

Gambling Behavior and Consequences: Social and Economic Impacts on Consumers

Dean R. Gerstein, Ph.D
Vice Provost & Director of Research
Claremont Graduate University
Dean.gerstein@CGU.edu

*The Economic And Social Impact of Indian Gaming
in the United States: A Forum Sponsored by the
Center for State and Local Taxation
University of California, Davis
October 26, 2007*

© Cartoonbank.com



Thank you:

Coauthors

Marianna Gerstein
Rachel Volberg
Robert Johnson
Henrick Harwood
Eugene Christiansen

Sponsors

National Gambling
Impact Study
Commission
National Institutes of
Health
California Office of
Problem Gambling

Major Sources

- Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission. Gerstein et al., 1999.
- 2006 California Problem Gambling Prevalence Survey. Volberg, Nysse-Carris, and Gerstein, 2006.
- The National Evidence on Socioeconomic Impacts of Indian Gaming on Non-Indian Communities. Taylor, Kreps, and Wang, 2000

Macro Trend: U.S. gambling behavior has changed dramatically in a generation

- Gambling acceptance and consumer participation have risen since the early 1970s
 - Ratio of adult U.S. gamblers is up from 2:1 to 6:1
 - Proportion of casino and lottery players has doubled, bingo and track halved; internet gambling introduced
 - Gambling expenditures as a percentage of personal income tripled; now exceed moviegoing, publications, sports, theme parks—combined

The Logic of Indian Gaming

- Engine of State and Local Economic Development
 - Creates jobs
 - Attracts and rewards capital investment
 - Produces governmental revenues
- Political Lubricant
 - Increases taxation almost invisibly
 - Supports good causes
- The Dark Side
 - Extent of revenue from problem and pathological gamblers

Community Impact of Casinos: Results of a National Study

- In communities proximate to newly opened casinos:
 - Unemployment rates, welfare outlays, and unemployment insurance declined about one-seventh.
 - Construction, hospitality, transportation, recreation, and amusement earnings rise, but local bar, restaurant, and general merchandise earnings fall
 - Per capita bankruptcy, health indicators, and violent crime rates are not significantly changed
 - Effects are more favorable in poor rural areas compared with wealthy urbanized areas

The Dark Side: Gambling Disorders

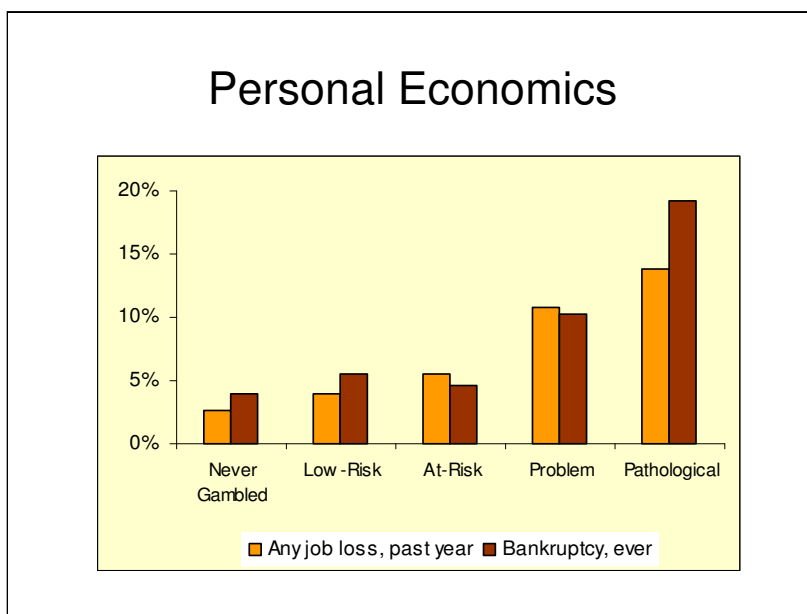
- Pathological gambling is a clinical disorder recognized by the American Psychiatric Association; problem gambling is a subclinical disorder widely discussed by researchers and clinicians
 - Impulse control disorders akin to substance abuse and dependence
 - Well defined diagnostic criteria
 - Major epidemiological studies
 - Peer reviewed papers in major journals

The Scope of the Dark Side

- Measuring gambling expenditures by population subgroups is methodologically challenging
- Range of results: pathological and problem gamblers are 3 to 4 percent of adults but this group account for between 15 and 50 percent of casino, lottery, pari-mutuel, and other gambling losses/receipts

Defining the Issue: An Epidemiological Taxonomy of Gamblers

- Using a psychometric scale with ten qualifying criteria for disordered gambling behavior:
 - Low-risk gambler: 0 criteria
 - At-risk gambler: 1–2 criteria
 - Problem gambler: 3–4 criteria
 - Pathological gambler: 5+ criteria

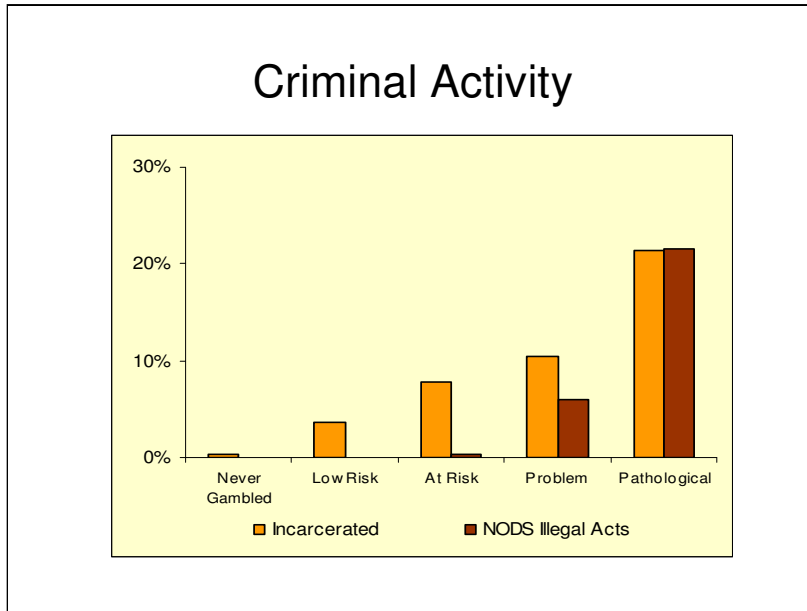


This bar chart displays three of the criminal justice variables. As you can see, those with more gambling symptoms have much higher rates of these variables.

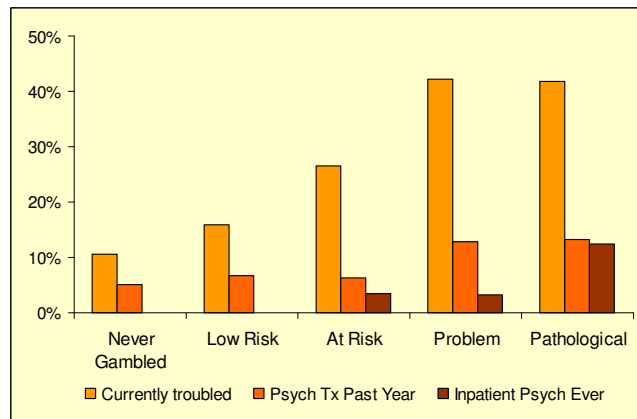
About one-third of problem and pathological gamblers reported having ever been arrested, compared with only one-fifth of at-risk gamblers. Problem and Pathological Gamblers who reported arrests, gave lifetime rates of 1.6 and 3.3 arrests, respectively.

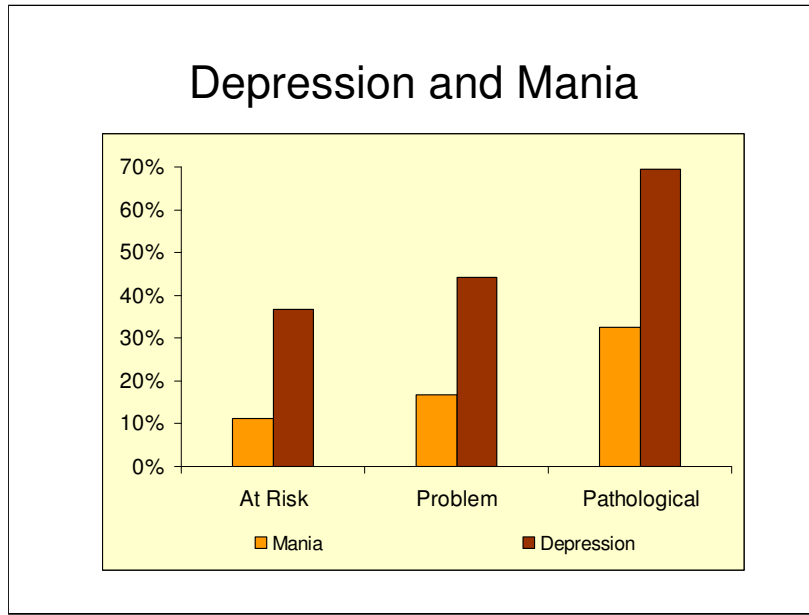
We also saw a trend toward increasing likelihood of incarceration. About 23% of pathological gamblers and 13% of problem gamblers have ever been imprisoned.

As a point of comparison, I include the frequency of gamblers who reported committing an illegal act specifically to finance their gambling, which was an item on the NODS. As you can see, gamblers are more likely to report an arrest or incarceration than they are to report committing a crime specifically to cover their gambling debts.

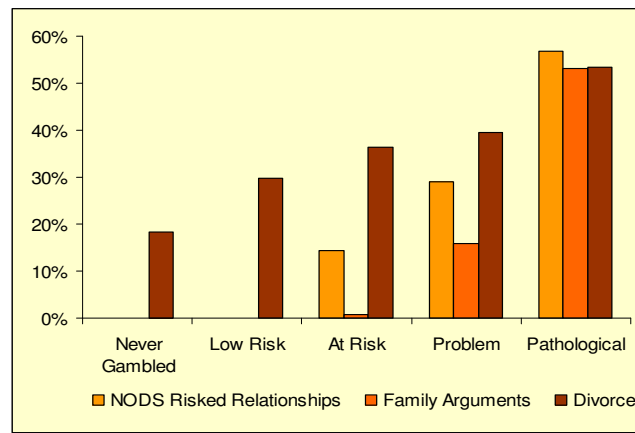


Mental Health





Interpersonal/Family



A National Adult Prevalence Estimate (1999)

- **2 million** pathological gamblers
- **3 million** problem gamblers
- 15 million at risk gamblers
- 150 million low-risk gamblers
- 30 million never gambled

Demographic Differences

- Pathological, problem, at-risk rates are **higher** among
 - Men, younger age groups, African Americans, divorced, never married
 - Unemployed, Disabled
 - Depressed, substance abusers
- Pathological rates are **lower** for
 - Senior citizens
 - College grads
 - Wealthy (household incomes >\$100K)

Cost of Adverse Impacts

- In 1999, when gross gaming revenues were approximately \$60 billion, pathological and problem gamblers cost approximately \$6 billion per year in productivity reductions, social services, and creditor losses
- Costs low compared with alcohol or tobacco—much less medical impact
- These calculations do not capture costs of family disruption.