

Gambling and the Public Interest?

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Background

Gambling in Canada is regulated under federal law—the *Criminal Code of Canada*. Most forms of gambling were considered serious vices until two amendments permitted and facilitated expanded gambling in Canada. In 1969, an amendment sanctioned lotteries and casino gambling conducted by licensed charities and a 1985 amendment opened the door for electronic gambling devices such as slot machines and video lottery terminals (VLTs). This latter change also gave provincial governments greater authority over gambling matters.

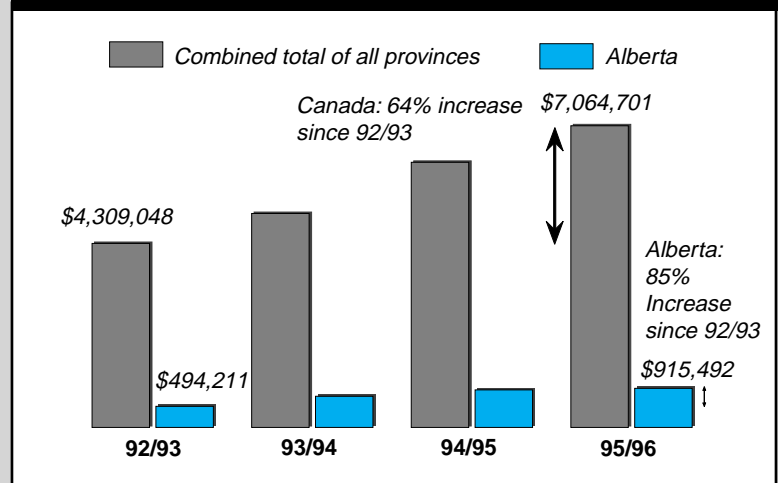
With the liberalization of the *Criminal Code* gambling statutes, Canadian jurisdictions found themselves promoting gambling as a cure-all that could assist charities, fund worthy causes, create jobs, boost faltering economies, keep taxes down, and augment provincial coffers. It is not surprising that in the early 1990s, the provinces, faced with recessions, massive cutbacks in federal transfer payments, budget deficits, and

mounting social problems, embraced gambling—a quick-fix initiative that promised economic development and windfall profits (Black, 1996, see Figure 1). With creative solutions to these fiscal crises in short supply, this imperfect response seemed better than none at all.

When a stigmatized activity such as gambling becomes decriminalized it requires an image make-over to attain an aura of respectability. By successfully linking legal gambling to the “greater good” principle, governments changed what was once

Figure 1

Net Gambling Revenues 1992-1996 (\$000s)



Source: Various Gaming Commissions and KPMG Consulting interviews.
Note: Net revenues equal total revenues less prizes and payouts. Due to different measuring procedures employed by this source, revenues are not directly comparable to sources used elsewhere in this report.

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CANADA WEST FOUNDATION

The Western Canadian Legal Gambling Scene

There are four broad categories of legal gambling in Canada: **casinos, lotteries, charitable gaming, and pari-mutuel wagering**. Included under these headings are an assortment of betting options. For instance, “lottery scheme” is an umbrella term used in the gambling provisions of the *Criminal Code* that encompasses such disparate activities as traditional 6/49 draws, instant scratch tickets, keno, parlay-style sports betting, and electronic gambling devices such as slot machines and video lottery terminals (VLTs). Lotteries are overseen by provincial governments and in some cases marketed and distributed collaboratively by a cartel of provincial agencies. For example, the Western Canada Lottery Corporation coordinates the efforts of Manitoba, Saskatchewan, and Alberta. British Columbia was an original member of this consortium but opted out to form its own lottery entity.

Given their discretionary power to offer or not offer the various gambling formats sanctioned by the *Criminal Code*, western Canadian jurisdiction’s betting menus are slightly different as are the ways in which they regulate the games. Charitable bingos, raffles, pull-tabs, lotto games, sports betting and horse racing are common to all four western provinces. British Columbia is the only province that has yet to allow VLTs; the government was poised to put them in until they sensed the possibility of a citizen backlash. Recently, the BC government has authorized slot machines and put a hold on VLTs—at least for the time being. All of the western provinces permit casinos; however, the regulatory models used to govern their operation vary by jurisdiction. The Alberta and British Columbia governments have accommodated the demands of non-profit and charity-based organizations and allowed them to access revenues from bingos, raffles, and casinos. In these jurisdictions, gambling commissions and gambling enforcement agencies license and regulate the charity groups’ operation of short-term gambling events. Terms and conditions attached to the license specify how the gambling-generated funds can be utilized.

In both Manitoba and Saskatchewan, the major casinos (Winnipeg’s Crystal Casino and Casino Regina) are owned and operated by Crown corporations. The main difference in these two operations is that the Regina facility was privately developed and leased to the government and employed outside management consulting services in the start-up phase, whereas, in Manitoba, the casino was developed and operated by the government from the outset. Charitable and non-profit groups in these provinces have less direct access to casino profits as they must apply to the government foundations charged with distributing the gambling proceeds.

Saskatchewan’s First Nation groups have been granted four casino sites through an agreement between the province and the Federation of Saskatchewan Indian Nations. The arrangement calls for profit sharing among all bands from joint venture casino operations. In Manitoba, First Nation groups with a charitable gaming license are allowed to operate VLTs and take a generous 90% split of the proceeds. At present, First Nation casinos are not permitted in Alberta or British Columbia, although individual bands are eligible to apply for short-term charity casinos.

The Special Case of VLTs

Critics refer to VLTs as “the crack cocaine of gambling” because VLTs are unique among gambling activities in a number of ways:

- **Use of Credits** – VLTs use “credits” not coins that are redeemable elsewhere on the premises. This system psychologically separates the player from the value of the amount wagered.
- **High Speed Play** – VLTs operate much quicker than most forms of gambling (including regular slot machines). This allows for more plays per session and instant gratification.
- **Accessibility** – VLTs can be found in many non-traditional gambling venues increasing the availability and the likelihood of play.
- **Low Skill** – virtually anyone can play (including novice gamblers) without requiring any special knowledge.

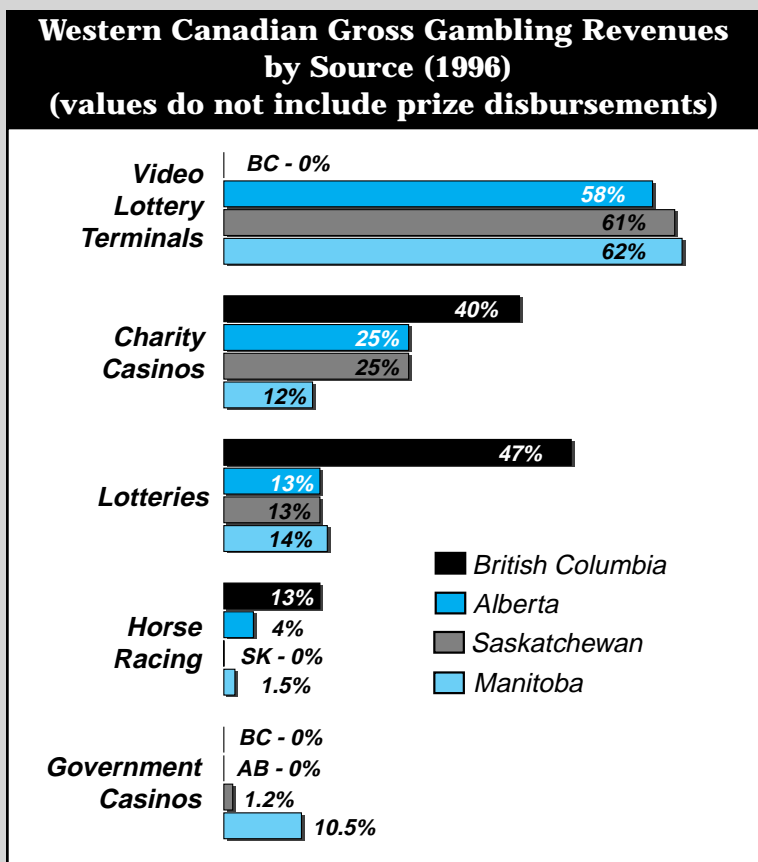
considered deviant behavior into a widely tolerated activity (Stebbins, 1996). In an effort to transform negative public perception of gambling, governments promote their legal gambling initiatives on the following grounds:

- the need to keep gambling dollars from migrating to other jurisdictions;
- the difficulty in enforcing the present gambling laws;
- a way to generate government revenues without raising taxes;
- a way to revive economically depressed areas;
- a way to stimulate tourism;

- a way to prevent the infiltration of organized crime; and
- a way to provide a revenue stream for popular social programs and worthy causes.

In the United States, Goodman (1995) did not find a single grass-roots organization lobbying for more opportunities to gamble. Similarly, what Black (1996) has described as “gambling mania” was not precipitated by a public clamor to expand the activity. Indeed, when citizens are given the opportunity to express their concerns at the ballot box, they usually reject new gambling proposals (see Box 6 on page 13). In Canada, decisions to expand gambling have routinely been made without public debate and are implemented without seeking voter approval.

Figure 2



Gambling Revenues

Figure 2 provides a breakdown of gross gambling revenues by gambling format in the four western provinces. Alberta’s gross gambling revenues are the highest, which on the surface seems surprising, considering that its population is 30% lower than British Columbia’s. The difference can be attributed to the fact that BC has not yet implemented electronic gambling. When, as is planned, the BC government doubles the number of casinos in the province and places slot machines in every municipality, the revenue gap between the two provinces will close rapidly. Manitoba and Saskatchewan generate moneys from their government-operated casinos; the Saskatchewan total is low because Casino Regina had only been open for part of the fiscal year. Horse racing is still viable in BC, even though revenues

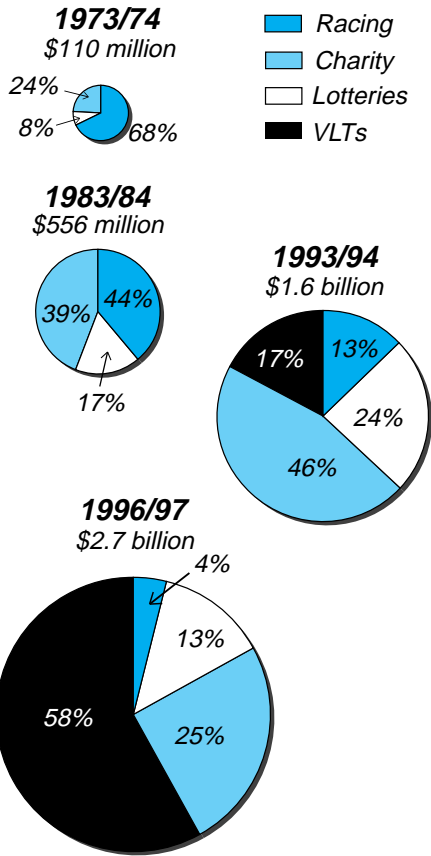
Western Canadian Gross Gambling Revenues

Source of Gambling Revenue	British Columbia	Alberta	Saskatchewan	Manitoba
VLTs	\$0	\$1.6 billion	\$529 million	\$596 million
Charity Casinos	\$680 million	\$693 million	\$213 million	\$112 million
Lotteries	\$799 million	\$360 million	\$144 million	\$131 million
Horse Racing	\$211 million	\$113 million	\$ 2 million	\$12 million
Government Casinos	\$0	\$0	\$10 million	\$101 million

Source: International Gaming and Wagering Business, July 1997.
 Note: Gross revenues do not include any prize and payout disbursements.
 Numbers may not add to 100 due to rounding.

Figure 3

Gross Gambling Revenues in Alberta



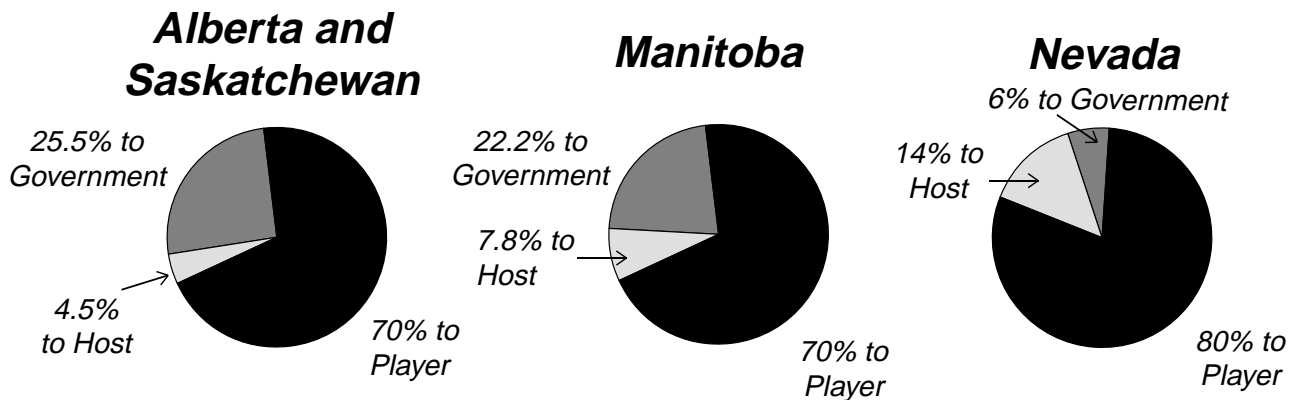
Source: Alberta Gaming and Liquor Commission, various years.
 Note: Values are in current dollars and do not include prize payouts. Size of pie chart represents growth of revenues from 1972-1996.

dropped 10.5% from the previous year; however, in the other three provinces the sport produces less than 5% of the total provincial gambling revenues. In the 90s, revenues from most gambling formats have stagnated or, in the case of horse racing, declined. The only legal gambling format to show consistent fiscal growth in the past five years has been VLTs.

Figure 3 depicts the exponential rise in Alberta's legal gambling revenues from the early 70s to the present. Gross gambling revenues now are 24 times higher than they were in the early 70s and revenues from horse racing have collapsed from a high of 68% of the province's total gambling revenues at the start of gambling expansion to a minuscule 4% at present. In the five years since their debut, VLTs have emerged as the principal source of government gambling profits. Technically, VLTs are deemed lottery products; they are displayed separately here to illustrate how they have come to dominate the gambling scene. The yearly dollar figures generated by charity gambling and traditional lottery products have dropped only marginally in the past few years. However, their segment of the gambling pie has receded drastically because of the spectacular growth of VLT revenues. Indeed, the take in Alberta from VLTs now exceeds health-care premiums, fuel, liquor, and tobacco taxes and rivals corporate income tax as a revenue source (*Calgary Herald*, 1996). The

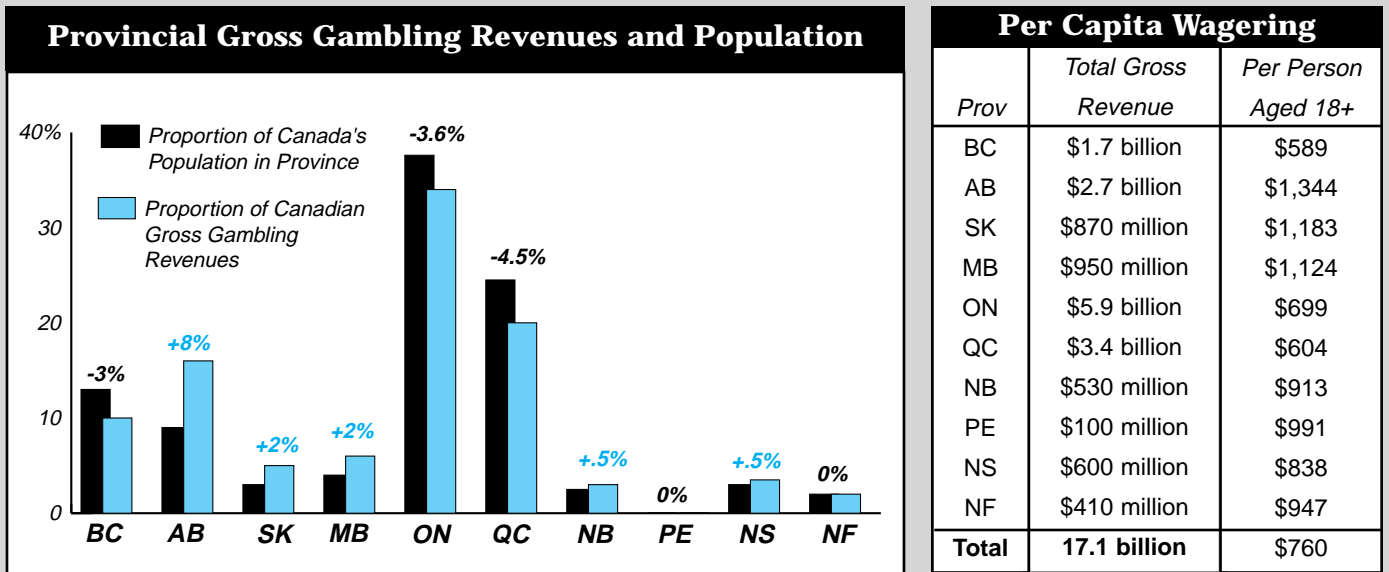
Figure 4

Share of VLT Revenue by Province



Source: Personal Communication with provincial gambling commission and Bill Thompson, UNLV Gaming Research Specialist.
 Notes: Figures based on yearly average per machine. In western Canada, payout rates for a single play are set at 92%; in Nevada the rate is set at 96%. Manitoba figures reflect two-tiered commission system of government and First Nation gambling establishments.

Figure 5



Source: 1996 Canada Census and International Gaming and Wagering Business, July 1997.

Note: Gross revenues do not include payouts and prizes. Per capita wagering values based Statistics Canada Postcensal Estimates, 1995 for the population of the provinces aged 18+ (Territorial populations excluded).

per dollar VLT revenue sharing breakdown is provided in Figure 4. On the whole (and over the long term), for every dollar that a player deposits into a VLT, twenty-five cents is directly sent to the government.

Figure 5 contrasts the proportion of the total Canadian population represented by each province, with the proportion of Canadian gross gambling revenues contributed by each province. In addition, the annual per capita wagering rates for each province are listed. Three provinces (Alberta, Saskatchewan, and Manitoba) generate significantly higher gambling revenues than expected based on their population totals. Alberta, in particular, contributes nearly double what would be predicted from population totals alone. The disproportionately high gambling revenues in these provinces are partially due to the fact that these provinces have a tradition of initiating gambling trends in Canada; generally, they have allowed more types of legal gambling and have had them in place longer than other Canadian jurisdictions. Gambling regulations in these provinces have also been liberalized in recent years; for example, in Alberta, simulcast and teletheatre wagering were brought in to subsidize the horse racing industry. Moreover, casinos were given permission to open on Sundays and extend their hours of operation on the other six days. Casinos in Alberta now offer high

betting limits (\$500 a play), slot machines, and serve alcohol to their patrons. Casino Regina entices out-of-province clientele by providing bus tour gamblers with \$100 worth of free chips during their stay.

Another decisive factor bearing on the copious gambling revenues generated in these three provinces is that they have all relied heavily on VLTs for at least five years. The Atlantic provinces have also had VLTs for more than five years (and it shows in their higher than expected gross gambling revenues), but the gambling revenue overload in the western provinces is higher than in the Maritimes because their overall gambling infrastructures are much more fully developed. Provinces with minimal or no VLT gambling (Ontario and British Columbia) produce below average revenues based on their population totals. With Ontario planning to deliver up to 20,000 VLTs to their citizenry and the BC government already dispersing slot machines throughout the province, the per capita imbalance between provincial gambling revenues should soon be redressed.

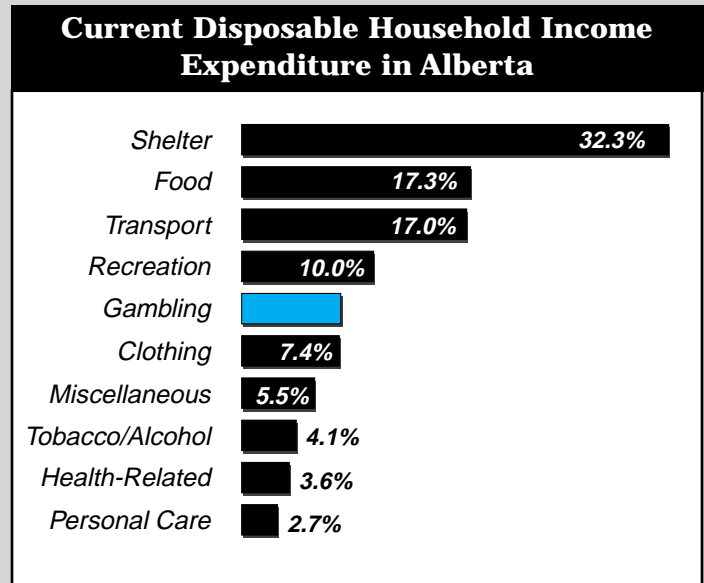
With a Canadian adult population of 22.4 million and gross gambling revenues of \$17.1 billion, Canada's per adult wagering rate in 1995/96 was \$760. Alberta, Saskatchewan, and Manitoba rank first, second, and third respectively in national per capita wagering, while BC is last among all

provinces (see Figure 5). Again, this disparity can be explained by the fact that BC derives no revenue from VLTs and VLTs are by far the most lucrative source of gambling revenue for any province.

To put the per capita spending data in context, Figure 6 illustrates the relative importance of gambling as a drain on household financial resources. Comparing the amount spent in Alberta on gambling with other spending levels we find that households, on average, spend more on gambling in a year than they do on clothing. Gambling expenditures are also equivalent to 75% of the value spent on all other forms of recreation. Further, individuals in Alberta spend more than twice as much money on gambling than on health related expenditures. It is important to note that these data only consider expenditures, not revenue. Therefore, neither the prizes and payouts that are returned to the gambler nor the revenues obtained from the sale of assets are represented. Nonetheless, the data suggest that as the leader in per-capita gambling expenditures, many Albertans are forgoing not only spending on other forms of recreation, but even spending on basic necessities.

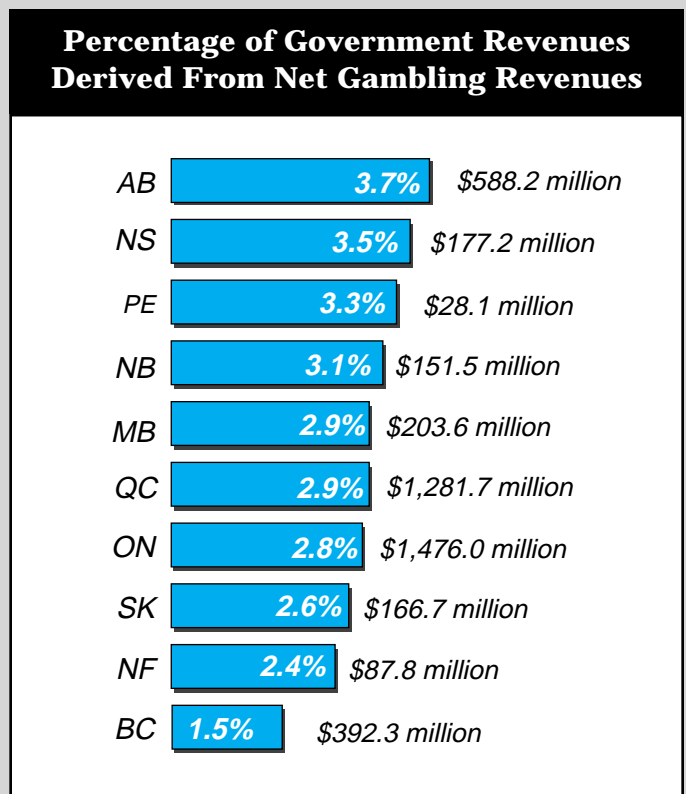
The importance of VLTs to provincial treasuries is evident when examining the proportion that net gambling revenues contribute to government revenues from all sources. In 1995/96, Alberta led the nation as the government derived 3.7% of its total revenues from gambling operations; Manitoba (2.9%) and Saskatchewan (2.6%) were in the mid-range; BC's gambling profits (1.5%) made up the smallest portion of any Canadian jurisdiction's overall revenues (see Figure 7). By way of comparison, the state of Nevada gleans 50% of its revenues from gambling taxes, and New Jersey corresponds closely with Alberta in that 3 to 4% of the state's total revenues come from gambling sources (Campbell and Smith, in press).

Figure 6



Source: Derived by the authors from Statistics Canada, cat. 62-555. Note: Gambling data are based on gross revenue for 1996. The most recent expenditure data available are for 1992. Prizes and payouts retained from gambling activities are not considered in this graphic (similarly, neither are revenues from disposal of other assets considered). Gambling per household based on per capita gambling rates. Actual rate is dependent on number of adults in the household.

Figure 7



Source: *Gambling in Canada*, National Council of Welfare, 1996. Note: Net Gambling Revenues (after prizes and payouts) are taken from lotteries, government-run casinos and VLTs only. Government revenues from horse racing and charitable gaming are not included.

Gambling's Winners

According to Wynne, Smith, and Volberg (1994), the main beneficiaries of regulated gambling in western Canada include:

■ **Individual charities, non-profit and religious organizations:** groups who qualify under provincial gaming regulations are eligible to apply for licenses to conduct and manage gambling events. Gambling revenue has become a critical part of many charities' overall operation; the funds help stabilize their budgets and allow them to provide their worthwhile programs and services. The government also made available \$106 million of additional grant funding from its gambling proceeds in 1996/97 (*Alberta Public Accounts*, 1997).

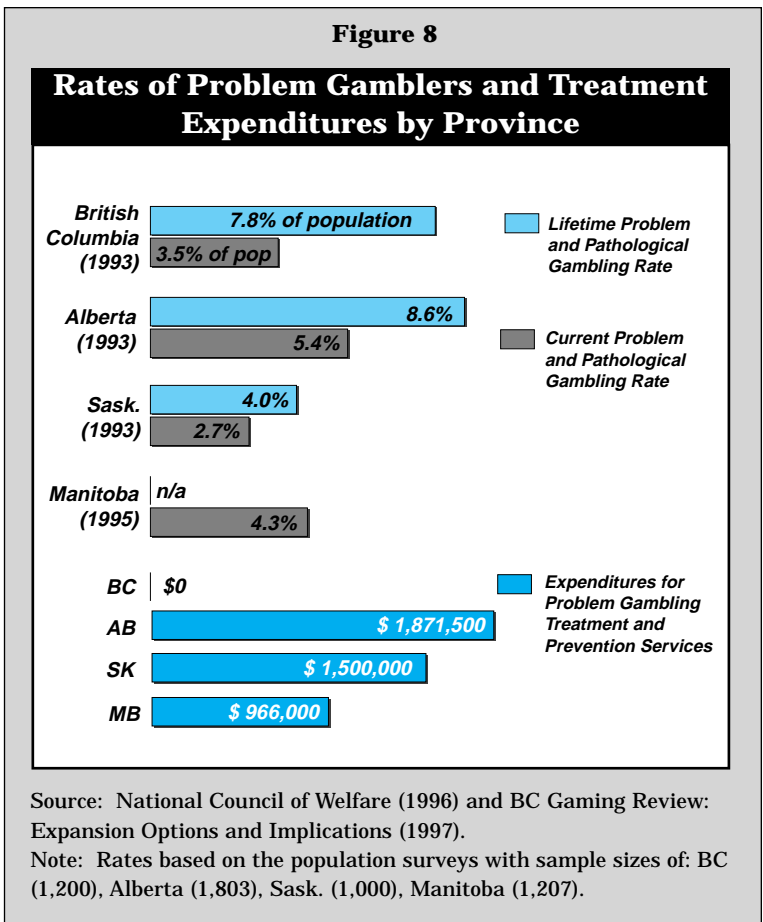
■ **Individual citizens and communities:** many western Canadians enjoy the wide range of gambling activities that are available in their provinces. In addition to the entertainment value derived from playing the games, individuals and communities benefit from the allocation of lottery funds to various foundations, organizations, and programs that each have their own specific mandates. These arms-length funding entities are, in turn, responsible for channeling lottery dollars back to the citizenry (often for volunteer-driven community projects). Typically, lottery proceeds are directed toward assorted cultural and arts groups, libraries, museums, sport and athletic organizations, wildlife and conservation projects, education, health care and wellness initiatives, seniors groups, recreation, tourism, historical resources, and agricultural fairs and exhibitions.

■ **Major fairs and exhibitions:** these organizations often have a stake in all facets of legal gambling, which makes them partial-

ly dependent on gambling funds for their undertakings. They can participate in gambling proceeds because they are mandated to promote agricultural development in the province, which includes staging annual summer fairs that celebrate the culture of the local community. For furthering these objectives, the fairs and exhibitions can apply for gambling licenses, obtain funding from lotteries, and profit from horse racing since they own and operate the major horse racing venues in most provinces.

■ **Private business:** gambling creates thousands of jobs in a province, and there are economic spin-offs for the equine industry, the makers and sellers of lottery products, those who manufacture and service gambling machines, and for the hotel and tourism sector who benefit from the VLTs and teletheatre wagering that occurs in their establishments. Taken together, legal gambling ventures constitute a substantial industry.

■ **Provincial governments:** gambling-derived funds flow into general revenue and are used to keep taxes down, balance budgets, pay off accumulated debt, and provide general betterments for the public-at-large.



Gambling's Losers

Each legalized gambling format in Canada is linked to certain socially desirable public purposes. Legislative blessing for gambling is seemingly based on the premise that the social good of the activity outweighs the social damage. The problem with this assumption is that the benefits of gambling are tangible and easily quantifiable in economic terms, whereas the social costs of the activity are often hidden, indirect, not immediately noticeable, and impossible to measure precisely. Skepticism about the purported contributions of gambling to the community arise when legislators are hard-pressed to tell the public what the real social costs of gambling are and who is paying for them. Those groups negatively impacted by gambling include:

■ **Problem Gamblers:** The most obvious cost of gambling to society comes from individuals who are unable to control their urge to gamble. Research to assess problem gambling prevalence rates has been conducted in eight provinces. Figure 8 (see page 7) provides comparative problem gambling rates for each of the four western provinces. Alberta has the highest prevalence rate in the country for both lifetime and current problem and pathological gambling rates while rates in the other three provinces are at or above the mean of the other North American jurisdictions that have examined the issue.

Alberta provides more funding for problem gambling treatment and prevention programs than any other province, although both Manitoba and Saskatchewan compare favorably with Alberta's outlay on a per capita basis. BC has a relatively high problem gambling rate given the absence of electronic gambling machines in the province. The fact that no funds have been allocated by BC legislators to mitigate the effects of problem gambling shows government negligence of the issue. Even though most provinces are showing responsibility by helping problem gamblers, it should be noted that their fiscal contributions represent only a tiny fraction (less than 1%) of their net revenues from gambling.

Box 2

Key Definitions:

Gambling studies draw distinctions between problem and pathological gambling and between lifetime and current rates of problem and pathological gambling.

Problem gambling is a comprehensive term used to describe gambling behaviors that compromise, disrupt, or damage personal, family, or vocational pursuits (Lesieur and Rosenthal, 1991).

Pathological gambling is defined by Rosenthal (1992, p. 73) as "a progressive disorder characterized by a continuous or periodic loss of control over gambling; a preoccupation with gambling and with obtaining money with which to gamble; irrational thinking; and a continuation of the behavior despite adverse consequences."

The **lifetime measure** applies if the situation has ever happened to the respondent, while the **current measure** refers only to the past year.

Respondents are categorized according to the number of yes answers given on the South Oaks Gambling Screen (SOGS); the SOGS is a 20-item questionnaire based on the American Psychiatric Association's criteria used to diagnose problem and pathological gambling. A score of 3 or 4 identifies a respondent as a problem gambler, while a score of 5 or more classifies the respondent as a probable pathological gambler (Wynne, Smith, and Volberg, 1994). The word "probable" is a qualifier used to differentiate a survey result from a clinical assessment.

■ **Aboriginal Canadians:** Alberta is the only western provinces where problem gambling prevalence studies have been conducted on adolescent and Native populations. Among Aboriginals, the prevalence of problem gambling

The Darkside of Problem Gambling

Some of the specific ways that problem gamblers are thought to imperil society include:

- Problem gamblers are significantly more likely than recreational gamblers to have:
 - defaulted on debts or other financial responsibilities;
 - attempted suicide;
 - lost a job due to gambling;
 - got a bailout (gambling debts paid by parents, relatives or friends) (Custer et al., 1984).
 - passed bad cheques;
 - borrowed money from illegal sources;
- Problem gamblers suffer an inordinately high number of stress-related emotional and physical disorders. These include depression, stomach afflictions, insomnia, high blood pressure, migraines, and skin conditions (Lorenz and Yaffe, 1988).
- The spouses of problem gamblers report much higher than normal suicide attempts, nervous breakdowns, and substance abuse. The children of problem gamblers have behavioral or adjustment problems related to school, drug or alcohol abuse, running away, and arrest (Lorenz and Yaffe, 1988).
- Lesieur (1992) claims problem gamblers impose the following fiscal and social burdens on society:
 - contribute to rising insurance costs by engaging in fraud (an estimated \$1.3 billion yearly in the United States;
 - high incidence of stress-related impairments causes a drain on the health care system;
 - high rates of lateness, absenteeism, and borrowing on the job lowers productivity in the work place; and
 - they are often involved in crimes relating to a violation of trust (forgery, embezzlement, fraud, etc.)
- Lesieur argues that many of the social costs from problem gambling are impossible to calculate; for example, what is the cost of a suicide attempt, a divorce, a resentful child or eviction from your home?

is 10% which is nearly twice the Alberta average for the population. An alarming 28% of Aboriginal youth were rated as problem gamblers—2.8 times the Aboriginal average (Wynne *et al.* 1994; Hewitt and Auger, 1995). Overall, 10% of current problem gamblers in the province are aboriginal Canadians. (The Aboriginal population in Alberta was 5.7% of the provincial population in the 1991 census.)

■ **Youth:** Alberta adolescents are also more likely than adults to be classified as problem gamblers. The prevalence rate of problem gambling among Alberta's youth (aged 12-17 years) is 8%; this is 2.6% higher than the overall provincial population average of 5.4%. Adolescent problem gamblers in

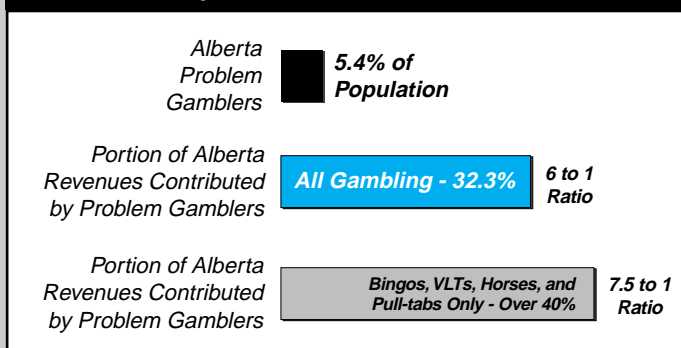
Alberta were also found to be more likely to get in trouble with the law (Wynne *et al.*, 1996).

■ **Municipalities:** There is also growing evidence to indicate that gambling is not the economic panacea that it was projected to be. American gambling expert William Thompson contends that Canadian governments “appear not to recognize the fact that without an appropriate development strategy, gambling can be economically disastrous for some communities” (in McKay, 1997, p. 28). Two recent studies on the Canadian casino industry concur with Thompson's thesis when they note how revenue, job creation, and tourism development calculations are consistently overestimated (Smith

Figure 9

Box 4

Share of Gambling Revenues Contributed by Problem Gamblers



Source: *Measuring the Cost of Pathological Gambling*, Lesieur 1997.

Where Do Gambling Revenues Come From?

In an effort to evaluate the proportion of total gambling expenditures that are accounted for by problem gamblers, Lesieur (1997) analyzed existing surveys conducted in three provinces and four states where both expenditure data and data on problem gambling were reported. Lesieur found that for all of the jurisdictions surveyed, the average amount contributed to wagering totals by problem gamblers was 30.4%. Because the amounts bet by problem gamblers fluctuated significantly by game, Lesieur devised three categories (“democratic,” “moderate,” and “problem gambler skewed”) to show the different impacts

on problem gamblers. The “democratic” category included games where less than 20% of the expenditures came from problem gamblers (raffles, sports bets with friends, pull tabs, Lotto, and slots). The “moderate” types of gambling consisted of formats where 20-33% of expenditures came from problem gamblers (instant/scratch tickets, on-track horse wagering, and parlay-style sports betting). “Problem gambler skewed” activities were those involving more than 33% of expenditures coming from problem gamblers (casino table games, VLTs, off-track betting, sports betting with a bookie, and bingos).

Alberta and BC were two of the seven jurisdictions included in Lesieur’s calculations. The mean amount spent by problem gamblers for all games in Alberta was 32.3% versus only 22.6% in BC. These figures indicate that the current problem and pathological gambling cohort (5.4% of the adult population in Alberta and 3.5% in BC (see Figure 6) contribute about six times more to gambling revenues than their numbers in society would indicate. Bingos, at 37.3%, took the highest proportion of the problem gambler’s money in BC, while in Alberta four gambling activities extracted over 40% of their revenues from problem gamblers including bingos, VLTs, horse betting (on and off-track), and pull-tabs (see Figure 9). A Problem gambler in Alberta contributes almost eight times as much revenue to these forms of gambling than does a non-problem gambler.

and Hinch, 1996; Henriksson, 1996). Thompson also submits that no gambling facility can claim to be a tourist draw unless at least 50% of the patrons come from outside the region. Only two Canadian casinos meet this criterion (Windsor and Niagara Falls) and they are anomalies as they are border communities that attract players from nearby American cities. This advantage may prove tenuous, because if Detroit and Buffalo introduce casinos the Windsor-Niagara Falls client base will surely drop below Thompson’s 50% criterion.

Research to date has failed to clearly isolate the additional cost borne by the municipalities of gambling activities in the community. As described in Box 5 (see page 11), additional policing and social

costs are likely to be incurred by municipalities as a result of gambling but the size and scope of this resource drain has not been thoroughly explored to date.

On the other hand, it is evident that while the provincial government is benefitting from the additional revenues created by gambling it does so, at least to some extent, at the expense of the municipalities. The additional money provided by the province to the community from lottery revenues may well be insignificant in relation to the costs created by gambling activities and problem gamblers. The provincial government wants to believe that it can douse a fire with water out of one hose while feeding fuel to the fire with another

The Cost to the Community of Problem Gambling

Some economic and social concerns that scholars raise in connection with widespread gambling expansion include:

- By relying on gambling revenues, governments are in direct competition with other businesses for consumer dollars, yet these businesses are at a disadvantage because the government has a monopoly on gambling. “Gambling per se, is not the reason for the large profits initially produced by state-sponsored gambling, but rather it is the state’s ability to create a limited franchise enterprise and to criminalize any other enterprises that might compete with it” (Goodman, 1995, p. 165).
- Robert Lunney, former police chief in Edmonton and Winnipeg, and now head of Ontario’s Peel regional police commented on the rapid escalation of legal gambling in Ontario by suggesting that there would be increased crimes committed by pathological gamblers, more gambling-system crimes (eg., crimes perpetrated by casino staff), more opportunities for organized crime, a likely increase in illegal gambling, and a greater susceptibility for elected and appointed officials to be corrupted or engage in unethical conduct (Lunney, Robert. 1994).
- “The cost-benefit question related to the spread of legal gambling is whether we need another form of entertainment badly enough that we are willing to pay for another social problem whose costs are equal to an additional recession every decade in order to have it” (Grinols, 1995, p. 10).
- “There would be little concern for how much gambling there is—any more than one cares how much golf, movie attendance, or opera there is—if it were not for the social problems and costs that gambling creates” (Simon, 1992, p. S187).
- In expanding gambling, legislators harm the economy in two ways: by cannibalizing non-gambling businesses and by increasing the public and private costs associated with the rise in addictive gambling behaviors (Kindt, 1994; Goodman, 1995).

er hose. Perhaps the best case scenario for the municipalities in this analogy is to hope the water prevents the fire from spreading in order to minimize the costs it incurs as a result of gambling’s expansion.

Public Resistance to Gambling’s Expansion

Rose (1988) has proposed what he calls the “third wave theory” of gambling. The idea is that the popularity of gambling in North America is cyclical—oscillating from prohibition to acceptance and back again. Rose explains how twice before in American history legal bets could be made in almost every state, but these waves of legal gambling came crashing down in scandal and ruin. In Rose’s view, we are now in the midst of the third wave, with an industry collapse predicted in 20 to 30 years. Already in western Canada there are signs of an anti-gambling

backlash. In 1994, an anti-gambling lobby group named Citizens Against Gambling Expansion (CAGE) helped defeat a proposed government policy change that would have allowed an upscale commercial casino on Vancouver’s downtown waterfront. CAGE took on two prominent adversaries in the BC government and Mirage Casinos (the Las Vegas-based corporation that was planning to develop and operate the project) and emerged the winner by challenging the promoter’s inflated claims about boosting the local economy and stimulating tourism without causing undue social harm.

At present, there is a conflict between provincial and municipal authorities in BC concerning who has jurisdiction over slot machines. Vancouver City Council has passed a zoning bylaw that would keep slot machines out of the city. The province is fighting the ban, claiming that it is the final authority on gambling matters. Vancouver mayor Philip Owen, in defending his constituents’ negative reaction to gambling expansion by stating that “gambling is

Figure 10

Gambling's Impact: The Ripple Effect

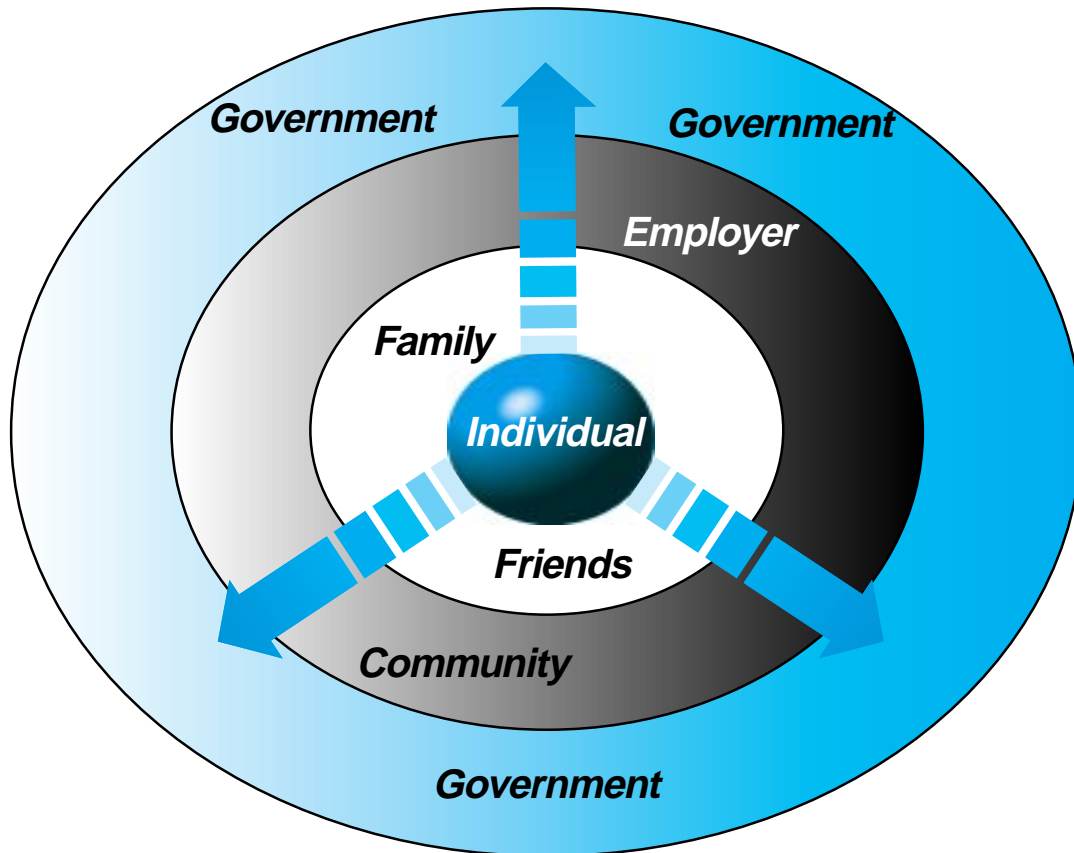


Figure 10 demonstrates how gambling's impact cannot be considered in isolation. The true measure of its effect comes from an examination of those elements that are influenced by a problem gambler. Research suggests that for every problem gambler, there are 10-17 people around him/her that are negatively affected as a result (Politzer, Yesalis, Hudak, 1992). Beginning with the inner circle of peers, the impact expands outward to influence many persons in contact with a problem gambler. Like a pebble that falls into a pond, the impact of a problem gambler ripples outward to affect the following groups:

Family/Friends: Often the greatest strain is felt by family and friends, as they are in the front-line of the increased stress caused by gambling. This manifests itself into high rates of divorce, violence, suicide attempts, and substance abuse.

Employers/Community: Studies suggests higher than average rates of lateness, absenteeism, low productivity and crimes against employers (forgery, embezzlement, fraud, etc.) among problem gamblers (Lesieur, 1992). Community resources are also expended in combating the impact problem gambling has upon families and friends.

Government: Municipal and provincial governments absorb the brunt of the impact. The *most conservative estimate* available suggests that the annual cost to society of each problem gambler is \$13,200 US dollars in 1993 (Goodman, 1995). The costs can include: addiction treatment, higher policing costs, bankruptcies, substance abuse treatment, higher insurance costs, etc.

The End of the Third Wave?

Recent decisions in several Canadian jurisdictions suggest that perhaps we are on the verge of the end of Rose's third wave of gambling.

- November 12, 1997. In conjunction with municipal elections, 17 of the 30 greater Toronto area jurisdictions held votes on the proposed introduction of casinos and VLTs. The results were conclusive; VLTs failed in all three areas that voted on them and casinos failed in 15 of 17 areas. In Toronto, for example, the vote was 4 to 1 against the VLTS and 2 to 1 against casinos.

- November 3, 1997. Voters in Charlottetown asked the province to remove their existing VLTs by voting in a plebiscite nearly 4 to 1 in favour of a ban on the machines.

Municipalities (by allowing VLT votes) and citizens (through their democratic voice) seem unwilling to carry the burden of the additional social costs created by VLTs and gambling's expansion for the purpose of generating large revenues for the provincial governments.

destructive, it's not new money, it's just funds out of the general economy that should be going to food and shelter" (Fong, 1997, p. B1).

A similar controversy exists in Alberta, where a mounting grass-roots opposition has expressed concern about the government's reliance on VLT revenues to balance its budget and increase surpluses. This year petitions were circulated in several communities calling for a plebiscite on whether or not VLTs should be removed. To date, five municipalities have voted on the issue and in four cases the verdict was to pull the machines. Pressure is also mounting within Calgary among concerned citizen groups to hold a plebiscite on VLTs in conjunction with the next civic election.

A 1996 report by the National Council of Welfare criticized provincial governments for actively promoting gambling. In particular, the report called for VLTs to be banned in all locations except casinos, stiff penalties for allowing minors to gamble, and the provision of funds for extensive independent

research on gambling issues. These concerns indicate public uneasiness about gambling that was missing during the last decade when governments were rapidly expanding their gambling offerings.

Proposed Reforms

The vital issue that needs to be addressed is whether a government's apparent gambling addiction is curable, and if so, what is the treatment? Outlined below are some thoughts on bringing equilibrium to the turbulent gambling industry.

Gambling is here to stay. History has taught us that it cannot be effectively suppressed (Dixon, 1991). In fact, there is no reason to outlaw all forms of gambling given that it is a long-standing, naturally occurring, mainstream cultural practice. The problem is not the games themselves but governments' and the gambling industry's appetite for the cash games generate. If gambling was viewed by governments as just another recreational outlet, much like provincial parks, campsites, museums, and golf courses, they would offer more consumer-friendly odds, try to protect improvident bettors, and not be concerned about stimulating the gambling market. This client-centered approach to gambling would counteract the present adversarial system which features odds designed to empty players' wallets.

The first step to improving government gambling operations is the creation of a plan that details a comprehensive and coordinated strategy to deal with all aspects of gambling policy. At present, provincial gambling policies are a confused jumble of ad hoc decisions. Witness for example the recent decision of the Alberta government to designate a prominent Calgary casino as "rural" in order to circumvent the provincial restrictions on the number of charity casinos that can operate within a week. Without this ruling, one of Calgary's five casinos would have been unable to operate on a full-time basis.

A key element in the master plan would be to specify how new games would be introduced, where they would be located, how revenues would be distrib-

uted, and how public input would be part of the process. Black (1996) notes how VLTs were introduced as a cure for the declining hotel and tourism industry in Manitoba—“in effect, a welfare scheme for hotel proprietors, designed both to increase hotel patronage and to augment proprietor incomes directly through the payment of commissions for operating VLTs” (p. 51).

Had the VLT introduction process been more rigorous and preceded by an open public debate, discussions of the cost and benefits of VLTs to the community could have occurred. Issues such as location of the machines, number of machines, shares of revenues, hours of availability, etc., could have been publically debated prior to introduction of the machines.

A critical item in a gambling policy strategy would be to isolate the social and economic costs of the activity and design ways to deal with them appropriately. This would mean an independent cost-benefit analysis that focuses on the impacts on business, health care, and the judicial system; full disclosure of the odds for each gambling format; and advertising guidelines that ensure ads are straightforward and honest.

The federal government needs to have a greater presence in monitoring gambling issues. It is the body that amended the *Criminal Code* to allow for the expansion of gambling but it did not position itself to evaluate the outcome of that decision. Since provincial governments are stakeholders in gambling—both because of their claim on gambling proceeds and because they license, sanction, and promote gambling—they sometimes lapse in their responsibility to protect the public interest (Eadington, 1994). Because the federal government does not profit significantly from gambling, it is not encumbered by the self-interest that drives the provincial governments. It is, therefore, in a better position to ensure that gambling operates with the public good in mind. Ideally, both levels of government should work in a cooperative spirit to develop gambling policies that are proactive and inventive rather than reactive and superficial—policies that will improve the integrity of our political system.

If we are indeed in a third wave of the expansion of gambling, the mania in western Canada may soon become a spent force. In the long run, legislators’ envisaged fiscal “sugarplum” may be no more than a confection that provides empty calories and no lasting economic nourishment. Like any form of overindulgence, be it too many bonbons or excessive gambling, there is initial enjoyment followed by affliction. An overindulgence of candy is detrimental to the human body, just as a profusion of gambling can be devastating to the body politic.

Recommendations

Based on our review of the material and research on gambling to date, it is recommended that the following sequence of events begin immediately:

- 1. Public reporting and dissemination of information on gambling revenue and expenditure by government be increased.**

The data on gambling are often out of date, difficult to locate, and not comparable. A single, consistent, and publically promulgated set of government data on the size, scope and use of gambling generated revenues is required. This set of data will facilitate accurate public debate on the impact that gambling is having upon our communities.

- 2. Empirical data gathering and analysis on the impact of gambling’s recent expansion on the community that informs citizens of the costs of gambling.**

Alarming little research has been done in western Canada on the impact of our government’s heavy reliance upon gambling resources. Particularly with reference to the role VLTs have played in the lives of western Canadians. Those studies that have been done are limited in scope and applicability to the Canadian situation. Studies might take the form of:

- A survey of western Canadians to gauge the results that VLTs have had upon their life, jobs, family and friends, etc. and whether demographic factors influence this impact. This unique situ-

ation of rapid expansion of gambling in which western Canadians find themselves requires a local, comprehensive impact study to be undertaken; or

- Data gathering on the causal effect that VLT introduction has had on the criminal justice system in western Canada.

3. Establish accountability measures for the provinces on the impact of gambling.

Benchmarks related to gambling and its impact should be established. The provinces must be accountable to the citizens that are funding this revenue stream. Further, the provision of gambling revenues to the provincial coffers should be directly tied to these benchmark measures. For example, an increase in the rates of problem gambling would require an increase in resources spent to treat the problem.

4. Set up an independent review of the activities of provincial gambling commissions.

Among the questions this review would consider are:

- How are the rates of return to charities regulated?
- What is the best way to determine the amount of grant money that is made available to communities from gambling revenues?
- How accountable are government boards that regulate gambling?
- Who decides who should be appointed to these commissions?

5. No further expansion of gambling without full public consultation and a community impact assessment.

Given the potentially devastating impact of creating more problem gamblers, no expansion of gambling activities should be undertaken at the present time without a formal evaluation process. This restric-

tion should apply to all changes in regulated gambling activities including: longer casino hours, more VLT machines, introduction of dice or other new gaming implements, simulcasts of horse racing, new lottery/sport betting games. ■

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Gambling and the Public Interest? is the latest in a series of Canada West Foundation research reports on social policy topics:

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