Australia’s Gambling Policy: Motivations, Implications and Options*

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The paper will discuss current gambling policy in Australia. The attraction of the use of gambling as a method of “painless taxation” is recognised, but its potentiality for damaging individuals and society will be considered. Five policy options are identified. Much evidence will be drawn from the 3-volume report *Australia's Gambling Industries*, and there will be an evaluation of the Australian *Interactive Gambling Act*, 2001. The assessment of the least damaging form of gambling policy when all aspects of gambling are taken into account, is the ultimate aim of this paper.

Key words; gambling, policy, Australia

* I would like to acknowledge some very valuable comments made anonymously in the review process.
Gambling is known to have existed in many ancient societies and would appear to be an endemic though culturally affected activity. It has been defined as

“…a reallocation of wealth, on the basis of deliberate risk, involving gain to one party and loss to another, usually without the introduction of productive work on either side. The determining process always involves an element of chance, and may be only chance.” (Fuller, 1977: 12).

Gambling can be gaming, as in a game of chance such as roulette, betting or wagering, where money is staked on a future event such as a horse race, a lottery where prizes are distributed by lot. Sometimes speculation on the future movement of prices is included in gambling, and although chance plays a role, work in the form of research and analysis is involved, and so therefore this should not be included as gambling. In Australia, as in many other countries, governments have realised that taxing the “reallocation of wealth” is painless in relation to other forms of revenue raising and is therefore highly attractive, but the consequences are causing unease.

**The Extent of Gambling in Australia**

Legal gambling accounts for one and a half per cent of Australia’s Gross Domestic Product, which was a total net expenditure, (that is, net loss) of AUS $14.37 billion in 2001/2002, or AUS $ 988 loss for every adult (Ellicott, 2002: 3). In 1997-98, the total amount staked was AUS $95 billion, of which AUS $3.5 was taken as taxation. Expenditure on gambling is today double what it was 10 years ago, and treble that of 15 years ago; in other words, a major social transformation has taken place, mostly fuelled by the introduction of electronic gaming machines (EGMs) (PC, 1999: 8-9).

Eighty two per cent of adult Australians engage in gambling, excluding raffles and sweeps, the highest extent of gambling in the world, where the annual loss is at least double that of North America or Europe (PC, 1999: 12).

Currently Australia has 185,000 electronic gaming machines, which, on a per capita basis, is five times more than the USA (PC, 1999: 11).

**The Motivations to Gambling**

As a service industry, gambling gives enjoyment and provides an accessible, comfortable and safe environment and provides employment, and generates taxation revenue. The industry directly employs 37,000 people and indirectly another 70,000, mostly in clubs and pubs. Tourism is a beneficiary of the gambling industry, and of the total loss on gambling of AUS $11.3 billion in 1997-98, AUS $0.5 billion was lost by overseas visitors (PC, 1999: 9). In addition, gambling now accounts for 12 per cent of state and territory taxation revenue.
The motivation for Australian gamblers has been found to be

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<thead>
<tr>
<th>Reason</th>
<th>Percentage of respondents</th>
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<tr>
<td>Dream of winning</td>
<td>59</td>
</tr>
<tr>
<td>Social reasons</td>
<td>38</td>
</tr>
<tr>
<td>For charity</td>
<td>27</td>
</tr>
<tr>
<td>Atmosphere/excitement</td>
<td>13</td>
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<tr>
<td>Belief in luck</td>
<td>12</td>
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<tr>
<td>Favourite activity</td>
<td>10</td>
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<tr>
<td>Beating the odds</td>
<td>9</td>
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<tr>
<td>Boredom/pass the time</td>
<td>9</td>
</tr>
</tbody>
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These survey results confirm the artistic presentation of gambling as a glamorous and exciting activity where mundanity can be replaced in a way that can only be dreamed of. In the classic film of 1963 *La Baie des Anges*, a young bank clerk (Claude Mann) is drawn into gambling by a colleague and then teams up with a beautiful female companion (Jeanne Moreau). Together they embark upon a journey of wealth and excitement through the roulette wheels of the Côte d’Azur, in a journey that can of course only end badly.

Gambling is for most people a rational choice, a decision to invest in the totally comprehensible desire of winning a big prize for a small investment, and the dream of the possibility of a transformed future, far removed from one’s present surroundings. This activity may be aided by subsidised food, drink and entertainment, and take place in a timeless encapsulated environment where clocks, windows, day, night, public holidays, the seasons and other signifiers of time and other place such as the presence of children or the impact of world events, have been excluded. Even in the darkest days of the Nazi occupation of France, the horse races at Longchamps continued without interruption, causing one to consider whether gambling can provide release in a collective sense in addition to that for individuals. Many casinos operate on a 24-hour basis, 365-day year basis, though curiously not that at Monte Carlo.

This said, it is important to note that gamblers are not a homogenous group, particularly concerning any psychosocial aspects of gambling (like motivations which can be very diverse).

**The Implications of Gambling for the Individual**

For a person who has difficulty in controlling his or her gambling behaviour, with resultant adverse personal, economic and social impacts, the term “problem gambler” is generally used, as for example by the Australian Productivity Commission. At precisely what point a recreational gambler becomes a problem gambler is not clear. Some of the questions posed in the South Oaks Gambling Screen (SOGS) (Lesieur and Blume, 1987)
about the gambler’s behaviour concern whether they chase losses, feel guilt, and believe that they have a problem, with a score of 5 or more indicating acceptance as a *problem gambler* (PC, 1999: 20).

The American Psychiatric Association have created in the Fourth Edition of their *Diagnostic and Statistical Manual of Mental Disorders* (DSM-IV) a test for what they call *Pathological Gambling*, which they define as a Disorder of Impulse Control, one of the wider spectrum of Obsessive-Compulsive Disorders. This test has greater emphasis on the psychological aspects of the gambler’s behaviour, such as preoccupation with gambling, the need to gamble with increasing sums of money to achieve the desired level of excitement, failed attempts at control or cessation, gambling as a way of escaping dysphoria, “chasing” losses, lying about gambling, committing crime to finance gambling, and jeopardising or losing a relationship, job or career (Koran, 1999: 228).

Three stages in the development of the condition of pathological gambling have been identified: the “winning phase”, the “losing phase”, and the “desperational phase”. Of these, the latter is the phase of acute danger, as the gambler will have intense dysphoria, anxiety and alienation, and commonly suicidal ideation. Resort to crime is a possible outcome, types of crime involved commonly include drug pushing, forgery, fraud and embezzlement for men and prostitution for women, though violence against persons is rare (Koran, 1999: 229-30).

The pathological gambler will hold irrational and overvalued beliefs about gambling, and may believe that he or she can have some influence over winning outcomes, or that a run of bad luck must soon end, or that Lady Luck can be influenced (Koran, 1999: 231).

Pathological gamblers are often found to have co-morbidity: in one study by Blaszczynske and McConaghy, 76 per cent were found to have major depression, 36 per cent to have drug and alcohol dependence, and 12 per cent to have made potentially lethal attempts at suicide (Koran, 1999: 232-3).

**The Implications Effects of Gambling for Society**

In Australia, an estimated one per cent of the adult population (130,000 people) are believed to have severe gambling problems, with another 1.1 per cent (163,000) experiencing moderate problems (PC, 1999: 19). The problem gamblers contributed an estimated one-third of total gambling expenditure, that is, about AUS $ 3.6 billion annually, an average of AUS $ 12,200 per gambler, causing harm to an estimated 250,000 adults (PC, 1999: 21).

The national Gambling Survey identified a number of specific adverse impacts over a 12-month period. The most significant of these were

<table>
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<tr>
<th>Impact</th>
<th>Number of People Affected</th>
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<tr>
<td>Depression</td>
<td>70,500</td>
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Adverse job performance 49,200
Break-up of relationship 39,200
Serious consideration of suicide 12,900
Crime (excluding cheque fraud) 9,700
Attempted suicide 2,900
Completed suicide 35-60

(Source: PC, 1999: 26).

The estimated annual cost to Australia of gambling-related depression and suicide is estimated to be between AUS $ 502 million and AUS $ 1,230 million, with a total adverse impact (including bankruptcy, loss of productivity, separation and divorce, policing and justice) of between AUS $ 1.2 billion and AUS$ 4.3 billion (PC, 1999: 32). (This figure must be set against the net benefit of the gambling industry, estimated annually in Australia to be between AUS$4.4 billion and AU$6.1 billion (PC, 1999: 32).

There has been some questioning over the distribution of the economic benefits of the gambling industry. In the United States, many Indian nations have allowed casinos at be built and operated on reservations. Although Indian gambling revenues have increased from US $ 100 million in 1988 to US $ 8.26 billion in 1998, an analysis of federal unemployment, poverty and public assistance records indicates that the majority of American Indians have benefited little. Among the 130 nations with casinos, a few near major population centres have thrived while the majority are just financially viable (Online Casinos, 2002).

Interesting though the attempts to quantify the implications of gambling are, the qualitative harm is very difficult to assess. Is gambling contributing to a breakdown of social fabric, also called social capital, that is, the layer of trust, support and engagement between the members of communities (Putnam, 1995)? It has already been noted that gambling has increased, and as availability increases, the total amount of gambling activity can be predicted to increase (Jacques, Ladouceur and Ferland, 2000).

In view of the harmful effects of gambling on the individual, his/her family, friends and workmates, and on society, why does anyone gamble? The answer can only be that much more research is needed. The explanation, which may never be fully understood, would probably include that which has been called by Orford (to name just one of many insightful researchers), multiple interacting determinants, including personality or character, but also social or ecological determinants such as opportunity and the influence of others (Orford, 1985: 319).

**Gambling Policy**

Governance is always predicated on assumptions: in the case of gambling they are about human behaviour and its social impact, and they could be stated specifically as (1) the individual needs does not need protection/support and (2) society needs/does not need...
protection/support. Among the range of policy options available to those entrusted with the responsibility of governance, the assumption of need/support will be given different values, ranging from to 100 per cent or complete protection/support, in other words the complete banning of gambling, to zero or no protection/support, in a situation of “survival of the fittest”. These assumptions are not merely philosophical positions that can be debated in the abstract as two conflicting and irreconcilable value positions of freedom versus protection that can be discussed at leisure. In reality, the decisions about policy options will impact on many of those about whom they are made and those around them. It is thus possible to consider the various policy options particularly in the light of the implications of mental health status, hopefully to the point where a policy recommendation can be made.

Complicating the issue is that fact that in the gambling industry, governments have at their disposal an extremely powerful revenue-raising instrument, which operates painlessly. The problem has been very clearly stated by Lorrin M. Koran, Professor of Psychiatry at the Stanford University Medical Center, when he wrote

“We live in a peculiar age, one in which governments encourage gambling. In the past quarter century, after decades of suppression, most state governments in the United States and many national governments abroad have legalized gambling in order to generate tax revenues…Between 1979 and 1995, the amount wagered in legal gambling in the United States has increased 28-fold, from US $17 billion to US $482 billion…. Easy availability has entrapped individuals in pathological gambling who would not otherwise have fallen victim…” (Koran, 1999: 227).

As noted by Koran, governments in other countries have been quick to exploit the revenue raising possibilities of gambling. In Australia the states and territories raise 12 per cent of all revenues from gambling (PC, 1999: 9). The total figure of around AUS $3.5 billion is made up of AUS $1.7 from gaming machines, AUS $ 850 million from lotteries, AUS $ 500 million from racing, and AUS $ 450 million from casinos (PC, 1999: 52).

The attraction of this method of taxation is that it appears to be “painless” or “voluntary taxation”. A study in Canada found that in response to the statement “gambling is a good way for governments to raise revenues because it is a form of voluntary taxation”, 62 per cent of respondents agreed (29 per cent strongly agreeing), twice as many as those who disagreed (32 per cent). (Azmier, 2000: 3).

The “painless taxation” view has been criticised on grounds that it is highly regressive and exploits the false hopes of the financially destitute (Reno, 1997: 1). To this one could add that many of the taxation contributors are, at the time of making their contribution to taxation, affected by drugs, alcohol and possibly mental illness. In other words, for a compulsive gambler, the taxation contribution is not a voluntary one. In this connection, it can be noted that one clinic has had some success in helping its clients by encouraging them to visualise the poker machine as a voluntary taxation machine (North, 2002: 1). In addition, the revenue raising capabilities of the gambling industry give political leaders a
very strong reason to minimise the true extent of the damage being done to individuals and to society, a situation highly analogous to the early attempts to publicise the harmful effects of the tobacco industry.

**Gambling Policy Options**

In regard to gambling and taxation revenue, governments must therefore take a position. It is possible to identify five distinct policy options, each taking a relative place in a spectrum of protection/support for the individual and society, though at the same time noting that a blending of options often exists and that gambling policy is an evolutionary process, like other areas of public policy. This positioning will be a result of the ethical viewpoint of the leaders of the governments concerned and prevailing attitudes, values and media representation. Some representatives may feel that the financial gain from “painless taxation” justifies concealment or at least downplaying of the true cost of gambling.

The Fundamentalist Option

The Taliban or fundamentalist Islamic religious scholars held power in Afghanistan from 1996 to 2001. Under their regime, all gambling, betting, pigeon-keeping and flying, and dog racing was prohibited, as well as a range of other offences including adultery, homosexuality, (as capital offences), and lesser crimes (Malik, 1999: 139. Although Afghanistan under the Taliban was the only modern example of a fundamentalist state, it is not inconceivable that other states with a 100 per cent ban on all gambling could arise again. One commentator sees a distinct possibility of the combining of religion and politics in Hinduism, Buddhism, Christianity and Judaism (Malik, 1999: 136).

The Monaco Option

The Principality of Monaco is an independent principality of 150 hectares adjoining France, with a population of 31,500 inhabitants. Since 1863 it has been the home of the famous Monte Carlo Casino, which is a major revenue source for the Principality, as well as related tourism, banking, insurance, and other service and light manufacturing industries. It has no income tax (except for certain categories of French nationals) and no capital gains tax. An interesting aspect of governance is that citizens of Monaco are not permitted to gamble at the Monegasque facilities (Virtualtourist, 2002). A similar ban on its own citizens is operated by Australia in relation to Internet gambling. These governments accept a need to protect and support their own citizens from gambling, thus acknowledging the potentially harmful effects on individual and society, but accept no such responsibility for foreigners, in what could be scribed as a two-level assumption of need to protect and support.

The Buthelezi Option

An interesting statement of another form of the two-level need to protect and support has been expressed by the South African Minister for Home Affairs, Chief Mangosuthu
Buthelezi, at the opening of the multimillion rand SugarMill Casino at Mount Edgecome, north of Durban

“The local, provincial and national governments view gambling as a form of voluntary taxation. In licensing casinos, the intention of the provincial and national governmental has been to redirect disposable income from the ‘haves’ into socially and economically responsible projects that ultimately benefit the ‘have-nots’”, Chief Buthelezi is reported to have stated. (SAPA, 2001: 1).

The Buthelezi option thus accepts no need to protect and support the “haves”, while the presumably unaffordable cost of gambling relieves governments of any need to protect the “have nots”, who can be supported by government using funds taken from the “haves”. In a country such as South Africa where income differentials are very high, and the minimal casino bet would possibly be prohibitive to many, the argument may have a degree of validity that it would not have in more affluent countries.

The Tasmanian Green Youth/New Zealand Gambling Workshop Option

Accepting a need to protect and support Tasmania’s gamblers, the Tasmanian Greens proposed a Gaming Control (Stop the Roll Out of Pokies) Amendment Bill in State Parliament in 2001 which called for an end to the further roll out of poker machines, placement of a statement of odds on all machines, and a limiting of ATM and EFTPOS access in gambling areas. After the bill was defeated by the Labor and Liberal Parties, members of the Green Youth Network entered the Wrest Point Casino in Hobart and placed stickers on the poker machines warning gamblers that they had a “one in 9,765,625 chance of winning the jackpot.” (Martain, 2002: 9).

In New Zealand a similar perspective was taken in a collective statement prepared by participants at a workshop hosted by the Problem Gambling Foundation of New Zealand and the Centre for Gambling Studies at the University of Auckland in 2002. Among the comprehensive and far-reaching objectives were the goal of “healthy gambling” and an acceptance of the responsibility of government in its legislation to “promote the social and economic well being of people and communities” and among its many solutions a concern with availability and consumer information. The Statement also took great care to recognise the special needs and sensitivities of people of different backgrounds (Gambling Studies, 2002).

These approaches, also adopted elsewhere, such as by the international organisation Gamblers Anonymous, (Gamblers Anonymous, 2002) are focussed on a need to limit and control access and to educate people. Of the two methodologies, control of access would appear to be more effective in the short term. In the longer term, education as to the nature and effects of gambling would be appropriate. With regard to specific warnings or statements of odds, it is problematic as to what extent the pathological gambler at the stage of desperation would be able to heed, or even bother to read, a printed statement of the particular odds of his chosen form of gambling.
Survival of the Fittest

In this view, governments are assumed to have no sense of responsibility at all for the protection and support of individuals or societies, in other words, a situation of total deregulation.

There is probably no regime anywhere that would allow gambling to be legally available to children, although children and young people do gamble, probably for similar motives as adults. The Canadian Health Network has noted that approximately 70 per cent of Canadian youth engage in some form of gambling, and that 4.8 per cent of adolescent gamblers are categorised as pathological and 14.6 per cent are categorised as problem gamblers, and note that as well as money, gambling could be for shoes, CDs or Discmans.

“…youth do not gamble for financial rewards alone, they also do it for a whole range of reasons, including the ‘rush’ of it and the self-esteem of proving they can be ‘winners’. (Canadian Health Network, 2002).

The “survival of the fittest” approach is rarely described as such, more usually being described as deregulation, and is advocated by the gambling industry. In the UK, the Budd Report has recommended the easing of membership delays, more lucrative slot machines in casinos, the serving of alcohol on gaming floors, and the purchase of gaming chips by credit card (Gillan, 2002). The assumption is of course that all gamblers are of sound mental health and therefore capable of rational decision-making while remaining fully in control of his or her impulses.

Proponents of deregulation deny the existence of problem gamblers. In the words of one leader of the gambling industry in Australia

“Do problem gamblers exist? I am yet to be convinced of this; however I fully acknowledge that there are people with problems who gamble.” (PC, 1999: 26).

The attitude that individuals and society need projection and support has critics who regard this as the “Nanny State”, which is claimed to be medicalizing many aspects of behaviour and reducing self-reliance. Obviously there is always a need for individual responsibility, but its proponents go further in their support for rugged, protean individualism and are generally in favour of lower taxes, the abolition of gun control and the cessation of anti-smoking and anti-alcohol campaigns. They also accuse the nanny state of double standards

“The Nanny State is also notoriously "even-handed," and can be seen covering both sides of a transaction: it prohibits gambling (in most states) while monopolizing lotteries, it subsidizes tobacco farmers while extorting billions of dollars from tobacco companies, and it bans advertising of alcoholic beverages while reaping billions in hidden excise taxes. The Nanny State does all this and more. It is the symbol of what happens when the desire "to do good" is given too much power to lawfully coerce peaceful citizens.” (The Lighthouse, 2000).
The cost of a policy of total deregulation of gambling would be difficult to estimate. One could conceive of a much larger number of less mentally fit gamblers failing to survive, either financially or personally, a much larger level of homelessness, greater crime and generally a slide into alienation and anarchy. If combined with reduced gun control, casinos could become very dangerous locations to physically approach, and the gambling industry could lose the support of tourists. In general, the policy would appear to be unworkable.

This examination of five options of gambling policy reveals that complete prohibition (the Fundamentalist option), and complete deregulation (survival of the fittest) do not have long term prospects for implementation because of the lack of political acceptability because of the extremely high costs of each: in compliance in the former and social destructiveness in the latter. The three middle range options are feasible and do exist already. The Buthelezi model is only applicable in a country of very high-income differentials, as it depends for its application on economic prohibition. However, the concept of recycling gambling taxes to valuable economic, social and cultural projects is a valuable one and is already in force in many countries besides South Africa. The Monaco two-tier system is effective in protecting and supporting citizens against the harmful effects of gambling, but may be unworkable in countries with populations greater than that of Monaco. The ethical standards of such a policy may also be unacceptable. The Tasmanian Green Youth/New Zealand Gambling Workshop option with its emphasis on limiting access, the education of gamblers and of the general public is the most effective policy option, and the easiest to implement.

Non-traditional Gambling: the Internet

In addition to the huge avalanche of gambling activity since legalisation in most countries and the widespread introduction of EGMs, there is now yet another aspect to the gambling and mental health issue.

In 2001, the American Psychiatric Association issued a health advisory on the risks of Internet gambling (APA, 2001). In 2000 there were more than 1,300 online gambling sites with revenue estimated to be hundreds of millions of dollars. Children and young adults who find gambling sites through links to game sites and can be lured by free gifts and discounts, as anecdotal evidence would suggest. These players can use borrowed credit cards until they are "maxed" (used to their maximum limit, but most parents have
more than one credit card. Moreover, the credit card numbers can be accessed by hackers who can also manipulate the games.

The Internet poses a greater risk than other forms of gambling because of the isolation and anonymity of the players who are playing in a timeless and uninterrupted environment. The APA is concerned about the damaging personal, family and social consequences, and notes the call for a ban on Internet Gambling by the United States National Gambling Impact Study Commission, and concludes that young people should be made aware of the hazards of this type of activity.

In July 2001, Australia’s Interactive Gambling Act (IGA) came into force. Following the Monaco option, the IGA prohibits the access of Australian residents to certain interactive gambling sites such as online casino services while allowing interactive sports betting and wagering services. Under the IGA, residents of foreign countries may gamble at Australian online casinos unless their governments have opted out of an agreement to receive Australian Internet gambling services.

As it is not technically possible to prevent Australian residents from gambling on overseas online casinos, and it is legal for Australian companies to set up online casinos in overseas countries to service Australian online gamblers, the IGA has been subjected to much criticism. One proposal has been for Australian banks to be prevented from accepting cheques for winnings drawn on foreign banks, but this also presents practical difficulties (Handelsmann, 2001). Also, many credit card companies are losing court battles over unpaid internet gambling debts (anonymous reviewer).

Conclusion

The paper has reviewed the explosion in legalised gambling in the last ten years in Australia and elsewhere motivated mainly by the attraction to governments of “painless” taxation. It has noted some of its beneficial effects of enjoyment, employment and a safe gambling environment but also its implication of a potentiality for damaging individuals and society. As a result, governments must take a position on the issue of how much or how little protection and support should be given to individuals and to society. Five policy options were evaluated, but two of them, total banning and total deregulation, were found to be unworkable. Of the three middle range options, that of Young Green Tasmania and the New Zealand Problem Gambling Foundation and Centre for Gambling Studies was found to be the most appropriate, though it is accepted that policy can blend several options and in any case is always evolving. This recommended controls on availability and education of gamblers and the wider society. The deeper problem of alienation and lack of direction which lies at the basis of both gambling and mental health problems is likely to intensify. New gambling technology such as through the Internet presents a new challenges and the Australian Interactive Gambling Act, 2001 is evaluated. This new form of gambling also raises new questions about the appropriateness of the offer of gambling opportunities to players regardless of age. The issue of what is an acceptable level of gambling industry related damage to individuals and society is one that will be determined by the political and other leaders of society.
within the framework of their own conscience, belief system and understanding of mental health.

References


