

October 4, 1999

via email (3 pages)

Gary Banks
Productivity Commission
PO Box 80
BELCONNEN ACT 2616 AUSTRALIA

Dear Chairman Banks:

I am writing to comment on the Productivity Commission's Draft Report on Australia's Gambling Industries. In particular, I am writing to provide the Commission with additional information on the relationship between the availability of gambling in the United States and the prevalence of problem gambling.

Most of the evidence from the U.S. fails to demonstrate a positive correlation – much less a causal relationship – between the availability of various forms of gambling and the prevalence of problem gambling. Consider:

- The recent report of our National Gambling Impact Study Commission states that there has been a “massive and rapid transformation” of American life over the past two decades, during which gambling changed from “a limited and relatively rare phenomenon” to a “common feature of everyday life, readily accessible in one form or another to the vast majority of Americans.”¹ In the mid-1970s, a previous national commission which examined gambling estimated that 0.77 percent of Americans were “probable compulsive gamblers,” and an additional 2.33 percent were “potential compulsive gamblers.”² While the instruments and nomenclature used by our national study commissions have not been consistent, the more recent prevalence data from the U.S. suggests that serious gambling problems are no more prevalent now than they were in the past, despite today's relatively ubiquitous gambling opportunities.
- Pairs of prevalence studies conducted at different points in time in South Dakota,³ Minnesota,⁴ Texas,⁵ Washington,⁶ Connecticut,⁷ Indiana,⁸ and Louisiana⁹ have shown statistically stable rates of pathological gambling, despite significant increases in the availability of gambling and/or gambling behavior in each of those states.
- As Table 8-9 in your Draft Report indicates, the nationwide, random survey of American adults conducted for our National Gambling Impact Study Commission concluded that prevalence rates in places closest to casinos were no higher than prevalence rates in places further from casinos. As its consultant's report stated, “The availability of casinos within driving distance does not appear to effect prevalence rates.”¹⁰ It was only after the results of the random, nationwide survey were “combined” with results from a separate study of patrons at various gambling establishments – a technique of dubious validity – that an opposite finding was later announced by the Commission's consultant.

- Although there are significant differences in the regional availability of various forms of gambling in the U.S., a meta-analysis of the prevalence literature conducted by researchers at Harvard Medical School concluded that there were no regional differences in the prevalence of gambling problems.¹¹
- The community database analysis conducted for our National Gambling Impact Study Commission concluded that rates of bankruptcy¹² and crime were not related to the proximity of casino gambling. And spending on social services was actually lower in places that are closest to casino gambling than in places further from casino gambling.¹³ Surely if availability drove prevalence, these findings would not be possible.

The evidence from the United States that is presented in the Draft Report alleging a direct relationship between availability and prevalence is less than compelling. For example, the Draft Report at p. 8.19 claims that “studies” by Eadington (1989) and Lesieur (1992) demonstrate a causal link, yet the reader of the original Eadington and Lesieur papers will recognize that these are allegations not supported by any empirical data. On page 8.21, the Draft Report cites a report by Hill (1997) that in Georgia “problem gambling rates appeared to increase significantly following liberalisation of gambling,” yet to my knowledge only one statewide prevalence study in Georgia has ever been conducted, making such a claim difficult to verify. Also, on p. 8.21 the Draft Report cites a claim by Volberg (1994) that states “with a longer history of legally available gambling had significantly higher levels of problem gambling.” While this is Volberg’s claim, a reader of the original article would note that Volberg only notes that the rate of pathological gambling in Iowa was lower than the rate in several other states. Volberg’s analysis a) fails to identify the Iowa prevalence study as the outlier among North American prevalence studies, with every other SOGS-based study finding current rates of pathological gambling at least 500 percent higher than that identified in Iowa; and b) fails to account for the many variables besides “history of legally available gambling” that could account for the detected difference.

In summary, I believe that the experience of the United States suggests that there is a “background” level of problem or pathological gambling which is relatively unaffected by marginal or even significant changes in the availability of local and regional gambling opportunities. Admittedly, this finding is counter-intuitive. However, the studies which provide the best opportunity to assess whether there is a relationship – statewide prevalence studies conducted at more than one point in time – between availability and prevalence provide the most conclusive evidence that this relationship, in fact, does not exist.

Thank you for the opportunity to provide clarifying information to the Productivity Commission. I look forward to reading the Commission’s Final Report.

Sincerely,

Dean W. Hestermann
 Manager, Policy Analysis and Research
 Harrah’s Entertainment, Inc.
 1023 Cherry Road
 Memphis, TN 38117
 USA

¹ The National Gambling Impact Study Commission, *Final Report* (Washington, DC: NGISC, June 1999), p. 1-1.

² Commission on the Review of the National Policy Toward Gambling, *Gambling in America* (Washington, DC: Commission on the Review of the National Policy Toward Gambling, 1976), p. 73.

³ Randall M. Stuefen and Rachel A. Volberg, *A Study of Gambling Participation and Problem Gambling* (Vermillion, South Dakota: University of South Dakota Business Research Bureau, 1993).

⁴ Michael O. Emerson and J. Clark Laundergan, "Gambling and Problem Gambling Among Adult Minnesotans: Changes 1990 to 1994," *Journal of Gambling Studies* 12 (Fall 1996), pp. 291-304.

⁵ Texas Commission on Alcohol and Drug Abuse, *Gambling in Texas: 1995 Surveys of Adult and Adolescent Gambling Behavior* (Austin: Texas Commission on Alcohol and Drug Abuse, 1996).

⁶ Gemini Research, Ltd., *Gambling and Problem Gambling in Washington State: A Replication Study, 1992 to 1998*, Report to the Washington State Lottery, May 11, 1999.

⁷ WEFA Group, *A Study Concerning the Effects of Legalized Gambling on the Citizens of the State of Connecticut*, report prepared for the State of Connecticut, Department of Revenue Services, Division of Special Revenue, June 1997.

⁸ The Gambling Studies Unit, Department of Psychiatry, Louisiana State University Medical Center, *Problem and Pathological Gambling Behaviors Within Specific Populations in the State of Indiana* (Shreveport, Louisiana: The Louisiana State University, August 14, 1998).

⁹ Timothy P. Ryan and Janet F. Speyrer, *Gambling in Louisiana: A Benefit/Cost Analysis*, report for the Louisiana Gaming Control Board, April 1999.

¹⁰ National Opinion Research Center at the University of Chicago, et al., *Overview of National Survey and Community Database Research on Gambling Behavior*, report to the National Gambling Impact Study Commission, February 1, 1999, p. 26.

¹¹ Howard J. Shaffer, et al., *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis* (Boston: Harvard Medical School Division on Addictions, December 10, 1997), p. 47.

¹² An even more recent analysis by the United States Treasury Department echoed these findings. See Department of the Treasury, *A Study of the Interaction of Gambling and Bankruptcy* (Washington, DC: Treasury Department, July 1999).

¹³ 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, p. 71.