

**PANEL SESSION- THE SOCIAL
COSTS OF PATHOLOGICAL
GAMBLING**

the economist's perspective

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- of course, policy should be driven by consideration of social benefits as well as social costs
- benefits accrue to consumers in the form of fun, thrills, a break from routine, social interaction, relief from stress, etc
- costs are borne by problem gamblers and their families and are manifest in elevated rates of suicide, depression, anxiety, domestic violence, divorce, loss of employment, etc (most of these linked to spending on gambling getting out of control)

- what makes gambling policy tricky is that facilities for gambling appear to generate a **small** benefit for a **large** numbers of users (“responsible gamblers”) and a **large** cost for a **small** number of users (“problem gamblers”)
- often policy involves trading off the interests of the many and the few
- both **aggregate** benefit and **aggregate** cost appear to be very large from attempts to measure them
- the most comprehensive attempts were in Reports from the Australian Productivity Commission in 1999 and 2010
- for each gambling sector, the Commission estimated that aggregate benefit was significantly larger than aggregate cost except that this result was not so clear cut in the case of gaming machines

BUT CAN WE MEASURE THE SOCIAL COST OF GAMBLING?

- various authors produce astonishingly different estimates of cost from each other
- this suggests a lack of scientific consensus on methodology
- there are several reasons for the failure to reach a consensus but I would highlight two in particular

1. the comorbidities issue

- most (70%) pathological gamblers, at least those observed in treatment, have other psychiatric or behavioural disorders

(Westphael & Johnson, International Gambling Studies, 2007)

- this makes it problematic to attribute all of the elevated rates of (for example) divorce and suicide among pathological gamblers to their gambling

2. valuation

- even if we were willing to attribute the problems of pathological gamblers to their gambling, it is not clear that we have any sensible way of monetising them
- researchers who have assessed “the social costs of gambling” **either** omit emotional costs from their calculations **or** give them purely arbitrary valuations (for example, \$X per additional divorce)
- the American economist Douglas Walker describes social cost estimates of gambling disorder as “arbitrary and useless”

(Casinomics: The Socioeconomic Impacts of the Casino Industry, 2013)

- given the problems of valuation, recent writers (e.g. Brad Humphreys et al. in a review of Gambling In Alberta, Canada, 2011) have tended to set out for policy makers an enumeration of social cost items
- “one new casino yields \$X of annual benefit but is predicted to trigger Y bankruptcies, Z days of lost employment linked to problem gambling, etc”
- this is probably a more honest approach than presenting a spurious dollar-valuation of social costs....but of course it is still not easy to predict the qualitative social impacts associated with provision of gambling facilities
- another alternative may be to focus directly on the wellbeing of problem gamblers and seek to measure the extent to which “happiness” is depressed in pathological gamblers
- I will use my presentation tomorrow to explore this new avenue of research