

Journal Information

Journal ID (publisher-id): jgi

ISSN: 1910-7595

Publisher: Centre for Addiction and Mental Health

Article Information

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Received Day: 19 Month: January Year: 2010

Accepted Day: 26 Month: April Year: 2010

Publication date: June 2011

First Page: 54 Last Page: 67

Publisher Id: jgi.2011.25.5

DOI: 10.4309/jgi.2011.25.5

Socially responsible and accountable gambling in the public interest

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All URLs were active at the time of submission. This article was peer-reviewed.

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Contributors: Both authors worked equally in planning and carrying out the research. GS wrote the article while DR provided editorial assistance.

Competing interests: None.

A version of this paper was presented, as follows: Smith, G., & Rubenstein, D. (2009, May 25–29). *Accountability and social responsibility in Ontario's gambling regime*. Paper presented at the 14th International Conference on Gambling and Risk Taking, Lake Tahoe, NV.

Ethics approval: None required.

Funding: This research was funded by an Ontario Problem Gambling Research Centre Level II grant.

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Dan Rubenstein earned his BA in economics and creative writing at Tufts University in Boston. He immigrated to Canada in 1970, where he became a chartered accountant. After working with a big accounting firm, Mr. Rubenstein worked for 23 years with the Auditor General of Canada as a legislative auditor. He specialized in environmental and social accounting, writing many articles and a book on the subject entitled *Environmental accounting for the sustainable corporation*. In 2003, Mr. Rubenstein earned an MA in geography at Carleton University, conducting research on accountable governance of large ocean ecosystems. After retirement, Mr. Rubenstein researched the application of the principles of accountability in a parliamentary democracy to complex social issues such as the provision of commercial gambling. Dr. Smith and Mr. Rubenstein recently completed a major two-year study for the Ontario Problem Gambling Research Centre on the interplay of the principles of accountability, social responsibility, and the public interest.

Abstract

While much has been written about the need for governments and the gambling industry to act responsibly in their provision of gambling, only modest advances have been made to establish best practices in this area. Worldwide, few governments even approach what William Eadington, in *Trends in gambling and responsible gaming in the US and elsewhere* (2003, http://www.888betsoff.com/links/04_presentations/Eadington.pdf), calls a stage-four level of responsible gambling stewardship, that is, the unconditional acceptance of strong measures to attenuate gambling-related harms. One of the cornerstones of a gambling regime oriented toward consumer safety and public interest is a commitment by government and the gambling industry to meet commendable standards for accountability and social responsibility. After studying the government's legislative framework for the operation and regulation of gambling in the province of Ontario (Canada), reviewing the province's gambling-related mission and public-policy statements, and interviewing key actors in the government's gambling administration, a template was developed for an optimally socially responsible and accountable gambling regime that operates in the public interest. The template, along with suggestions for improving accountability and social responsibility in the provision of gambling, is presented.

Introduction

While all Canadian provinces now subsidize problem gambling prevention and treatment programs, no Canadian jurisdiction had the foresight to implement these initiatives before getting heavily into the provision of legal gambling. Responsible gambling practices that did exist two decades ago were more happenstance than

the result of prudent planning, consisting of industry self-regulation and voluntary codes of practice. [Reith \(2008\)](#), p. 149) says that “responsibility is based on the possession of power and implies accountability — *to another for something.*” However, when it comes to the provision of gambling, what is the nature of the accountability relationship? That is, who is responsible to whom, and what are they responsible for?

[Eadington \(2003\)](#) proposed a four-stage model to assess North American state and provincial responsible gambling offerings: stage one is characterized by inaction and government and gambling industry denial; stage two refers to governmental and gambling industry “lip service” — in essence, acknowledging that problem gambling exists but doing little of substance to lessen harm; stage three is a partial commitment by governments and the gambling industry to implement responsible gambling measures; and stage four represents an unconditional acceptance of strong directives to attenuate gambling-related harms by governments and the gambling industry, even if this conflicts with other objectives and implies the sacrifice of revenues. Eadington's appraisal of the North American responsible gambling landscape was that state and provincial gambling regimes were generally positioned somewhere between stages two and three, well short of an ideal engagement.

The responsible gambling movement has been hindered by governments' reluctance to accept empirical research findings, the goals of a robust responsible gambling initiative, and the means to reach these goals ([Hing & Mackellar, 2004](#)). While modest progress has been made in the six years following Eadington's observations, recent commentary indicates that the risk of legal liability could be the stimulus that spurs governments and the gambling industry to be more proactive in making gambling safer for consumers ([Hancock, Schellinck, & Schrans, 2008](#); [Miers, 2008](#); [Livingstone & Woolley, 2007](#)). In addition, recent scandals involving the Ontario Lottery and Gaming Corporation and the British Columbia Lottery Commission have increased public awareness about lax oversight and accountability deficiencies in these organizations, hence creating in them a heightened sense of vulnerability and a greater emphasis on responsible gambling initiatives ([Marin, 2007](#); [British Columbia Ombudsman, 2007](#)).

In analyzing the inner workings of Ontario's gambling regime, we sought to determine the fit between policy and practice (and identify gaps, if there were any), and ascertain whether (and to what extent) the operation of gambling in Ontario was meeting acceptable standards of accountability and social responsibility. A detailed account of the inquiry is beyond the scope of this article. Here, we focus on the building blocks for an accountable and socially responsible gambling regime. The end product is a framework for offering gambling in the public interest.

Justification for the Study

Whether gambling is detrimental, neutral, or beneficial to individuals and society in general depends upon social, cultural, situational, and individual factors, as well as how the activity is operated and regulated. While gambling in Canada “is marketed as a form of entertainment for its consumers, state-run gambling for the purpose of revenue generation has consequences for citizens and communities” ([Cosgrave & Klassen, 2009](#), p. 3). The full force of these side-effects is often obscure because citizens seldom have the appropriate information to hold governments accountable.

The challenges that confront Canadian provincial governments in conducting and managing gambling are manifold: how to offer the activity so that it is fair to players and tightly regulated; its proceeds are directed toward important social betterments; its related crime and corruption are constrained; and its harm is minimized for citizens and the community at large. Governments must also reconcile gambling's stigmatized reputation, that is, explain why it is that even though most forms of gambling have been illegal until recently, it is now a worthwhile leisure pursuit and proper for them to promote and operate it. While governments' sanctioning of gambling gives the activity legitimacy, caveats associated with it make it a confounding undertaking to operate and regulate in the public interest. By caveats we mean verities concerning the nature of gambling (e.g., historical links with crime, addiction, and social breakdown) that hinder jurisdictions from harnessing the activity and using it to produce a net community benefit.

Accountability and social responsibility are gardens that need regular tending by gambling regimes that purport to operate in the public interest. In an attempt to more closely align gambling policy and practice with the common good, we identify core questions that need answering to make governments more accountable for their gambling operations, and we introduce a template for an optimally socially responsible gambling regime.

Caveats of Commercial Gambling

Caveats of gambling that gambling providers should be mindful of when formulating public policy are as follows: (1) *Gambling is not an essential product or service*. Unlike core programs provided by governments, such as health care, education, and environmental protection, gambling is unnecessary. Not only is the provision of gambling products and services not part of a government's mandate, it is an activity that entails the transfer of money without creating new money, and, when government-run, represents a form of regressive taxation ([Sweeney, 2009](#)). Concern has also been expressed that government-promoted gambling implies that citizens should rely on luck to achieve financial success, which is “inconsistent with encouraging characteristics such as effort, industry and perseverance” ([Lippke, 1997](#), p. 61). Given the expendability of gambling, there would seem to be

an extraordinary onus on governments to justify their involvement in the activity and ensure it is operated in the public interest. (2) *Gambling is a morally contested industry*. Morally contested industries are those industries that polarize public debate and attract the question, “Is this activity moral?” In order to minimize public concern, morally contested industries need tight regulatory structures and governance processes that promote integrity, advance public trust, and cultivate public confidence ([Magendanz, 2003](#)). (3) *Gambling is harmful to some participants*. A small percentage (2 to 5 percent of adults, depending on the Canadian jurisdiction) of gambling consumers bet excessively, thus creating misery for themselves and those close to them. This potential for gambling-related personal suffering and social disruption has accountability implications for governments in terms of duty of care, informed consent, and articulating priorities vis-à-vis revenue generation and protection of citizen welfare. The lack of case law in these areas means that the responsibilities of the gambler, the gambling provider, the machine manufacturer, the regulator, and others are still unclear. (4) *Profit-seeking overrides other goals*. Canadian governments have acted as entrepreneurs in providing gambling; as a result of this managerial style, a conflict has been created between their desire to generate revenues and their mandate of upholding the public interest. [Cosgrave and Klassen \(2009, p. 11\)](#) assert that legal gambling in Canada “has become constituted on the basis of revenue production, which suits the interests of the state, but not necessarily the needs of the gamblers, or the larger community.” Once established in the gambling arena, provincial governments moved to “protect their investment and maximize their profits” ([Adams, 2008, p. 32](#)), which meant creating infrastructures of control (policies and practices) that encouraged gambling expansion and revenue enhancement, often at the risk of slighting the public good. This focus on profit-seeking can compromise a gambling regime's integrity along with its accountability and social responsibility standards ([Marin, 2007](#)).

Consequences of Failing to Heed Gambling-related Caveats

By soft-peddling the hazards of gambling and fixating on the profits, Canadian governments place a higher priority on revenue generation than citizen welfare ([Smith & Campbell, 2007](#)). Provincial governments are in a conflict of interest with regard to their gambling operations, because not only do they have a monopoly on the activity within their borders, but they authorize and promote gambling opportunities, legislate the gambling landscape, regulate legal gambling, and prosecute illegal gambling, while at the same time being the major beneficiary of gambling proceeds ([Campbell, Hartnagel, & Smith, 2005](#); [Adams, 2008](#)). One way to avoid this conflict is to privatize gambling services, thus making provincial governments strictly regulators of the industry. Since this would require a major change in the Criminal Code, reduce government revenues, and possibly allow the gambling industry to dominate the regulatory system ([Denton & Morris, 2001](#)), it is

a highly unlikely scenario. A more salutary approach might be for governments to continue operating gambling but make them answerable to independent tribunals. This prospect is explored in a later section.

The collaboration between governments and private-sector gambling corporations “gives the gambling interests extraordinary bargaining power” ([Room, 2005](#), p. 1226) and has, over the years, resulted in increasingly relaxed gambling regulations. For example, gambling venues can now be open seven days a week and for longer hours, alcohol can be consumed on the gaming floor, maximum bet limits have increased, bank machines (ATMs) are permitted in gambling premises, telephone and Internet wagering are allowed, and electronic gaming machines (EGMs) can be equipped with bill acceptors. By and large these changes were the result of aggressive gambling industry lobbying and were designed to increase profit—public consultation was seldom part of the process ([Azmiar, 2000](#); [Campbell & Smith, 2003](#); [Smith & Campbell, 2007](#)).

Gambling, unlike most other commodities or services provided by provincial governments, “carries serious risks of personal and social harm” ([Orford, 2005](#), p. 1223). In comparing EGMs to the tobacco industry, [Doughney \(2007\)](#) declared that both products impair control and that regular use as intended by the manufacturers works to extinguish player control. Given the potential hazards of gambling, it is recommended that governments abide by the precautionary principle before introducing policies or activities that could irreversibly damage citizens or the community, even when there is no definitive proof that the harm will result ([Myers & Raffensperger, 2001](#)). The precautionary principle is particularly relevant for gambling, where it is much easier to expand the activity than undo it.

All legal gambling formats are weighted against a player “beating the house”. In addition, [Goldlist and Clements \(2008\)](#), p. 11) contend that “government-run gaming monopolies maintain artificially high prices in the form of lower pay-out ratios.” [Campbell \(2009\)](#), p. 85) concurs when he notes that Canadian jurisdictions have yet “to address the fundamental fairness of proffered games such as the odds or rates of return paid by EGMs, which are overwhelmingly advantageous to the gaming operator.” The lack of fairness makes governments vulnerable to charges of “duping the gullible” ([Sweeney, 2009](#), p. 220).

While their financial records are made public in annual reports, gambling regimes are averse to openly discussing their business, marketing practices, and expansion strategies. And, because gambling is such a sensitive topic for governments, there is often a disconnect between official rhetoric and routine practice; by this we mean that the high-minded ideals contained in gambling mission statements and objectives “cannot be assumed to translate into implementation of policy in a straightforward manner” ([Borrell, 2008](#), p. 266). Government language pertaining to gambling operations is often devoid of content (it speaks of a commitment to

values, but not what this means in practice) and focuses on the caring side of the enterprise while ignoring the darker regions of the activity (e.g., addiction, corruption, and consumer exploitation). This is an example of what Orwell (cited in [Hitchens, 2002](#), p. 71) called “political language,” that is, verbiage “designed to give an appearance of solidity to pure wind.”

Provincial governments have been known to describe themselves as “gaming neutral” and require their funded agencies to adopt this stance as well. The notion of government as an impartial and disengaged bystander is a distortion of its role as gambling provider and promoter and has implications for government accountability and social responsibility when a crisis arises. For instance, in 1998 when Alberta communities held referenda on whether to allow or terminate video lottery terminals (VLTs), the government forbade problem gambling counsellors from participating in public debates on the issue by directing them to be gaming neutral. This gag order resulted in valuable information about the problems associated with VLTs being withheld from the public, thus compromising the openness of the dialogue ([Smith & Wynne, 2004](#)).

Principles of Socially Responsible Gambling

In our review of the gambling studies literature pertaining to offering gambling in the public interest, the following key principles were identified:

- *Fact-finding missions.* Independent national and provincial reviews of gambling are needed to determine the nature and scope of gambling in each jurisdiction; how gambling is rationalized, implemented, and regulated; the extent to which gambling consumers are protected and the harms of gambling addressed; and the degree to which provincial gambling regimes are accountable and socially responsible in their gambling offerings. The last federal government inquiry of note into gambling occurred in 1954 ([Campbell et al., 2005](#)), and most provinces have yet to do an independent and comprehensive examination of their gambling regimes.
- *Explicit mission statements and objectives.* A critical observation raised in Australia by their [Productivity Commission \(1999\)](#), chap. 12, p. 16) was that “governments’ failure to follow good regulatory process and design principles, compounded by and combined with revenue raising imperatives, may well lead to perverse regulatory outcomes in gambling.” It was argued that for gambling to be operated in the public interest, the ultimate goal of a gambling regime should be to maximize net community benefits. Precision in language is critical to establishing public confidence in the processes of government. Vague terms lead to confusion and weakened accountability; consequently, public-policy statements must be unambiguous and priorities clearly stated.
- *Culture of social responsibility.* A culture of social responsibility starts with a

respect for the dignity of all citizens and is a prerequisite for a just, ethical, and caring society. In a gambling context, this refers to

- social responsibility and harm minimization taking precedence over profit-seeking
 - the precautionary principle undergirding all gambling public policy
 - consumers being informed to the extent that sound decisions can be made about gambling formats based on a knowledge of probabilities, how games work, what the house edge is, and the foreseeable consequences of participating in the activity
 - definitive jurisprudence that outlines the gambling provider's duty of care to discourage improvident gambling and safeguard against contributing to the incidence and prevalence of problem gambling
 - the provision of therapies to assist those at risk for developing or who have already developed gambling problems and to help them stop or curb their reckless gambling behaviour and temper the impact of these behaviours on the problem gamblers, their families, their friends, their employers, and the community at large
- *Transparency.* Openness is a strong indicator of a government that is citizen focused and service oriented and is a primary tool for holding public officials accountable and combating corruption. Provincial governments are noted for embracing gambling through legislation, but because gambling policy is often seen as controversial, government officials tend to be defensive and restrained when discussing the subject — showing a preference for understatement, deception, and trivializing contrary viewpoints in order to rationalize their own behaviour ([Marin, 2007](#); [British Columbia Ombudsman, 2007](#)). The main forms of communication between a government and its citizens in a gambling context are annual reports that include financial data but little or no information about how social responsibility obligations are being met. Gambling regime transparency can be improved with the timely distribution of pertinent information (no burying or delaying the release of controversial material), declarations of financial contributions to political campaigns by gambling interests, and details of contracts with gambling corporations.
 - *Evidence-based research.* It is axiomatic to state that public policy should be informed by timely, independent empirical research; regrettably, this is seldom the case with gambling because of governments' reluctance to interrupt the revenue flow. Quality research that could improve the administration of gambling in the public interest exists, but often goes unheeded. Inattention to or dismissal of research developments leaves governments open to allegations of neglect and failing to promote the public interest.
 - *Community consultation.* It is important to note that legal gambling is

generally supply driven and not a case of consumer demand. As [Goodman \(1995\)](#) maintained, there is no known incidence of a grassroots community group clamouring for more gambling outlets. Public consultation is seldom sought in the development of gambling policy, and when invited, the openness and independence of the process is often questioned. As part of the gambling licensing process, the affected community should play a role in determining public interest in the activity, assessing the appropriateness and location of the proposed venue, and preparing a social and economic impact assessment to confirm that the benefits of the proposal outweigh the costs.

- *Independent oversight.* The conflict of interest noted earlier, whereby provincial government gambling regimes perform multiple overlapping roles including self-regulation, has led to administrative entities that lack transparency and accountability, give special treatment to their private-sector gambling industry partners, and value revenue over reducing the social costs associated with gambling ([Campbell et al., 2005](#)). A gambling regime that is free of conflicting objectives and interests; open, consultative, and informed by empirical research; and conducted in the public interest can best be administered by an independent commission with powers akin to those of an ombudsman or provincial auditor ([Productivity Commission, 1999](#); [Campbell et al., 2005](#)).

Sound regulatory practice requires independence to ensure that the regulator functions without influence or fear of reprisal and operates in the public interest. An independent oversight body's duties would be detailed in legislation along with a proviso that public processes be used to inform its decisions. The Australian Productivity Commission Report ([Productivity Commission, 1999](#)) suggested how this statutory body might be structured and what its responsibilities would be (for example, gambling control, enforcement, adjudication, and administration) and, most importantly, considered the following criteria as central to its mandate:

- It should have no revenue or taxation functions.
- It must have no industry development or tourism-related functions, or in any way be involved in promoting gambling.
- It should cover all legal gambling formats offered in the jurisdiction.
- Its processes should be open and transparent.
- It should be required to hold public consultations.
- It should have responsibility for funding counselling, harm minimization, and community awareness programs; funding research and information gathering; and disseminating and evaluating these programs.

Framework to Facilitate Optimal Accountability and Social Responsibility in a Gambling Regime

In analyzing the Ontario gambling regime, we detected gaps between the government's expressed ideals and its routine practices. In particular, consumer protection for gamblers is uncertain; citizens lack the appropriate information with which to hold the government accountable for its gambling operations; responsible gambling initiatives lack rigor; and the government's inherent conflict of interest as gambling provider, regulator, and major beneficiary of gambling proceeds compromises its ability to act in the public interest. On the plus side, Ontario is a leader in separating gambling operations from regulatory oversight; declining to offer EGMs in convenience locations; and committing substantial funds to problem gambling research, treatment, and prevention. While the following template was derived from our analysis of Ontario's gambling regime, we believe it has utility for any Canadian provincial gambling regime seeking to reach a stage-four level of responsible gambling oversight.

The Accountable and Socially Responsible Gambling in the Public Interest framework ([Table 1](#)) is a grid containing sample questions bracketed on the vertical axis by the principles of socially responsible gambling and on the horizontal axis by the caveats of gambling. It is meant as a guideline for citizens seeking to hold governments accountable for their provision of gambling.

Conclusion

[Collins \(2007, p. 639\)](#) noted that “gambling is not ultimately very important in the greater scheme of things”; perhaps as a result of this realization, policy-makers and administrators of the activity have been lax in “not devoting the necessary time and intellectual energy to mastering the complexities of the subject.” Hence, we have conducted this study of what ought to be, or at least how the present way of governing gambling in Canada might be improved. Certainly, we do not pretend to have definitive answers to the perplexing questions that surround the administration of gambling; we do, however, believe that much can be done to mitigate the harms to individuals and communities caused by improvident gambling. It is our hope that this framework stimulates discussion around accountable and socially responsible gambling in the public interest and is improved upon by future research.

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Tables

Table 1

A Framework for Accountable and Socially Responsible Gambling in the Public Interest

Principles of social responsibility	Critical caveats of commercial gambling				
	Not essential	Morally contested	Hazardous to some	Consumer protection?	Risk of revenue dependency
1. Fact-finding mission	Why is it necessary or desirable for government to provide gambling?	What do the majority of citizens want? What are citizens' attitudes toward gambling?	What gambling formats should be allowed? In what numbers, and in what locations? Are there adequate protections for the vulnerable?	How should consumer protection apply to gambling?	Are Crown agencies the proper vehicles to achieve the public interest? Is the search for profit eclipsing other values such as social responsibility?
2. Explicit mission statements & objectives	What are the government's objectives in providing gambling?	What is a proper balance between revenue generation and social responsibility?	Why is that a level of harm built into policy is assumed to be acceptable?	What are provincial objectives in the area of consumer protection for gamblers?	What social outcomes do operators and regulators of legal gambling intend to achieve? What outcomes are achieved?
3. Culture of social responsibility	How intrusive should self-exclusion measures be? Should there be a review of gambling regulations such as the granting of credit at casinos, maximum bet limits, and hours of operation?	Is there a threshold of harm beyond which gambling should be severely restricted?	Are harm minimization measures effective? What else can be done to reduce the incidence and prevalence of problem gambling?	Do provinces have a duty of care to gambling consumers? To what extent are informed consent and the precautionary principle applied to gambling policy and practice?	Does the gambling operator have a duty of care to track the gambling patterns of frequent gamblers and intervene before severe harm occurs?
4. Transparency	Have provinces made a credible case for gambling, as opposed to other means of raising revenue, creating economic development, or funding charities? Are citizens clear on the amount governments invest in gambling infrastructure, where the money comes from, and where it goes?	Is there full, fair, and open discussion of the pros and cons of gambling?	Should the amount of revenue from problem gamblers and the efficacy of harm minimization and mitigation strategies be disclosed?	Do gamblers know whether or not they are protected by provincial consumer protection laws?	Is there frank and comprehensive disclosure (on a sectoral basis) of the effects of commercial gambling in the annual reports of the operator and regulator of commercial gambling? Is it clear to citizens whether a desire for profit is balanced by adherence to the principles of honesty, integrity, and social responsibility?
5. Evidence-based research	Should citizens be provided with a cost-benefit analysis of gambling?	How does the entertainment value for non-risk gamblers compare to the personal and social cost of problem gambling?	How does government know whether efforts to protect problem gamblers are effective?	Does government know whether its gambling policies are consistent with the public interest?	Are Crown agencies effective in discharging a duty of care, promoting informed consent, and adhering to the precautionary principle in major decisions affecting the scale and nature of commercial gambling?
6. Community consultation	Has the government created a dialogue with citizens on why gambling is provided and what the expected outcomes are?	Has the province consulted citizens before expanding the scale and nature of gambling?	Has there been a frank and comprehensive dialogue on the costs and benefits of gambling?	Has there been a public discussion on the extent to which gamblers should be protected by consumer protection legislation?	Have Crown agencies (operator and regulator) conducted public consultations on the nature, scale, and type of gambling to be provided (and on possible major expansions)?
7. Independent oversight	Is there a need for an independent oversight agency charged with reporting on whether the gambling regime is promoting the public interest and adhering to the principles of honesty, integrity, and social responsibility?	Is there a need for an independent body that can inform the debate?	Is there a need for independent oversight and reporting on the extent to which the vulnerable are protected?	Is there a need for independent oversight of the extent to which the province has exercised a duty of care and adhered to the precautionary principle and the principle of informed consent?	Is there a need for independent oversight and regular reporting on the extent to which Crown agencies (operator and regulator) are providing accountable and socially responsible gambling in the public interest?

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