



Gambling and “Social Costs”

Virtually all of the “social costs” attributed to gambling are a result of the behavior of the small minority of individuals that gamble in ways that are harmful to themselves and to others. The National Gambling Impact Study Commission has estimated the annual social costs of problem and pathological gambling in the United States at approximately \$5 billion per year. Adding in and aggregating those costs that are not incurred by problem and pathological gamblers on an annual basis, the total annual social cost of problem and pathological gambling is approximately \$6 billion per year. These costs, while significant, pale in comparison to estimates of the annual social costs of problems like drug abuse and alcohol abuse (\$110 billion and \$166 billion, respectively).¹ They also pale to the wild, unsubstantiated allegations about social costs that the anti-gambling lobby continues to make.

The Commission claims that the estimated social costs of problem and pathological gambling should “be taken as minimums” because its analysis “did not attempt to estimate the financial costs of any gambling-related incidences of theft, embezzlement, suicide, domestic violence, child abuse and neglect, and the non-legal costs of divorce.”

In fact, however, **the Commission’s social costs estimates are much more likely to exaggerate social costs related to problem and pathological gambling, not minimize them:**

- To the extent to which problem and pathological gamblers identified in the Commission’s surveys experienced various problems (like divorce, job loss, bankruptcy, etc.), “(p)roblem and pathological gamblers rarely directly attributed these costly problems to their gambling behaviors or difficulties.”² In other words, if a pathological gambler reported a divorce and told the interviewers that the divorce was not related to gambling, the chosen methodology nevertheless “counted” the divorce as if it were a direct consequence of gambling. This technique overestimates the negative consequences related to problem and pathological gambling.
- Reviews of the literature indicate that substance use disorders, mood disorders, depression, suicidal thoughts, antisocial personality disorder, and attention-deficit hyperactivity disorder may often co-exist with pathological gambling.³ Because of this “co-morbidity” problem, many of the negative consequences attributed in the Commission’s study to problem and pathological gambling may be a result of a more fundamental or underlying disorder, not a result of problem or pathological gambling per se. As the Commission’s consultant which assembled the social cost data warned, “This analysis

¹ National Opinion Research Center at the University of Chicago, et al., *Gambling Impact and Behavior Study*, Report to the National Gambling Impact Study Commission, April 1, 1999, pp. 53-54.

² *Ibid.*, p. 42.

³ See, e.g., National Research Council, *Pathological Gambling: a Critical Review* (Washington, DC: National Academy Press, 1999), pp. 4-13 to 4-20.

cannot rule out the possibility that the gambling problems are actually reflective of certain underlying inclinations or values of these persons, such as a reduced willingness to abide by social norms or an inclination to take extra risks (not simply in gambling). To the extent that this is true, the gambling problems are as much symptomatic of the other characteristics or issues as causes of difficulties in the life of gamblers and their families.”⁴

- While it is difficult to convert some of the alleged consequences of pathological gambling to economic terms, it is equally difficult to convert various consequences of other major health or behavioral problems to economic terms. That is, if we were to somehow calculate “all” of the costs of divorce and add them to the problem and pathological gambling tally, we must still add those same costs to our analyses of other phenomena, like mental illness and alcohol abuse. The costs of all these problems would be inflated, and it is unlikely that the relative status of problem and pathological gambling as a minor national social problem would be changed.
- It’s not at all clear that divorce per se has net negative social costs.⁵ For example, if a pathological gambler abuses his spouse and children, and the spouse seeks and obtains a divorce, the spouse and children arguably will be better off after the divorce than if the divorce had not occurred. We would have to factor the cost of not getting the divorce into our equations of the net costs of problem and pathological gambling.

We would also point out that the Commission made no attempt to separate the costs of problem and pathological gambling related to *legal* gambling from the costs of problem and pathological gambling related to *illegal* gambling (nor did the Commission separate the costs related to one form of gambling from the costs related to another). Some research suggests that the social stigma attached to illegal gambling make any resulting financial problems “non-shareable” when compared with financial problems resulting from legal gambling. Therefore, pathological gamblers involved with illegal gambling are more likely to turn to embezzlement or other forms of financial crime to support their gambling than are pathological gamblers involved with legal gambling.⁶

⁴ National Opinion Research Center at the University of Chicago, et al., p. 54.

⁵ Douglas M. Walker and A.H. Barnett, “The Social Costs of Legalized Casino Gambling: An Economic Perspective,” *Journal of Gambling Studies* (in press).

⁶ Jay S. Albanese, “Casino Gambling and White Collar Crime: An Examination of the Empirical Evidence,” paper presented at the conference “Gambling and Gaming: Winners or Losers?”, Omaha, Nebraska, April 30, 1999.