

Journal Information

Journal ID (publisher-id): jgi

ISSN: 1910-7595

Publisher: Centre for Addiction and Mental Health

Article Information

© 1999-2001 The Centre for Addiction and Mental Health

Publication date: June 2011

First Page: 136 Last Page: 139

Publisher Id: jgi.2011.25.11

DOI: 10.4309/jgi.2011.25.11

Casino state: Legalized gambling in Canada

Jonathan Taylor^{[aff1](#)}

The Taylor Policy Group

By James Cosgrave & Thomas Klassen. (2009). Toronto, ON: University of Toronto Press. 268 pp. ISBN 978-0-8020-9688-3. \$50.00 (hardcover edition).

In contrast to Australia, the United States, and the United Kingdom, gambling legally in Canada requires interacting directly and nearly exclusively with government—interacting not only with government as regulator and tax collector as usual, but also government as developer, marketer, profit maximizer, consumer protector, social investor (especially in First Nations), and in extremis, gambling counselor. To an extent not possible elsewhere in the Anglophone world (except perhaps on military bases), most of the social ledger for gambling falls under one roof; provincial government in Canada is both the residual claimant of profit-maximization in the casinos and lotteries as well as the bearer of ancillary harms. Also in contrast to these countries, Canada has not convened a national commission to review the consequences of its two-decade explosion in gambling.

These two features of Canadian gambling—government ownership and lack of comprehensive government review—present a ripe opportunity (and perhaps a special responsibility) for academic research. The questions are rich, and the possibilities for positive and normative analysis are wide and varied. For the gamblers that can participate responsibly, do consumer benefits under government ownership match those under laissez-faire competition, or does government ownership lead to “monopolization-plus”—extractive profit maximization abetted by state coercive power? For those gamblers who cannot control their play, does government ownership provide more protection from the venues and games they find so hard to resist, or less than would be the case under private or mixed public-private oversight? Does government ownership ameliorate the public choice challenges posed by interest group rent-seeking in a democracy, or does a dirigiste approach create more harmful possibilities for successful agency capture? Does public investment under First Nation regional quasi-monopoly or under provincial directed allocation (to education funds, etc.) exceed what would take place

otherwise, or does the fungibility of revenue mean little net change in post-gambling public expenditure? At the broadest level: What can be said about the Benthamite question—Does gambling in Canada provide the maximum benefit for the maximum number? Within that question, what are the distributional consequences, and what do they imply for Canadian notions of a just society—multitudinous as those notions are?

Sociologists James F. Cosgrave and Thomas R. Klassen, of Trent and York Universities, respectively, recently enlisted nine other researchers in an edited volume whose central question is, “What are the implications for citizens, consumers, and the state of the recent legitimation, legalization, and expansion of gambling in Canada?” (p. 15). It is an ambitious agenda, appropriate for the unique attributes of Canadian gambling and self-consciously endeavoring to address the lack of a national gambling review. The book brings the tools and methods of history, psychology, sociology, criminology, public administration, and regulation to bear on this question. In the editors’ words, it “brings a critical and holistic social science perspective to the most recent developments in, and debates on, legalized gambling in Canada” (p. 4).

Following the editors’ introductory chapter, sociologist William Ramp and archivist Kerry Badgley compare historic and modern moral discourses about gambling. They find that modern Albertan views encompass rhetoric from the turn of the last century—from the moral-reform consensus—and from practical neoliberal philosophy: “The moral-reform concern that vice led to dependency, and dependency to a drain on social vitality, is today reconfigured as a concern about a drain on the public purse and about the individual rights of taxpayers” (p. 42).

Chapter 3, a Cosgrave essay on the legitimation of gambling in Canada, cites the state’s “alibi” for intervention—the regularization of illegal markets and the underwriting of just causes with gaming revenue—in the self-justification of provincial gambling monopolies and the provinces’ ultimate choice to “govern through markets.” In Chapter 4, Colin Campbell, criminologist at Douglas College, reviews the changes to the Criminal Code of Canada that made the dramatic expansion of gambling possible, and he argues that “ad hoc, reactive, and incrementalist” policies accreted into variegated implementations across the provinces.

Jan McMillen, an experienced Australian regulator and researcher, recounts in Chapter 5 the Australian experience with gambling liberalization. She contrasts Australian preventive approaches—especially the restriction of particularly high-risk gambling devices—with the Canadian “medicalized” and after-the-fact approach to problem gambling. In Chapter 6, Klassen and Cosgrave present the evolution of gambling in Ontario as an example of the provincial governments’ co-opting opponents and building allies to further the end of revenue generation. Ray

MacNeil, a provincial government official, provides an insider's view in Chapter 7 of gambling liberalization in Nova Scotia and draws attention to the province's disproportionate reliance on problem gamblers playing video lottery terminals.

Garry Smith, Timothy Hartnagel, and Harold Wynne investigate the association between crime and gambling in Edmonton in Chapter 8. Their review of 5,196 gambling-related crime files and the detailed interviews they conducted with 10 law enforcement and casino security officials make them reluctant to infer that widespread gambling causes crime. Though their analysis does not predate the introduction of gambling and therefore cannot identify a correlation between gambling liberalization and crime, they do identify three important linkages between crime and gambling: (1) problem gamblers are associated with fraud, domestic disputes, and suicide, (2) gambling venues attract criminals who prey upon the facility and its customers, and (3) greater social acceptance of gambling and diminished law enforcement attention have allowed illegal gambling to flourish. In the volume's closing chapter, psychologist Jeffrey Derevensky, founder and co-director of McGill's International Centre for Youth Gambling Problems and High-Risk Behaviors, reviews the literature on youth gambling. Until very recently, little research attention has been directed toward adolescents, notwithstanding the growing number who gamble and the general challenges youth have with risk assessment and self-control.

While these chapters cover a great deal of comparative and topical ground, the promise of “holistic social science” goes unfulfilled. As for “holistic,” the volume omits social science tools essential to the inquiry, particularly those developed in economics and political economy. The volume does not turn to public choice theory for insights on rent-seeking behavior, regulatory capture, state enterprise ownership, or the various means of addressing their harms. It does not examine consumer welfare under state monopoly through the lens of industrial organization. It does not bring to bear the lessons of market failure and government failure that have been gleaned from the economic analysis of public health externalities. It illuminates with public finance theory neither the question of policymaking under social cost uncertainty nor the question of long-term fungibility in ostensibly dedicated revenue streams. Most obviously, the book does not engage the machinery of cost-benefit analysis to calculate—or even estimate—a social balance sheet for gambling in Canada. Without deploying these and other implements of economics and political economy, the claim of holism oversells the book.

As for “scientific,” the volume does not amount to an inquiry robust to its task of informing citizens and policymakers about the implications of gambling expansion. The reasonably aware and sensible layperson already knows the odds favor the house. The average citizen knows that the lottery is a particularly bad bet, and that

playing video lottery at the convenience store presents a different temptation from a weekend at the casino. People know that money is fungible and that parliaments cannot credibly commit that gambling profits will add to the budgets of certain just causes over the long run. Finally, people know that gambling will really hurt some individuals, and they can probably surmise that such gamblers will pay into provincial coffers for lengthy periods before they stop or get help.

In short, what the typical citizen needs to know is, “How much?” and “Compared to what?” and “How concerned should I be?” More than 40,000 Canadians are employed in the gambling industry (see p. 70). Are those net new jobs? How does that economic benefit compare with the social costs? Are the aggregate net benefits roughly maximized, or could other arrangements (even a return to prohibition and black markets) yield more, and if so, how much? Did Canadian provinces err in choosing government-dominated gambling? If so, how do the consequences compare with Australian, British, or American consequences? If gambling's net benefits are substantially positive, are the social costs effectively prevented or efficiently put to rights? Does putting benefits and costs under the same governmental roof generate a conflict of interest (per Chapter 1) that proves fiscally irresistible (per Chapter 7), yielding outcomes that are roughly the same as privatized gambling (not shown in any chapter)? Or does government ownership yield lower social costs than private ownership, because social costs fall on the governments' ledgers with the profits? As voters, should citizens care more about alcohol addiction than gambling addiction? The Americans' commission implied yes, lots more, but what about Canada's relative costs?

Casino State marshals interesting and apposite facts to speak to these questions. MacNeil reports that fully half of Nova Scotia video lottery terminal revenue comes from the 0.9 percent of the adult population that comprises problem gamblers. Cosgrave and Klassen cite research from Ontario showing that 4.8 percent of the gamblers account for 36 percent of revenues. They also note that 80 percent of the patrons at the Windsor Casino, which is located across the border from Detroit, are American, so presumably at least those social costs will be exported. Campbell notes that between 3 and 6 percent of government revenues are now derived from gambling, depending upon where and how one counts. Yet readers turning to this compendium for a systematic, encompassing inquiry may be disappointed.

The chapters generally concur that the state's dominating role in gambling is fraught with potential difficulties, without helping the reader calibrate his or her level of concern. How bad does it actually turn out to be? How should state dominance of gambling rank against Canada's other governance challenges? Several chapters concur that a disproportionate share of provincial revenues come from problem and pathological gamblers, but do not put that fact in context nor conclude what should be done. Do alcoholics provide a disproportionate share of

revenue in New Hampshire's state-owned liquor stores? Indubitably so—no, tautologically so, unfortunately, but what should practically be done about it? Many of the chapters recommend that Canada should adopt the precautionary principle. Precaution seems sensible enough—avoid policies with the potential to harm members of the public or at least shift the burden of proof of safety to the proponents of innovation. Yet the direct effect of adopting the precautionary principle is to allocate resources on the basis of suppositions. The secondary effect is to incentivize at least suppositions, if not paternalism. What can Canadian taxpayers and gamblers expect from precaution in the long run?

If it is quintessentially English to muddle through, the Anglophone countries each have their way. A fitting question for academics studying Canadian gambling is, Did Canadian policymakers wend their way to better or worse outcomes than England, Australia, or the United States? Alternatively, the frame could be absolute rather than relative: Has Canada muddled through to a roughly acceptable outcome, or is there a great deal of work still to be done? Either way, without a national gambling commission, Canadians deserve to know: Are we there yet?

Generally, the stance of *Casino State* is apprehensive, even worried, but many chapters and the book as a whole leave the reader with only a vague sense of whether Canadian gaming policy merits a repeal, an overhaul, or just tweaks at certain margins. The omission of economics and political economy further confounds the matter, because the book's general policy idealism is untempered by fiscal, institutional, and political realism. The authors rightly point out that there have been few free lunches and a fair number of unintended consequences in gambling policymaking to date. The same applies from here forward. *Casino State* certainly adds to the literature on gambling in Canada, but voters, MPs, and ministers seeking to know whether Canadian gambling policy can or should aim for a better set of outcomes will need more social science.

Article Categories:

- book review

[Related Article\(s\):](#)