

# **U.S. and International Concerns Over the Socio-Economic Costs of Legalized Gambling: Greater than the Illegal Drug Problem?\***

Statement to the National Gambling Impact Study Commission  
Chicago, Ill.  
May 21, 1998

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\*This statement is excerpted from the first draft of an academic article being prepared for publication. Several of the reported numbers have not yet been adjusted to 1997 dollars.

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## I. SUMMARY

### A. Gambling Has a Zero-Sum Economic Effect in its Market

Knowing that legalized gambling has a zero-sum economic effect (except for increased socio-economic costs) in its market, gambling proponents focus public attention on the wrong market--that is the local market instead of the strategic/regional market. Only in the most unusual hypothetical would the strategic regional benefits gained from legalized gambling outweigh the socio-economic costs. Like legalizing cocaine, the socio-economic costs of legalizing gambling overwhelm the benefits. Via the **meta-language** model, the McDougal/Lasswell methodology of policy-oriented jurisprudence confirms this conclusion and the **analysis**.<sup>1</sup>

### B. Case Example: NATO Ally Turkey Legalized Casinos in 1983 and Recriminalized Gambling in 1998

On a nationwide level, NATO member Turkey legalized casinos in 1983 and experienced widespread addictions, bankruptcies, crime, and corruption with the result that those casinos were recriminalized in 1998.<sup>2</sup>

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<sup>1</sup>This particular Article is summary in scope, but it was conceived within the penumbra of the McDougal/Lasswell model for decision-making. In the areas of legal and government policy, which subsume strategic socio-economic and business concerns, the classic decision-making models were formulated by the post legal realists, in particular, Professor Myres McDougal and Professor Harold Lasswell who postulated a conceptual framework for legal decision-making in a landmark article directed toward legal educators and law professors. Harold D. Lasswell & Myres S. McDougal, Legal Education and Public Policy Professional Training in the Public Interest, 52 YALE L.J. 203 (1943); see also Harold D. Lasswell & Myres S. McDougal, Criteria for a Theory about Law, 44 S. CALIF. L. REV. 362 (1971); Myres S. McDougal, Jurisprudence for a Free Society, 1 GA. L. REV. 1 (1966); John W. Kindt, An Analysis Of Legal Education And Business Education Within The Context Of A J.D./MBA Program, 31 J. LEGAL EDUC. 512, 517-18 (1981); John W. Kindt, An Analysis Of Legal Education And Business Education Within The Context Of A J.D./MBA Programme, 13 LAW TEACHER 12, 14-16 (1979). The decision-making concepts which McDougal and Lasswell introduced were later expanded to include international law and U.S. domestic law, as these areas interfaced with "policy-oriented jurisprudence." See John N. Moore, Prolegomenon to the Jurisprudence of Myres McDougal and Harold Lasswell, 54 VA. L. REV. 662 (1968); The Lasswell-McDougal Entemrise: Toward a World Public Order of Human Dignity, 14 VA. J. INT'L L. 535 (1974).

<sup>2</sup>E.g., Daren Butler (Reuters News Serv.), Casino industry nears final days in Turkey, ST. LOUIS POST-DISPATCH, Feb. 4, 1998, at A8 [hereinafter Turkey Recriminalizes Gambling].

C. In 1997 U.S. Gambling Abuse Costs (\$80 Billion/Yr.) Exceeded Drug Abuse Costs (\$70 Billion/Yr.) Because of Gambling Addictions, Bankruptcies, Crime, and Corruption

During a 1997 Congressional hearing, the director of the U.S. Office of National Drug Control Policy indicated that during the next decade, America's drug abuse problem will cost U.S. society \$70 billion per year.<sup>3</sup> By comparison, the 1997 socio-economic costs of U.S. pathological gambling were at least \$80 billion per year with 4.4 million pathological gamblers (and another 11 million problem gamblers).<sup>4</sup>

D. The ABCs of Legalized Gambling: Addictions, Bankruptcies, Crime, and Corruption

The socio-economic costs of legalized gambling parallel the costs of drug abuse. The ABCs of legalized gambling are:

- a. Addictions,
- b. Bankruptcies, and
- c. Crime and corruption.

Drug abuse brings only the costs of addictions and crime and corruption, but legalized gambling adds the cost of bankruptcies. Sociologists indicate that it is not possible for a drug addict to

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<sup>3</sup>Medical Marijuana Referenda in America: Hearing before the Subcomm. on Crime, House Comm. on the Judiciary, 105th Cong., 1st Sess. (Oct. 1, 1997) (Statement of General Barry R. McCaffrey, Dir., U.S. Off. of Nat'l Drug Control Pol'y).

<sup>4</sup>The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.").

shoot-up the value of a paycheck in one night, but in one night gambling addicts can lose not only their paychecks but also their entire assets, including all of their retirement savings (particularly with new 1998 tax changes allowing self-directed retirement accounts). This scenario is exacerbated by gambling on the Internet' which would maximize accessibility and place gambling at every work station, in every school, and in every living room.

E. The Most Relevant Authoritative Studies of the Strategic Socio-Economic Costs of Pathological and Problem Gamblers: Where are the Costs Analyses?

Recommendation: The National Commission Should Request and Be Prepared to Subpoena the "High-Rollers" List from Every U.S. Casino

By 1997, studies financed by the gambling industry were readily admitting that they were "Benefit/Benefit" studies and not Cost/Benefit studies. For example, the 1998 Missouri study financed by Civic Progress did not analyze or even consider the socio-economic costs,<sup>6</sup> and the 1996 Arthur Andersen study of pre-selected industry positives,<sup>7</sup> specifically states: "this study makes no attempt to analyze the socioeconomic effects of . . . gaming."\*

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\*Gambling on the Internet is illegal under the "Wire Act," 18 U.S.C. § 1084, but to tighten controls U.S. Senator Jon Kyl sponsored new legislation. See S.474, The Internet Gambling Prohibition Act of 1997: Hearing before the Subcomm. on Technology, Terrorism, and Government Information, Senate Comm. on the Judiciary, 105th Cong., 1st Sess. (July 28, 1997).

<sup>6</sup>Charles Levin, Don Phares, & Claude Louishomme, The Economic Impact Of Gaming In Missouri 73 (Apr. 1998) (commissioned by Civic Progress).

<sup>7</sup>See, e.g., Statements of Prof. William Eadington, U. Nev.-Reno, Panel Discussion, 10th Int'l Conf. on Gambling & Risk Taking, Montreal, Canada, May 3 I-June 4, 1997. (The communities selected for the Arthur Andersen study would be expected to yield positive local impacts, but the casinos in the Kansas City economy are probably draining a net \$40 million per year from the area, and the Kansas City economy is so large that these economic losses go unnoticed.)

\*Arthur Andersen, Economic Impacts of Casino Gaming In the United States: Macro Study (Dec. 1996) (commissioned by Am. Gaming Assoc.) ("[T]his study makes no attempt to analyze the socioeconomic effects of . . . gaming.").

From the overall U.S./strategic perspective, the most relevant authoritative reports are as follows:

a. Addictions

Alcohol and Drug Abuse Administration, Maryland Department of Health and Mental Hygiene, Task Force on Gambling Addiction in Maryland (Dr. Valerie C. Lorenz and Dr. Robert M. Politzer, Co-Chairs 1990) (particularly pages 58-61).

b. Bankruptcies

SMR Research Corp., The Personal Bankruptcy Crisis, 1997 (George R. Yacik, Vice President 1997) (particularly pages 116-130), summarized in Business Wire, New National Study Shows Correlation Between Gambling Growth and the Significant Rise in Personal Bankruptcies, Business Wire Features, June 26, 1997.

c. Crime

Office of Planning and Budgeting, Florida Office of the Governor, Casinos in Florida: An Analysis of the Economic and Social Impacts (ed. Dr. Subhasis Das 1994) (particularly exec. summary and pages 66-76).

The authoritative Casinos in Florida is paralleled by the classic overview in:

Better Government Association of Chicago, Staff White Paper: Casino Gambling in Chicago (1992) (Exec. Dir. Terrence Brunner, (3 12)-641-1 181).

To visualize the strategic/regional impact of gambling, a short report is:

California Governor's Office of Planning and Research, California and Nevada: Subsidy, Monopoly, and Competitive Effects of Legalized Gambling (Dec. 1992).

F. Gambling Makes U.S. a Nation of Losers

Between 1991 and 1996, gambling proponents spent over \$105 million' to obfuscate the issues involved in gambling, and therefore delimiting some basic principles of analyzing gambling is often useful to the public. To begin any study, the most relevant number is the amount lost by gamblers per year in the relevant market (approximately \$50 billion lost by the U.S. public in 1997).<sup>10</sup> Of these amounts lost, approximately 30 percent (primarily from lotteries) results in tax revenues to local and state governments (approximately \$17 billion in taxes in 1997).<sup>11</sup>

In gambling industry studies the underlying focus is usually on:

1. how fast money can be extracted from the public, and
2. how efficiently money can be extracted from the public.

The techniques utilized to accomplish these goals usually are:

1. new, more, and faster gambling technology, and
2. new and more sophisticated marketing.

The speed (and not the type) of the gambling is the proper focus. In a focused cost/benefit analysis, socio-economic costs, tax revenues, and other considerations should be calculated as a function of the degree of gambling (i.e., "amounts lost" or "gross revenues").

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<sup>9</sup>See, e.g., John W. Kindt, Follow the Money: Gambling, Ethics, and Subpoenas, 556 ANNALS OF THE AM. ACADEMY OF POLITICAL & SOC. SCI. 85, 87-89, Tables 1 & 2 (1998).

<sup>10</sup>See INT'L GAMING & WAGERING Bus. (Survey 1997).

<sup>11</sup>Id.

- G. The 1997 Harvard Addictions Meta-analysis Omitted the Most Important Numbers: Where Are the Reported Numbers of Pathological Gamblers and Problem Gamblers for the 120 to 152 Studies Analyzed?

Recommendation: The Authors of the Harvard Addictions Meta-analysis Should Complete Appendix 2 Including the "Reported" Numbers of Pathological Gamblers and Problem Gamblers for All 120→152 Studies

Recommendation: Copies of the 120→152 Studies Should be Provided to the Library of Congress (as a Special Collection) and to All U.S. Federal Depository Libraries So They Can Be Examined by the Public

## II. ADDICTIONS

- A. 1.5 Million People or .5 Percent of the U.S. Population Became New Pathological Gamblers in 3 Years from 1994-97 at a Cost of \$45 Billion Per Year (Div. on Addictions, Harvard Med. School)<sup>12</sup>

In 1995, Professor Howard J. Shaffer of the Harvard Division on Addictions reported:

"Gambling is an addictive behavior. make no mistake about it . . . Gambling has all the properties of a psychoactive substance, and again, the reason is that it changes the neurochemistry of the brain."<sup>13</sup>

Symptomatic of the individualized problems of gambling addiction is one 1998 Chicago, Illinois case where a mother addicted to gambling allegedly killed her two children in separate instances to collect \$200,000 of their insurance money so she could continue to gamble.<sup>14</sup>

In 1997 it became public that the Colorado lottery was utilizing a "Mindsort" model which allegedly was designed to appeal to pathological and problem gamblers indicating that consistent

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<sup>12</sup>See Table I *infra* and accompanying footnotes; Harvard Addictions **Meta-analysis**, *supra* note 4, at 43, Table 13 & 5 1, Table 16.

<sup>13</sup>Ford Turner, **Neurochemicals Blamed for Compulsive Gambling**, 8 **COMPULSIVE GAMBLING**, Winter 1995/96, at 1 (citing article in the BEACON-NEWS (Springfield, **Mass.**)), May 10, 1995) (emphasis added).

<sup>14</sup>Cam Simpson, Baby death plot told: Suburb mom indicted in insurance scheme, CHI. TRIB., Mar. 7, 1998, §1, at 1-2.

gamblers were “Lower on trial, but once hooked. hooked.”<sup>15</sup> A 1997 in-depth survey by the Chicago Sun-Times reported that poor people were now viewing the “instant games” of the lottery as “a source of **income**,”<sup>16</sup> and in another 1997 survey it was reported that 51 percent of the people gambling were trying “to win money,” instead of gambling for entertainment (34 percent).”

Recognizing that 27 percent to 55 percent of casino revenues are coming from pathological gamblers and problem gamblers,” concerns have been raised about appeals to this market segment.

By purchasing lists from credit-card companies, the casinos know what you buy, and then they can track census data to approximate your home value and income. Then there are the direct-mail lists. One such list from the early 1990s was baldly called the “Compulsive Gamblers Special” and promised to deliver, 200,000 names of people with “unquenchable appetites for all forms of gambling.” Another list features “some 250,000 hard-core gamblers.” Yet another purveys the names of 80,000 people who responded to a vacation-sweepstakes-telemarketing pitch.<sup>19</sup>

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<sup>15</sup>Mindsort, 1996 at 15 (emphasis added). See (forthcoming) Joanne Conte, “Case Study of Colorado Advertising and Marketing,” Paper presented at 1998 Marketing & Public Pol’y Conf., Am. Marketing Assoc., Arlington, Va., June 5-6, 1998 (discussing the Colorado lottery’s Mindsort marketing and other advertising concerns involving gambling).

<sup>16</sup>Tim Novak & Jon Schmid, Lottery picks split by race, income, CHI. SUN-TIMES, June 22, 1997, at 1, 24-25.

<sup>17</sup>See Miss. St. U. Gambling Group, Soc. Sci. Res. Ctr., National Gambling Survey (1995), summarized in Div. on Addictions, Harvard Medical School, THE WAGER, Mar. 17, 1998.

<sup>18</sup>See, e.g., “Measuring the Costs of Pathological Gambling,” Address by Prof. Henry R. Lesieur, Ill. St. U., at the Nat’l Conf. on Gambling Behavior, Nat’l Coun. on Problem Gambling, Chicago, Ill., Sept. 3-5, 1996 (Table).

<sup>19</sup>S. C. Gwynne, How Casinos Hook You: The gambling industry is creating high-tech databases to reel in compulsive players, TIME, Nov. 17, 1997, at 68, 69 (emphasis added).

- B. 3.5 Million People or 2 Percent of the U.S. Population Became New Problem Gamblers in 3 Years from 1994-97 at a Cost of \$35 Billion per Year (Div. on Addictions, Harvard Med. School)<sup>20</sup>
- C. \$24 Billion to \$88 Billion is the Range of Costs to the Taxpayers of the 1.5 Million New Pathological Gamblers and 3.5 Million New Problem Gamblers Governments Addicted from 1994 to 1997<sup>21</sup>

### III. BANKRUPTCIES

- A. The Bankruptcy Costs of 1.5 Million New Pathological Gamblers in 3 Years from 1994-97 are at Least \$9 Billion and 315,000 Bankruptcy Filings (SMR Research)<sup>22</sup>

The annual U.S. bankruptcy costs due to legalized gambling are at least \$3 billion with 105,000 new bankruptcy filings.<sup>23</sup> These numbers are projected to increase by 50 percent in the next couple years as more of the new pathological gamblers finally “bottom out.”

- B. The Bankruptcy Costs of 3.5 Million New Problem Gamblers in 3 Years from 1994-97 Are at Least \$3 Billion per Year and 90,000 Bankruptcy Filings (SMR Research)<sup>24</sup>

The annual U.S. bankruptcy costs due to legalized gambling are at least \$1 billion with 30,000 new bankruptcy filings per year. Clinical observations of trends indicated that the

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<sup>20</sup>See Table 2 infra and accompanying footnotes; Harvard Addictions Meta-analysis, supra note 4, at 43, Table 13 & 51, Table 16,

<sup>21</sup>See Table 3 infra and accompanying footnotes.

<sup>22</sup>See Table 4 infra and accompanying footnotes; SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997, 123-24 (1997) [hereinafter BANKRUPTCY CRISIS]. Much higher costs can be extrapolated from the projections in WEFA Group, The Financial Costs of Personal Bankruptcies, at 1, 15, 19 (Feb. 1998) [hereinafter Costs of Bankruptcy].

<sup>23</sup>Id.

<sup>24</sup>Id.; see Table 5 infra and accompanying footnotes.

percentages of bankruptcies due to legalized gambling would tend to increase to 15 percent or more as the year 2000 approached.<sup>25</sup>

#### IV. CRIME

A. The Crime Costs of 1.5 Million New Pathological Gamblers Which Governments Created from 1994-97 Would Be \$34.2 Billion (Pursuant to Fla. Gov. Off. of Planning & Budget Analysis)<sup>26</sup>

The most relevant authoritative report for this type of strategic/regional calculation is still the 1994 Casinos in Florida: An Analysis of the Economic and Social Impacts.<sup>27</sup> Applying the methodology of this analysis<sup>28</sup> to the 1994-97 reported increases in pathological and problem gamblers yields new socio-economic costs to the taxpayers of \$34.2 billion for these years.

B. Directly Because of Governments' Legalized Gambling, 1.5 Million People, or .5 Percent of the U.S. Population Became New Criminals in the 3 Years from 1994-97 at a U.S. Cost of \$12 Billion to \$15 Billion<sup>29</sup>

Virtually all pathological gamblers commit crimes, but most are not prosecuted because the crimes are against family members or close associates. Experts and studies report that between 12.5 percent and 15 percent of pathological gamblers will become incarcerated. It should also

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<sup>25</sup>Panel Discussion of Credit Experts, Midwest Conf. of the Nat'l Coalition Against Legalized Gambling, Des Moines, Iowa, May 1-2, 1998 (increased filings due to gambling trending toward 15 percent of total filings).

<sup>26</sup>See Table 6 *infra* and accompanying footnotes; FLA. GOV. OFF., CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS 72 (1994) [hereinafter FLA. GOV. REPORT].

<sup>27</sup>FLA. GOV. REPORT, *supra* note 26.

<sup>28</sup>See, e.g., *id.* at 72.

<sup>29</sup>See Table 7 *infra* and accompanying footnotes; Harvard Addictions Meta-analysis, *supra* note 4, at 43, Table 13 & 51, Table 16.

be noted that pathological gamblers tend to commit multiple property-acquisition crimes. Political scientists note that governments should not encourage or promote criminal behavior or crimes which governments do--when they legalize, advertise, and promote gambling. Furthermore, sociologists note that U.S. governments are not in the business of selling alcohol or tobacco products, but U.S. governments sell gambling packaged as patriotism.

- C. The Partial (Incarceration) Costs of 1.5 Million New Pathological Gamblers Which Governments Created from 1994-97 Are at Least \$2 Billion<sup>30</sup>
- D. The Average Regulatory and Corrections Costs per Year Calculated as a Function of the Total Number of Pathological Gamblers Are Between \$9,000 and \$11,000 per Pathological Gambler per Year<sup>31</sup>

## V. THE STRATEGIC SOCIO-ECONOMIC COSTS OF PATHOLOGICAL GAMBLING AND PROBLEM GAMBLING: OVERVIEW OF CALCULATIONS

- A. The 3 Steps to Calculating the Strategic Socio-Economic Costs of Pathological Gambling and Problem Gambling
  - 1. Step One: Calculate the Relevant Population Base Which Usually Corresponds to the Population in the "Feeder Markets" (35-mile Radius and 100-mile Radius) in the Specialized Studies of the Gambling Industry
    - a. Strategic/Regional Populations

For convenience, the current population of the United States (or other country), any state, county, or city can be easily obtained from the latest edition of The World Almanac which

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<sup>30</sup>See Table 8 *infra* and accompanying footnotes. See also ALCOHOL & DRUG ABUSE ADMIN., MD. DEP'T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND 2, 59-61 (Valerie C. Lorenz & Robert M. Politzer, Co-Chairs 1990) (a classic report) [hereinafter GAMBLING ADDICTIONS IN MARYLAND].

<sup>31</sup>See Table 9 *infra* and accompanying footnotes.

reprints the data of the U.S. Bureau of the Census. Current Bureau of the Census data can also be obtained online.<sup>32</sup> On a regional/local level, the population base should correspond as closely as possible with the “feeder market” populations which are usually given in gambling industry studies. In the case of casinos, for example, the feeder market usually corresponds with the 35-mile radius and/or the 100-mile radius around the casino.

With a population of 5.5 million, Missouri serves as a state example. The baseline of .77 percent pathological gamblers<sup>33</sup> (and 2.33 percent problem gamblers)<sup>34</sup> before legalized gambling came to Missouri increased by 1994 to .84 percent pathological gamblers<sup>35</sup> (and approximately 2.93 percent problem gamblers).<sup>36</sup>

By 1997 another .5 percent of Missouri’s population had become pathological gamblers<sup>37</sup> (and another 2 percent had become problem gamblers).<sup>38</sup> At a conservative cost of \$30,000 per new pathological gambler and \$10,000 per new problem gambler, from 1994 to 1997 the socio-economic costs to the taxpayers of Missouri increased \$.83 billion plus \$1.1 billion for a

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<sup>32</sup>For the United States the World Wide Web site is <http://www.census.gov/population/estimates/nation/intfile2-1.txt>. For Canada the World Wide Web site is <http://www.statcan.ca/english/Pgdb/People/Population/demo10a.htm>.

<sup>33</sup>U.S. COMM’N ON THE REV. OF THE NAT’L POL’Y TOWARD GAMBLING, GAMBLING IN AMERICA 73 (U.S. Gov’t Printing Off. 1976) [hereinafter U.S. COMM’N ON GAMBLING].

<sup>34</sup>Id.

<sup>35</sup>Harvard Addictions Meta-analysis, supra note 4, at 43, Table 13 & 51, Table 16.

<sup>36</sup>Id.

<sup>37</sup>Id.

<sup>38</sup>Id.

total of \$2 billion.<sup>39</sup> Until the market is saturated (e.g., Las Vegas has a reported 8 percent pathological gamblers and 8 percent problem gamblers),<sup>40</sup> Missouri will probably increase at .15 percent new pathological gamblers per year and .7 percent new problem gamblers for a new combined taxpayer cost increase of \$633 million per year.

After Detroit with a population of 1 million initiates downtown casino gambling, the State of Michigan can definitely anticipate increases of at least .15 percent new pathological gamblers per year and .7 percent new problem gamblers per year due to the increased accessibility and acceptability of legalized gambling. Until market saturation occurs, Michigan taxpayers will be faced respectively with increased socio-economic costs of at least \$45 million per year for the increasing numbers of pathological gamblers and \$70 million per year for the increasing numbers of problem gamblers.

By recriminalizing various legalized gambling activities, particularly casinos, these trends in taxpayer costs can be slowed and even reversed.<sup>41</sup>

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<sup>39</sup>The National Impact of Casino Gambling Proliferation: Hearing Before the House Comm. on Small Bus., 103d Cong., 2d Sess. 77, 80 (1994). For a table, see generally, John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 DRAKE L. REV. 51, 90-91, Table 3 (1994) [hereinafter Economic Impacts].

<sup>40</sup>Address of Prof. Frederick W. Preston, U. Nev.-Las Vegas, at the Nat'l Conf. on Gambling Behav., Nat'l Coun. Problem Gambling, Chicago? Ill., Sept. 3-5, 1996 (8% pathological gamblers plus 8% problem gamblers). See also, Frederick W. Preston, Ricardo Gazel, and Bo Bernhard, "Gambling in Las Vegas: Survey of a Gaming Supportive Community," at Sec. 4.1-4.2 (5.3% pathological gamblers & 2.6% problem gamblers). It is significant that pathological gamblers in Las Vegas outnumber problem gamblers by a ratio of 2 to 1. In most studies, the problem gamblers greatly outnumber the pathological numbers.

<sup>41</sup>See Table 10 infra and accompanying footnotes; Harvard Addictions Me&analysis, supra note 4, at 43, Table 13 & 51, Table 16.

b. Specific Populations: Examples Include the Military, Businesses, and Adolescents

Once the relevant population base is established, the same percentages are applicable. For example, the increased percentages of the general U.S. population base<sup>42</sup> would generally apply to businesses, such as banks, insurance companies, financial institutions, credit agencies, manufacturing companies and service companies. Between 1994 and 1997, an average company, for example, with 1000 employees would have experienced a .5 percent increase in pathological gamblers in its workforce and a 2 percent increase in problem gamblers resulting in increased personnel costs of at least \$150,000 plus \$200,000 for a total of \$350,000.

(1) Adolescent Gambling is Double the Adult Rates

Often specific studies have refined these percentages. As a general rule, the percentages of pathological and problem adolescent gamblers are double those of the adult population.<sup>43</sup> However, adolescents do not have the asset base of adults and therefore, the socio-economic costs are lower. Even so, this generation is the first U.S. generation in 100 years raised to believe that legalized gambling is an acceptable activity and has career opportunities.

(2) Military “Readiness” and Addicted Gamblers: Between 1991 and 1997, the Military Personnel Rates for Pathological Gambling (Increased 66 Percent) and for Problem Gambling (Increased 108 Percent) for a Combined “Doublin” of Military Problems and \$3.6 Billion per Year in New Costs<sup>44</sup>

In 1991 the U.S. military established a baseline of 2 percent pathological gamblers and 5.1 percent problem gamblers. Using the general population increases from 1994

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<sup>42</sup>Id. See Tables 1-2 infra and accompanying footnotes.

<sup>43</sup>See Table 10 infra and accompanying footnotes. See, e.g., Economic Impacts, supra note 39, at 66, nn.117-18; Harvard Addictions Me&analysis, supra note 4, at 51, Table 16.

<sup>44</sup>See Table 11 infra and accompanying footnotes.

to 1997 reported in the Harvard Addictions **Meta-analysis**, by 1997 the anticipated increases among military personnel were 50,250 new pathological gamblers (a 66 percent increase) and 162,000 new problem gamblers (a 108 percent increase), for new respective costs of \$2 billion and \$1.6 billion or \$3.6 billion per year.<sup>45</sup> The national security issues of military “readiness” and the government-sponsored “doubling” of the military’s pathological/problem gambling dilemma should be investigated by the U.S. Congress. By definition, pathological gamblers are not only addicted but also compromised by their addiction, and they become security risks.

A sample comment in 1995 from U.S. Air Force Commander, General John M. Loh provided the military’s general perspective on these problems: “I am generally opposed to riverboat [casino] gambling near our bases because of the problems it creates for our people and the communities in which they live”<sup>46</sup> (U.S. Air Force Commander, General John M. Loh, HQ Air Combat Command, Feb. 10, 1995).<sup>47</sup> Business groups near military bases provide a similar perspective: “We have talked to almost all of the base commanders in Tidewater [Virginia] and found none who favor Riverboat Gambling.... Riverboat gaming will drive our military [bases] away....”<sup>48</sup>

In one AFB example involving illegal off-base slot machines, service personnel lost 13%-19% of the entire base’s monthly payroll and two lieutenants who were pathological

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<sup>45</sup>Id.

<sup>46</sup>**Letter** from U.S. Air Force Commander, Gen’l John M. Loh to U.S. Rep. Herbert H. **Bateman**, Feb. 10, 1995 (citing specific negative impacts of recently opened riverboat casino on Barksdale, AFB, La.).

<sup>47</sup>Id.

<sup>48</sup>**Know** Casinos, Bus. Group, Memorandum to Virginia Cities, Sept. 1, 1995 (opposing proposal for Va. casinos) (William Kincaid, Co-Chair).

gamblers committed suicide<sup>49</sup> (Preparedness Subcomm., U.S. Senate Comm. on Armed Services).” By 1997, the 1257 illegal slot machines involved in this earlier case had been replaced with 11,624 off-base legal video slot machines.<sup>51</sup>

## 2. Step Two: Calculate the Relevant Percentages of the Population Which Are Pathological Gamblers and Problem Gamblers

As indicated earlier, unless a specific study gives authoritative percentages for a specific population base, the general population percentages can be applied. Since inexplicably, the Harvard Addictions Meta-analysis did not report the most important numbers; that is, the percentages of pathological and problem gamblers reported in the 120 to 152 studies reviewed,<sup>52</sup> the general population percentages must be utilized. These percentages are:

	<u>1976</u> <sup>53</sup>	<u>1994</u> <sup>54</sup>		<u>1997</u> <sup>55</sup>
Pathological Gamblers	.77%	.84%	(.5% Increase) →	1.29%
Problem Gamblers	2.33%	2.93%	(2% Increase) →	4.88%

These percentages are the starting points for general calculations.

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<sup>49</sup>Hearing on “Illegal Gambling Activities Near Keesler Air Force Base,” Preparedness Subcomm., U.S. Senate Comm. on Armed Services, Biloxi, Miss. (1951).

<sup>50</sup>Id.

<sup>51</sup>Ben C. Toledano, Gambling ‘Carpetbaggers’ Make Mississippi a Lesson to Other States, **WORLD HERALD (Omaha, Neb.)**, Apr. 13, 1997, at B13 (abbreviated reprint from Apr. 7 article in **NAT’L REV.**).

<sup>52</sup>The percentages of pathological gamblers and problem gamblers were not reported for any of the reviewed 120 to 152 studies. Harvard Addictions **Meta-analysis**, supra note 4, at 107, Appendix 2. Compare, Economic Impacts, supra note 39, at 89, Table 2 (reporting these percentages), with id.

<sup>53</sup>U.S. COMM’N ON GAMBLING, supra note 33, at 73.

<sup>54</sup>Harvard Addictions Meta-analysis, supra note 4, at 43, Table 13 & 51, Table 16.

<sup>55</sup>Id.

3. Step 3: Multinlv the Numbers (and Increases) by the Socio-Economic Costs of One Pathological Gambler and/or One Problem Gambler

a. Overall Strategic Costs

According to experts, each pathological gambler creates socio-economic costs of between \$10,000 (partial listing of costs)<sup>56</sup> and \$80,000<sup>57</sup> per year. A conservative range of \$30,000 to \$50,000 per year is quite reasonable.

b. Specialized Costs: For Example, the Insurance Industry,<sup>58</sup> the Banking Industry, or the Financial Industry

Obviously, the value of services performed by one employee in a particular industry might be higher than in another industry. Exemplifying another area of concern in Iowa one pathological gambler in financial services embezzled \$4.5 million<sup>59</sup> and similarly, one banker embezzled \$10.2 million.<sup>60</sup> Apparently, 42 percent of pathological gamblers admit stealing from their employers.<sup>61</sup> In a related example, it took only one employee to engage in the unauthorized use and loss of \$1 billion to bankrupt Baring's Bank,<sup>62</sup> and in a similar situation

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<sup>56</sup>See Table 3 infra and accompanying footnotes.

<sup>57</sup>GAMBLING ADDICTION IN MARYLAND, supra note 30, 59-61.

<sup>58</sup>See Table 12 infra and accompanying footnotes.

<sup>59</sup>Debra Illingworth Greene, Gambling: Wins & Losses, THE LUTHERAN, Dec. 1997, at 46, 47.

<sup>60</sup>Henry R. Lesieur, Pathological Gambling, Work, and Employee Assistance, 1 J. EMPLOYEE ASSISTANCE RES. 32, 32 (1992).

<sup>61</sup>See Table 13 infra and accompanying footnotes.

<sup>62</sup>Laura Proctor, The Barings Collapse: A Regulator-v Failure Or A Failure Of Supervision?, 22 BROOK. J. INT'L L. 735, 738 (1997) ("a gamble" in the market), see id. at 752 n.155 (Daiwa lost \$1.1 billion). See also Brad Stone, How He Busted the Bank, NEWSWEEK, Mar. 13, 1995, at 39 ("[H]e started to gamble.").

Daiwa Bank of Japan lost \$1.1 billion<sup>63</sup> because of one employee. By definition, the very best blue-collar and white-collar employees, the Type-A personalities, are the most likely to become pathological gamblers. Pathological gamblers are also 4 to 5 times more likely to attempt suicide than the general public, and there are significant costs to society.<sup>64</sup>

Outside of its own employee costs, the insurance industry probably loses \$6.6 billion in insurance fraud per year and \$13.2 billion in surrendered policies per year due to pathological and problem gambling.<sup>65</sup> Government-sponsored gambling contributes to significant increases in fraud and in these losses.

B. Illegal Gambling: Increasing Legalized Gambling Is Linked to Increases in Illegal Gambling

There are no authoritative studies indicating that legalizing gambling activities taps the illegal gambling market. Conversely, there is growing evidence from experts that for every one dollar in new legalized gambling there is one dollar (or more) in new illegal gambling.<sup>66</sup>

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<sup>63</sup>Daiwa Bank of Japan lost \$1.1 billion. Proctor, supra note 62, at 752 n.155.

<sup>64</sup>See Table 14 infra and accompanying footnotes. Compare Table 12 infra and accompanying footnotes, with id.

<sup>65</sup>Henry R. Lesieur & Kenneth Puig, Insurance Problems and Pathological Gambling, 3 J. GAMBLING BEHAV. 123, 123 (1987) (adjusted to 1997 \$).

<sup>66</sup>Statement and Testimony of William G. Hall, Exec. Dir., Ill. Econ. & Fiscal Comm., before the Ill. Legislative Gambling Task Force, Springfield, Ill., July 20, 1996; see Statement of William G. Hall, Exec. Dir. & Edward Boss, Chief Econ., Ill. Econ. & Fiscal Comm'n, "Gambling In Illinois: Its History, Revenue and Future Trends," presented to the Ill. Legislative Task Force on Gambling, Springfield, Ill., July 20, 1996. Gambling critics indicated that the series of socio-economic negatives reported in the seriatim 1996 hearings of the Illinois Legislative Task Force on Gambling were so embarrassing to gambling proponents that those public hearings were never printed for dissemination to the public and the press. See also Address by William Jahoda, former member of organized crime, to the Midwest Conference of the Nat'l Coalition Against Legalized Gambling, Des Moines, Iowa, May 1-2, 1998 [hereinafter Jahoda 1998 Speech in Des Moines]; see National Gambling Impact and Policy Comm'n Act: Hearine on H.R. 497 before the House Comm. on the Judiciary, 104th Cong., 1st Sess. 60-89 (1995) (Statement and Testimony of William Jahoda, former member of organized crime) [hereinafter Congressional Gambling Hearing 1995].

According to former organized crime member William Jahoda, the crime costs associated with legalizing gambling are so overwhelming that those politicians supporting legalized gambling are either “ignorant” or “on the take.”<sup>67</sup> Increased “legalization”<sup>68</sup> and “access”<sup>69</sup> to gambling grows the legal market, but also grows the illegal gambling market as a “shadow market” because illegal gambling competes better by providing: (1) better odds, (2) better credit, (3) better service, and (4) a heightened sensation factor.” According to 1995 testimony before the U.S. House of Representatives Committee on the Judiciary, legalized gambling is like “heaven on earth” for organized crime.<sup>71</sup>

## **VI. U.S. NATIONAL SECURITY AND THE SPREAD OF LEGALIZED GAMBLING TO LESS DEVELOPED COUNTRIES**

### **A. Legalized U.S. Gambling Destabilizes the U.S. and World Economies**

#### **1. Legalized U.S. Gambling Destabilizes the U.S. Economy**

Public confidence is essential to the U.S. and international financial systems. As summarized by President Franklin D. Roosevelt as he tried to re-establish public confidence: “The only thing we have to fear, is fear itself.”\* For governments to become gambling

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<sup>67</sup>Jahoda 1998 Speech in Des Moines, supra note 66; see Congressional Gambling Hearing 1995, supra note 66, at 60-89.

<sup>68</sup>The “acceptability factor” means that the more types and forms of gambling become acceptable by being “legalized,” the more increases there will be in the numbers of pathological and problem gamblers.

<sup>69</sup>The “accessibility factor” means that the more accessible various forms of gambling are to the public, the more increases there will be in the numbers of pathological and problem gamblers.

<sup>70</sup>See generally, Congressional Gambling Hearing 1995, supra note 66, at 60-89.

<sup>71</sup>Id. See also Jahoda 1998 Speech in Des Moines, supra note 66.

\*President Franklin D. Roosevelt, First Inaugural Address, Mar. 4, 1993, in JOHN BARTLETT, FAMILIAR QUOTATIONS 971 (14th ed. 1968).

predators on their own citizens undermines public confidence and destabilizes financial and economic systems. Among other problematic impacts, legalized gambling undermines and can destroy public confidence in:

1. the banking system (gambling interface with banking activities federally prohibited),<sup>73</sup>
2. the investment system,
3. the credit system,
4. the retirement system,
5. government decisionmaking, and
6. military personnel readiness.

To reiterate a classic example, it took just one employee making unauthorized use of Barings Bank's money to bankrupt the bank.<sup>74</sup> In another classic scenario, gambling on the Internet or via other public communications mechanisms can integrate all financial systems. As indicated earlier, Internet gambling would place gambling at every work station, at every school desk, and in every living room. In one night at home, a person could gamble away their liquid assets, their home, and their retirement savings to overseas accounts.

Via even a cursory review of meta-language analysis,<sup>75</sup> McDougal/Lasswell policy-oriented jurisprudence<sup>76</sup> indicates that the U.S. Supreme Court's decision in California v. Cabazon Band

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<sup>73</sup>See, e.g., 12 U.S.C. §§25a, 339, 1730c, 1829a. Financial institutions may not participate, for example in lotteries or "announce, advertise, or publicize the existence of any lottery." See I. NELSON ROSE, **GAMBLING AND THE LAW** 46 (1986). In 1995, just one Barings Bank employee without adequate oversight bankrupted the bank by losing \$1 billion.

<sup>74</sup>Id.

<sup>75</sup>See footnote 1 supra and accompanying text.

<sup>76</sup>Id.

of Mission Indians” should be reversed. By ignoring practical, interdisciplinary and economic impacts, the U.S. Supreme Court in Cabazon not only opened the door to gambling economies in the 50 states, but de facto forced the practical acceptance and eventual development of gambling economies by the states, the U.S., and other countries.” A strong argument can be made that the 78 casinos in Turkey created such socio-economic and political turmoil that in August 1997, the government in Ankara passed a law effective February 19, 1998 which basically **recriminalized** all gambling in Turkey.”

## 2. Legalized U.S. Gambling Destabilizes the World Economy

A sine qua non of international economic stability is the maintenance of a favorable world public order.<sup>80</sup> Conversely, the ability of governments to maintain a favorable world public order is enhanced by international economic stability.” To highlight these basic principles, international economists and political decisionmakers have often referenced the classic economic and political instability occasioned by the negotiated settlement of World War I, the subsequent causal linkages to the Great Depression, and the resultant impacts contributing to the precipitation of World War II. At extraordinary human cost, myriad political-economic lessons were learned from these historical scenarios.” These lessons reordered Western concepts of maintaining international political-economic stability and initiated the historically unique Marshall Plan

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“480 U.S. 202 (1987).

<sup>78</sup>See, e.g., Economic Impacts, supra note 39, at 70 n.147.

<sup>79</sup>See, e.g., Turkey Recriminalizes Gambling, supra note 2, at A8.

<sup>80</sup>See generally footnote 1 supra and accompanying text.

<sup>81</sup>Id.

<sup>82</sup>Id.

paralleled by the United Nations system and related World Bank **safeguards**.<sup>83</sup> These initiatives were essential elements to the regimen of creating and maintaining a favorable world public order for the post-World War II era.

Focused on more obvious and traditional economic trends and perhaps anesthetized by general economic prosperity during the 1990s, international policymakers and economists have missed the economic and political significance of the international megatrend toward legalizing organized gambling activities. Touted by U.S. gambling companies as the economic “wave of the future,” by the 1990s gambling activities were being organized and legalized on an unprecedented scale. As this analysis demonstrates, the spread of legalized gambling activities in the international community constitutes a destabilizing influence on most economic systems in the developed countries and can even collapse the economies of the less-developed countries (LDCs). Policymakers promising, for example, that casino-developments will bring economic prosperity to the people of Namibia constitute disingenuous and callous promises which raise images of casino colonialism.

### 3. U.S. Casino Colonialism in the Developing Countries

Recognizing the potential “domino effect” of economic-financial instability in any country, during 1996 and 1997, the United States and the World Bank community spent billions of dollars in loans to support countries with economic-financial instabilities. One example, included Mexico which shortly after receiving billions of dollars in financial aid announced that part of its economic salvation would involve bringing U.S. casinos to Mexico City. Casinos vis-a-vis

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<sup>83</sup>Id.

development aid constitute a contradiction in U.S. policy with strategic financial implications for international financial stability.

Lost in the 1997 Pacific-Rim financial crisis was the 1990s trend in those countries toward more legalized gambling activities, particularly U.S. exported gambling technologies. The spread of legalized gambling in the Pacific-Rim, which was catalyzed by U.S. gambling technology and a laissez faire attitude toward the economic implications, created philosophical financial instability--particularly in some cultures and demographic scenarios. Third World countries and even some industrialized countries lack the political stability, infrastructure, and cultural norms essential to limit and regulate legalized gambling. The gravamen is that the United States sets the standard for the world community and the United States has strategic financial and national security issues involved in not encouraging legalized gambling activities.

4. The United States Sets the Gambling Standards for the World: Permitting and Promoting Legalized Gambling Destabilizes the the International Financial Community and Jeopardizes the World Economy

The U.S. State Department and the World Bank, in particular, need to review the potential consequences of exporting U.S. gambling technologies and philosophies to other countries. The United States sets the gambling standards for the world, and the spread of U.S. legalized gambling during the 1980s and 1990s first precipitated and then catalyzed the acceptance of legalized gambling activities by other countries. Interestingly, as the U.S. public backlash against gambling gained momentum during the 1990s, U.S. gambling interests intensified their efforts to expand in other countries.

Lacking the political/economic stability of the United States, less-developed countries such as Mexico, Taiwan, and Namibia began in the mid- 1990s to view new casinos as valid strategies

for economic development. Legalized gambling in the United States has already evidenced many economic failures, and these failures:

underscore the economic cannibalism that looms ahead as casinos proliferate. Casinos thrive as long as they lure out-of-towners. But once the wagering visitors get their own casinos back home, the locals tend to be left holding the bag. This boom-and-bust pattern is pandemic, reports William R. Eadington, an economist, who heads the University of Nevada's Institute for the Study of Gambling and Commercial Gaming in Reno. In place after place, he says, a casino-based economy first soars but then slumps into a "black hole."<sup>84</sup>

Any objective independent cost/benefit study should arrive at similar conclusions. When cost/benefit studies do not reach these conclusions, important questions often arise involving:

- a. First Amendment academic freedoms,
- b. government integrity, and
- c. ethical business practices.

Both domestically and abroad, U.S. policy should not be directly promoting or indirectly encouraging gambling activities (particularly casinos).

## VII. CONCLUSION

### A. The U.S. Policy Decision: To Become a Non-Gambling Economy or a Gambling Economy

U.S. economic stability is the sine qua non of international financial and economic stability. Conversely, gambling economies in other countries can precipitate a worldwide economic destabilization via a "domino effect." The United States needs to set the international standard by promoting and reinventing its economy as a non-gambling economy.

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<sup>84</sup>Hellman, Casino Craze, **TRAVEL HOLIDAY**, Mar. 1994, at **86** (citing to Prof. William Eadington, U. Nev.-Reno) (emphasis added).

B. Legalizing Gambling? The Overall Issue for Decisionmakers

“Statesmen think about the next generation, but politicians only think about the next election” constitutes a truism which highlights the issue for decisionmakers considering legalizing gambling. Objective independent cost/benefit analyses will almost invariably conclude that decisionmakers should not legalize gambling activities. Like NATO ally Turkey, the U.S. Congress should **recriminalize all** legalized gambling activities, except in Nevada and Atlantic City where at this economic juncture, rectiminalization would appear to collapse those particular economies. Since gambling companies have already reaped multiple 100 percent returns on their investments, U.S. gambling could be **recriminalized** everywhere else in the United States and regional economies would rebound with this cost-effective pump-priming of new “consumer dollars” diverted from “gambling dollars.”<sup>85</sup>

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<sup>85</sup>See John W. Kindt, U.S. National Security And The Strategic Economic Base: The Business/Economic Impacts Of The Legalization Of Gambling Activities, 39 ST. LOUIS U.L.J. 567 (1995); National Gambling Impact & Policy Comm’n Act: Hearing on H.R. 497 before the House Comm. on the Judiciary, 104th Cong., 1st Sess. 519-45 (1995) (statement and article of Prof. John W. Kindt, Univ. Ill.).

# ABC's of Licensed Organized Gambling

A = Addictions

B = Bankruptcies

C = Crime & Corruption

# U.S. Costs of Drug Abuse Versus Gambling Abuse Socio-Economic costs, 1997

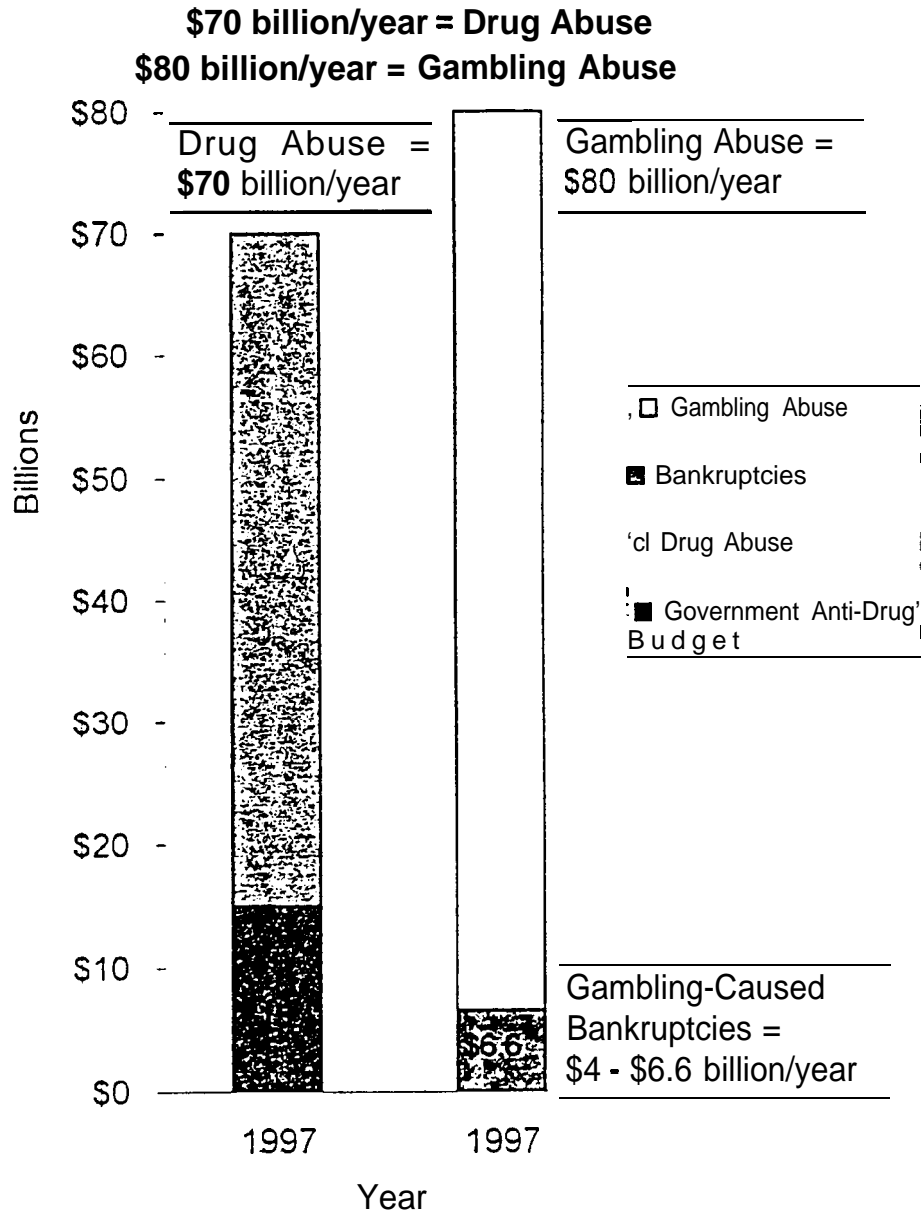
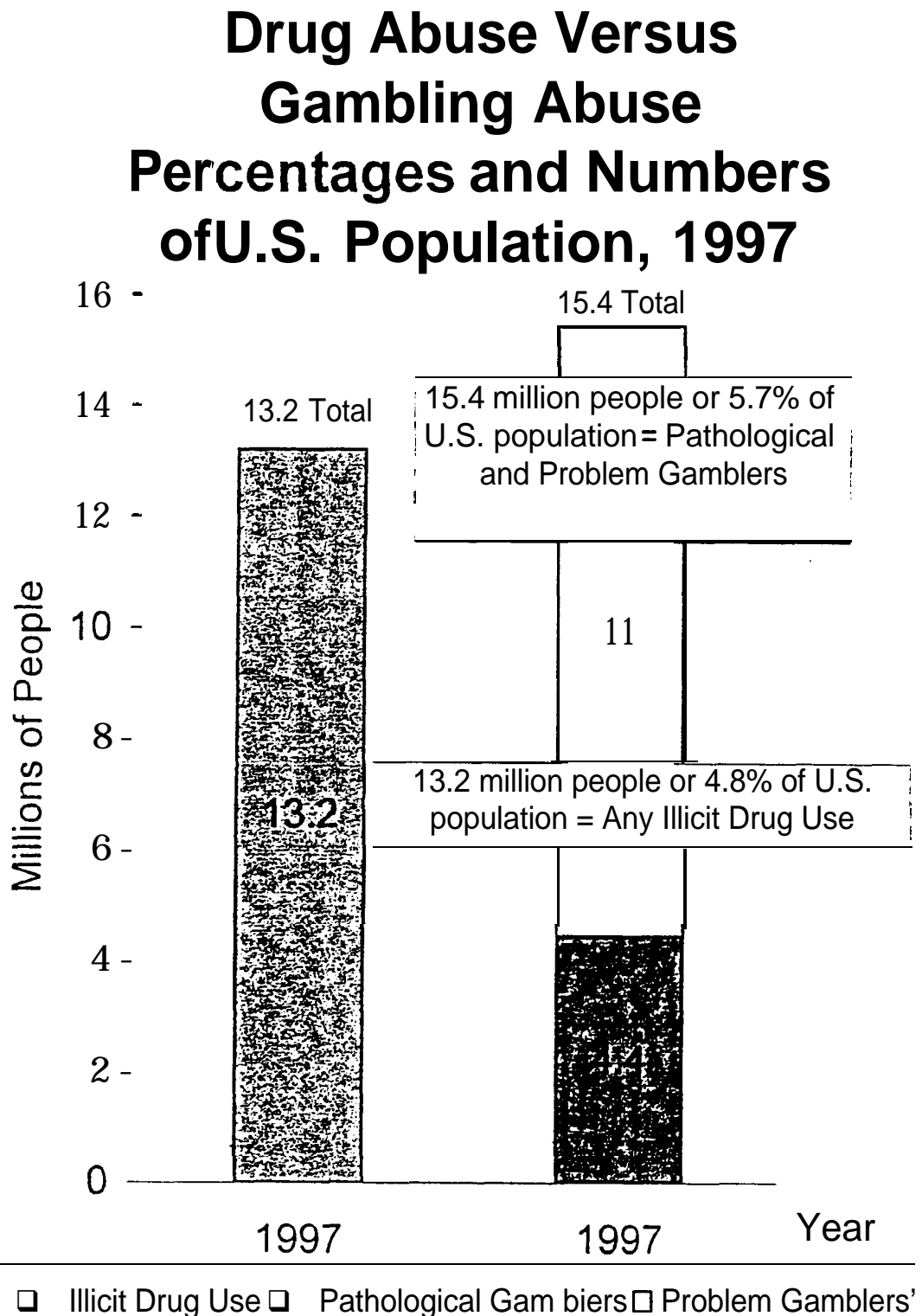


Figure 2



Sources: See Tables 1-3, *infra* and accompanying footnotes.

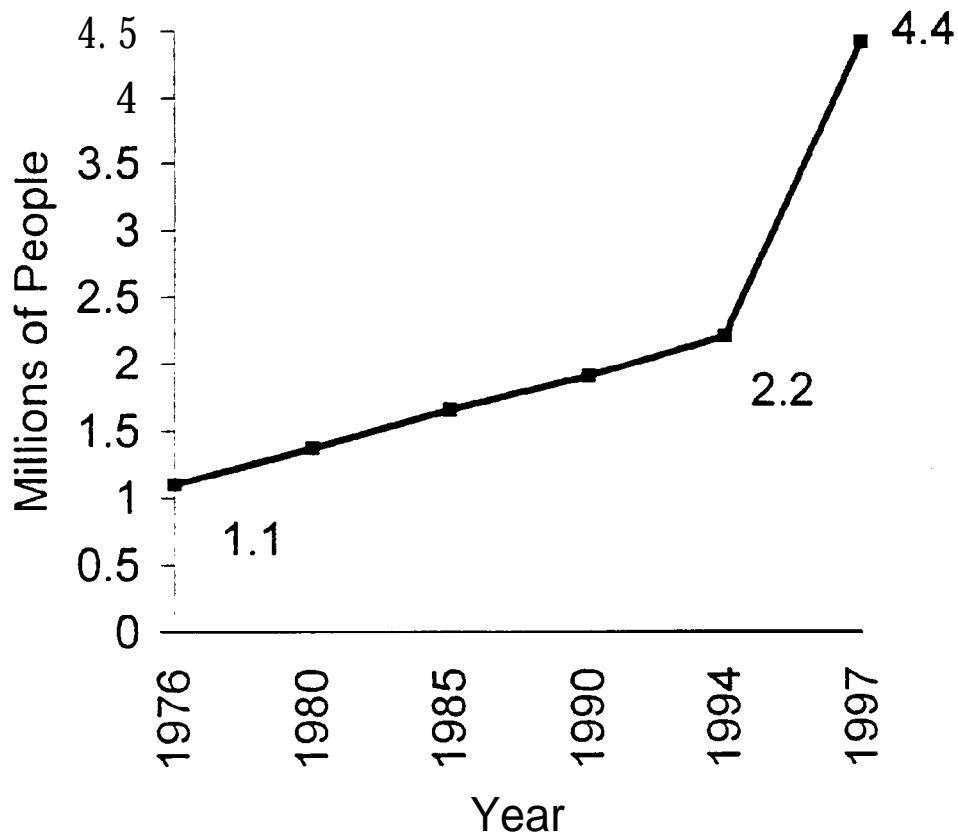
Figure 3

## Increase in Pathological (Addicted) Gamblers

2.2 million people or 0.5% of the U.S.  
population became new pathological  
gamblers in 3 years (1994-1997)  
(Division on Addictions, Harvard Medical School)

New costs of pathological gamblers to U.S.  
taxpayers per year = \$45 billion

By comparison: U.S. drug abuse costs per  
year = \$70 billion



Sources: See Tables 1,3, infra and accompanying footnotes.

## Increase in Problem Gamblers

3.5 million people or 2% of the U.S. population  
became new problem gamblers in 3 years  
(1994-1997) ←

New costs to U.S. taxpayers per year:

New problem gamblers = \$35 billion

New pathological gamblers = \$45 billion

Total = \$80 billion ←

By comparison:

U.S. drug abuse costs per year = \$70 billion

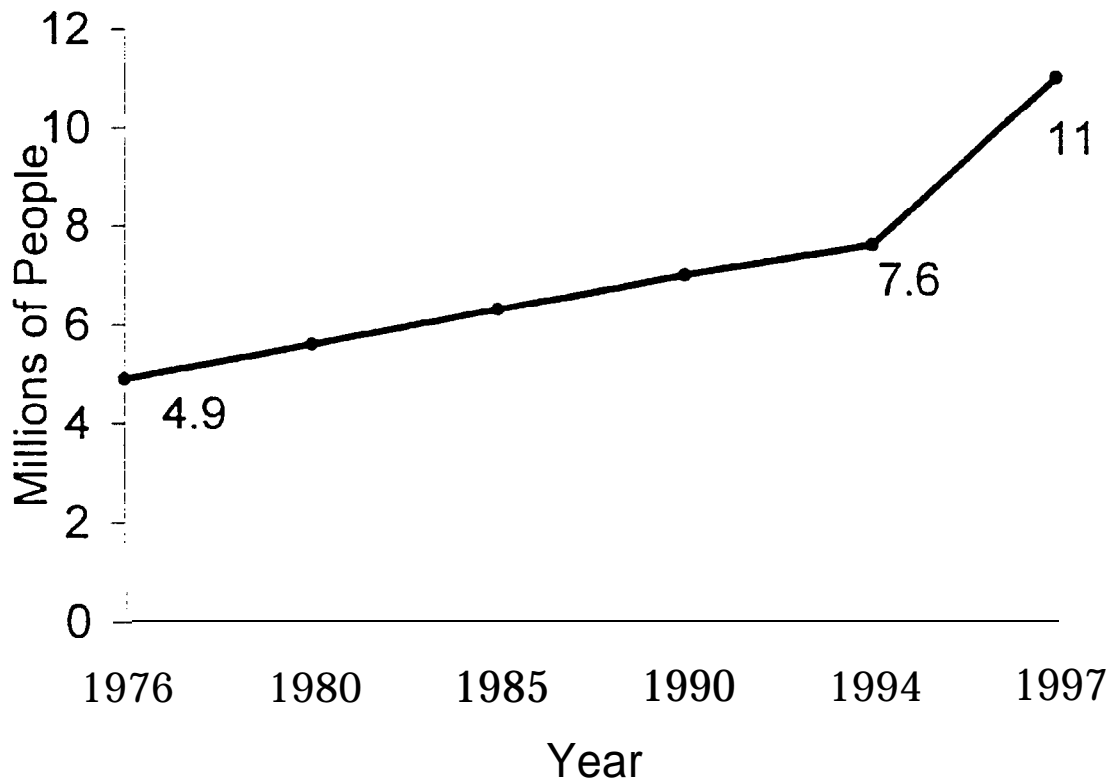
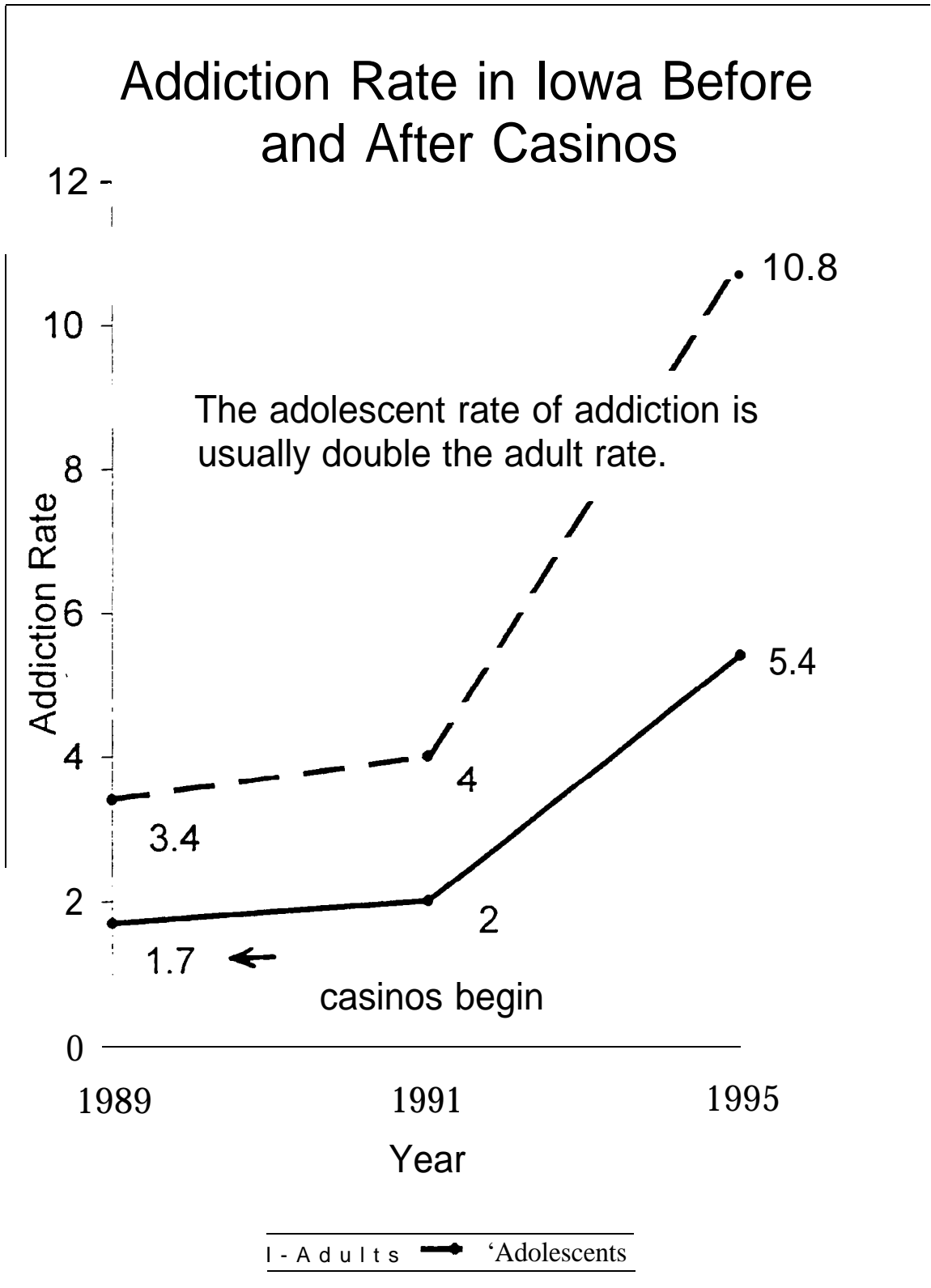


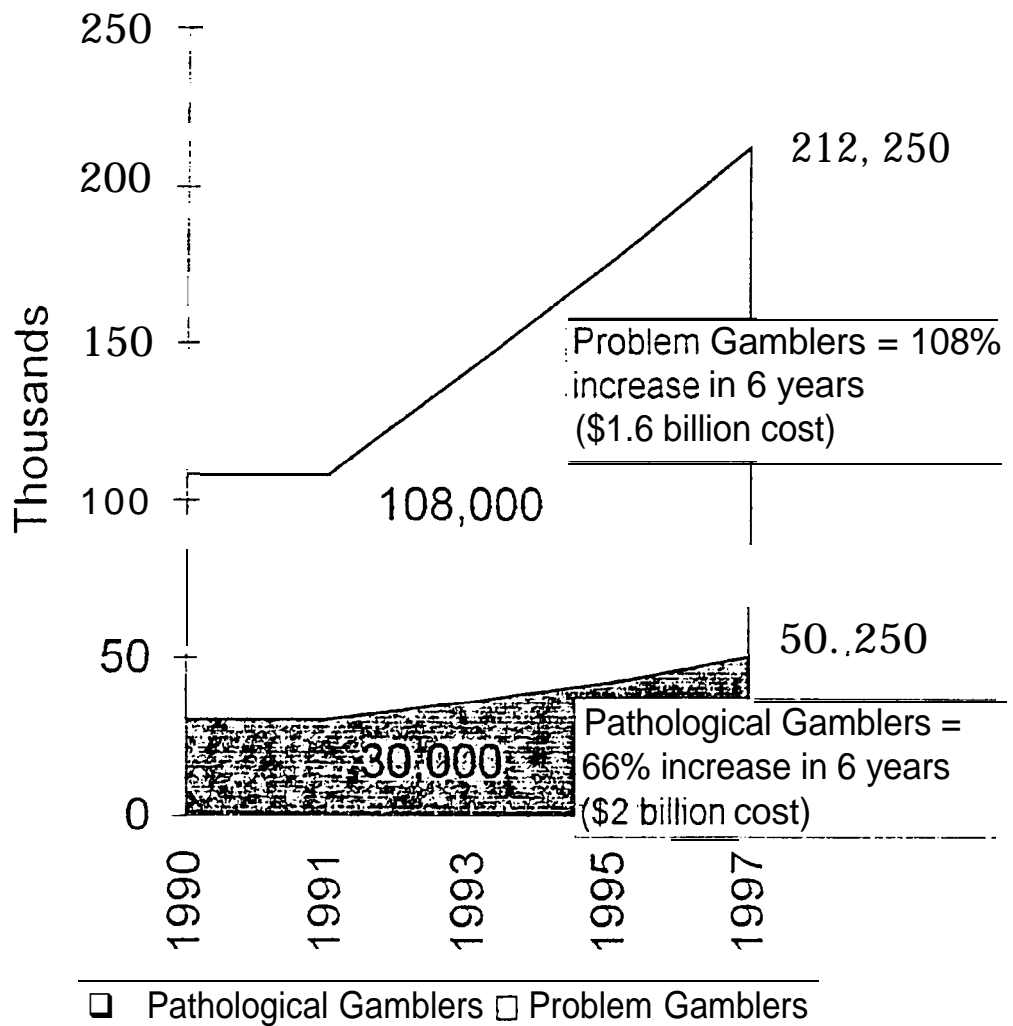
Figure 5



Sources: Iowa Dep't Human Services (1995); see, e.g., Table 10, *infra* and accompanying footnotes.

## U.S. Military Personnel Addicted to Gambling

Since 1991, legalized gambling has destabilized the “readiness” of U.S. military personnel by at least a 66% increase in addicted gambling.



## Bankruptcy Costs Low Range

1994-I 997 bankruptcy costs:

New pathological gamblers = 1.5 million

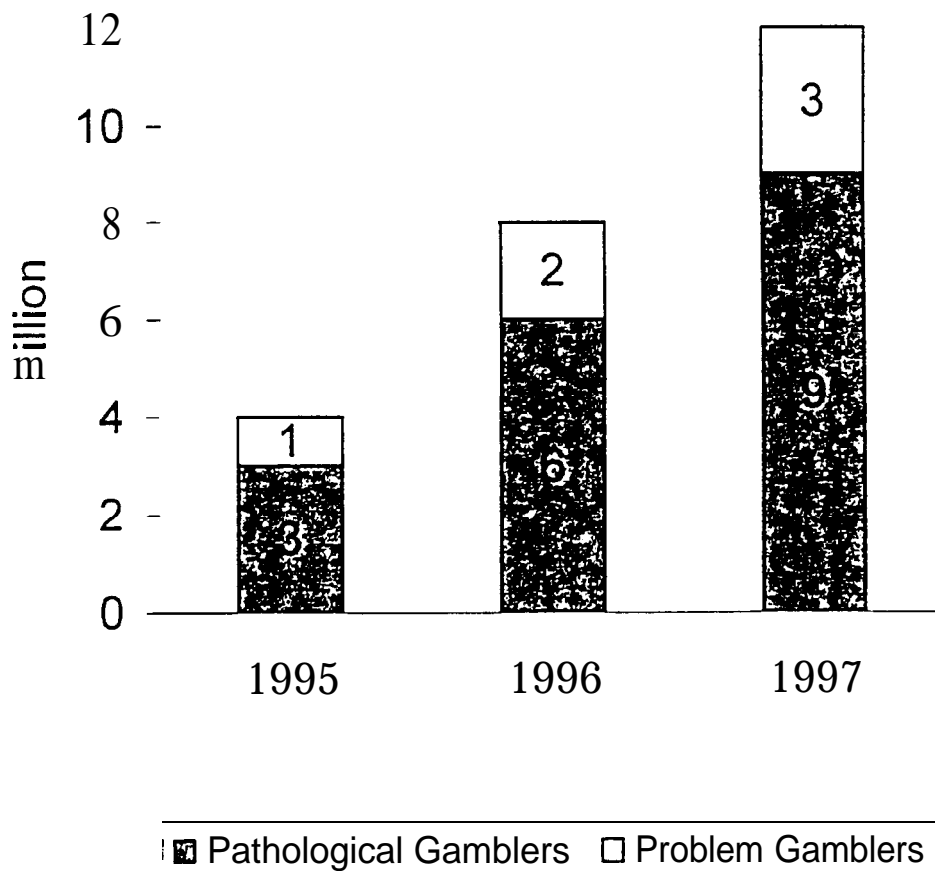
New problem gamblers = 3.5 million

Total new taxpayer societal costs for 1994-I 997:

Pathological gamblers = \$19.7 billion

Problem gamblers = \$12 billion

Total new taxpayer societal costs per year =  
\$4 - \$6.6 billion



# Bankruptcy Costs Average Range

The line dividing the problem gamblers:

The area above the line indicates problem gamblers not included in SMR Research but which correlate to the Harvard Medical School's Meta-analysis.

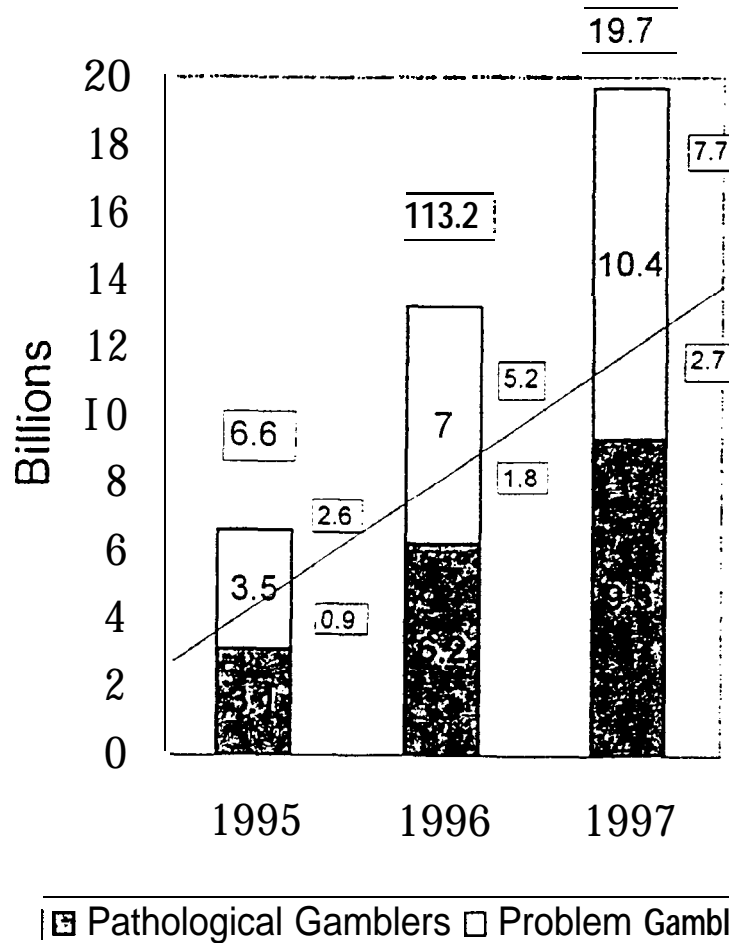
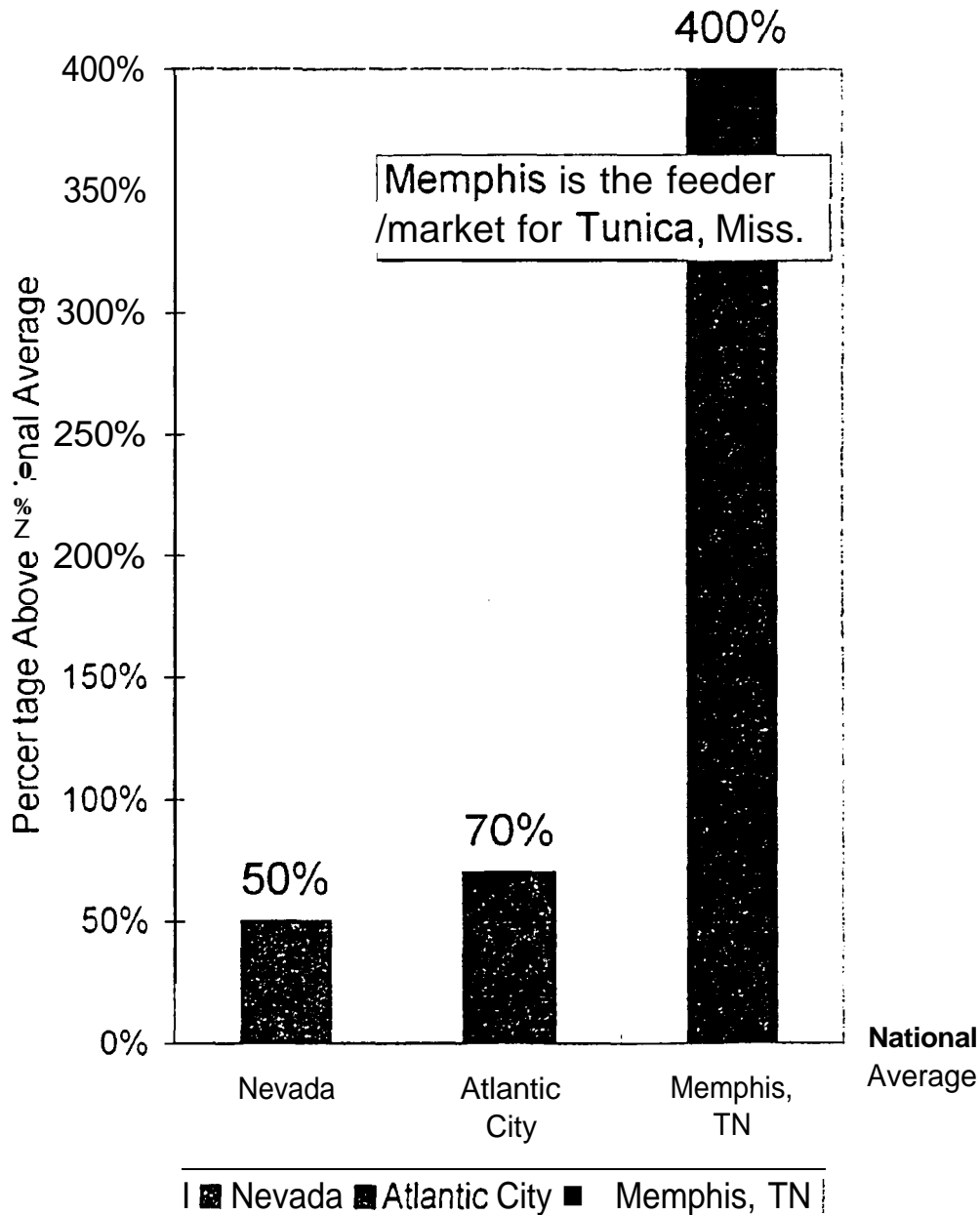


Figure 8

## Bankruptcy Costs

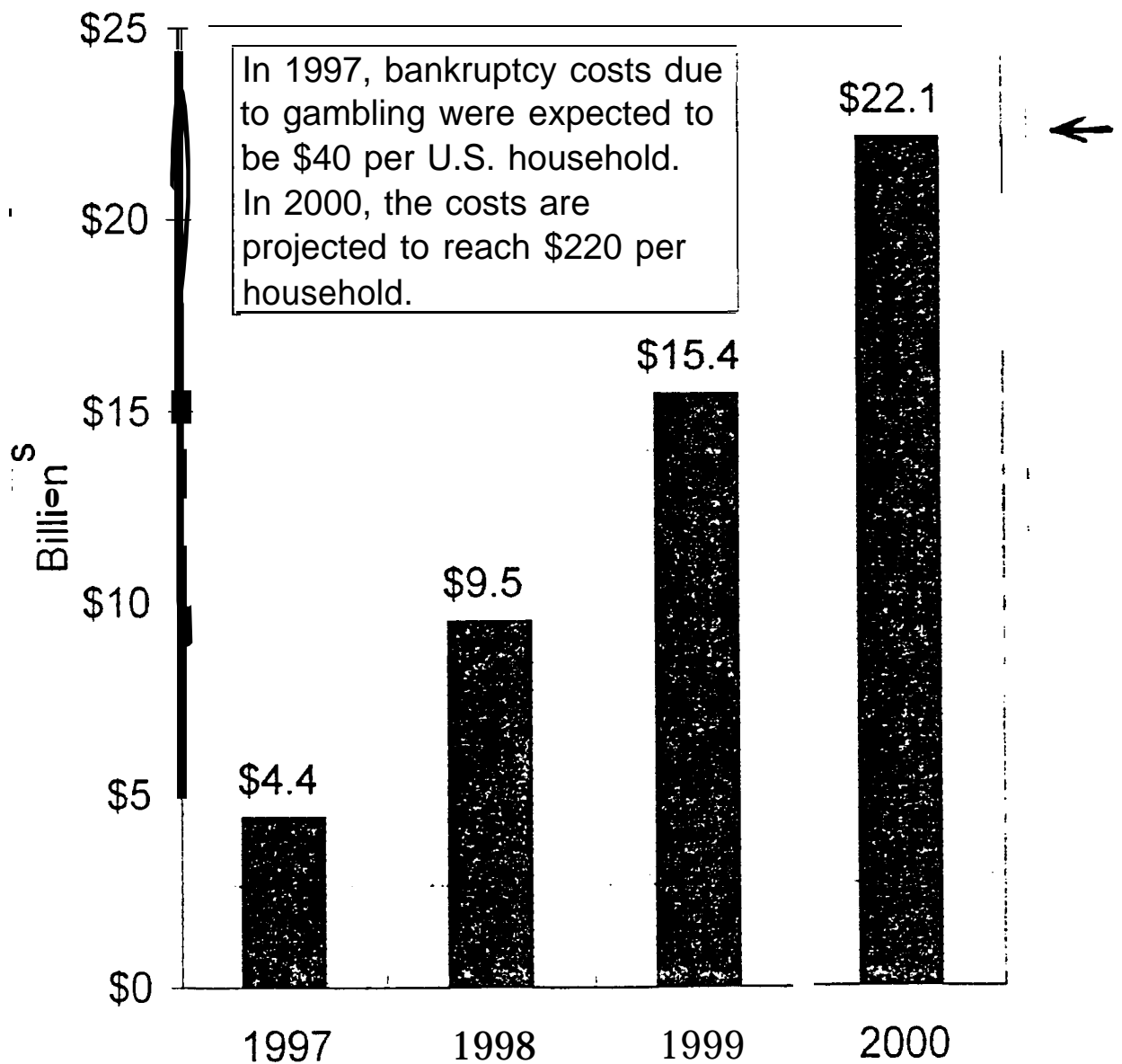
Gambling communities' 35 mile and 100 mile feeder markets have 18% to 35% more bankruptcies than the national average.



Sources: See Tables 4-5, infra and accompanying footnotes (referencing et alia SMR Research 1997).

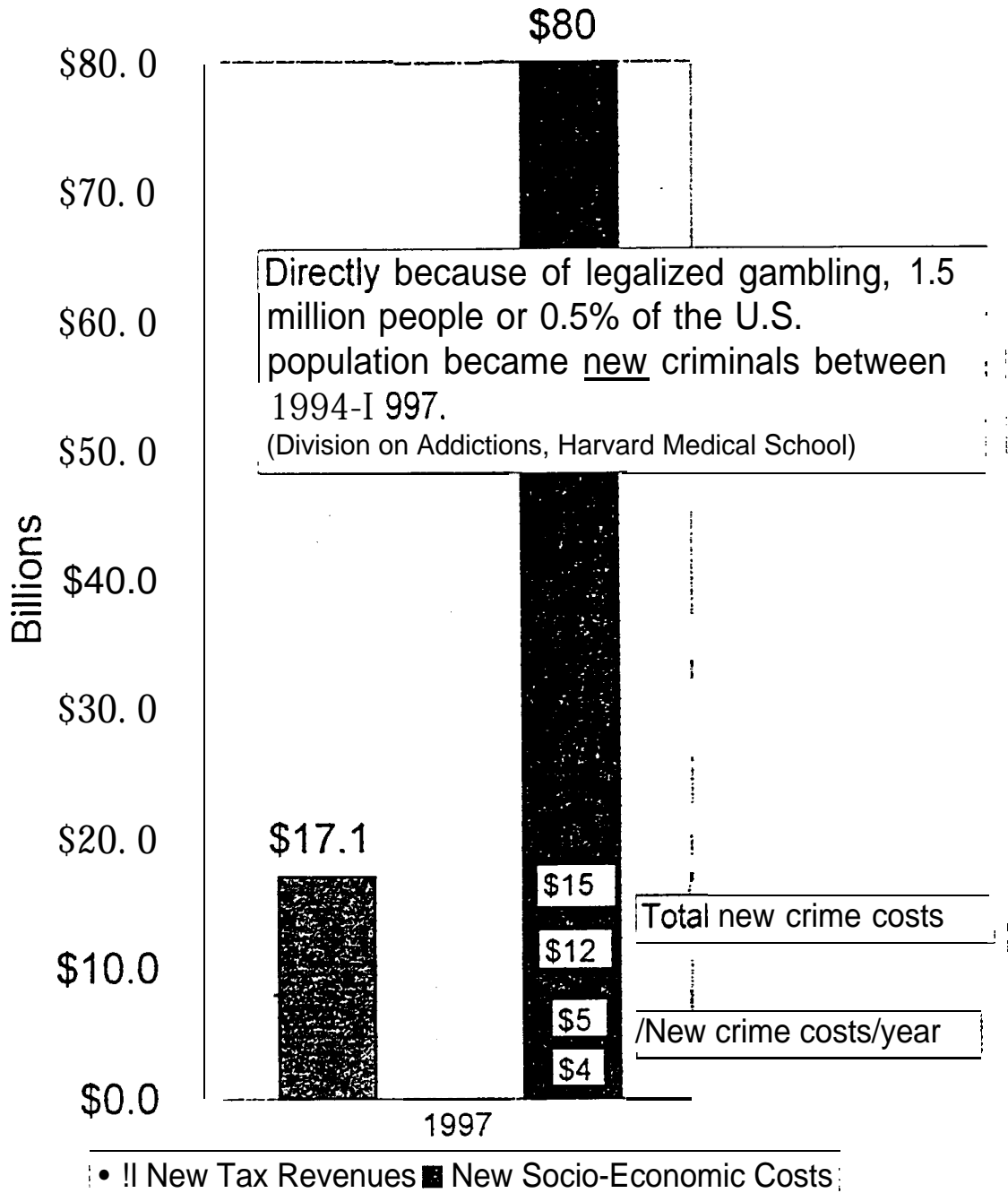
Figure 9

## Projected Increase in Bankruptcy Costs Due to Gambling



Sources: See Tables 4-5, *infra* and accompanying footnotes (referencing et alia SMR Research 1997, WEFA Group 1997).

# Legalized Gambling and New Criminals

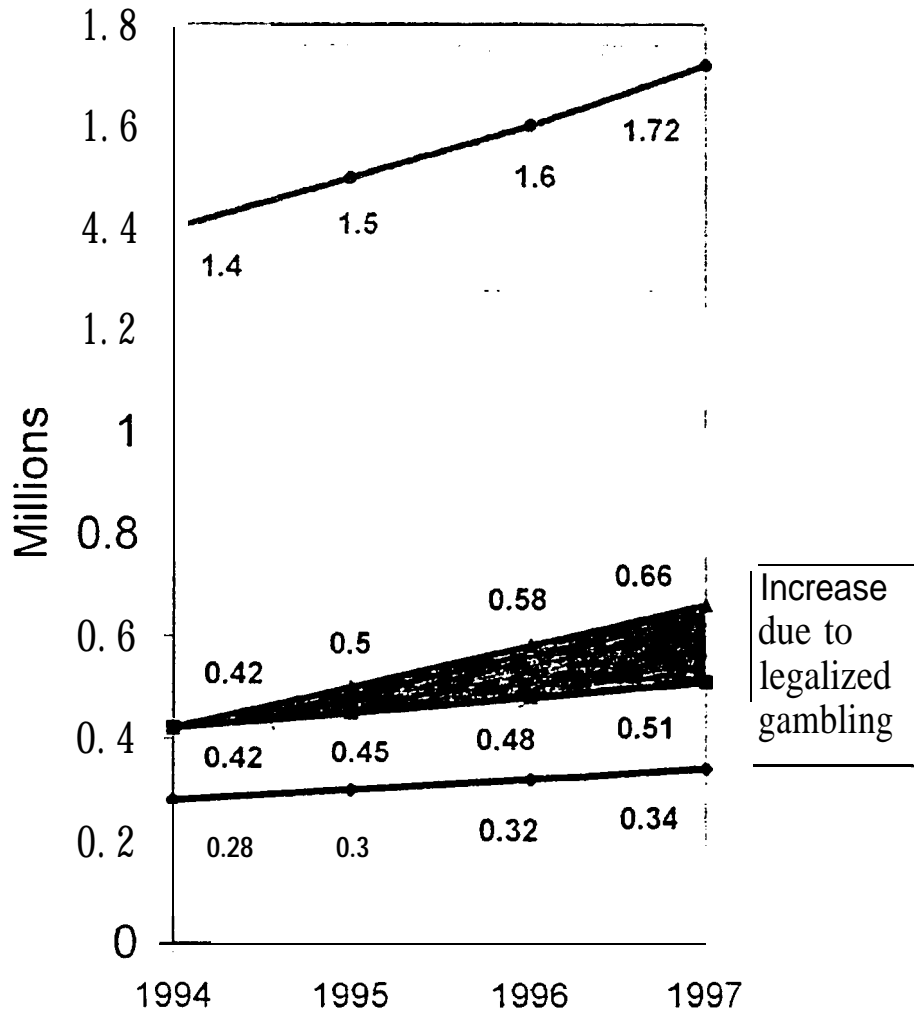


Sources: See Tables 6-8. infra and accompanying footnotes.

# New Prisoners Created

Directly because of legalized gambling, 125,000 to 150,000 New Prisoners were created in 3 years, 1994-1997.

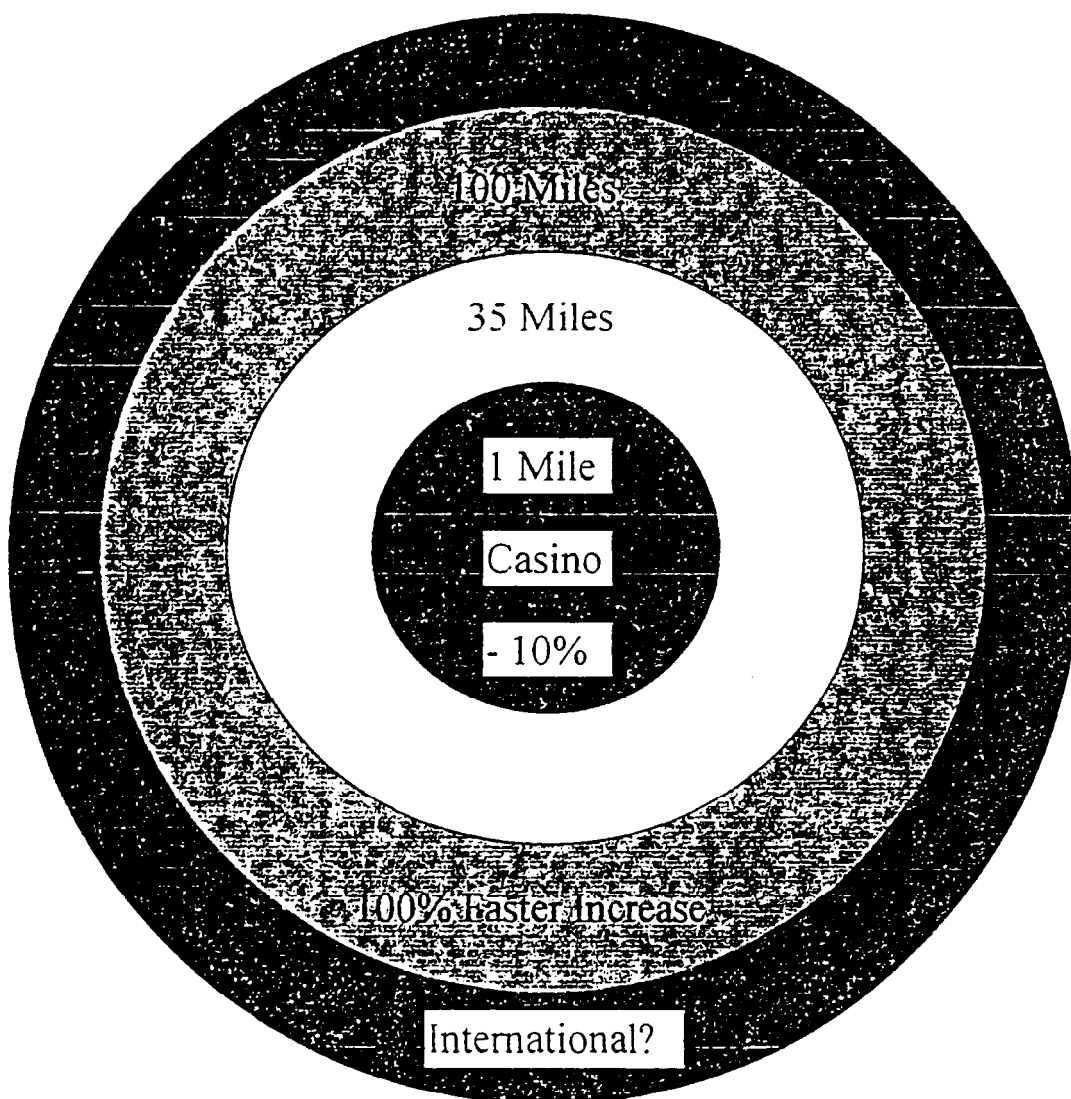
(Division on Addictions, Harvard Medical School)



- ;-Estimate that 20% of Prisoners are Pathological Gamblers;
- ;-Estimate that 30% of Prisoners are Pathological Gamblers:
- New Pathological Gamblers incarcerated
- Prison Population

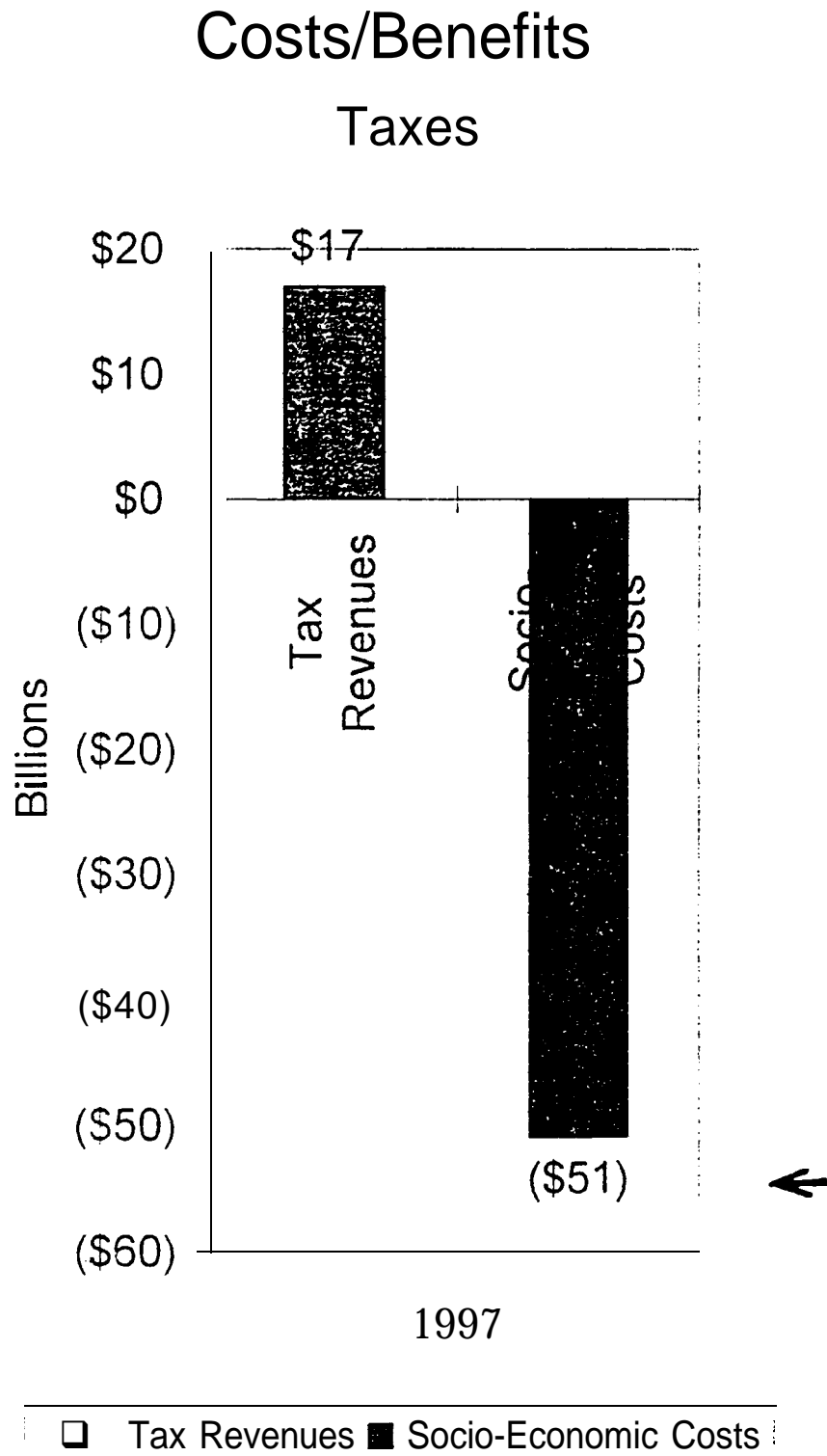
Figure 12

# Crime and Corruption

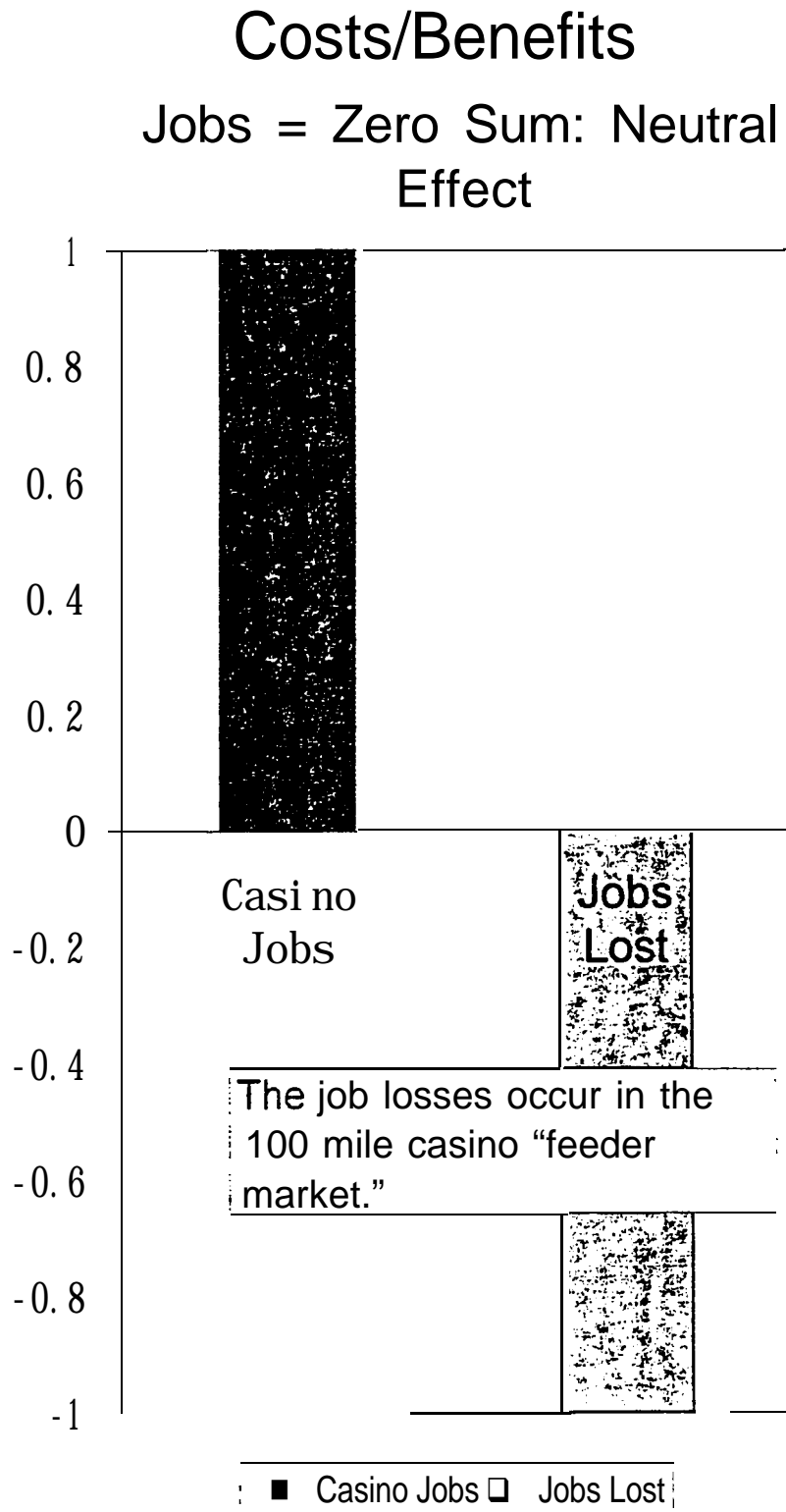


Sources: See, e.g., Minn. Rep'r 1995 (county-by-county analysis of Minn. Crime increases before and after casinos).

Figure 13



Sources: See, e.g., Figure 1 and Tables 1-3, *infra* and accompanying footnotes.



Sources: See, e.g., The National Gambling Impact and Policy Comm'n Act: Hearing on H.R. 497 before the House Comm. on the Judiciary. 104th Cong., 1st Sess. 384-405 (1995).

**Table 1\***

**1.5 Million People or  
.5% of U.S. Population Became  
New Pathological Gamblers  
in 3 Years from 1994-97**

(Division on Addictions, Harvard Medical School)

<b>U.S. Population (1994 → 1997)'</b>	<b>Increase in Addicted Gamblers' .84% (1994) → 1.29% (1997)</b>	<b>New Addicted Gamblers (1994 → 1997)</b>	<b>New Costs to U.S. Taxpayers/Yr.</b>
262 million → 268 million	2.2 million <sup>3</sup> → 4.4 million <sup>4</sup> (Harvard Addictions)	1.5 million'	\$45 billion/Yr. <sup>6</sup>  Comparison: U.S. Drug Abuse Costs = \$70 billion/Yr. <sup>7</sup>

\*Footnotes at end of this Article.

**Table 2\***

**3.5 Million People or  
2% of U.S. Population Became  
New Problem Gamblers  
in 3 Years from 1994-97**

(Division on Addictions, Harvard Medical School)

<b>U.S. Population (1994 → 1997)'</b>	<b>Increase in Problem Gamblers<sup>2</sup> 2.93% (1994) → 4.88% (1997)</b>	<b>New Problem Gamblers (1994 → 1997)</b>	<b>New Costs to U.S. Taxpayers/Yr.</b>
262 million → 268 million	7.6 million <sup>3</sup> → 11 million <sup>4</sup> (Harvard Addictions)	<b>3.5 million'</b>	<b>\$35 billion/Yr.<sup>6</sup></b>  Comparison: U.S. Drug Abuse Costs = \$70 billion/Yr. <sup>7</sup>

\*Footnotes at end of this Article.

**Table 3\***

**1.5 Million People or  
.5% of U.S. Population Became  
New Pathological Gamblers  
in 3 Years from 1994-97**

(Division on Addictions, Harvard Medical School)

U.S. Population (1994-97)'	Increase in Pathological Gambler? (1994-97) .84% → 1.29%	New Pathological Gamblers (Est.) (1994-97)	Total New costs (Est.) (1994-97)
262 million → 268 million	2.2 million → 4.4 million	1.3 million → 2.2 million ➤ (Shaffer) <sup>3</sup>	Wouldn't Estimate ?
		➤ 1.5 million (Kindt) <sup>4</sup>	\$45 billion
		2.6 million → 3.5 million (Thompson)' (Total Path. & Prob. ?)	\$24 billion → \$41 billion
		American Medical Association <sup>6</sup> (Total 1994 Adjusted to 1997 S) (Socio-Medical Costs)	\$40 billion → \$61 billion
		Goodman 1998 <sup>7</sup> (Total Path. & Prob. ?)	\$40 billion → \$50 billion
		Eadington 1996 <sup>8</sup>	Wouldn't Estimate ?
		Lorenz <sup>9</sup> (1988 Adjusted to 1997 S)	\$40 billion → \$88 billion



Range of New Socio-Economic Costs: \$24 billion → \$88 billion  
Probable Range (Partial Costs): \$40 billion → \$50 billion

\*Footnotes at end of this Article.

**Table 4\***

**Bankruptcy Costs  
Costs of 1.5 Million New Pathological Gamblers' 1994-97**

Socio-Economic Costs Category	Average Cost	Average Cost (Adjusted* to 1997 \$)	Population Creating New Problem	Total New costs
<b>2 1% Filed Bankruptcies<sup>3</sup></b> <b>&gt; 20% (SMR Research)<sup>4</sup></b> 23% (Wis., Thompson) <sup>6</sup> 28% (Quebec) <sup>6</sup>  Costs per Bankruptcy' (SMR) (WEFA: \$33,308) <sup>8</sup>  Legal Costs <sup>8</sup>  court Costs <sup>8</sup>  Admin. Costs <sup>9</sup> (Thompson: "Too Low")  > 10% (projected to 15%) of Total Bankruptcy Costs" of \$40 billion per year <sup>11</sup> and 1.35 million filings <sup>1</sup> per year	<b>\$113,640'</b> (1995)  \$29,650 (1997)  \$505 → \$1000 (1997)  \$418 → \$837 (1997)  <b>\$100 ?</b> (1995)	\$29,650  \$505 → \$1000  \$418 → \$837	315,000 (1 05,000/yr.)  3 15,000 (105,000/yr.)  3 15,000 (105,000/yr.)	<b>\$36 billion</b> <b>(\$12 billion/yr.)</b>  \$9.3 billion (\$3.1 billion/yr.)  <b>\$4.5 billion</b> <b>(S. 15billion/yr.)</b>  \$9 billion (\$3 billion/yr.)
Pathological Gamblers = 75% of Total Gambling/Bankruptcy Problem <sup>12</sup> Problem Gamblers = 25% of Total Gambling/Bankruptcy Problem"				
Annual Range:			\$3 billion/yr. → \$12 billion/yr.	
Total New Bankruptcy Costs Due to Pathological Gamblers, 1994-97:			\$12 billion → \$36 billion	

Note: Usually ignored by bankruptcy attorneys, it was historically required that anyone filing for bankruptcy was required to indicate money and assets lost because of gambling during the year, including "dates, names, and places, and the-amounts of money . . . lost." 11 U.S.C. Appendix, Bankruptcy Rules, Form 7, in I. **NELSON ROSE, GAMBLING AND THE LAW** 46 (1986).

\*Footnotes at end of this Article.

**Table 5\***

**Bankruptcy Costs  
Costs of 3.5 Million New Problem Gamblers<sup>1</sup> 1991-97**

Socio-Economic Costs Category	Average cost	Average Cost (Adjusted* to 1997 \$)	Population Creating New Problem	Total New costs
3 1% Filed Bankruptcies' (10% Kindt Conservative No.)"	\$40,066 (1995)		350,000 (117,000/yr.)	\$14 billion (\$4.7 billion/yr.)
Costs Per Bankruptcy' (SMR) (W-EFA: \$33,308) <sup>6</sup>	\$29,650 (1997)	\$29,650	350,000 (117,000/yr.)	\$10.4 billion (\$3.5 billion/yr.)
Legal Costs <sup>6</sup>	\$505 → \$1000 (1997)	\$505 → \$1000		\$1.5 billion (\$0.5 billion)
court Costs <sup>6</sup>	\$418 → \$837 (1997)	\$418 → \$837		
Administrative Costs' (Thompson: "Too Low")	\$100 ? (1995)			
>10% (projected to 15%) of Total Bankruptcy Costs of \$40 billion per year <sup>9</sup> and 1.35 million filings <sup>9</sup> per year			90,000 (30,000/yr.)	\$3 billion (\$1 billion/yr.)
Pathological Gamblers = 75% of Total Gambling/Bankruptcy Problem" Problem Gamblers = 25% of Total Gambling/Bankruptcy Problem"				
Annual Range:			\$1 billion → \$4.7 billion	
Total New Bankruptcy Costs Due to Problem Gamblers, 1994-97:			\$3 billion → \$14 billion	

Note: Usually ignored by bankruptcy attorneys, it was historically required that anyone filing for bankruptcy was required to indicate money and assets lost because of gambling during the year, including "dates, names, and places, and **the amounts of** money . . . lost." 11 U.S.C. Appendix, Bankruptcy Rules, Form 7, in I. NELSON ROSE, GAMBLING AND THE LAW 46 (1986).

\*Footnotes at end of this Article.

**Table 6\***

**Crime Costs**  
**Costs of 1.5 Million New Pathological Gamblers,' 1994-97**

(Fla. Gov's Off. Rep't & Div. on Addictions, Harv. Med. Sch.)

Socio-Economic Costs Category	Average Cost (Reported)	Average Cost (Adjusted <sup>2</sup> to 1997 \$)	Population Creating New Problem	Total New costs
Probation <sup>3</sup>	\$1,624			
Community Control <sup>3</sup>	\$858			
Incarceration <sup>3</sup> (75% Average)	\$19,987			
Postsecondary Release Supervision <sup>3</sup>	\$363			
Total	\$22,832		1.5 million	\$34.2 billion

\*Footnotes at end of this Article.

**Table 7\***

**Crime Costs**  
**Directly Because of Legalized Gambling,**  
**1.5 Million People or .5% of U.S. Population**  
**Became New Criminals in 3 Years from 1994-97**  
 (Division on Addictions, Harvard Medical School)'

Socio-Economic Costs Category	Ave. Cost (Reported)	Average Cost (Adjusted* to 1997 \$)	Cumulative New costs to U.S. Taxpayers/Yr.
<b>Crime<sup>3</sup> &amp; Regulatory Costs<sup>4</sup></b> (adjusted to entire population of pathological gamblers/yr.) <sup>5</sup>  Average amounts stolen are not included, since economics argue these amounts are mere transfers of wealth (but these amounts are still transfers from the business community to the criminal community).	\$8,000 → \$10,000	\$8,000 → \$10,000	\$12 billion → \$15 billion  \$4 billion/Yr. → \$5 billion/Yr.  Comparison: Total U.S. Tax Revenues from Gambling = \$17.1 billion <sup>6</sup>

\*Footnotes at end of this Article.

**Table 8\***

**Crime Costs**

**Partial (Incarceration) Costs of 1.5 Million New Pathological Gamblers,' 1994-97**

Socio-Economic Costs Category	Average cost (Reported)	Average Cost (Adjusted <sup>2</sup> to 1997 \$)	Population Creating New Problem	Total New Costs
80% Admit Committing Civil Offenses <sup>3</sup>				
70% Steal for Money <sup>4</sup> 100% (Lorenz, 1992) <sup>7</sup> 61.5% Admit Illegal Acts <sup>3</sup> 44% Stole from Employer <sup>6</sup> 37% Stole Money <sup>3</sup>				
33% Wrote Bad Checks <sup>3</sup>				
28% Delinquent in Taxes <sup>3</sup>				
25% Involved in Auto Accidents <sup>3</sup> 47.3% Admit Speeding to Gamble <sup>3</sup>				
25% Indicted <sup>4</sup> 25% (Lorenz, 1992) <sup>5</sup> 18% Gambling Related Arrests <sup>6</sup>				
20% Admit Forgery <sup>3</sup>				
12.5% Serve Time <sup>4</sup> 13% → 15% (Lorenz) <sup>8</sup> 20%-30% Pre-existing Prisoners = Pathological Gamblers' (Looney, 1998)	\$20,225 <sup>7</sup>	\$20,255 <sup>7</sup>	93,750 <sup>10</sup> (31,250/Yr.)	\$1.9 billion <sup>10</sup> (\$6 billion/yr.)

\*Footnotes at end of this Article.

### Average Regulatory and Corrections Costs per Year Calculated as a Function of the Total Number of Pathological Gamblers

\*Footnotes at end of this Article.

**Table 10\***

**Number of U.S. Pathological  
Gamblers and Problem Gamblers**  
(Division on Addictions, Harvard Medical School)<sup>1</sup>

Population Base	1997 Pathological Gamblers		1997 U.S. Totals
<b>U.S. 1997</b> 268 million	<u>Adults (&gt; 20 yrs.)</u>	<u>Adolescents (10- 19 yrs.)</u>	4.4 million
	2.2 million	2.2 million	
	<b>1997 Problem Gamblers</b>		11 million
	<u>Adults (&gt; 20 yrs.)</u>	<u>Adolescents (10-19 yrs.)</u>	
	5.3 million	5.7 million	
	<b>1997 Combined P&amp;P</b>		15.4 million
	<u>Adults (&gt; 20 yrs.)</u>	<u>Adolescents (10- 19 yrs.)</u>	
	7.5 million	7.9 million	

Total: Range of Estimates: 11.2 million → 23 million

Central Estimate: 17.1 million ←

\*Footnotes at end of this Article.

**Table 11**

**Since 1991 Legalized Gambling has Destabilized the  
“Readiness” of U.S. Military Personnel by a  
66% Increase in Addicted Gambling’**

Number of U.S Military Personnel’	<b>.5% → 1.35% Increase in Pathological Gamblers 1994-97</b>				<b>2% → 5.6% Increase in Problem Gamblers</b>			
	<b>2% (1991)<sup>1</sup></b>	<b>Straight .5% Increase<sup>3</sup> 1994-97</b>	<b>Proportional Increase’ 1994-97</b>	<b>Total 1997</b>	<b>5.1% (1991)<sup>1</sup></b>	<b>Straight 2% Increase<sup>6</sup> 1994-97</b>	<b>Proportional Increase’ 1994-97</b>	<b>Total 1997</b>
<b>1.5 million</b>	30,000	7,500	20,250	50,250	<b>78,000<sup>5</sup></b>	30,000	84,000	<b>162,000</b>



**Military cost = \$2 billion**



**Military Cost = \$1.6 billion**

All Pathological and Problem Gamblers Destabilize  
Military “Readiness.”

**Total: 2 12,250 ←**

~~Not Done:~~ Since 1991, these problems have doubled.

**Table 12\***

**Additions Costs**  
**Costs of 1.5 Million New Pathological Gamblers' 1994-97**  
**Insurance Industry**

Socio-Economic Costs Category		Average Cost (Reported)	Average Cost (Adjusted' to 1997 \$)	Population Creating New Problem	Total New costs
47%	Insurance Fraud (33% of Total Ins. Fraud) <sup>3</sup> 47% of Male Pathological Gamblers 32% False Claim/Auto Accident 21% Stole/Ins. Co. paid 16% False Claim (not fire/theft) 15% Faked burglary/property theft 15% Staged claim (not fire/theft) 11% Engaged in/profited from arson 8% Caused loss to insurance co. 8% Created/staged accident	\$65,468 (1987)		\$705,000 235,000/Yr.	\$6.6 billion <sup>3,4</sup> (Est. 1997)
52%	Surrendered Policies'	\$13,200 (1987)			\$13.2 billion <sup>3</sup> (Est. 1997)
	Health Costs				
	Costs of Suicides				

\*Footnotes at end of this Article.

**Table 13\***

**Addictions Costs**  
**Costs of 1.5 Million New Pathological Gamblers' 1994-97**

Socio-Economic Costs Category	Average Cost	Average Cost (Adjusted <sup>2</sup> to 1997 \$)	Population Creating New Problem	Total New Costs
44% Steal from Employer <sup>3</sup>				
34% Fired from or Quit Work <sup>3</sup> Ave. Wage \$33,410 (Looney) <sup>4</sup> Ave. Wage \$35,000 (Minn.Rpt.) <sup>5</sup>				
26% Divorced or Separated <sup>3</sup> 59% Considered Separating <sup>6</sup> 26% Divorced or Separated <sup>6</sup> 17% Divorced <sup>7</sup> 10% Separated <sup>7</sup>				

\*Footnotes at end of this Article.

**Table 14\***

**Addictions Costs  
Costs of 1.5 Million New Pathological Gamblers,' 1994-97**

<u>Suicides</u>				
Socio-Economic Cost Category	Average cost (Reported)	Average cost (Adjusted to 1997 \$) <sup>2</sup>	Population Creating New Problem	Total New costs
79% Wanted to Die <sup>3</sup>				
66% Contemplated Suicide <sup>4</sup> 67% (Looney) <sup>3</sup> 47.5% (Frank) <sup>7</sup>				
49% Had Definite Plan to Kill Themselves <sup>4</sup>				
16% Had Attempted Suicide <sup>4</sup> 25% (Thompson) 18% (Looney) <sup>3</sup> 13% (Frank, Lester, & Wexler) <sup>5</sup> 1.1% In General Population <sup>7</sup>				
.1% Completed Suicides In Debt to Business	575,262 <sup>7</sup> \$29,000 <sup>9</sup> \$28,315 <sup>4</sup> \$27,850 <sup>6</sup>			
Ave. Wage: Lost Productivity	\$23,000 <sup>9</sup> \$30,000 <sup>7</sup> \$33,410 <sup>4</sup> \$35,000 <sup>8</sup>			
<p>→ “Increase in legalized gambling . . . may be leading to a significant increase in suicide rates among <u>both</u> residents of and visitors to communities where casinos are thriving....” <u>Study links suicide increase to gambling</u>, N.Y. TIMES, Dec. 16, 1997.”</p> <p><a href="http://webserv1.startribune.com/cgi-bin/StOnLine/article?thisSlug=suic16">http://webserv1.startribune.com/cgi-bin/StOnLine/article?thisSlug=suic16</a>.</p>				

**OF ALL DEATHS”**

**Suicides by Out-of-State Visitors**

**Nongambling Community**

.97%

**Gambling Communities**

4.28% (Las Vegas)

2.3 1% (Reno)

1.87% (Atlantic City)

\*Footnotes at end of this Article.

### Footnotes for Table 1

1. U.S. Bur. Census, U.S. Dep' t Comm. (1997).
2. Div. on Addictions, Harvard Medical Sch., Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gamblers] for 1994-1997 grew to 1.29 percent of the adult population."). Since the Harvard Addictions Meta-analysis did not include the calculations for essential elements, some reasonable estimates and conclusions consistent with the data need to be drawn.
3. Multiplying the prevalence percentage of .84 percent for 1994 with the yearly population number from the U.S. Bureau of the Census yields this baseline number of "pathological gamblers" for 1994. Using the classic standard baseline of .77 percent established by the 1976 U.S. Commission on Gambling (which resulted in an estimated 1.1 million pathological gamblers in 1976), there would be a .52 percent increase in pathological gamblers from 1994 to 1997. U.S. COMM'N ON THE REV. OF A NAT'L POL'Y TOWARD GAMBLING, GAMBLING IN AMERICA 73 (U.S. Gov' t Printing Off. 1976) [hereinafter U.S. COMM'N ON GAMBLING] .
4. Without showing calculations, Table 16 of the Harvard Addictions Meta-analysis gives 4.4 million pathological gamblers in 1997, with a range between 2.9 million and 5.8 million, Harvard Addictions Meta-analysis, supra note 2, at 51, Table 16.
5. Multiplying the prevalence percentage for 1997 with the yearly population number from the U.S. Bureau of the Census yields 3.5 million for an increase of 1.3 million new pathological gamblers. However, the Harvard Addictions Meta-analysis concludes that there were 4.4 million pathological gamblers in 1997, which would yield 1.3 million to 2.2 million new pathological gamblers. Since the Harvard Addictions Meta-analysis did not include its calculations, 1.5 million new pathological gamblers is conservative. Harvard Addictions Meta-analysis, supra note 2, at 43, Table 13, & 51, Table 16.
6. Experts estimating just the "partial" costs per year of a pathological gambler range from \$10,000 (Thompson, 1997) to over \$60,000 (Poltzer, Better Gov' t Assoc. Chi.; adjusted for inflation). A fairly conservative \$30,000 per year is utilized at this juncture. Since in 1998 the average salary was approximately \$30,000 per year and since by definition pathological gamblers lose their productivity, the cost of \$30,000 per year is quite reasonable. U.S. Bur. Labor Statistics, U.S. Dep' t Labor (1997).
7. Medical Marijuana Referenda in America: Hearing before the Subcomm. on Crime of the House Comm. on the Judiciary, 105th Cong., 1st Sess. (Oct. 1, 1997) (Statement of General Barry R. McCaffrey, Dir., U.S. Off. of Nat' l Drug Control Policy).

Footnotes for Table 2

1. U.S. Bur. Census, U.S. Dep' t Comm. (1997).
2. Div. on Addictions, Harvard Medical Sch., Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gamblers] for 1994-1997 grew to 1.29 percent of the adult population."). Since the Harvard Addictions Meta-analysis did not include the calculations for essential elements, some reasonable estimates and conclusions consistent with the data need to be drawn.
3. Multiplying the prevalence percentage of 2.93 percent for 1994 with the yearly population number from the U.S. Bureau of the Census yields this baseline number of "problem gamblers" for 1994. Using the classic standard baseline of 2.33 percent established by the 1976 U.S. Commission on Gambling would yield a 2.55 percent increase in problem gamblers from 1994 to 1997. U.S. COMM'N ON THE REV. OF A NAT'L POL'Y TOWARD GAMBLING, GAMBLING IN AMERICA 73 (U.S. Gov' t Printing Off. 1976) [hereinafter U.S. COMM'N ON GAMBLING].
4. Without showing calculations, Table 16 of the Harvard Addictions Meta-analysis gives 11 million problem gamblers in 1997, with a range between 7.1 million and 14.9 million. Harvard Addictions Meta-analysis, supra note 2, at 51, Table 16.
5. Multiplying the prevalence percentage for 1997 with the yearly population number from the U.S. Bureau of the Census yields 13 million for an increase of 5.4 million new problem gamblers. However, the Harvard Addictions Meta-analysis concludes that there were 11 million problem gamblers in 1997, which would yield 3.4 million to 5.4 million new problem gamblers. Since the Harvard Addictions Meta-analysis did not include its calculations, 3.5 million new pathological gamblers is conservative. Harvard Addictions Meta-analysis, supra note 2, at Tables 13, 16.
6. A socio-economic cost figure of \$10,000 per problem gambler per year is probably too conservative considering that the average problem gambler is earning well over the average 1997 annual salary of approximately \$30,000 per year which is further increased since most problem gamblers are super-achievers, Type-A personalities. For a costs table see, John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 DRAKE L. REV. 51, 90-91, Table 3 (1994).
7. Medical Marijuana Referenda in America: Hearine before the Subcomm. on Crime of the House Comm. on the Judiciary, 105th Cong., 1st Sess. (Oct. 1, 1997) (Statement of General Barry R. McCaffrey, Dir., U.S. Off. of Nat' l Drug Control Policy).

Footnotes for Table 3

1. U.S. Bur. Census, U.S. Dep' t Comm. (1997).
2. Div. Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 51, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Me&analysis]; Press Release of Harvard Medical School, "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84% in 1993 "the prevalence rate for 1994- 1997 grew to 1.29 percent of the adult population.") [hereinafter Harvard Division on Addictions Press Release].
3. Id.
4. The National Impact Of Casino Gambling Proliferation: Hearing before the House Comm. on Small Business, 103d Cong., 2d Sess. (1994) (statement of Prof. John W. Kindt) (\$13,000 to \$52,000 per pathological gambler in 1994) [hereinafter Congressional Gambling Hearing 1994]. With regard to 1.5 million new pathological gamblers the costs would be \$19.5 billion to \$78 billion before adjusting to 1997 dollars.
5. Public Memorandum, "Harvard Study," Prof. William Thompson, UNLV, Dec. 6, 1997. Using an estimated population base of 200 million, Prof. Thompson calculates 2.6 million total pathological gamblers at a "low" cost of \$9400 per year equals \$24 billion per year. Adjusted for a population rate of the U.S. Bureau of the Census at 268 million, the numbers are 3.5 million total pathological gamblers at \$9400 per year equals \$33 billion per year. "Now actually the \$9400 figure is a low one; I have not seen a lower one," according to Professor Thompson. Id. "[A]pply Thompson's ... numbers to the Harvard University estimate of the entire number of . . . [pathological] gamblers in the United States, that's a \$40 billion price tag, more than double the \$16.8 billion in taxes . . . from legalized gambling." Jim Nesbitt, Costs of gambling might be economic as well as social, DETROIT FREE PRESS, Apr. 5, 1998, at A1, A4 [hereinafter Costs of gambling]. By comparison, Harvard Division on Addictions reports 4.4 million total pathological gamblers and at Thompson's figure of \$9400 per year, this equals \$41 billion. Harvard Addictions Meta-analysis, supra note 2, at 51, Table 16.
6. Am. Medical Assoc., House of Delegates Resolution 430 (A-94) (1994).
7. Costs of gambling, supra note 5, at A4.
8. During at least one conference's panel discussion, William Eadington of the University of Nevada at Reno declined to estimate the socio-economic costs associated with pathological gamblers. When challenged by Tom Grey, the Executive Director of the

Footnotes for Table 3 (continued)

National Coalition Against Legalized Gambling, William Eadington refused to give any estimates or numbers. Panel of the “Impact of Legalized Gambling on Historic Communities,” 50th Nat’l Preservation Conf., Nat’l Trust for Historic Preservation, Chicago, Ill., Oct. 18, 1996.

Tom Grey was incredulous that William Eadington and the University of Nevada had been studying gambling over 20 years and yet Eadington “could not even estimate the cost of a pathological gambler.” *Id.* (exchange between William Eadington, Dr., Inst. for the Study of Gambling and Commercial Gaming, Univ. Nev.-Reno, and Tom Grey, Exec. Dir., Nat’l Coalition Against Legalized Gambling),

9. **ALCOHOL & DRUG ABUSE ADMIN., MD. DEP’T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND** 59-61 (Valerie C. Lorenz & Robert M. Politzer, Co-chairs 1990). “[A]t an average cost of \$30,000, pathological gambling cost society about \$80 billion in 1988.” *Id.* at 59. In 1997 dollars, the average cost would be approximately \$40,000 with total U.S. socio-economic costs of \$107 billion. **Bur. Labor Statistics, U.S. Dep’t Labor** 1997 (for 1997 dollar estimates).

Footnotes for Table 4

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., “Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America,” Dec. 4, 1997 (From .84 percent, “the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.”).
2. Bur. Labor Statistics, U.S. Dep’t Labor (1997).
3. “Measuring the Costs of Pathological Gambling,” Address by Prof. Henry Lesieur, Ill. St. U., at the Nat’l Conf. on Gambling Behav., Nat’l Coun. on Problem Gambling, Chi., Ill., Sept. 3-5, 1996.
4. SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997, 118 (1997) (commissioned by the banking/credit community, Am. Bankers Assoc.) [hereinafter BANKRUPTCY CRISIS]; Business Wire, New national study shows correlation between gambling growth and the significant rise in personal bankruptcies, BUSINESS WIRE FEATURES, June 27, 1997 [hereinafter Correlation between gambling growth and bankruptcies].
5. These costs are passed along to consumers. BANKRUPTCY CRISIS, supra note 4, at 118. The Gamblers Anonymous (G.A.) mean average lifetime debt was \$215,406 but since current activity is more relevant to the present analysis the G.A. mean average current debt of \$113,640 is utilized. See, id. The amounts given for “problem gamblers” in the report (on page 119) should not be confused with the amounts for G.A. members which equate to pathological gamblers. Id. at 118-19.
6. Id. at 124.
7. These costs are passed along to consumers. See generally, id. at 116-30. See also Correlation between gambling growth and bankruptcies, supra note 4.
8. WEFA Group, The Financial Costs of Personal Bankruptcy, at 1, 15, 19 (Feb. 1998) [hereinafter Costs of Bankruptcy].
9. See Ricardo Gazel, Dan Rickman, & William N. Thompson, “Casino Gambling As An Economic Development Tool: Export Activity-Import Substitution Or Business Cannibalization And Perverse Income Redistribution? the Evidence From Wisconsin,” paper presented to the W. Regional Sci. Assoc., 35th Ann. Mt’g, Napa, Ca., Feb. 28, 1996 (background research raised the administrative cost issue of bankruptcies).

Footnotes for Table 4 (continued)

10. **BANKRUPTCY CRISIS**, supra note 4, at 123-24.
11. Correlation between gambling growth and bankruptcies, supra note 4. Costs of Bankruptcy, supra note 8, at 19 (total costs \$44.3 billion and 1.33 million total filings).
12. See **BANKRUPTCY CRISIS**, supra note 4, at 123-24. Since 105,000 case filings per year were almost certainly pathological gamblers, and there were approximately 135,000 case filings (at least 10 percent) of the total 1.35 million) due to gambling, then 30,000 case filings per year (22 percent) were probably problem gamblers. These percentages parallel what could be reasonably expected among a population base of pathological and problem gamblers. However, some arguments for a different percentage mix could be made on the basis of different studies. See, id. Even so, at least 10 percent of all bankruptcy filings and costs can be attributed to legalized gambling and an increase to 15 percent in the years 1998 to 2000 could be quite reasonably anticipated.

### Footnotes for Table 5

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1993 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 51, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.").
2. Bur. Labor Statistics, U.S. Dep't Labor (1997).
3. To be extremely conservative, 10 percent is used instead of 3 1 percent.
4. SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997, 119 (1997) (commissioned by the banking/credit community, Am. Bankers Assoc.) [hereinafter BANKRUPTCY CRISIS]. Federal regulations require that bankruptcy cases must report the impact of gambling losses on the bankruptcy filing, but this requirement is often forgotten. However, SMR Research confirms a 1995 Minnesota study where 52 percent of bankruptcy filers claimed gambling losses, and the average total debt was \$40,066 which surpassed their average annual income of \$35,244. Since Professor Lesieur reported that at least 21 percent of pathological gamblers file for bankruptcy, this 1995 study strongly suggests that the other 3 1 percent of filers are problem gamblers. This conclusion would be a reasonable conjecture when credit card debt (the second leading cause of bankruptcies) is factored into the analysis. This is also consistent with the casinos' reporting that 40 percent to 60 percent of the money wagered is not carried onto the premises and suggesting that ATMs and credit be readily supplied to players; for example, including credit card machines directly at the card tables as approved by New Jersey regulators in September of 1996. Id. at 127; Robyn Taylor Farets, Cash advances, Int'l Gaming & Wagering Bus., Sept. 1996, at S8 ("In fact, about 40% to 60% of the cash now wagered in a casino is not carried onto the property in customer wallets...."). SMR Research concluded in 1997 that legalized gambling: (1) was the fourth leading cause of bankruptcies, (2) was the fastest growing cause, (3) carried a "hidden cost" per household of \$408, and (4) carried a U.S. total cost of \$40 billion per year. See generally, BANKRUPTCY CRISIS, infra, at 116-30; Business Wire, New national study shows correlation between gambling and the significant rise in personal bankruptcies, BUSINESS WIRE FEATURES, June 26, 1997 [hereinafter Correlation between gambling growth and bankruptcies]. Another survey by the University of Minnesota Medical School in April 1996 found results which roughly paralleled the 1995 Minnesota study, but the 1996 survey does not appear to distinguish as specifically the results in categories differentiating between pathological and problem gamblers. Id. at 119.

Footnotes for Table 5 (continued)

5. See generally, BANKRUPTCY CRISIS, *supra* note 4, at 116-30. See also Correlation between gambling growth and bankruptcies, *supra* note 4.
6. WEFA Group, The Financial Costs of Personal Bankruptcies, at 1, 15, 19 (Feb. 1998) [hereinafter Costs of Bankruptcy].
7. See Ricardo Gazel, Dan Rickman, & William N. Thompson, “Casino Gambling As An Economic Development Tool: Export Activity-Import Substitution Or Business Cannibalization And Perverse Income Redistribution? the Evidence From Wisconsin,” paper presented to the W. Regional Sci. Assoc., 35th Ann. Mt’g, Napa, Ca., Feb. 28, 1996 (background research raised the administrative cost issue of bankruptcies).
8. BANKRUPTCY CRISIS, *supra* note 4, at 123-24.
9. Correlation between gambling growth and bankruptcies. *supra* note 4.
10. See BANKRUPTCY CRISIS, *supra* note 4, at 123-24. Since 105,000 case filings per year were almost certainly pathological gamblers, and there were approximately 135,000 case filings (at least 10 percent of the total 1.35 million) due to gambling, then 30,000 case filings per year (22 percent) **were** probably problem gamblers. These percentages parallel what could be reasonably expected among a population base of pathological and problem gamblers. However, some arguments for a different percentage mix could be made on the basis of different studies. See *id.* Even so, at least 10 percent of all bankruptcy filings and costs can be attributed to legalized gambling and an increase to 15 **percent** in the years 1998 to 2000 could be quite reasonably anticipated.

### Footnotes for Table 6

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 51, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., “Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America,” Dec. 4, 1997 (From .84 percent, “the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.”).
2. Bur. Labor Statistics, U.S. Dep’ t Labor (1997).
3. **FLA. Gov. OFF., CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS** 72 (1994).

Footnotes for Table 7

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 51, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population. ").
2. Bur. Labor Statistics, U.S. Dep' t Labor (1997).
3. According to the authoritative Compulsive Gambling Center in Baltimore, Maryland, virtually all pathological gamblers commit crimes (one Australian study concludes 70 percent), but only 12.5 percent to 15 percent are incarcerated. Most pathological gamblers commit multiple property-acquisition over 1.5 million new crimes were committed from 1994 to 1997.
4. See detailed chart on "Average Regulatory and Corrections Costs," infra. For the most authoritative report in this issue area, see FLA. OFF. GOV., CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS 67-76 (1994).
5. Obviously, every pathological gambler does not initially commit a property-acquisition crime in every year, but by definition, pathological gamblers will eventually engage in such crimes, although these crimes are often overlooked by family members and close associates. See, e.g., the citations in John W. Kindt, Increased Crime and Legalizing Gambling Activities: The Impacts on the Socio-Economics of Business and Government, 30 CRIM. L. BULL. 538, 550-52 (1994).
6. INT'L GAMING & WAGERING Bus. (Survey 1997).

### Footnotes for Table 8

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.(").
2. U.S. Bur. Labor Statistics, U.S. Dep't Labor (1997).
3. ALCOHOL & DRUG ABUSE ADMIN., MD. DEP'T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND 61 (Valerie C. Lorenz & Robert M. Politzer, Co-chairs 1990) [hereinafter MARYLAND REPORT].
4. Australian Study reported at 10th Int'l Conf. on Gambling & Risk Taking, Montreal, Canada, May 31-June 4, 1997. For more detailed analyses, see, e.g., Henry Lesieur, compulsive Gambling: Documenting the Social and Economics Costs, Table 2, at 21 (1991), published in part as Henry Lesieur, Compulsive Gambling, SOCIETY, May-June 1992, at 42. See also Henry Lesieur & Kenneth Puig, Insurance Problems and Pathological Gambling, 3 J. GAMBLING BEHAV. 123 (1987).
5. According to the Compulsive Gambling Center, virtually all pathological gamblers commit crimes, but generally, 75 percent of pathological gamblers are not caught or the criminal charges are dropped. This latter situation is usually because pathological gamblers initially commit their crimes against family members or close associates. Interview with Dr. Valerie Lorenz, Exec. Dir., Compulsive Gambling Ctr., Inc., Baltimore, Md., Dec. 10, 1992 [hereinafter cited as Lorenz Interview]; MARYLAND REPORT, Flora notes, at 28 & discussions of the interface between compulsive gambling and resultant criminal behavior, see Brown, Pathological Gambling and Associated Patterns of Crime: Comparisons With Alcohol and Other Drue Addictions, 3 J. GAMBLING BEHAV. 98 (1987); Henry R. Lesieur, Gambling, Pathological Gambling, and Crime, in THE HANDBOOK OF PATHOLOGICAL GAMBLING (T. Galski ed. 1987). See eenerally J. Livingston, COMPULSIVE GAMBLERS: OBSERVATIONS ON ACTION AND ABSTINENCE (1974); Henry R. Lesieur, Female Patholoeical Gamblers and Crime, in GAMBLING BEHAVIOR AND PROBLEM GAMBLMG 495 (1993) [hereinafter Gamblers and Crime]. See generally, John W. Kindt, Increased Crime and Legalizing Gambling Operations: The Impact on the Socio-Economics of Business and Government, 30 CRIM. L. BULL. 538, 550-52 nn.61-69 (1994).

Footnotes for Table 8 (continued)

6. “Measuring the Costs of Pathological Gambling,\*” Address by Prof. Henry Lesieur, Ill. St. U., at the Nat’l Conf. on Gambling Behavior, Nat’l Coun. on Problem Gambling, Chicago, Ill., Sept. 3-5, 1996 [hereinafter cited as “Measuring the Costs”].
7. CRIM. JUSTICE INST., THE CORRECTIONS YEARBOOK 1997 223 (eds. Camile Graham Camp & George M. Camp 1997).
8. Lorenz Interview, supra note 5; John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 DRAKE L. REV. 51, 94 n.285 (1994) (referencing Dr. Valerie Lorenz, Compulsive Gambling Ctr.); see MARYLAND REPORT, supra note 5, at 28. “Research on the connection between pathological gambling and crime is still in its infancy.” Gamblers and Crime, supra note 5, at 495.
9. N.J. Coun. on Compulsive Gambling, Legislative Guide For Responsible Gaming In Your State 2 (Jan. 25, 1997).
10. Of 1.5 million new pathological gamblers, this analysis reduces to 6.25 percent the lowest expert rate of those gamblers who serve time which is 12.5 percent. This extremely conservative estimate would indicate that 93,750 new pathological gamblers served time between 1994 and 1997 (or an additional 31,250 prisoners per year).

### Footnotes for Table 9

1. Bur. Labor Statistics, U.S. Dep't Labor (1997).
2. To provide "before" and after" estimates of the impact of pervasive legalized gambling activities, this range of costs was extrapolated from Illinois analyses which were subjected to in-depth academic and public scrutiny. See, e.g., Speech by Terrance W. Gainor, Dir. Ill. St. Police, at the Ann. IAODAPCA Luncheon, May 8, 1992, at 10 (for "police services alone") [hereinafter cited as Dir. Ill. St. Police]; Chicago Crime Comm'n, Analysis of Key Issues Involved in the Proposed Chicago Casino Gambling Project (1992).projected increases to the budget of the Illinois state police was between \$42 million and \$100 million, but since the Director frequently utilized the more cautious estimate of \$100 million, this is the estimate utilized. Although delimited in budgetary terms, these estimates apparently parallel the \$41 million to \$100 million increased costs calculated by interfacing "the incidence of index crime and the subsequent cost to the criminal system to handle those crimes." Ill. Crim. Just. Info. Authority, Casino Gambling and Crime in Chicago 46 (1992) [hereinafter cited as Crim. Just. Info.]. These cost estimates did not include increased costs for (1) regulation; (2) victimization impact; (3) prosecution of organized crime; (4) additional facilities for system workload; or (5) "response to non-index crimes, such as DUI, fraud, extortion, embezzlement, prostitution, and drug offenses." Crim. Just. Info., infra, at 46 & 47. See also Ill. Crim. Just. Info. Authority, Riverboat Gambling and Crime in Illinois 2, 3 (1994) (referencing the \$41 million to \$100 million in costs as specifically related to 'Chicago'). The lack of uniform categories of costs in many reports makes comparisons difficult.

Government policymakers frequently argue that the burden of proof should be on the legalized gambling interests to refute any cautious projections by state agencies--particularly law enforcement agencies. On the other hand, proponents of increased legalized gambling activities often argue that law enforcement bureaucracies tend to inflate the costs to the criminal justice system to increase their budgets. See generally, John W. Kindt, Increased Crime and Legalizing Gambling Operations: The Impact on the Socio-Economics of Business and Government, 30 CRIM. L. BULL. 538, 539, nn.2-3, 546 n.42 (1994) [hereinafter Increased Crime and Legalizing Gamblin]. See generally Ill. St. Police, Div. Crim. Investigation, Intelligence Bur., How Casino Gambling Affects Law Enforcement (Apr. 16, 1992) [hereinafter cited as Ill. St. Police Report]. The laundering of money by legalized gambling operations appears to be a *common* problem. During 1992, for example, "Atlantic City's casinos ... [were] under investigation for laundering drug money." Roeser, Chicago Casino Plan Gambles City Future, WALL ST. J., Aug. 12, 1992, at A10 [hereinafter cited as Roeser]. Less than two years after being initiated, the Illinois State Police Director, Terrance Gainor, reported that investigations were "being conducted into suspected laundering of illegal drug profits through the riverboats" in Illinois. Urbanek, Probe Creating Fears for Riverboats' Image, DAILY HERALD (Arlington Heights, Ill.),

Footnotes for Table 9 (continued)

Nov. 21, 1992, § 1, at 4; Laundering on Riverboats, NEWS-SUN (Waukegan, Ill.), Nov. 20, 1992, at 1.

For analyses by the Chicago Crime Commission opposing the introduction of land-based casino gambling to Chicago, see Report of the Chicago Crime Commission on Organized Crime in Chicago (J. Conlon, Pres. 1990). For analyses by the N.Y. Attorney General's office opposing the introduction of land-based casino gambling to New York State, see R. Abrams, Report of Attomev General Robert Abrams in Opposition to Legalized Casino Gambling in New York State (May 1981). For analyses of the impacts of land-based casino gambling on Atlantic City, New Jersey, see O'Brien & Flaherty, Regulation of the Atlantic City Casino Industrv and Attempts to Controls Its Infiltration by Oreanized Crime, 16 RUTGERS L.J. 721 (1985).

For examples of the parallel costs of pathological gambling activities and other medical treatment costs (such as for alcoholics), see Politzer, Morrow, & Leavey, Reoport on the Societal Cost of Pathological Gamblime and the Cost-Benefit/ Effectiveness of Treatment (5th Nat'l Conf. on Gambling and Risk Taking 1981) [hereinafter cited as Politzer, Morrow, & Leavey]. "Studies demonstrate that there is a high degree of overlap among pathological gambling, alcoholism and drug addiction." Lesieur, Female Pathological Gamblers and Crime, in GAMBLING BEHAVIOR AND PROBLEM GAMBLMG 495,497 (1993) [hereinafter cited as Gamblers and Crime].

3. To provide a "before" and "after" estimate, these local police and fire costs were extrapolated from the conservative estimates prepared by proponents themselves of a \$2-billion casino complex for Chicago.

See Chicago Gaming Commission, Economic and Other Impacts of a Proposed Gamine. Entertainment and Hotel Facility 236-41 (May 19, 1992) (report prepared by Deloitte & Touche, Chicago, Ill.) [hereinafter cited as Proposed Gamine Facility Report]. Editorial, Economically. casinos are a eood bet, CHICAGO TRIBUNE, May 24, 1992, § 4, at 2 [hereinafter cited as Economically]. "Deloitte & Touche also projects the loss of 2,300 jobs and \$126 million in sales Downstate, \$65 million in casino regulatory costs and \$11.4 million in annual costs for police and fire protection." Id. at 2. For the actual estimates, see Proposed Gaming Facility Report, infra, at 234-45. For a comparison of the administrative costs of state lotteries, see DeBoer, The Administrative Costs of State Lotteries, 38 NAT'L TAX J. 479 (1985).

4. The low-range regulatory costs were averaged and extrapolated from the costs per year for New Jersey casino regulator efforts. The high-range estimate was a 1989 estimate by Professor William Thompson given in the context of regulating future casinos. For a continuum of New Jersey regulatory costs, see seriatim editions of St. N.J., Comprehensive Annual Financial Report. Compare, id. with the 1992 estimates of Increased Crime and Legalizing Gambling, supra note 2, at 545-46. See, e.g., St. N.J., Comprehensive Annual Financial Report 238 (1992) (\$56-\$57 million for casino

Footnotes for Table 9 (continued)

- regulatory costs); N.J. Casino Control Comm'n, 1992 Annual Report 23 (1992) (\$57 million for casino regulatory costs in 1992, \$62 million in 1991). Slight decreases in regulatory costs may occur over time. See, e.g., N.J. **GOVERNOR'S ADV. COMM'N ON GAMBLING, REPORT AND RECOMMENDATIONS** 65 (1988) (\$66.4 million regulatory costs and 1,362 regulatory employees in 1986 for "all" gambling activities, and \$76.6 million regulatory costs in 1987); see N.J. St. Budget, FY 1986-1987; N.J. St. Budget, FY 1991-1992. See also, Roeser, note 2 supra, at 10 (\$59 million for casino regulatory costs in 1992). In 1989, the regulatory costs for Atlantic City were also estimated at \$85 million per year. Statement of William Thompson, Prof. Mg't & Pub. Admin., UNLV, before the Ill. Sen. Comm. regarding S.B. 572 on Riverboat Gambling, Sept. 27, 1989. See generally Lee & Chelius, Government Regulation of Labor-Management Corruption: The Casino Industry Experience in New Jersey, 42 INDUS. & LAB. REL. REV. 436 (1989); Ill. St. Police Report, note 2 supra.
5. TIMOTHY P. RYAN, PATRICIA CONNOR, & JANE-I- F. SPEYER, THE IMPACT OF CASINO GAMBLING IN NEW ORLEANS 46-47 (1990) [hereinafter GAMBLING IMPACT IN NEW ORLEANS]. These calculations were apparently analyzed and considered to be "balanced" and valid. ROBERT GOODMAN, LEGALIZED GAMBLING AS A STRATEGY FOR ECONOMIC DEVELOPMENT 85-87 (Ctr. for Econ. Dev., U. Mass.-Amherst 1994); Ill. St. Police Report, note 2 supra, at 9; Dir. Ill. St. Police, note 2 supra, at 9-10. These costs do not include many "indirect costs" to the criminal justice system. For analyses of other "criminal law" issues, see generally Gaines, Criminal Law: Florida's Legal Lotteries, 9 U. FLA. L. REV. 93 (1956).
  6. GAMBLING IMPACT ON NEW ORLEANS, supra note 5, at 46-47. For a parallel analysis of these costs, see Increased Crime and Legalizing Gambling, supra note 2, at 547-48.
  7. Politzer, Morrow, & Leavey, supra note 2, at 18-20. For parallel analyses of these costs, see John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 DRAKE L. REV. 51, 89-93 at Table 3, n.282 (1994) [hereinafter Economic Impacts]; Increased Crime and Legalizing Gambling, supra note 2, at 550.
  8. Politzer, Morrow, & Leavey, supra note 2, at 9, 18-20. For parallel analyses of these costs, see Economic Impacts, supra note 7, at 89-93 at Table 3, n.283; Increased Crime and Legalizing Gambling, supra note 2, at 550. ~~It is~~ <sup>ity</sup>, the number of \$21,000 per year is reduced to \$2,100 per pathological gambler to reflect a 10 percent incarceration rate.
  9. to provide "before" and "after" estimates of the impact of pervasive legalized gambling activities, this cost was extrapolated from Illinois analyses which were subjected to in-depth academic and public scrutiny. See, e.g., Interview with Ill. Gov. James Edgar, on Crossfire? Cable News Network. Jan. 6, 1993. For a parallel analysis of this cost, see Increased Crime and Legalizing Gambling Activities, supra note 2, at 546-47.

Footnotes for Table 9 (continued)

10. N.J. **Comm.** on Compulsive Gambling, Legislative Guide For Responsible Gaming In Your State, at 2 (Jan. 25, 1997).
11. Economic Impacts, supra note 7, at 94 n.285 (referencing Dr. Valerie Lorenz' 1992 estimates of \$25,000 per year for young prisoners and \$50,000 per year for older prisoners with medical costs). **CRIM. JUSTICE INST., THE CORRECTIONS YEARBOOK, 1997 75** (eds. Camille Graham Camp & George M. Camp) (365 days multiplied by the healthcare "average daily cost per confined inmate in 1996" of \$54.25 equals \$19,801) [hereinafter **CORRECTIONS YEARBOOK, 1997**].
12. **CORRECTIONS YEARBOOK, 1997**, supra note 11, at 223 (365 days multiplied by the "overall average cost per prisoner per day" of \$55.41 equals \$20,224).

Footnotes for Table 10

1. It is significant that for the **first** time in decades the 1997 study by Professor Howard Shaffer attempted to redefine the **American** Psychiatric Association's term "pathological gambling" (or addicted gambling) as "level 3 gambling" and "problem gambling" as "level 2 gambling." Critics of the Shaffer meta-analysis noted that the analysis was entirely funded by a \$140,000 grant from the gambling industry to reanalyze the 120 to 152 existing studies documenting the prevalence of pathological gamblers and problem gamblers. The "meta-analysis" resulted in: (1) new PR-conscious terms such as "level 3 rates of gambling," (2) an attempt to redefine the .77% baseline for pathological gambling established by the 1976 National Commission on Gambling in America at .84% (which critics opined could operate to the PR benefit of the gambling industry), and (3) omission of the most important numbers of the 120 to 152 existing prevalence studies--specifically the rates of pathological gamblers and problem gamblers. See, e.g., Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 51 (Table 16) and 107 (App. 2) (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994- 1997 grew to 1.29 percent of the adult population."). Compare U.S. COMM 'N ON THE REV. OF A NAT ' L POL 'Y TOWARD GAMBLING, GAMBLING IN AMERICA 73 (U.S. Gov't Printing Off. 1976), with Harvard Addictions Meta-analysis, infra at 43, Table 13.

Footnotes for Table 11

1. NAT'L TECH. INFORMATION SERV., U.S. DEP'T COM., **1992 WORLDWIDE SURVEY OF SUBSTANCE ABUSE AND HEALTH BEHAVIORS AMONG MILITARY PERSONNEL** 12-14 to 12-30 [hereinafter **MILITARY PERSONNEL**].
2. U.S. Dep't Defense (1997). In 1991, U.S. military personnel totaled 2 million but this force strength was subject to drawdown. See, e.g., **MILITARY PERSONNEL**, *supra* note 1, at 12-14 to 12-20. By 1996-97, U.S. military personnel numbered 1.5 million. U.S. Dep't Defense (1997). To simplify comparisons between years, a 1991 base population of 1.5 million is utilized.
3. Div. on Addictions, Harvard Medical Sch., Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions **Meta-analysis**]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gamblers] for 1994-1997 grew to 1.29 percent of the adult population."). Since the Harvard Addictions **Meta-analysis** did not include the calculations for essential elements, some reasonable estimates and conclusions consistent with the data need to be drawn.
4. A proportional increase is calculated as 2 percent military personnel 1991/.77 percent general public 1991 equals 3.35 percent military personnel 1997/1.29 percent general public 1997--for an increase of 1.35 percent from 1991 to 1997. See, id.
5. The 78,000 military personnel are not precisely 5.1 percent since the 78,000 was the calculation in the report. **MILITARY PERSONNEL**, *supra* note 1, at 12-14 to 12-20.
6. Using the classic standard baseline of 2.33 percent established by the 1976 U.S. Commission on Gambling would yield a 2.55 percent increase in problem gamblers from 1994 to 1997. U.S. COMM'N ON THE REV. OF A NAT'L POL'Y **TOWARD GAMBLING, GAMBLING IN AMERICA** 73 (U.S. Gov't Printing Off. 1976) [hereinafter U.S. COMM'N ON **GAMBLING**].
7. A proportional increase is calculated as: 5.1 percent military personnel 1991/2.33 percent general public 1991 equals 10.68 percent military personnel 1997/4.88 percent general public 1997--for an increase of 5.6 percent from 1991 to 1997. See, note 3, *supra*.
8. In 1997, the socio-economic costs of a civilian pathological gambler ranged between a partial estimate of \$10,000 and an in-depth estimate of \$60,000 per year. This analysis utilizes \$40,000 per year to reflect the life/death responsibilities inherent in military service. One accident can and has caused the loss of multi-million dollar equipment and lives.

Footnotes for Table 11 (continued)

9. A socio-economic cost figure of \$10,000 per problem gambler per year which is utilized in this context is probably too conservative considering that the average civilian problem gambler is earning well over the average 1997 annual salary of approximately \$30,000 per year which is further increased since most problem gamblers are super-achievers, Type-A personalities. For a costs table see, John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 DRAKE L. REV. 51, 90-91, Table 3 (1994).

### Footnotes for Table 12

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: **A Meta-analysis**, at 43, Table 13 & 51, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., “Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America,” Dec. 4, 1997 (From .84 percent, “the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.”).
2. Bur. Labor Statistics, U.S. Dep’t Labor (1997).
3. Henry R. Lesieur & Kenneth Puig, Insurance problems and pathological gambling, 3 J. **GAMBLING BEHAVIOR** 123, 125-27 (1987) [hereinafter Insurance and gambling].
4. The National Insurance Crime Bureau estimates that annually the total U.S. cost of “property/casualty-based insurance fraud” is \$20 billion. Nat’l Insurance Crime Bur., “Insurance Fraud: The \$20 Billion Disaster,” Chi., Ill. (1996) [hereinafter Insurance Fraud \$20 Billion]. Adjusting Professor Lesieur’s most conservative 1987 numbers of \$3.3 billion in fraud and \$6.6 billion in surrendered policies to 1997 dollars equals approximately \$6.6 billion in fraud and \$13.2 billion in surrendered policies (without adjusting for population increases). Insurance and gambling, supra note 3, at 133-34. interestingly, these numbers conform to current numbers that place total insurance fraud at \$20 billion when in 1987 Professor Lesieur indicated that 33 percent of insurance fraud is committed by pathological gamblers which equals \$6.6 billion (the same as the adjusted 1987 estimate). Compare id. at 134 (“[P]athological gamblers could account for almost a third of the industry loss” from fraud.), with Insurance Fraud \$20 Billion, infra, at 1.

Footnotes for Table 13

- 1 The calculation of .5 percent of the U. S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Meta-analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.").
2. Bur. Labor Statistics, U.S. Dep't Labor (1997).
3. Lesieur citing G.A. It only takes one employee to destroy an entire company. In 1995, Barings Bank lost \$1 billion and went bankrupt because of the unauthorized use of funds by just one employee--the very type of employee (Type-A personality) most likely to become a pathological gambler. In a similar situation one employee's unauthorized use of funds cost Daiwa Bank of Japan \$1.1 billion. Laura Proctor, The Barinos Collapse: A Regulatory Failure Or A Failure Of Supervision?, 22 **BROOK. J. INT'L L.** 735, 735, 738 (1997); see also id. at 752 n.155. In another example in Iowa one pathological gambler embezzled \$4.5 million. Debra Illingsworth Greene, Gambling: Wins & Losses, **THE LUTHERAN**, Dec. 1997, at 46, 47 (\$4.5 million embezzled). In Illinois one employee embezzled \$580,000--more than was ever spent on all treatment of pathological gamblers in Illinois. Speech of Henry R. Lesieur, Dir., Inst. for Problem Gambling, 10th Int'l Conf. on Gambling and Risk Taking, Montreal, Canada, July 1997.
4. N.J. Coun. on Compulsive Gambling, Legislative Guide For Responsible Gaming In Your State (Jan, 25, 1997) (appended news release of Mar. 20, 1996).
5. See **SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997 119 (1997)** (confirming a 1995 Minnesota Study).
6. **ALCOHOL & DRUG ABUSE ADMIN., MD. DEP'T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND** 61 (Valerie C. Lorenz & Robert M. Politzer, Co-chairs 1990).
7. "Measuring the Costs of Pathological Gambling," Address by Prof. Henry R. Lesieur, Ill. St. U., at the Nat'l Conf. on Gambling Behav., Nat'l Coun. on Problem Gambling, Chicago, Ill., Sept. 3-5, 1996 [hereinafter cited as "Measuring the Costs"].

#### Footnotes for Table 14

1. The calculation of .5 percent of the U.S. population or **1.5** million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis, at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions Me&analysis]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent, "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.").
2. U.S. Bur. Labor Statistics, U.S. Dep't Labor (1997).
3. N.J. Coun. on Compulsive Gambling, Legislative Guide For Responsible Gaming In Your State (Jan. 25, 1997).
4. "Measuring the Costs of Pathological Gambling," Address by Prof. Henry R. Lesieur, Ill. St. U., at the Nat'l Conf. on Gambling Behav., Nat'l Coun. on Problem Gambling, Chicago, Ill., Sept. 3-5, 1996 [hereinafter cited as Measuring the Costs].
5. M L. Frank, D. Lester, & Arne Wexler, Suicidal behavior among members of Gamblers Anonymous, 7 J. GAMBLING STUDIES 249 (1991).
6. Henry R. Lesieur & Kenneth Puig, Insurance problems and pathological gambling, 3 J. GAMBLING BEHAVIOR 123 (1987).
7. U.S. Bur. Labor Statistics, U.S. Dep't Labor (1997).
8. SMR RESEARCH CORP., THE PERSONAL BANKRUPTCY CRISIS, 1997 123-24 (1997) (commissioned by the banking community, Am. Bankers Assoc.) (reporting a 1995 Minnesota study).
9. BETTER GOV'T ASSOC., STAFF WHITE PAPER: CASINO GAMBLING IN CHICAGO (1992) (a comprehensive and classic analysis) (citing Politzer, et al.). See also Robert M. Politzer, James S. Morrow, & Sandra B. Leavey, Report on the Societal Cost of Pathological Gambling and the Cost-Benefit/Effectiveness of Treatment, presented at FIFTH NAT'L CONF. ON GAMBLING & RISK TAKING, at 8-10 (1981); Robert M. Politzer, James S. Morrow, & Sandra B. Leavey, Report on the Cost-Benefit/Effectiveness of Treatment at the Johns Hopkins Center for Pathological Gambling, 1 J. GAMBLING BEHAV. 13 1 (1985).
10. ALCOHOL & DRUG ABUSE ADMIN., MD. DEP'T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND 2, 59-61 (1990).

### Footnotes for Figure 11

1. The calculation of .5 percent of the U.S. population or 1.5 million new pathological (addicted) gamblers created by legalized gambling between 1994 and 1997 comes from: Div. on Addictions, Harvard Medical School, Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis. at 43, Table 13 & 5 1, Table 16 (Howard J. Shaffer, Matthew N. Hall, & Joni Vander Bilt, Dec. 15, 1997) [hereinafter Harvard Addictions **Meta-analysis**]; see Press Release of Harvard Medical Sch., "Harvard Medical School Researchers Map Prevalence of Gambling Disorders in North America," Dec. 4, 1997 (From .84 percent. "the prevalence rate [for pathological gambling] for 1994-1997 grew to 1.29 percent of the adult population.").
2. According to the authoritative Compulsive Gambling Center in Baltimore, Maryland. and other experts the percentages of pathological gamblers who are incarcerated for their crimes range between 12.5 percent and 15 percent. Pathological gamblers usually commit multiple property-acquisition crimes and are often incarcerated multiple times, but for the present analysis, only one-time incarcerations are indicated. See, e.g., ALCOHOL & DRUG **ABUSE** ADMIN., MD. DEP'T HEALTH & MENTAL HYGIENE, TASK FORCE ON GAMBLING ADDICTION IN MARYLAND 58-61 (Valerie C. Lorenz & Robert M. Politzer, Co-chairs 1990); FLA. OFF. Gov., **CASINOS IN FLORIDA: AN ANALYSIS OF THE ECONOMIC AND SOCIAL IMPACTS** 67-76 (1994).
3. Bur. Justice Statistics (1997); OFF. NAT'L DRUG POL'Y, THE NATIONAL DRUG CONTROL STRATEGY, 1998 17 (1998) [hereinafter **DRUG STRATEGY**]. In 1997 U.S. prisons held 1,725,842 prisoners which was an increase of 96,100 from 1996 and which reflected a 7.8 percent grbwth rate for the **last** several years. Id.
4. The range of pathological gamblers who are incarcerated ranges between 12.5 percent and 15 percent which equates to 125,000 to 150,000 new pathological gamblers incarcerated from 1994 to 1997. By comparison, 5 percent of drug arrests result in long-term incarceration. **DRUG STRATEGY**, sum-a note 4, at 17. Therefore, a parallel argument can be made that 5 percent of pathological (and problem ?) gamblers will be incarcerated long term. This percentage would equate to 75,000 new pathological gamblers incarcerated from 1994 to 1997, but this number would be extremely conservative.
5. These numbers reflect the number of prisoners who are pathological gamblers and these numbers are not the number of pathological gamblers who are prisoners. N.J. Coun. on Compulsive Gaming in Your State 2 (Jan. 25, 1997) (20% to 30% of the prison population constitute pathological gamblers).

Footnotes for Table 14 (continued)

11. Study links suicide increase to gambling, N.Y. TIMES, Dec. 16, 1997, <<http://webserv1.startribune.com/cgi-bin/stOnLine/article?thisSlug=suic16>>. For the complete study, see David P. Phillips, Ward Welty, & Marison Smith, Elevated Suicide Levels Associated with Legalized Gambling, SUICIDE & LIFE-THREATENING BEHAVIOR, Dec. 1997, at \_\_\_\_; see Press Release of the U. Calif. at San Diego, "Increase In Legalized Gambling Is Linked To Higher Suicide Rates in UCSD Study," Dec. 15, 1997; Shaun McKinnon, Study links gambling, suicide, LAS VEGAS REV.-J., Dec. 17, 1997. See generally, Sandra Blakeslee, Suicide Rate Is Higher In 3 Gambling Cities: Study Shows Risks as Betting Rises in U.S., N.Y. TIMES, Dec. 16, 1997, at A10. See also Stephen Braun, Lives Lost in a River of Debt, L.A. TIMES, June 22, 1997, at A1, A14-A15. This extensive article reports how coroner's subpoenas had to be issued to Illinois casinos to discover the \$100,000~ of dollars lost gambling by several suicides, and these problems were not reported as such in the local news until after this L.A. Times article was printed on page one. See Braun, infra. See generally, Art Nadler, Nevada suicide rate No. 1 in U.S., LAS VEGAS SUN, Aug. 29, 1997.