

## Problems identified by Mäkelä parallel those in 'social cost of gambling' studies

DOUGLAS M. WALKER

Prof. Mäkelä has identified some key problems with cost-of-alcohol studies, almost all of which apply equally to social cost of gambling studies.<sup>1</sup> Until 2007 I advocated for adopting a single social cost estimation methodology, perhaps based on a mixed cost-of-illness and welfare economics methodology. However, since 2007 I have changed my opinion. I now view such estimates to be almost useless, even if we had a single, standardized methodology. I have come to this conclusion after much thought on how such studies have been performed and how they have been used by politicians and gambling opponents and proponents.

It is clear that social cost of gambling estimates are based on numerous arbitrary assumptions, partly because researchers in different disciplines define "social cost" differently. As a result, cost estimates vary anywhere from US\$9,000–50,000 annually per pathological gambler. As an example, some social cost estimates have included a cost category that is so nebulous that it is difficult to imagine anyone taking it seriously. "Abused dollars" were first defined by Politzer et al (1985, 133)<sup>2</sup>, as

The estimate of the average annual amount obtained legally and/or illegally by the pathological gambler which otherwise would have been used by the pathological gambler, his family, or his

victims for other essential purposes. These abused dollars include earned income put at risk in gambling, borrowed and/or illegally obtained dollars spent on basic needs and/or provided to the family which otherwise would have been "covered" by that fraction of earned income which was used for gambling, and borrowed and/or illegally obtained dollars for the partial payment of gambling related debts.

Where to start on this? What is an "essential purpose" and "basic need"? An opponent of gambling might estimate "abused dollars" to include the total amount a person bets – even if the person actually wins. This would be consistent with the definition above ("...earned income put at risk in gambling..."). In short, the concept of "abused dollars" as a component of social cost is useless. Worse, it is potentially deceptive to policymakers, voters, and other researchers. It has been used in the literature by staunch gambling opponents, such as Grinols, who estimates the social costs of pathological gambling at \$10,330 (Grinols 2004, 173). Abused dollars represent \$2,880 of Grinols' \$10,330 estimated social cost.

It is unnecessary to examine all of the problems in the gambling literature; I have discussed many of these elsewhere (for example, Walker 2007), as have others. It is sufficient to say that most of the monetary

estimates of the social costs of gambling are almost completely arbitrary.

Even if we had a single, refined methodology for social cost measurement, there is an insurmountable problem in producing a useful social cost estimate: comorbidity. To what extent does a person's gambling problem contribute to their socially costly behavior(s) when they have other medical or psychological problems aside from the gambling problem? I do not think researchers can answer this question. Petry et al (2005, 569) estimate that 73% of pathological gamblers in the USA have alcohol use disorders; 38% have drug use disorders; 49% have mood disorders; 41% have anxiety disorders; 28% have obsessive-compulsive personality disorder. Westphal and Johnson (2007) found that 77% of their study's subjects with a gambling problem had co-occurring behavioral problems, and 56% had multiple problems other than problem gambling. How do we attribute estimated social costs to the gambling problem specifically, when many problem gamblers have multiple disorders? If we cannot do that, then social cost estimates should be based only on problem gamblers who do not have co-

occurring disorders. I am not aware of any social cost study that derives its cost estimate solely from this subset of problem gamblers. I suspect the comorbidity problem also affects the credibility of many cost-of-alcohol studies.

The motivations for producing social cost estimates are clear and compelling. It would seem that some information, even with flaws, is better than no information. But monetary estimates based on arbitrary assumptions and questionable techniques produce a false sense of precision. This is not a good foundation on which to base important public policies. Fortunately, I believe medical and psychology researchers are making important strides in understanding the causes, consequences, and prevalence of gambling problems. But it is difficult to see the usefulness in creating arbitrary monetary estimates for these impacts.

**Declaration of interest** None.

**Douglas M. Walker**, Professor of Economics  
Dept of Economics & Finance  
College of Charleston, USA  
dougwalker2@gmail.com

## NOTES

- 1 Most of the social costs of gambling are believed to be attributable to “problem gamblers,” people who gamble so much that it causes problems in their personal lives, careers, etc. There is a large body of literature that discusses the diagnosis, classification, and treatment of different degrees of problem gambling. It is beyond the scope of this comment to detail that literature.
- 2 The concept of abused dollars was introduced in Politzer’s 1981 conference paper. The 1985 paper cited here is the published version of the 1981 conference paper.

## REFERENCES

- Grinols, E. (2004): *Gambling in America: Costs and benefits*. Cambridge: Cambridge University Press
- Petry, N. & Stinson, F. & Grant, B. (2005): Comorbidity of DSM-IV pathological gambling and other psychiatric disorders: Results from the National Epidemiological Surveys on Alcohol and Related Conditions. *Journal of Clinical Psychiatry* 66: 564–574
- Politzer, R. & Morrow, J. & Leavey, S. (1985): Report on the cost-benefit/effectiveness of treatment at the Johns Hopkins Center for Pathological Gambling. *Journal of Gambling Behavior* 1: 131–142
- Walker, D. (2007): Problems in quantifying the social costs and benefits of gambling. *American Journal of Economics and Sociology* 66: 609–645
- Westphal, J. & Johnson, A. (2007): Multiple co-occurring behaviors among gamblers in treatment: Implications and assessments. *International Gambling Studies* 7: 73–99.



