is always argued about, which is the multiplier issue. I mean it's not so hard for me to say that a casino hotel of a given nature appealing to a given market of a given size will have 5,000 jobs. But then, of course, the proponents claim, "But there's this multiplier effect; So it's not really 5,000 jobs; It's, you know" --

DR. REUTER: Fifteen?
COMMISSIONER WILHELM: -- "15,000 jobs,"
or, "47,000 jobs," or whatever.

So, in order to inform the communities and states, some how or another, we have got to get at the economic issue generally and, in particular, the substitution question and the multiplier question. To the extent that your suggestion in the text, amplified by the suggestion you just made, is aimed at starting to get a handle on whether or not we can get at those issues, I think it's critically important and makes a great deal of sense.

COMMISSIONER McCARTHY: Okay.

COMMISSIONER DOBSON: Can I raise another issue?

COMMISSIONER McCARTHY: Yes.

COMMISSIONER DOBSON: I really haven't gotten closure yet on the second point that I made with regard to obtaining information from the industry.

If we are going to essentially leave this statement here that makes it kind of a cooperative thing or even rewrite it to say, "We will respect the rights of individuals," which I think John is absolutely correct about, there should, I think, be a section, unless you can show me that it's already
here -- and whether this is a subset of targeted surveys or not, I'm not sure. But there should be a section that indicates that we plan to ask the gambling industry for information -- statistical information relevant to problem and pathological gambling.

Have we said that specifically here?

DR. REUTER: Very briefly, at the bottom of page 5, there is an almost elliptic statement, "The third stream of research is," such and such. I really don't go on to say what's there. But, in some ways, that was a place-holder for exactly what you said. The only substantive things I say are in the paragraph on top of the next page.

Both the legislation and the subcommittees on in preliminary sorts of questions raised this issue on the advertising practices, which was something of great concern not just with respect to casinos but, also, with respect to lotteries.

COMMISSIONER DOBSON: Could that be strengthened with regard to pathological and problem gambling, as well?

DR. REUTER: Do you mean the -- that the --

COMMISSIONER DOBSON: That this --
DR. REUTER: Strengthen the notion that we would get -- that the Commission would obtain from the industry relevant data?

COMMISSIONER DOBSON: That's right.

DR. REUTER: Of course, I will reflect the Subcommittee's desire. You see, it's not easy. Once one sort of accepted this privacy limit of getting access to individual records, it's hard then to know what one can get from the casinos beyond the statistical data.

COMMISSIONER DOBSON: And I meant -- I'm sorry. I interrupted you.

DR. REUTER: That -- no, no. -- beyond the statistical data that bears on pathological gambling. That's why this view about the privacy issue is really a critical one. I think, at that point, the industry becomes of very limited interest as a source -- potential as a source of data on pathological gambling.

COMMISSIONER DOBSON: This is something I would like to consult with my own attorney about at break time, or what have you. But my understanding -- and I agree completely, as I've said, with JohN, that we can't identify individuals and go interview them and invade their privacy. That doesn't seem right to
me.

But was it not understood in the statute that we were going to be requesting, or we had the right to request confidential information and deal with that in a confidential manner? Everything that's confidential is not off limits to this Commission.

COMMISSIONER McCARTHY: I think we need to adjust our thinking somewhat, Jim. What I've thought of so far -- and there's no reason we can't think of what you're now introducing. But what I've thought of so far is that when we talk about subpoenas, that's in connection with the public hearings that we would be holding around the country.

And I think I've been assuming that we do have the right to obtain data to discuss at public hearings. Now, what I don't know yet is what kinds of information from the industry are vital to our research plan. And this is very brief, and I don't know that --

COMMISSIONER McCARTHY: -- you've given this much thought?

DR. REUTER: I've given it thought but I haven't solved it.

COMMISSIONER McCARTHY: Yes.

COMMISSIONER WILHELM: Procedurally, Mr.
Chairman, it would seem to me and I may be missing part of your point, Jim.

But it would seem to me that the next step here -- and I think this is covered in the cover memo from Dr. Reuter and Dr. Kelly -- is, "Okay; If the Subcommittee agrees to recommend to the Commission as a whole that this is what it is we're going to research?," I believe the next part of what they were going to do was to say, "Okay. How are we going to research," and then there would be an RFP procedures.

I would think that if one of the researchers that we select to do this, whoever that might be, says, "Well, the Commission has instructed us to get at X factor; The only way we can see to get at X factor is for the Commission to make an information request of the industry followed, if necessary, by a subpoena," I would think that, procedurally, that's when you would get to that.

I certainly would not rule out the possibility that a researcher might say to us, "Listen, we need the following kind of information from the industry." Dr. Reuter made the observation at our last meeting on an entirely different subject -- and that is job quality -- that the industry may be the only source of that information.
But I would think that rather than try to figure that out today, we would need our researchers, who ever we ultimately select, to say to us, "This is what we need, and we don't know where else to get it," or not even that, but, "This is the best source for it -- the industry."

COMMISSIONER DOBSON: I think that --

COMMISSIONER WILHELM: Then the law, as you know, authorizes the Commission to make an information request followed, if the Commissioners judge, by a subpoena.

COMMISSIONER DOBSON: I don't think we have to be terribly specific on exactly what we're going to ask for, but I would like a statement in our prospectus here that indicates that's a source of information that we're going for.

COMMISSIONER WILHELM: I would agree with that.

COMMISSIONER DOBSON: It's my understanding -- and I don't have a lot of knowledge of this, but it's my understanding that some of the casinos -- one in particular has gathered exhaustive data on who gambles and under what circumstances and with what kinds of games and so on. That might be very relevant to who is addicted and how they get that
COMMISSIONER WILHELM: It might well.

COMMISSIONER McCARTHY: I think the Committee's feeling unanimous about this.

DR. REUTER: Yes.

COMMISSIONER McCARTHY: It ought to be made clear to any of those who we authorize to do research -- we being the Commission, ultimately. When the Chair, hopefully, consulting with this Subcommittee membership, starts doing the picking of researchers -- they need to be told that if the data they need to complete the defined research task can only be obtained from the industry, then they should itemize what questions need to be asked.

We'll go from there in figuring out whether we issue subpoenas or simply ask for the data --

DR. KELLY: May I --

COMMISSIONER McCARTHY: -- and sit down in conversations with the appropriate industry executives in sessions that -- we'd have to ask for agreement to have them recorded -- or whatever is needed.

DR. KELLY: Could I --

COMMISSIONER McCARTHY: Yes.

DR. KELLY: Could I try to restate some of
this because -- I think it has come together rather
nicely, and I just want to make sure we're grasping
that accurately and will reflect it in the revised
document.

We've got sort of a content and a process
issue. On the content side, I think what Dr. Reuter
and, also, Commissioner Wilhelm have pointed out is we
don't know yet necessarily what specific data requests
may or may not be needed. So we aren't at the point
at which we can identify exactly all the data requests
that may be needed to guide the deliberations of the
Commission.

But, having said that, on the process
side -- and I think that's what Dr. Dobson is pointing
to -- we have to be careful not to say anything that
might inadvertently close a door that was explicitly
given to the Commission.

COMMISSIONER McCARTHY: That's it.

DR. KELLY: -- and that is to get the
necessary data --

COMMISSIONER McCARTHY: That's what I'm
trying to say.

DR. KELLY: -- by requesting it in a
collaborative manner, certainly, and, if that's not
sufficient then, if need be, going up to and including
using subpoena power. But we need to be careful to make that process clear --

COMMISSIONER McCarthy: Right.

DR. Kelly: -- wherever it's relevant throughout the document. That we can do.

COMMISSIONER McCarthy: All right. Well, I think we have the substance of it. Why don't you gentlemen put the language together?

DR. Kelly: Yes.

COMMISSIONER McCarthy: We'll take a look at it next week.

DR. Kelly: Okay.

COMMISSIONER Wilhelm: May I comment? I agree with that and don't wish to further qualify it, but I want to add something to it that's occasioned by the last sentence on page 5, which says, "Little is available for tribal casinos, but the Commission may want to pursue such data."

I would rather strenuously disagree with the construction of that sentence, and the reason is that, as I suggested before in these Subcommittee meetings, I think it's myopic in the extreme to think that this Commission could examine any of the issues that it has been charged to examine -- and I'm not suggesting that this was your intent, Dr. Reuter.