

“Place Your Bets!”

On Gambling, Government and Society

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Cet article trace les grandes lignes des questions majeures de politiques publiques impliquées dans la renaissance d’une des plus vieilles activités de l’homme: le jeu. Il analyse quatre facteurs qui ont fait passer le jeu de son rôle de passe-temps personnel au centre de l’actualité publique canadienne: 1) la participation active du secteur public dans le jeu d’une part en tant que promoteur de loteries, casinos et tombolas et d’autre part en tant que régulateur de ces activités; 2) la dépendance, la criminalité et les autres problèmes associés au jeu; 3) la prolifération rapide du jeu qui en fait un facteur important dans plusieurs budgets provinciaux; 4) la mesure dans laquelle les biens publics, incluant les institutions culturelles et le sport amateur, sont financés à partir du jeu.

Nous examinons où la société canadienne se dirige en termes de dépendance au jeu, présentons les tendances vraisemblables des revenus et des activités liés au jeu et examinons les implications du jeu chez les jeunes. L’article conclut sur des recommandations pour d’autres études et des actions législatives.

This article outlines the major public policy issues in the renaissance of one of the oldest of human activities: gambling. It analyzes four factors which have shifted gambling from its role as a private pastime into the centre of the Canadian public agenda: (i) the public sector’s active participation in gambling both as a promoter of lotteries, casinos, and raffles, and as a regulator of those activities; (ii) addiction, crime, and other problems associated with gambling; (iii) gambling’s rapid proliferation, which has made it a major factor in many provincial budgets; and (iv) the extent to which public goods, including cultural institutions and amateur sport, are funded through gambling.

We examine where Canadian society is heading in terms of its reliance on gambling, present likely trends in gambling revenues and activities, and review the implications of youth gambling. The paper concludes with recommendations for further study and legislative action.

Until the 1950s, gambling had an attractive image. The glamour and glitz of the gaming tables of a Monaco or a Las Vegas showed us the pleasing public side of gambling, an activity remote from the daily life of the average North American. The misery of gambling debts and addictions, on the other hand, was a private affair. Any problems produced by gambling were not the concern of government or its social services. One heard the occasional story of a profligate child who racked up gambling debts, to be settled discreetly by other family members. But the overall impression of gambling was that it constituted a private luxury irrelevant to the general population. Today gambling has emerged into the public domain as an important societal issue, an issue that affects strongly the social and economic lives of urban citizens.

This article addresses the changes during the last three decades which have brought gambling from the periphery of the daily life of Canadians into the centre of the national agenda, particularly social policy. We provide a framework for enumerating some of the more problematic social and economic impacts of gambling activities and outline the major policy issues involved in the newest publicly sanctioned manifestation of one of the oldest of human activities. Such a critical review of gambling, including an understanding of the players involved, the moral issues posed by public reliance on funds raised through lotteries and casinos, and an assessment of the trends in publicly regulated gambling, is particularly important today when each month brings news of increased betting limits at casinos and new forms of gambling in almost every jurisdiction in Canada and the United States.

THE GOVERNMENT'S STAKE

The government now serves as both a regulator and a beneficiary of gambling activities in Canada, but it has not always performed these two functions. To understand the present role of government vis-à-vis

gambling, it is important to review its legal evolution over the past one and a half centuries.¹

Legal Background

Gambling law in Canada derives from English statutory law of the early 1800s. Gambling itself was never illegal in England, and private bets between individuals were exempt from prosecution, so there was no puritanical sense of repugnance toward the activity itself. In 1802, the English Parliament enacted the *Gaming Act* (*Gaming Act* 42 Geo. III(c) 119). The preamble to the Act refers to the need to protect "servants, children and unwary persons." It appears that the predominant concern of Parliament at the time of enacting the *Gaming Act* was with cheating and with keeping a common gaming house. "It must be noted that lotteries had been a device employed by the Crown in England since the early sixteenth century to raise funds for public works. Lotteries.... continued to be lawful so long as they were authorized by Parliament" (Maclean 1996, section 1, p. 5).

In 1856, legislation similar to the British *Gaming Act* was passed in Canada. The *Criminal Code*, passed in 1892, contained provisions prohibiting gaming. Because all matters dealing with criminal law in Canada are the jurisdiction of the federal government, and because in 1900 the Supreme Court of Canada in *L'Association St. Jean Baptiste v. Bault* (1900, 30 S.C.R. 598) held that gaming and gambling were exclusively matters of criminal law, all gaming regulation remained federal.

Prior to 1969 the *Criminal Code* prohibited gambling activities other than pari-mutuel betting on horse races, small-scale lotteries for charities, and occasional lotteries at fairs (Osborne 1992, pp. 56-7; Campbell 1991, pp. 154-5). The year 1969 is a critical one because it marks a shift in jurisdiction between the federal and provincial levels of government in relation to gambling. The *Criminal Code* was amended to permit both federal and provincial levels of government to hold lotteries. In the years

following 1969, amendments also permitted provincial governments to license charitable and religious organizations to hold lotteries as long as the proceeds were used for charitable or religious purposes, and the courts gradually gave a broader interpretation of provincial jurisdiction. Criminal law in respect to gambling was replaced by a system of administrative regulation (Campbell 1991, p. 157). It took only until the mid-1970s for every province and territory in Canada to have its own lottery system (Ibid.).

In 1985, the federal and provincial governments agreed that the federal government would no longer enter the field of gaming and betting in Canada. In return, the provinces agreed to pay the federal government \$100 million, a figure which pales when compared with the moneys generated by various provincial lotteries over the years.

Malcolm Maclean, an advisor to First Nations on economic initiatives and gaming, emphasizes that the 1985 Agreement specifically refers to the agreement as dealing with a "commercial" matter (Maclean 1996, section 1, pp. 9-12). The agreement marked a pronounced shift in the legal attitude in Canada as gaming was now considered to have both criminal (federal) and commercial (provincial) aspects.

Provincial governments can now conduct lotteries (*Criminal Code*, Part VII, Sections 197 and 207). They can also license charitable or religious organizations to conduct lottery schemes. The lieutenant governor in council of a province or his or her designate may also set the terms and conditions regarding the conduct and management of lottery schemes for charitable or religious purposes. The authority of provincial gaming authorities such as the British Columbia Gaming Commission derives from these provisions of the *Criminal Code*.

This sketch of the legal background of gaming in Canada indicates not only the trend toward liber-

alization of the gaming environment but also the proliferation of players in the business. Whereas 30 years ago all gaming was considered a federal matter governed by the *Criminal Code*, in recent years the provinces have gained close to exclusive control. The provinces now determine the extent of gaming within their jurisdictions (Pacific Business and Law Institute 1996, pp. 1-23). Instead of one level of government control, today we have the federal government and ten provinces, along with tens of First Nations communities, who all view their rights vis-à-vis gaming in different ways.

Government Neediness: The Fox Watching the Chicken Coop

Government is now an active participant in the gambling industry. It serves as both a regulator and a beneficiary, an awkward duality. And now that governments participate, gambling terminology has begun to shift. The activity itself is no longer referred to as "gambling" but rather as "gaming." The term "gambling" may have unsavoury associations, particularly since various forms of gambling have been illegal, but "gaming" connotes fun, playfulness, and innocence. Rather than the neutral term "activity," gaming is called an "industry," implying productivity and usefulness. References to gambling activity have been replaced by talk of a more productive and amusing gaming industry.

Government is tied to gambling because of the enormous revenues it derives from gambling; it is perhaps the most heavily addicted party in the gambling arena. With citizens revolting against further taxation, it is difficult for government to resist the temptation to join the gambling bandwagon. The government's promotion of lotteries and other state-sanctioned forms of gambling has been compared to the corrupt practices of the Catholic church in the Middle Ages, when the sale of indulgences made considerable sums for the church (Everett-Green 1996, p. C1). Today, the "immoral" activity of gambling is justified by using the revenues raised for socially desirable purposes.

The sums are significant. For example, in the fiscal year ending March 1995, six casinos in Ontario, Quebec, and Manitoba raised \$573 million in revenue, with much of it going to provincial governments. It is estimated that in 1997, casinos generated \$1.5 billion for provincial treasuries. This figure is for casinos alone and does not include the sums generated by provincial lotteries. In British Columbia in 1996, net revenue to the province from all forms of gambling was \$274 million, including \$244 million from lotteries; \$15 million from charitable gaming in casinos, bingo halls, and raffles; and \$15 million from pari-mutuel betting on horse racing. Lotteries are the greatest contributor to provincial revenues. The total dollar revenue figure which the British Columbia government derives from gambling has been increasing steadily, from \$244 million in 1992 (7.6 percent of total provincial revenues) to \$274 million in 1996 (6.4 percent of total revenues) (Auditor General of British Columbia 1997, p. 6).

The desperate neediness of governments, particularly provincial governments which have all had difficulty balancing their budgets during the last decade, has led to public cynicism about the motivation of casino and gambling proponents. The decision-making process regarding expansion of casinos and other forms of gambling in British Columbia is a case in point. When a major casino was proposed as part of a 48-acre Vancouver Port Corporation and private sector development of a site on Vancouver's waterfront in early 1994, there was tremendous public opposition. One of the key opponents to its casino component was the City of Vancouver itself, and the proposed Seaport Centre development was eventually withdrawn.

By late 1994, the Province of British Columbia responded in its own review of gaming policy by recommending that "for-profit, Las Vegas-style casinos ("major casinos") ... not be permitted anywhere in British Columbia" (British Columbia Ministry of Government Services 1994, p. ii). The same report stated that one of the principles guiding gam-

ing policy decisions is that "the level of public gaming should be kept moderate; expansions should be implemented in ways that reduce or eliminate negative impacts; and help should be provided for problem gamblers" (Ibid.). Despite these protestations, by mid-1997 there were proposals by Great Canadian Casinos, the company that owns the majority of casinos in British Columbia, to build a 22,000 square foot casino on the edge of Vancouver's downtown entertainment district and to double the size of a second downtown casino to 18,000 square feet. Each of the two operations would be larger than any others now operating in the province.

City of Vancouver mayor and councillors have objected to the proposed new casinos but are uncertain how to prevent their construction. In 1996, over the objections of the city, the province added electronic Keno games in adult-oriented bars and pubs. Earlier promises of modest expansion of gambling in British Columbia were not kept. Higher betting limits, longer hours, new types of games, and even talk of the introduction of alcohol (previously prohibited) in some future "destination casinos" all indicated a rapid expansion of the stakes in gambling in British Columbia. The province has clearly signalled its determination to increase the revenue it raises through gambling.

In the United States, over \$350 million is spent per year simply on ads to promote lotteries (Hernandez 1996). The issue is whether governments that spend so much to promote gambling can regulate and limit it effectively. In short there is a conflict between the regulatory process and the fiscal solvency objectives that resulted in state-sponsored gaming in the first place.

Recently a number of United States jurisdictions have reviewed both the budget and the content of their advertising campaigns. Governor Pataki of New York insisted on a shift in the "Hey, you never know" slogan for the New York State Lottery, which aimed at luring people into risking a few dollars for the chance at winning big.² Instead of emphasizing

instant riches, the new campaign focuses on using winnings to make modest purchases: blenders, shoes, new brakes and shocks for a car.

Given government's increased involvement in gambling, it is questionable whether it can be trusted to regulate the industry, particularly in light of the trend to ease regulations. For example, Corey Thornburg Brunson of the Citizens' Research Education Network (CREN) of Hartford, Connecticut has reviewed the state of New Jersey's regulatory history. She found that in 1977, New Jersey maintained strict limitations on gambling (Citizens' Research and Education Network 1996, pp. 5-6). No operations were permitted to remain open 24 hours a day, and strict limits were placed on slot machines. But over time all limitations were eliminated. The trend in British Columbia is similar. For example, the \$25 betting limit was increased to \$100 in late 1995 and to \$500 in 1997.

PRIVATE PROBLEMS IN PUBLIC PLACES

Problems associated with gambling, particularly the problems of addiction, are no longer a completely private matter. They affect the economy through job loss and absenteeism and they necessitate expenditure of public funds on addiction programs and on crime prevention. As participation in gambling activities increases, the effects on society are more pronounced.

Society as a whole bears the cost of the host of social problems associated with gambling. The three main social impacts of gambling are problem gambling, crime, and the unemployment caused by closure of businesses which are not part of the casino or gambling industry. Governments for centuries have maintained order through crime detection and prevention for centuries. Unemployment has been a social concern since the advent of the welfare state in the 1930s. However, problem gambling is a relatively new issue, since gambling debts were usually handled privately and the debts themselves were

generally considered the only "problem" associated with gambling. Recognition that gambling could be an addiction which requires medical treatment has been relatively recent. In fact, the medicalization of various addictions is a relatively recent phenomenon, and of these addictions, gambling is one of the newest.

Problem Gambling

Among people who gamble are a number who can be considered addicted to gambling. Mental health experts group addicted gamblers into problem gamblers and pathological gamblers. Pathological gambling behaviour included loss of control over gambling, lies and deception, theft, compulsive chasing of losses; it results in serious family and job disruption (Volberg 1994, p. 237). Pathological gambling is defined as the repeated failure to resist the urge to gamble, disrupting the ability to function in personal and employment roles (Murray 1993, p. 72).

Problem gambling is estimated to affect 4-6 percent of the general population (Vancouver Board of Trade 1994, p. 23; Volberg 1994, p. 238). In British Columbia, a 1994 survey showed 7.8 percent of residents of the province had experienced problems with gambling during their lifetime. Of that group, 6 percent were classified as problem gamblers, and 1.8 percent as probable pathological gamblers. The survey provided comparison figures for people who had experienced a gambling problem during their lifetimes of 8.5 percent in Alberta and 5.1 percent in Washington State (Gemini Research 1994, p. 41).

Gambling addiction, along with other forms of addiction, is now found in younger age groups. In Alberta, for example, a recent study suggested 8 percent of teens are problem gamblers and another 15 percent are at risk (McLeod 1996). An Ontario study suggested gambling-related problems are four times more prevalent among those aged 12 to 19 than those aged 18 to 74 (Ibid.). In response to teen gambling, Ontario, Saskatchewan, and Alberta instituted programs in the fall of 1996 to educate junior high and high school students about the risks

linked to gambling. Addiction counsellors have emphasized the importance of prevention, as casinos appear in major Canadian cities and video lottery terminals spread throughout the western part of the country. Prevention programs will increasingly need to address the teen population. To date there are no studies which evaluate the effectiveness of these prevention programs.

The British Columbia Lottery Corporation's 1994 study of compulsive gambling in British Columbia (Gemini Research 1994) showed that risk factors for problem gambling are (i) gambling at an early age, and (ii) a preference for continuous forms of gambling such as video gaming, bingo, casino games, and instant lottery games. The rapid action format of video gaming provides a quick high akin to the rush experienced in other forms of addiction.

As our governments turn to more "hard core" forms of gambling with higher stakes and higher pay-offs, we must recognize that we are creating a climate conducive to problem gambling. The British Columbia Lottery Corporation report notes there are 100,000 British Columbians rated as problem gamblers, 30,000 of whom are pathological. Youth addiction is spreading rapidly, with three times the adult prevalence rate (National Council of Welfare 1996, p. 38).

An American study collected data on pathological gambling in five states (Volberg 1994). Epidemiological data were collected to determine the prevalence of probable pathological gambling in the population of each state, and demographic data were collected from gamblers in treatment programs in each state. The availability of gambling itself was found to increase the prevalence of problem gambling. The study found that in states where gambling had been available for less than 10 years, fewer than 0.5 percent of adults were probable pathological gamblers, while in states where gambling has been legalized for more than 20 years, 1.5 percent of adults were classified as probable pathological gamblers. "Together, these data support the long-

standing contention of treatment professionals and researchers that increasing the availability of gambling will contribute to an increase in the prevalence of gambling-related problems in the general population" (Ibid., p. 239).

A pioneering study of the gaming industry by Robert Goodman has estimated the annual cost to the public per problem gambler is \$13,200 US (1994a, p. 60). This figure does not include the cost of divorce and family problems. It does include income lost by compulsive gamblers through job loss and the cost of prosecuting and imprisoning a number of them for theft and other crimes (Volberg 1993). Cost estimation is an inexact science at best. It is particularly difficult to quantify the social costs of marriage break-up, family violence, and the mental anguish that results from addictive gambling behaviour.

Today, problem gamblers may be gambling through existing lotteries, casinos, and horse races, but the increasing availability of gaming will certainly add to their numbers. The proliferation of gambling is becoming a public health issue; new forms of gambling will adversely affect prevalence rates of problem gambling (Volberg 1994, p. 237).

Crime

Evidence suggests that crime related to gambling takes a number of forms (Albanese 1985; City of Vancouver 1994, pp. 18-19; Citizens' Research Education Network 1992, pp. 53-8). First, in the case of site-specific gambling, such as casinos, there is the crime which may affect the gaming house itself. This category includes non-violent crimes such as cheating by dealers and other forms of theft perpetrated by management or employees of the gambling establishment.

A second, and more serious, form of organized crime can become associated with gambling, again particularly at large-scale casinos. Money laundering, profit skimming, and loan sharking are definite risks. Those involved in prostitution and drug

dealing, run by organized crime groups, also gravitate toward casino locations. While organized crime has generally been eliminated from the front of the house, it may come through the back door through laundry, food supply, and vending machine suppliers.³ To prevent criminal elements from infiltrating casino operations via the back door, the Province of Ontario investigates and licenses all major service providers.

Ambient crime, including crimes such as break-ins, muggings, and prostitution, occur in the vicinity of a casino or gaming site. Police sources note that the introduction of gambling generally means more work for the police. Crimes like burglary and drunken driving can increase due to the transient population that gambling attracts (City of Vancouver 1994, p. 19). The financial pressures gamblers, and particularly pathological gamblers, face cause an increase in domestic disputes and domestic violence. The impact of casinos on community crime rates in Canada is difficult to assess, since the introduction of casinos is fairly recent. In Windsor, Ontario, for example, the overall crime rate has dropped, but the incidence of spousal abuse, prostitution, fraud, and embezzlement has increased (Henriksson 1996, p. 118).

Unemployment

The effects of gambling on jobs and unemployment are three-fold. First, problem gambling affects an individual's ability to hold a job. The gambling addiction, like other addictions, comprises all aspects of a person's daily life, from family relationships to employment. The second and third effects of gambling on jobs are site-specific: they deal with the jobs available within the facility and the effect of the casino on employment in the neighbouring businesses and institutions. The latter effect is discussed in the next section.

Proponents of a casino generally promise that a large number of new jobs will be created within the facility. These job creation promises are often inflated. In most cases, casino proponents themselves

provide the only economic analysis of job-creation potential, and they are prone to overstate employment potential to win municipal approval. For example, the proposed waterfront casino in Vancouver, British Columbia was to employ 3,200 staff (Seaport Centre to City of Vancouver Planning Department 1994), about 85 percent working full-time. Most casinos train their own staff, and there was no guarantee that local workers would receive any preference. The City of Vancouver's review of the employment impact of the proposed casino noted that although Vancouver's labour force suited casino requirements, special training would be needed. The city's study found that the casino might not help the poorer unemployed residents of the city, particularly those living adjacent to the proposed site in the Downtown Eastside. "Our review of experience elsewhere suggests that a casino is not different than other employers in being generally unable to hire the 'unemployable,' that is, those unable to perform basic work duties or stay with a job" (City of Vancouver 1994, p. 13).

When industry spokespersons provide estimates of the types of jobs to be created, they often base their figures on the higher paying jobs of dealers and other skilled workers. But these workers are often imported. Michael Rose, the Chairman of the Promus Companies, has publicly stated that the casino industry would have been unable to staff its facilities with Atlantic City residents because they are "uneducated, under employed, possibly unemployable" (Citizen's Research and Education Network 1992, p. 15). Casino security requirements make it difficult for the long-term unemployed to obtain casino jobs. Casinos are not back-to-work schemes for the unemployed by any means.

In addition, it is important to note that slot machines generate 65 percent of the revenue in a casino. These machines are the best employees; they function for 24 hours a day without rest, sick pay, or food. As the gambling industry moves toward automated forms of gaming, employment opportunities within the casinos will dwindle.

In sum, the proliferation of gambling is a recent phenomenon and society is only now beginning to examine the social and economic impact of gambling. The factors mentioned above, addiction, crime, and unemployment, have not yet been quantified in detail. The United States Congress has approved a measure to create a national commission to review the social and economic impact of casinos and state-run lotteries. "As various forms of gambling have spread across the nation, there has been little effort to examine the economic and social impact. State and local political leaders faced with deciding whether to approve gambling in their area, or expand its presence, often have little hard information available to assess the advantages and disadvantages to their communities" (*New York Times* 1996a).

In Canada, provincial efforts to expand gambling without considering social and economic costs have raised criticism. For example, the British Columbia Ministry of Employment and Investment's Gaming Review favouring expanded legalized gambling beyond government lotteries into legalized major casinos and the introduction of slot machines (British Columbia 1997) was criticized for not considering the social costs associated with gambling and for failing to solicit, at arm's length, appraisals of the benefits and costs of gambling expansion (Lipsey 1997, p. 5).

As the British Columbia Ministry of Employment and Investment report shows, governments may give short shrift to the crime issue in the rush for the cash they know will be generated through increased gambling activity. However, the response in British Columbia, Manitoba, and in many American states indicates that private citizens and their municipal representatives are demanding a broader evaluation of the social benefits and costs of legalized gambling both in the United States and in Canada.

HIGH STAKES AT HIGH SPEED

Today every corner store sells lottery tickets, bingo is popular in many church halls, and many regions are home to a casino. What was once an occasional activity or a holiday pastime has become a significant urban leisure-time activity.

Gambling has recently become a major component of public budgets. Errol Black has reviewed the role of gambling in the budget of the Province of Manitoba, for example, finding that the addition of Video Lottery Terminals (VLTs) to the gambling products available in the province caused a jump in total revenues: "The practice in Manitoba is to use a portion of the revenues for current programming and to squirrel away a portion in a 'rainy-day' fund. The revenues, which are accumulated in a fund, are transferred into general revenues as needed to achieve the government's fiscal objectives, namely, deficit reduction and/or fiscal stabilization" (1996, p. 51). In this fashion, governments are able to avoid raising taxes to meet their fiscal objectives; instead they can raise funds through gambling and allocate them with minimal public scrutiny.

The Manitoba case illustrates an increasing reliance on gambling revenues in constructing provincial budgets. In fiscal 1990-91, Manitoba gambling revenues totalled \$66 million, or 1.3 percent of total provincial revenues of \$4.8 billion. In 1994-95, gambling revenues totalled \$214 million, or 4.2 percent of the provincial budget. This figure rose even more dramatically in 1995-96 to \$387 million, representing 7 percent of the total provincial revenues (*Ibid.*, p. 52).

In British Columbia, hours of casino operation, betting limits, and types of games available are all expanding in a marked fashion. The province will be the biggest beneficiary of this expanded gambling picture. Under new provincial rules instituted during 1997, charity gaming is expected to generate up to \$800 million in revenue for the province, up from \$231 million prior to the change in rules, an increase

of nearly fourfold (Lee 1997c, p. A1). The provincial government began taking up to two-thirds of the profits from casinos and bingo halls under new rules effective in October 1997. Before that date they took only 10 percent of the profits. In percentage terms, charities will lose under the new arrangements since they will receive only 33.3 percent of charity gaming revenues, down from 50 percent. But because longer hours (14 instead of 8), higher limits (\$500 instead of \$25), and the introduction of slot machines will generate vastly increased revenues, Premier Glen Clark has promised that charities will continue to get the same amount of money under the new formula as they have in the past (Lee 1997a, p. B4).

Economic Arguments for Gambling

As the British Columbia example indicates, the sheer speed of the expansion of gambling in North America is beginning to call into question the main economic arguments for legalized gambling. These economic arguments revolve principally around two factors: revenue and jobs. As gambling proliferates and competition among jurisdictions increases, the predictions for increases in both jobs and revenues for each jurisdiction may be overly optimistic.

The benefits claimed for legalized gambling are typically more jobs, less unemployment, economic diversification, and an improved quality of life for more people. As we have pointed out, the figures for economic impact studies are generally provided by casino proponents who typically paint the most optimistic scenario in the hope of securing approval for their projects. Robert Goodman, in a study funded by the Ford Foundation, reviewed 14 impact studies of gambling in the United States. He noted a critical lack of objective knowledge and research about the real economic and social costs and benefits of gambling. Research used by public officials to evaluate projects is most often prepared for them by the gambling industry itself, rather than by a neutral body (Goodman 1994a, p. 16).

In many of the impact analyses of gambling, the benefits claimed are based on an economy that no longer exists, or rather exists only in Atlantic City and in Nevada. These places have a "monopoly export economy" (Goodman 1994a). A gambling facility has greatest earning power when it is a monopoly. In a monopoly export situation, one particular jurisdiction or establishment is the only one with the right to provide gambling. Tourists and other outsiders come to gamble but they return to their home jurisdictions with any addictions, debts, or other problems associated with gambling. Thus the benefits of gambling are enjoyed by the host jurisdiction while the costs are exported to the outsiders' own jurisdictions. Casinos have a restrictive licence; Goodman comments that any business which enjoyed such a monopoly status — even bowling — would be enormously successful.

In the Canadian context, Black (1996, pp. 55-57) has reviewed studies prepared for the Manitoba government purporting to assess the impact of gambling on the Manitoba economy. He notes that the studies are "used by governments and entrenched interests to manipulate public opinion about activities that have more to do with their own agendas than they do with the public interest" (p. 56). The studies are used to show that gambling is a billion-dollar industry which supports 10,000 jobs in the province; therefore, any attempt to limit gambling would weaken the economy and the labour force. Black counters that these studies could be interpreted differently revealing that if gambling were eliminated, "...the structure of expenditures, employment and income distribution would be different, [but] the aggregates would be essentially the same" (Ibid.).

Most recently, Richard Lipsey has prepared an independent estimate of "incremental" revenues from proposed gambling expansion in British Columbia. He has recalculated the revenue impact, using figures from the province's gaming review document (British Columbia. Ministry of Employment and Investment 1997). Lipsey emphasizes the importance of assessing *incremental* revenue, meaning

new net revenue figures after deducting the “cannibalization” of incomes and profits currently earned in the gambling sector and deducting the increase in gambling revenues which results from a switch of people’s spending from non-gambling taxable activities in British Columbia (Lipsey, 1997, pp. 7-8). Lipsey’s work is a pioneering effort in recalculating the overstatement of gambling revenues by interested parties, in this case the provincial government. His calculations reduce provincially estimated gambling revenues to a mere 35 percent of their figure. “These calculations show why the results from extending gambling are often so much lower than the expectations. The predictions are usually based on revenues generated by the new sources and seldom take account of the large proportion of those revenues that are merely diverted from other sources” (Ibid., p. 13).

Revenue

The source of gambling dollars is a significant factor in revenue generation. In cases where tourists are the source of gambling dollars, the gambling jurisdiction is in the fortunate position of gaining revenue while incurring minimal expenditures. However, if the locals get hooked, the social costs stay in the community and the gambling dollars become very expensive since they are offset by expenditures on social services and lost productivity in the workplace. When local people spend their money on gambling, no new wealth is generated. What is spent on gambling is simply not spent elsewhere. Donald Trump’s statement on gambling summarizes the situation: “People will spend an enormous amount of money they would otherwise spend on refrigerators” (Goodman 1994b).

At present, Windsor is the only casino in Canada where more than half of the customers are foreign tourists, most of whom travel the five kilometers across the border from Detroit. Detroit has noticed the drain and is now pursuing gaming on its own, thereby eliminating Windsor’s monopoly. On 26 August 1997, the Lummi Casino in Washington State closed down, just months after the adjacent Prov-

ince of British Columbia began its extensive expansion of gambling. Previously, 80 percent of the customers at Lummi were Canadians. The higher betting limits and longer hours instituted in British Columbia meant that Canadians could gamble at home rather than cross the border at Lummi, resulting in severe financial losses for that casino (Bell 1997, p. B1).

A recently opened casino in Ontario is an interesting case in analyzing the net benefit of casino revenues. Casino Rama, named for the Indian reserve, is the largest Aboriginal casino in Canada. It is a 24-hour operation with 2,500 pieces of gaming equipment. Until now, the adjacent town of Orillia has been known as a quiet retirement beach-front community.

Reports available shortly after the casino opened may be premature; however, to date, they show a positive impact on the shops along Orillia’s main street, mainly due to money spent by the 2,600 employees of the new casino. Shops near the casino, however, have reported that business has fallen by 40 percent because of traffic tie-ups. Shopkeepers complain that visitors go directly to the casino and do not frequent any of the local shops.

Casino Rama received 14,000 visitors per day during its opening month of August 1996. “If that rate continues, \$100 million in profits are expected to be handed over annually to Ontario’s Indians. The province will also get a revenue windfall thanks to a 20-percent ‘win tax’” (Galloway 1996). Like Windsor and Lummi, Casino Rama is an example of revenue from gambling accruing to one group (in this case the Aboriginal people of the Rama Reserve) while many problems which may be associated with the casino’s operation are borne by others (the businesses and taxpayers of the town of Orillia).

Jobs

Major gambling facilities, as opposed to more generalized or “placeless” forms such as lotteries, are promoted on the basis of the number of jobs they

are likely to create. It is important as a society to evaluate what is often promotional material produced by the gambling industry. Job estimates must be *net new* jobs. As in the case of revenues, it is important to assess objectively whether new jobs are created or whether the same dollars are simply being spent elsewhere. The creation of casinos may damage the surrounding economy, as adjacent businesses close and jobs are lost. These losses are often not included in industry estimates.

Atlantic City, New Jersey, provides an instructive example. During the first ten years of legalized casinos, the number of restaurants in Atlantic City dropped by 40 percent. In 1977, there were 243 eating places and in 1987 there were only 146. In the first four years following the introduction of casinos, the number of retail businesses declined by a third (Goodman 1994, p. 54).

In the small cotton county of Tunica in northwest Mississippi, ten casinos have opened since 1992. There are few places in North America as poor as Tunica County. In 1985, Jesse Jackson called it "America's Ethiopia" (*New York Times* 1996a). The Tunica case indicates how difficult it is to evaluate the positive and the negative effects of gambling. For example, unemployment was 13 percent in 1990; it dropped to 8.7 percent in 1993, then rose to 12.9 percent in 1995. "More residents are employed now than ever before. But more are unemployed, too, since so many who had stopped looking for jobs have rejoined the labor market, lining up for the easy work and quick money the casinos were supposed to offer, only to find there weren't enough opportunities to go around" (Ibid.).

The rapid increase in gambling opportunities in North America raises the important issue of what happens when the market is saturated. There are two forms of market saturation to consider: geographical overload and saturation by a particular type of game. The growing number of competing gambling ventures threatens many existing ventures, as the Lummi, Washington case shows. Charitable gam-

ing revenues are one of the enterprises experiencing the negative effects of this growth.

The most significant impact of market saturation and flattening revenues is the move to introduce more types of gambling, including Video Lottery Terminals and Keno games. Keno is an extremely addictive form of gambling because it provides non-stop gambling action: numbers for a jackpot are drawn every five minutes instead of once a week. There are over 200 numbers drawn a day.

By the turn of century, it is estimated that everyone in the United States will live within four hours' drive of a casino (Hirshey 1994, p. 36). Canada will not be far behind in terms of market saturation. Once everyone enjoys proximity to a casino it is inevitable that revenues to individual establishments will wane.

CASHING IN THE CHIPS: GAMBLING, GOVERNMENT AND SOCIAL POLICY

Government has gradually exited its role as a funding body for cultural, sport and other socially desirable activities. It has turned over fundraising for these social goods and services to independent lottery commissions such as the British Columbia Lottery Corporation rather than funding them through taxation. Three factors call into question government's shift toward reliance on gambling revenues to fund social needs: the origin of the gambling money, how the money is spent, and the image which gambling creates.

The origin or source of gambling money is significant. By funding government programs such as cultural activities and even health care through gaming, our society is in effect taxing lower income earners to pay for these goods. Government's promotion of gambling functions is a form of regressive taxation. Goodman's study of gambling (1994a) notes that the higher the income of participants the more likely they are to view gambling as

entertainment. The lower their income the more likely they are to view it as an investment, a viable way to improve their lot in life. As we rely on lower income people's gambling habits to finance society's needs and priorities, we trade on their hope that gambling offers a chance to improve their lives.

A disproportionate amount of British Columbia gambling dollars come from the 7.8 percent of the population who are problem gamblers, since they gamble far greater amounts than non-problem gamblers. Average monthly expenditures by problem and pathological gamblers in British Columbia totalled \$273; non-problem gamblers spent, on average, \$82.25 (Gemini Research 1994, p. 49). Since two-thirds of net charity revenue goes to culture, arts, and sports, we find that problem gamblers and poorer residents of British Columbia and other provinces are subsidizing what are essentially middle-class pastimes. It is important that society review its priorities: gambling does perform an overall redistributive function. The question is whether the redistribution of income it performs is the appropriate one.

A second issue is whether the funds raised through gambling are allocated to causes which are socially desirable. For example, in British Columbia, gambling has been legalized in order to provide revenue for charitable causes and First Nations economic development. Charity gaming has practically lost its meaning. From 1985 to 1995, the number of charitable organizations funded through gambling in British Columbia has quadrupled from 1,500 to 6,200. Many of the charitable causes funded through gambling are middle class "nice to have" causes including sailing and karate clubs, lawn bowling, and pony riding. As a result, many of the charities which were originally considered worthy of support are being squeezed.

The split of the charitable gambling pie in British Columbia is done on a first come, first served basis because of the difficulty of rationalizing the worthiness of various gaming causes. It is difficult

to ascertain any well thought out pattern in the distribution of charitable gaming funds in British Columbia. The 1993-94 charitable gaming split (Table 1) shows a large allocation, 29 percent of the total, to education, culture, and the arts (British Columbia. Ministry of Government Services 1994, p. 10):

TABLE 1
Distribution of Revenue from Charitable Gaming in British Columbia, 1993-1994

<i>Program Type</i>	<i>Net Revenue (\$M)</i>	<i>Percentage of Total</i>
Poverty, disadvantaged	23.3	20
Advancement of education	16.3	14
Culture and the arts	17.3	15
Advancement of religion	7.1	6
Amateur athletic sports	17.3	15
Public safety / facilities	17.6	15
Service clubs*	17.5	15
TOTALS	116.7	100

*Revenue generated by service clubs is redistributed to serve other charitable and religious purposes in the community where they are raised.

This allocation may well be the most appropriate one for funds raised through lotteries and other forms of gambling, but the public is not aware of the reasoning behind this particular distribution. In short, the purposes which gambling funds benefit are not selected through a legislative process as they would be if financed through tax revenues. They are handled by an independent commission which is not responsible to the public at large and which allocates them on a first come, first served basis.

The third factor which calls into question government's funding of social goods through gambling is the question of image. As government looks beyond lotteries to casino gambling, it shifts from reliance on a dispersed activity to one which occurs

at a specific address. Large scale casinos have a pronounced impact on their surroundings and on the image of the city as a whole.

When the City of Vancouver Planning Department prepared a study of the pros and cons of a casino development on Vancouver's waterfront, the first factor mentioned was the proposed casino's impact on the city's image. The study notes the image of Vancouver as a place with a spectacular natural setting, safe and clean streets, a socially responsible reputation, and a lifestyle characterized by relaxation and health. It contrasts this image with the characteristics of North American casino gambling: "an overriding focus on money; acceptance that the odds ensure the 'house' ultimately wins, which co-exists with each patron's hope that he or she can beat the odds; a distinctive style of spectacle which is difficult to define but easily recognized as 'glitz'; an inwardly focused environment designed to let patrons forget outside climate, geography and time itself...." (City of Vancouver 1994, p. 6).

It is crucial for each jurisdiction to analyze its willingness to depend on gambling as a way to generate funds. In this context it is interesting to examine the other so-called "sin" goods from which the government earns money: alcohol and tobacco. These goods were marketed in complete freedom for many years. Gradually, society insisted on limitations to the advertising, consumption, and production of both alcohol and tobacco. In recent years, society has made the servers and producers of alcohol responsible for the damage caused by drunkenness. For example, the bartenders and their establishments are responsible for patrons who drink too much, then drive and cause an accident. In the United States, tobacco companies have been held liable for illness caused by cigarette smoking.

In the United States, some casinos have posted signs advising patrons to: "Know When to Quit." One day, casino operators may find themselves responsible for failing to cut off the gambler from his or her habit just as the bartender is responsible today

for saying "no" to the last drink. Rapid expansion of gambling in our society will carry with it questions of the image of the cities where gambling occurs and questions of the restrictions which may eventually accompany this relatively new source of revenue. Government may find itself spending millions on advertising lotteries and other forms of gambling while spending other millions on enforcement, restrictions on gambling by minors, and advertising campaigns urging gamblers to know when they have spent enough.

WHERE ARE WE GOING?

As a society we have already begun to move from viewing gambling as a criminal activity toward seeing it as a form of entertainment and even a form of "charity." By gambling at a "charity" casino, we may assuage any guilt feelings by telling ourselves that a portion of our losses goes to a worthwhile cause.

Governments, which are strapped for funds for even the most traditionally accepted roles of government including health care and policing, have grown to rely increasingly on their take from gambling. With this increased reliance, gambling itself becomes a commonly accepted pastime. Gambling will no longer be an occasional trip to Las Vegas for someone who enjoys gambling, but may become as commonplace as going to the mall. "Experts on gambling addictions say that the social stigma that was once associated with gambling has been removed. At the same time, while people are bombarded with messages about the dangers of drug or alcohol abuse, no wide-spread effort exists to educate them about the dangers of gambling" (Citizen's Research and Education Network 1992, p. 94).

It is critical that public policymakers recognize that the problems posed by gambling as a publicly sanctioned activity will increase during the next generation, as the large number of young gamblers grows into adulthood. "We will face in the next decade or so more problems with youth gambling

than we'll face with drug use," says Howard J. Shaffer, Director of the Harvard Medical School Center for Addiction Studies (cited in Goodman 1994a, pp. 91-2). Shaffer's 1994 study documented the increase in illicit gambling among young people. His study, using a sample of 2,000 students in Massachusetts, found extensive lottery play among children. He found that about 30 percent of seventh graders bought lottery tickets, some buying at least one ticket a week (*Ibid.*, p. 92). The prevalence of underage gambling foretells an upswing in gambling in the general population, as these young people graduate to legal gambling age. It is government, increasingly strapped for funds, which is most often the promoter of gambling.

Major casinos have opened in 24 states and three Canadian provinces during the past decade. However, 1997 may mark an interesting reversal of the trend so pronounced throughout the early nineties toward a steady proliferation of casinos and other forms of gambling. On 28 January, the New York State Senate rejected an amendment to the state constitution that would have legalized casino gambling. The impact of a "no" vote by a massive state like New York is pronounced.

The New York rejection may merely be the most dramatic of a series of setbacks to gaming which have occurred recently. During 1996 in the United States, citizens voted against gambling proposals in seven out of nine states. While many gambling industry representatives still maintain that most Americans favour gambling, there are some who are beginning to say openly that there may not be room for much more expansion in the industry (Dao 1997).

RECOMMENDATIONS

The following recommendations involve suggestions both for further study and for more immediate action:

- Involve the residents of each province in deciding the extent to which gambling should be the

source of provincial revenues. It is particularly important to allow citizens to decide the future of gambling because of the inherent conflict of interest that government faces as both regulator and beneficiary of gambling activity. Citizens must be informed that raising money through gambling does not mean a "voluntary tax," but rather it may involve the costs outlined in this paper (Black 1996, p. 54). The choices among accepting the social costs of gambling, raising taxes or reducing spending should be made through a referendum in each province.

- Each new type of game should be subjected to a rigorous cost-benefit analysis by an independent party. Electronic Keno and Video Lottery Terminals are two games which have been introduced most recently, although some experts claim that electronic gaming constitutes a highly habit-forming type of gambling (Sullivan 1993). This factor does not seem to have been taken into account as every Canadian province has either electronic Keno or VLTs province-wide or confined to major casinos. British Columbia was the last to join, permitting electronic Keno and preparing to introduce slot machines in 1998, despite the objections of Vancouver and some other local municipal councils. The benefits of introducing new forms of gambling must be weighed objectively against anticipated costs.
- Independent research should be conducted on the economic redistribution that results from legalized gambling. Income tax has always been considered a progressive form of taxation, taking more from the wealthy than from the poor. The effect of raising public moneys through gambling compared with raising similar funds through taxation or other methods should be analyzed.
- The government acts both as promoter and regulator of gambling in Canada. Despite the fact that some conflict between the two roles may be inevitable, it is critical that steps be taken in

each province to separate the regulatory and promotional functions as much as possible. British Columbia has recognized this need, noting the importance of a comprehensive gaming act and the need to "clearly separate monitoring and enforcement from other functions, to help ensure that all gaming in British Columbia is well regulated and the revenues are used for authorized purposes" (British Columbia. Ministry of Government Services 1994*b*, p. iv).

- As the gaming business grows, doubling from one year to the next in some provinces, it is critical that law enforcement measures keep pace with the added risk of crime. Law enforcement must differentiate between casinos (site specific gambling) and the gambling which is diffused throughout cities from corner stores to bars and pubs.
- The allocation of the "charitable" portion of gambling revenues should be reviewed systematically now that gambling revenues have grown so rapidly. The current system for distributing funds has simply evolved, beginning at a time when the charitable gambling take was relatively small. Gambling funds should be allocated according to guidelines that reflect the values of society as a whole. Public opinion should be analyzed by independent parties to determine which charitable causes should be funded.
- One of the greatest needs is for independently funded research. Much of the information on gambling has been provided by companies with a vested interest in promoting gambling. An independent think tank perhaps should conduct analytical studies to provide public officials with the background information to make informed decisions.

NOTES

¹For a review of constitutional issues related to gaming see Maclean (1996), pp. 1:6-8. For a general historical review of policies on gambling in Canada, see Osborne (1992), pp. 56-59, and Campbell (1991). Specific detail is given on British Columbia regulatory history in Osborne (1992), pp. 60-63.

²Governor Pataki as quoted in Hernandez (1996).

³For elaboration, see Albanese (1993).

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