Social and Legal Costs of Compulsive Gambling

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THIS ARTICLE REPORTS an analysis of new data on the cost to society of compulsive gambling. Such analyses must be available to policymakers who are called on to authorize and control gambling activities. They must also be accessible to courts as they wrestle with questions of assigning legal responsibility for the incidence of problem gambling and its consequences.

The gambling phenomenon has witnessed significant expansion over the past decade. Prior to 1988, only two states—Nevada and New Jersey—permitted casino gambling. Then the Indian Gaming Regulatory Act (IGRA) was passed, bringing casino gambling to Native American lands in a score of states. Soon, commercial riverboat casinos appeared on the waterways of Iowa, Illinois, Mississippi, Louisiana, Indiana, and Missouri. South Dakota and Colorado authorized small-stakes casino gaming for selected towns, while Louisiana and Michigan approved high-rolling casinos in their largest cities. Additionally, in recent years the number of states with government-operated lotteries has increased to 37 (plus the District of Columbia), and states with horserace and dograce gambling have also increased in number.[1]

Although a wave of gambling fever seems to be sweeping the country, the voices of gambling opponents are also growing louder. In their efforts to hold back gambling expansion, the opposition voices have sought to educate the public about the negative consequences of gambling. High on this "gambling blacklist" are problems caused by compulsive gambling.

While naysayers harp about compulsive gamblers, proponents march on like veritable Energizer Bunnies, claiming that the positive aspects of legalized gambling clearly outweigh any negative effects. They insist that the number of compulsive gamblers is very small, and that their behavior should not be a serious stumbling block to plans for expanding gambling outlets. Indeed, proponents suggest that the problem is small enough that it can be handled with controls that would not interfere with gambling activities for the overwhelming number of responsible gamblers.

The debates rage on with much heat and only occasional glimmers of light. The need for objective studies is becoming more and more apparent. Congress has given a green light for a national gambling study commission, but both proponents and opponents of gambling have scrambled to ensure that their respective agendas will dominate the commission. Our only assurance is that if the commission makes any definitive findings regarding gambling, they will be accompanied by minority reports lessening their efficacy.

Nonetheless, objective studies will help both the proponents and the opponents of gambling. If the truth is documented about the extent of compulsive gambling in society and the cost imposed upon society by compulsive gambling, we can focus on the respective advantages and disadvantages of gambling in a more honest fashion. Gambling proponents and opponents alike will then be in a position to en-

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dorse corrective programs that approach the problem as it really is, rather than stab in the dark at a problem that may be much bigger or much smaller than that claimed by partisans on both sides of the playing field.

Many gaming operators are reaping large profits. Collectively, the industry with all its components (casinos, lotteries, race betting, etc.) is winning more than $44 billion from players each year in the United States.[2] If the costs of compulsive gambling are small, they can easily be mitigated with small expenditures; if the problems are large, the gambling industry should prepare to make significant contributions toward their correction.

The issue of compulsive gambling is likely to move to the center stage of several policy arenas in the near future. It will be a matter of concern for legislators at both state and national levels. It has already been a matter of concern in some state courts. Judicial issues involving debt collections from troubled players by casinos have already arisen and will continue to arise, as both substantive and procedural rules are being developed in this area. As gambling continues to expand, liabilities of casinos and other gaming providers for harm caused by pathological gambling are certain to become more pronounced issues in many courts. The notion of reduced culpability has been advanced by criminal defendents at both the jury stage for assessing guilt and the sentencing stage after convictions have been rendered. It is becoming important to know how often problem gamblers turn to crime and the kinds of crime in which they might participate. Thus, it is imperative for many reasons that society have greater knowledge of the cost of problem gambling.[3]

The research project described here has been designed to answer a critical question: "what is the societal cost of compulsive gambling?" The initial facet of the study focuses on the societal cost of individual problem gamblers. We then move to a consideration of how many compulsive gamblers there are in a given society. From this finding, we can project the total cost of compulsive gambling for that society.

The focus here is on gambling in one state— Wisconsin. While Wisconsin is not Nevada or New Jersey in terms of the volume of its gambling activity, it is worthy of this focus, as it is more typical of the American states that embraced (willingly or not) new gambling activities in recent years.

Wisconsin is a relative newcomer to the gambling scene. The voters approved having a state lottery and dogracing in 1997. Prior to that time, almost all gambling in the state was illegal. The lottery vote was the catalyst for Native American casinos, as the tribes won a court battle allowing them to have casinos on the basis that, as historically defined in Wisconsin law, casino games were lottery games. The IGRA stipulated that the Native Americans could offer games that were authorized by a state. Wisconsin today has a wide variety of gaming activities offered in all parts of the state. Seventeen Native American casinos exist in 14 scattered counties. Four dog tracks provided parimutuel racing in four widely dispersed areas. (Three are now operational). Charity gaming and lottery ticket sales take place in nearly all of the state's 72 counties.[4]

SUGGESTIONS FROM OTHER STUDIES

Several studies have offered evidence about the societal cost of problem gambling. How-

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[1] 25 USC §2701 *et seq.* On the need for more studies, *see* John D. Dombrink & William N. Thompson, "The Report of the 1986 Commission on Organized Crime and Its Implications for Commercial Gambling in America." In William R. Eadington & John Rosencrance, eds., *Betting on the Future: Gambling in Nevada and Elsewhere.* 2 *Nevada Pub. Affairs Rev.* (1986) pp. 70–75. *See also* Henry Lesieur "Current research into pathological gambling and gaps in the literature." In Howard Shaffer, Sharon Stein, Blase Gambino, & Thomas N. Cummings, eds., *Compulsive Gambling: Theory, Research, and Practice.* Lexington, MA: D.C. Heath (Lexington Books) (1989) pp. 223–248. Jurisdictions with gaming are summarized in John Dombrink & William N. Thompson, *The Last Resort: Success and Failure in Campaigns for Casinos.* Reno: University of Nevada Press (1990) and William Thompson, *Legalized Gambling: A Reference Handbook.* Santa Barbara: ABC-CLIO (1994).
[2] Eugene Martin Christiansen, "The 1995 gross annual wager," *Int. Gaming Wagering Bus.* (August 1996).
[3] Nelson I. Rose & Christina Cody, "Compulsive gambling and the law: from sin to vice to debate—the current state of affairs." In *Gambling and the Law,* Reno: University of Nevada Press (in press).
[4] William N. Thompson, Ricardo Gazel, & Dan Rickman, *The Economic Impact of Native American Gaming in Wisconsin.* Milwaukee: Wisconsin Policy Research Institute (1995).

ever, for the most part, we have seen only attempts to either list all the cost factors without analysis and without totalling up the effects, or to offer numbers without any indication of how the numbers were determined. Ladouceur, Boisvert, Pepia, Loranger, and Sylvain look at personal debts, loss of productivity, illegal activity, and medical costs.[5] They indeed show that problem gamblers have these losses and cause these losses, but they do not attempt to offer a bottom line cost figure for the total societal effects of either one gambler or all gamblers. Lesieur and Puig examine several illegal behaviors in general and insurance frauds in particular.[6] They indicate a monumental cost to society from this fraudulent activity—one third of insurance fraud is assigned to gamblers—but they do not break the figures down for individual gamblers, and they do not consider other costs. On the other hand, Kindt reports the social cost of individual compulsive gamblers without showing how the figures were calculated.[7]

In 1981, Robert Politzer, James Morrow, and Sandra Leavey analyzed the annual cost to society of untreated pathological gamblers.[8] The costs they identified included lost productivity, criminal system costs, and "abused dollars," an elusive term that included not only bad debts but also all money lost at gambling. The focus of those researchers was on the "bottomed-out" gambler, who clearly was in the desperation stage of his or her pathology. Information was gathered from 92 persons receiving treatment at the Johns Hopkins Compulsive Gambling Counseling Center in Mt. Wilson, Maryland. A subsample of 28 of these 92 were subjected to deeper data collection efforts. A goal of the study was to establish a cost-benefit analysis of the Center's treatment program, presumably to show that treatment costs were justified. The researchers found that the average bottomed-out gambler imposed a cost of $61,000 on society over his or her last year of gambling. They discerned that a "more average" problem gambler would impose an annual cost of $26,000 on society. They also compared the cost of gambling problems with that caused by alcoholics and drug abusers.

The 1981 effort was commendable. It called out for replications. However, to our knowledge, no one has completed a study following

the structural basis of this analysis from 1981 until the present. There are certain facets in the analysis that need refining. The researchers' treatment of productivity losses was particularly problematic. They assumed that work productivity for an on-the-job pathological gambler (whether bottomed out or average) is reduced by 80%—that is, such a worker is producing at only a 20% capacity. They then designated 80% of the worker's compensation as a societal loss. That assumption alone adds thousands of dollars to the cost figures derived. So, too, does the rather bold assumption that players' gambling losses are in and of themselves societal losses. The bulk of the losses may not leave the economy, and most will not cause a draw on taxation revenues; they should be considered personal losses alone.

To date, the only other concerted attempt to build a model of costs has been initiated by sociologist Henry Lesieur of Illinois State University. He has developed an instrument and administered it to 165 members of Gamblers Anonymous groups in Illinois. However, he has not yet fully analyzed the data he has collected. We contacted Professor Lesieur and secured his permission to use his questionnaire as a basis for creation of our own survey instrument.[9]

Gerhard Meyer, Thomas Fabian, and Wolfgang Peter offered an initial study of the social costs of pathological gambling.[10] These re-

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[5] Robert Ladouceur *et al.*, "Social cost of pathological gambling," 10 *J. Gaming Studies* (1994) pp. 399–409.

[6] Henry Lesieur & K. Puig, "Insurance problems and compulsive gambling," 3 *J. Gambling Behav.* (1987) pp. 123–136.

[7] John W. Kindt, "Testimony to U.S. House of Representatives Committee on Small Business," Washington, D.C. (September 21, 1994).

[8] 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 to the Fifth National Conference on Gambling and Risk Taking (October 22, 1981).

[9] Henry Lesieur, e-mail letter to William N. Thompson (May 13, 1996); Henry Lesieur, "Social impacts of expanded gambling," Normal, IL: Illinois State University School of Criminal Justice (1996), unpublished.

[10] Gerhard Meyer, Thomas Fabian, & Wolfgang Peter, "The social costs of pathological gambling." Presented to the First European Conference on Gambling Studies and Policy Issues, St. John's College, Cambridge, England (August 2, 1995).

searchers administered a questionnaire to German gamblers in treatment (inpatient and outpatient) as well as GA members. They addressed two areas—work productivity and crime. Although their analysis was sound, they did not seek to tie the information back to costs in terms of bottom line financial burdens for society. In another report of ongoing research, Meyer presents refined data on the specific criminal activity of gamblers, again without definitive bottom line numbers.[11] These efforts are pointed toward meaningful conclusions. However, we must await completion of the research studies and publication of the reports to have the full benefit of the projects.

RESEARCH STRATEGY AND METHODOLOGY

Our methodology basically follows the pattern set forth in the works of Politizer and Meyer and their colleagues. We administered a survey instrument to 98 members of 15 GA groups in Wisconsin. Group leaders handled the distribution and collection of questionnaires and indicated that more than half of the persons at meetings completed the instrument. From the interviews, we assessed the societal cost of one serious problem gambler for a single year. We also conducted a random telephone survey of 1,000 Wisconsin adults in order to determine the prevalence rate of serious problem gambling in the state. We thereby conclude that there are X problem gamblers in Wisconsin and they cost society Y in financial burdens.

THE MEMBERS OF GAMBLERS ANONYMOUS

Most (71) of the 98 respondents to the GA questionnaire were men. Their ages ranged from 20 to 72 (average age 43.3 years; median age 43 years). Almost all (95) were white, while one indicated he was Hispanic and two said they were Native American. Of the GA members interviewed, 44 were of the Roman Catholic faith, 40 were Protestant, one was Jewish, eight indicated other faiths, and five did

not respond. Fifty-one were married, while 30 were divorced or separated. Twenty-one of these 30 indicated that a family break-up was the direct result of problem gambling activity. Two of the respondents were widowed, while 15 were single. All but 21 had children. The median number of children was 2, the average 2.2.

Only three of the respondents were in professional occupations. Thirty-three were in white-collar positions such as business manager, supervisor or sales representative, or self-employed. Twenty-five indicated that they were in blue-collar or clerical positions, while another 15 occupied a variety of technical positions. Seven were government employees, one was a farmer, and only three indicated they were unemployed or retired, although ten did not respond.

The respondents' education and household income was a reflection of their middle-class occupational status. Only one had not completed the eighth grade, while three others had not completed high school. Twenty-six were high school graduates, 54 others had attended college without graduating, and 13 were graduates of college, four having advanced degrees. The median annual household income group was between $25,000 and $49,999. Only 22 earned less than $25,000, while 37 (37.8%) earned more than $50,000. Twelve of these earned more than $75,000.

Although males and Caucasians were overrepresented, in most other respects, the GA members interviewed shared the general attributes of Middle America.

GAMBLING HISTORIES OF PROBLEM GAMBLERS

Table 1 displays an array of data on the gambling histories of the respondents. Eleven respondents said they began gambling at age 10 or younger. The oldest starting age was 65, and the average starting age was 25.14 years.

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[11] Gerhard Meyer, "Pathological gambling and criminal behavior." Presented to the National Conference on Problem Gambling, Crime, and Gaming Enforcement. Normal, IL: Illinois State University (April 2, 1996).

TABLE 1. GAMBLING HISTORIES OF RESEARCH SUBJECTS

	Range	Median	Mean
Age started gambling (years)	7–65	20	25.14
Age started gambling weekly (years)	7–65	31	31.78
Age first borrowed in order to gamble (years)	7–65	33	33.67
Age when problem gambling began	7–70	35.5	35.50
Years in gamblers Anonymous	1 day–10	0.66	1.45
Age now (years)	20–72	43	43.35
Length of problem gambling career (years)		*2.97*	6.4
Number of slips	0–50	0	2.51
Time since last slip	0–8 yrs	90 days	362 days

*This median number represents a median of the problem gambling careers of individuals surveyed, rather than a calculation based on the separate median characteristics of the respondents. This median figure will be used in the calculations below instead of the mean, as the mean value incorporates several extreme values (i.e., those from persons saying their problem gambling began at age seven or eight).

Weekly (or more frequently) gambling activities began at an average age of 31.78 years. Borrowing for gambling started at an average age of 33.67 years. The respondents indicated an average age of 35.50 years for the point in time when they realized (on reflection) that they had a gambling problem. The age of onset of problem gambling ranged from 7 to 70. Eight of the respondents had been in GA for 1 week or less, while 45 had been members for more than a year, and one had been a member for 10 years. The average membership was 1.45 years (530 days). Unfortunately, it cannot be said that the 98 have ended their problem gambling. Of the 98, 40 (41%) indicated that they had "slipped," that is, gambled, since becoming a GA member.

SOME GAMES PROBLEM GAMBLERS PLAY

A large majority of the subjects (77) indicated that casino activity was the principal source of their problems. In contrast, only five each identified racetrack betting and sports betting as their chief gambling activity. Four said the lottery was the major problem area, two said it was poker or cards (outside casino), and two said it was barroom slot machines. One indicated bingo, and one other the stock market; one did not respond.

The subjects were asked what percentage of their gambling losses occurred at each of several games. The average of their indicated percentage was 70.2 for casino games, 6.5 for sports betting, 6.0 for lottery games, 5.2 for racetrack betting, 3.4 for bingo, and 8.5 for "other" (includes barroom machines and social games). The Native American casinos were a source of "serious problems" for 80 of the gamblers. The next most identified area for "serious problems" was slot machines outside of casinos (32), other casinos (26), the lottery (20), riverboat casinos (17), and racetracks (16).

VOLUME OF GAMBLING-RELATED ACTIVITY AND SOURCE OF FUNDS

The GA members reported a wide range in volumes of gambling activity. "Lifetime" losses from gambling ranged from $100 to $20,000,000. One high-end loser had gambled on the stock market. His losses, his debts, and his indiscretions regarding funds are indicated in the ranges of figures presented. However, his reported activity would improperly skew the data. Therefore, we left his activity out of reported means and median values. The mean gambling loss over a "lifetime" was $98,491, while the median loss was $45,000. Losses over the last 12 months of the gambling career ranged from $100 to $240,000 for "game" gamblers and the $20,000,000 for the stock market gambler. The average loss for the last 12 months was $25,126, while the median loss was $12,000.

Eighty subjects indicated that they had lifetime debts because of gambling. These ranged from $100 to $1,000,000 for game players and $10,000,000 for the stock gambler. Discounting his activity, the average amount owed was $61,001; the median amount was $25,000. The GA members responded that "over the last 12 months" of their gambling, they accumulated debts of an average of $15,539, the median amount being $5,500. At the time of joining GA,

their debts averaged $38,664; the median debt was $20,000. Twenty-two of the respondents indicated that they sought bankruptcy court protection from their creditors. Eleven had been sued over their gambling debts.

Many GA members indicated that they stole money in order to gamble. Thirty-one admitted to stealing from their employer. Twenty-nine GA members reported the amounts they stole, ranging from $100 through the stock embezzler, who stole $8,000,000. Discounting his activity, the average amount stolen over the gambling lifetime was $6,223 (for those responding, including 37 who said they had not stolen any amount). The average amount stolen in the last 12 months of gambling was $3,556.

Household funds appear to be the first source of money tapped by the gamblers—88 indicated this as a source of funds. Credit cards were a source for 82; 75 went to banks and credit unions, while 53 (54% of the respondents) indicated that they passed bad checks in order to have money to gamble. Fifty-one borrowed from relatives or inlaws, forty-one cashed in stock or bonds (worth on average $9,632), and 39 sold personal or family property. Thirteen gamblers had credit lines in casinos, and thirteen had credit lines with bookies. Only four indicated they turned to "loan sharks" for gambling funds.

CONSEQUENCES OF GAMBLING

Twenty-one of the GA respondents indicated that they had lost their jobs—or quit their jobs—as a result of their gambling activity. Eighteen of this group responded that they were unemployed for an average of 12.6 months each. (This represents an average unemployment time of 2.47 months for each of the 98 respondents.) Thirty-seven had received unemployment compensation. Sixty-four missed work because of gambling. The average work loss for all 98 respondents was 8.51 hours a month. Discounting one individual who indicated missing work 100 hours a month, the mean is 7.50 hours a month; the median is six hours a month.

A number of GA gamblers received public assistance as a direct result of their gambling activity. Thirteen had received food stamps, and seven received Aid to Dependent Children payments. Seven were Social Security recipients.

Thirty-eight had been arrested, but only 14 indicated that the arrests were for gambling-related infractions. Eleven had been convicted for gambling-related activities; three had multiple convictions. Eleven had been incarcerated because of gambling-related crimes. Collectively, they had served 82.1 months for the crimes, an average of 0.87 months for each of the 98 respondents. Most of the crimes were property crimes: two forgeries, three thefts, two bad checks, one fraud, and one child support infraction. Three had been arrested for driving while intoxicated. Eight had been on probation because of gambling-related crimes.

Richard Vatz and Lee Weinberg report that the average cost of formal treatment and rehabilitation for serious gambling problems is between $20,000 and $28,000 and involves a program lasting from 20 to 30 days.[12] Few of the GA members had undergone such treatment. Fifty-seven reported that they had been to a therapist for their gambling problems, and fifteen reported having been hospitalized. The costs of inpatient and outpatient care incurred by the gamblers responding (64) ranged from $50.00 (the lowest paid amount) to $48,500. The average treatment cost was $2,625. Of those who had received either inpatient or outpatient care, 39 reported having paid for the care "out of their own pockets," while 35 indicated they had insurance coverage for at least part of the cost. Overall, 65 said they had insurance coverage for therapy and other treatment programs.

The personal tragedies of compulsive gamblers are compounded by other problems in their lives; however, we found that only a minority of the GA members claimed to have other serious addictions. Thirty claimed to be alcoholics, 25 compulsive shoppers, 22 compulsive overeaters, and 14 drug addicts. Six claimed they were sexual addicts, four indicated they were suffering from depression, and

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[12] Richard Vatz & Lee Weinberg, "Refuting myths of compulsive gambling." In Andrew Riconda, ed, *Gambling: The Reference Shelf.* New York: H.W. Wilson (1995) pp. 167–192.

two said they were codependents. Seventy-three reported that they had friends who were serious problem gamblers. Twenty-three respondents went to therapists and caregivers for alcohol problems and 46 for other problems including depression (14) marriage and family problems (12).

The problems gamblers have affect people in financial as well as nonfinancial ways. Reports on compulsive gamblers have suggested that one person's gambling may have profound effects on as many as 10 to 20 other persons.[13] As mentioned above, family members are perhaps the most profoundly affected persons. We found that 70% of the 30 separated or divorced GA members experienced their family break-ups as a result of gambling activity. These domestic failures carry lifetime consequences for the couple's children. Real societal costs are attached to such family break-ups and also to the family turmoil caused by gambling. Children of problem gamblers are more likely than others to become problem gamblers. They are also more likely to develop other antisocial maladies.

The GA members surveyed lost an average of $98,491 (median $45,000) over their lifetimes. This money represents the potential cost of college educations for a gambler's children. If, because of their parent's gambling losses children's college funds have been depleted (and creditors would have priorities over children's college funds), and the children do not strive "to be all they can be," societal will suffer, and there is an economic cost embedded in the suffering. Although such society costs are nearly impossible for researchers to capture, they are very real, nonetheless. However, as we are not able to put precise dollar values on such costs in Wisconsin, they will not appear in our calculations.

Of course, the domestic disruptions resulting from severe gambling problems impact the individual first and foremost. As many chase their impossible dreams toward the ends of an elusive rainbow, they find, not a pot of gold, but a mental state of complete despair. According to studies, compulsive gamblers are much more likely than other people to commit suicide. We have no direct evidence to present supporting these findings; however, our questionnaire certainly suggests their validity. All 98 subjects responded to questions about end-

ing their life: 79 reported that they had experienced feelings of being so low that they wished to die, 69 had thoughts about committing suicide, 54 had planned how they would commit suicide, and 23 reported that they had actually attempted suicide.

COST ANALYSIS

To determine costs, we looked to the evidence we reviewed above. We considered employment costs, bad debts and civil court costs, thefts and criminal justice costs, the costs of therapy, and welfare costs. The calculations were annualized; that is, we sought to find the annual cost of problem gambling. In several cases, this meant determining the career costs of serious problem gambling and dividing them by 3.0—the approximate median length of a serious problem gambler's career. The information is summarized in Table 2.

TABLE 2. SUMMARY OF ANNUAL SOCIETAL COSTS OF ONE COMPULSIVE GAMBLER ($)

Employment		2941
Lost work hours	1328	
Unemployment Compensation	214	
Lost productivity/unemployment	1398	
Bad debts		1487
Civil court		848
Bankruptcy court	334	
Other civil court	514	
Criminal justice		3498
Thefts	1733	
Arrests	48	
Trials	369	
Probation	186	
Incarceration	1162	
Therapy		361
Welfare		334
Aid to Dependent Children	233	
Food stamps	101	
Total		9,469

[13] Joseph Dunne, "Increasing public awareness of pathological gambling behavior: a history of the National Council on Compulsive Gambling," 1 *J. Gambling Behav.* (1991) pp. 8–16; *also see* Lesieur & Puig, *supra* note 6.

Employment costs

Discounting extreme cases, the average respondent lost 7.4 hours a month from work because of gambling. We calculated the value of 88.6 hours a year, at $15 an hour, to be $1,328. The mean number of months of unemployment for the average gambler was 1.95, while the gambler received unemployment compensation for 1.32 of these months. We figured costs on the basis of $732 a month unemployment compensation; annualized, these costs became an average of $214.

An additional social cost of $1398 is imposed on society on average by each serious problem gambler from lost productivity secondary to unemployment. In all, therefore, the annual total employment-related social cost per gambler was $2,941.

Bad debts

We decided to use debt figures at the time the subjects joined GA for our calculations. These figures were about 60% of the "lifetime" debts identified by the respondents. Of the average $38,664 debt for the group, 22.9% ($8,909.00) was subject to bankruptcy court proceedings. We considered that society lost one half of these debts—which, annualized, represents a social loss of $1,487. Of course, it is likely that many other debts of these gamblers were not repaid, but we did not try to estimate these amounts.

Civil Court procedures

We considered that each court case cost society $3,750. This figure represents the cost of public counsel (many gamblers will not have funds and so will have benefit of public counsel), judicial and other court personnel salaries, and court facilities. We arbitrarily assigned a cost figure that is one half the cost figures for cases in federal courts, making the assumption that Wisconsin courts would have lower costs.

Twenty-two bankruptcy cases result in average annual social costs of $334 for each gambler. Other civil cases cost $514, for a total average cost of civil cases of $848.

Theft and criminal actions

Discounting extreme cases, we determined that the average gambler stole an annualized amount of $1,733. We applied a social cost of $500 for each arrest. This results in an annualized average cost of $48. The costs of trials come to $369 for the average GA member. (Using the same $3,750 as the trial cost). The probation cost was calculated to be $5,600 over two years; 0.087 of the gamblers were placed on probation, for an annualized cost of $186. The gamblers spent an average of 0.87 months in jail. At a cost of $1,800 a month, this is annualized to a social cost of $1,162.

Therapy

We considered the fact that most of the GA members indicated their therapy and inpatient costs were covered by insurance. We assigned half of the costs to the individual and half to social costs. The average gambler spent $2,626 for this help; half the amount annualized represented a social cost of $361.

Welfare

Just over 7% of the gamblers received Aid to Dependent Children payments from the government. While only a few said they went on ADC as a result of gambling, we consider all the costs to be social costs of gambling, as gambling activity would preclude such recipients from opportunities to get off the program, and it is likely that the ADC funds enabled more gambling activity. The cost of ADC was set at $460 a month. We determined the average annual social cost figure to be $233 for the GA members. Food stamp costs were set at $2,000 a year for the analysis. The average social costs tally in at $101 a year.

Totals

We conclude that the annualized social costs for one serious problem gambler in Wisconsin amount to $9,469.

HOW MANY PROBLEM GAMBLERS ARE THERE? WHAT IS THE TOTAL COST?

In order to project the social costs of individual gamblers onto an entire population, we need to assess the numbers of such gamblers in the society as a whole. Estimates from other

studies suggest that anywhere from 1% to 5% of the adult population will have severe gambling problems at any one time, while up to 8% of the population will have had such problems at some time in their lives.[14] We conducted a random telephone survey of 1,000 Wisconsin adults, using an instrument modified from the *Diagnostic and Statistical Manual of Mental Disorders* published by the American Psychiatric Association in 1987 (called the DSM IV Survey of Gambling Prevalence).[15] We found that nine individuals met the survey criteria for serious problem gamblers or probable pathological gamblers. We suggest that the Wisconsin figure is lower than found elsewhere because the state is rural, and most of the gambling sites are located away from urban centers. From our survey, we suggest that 32,425 Wisconsin residents may be serious problem gamblers. If their behavior can be represented by those who have turned to GA for support, the total social cost of serious problem gambling in Wisconsin would amount to more than $307 million per year. On the one hand, the figure may be a high estimate in that the members of GA are likely to represent more severe cases of problem gambling. But on the other hand, we purposely used low estimates for each factor of social costs. Hence, the actual cost to the society could conceivably be even higher.

WHAT DOES IT MEAN?

The costs we have specifically identified suggest that the positive benefits of gambling are probably being overstated by proponents of expanded gambling. For Wisconsin, a $307 million cost figure surpasses the revenues the state receives from all its gambling activities, its lotteries, and the taxes on other commercial gambling. The amount represents more than one third of all the revenues won by the 17 Native American casinos in the state. Clearly, it is a number that should be examined and reexamined as policymakers deal with gambling issues. More studies should look at new data or data drawn from new surveys in order to de-

velop more refined numbers of problem gamblers and the social costs of problem gambling.

This is but a first study seeking to find such numbers. What this study suggests is that new and improved policies are needed to make society aware of problem gambling, to educate young people about the problems, to seek to identify people prone to problem gambling, to intervene as early as possible to make them aware of their problems, to let them know where help is available, and perhaps even to ban them from gambling activities where this is possible. Clearly, a modest public budget for support of awareness campaigns, intervention hotlines (800 numbers), and treatment programs could reap great rewards if a large portion of problem gamblers could change their behavior. Even the largest state budgets devote only a minuscule amount to such efforts.

A few states have directed public funding toward programs of education, warning, and treatment for problem gamblers. The first state-funded program was in Maryland. In 1978, a grant of $100,000 was provided for counselling programs. The state support has since been withdrawn. Connecticut began funding programs in 1981. Currently, $500,000 goes for treatment and the operation of a hotline for problem gamblers. Iowa devotes $2.2 million to such efforts using a formula that takes a percentage of lottery revenues. Texas now gives $4 million in support; the funding began after the state introduced a lottery. New York has appropriated as much as $1.5 million a year.[16] More funding for these programs is certainly justified, and even mandated by a simple cost-benefit analysis.

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[14] Rachael Volberg & H. Steadman, "Policy implications of prevalence estimates of pathological gambling." In Shaffer *et al., supra* note 1, pp. 63–74; Michael Walker, *The Psychology of Gambling*, Oxford: Pergamon Press (1992) pp. 151ff; H. Wynne, G. Smith, & Rachael Volberg, *Pathological Gambling in Alberta*. Edmonton: Alberta Gaming Commission (1985).
[15] American Psychiatric Association, *Diagnostic and Statistical Manual of Mental Disorders*, ed. 3 rev. Washington, D.C.: The Association (1994).
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