

SOCIAL & ECONOMIC COSTS & BENEFITS OF GAMBLING

“Knowledge of gambling’s impact enables the determination of the healthiest gambling policy – a policy in which the tradeoff between the harm and good of gambling expansion provides the maximum public benefit” (Azmier, Kelley, & Todosichuk, 2001).

What has been the impetus for studying gambling’s impact?

It has been suggested that the steady expansion of legalized gambling across North America which began in the late 1980’s stemmed from an assumption by governments that gambling revenues resulted in a net benefit to society (Smith & Wynne, 2000). The premise that gambling expansion stimulated economic development was subsequently questioned by researchers who found that most early gambling impact studies were biased or methodologically flawed.

Recently, researchers have attempted to pursue more appropriate conceptual frameworks, clearer definitions of costs and benefits, and more scientifically rigorous methods for measuring the social and economic impacts of gambling (Smith & Wynne, 2000). These efforts culminated in the *1st International Symposium on the Economic and Social Impacts of Gambling* in Whistler, British Columbia in September 2000. The ensuing scholarly discussion and debate that took place was informative but did not produce definitive best practice guidelines for conducting impact studies. Several influential papers prepared for the symposium were subsequently published in the special issue of the *Journal of Gambling Studies* (June 2003) entitled “The Socioeconomic Impact of Gambling: The Whistler Symposium.”

Why has it been challenging to measure the costs & benefits of gambling?

The major challenge faced by researchers when attempting to measure the impact of gambling has been how costs and benefits are assessed, valued, defined, and measured. Some researchers (e.g., Walker & Barnett) recommend adopting a “classical” economics perspective when attempting to determine measurable social costs and benefits. Those recommending alternate approaches (e.g., McGowan) contend that the classical approach neglects to include those social costs which are inherently more difficult to quantify. Other issues encountered include an inability to isolate the *specific* effects caused by gaming from those that are *associated* with gaming. Yet another issue relates to the growing recognition that the various forms of gambling actually produce differing levels of socio-economic impacts (Collins & Lapsley, 2003).

It is thought that, due to the wide range of socio-economic effects, a *single* model or approach may not be adequate to measure the costs and benefits of gambling. According to Garry Smith and Harold Wynne (2000), there is a strong likelihood of both quantitative and qualitative approaches being employed in future studies.

What exactly is a cost-benefit analysis? Can it measure gambling impacts?

The traditional economic understanding of a cost-benefit analysis (CBA) has been as, “a method for assessing the economic efficiency of public policies through the systematic measurement of social costs and social benefits. When economic efficiency is the only relevant social goal, CBA provides an appropriate decision rule: choose the policy, or set of policies that maximizes net social benefits” (Haveman & Weimer, 2001, p. 2845).

Two important cost-benefit analysis requirements are:

1. A determination of whether the value of the output in the economy *with* the proposed project would be greater than the value of the economy’s output *without* the project. This with / without principle is important for defining and measuring both social benefits and social costs (Haveman & Weimer, 2001, p. 2846), and;
2. An evaluation of social benefits and social costs such that, “the protocol for the analysis be a comprehensive one in which all of the adverse and beneficial effects of the policy are tabulated, regardless of who in the society is harmed or helped by them. It follows that all effects accruing to national citizens (or perhaps residents) be counted.” (Haveman & Weimer, 2001, p. 2846).

The term cost-benefit analysis is essentially an economists’ technical term but it should be recognized that it has also commonly been used as a short hand for ‘an analysis of the costs and benefits’ (Easton, 2003). This distinction is important because ‘an analysis of the costs and benefits’ may mean that a final aggregation of monetary values is not included in the analysis. Thus, this method minimizes the difficult and contentious issues related to the valuation of human costs.

Two examples of recent investigations attempting to delineate the social and economic impacts of casino gambling on communities have included those undertaken by Blue Thorn Research and Analysis Group and by the University of Northern Iowa. Each compared the impacts on communities with gambling facilities versus those in comparable communities where such opportunities were not available. Included in the studies were selected “baseline” statistics that were analyzed to measure the effects over time of the introduction or expansion of gambling.

What are some examples of the social & economic costs & benefits of gambling?

The following broad examples provide an indication of what are generally considered to be the social & economic costs & benefits of gambling:

Social and economic costs:

- increased criminal justice system impacts
- health-care related to the treatment of problem gambling
- costs borne by individual problem gamblers and their families

- displacement effects in retail, entertainment and food service sectors

Social and economic benefits:

- increased leisure opportunities and entertainment options
- employment gains from hospitality and tourist-oriented business growth as well as related economic spin-offs (“multiplier effect”)
- government revenues derived from the ownership or operation of gaming
- infrastructure improvements

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