

# Kindt's Paper Epitomizes the Problems in Gambling Research

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For many readers, the casino gambling issue of *Managerial and Decision Economics*<sup>1</sup> will be their first exposure to economic research on casino gambling. Based solely on a reading of the *MDE* issue, one might get the impression there is overwhelming evidence that legal casino gambling is 'bad.' But readers should be skeptical of what they read, as there is no such consensus in the literature. Indeed, the literature is fraught with methodological problems and inconsistencies. Professor Kindt's article (2001), in particular,<sup>2</sup> exemplifies some of the problems that have been plaguing gambling research since the mid-1990s. Ordinarily, a reaction to an article like Kindt's would be unwarranted, since many of his arguments are supported only by newspaper articles. However, it is perhaps worthwhile to point out a few of the problems with Kindt's work, and with gambling research in general, so that research can advance, instead of digressing, as it has with the publication of the special issue of *MDE*. My comments focus on three issues in Kindt's paper. Copyright © 2004 John Wiley & Sons, Ltd.

## RESEARCH BIASES AND 'BULVERISM'

The gambling literature is replete with accusations of bias. Research that has been funded by the gambling industry, or an organization that at some point has been associated with the gambling industry, is often dismissed as biased. There are two obvious problems with the argument that funded research is dishonest. First, if funding nullifies research findings, then all government-supported research, for example, must be invalid.<sup>3</sup> In the extreme case, only unpaid volunteer researchers should be trusted. Second, and more importantly, scientific findings are not simply *opinions*. Questionable findings can be either supported or refuted by other researchers who repeat experiments, empirical tests, and analyses.

Kindt does not bother to refute researchers with whom he disagrees; he simply lobes personal

attacks and conflict-of-interest allegations. Consider Kindt's attack on Professor Shaffer (Kindt, 2001, p. 27). Even if Kindt demonstrates that Shaffer's research was partially or entirely funded by the gambling industry, it says nothing about the validity of Shaffer's analysis. For Kindt to show Shaffer's work was fraudulent, deceptive, or just plain wrong, he must provide specific evidence. He cannot simply allude to apparent conflicts of interest, or second-hand rumors—as he does through repeated references to a 1998 newspaper article (Ferrell and Gold, 1998).

Next, consider the attack on Professor Eadington. Kindt claims that Eadington is a 'well-known apologist for the gambling industry' (Kindt, 2001, p. 31). The reason for his attack appears to be either (1) Eadington has not estimated the dollar value of social costs from gambling, or (2) Eadington became co-editor of the *Journal of Gambling Studies*. In any case, *ad hominem* attacks are not appropriate in academic journals. If Kindt cannot demonstrate errors in Eadington's or Shaffer's research, then his attacks should not have been acceptable for publication in a respectable, peer reviewed journal.<sup>4</sup>

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Kindt's attacks are examples of what Lewis called 'Bulverism' (Lewis, 1970, pp. 271–277).<sup>5</sup> Bulverism occurs when one forgets that 'you must show *that* a man is wrong before you start explaining *why* he is wrong.' Lewis (p. 273) describes its imaginary inventor, Ezekiel Bulver:

...he heard his mother say to his father—who had been maintaining that two sides of a triangle were together greater than the third—'Oh you say that *because you are a man*.' At that moment, E. Bulver assures us, 'there flashed across my opening mind the great truth that refutation is no necessary part of argument.'

Lewis explains,

I see Bulverism at work in every political argument. The capitalists must be bad economists because we know why they want capitalism, and equally the Communists must be bad economists because we know why they want Communism. Thus, the Bulverists on both sides. In reality, of course, either the doctrines of the capitalists are false, or the doctrines of the Communists, or both; but you can only find out the rights and wrongs by reasoning—never by being rude about your opponent's psychology (Lewis, 1970, p. 274).

Following Lewis' suggestion, if Kindt believes research has been corrupted, he should answer two questions: 'The first is, Are *all* thoughts thus tainted at the source, or only some? The second is, Does the taint invalidate the tainted thought—in the sense of making it untrue—or not?' (Lewis, 1970, p. 272).

### SOCIAL COST ESTIMATES

Kindt's work perpetuates what is perhaps the most fundamental misunderstanding in the economics of gambling literature—the nature of social costs. Kindt suggests that the social costs of gambling have been estimated at between \$13 200 and \$52 000 per pathological gambler, per year (Kindt, 2001, p. 31).<sup>6</sup> This wide range of cost estimates results primarily from methodological flaws inherent in *all* social cost studies.

Consider two examples of highly regarded research in the area. Thompson *et al.* (1997) are very clear in how they arrive at their social cost

estimate of \$9465. But their estimate is suspect because they confuse technological with pecuniary externalities (i.e., social costs with transfers), count private costs as social costs, and make several other fundamental errors, as described by Walker and Barnett (1999).

Politzer *et al.* (1985, p. 133) coin the term 'abused dollars':

[the] amount [of money] 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.

To an economist, this concept of 'abused dollars' should raise questions. For example, measuring the amount of dollars spent gambling that 'could have been used for other essential purposes' begs the question: What is an 'essential purpose'? Furthermore, a generous interpretation of this concept would imply that the sum of all money bet represents abused dollars. This is likely to be significantly higher than the actual amount lost by a gambler.<sup>7</sup> The concept also treats borrowed money as abused dollars.

The fundamental problem is that none of these authors has defined social cost—none of them attempts to measure the same thing. A complete discussion of the issue is beyond the scope of this comment, but does exist elsewhere. Walker and Barnett (1999) analyze the social cost studies that permeate the literature. They discuss the components usually included in social cost estimates, and explain the appropriate distinction between the economic concept of 'social cost' and other negative effects of pathological gambling. Unfortunately, Kindt and others have ignored this work.<sup>8</sup>

### CITING SAMUELSON'S PRINCIPLES TEXT

In his section on 'economic misinterpretations' (Kindt, 2001, p. 19), Kindt exhibits a common

strategy of the anti-gambling activists when he selectively quotes from a 25-year-old edition of Samuelson's *Economics* principles textbook. The specific passage describes an economic case against gambling: it 'creates no new money or goods,' and 'when pursued beyond the limits of recreation...gambling subtracts from the national income' (Samuelson, 1976, p. 425). Others who have cited the same passage as a means of opposing casino legalization include Grinols (1994, p. 8; 1995, p. 8), Grinols and Mustard (2000, p. 224), Grinols and Omorov (1996, p. 50), and Kindt (1995, p. 567). Kindt seems to prefer the 10th edition (1976), while Grinols usually cites the 8th edition (1970).<sup>9</sup>

Unfortunately, researchers who quote this passage do not report other relevant material. For example, in the paragraph immediately preceding that quoted by Kindt, Grinols, etc., Samuelson writes: 'Why is gambling considered such a bad thing? Part of the reason, *perhaps the most important part*, lies in the field of morals, ethics, and religion; upon these the economist as such is not qualified to pass final judgment' (1976, p. 425, emphasis added). On the very next page, as a footnote to his discussion, Samuelson explains:

The astute reader will note...the case for prohibiting gambling must rest on extraneous ethical or religious grounds; or must be withdrawn; or must be based on the notion that society knows better than individuals what is truly good for them; or must be based on the notion that we are all imperfect beings who wish in the long run that we were not free to yield to short-run temptations. Some political economists feel that moderate gambling might be converted into socially useful channels (1976, p. 426, note 7).

After reading the context of the popular quotation, one wonders why researchers resort to making a selective reference to an old *principles* text<sup>10</sup> in an attempt to convince readers that gambling is 'bad.' Perhaps it is an appeal to authority, since Samuelson is a Nobel Laureate. But Samuelson is not the only famous economist to have written about gambling.<sup>11</sup> In any case, serious researchers do not typically rest their entire arguments on principles text excerpts and newspaper articles.

## CONCLUSION

There are other problems with Kindt's work, but I hope the three issues addressed here are adequate to illustrate that Kindt's work should not be considered a serious academic research paper. Most of the support for his arguments comes from non-academic sources.<sup>12</sup> While this type of work might be suitable for publication in a law review, it is inappropriate for a peer reviewed economics journal. 'Junk science' exists on both sides of the gambling debate, and newcomers to this area may best be advised to read more of the literature and decide for themselves who the 'policy entrepreneurs'<sup>13</sup> are, and what work has scientific validity.

## NOTES

1. Volume 22, no. 1–3 (2001); guest editors Grinols and Mustard.
2. Other papers in the *MDE* special issue have similar problems; however, the editor-in-chief has limited the scope of this comment to Kindt's paper.
3. Should this include employees of public universities?
4. Kindt's attacks on the *Journal of Gambling Studies* and *Gaming Law Review* (Kindt, 2001, p. 32) are similarly inappropriate without evidence of his claims. His attack on the *Gaming Law Review* is paradoxical, in light of his reference to Thompson *et al.* as a 'reputable group' (p. 32). The findings of their Wisconsin study (which Kindt repeatedly cites) were subsequently published in *Gaming Law Review* (1997). In the special issue of *MDE*, the same authors attempt to show that crime and gambling are related. To achieve this, they arbitrarily drop 'insignificant variables and variables with coefficients of the wrong signs,' and 'all control variables' (Gazel *et al.*, 2001, p. 69), leaving the presence of casinos as the only variable in a regression to explain crime. It should surprise no one that, with this specification, the authors find that casinos have a direct relationship with crime.
5. I thank J.J. Arias for pointing this out to me.
6. Kindt (1995, p. 582) claims that the average 'socio-economic cost' is \$53 000 per compulsive gambler, per year.
7. For a gambler to lose \$100 on slot machines that pay-out 90%, they must bet about \$1000, on average.
8. I was surprised at Grinols and Mustard's (2001) claim, 'we provide the first theoretical justification of what should be included as costs and benefits' (p. 155).
9. Grinols and Omorov (1996, p. 50), for example, take the argument one step further, claiming 'economists have long known that for many gamblers and those who provide them gambling services, gambling is in

- a class of activities called Directly Unproductive Profitseeking (DUP) activities. . . An individual who does not gamble for utility value, but to acquire money engages in income-reducing directly unproductive activity.' Grinols and Mustard (2000) make the same argument. Unfortunately, these authors have ignored or misunderstood the relevant literature, which basically equates DUP activities with rent seeking. Walker (2001) explains why gambling cannot appropriately be classified as a DUP activity.
10. Samuelson's *Economics* is now in its 17th edition, and has a co-author. The discussion on gambling (Samuelson and Nordhaus, 2001, pp. 208–209) retains a negative flavor, arguing that the activity produces nothing tangible and is 'irrational.'
  11. For example, Gary Becker (1992 Nobel Laureate) wrote a *Business Week* magazine article titled, 'Gambling's Advocates are Right—But for the Wrong Reasons,' in which he writes, 'I support this trend toward legalizing gambling, although my reasoning has little to do with revenues. . . .It would enable the many people who wish to place a bet to do so without patronizing illegal establishments and facilities controlled by criminals' (Becker and Becker, 1997, p. 45).
  12. Rarely does one find a peer reviewed economics article with the majority of its references being newspaper or magazine articles. Kindt's (2001) paper has 108 references, about 6% of which appear to be peer reviewed journal articles (seven papers, by my quick count). The majority are journalistic or legal references. (I did not count citations in his 264 endnotes or 107 footnotes to the appendix tables.)
  13. Krugman (1996, p. 11) describes as 'policy entrepreneurs' individuals whose primary purpose is to affect policy, and who offer 'unambiguous diagnoses' even when the evidence is uncertain.
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