

## THE SOCIETY FOR THE STUDY OF GAMBLING NEWSLETTER

Number 12, November 1987

<i>Papers</i>	<i>Page</i>
W. N. Thompson: Toward a comparative analysis of legalized casino gaming	1
S. Bloom: The Horserace Betting Levy Board: a critique	9
<i>Recent developments</i>	14
<i>Update</i>	16
<i>Notices</i>	17

*Editor:* Jack Dowie

*Preparation:* Karen Mellor and Mary Morris

*Correspondence and papers should be addressed to the Editor at:*

The Faculty of Social Sciences  
The Open University  
Milton Keynes  
MK7 6AA  
UK  
*tel:* (0908) 655005

The Newsletter is circulated twice a year to members of the Society. The subscription for *individual membership* is £10.00 per annum and cheques, etc. in favour of the *Society for the Study of Gambling* should be sent to: Mr Gerry Taylor, 41 Baginton Road, Coventry, CV3 6JX, UK.

Alternatively, subscriptions to the *Newsletter* are available at a rate of £5.00 per annum and remittances should be sent to the same address. (Issues 1 to 11 are available at a total of £15 per set.)

Subscriptions for up to 3 years are available at the rate currently prevailing. Overseas subscribers should remit in sterling.

[This Newsletter was produced on an Apple Macintosh<sup>1M</sup> and the main text is in Times 10 point. Our thanks to Apple<sup>TM</sup> (UK) for their assistance.]

## THE SOCIETY FOR THE STUDY OF GAMBLING

### *Chairman*

R Iain F Brown

Department of Psychology  
University of Glasgow  
Glasgow, G12 8TY  
*tel:* (041) 339 48855 *Ext* 685

### *Honorary Treasurer*

Gerry Taylor  
41 Baginton Road  
Coventry, CV3 6JX  
*tel:* (0203) 85275

### *Honorary Secretary*

David Miers  
Department of Law  
University College  
PO Box 78  
Cardiff, CF1 1XL  
*tel:* (0222) 44211 *Ext* 2556

### *Executive Committee*

Paul Bellringer  
Jack Dowie  
Jeremy Mitchell  
Eric Kent

The Society for the Study of Gambling was formed in 1977 to provide a forum for those concerned with research into gambling, to promote its scientific study especially as far as the psychological, social and economic aspects are concerned, and to inform and educate the public about these matters.

The membership of the Society is drawn from a wide circle of people who have an interest in various aspects of gambling. They range from social workers and psychiatrists who deal with 'compulsive gamblers', to members of the gambling industry. It is a condition of the Society that there should be freedom of opinion and practice among its members so that the Society does not take any particular stance in relation to gambling.

The Society holds regular scientific meetings which have, so far, always taken place in London. Further information concerning the Society can be obtained from the Honorary Secretary.

Papers are reproduced in the Newsletter as a record of the Society's proceedings and are not subject to scrutiny by referees. Their appearance here is not intended as an alternative to publication in a learned journal. Any of the standard reference systems is acceptable.

## **TOWARD A COMPARATIVE ANALYSIS OF LEGALIZED CASINO GAMING**

William N. Thompson

College of Business and Economics

University of Nevada  
Las Vegas, Nevada 89154, United States

I became interested in the study of public policy and casino gaming approximately five years ago. The origins of my interest are quite simple. I moved my residency from the Midwestern United States to Las Vegas, Nevada, in 1980 and joined the Public Administration Faculty at the University of Nevada. The continuation of an academic interest in the topic has been motivated by a realization that the subject of public policy and casino gaming has not been overworked, that there are many untouched areas worthy of study. I have also found that the topic of casinos has an intrinsic interest not only for myself but also for a wide array of people in all sectors of the population. My studies are something I can talk about with non-academic people.

My initial attention was focused upon casino gaming policy in the United States. I prepared manuscripts on political campaigns to win legalization of casino gaming in several (actually 20) of the American states. I also served as a consultant for the Puerto Rican Tourism Company as they developed a new policy for slot machines for the Island's eleven casinos. I was also a consultant to the Presidents Commission on Organized Crime in 1985 and 1986. Because the 1986-1987 academic year was my seventh year at the University of Nevada, I was eligible to apply for a sabbatical leave. Six continuous years residency in Las Vegas demands a break. I wanted a leave. As sabbaticals in our university are quite competitive, application success depends upon formulating a cogent rigorously designed research proposal. I wished to visit new territory, to experience a first-time overseas travel opportunity, as well as continuing my studies of casino gaming. I chose European casino gaming to be the focus of my study.

My initial examination of the literature revealed several good studies, but few that sought to analyze the subject from a comparative perspective. Cross national studies seemed to lack a true comparative framework. The examination also highlighted a major difference between European policy and American policy. My survey of campaigns in American states revealed the fact that both politicians and citizens consider the proposition of having casinos in their communities abhorrent. The case of New Jersey was in almost all senses a unique case. Casino gaming was decisively defeated in all other jurisdictions where it received any degree of serious attention. In Western Europe the unique (almost) case was Switzerland and Scandinavia (also Andorra and Liechtenstein) where casinos were not legally operating. Many of the jurisdictions legalizing casinos had done so in recent years. I also discovered that European casinos-with limited exceptions in England and Monaco-were isolated institutions with geographical monopoly status in stark contrast to the strip concentration of casinos in Las Vegas, Reno and Atlantic City.

I began my proposal formulation with the assumption that the arguments against casino gaming in the United States (they are magnets for street crime and Mafia organizations) would not be uniformly advanced in Europe, while the rationale for casinos (economic development, jobs, and tax revenues) would be more obvious. I formulated a theory with hypotheses. I identified concepts as well as a strategy for gathering data. I won my sabbatical leave.

My study schedule was coordinated with a schedule of teaching courses with the United States Air Force. I began my investigations in Holland and Germany. I visited casinos, talked with their managers and with government regulators. But before I started to gather statistics on tax revenues, employment, and crime rates for casino communities, I stopped. I realized that any attempts to prove or disprove hypotheses regarding social phenomena and the regulatory status of casinos would be futile if based upon my American understanding of casinos. What I was finding in Europe was so distinctly different from the 'Las Vegas scene', that I decided to make a quick change in direction. I decided that I had better concentrate upon learning as much as I could about casinos in Europe. Then I could worry about hypotheses later. I realized that a good strategy for learning about casinos was to visit casinos. If I could go to a large number of casinos in as many jurisdictions as possible and talk with their managers, with

employees, and industry representatives and government personnel, I could gain basic needed knowledge. At that stage of the game I was not prepared to engage in conducting an explanatory study. My needs first required an exploratory research effort.

In the past twelve months I have been able to visit 130 casinos in all Western European jurisdictions with casinos, except for Italy. I also visited casinos in Hungary and West Berlin. I have conducted about 175 unstructured interviews. I have explored, and here I am. Perhaps put differently, I am at a place where I should take stock of where I am and where I should now be headed.

Exploratory research can have many purposes. It can simply satisfy a researcher's curiosity. Mine has done this. I am not compelled to visit more casinos. I know what they look like, I know they look the same and they look different, that there are variations in how they operate in different jurisdictions, and that they are quite unlike American casinos. Curiosity cured. Secondly, exploratory study can test the feasibility of undertaking more careful study. Having more clearly identified the phenomenon (European casino) I wish to examine, as well as sources of information, I believe I am better prepared to move toward a more structured phase of study. Thirdly, an exploratory study can be useful in developing methods for more careful study. My next efforts should move in that direction.

Meaningful comparative analysis - whether of casino gaming or other social phenomena - should be concerned with significant regularities, with similarities and with differences among the units of activity studied. This requires the development of propositions which can be tested, but it first requires a categorization and classification of empirical data gathered. While a scientific certainty will always elude social research, nonetheless the aim should be to build toward propositions that may yield valid explanations which may apply across national lines. Accepting the inductive research strategy, I must now look at my data from a fresh perspective. My effort is now to give definition to what I have been studying, to classify information into comprehensive categories of attributes, variables, and concepts. Following such classifications, propositions can be formulated and then tested or re-examined for acceptance or rejection. Such propositions can be the building blocks for 'models' of casino gaming.

This presentation represents my initial departure upon this new course. I start by not assuming the obvious (a danger in all research). We need a definition of the basic unit of study. What is legalized casino gaming? What is a legal casino? I had thought a casino was a casino. And then I found myself going through the card catalogue at the national library in Madrid. I was astounded at the number of casinos that had existed in that country over the past 300 years. After expending a moderate sum on Xeroxing historical records regarding the operations of the 'casinos', I discovered that I was not helping my research project in the least. The casinos were not gambling houses, they were merely community social clubs. The Spanish had given the term 'casino' a usage quite different from mine. And so I discovered that the word 'casino' has many uses. The word is, of course, derived from the Latin casa meaning 'house'. The Italian suffix 'ino' denotes that it is a 'small house.' From several dictionaries we find casinos identified as 'Italian Summer villas', 'brothels', 'social clubs'. The social clubs may or may not offer games of competition which involve financial risk. The word also means 'dancehall'. A large casino on the Southern California resort island of Catalina is a movie house. My study then is not concerned with a wideranging generic use of the word 'casino'. Rather I am interested in a very restrictive definition of casino as a house of gaming activity. The gaming must involve competition for financial resources. Players risk losing money in the hopes of gaining money. My definition goes further. In the casino of my study, some games must be offered that involve a direct competition between a player and the house. That is the house 'banks' at least some of the games played. Moreover, my concern is with casinos that offer continuous or regular opportunities for play to a general public. My definition also requires that the house permits the playing of more than one game. More on these factors in a moment.

What is a 'legal' casino? There are conceptual problems here. I resolve these by requiring that the casino be officially recognized by a unit of government. While official, the recognition need not be couched in terms of formal written legislation adopted by a formal legislative process. But the recognition demands official status. It is certain that many illegal casinos do exist and have existed with the knowledge of governmental authorities. At some times and in some places illicit systems of bribery or favour giving have allowed some of these casinos a tacit governmental approval and they operate in a relatively open manner. Yet such government recognition is not official and such casinos should not be considered as the units of analysis in a comparative analysis of legalised casino gaming. Similarly, a judicial reluctance to stop illegal gaming because of technical procedural law or difficulties in presenting acceptable courtroom evidence, does not constitute an official recognition of casino gaming as a legitimate activity. The case of the Golden Ten casinos of the Netherlands is the best example here.

The inability of police and prosecutors to 'prove' that a game called 'observation roulette' is more of a 'chance' game than a 'skill' game has resulted in a proliferation of nearly 200 'casinos' offering the one game. They are not 'legal casinos' for purposes of my study. The case of Belgium is quite different. There, in 1902, the Parliament determined that casinos were contrary to the law. However, subsequently political forces decided that eight traditional casino houses should be allowed to offer gaming opportunities. By formalized action, the major prosecuting officials of Belgium agreed to allow the eight, and only the eight, casinos to operate if they followed rules determined by the prosecutors. The rules include strict entrance requirements, game rules, and the payment of taxes to the Minister of Finance. This is an official recognition sufficient to bring the casinos into my definition of 'legal casinos'.

My definition demands that the casinos offer more than one gaming activity and that the house act as the 'bank' for at least one game offered. There are several gaming houses in France and Switzerland that permit low stake games of Boule - a roulette variation with a house advantage over eleven per cent. Sweden allows restaurants to have singular roulette tables for low stakes betting. This limited gaming activity takes such casinos outside my definition. Similarly, I would not include the card rooms of California, where players only compete with one another, as casinos. While several of the casinos of Europe are seasonal, I would include these in the definition if they offered gaming in an ongoing regular manner during their season of operation and if they returned to activity in consecutive years during the operating season. I would not include irregular charity night gaming operations as take place in several American states. The case of Alberta, Canada, would be in the borderline category. There, rotating charities ran games out of a central facility which maintains an ongoing singular management.

The legal casinos of my study also must offer gaming to the public. However, the casinos may have entrance restrictions such as fees, membership requirements (if it is membership for gaming essentially, and a member of the public can qualify for membership), residency requirements, occupational requirements and codes of dress and conduct. The point is that the casinos studied are not exclusive private clubs, whether or not they maintain a fiction of being private institutions.

The central unit of analysis is thus defined : 'legal casino'. Comparative study may approach that unit from one or more levels. First, the attention of studies can be individual casino establishments. Second, the focus may be industry groupings of casinos, or third, studies can be aimed at comparative analysis of casino industries within one jurisdiction. It is this jurisdictional analysis that provides the direction for my initial attention below.

Major subunits of analysis must be sought to encompass all relevant dimensions of casino gaming in a coherent ordering of variables. To start, I suggest that four subunits may be useful. These are: history and legalization of casino gaming; levels of control of casino gaming; patterns of industry activity; and employee relationships.

### *1 History and legalization*

Casino jurisdictions can be classified as having historical traditions of casinos or as having only a modern approach to the industry. In developing a classification methodology we may ask if (a) there were formally recognized casinos in the Nineteenth Century or earlier (Germany, Belgium, Monaco); (b) casinos operated in the pre-World War II era; or (c) they only existed after the post-War recovery period (England, Netherlands, Luxembourg, Berlin, Eastern Europe). If casinos existed in earlier periods (such as Spain), did the earlier industry continue in form to the later period, or is the modern industry basically tied only to the latter era? A critical question is whether there was an explicit episode of legalisation determination in the modern era. Here the answer is 'no' in Monaco, France, Italy, Belgium, Portugal, while it is clearly 'yes' in the Netherlands, Luxembourg, England, Spain, and Eastern Europe. Germany offers a mixed history as subunit (state) control has emerged. If there was a critical episode of legislation, was there a conscious, explicit goal that was sought with legislation? The answer in England twofold - in 1960 'no', in 1968, 'yes'. If goals were explicit, what were they: control (England 1968), a response to illegal gaming (Netherlands), a quest to capture foreign currency via tourism, economic development, tax revenues?

### *2 Levels of control of casino gaming*

A second subunit consists of factors concerning the control of the casino industry in a jurisdiction. First, we might ask if that control is centralized or fragmented. If it is centralized, is the control placed in the hands of one national authority, or in the hands of subnational (local) authorities? If it is fragmented or shared, how is it shared? A third supranational level of authority has developed for several European industries. However, actual control by such an international governmental unit - the European Economic Community - has not yet manifested itself. An application of Community policies on sex gender discrimination and nationality discrimination could have a major impact on casino operations in several jurisdictions. Tax provisions could complicate the industry, however, as

there have been specific rulings that V.A.T. taxes do not apply to casino transactions in some jurisdictions. The development of the international control dimension may be an important variable in future comparative analysis.

The 'centralization of control' variable finds some jurisdictions where essentially all control is national, others where that control is local. The latter case, of course, is the prevailing pattern in the United States, where the state governments determine the question of legalization, and determine the mode of regulation. However, even in Nevada and New Jersey, the national government has a decided impact on operations through national taxation policy and through an overriding concern about organized crime activity. Additionally units (municipalities and counties) within the State of Nevada possess dual licensing and taxation authority over casinos. At the national central end of a continuum we would place smaller jurisdictions such as Luxembourg, Monaco and Gibraltar. Austrian and Netherlands policy toward control is essentially national; however, local permission is essential for the opening of casino establishments and revenues from operations are directed toward local units as well as national treasuries. Spain's operations began in a centralized pattern, but the emergence of regional government has provided a distinctly mixed pattern and pattern in flux. Similarly Germany has moved toward local control by state governments. England has its own unique pattern of mixed control which permeates the licensing processes, oversight, and taxation aspects of gaming.

The depth of control provides another set of questions relevant for comparative analysis. Items of control include taxation and financial records, games permitted and rates for games, and ongoing oversight and inspection. Jurisdictions could possibly be placed on a continuum from those with detailed-close control to those with general-remote controls. In the United States the differences between New Jersey (former pattern) and Nevada (latter) are stark. New Jersey authorities place inspectors in casinos at all times, and they closely regulate types of games and all aspects of game play. In Nevada, inspection is random and casinos may determine types of games offered (within broad definitions and with prior approval) and manner of conducting games. The detailed model fits Portugal, with inspectors provided with on-premise offices by the casinos, and England. While controls are more remote in several continental jurisdictions (such as Germany), exceedingly high taxation (up to 90%) on gross win may render questions of individual casino autonomy somewhat moot. Participation of private casinos in the development of rules and control policies adds a dimension of autonomy to the casino industry in England not shared by other jurisdictions with general remote control.

An international dimension line might also be drawn to delineate the extent to which the casinos of a jurisdiction are linked to casino operations outside national borders. Linkages might be through patterns of ownership or through management or 'know how' contracts. Austria is distinguished by its extensive outreach programmes, while at points in the history of other industries (Netherlands, Spain), there was considerable reliance on outside management elements. Cross national ownership is an accepted pattern in some jurisdictions and is essentially forbidden in others.

### *3 Patterns of industry activity*

Relevant variables that demand investigation include factors related to certain industry activity. The question of ownership is one major distinguishing factor. The numbers of facilities, their penetration of geographical areas of a jurisdiction, their size and the extent of their facilities and of clients, and gross wins are also important as is the competitive stature of the industry and its willingness to adjust to the requirements of market demands.

An ownership spectrum could extend from wholly owned and operated governmental enterprises (Bavaria) to wholly private operations where the government's 'stake' is quite remote in a financial sense (England). The private side of the spectrum would certainly find the American institutions, however the caveat of serious government interest cannot go unnoticed. The very private Nevada casinos produce (directly and indirectly) about 35% of the public revenues of the state. The government willingly accepts a role as spokesman and promoter of the industry. New Jersey officials, though less dependent on casino revenues, play a similar role. In between the two ends of the spectrum we find operations in other German states and in the Netherlands that are owned by an independent but wholly government owned corporation. The government is a partner owner in the corporations controlling Austrian and Hungarian casinos, and casinos in several other German states. French, Italian, Luxembourg, Belgian, and some Spanish casino facilities are government owned while operators lease the facilities and operate on a concession basis. Outside the United States and England, it is typical for the casino operation company (if private) to operate with a monopoly concession from the government. Concession periods range on the short end from 5 to 10 years, and on the long end to over twenty years.

Comparative casino analysis should focus concern upon the general economic health of the industry in a jurisdiction. This can be ascertained by considering the number of facilities, their ages, whether or not there are

new casinos opening, whether other casinos have been closing. The size of the casinos can be measured in terms of numbers of games offered, number of players, and amount of play. Trends toward expanding markets or contracting markets are measures of industry health. So too is the willingness of the industry to adopt new games, new rules, and new operating techniques to stimulate markets. While all the jurisdictions have rules regarding promotions, the willingness of industry members to reach out within the confines of the rules, offers an indication of industry health. Market saturation and competition should also be considered: most continental casinos have a local monopoly situation. However, there is considerable competition among casinos located at national frontiers. Some national industries consciously attempt to exploit competitive advantages by locating at borders. On the other hand, internal competition is quite intense in certain English cities, and of course in London. This also is becoming the case in Spain and Germany as regional and state governments assert greater control over the industry, especially over decisions to grant new licenses. The extent of market saturation is quickly becoming a critical element for facilities in these jurisdictions.

The casino industries of the jurisdictions can also be divided on a dimension of comprehensiveness of facility offerings. At one extreme can be found certain rather Spartan-appearing casinos in England which assert that they offer hard gaming only - no meals, no promotions, only good service for hard games. Generally the English industry is confined to offering gaming and meals alone. Gambling facilities, if in hotel buildings, must have completely separate managements - and completely separate entrances. One casino operated a bingo hall next door. In order to win their casino licence, they had to agree to operate gaming only after the bingo hall closed in the evening. England can be contrasted to the Nevada and New Jersey scene where a casino cannot be licensed unless it builds a hotel with a certain number of rooms (500 in Atlantic City, 300 in Las Vegas). The typical continental casino agrees after winning a concession, to offer the local community entertainment events, concerts and night clubs. Several casinos are built within resort complexes. La Toja (Spain) claims that the 'Island is our Casino.' Along with facility offerings, the extent of community involvement is a measure worthy of study.

#### *4 Employee relationships*

The labour dimension encompasses several sets of variables that may bear fruit for comparative analyses of casino gaming. Variations are found in the hiring process, in training, in compensation systems, labour organizations, and in personnel turnover. Restrictive qualities of the hiring process deserve some attention. All systems use age as a criterion for selecting dealers and croupiers, but there are distinctions regarding national and sex gender barriers. France and Austria and some German casinos will not hire women for gaming staff positions. On the other hand I did find a casino where the top manager was a woman. With the exception of the Netherlands, the other jurisdictions limit the games which women work. In England the only barrier seems to be the craps table, yet even here there was an experience of women at the tables. Individual casinos are divided on the proposition of whether or not they will accept new employees who have had prior casino experience. The general European pattern finds only entry level hiring and all internal training, a pattern that is in stark contrast to that found in the United States. Similarly, there is an expectation that the gaming employees will spend their gaming careers in singular casinos. American gaming employees rotate among casinos. Turnover patterns however vary, and the career dimension will become clearer as several of the modern gaming jurisdictions achieve maturity. The effectiveness of employee organizations is also a variable deserving attention. In England, management has been able to subdue or resist almost all attempts to organize employees. Continental casinos, however, seem to feel a sense of employee power more directly. The demand for unions may be less because the national labour laws give an effective umbrella of unemployment protection. Nonetheless, employees will make their interests known. A national organization will intervene for Netherlands' employees, and casino dealers in Spa, Belgium, actually went on strike in late Spring, 1986. The compensation system particularly brings management and labour close together in continental casinos. Three systems can be identified, with minor variations.

Tipping is almost mandatory in continental casinos. All tips are pooled; employee compensation is drawn entirely from the pool. The pool may or may not be utilized to pay fringe benefits. In some jurisdictions the pool also pays management salaries. One measure of the economic health of a casino industry is the extent to which the pool will cover guaranteed minimum salaries. Casino profits must supplement salaries in most Belgian and French casinos. At an opposite point is the compensation system in England, where all salaries are drawn out of the casino win revenues. No tipping is permitted for gaming employees. In the United States, wages for gaming employees are fixed and paid out of casino revenues; however they are quite low. They are supplemented by tips that are held by individual employees -or shared by employees of one work shift in one casino sector (blackjack).

As the above categories are just preliminary suggestions, they certainly are neither exhaustive nor definitive. The point is one of illustration. Factors such as internal corruption/crime, problem gamers, ease of entry into business, prevalence of other legal forms of gaming would have to be added to a more exhaustive list. But we must begin.

We began with categorization, classification and definition of variables that affect casino industries and may be applied across national frontiers.

A second major step would be to envision each set of variables as a major grouping which could be used as a benchmark to measure the casino industries of a jurisdiction. Again, for the purpose of illustration, the following is suggested:

### *1 History and legalization*

Two axes may measure the historical development of casinos in a jurisdiction and legalization rationale. One would ask if casinos were part of a long term tradition, the other would assess whether the modern legalization status was an exercise based upon a conscious, explicit rationale. Chart (a) shows four quadrants of categorization. The extreme cases are in sector III - casino legalization that is traditional and modern status lacking in explicit goals - and sector II - modern casinos based upon explicit rationale.

### *2 Control*

Chart (b) shows axes dealing with the extent of control and centralization of that control.

### *3 Industry activity*

Economic axes might consist of the extent of government ownership and management control, and the viability of the industry. Chart (c).

### *4 Labour forces*

These might yield axes of openness (ease of labour force entry) and depth of organization of the labour force. Chart (d).

The third major step of the research scheme might consist of proposing linkages first among the sets of categorizations, and second between the sets and theoretical notions drawn from a broader literature or from notions developed independent of the literature.

These descriptive attributes could be used to examine and test the bureaucratic capture theory which was first identified by Samuel Huntington and later developed by Marver Bernstein and popularized by Ralph Nader. The theory suggests that government regulatory bodies eventually become captives of the industries they regulate. In Bernstein's work a life cycle of agencies was conceptualized to illustrate a process that developed over time. In our work we might propose that the capture theory has greater validity under certain casino conditions. For instance, jurisdictions without explicit goals for legalization and with traditional casinos are most susceptible to the conditions of capture. Or, jurisdictions with fragmented and with remote controls are more likely to exhibit the capture theory conditions. The former proposition would have support with the cases of Nevada and Germany, the latter proposition with the England, 1960, case. We could also propose that jurisdictions with economically viable and private industries would be most likely to demonstrate capture. The Nevada, New Jersey and Monaco cases might support such a notion.

Theories regarding the legalization of 'sin' might be tested. Casinos represent a 'sin' activity: gambling. The activity is often categorized with other 'victimless crimes'. The legalization of such activities (prostitution, alcohol or non prescription drug use and distribution, homosexuality, for example) is often tied to one or several of the following rationales: a libertarian philosophy (man should be free to go to hell if he so chooses - and does so alone), a cost benefit analysis (people do it anyway and it costs more to police the activity than the burden permitting the activity has on society), or a positive rationale (people want to do it, with legalization they can be controlled as they do it, and also the government can participate in financial profits emerging from the activity). The model of casino development (realizing the tautological dangers in using Chart (a) factors) as illustrated in previous pages could be related to the latent or manifested rationale (or mixed rationale) used in the legalization of the casino 'sin' activity.

The task of comparative research on my chosen topic will not be an easy task. I think the factors I have outlined above will probably raise more questions than they will resolve. (This would definitely be welcome at this stage.) Perhaps they will only frustrate rather than illuminate. However, I believe that it is important that we move toward an explanatory framework for cross national understandings of the regulation of casino gaming activity. Thus far our better research efforts have provided us with a small but quality accumulation of national studies and cross national commentaries. The task of academic inquiry demands that we use this literature as the building blocks for something more grand.

**CHART A** History and Legalization

<b>I</b>	EXPLICIT FOR LEGALIZATION	RATIONALE ALIZATION	<b>II</b>
Nevada Austria	TRADITIONAL	England (1968) Luxembourg Spain	MODERN
CASINOS	CASINOS	England (1960)	CASINOS
Portugal France Belgium	NO EXPLICIT FOR LEGALIZATION	RATIONALE IZATION	<b>IV</b>
<b>III</b>			

**CHART B** Control

<b>I</b>	DETAIL CONTROL	ED	<b>II</b>
New Jersey Portugal Belgium Netherlands	CENTRALIZED	England (1968)	FRAGMENTED
AUTHORITY	AUTHORITY	Germany Spain England (1960)	AUTHORITY
Austria France Nevada	LOOSE CONTROL	<b>IV</b>	
<b>III</b>			

**CHART C** Industry Activity

<p><b>I</b></p> <p>New Jersey    England</p> <p>                    Luxembourg</p> <p>                    Nevada</p> <p>                                 Monaco</p> <p>                                 Germany</p> <p>PRIVATE</p>	<p>ECONOMICALLY VIABLE</p> <p><b>II</b></p> <p>Netherlands</p> <p>Austria</p> <p>GOVERNMENT</p>
<p>OWNERSHIP</p> <p><b>III</b></p>	<p>OWNERSHIP</p> <p>Belgium</p> <p>ECONOMIC WEAK</p> <p><b>IV</b></p>

**CHART D** Labour Force

<p><b>I</b></p> <p>ORGANIZED</p> <p>Belgium</p> <p>France</p> <p>                    Austria</p> <p>CLOSED Germany</p>	<p><b>II</b></p> <p>Netherlands</p> <p>New Jersey</p> <p>OPEN</p>
<p><b>III</b></p>	<p>Nevada</p> <p>England</p> <p>UNORGANIZED</p> <p><b>IV</b></p>

## **THE HORSERACE BETTING LEVY BOARD: A CRITIQUE**

Sydney Bloom

Department of Management Sciences UMIST

By way of introducing the subject of the Levy Board, attention should perhaps be drawn initially to two separate recent developments within the sporting world:

- 1 In the wake of the fire tragedy at Bradford it was reported that government ministers favoured the establishment of a new central organisation to harness some of the monies raised by football and distribute them in order to assist clubs with financing re-building programmes. Indeed, to this end a Football Betting Levy Board Bill was introduced during the 1985-86 Parliamentary session.

And:

- 2 Following the publication of the Killanin Report on Irish horseracing, the Irish Racing Board - most frequently in the person of Dr. Michael Smurfit - has been actively campaigning for the introduction of a 2% betting levy there to support its racing industry's finances.

Both these proposals appear to implicitly regard the existing HBLB as an ideal 'prototype' organisation for such purposes, and this is perhaps an opportune moment therefore to examine the HBLB, its policies and activities, and the impact that these may have on society in general.

It should, however, be recognised that the HBLB was formed in 1961 and that it has been accepted as an integral part of the racing industry's establishment over the course of the last 25+ years - an element that tends to cloud objective assessments of its existence by individuals involved in that industry. In legal terms, despite perhaps being regarded as a classic example of a Quango, [1] the HBLB is in fact a Statutory Body and the direct responsibility of its 'sponsoring department', E3 Division of the Home Office, and thereby of the Home Secretary.

The history of the betting levy may be divided into two distinct periods, the cleavage occurring with the introduction of the 1969 Horserace Betting Levy Act, which in the writer's view, radically changed the very nature of the levy. Criticisms of the HBLB may also be divided into the two categories of those that relate to the principles underlying the levy, and those of the more practical implications that ensue from its existence. The Rothschild Royal Commission on Gambling [2] examined the former quite extensively, and it is therefore intended to concentrate in this paper primarily on the latter category, whilst conceding that the categories are not necessarily mutually exclusive.

It is important to stress that the horseracing and betting industries are entirely separate economic activities, despite the fact that the one may be largely dependent upon the continued existence of the other. This fact was seemingly either simply not understood or patently ignored by the original Peppiatt Committee which recommended the introduction of a statutory betting levy, after commenting that:

'...there is an almost unanimous opinion, on all sides of the racing industry (including the bookmakers), that a levy is required'. [3]

In consequence, the view that the solution to the financial plight of horseracing was 'domestic to the industry' [4] was misguided. For its part, the Jockey Club has always appeared to regard it as axiomatic that horseracing should be subsidised from the proceeds of betting and with the introduction of the 1961 Betting Levy Act, the government in effect officially sanctioned this argument. However, if the horseracing-specific betting levy is rightly regarded as a form of indirect taxation on personal expenditure, then the government had also entrenched in legislation the principle of hypothecated taxation (i.e. taxation of which the revenue derived is to be used for a specified purpose only), despite the opposition of H.M. Treasury whose 'hallowed canon' of the non-hypothecation of the revenue

was clearly breached.

The very existence of hypothecated taxation, irrespective of either the legal status of the collecting agency or the degree to which the nature of the tax base concerned is regarded as 'luxury' or inessential expenditure, must necessarily give rise to certain implications in respect of:

- 1 the allocation of resources (specifically public funds) within an economy; and
- 2 the distribution of income within that economy.

In the former case, as indicated by the Rothschild Commission, the amount of funding received by the racing industry bears no relation to its needs or its social priority, and must therefore be regarded as arbitrarily determined. In consequence, the industry will almost certainly receive a different sum than if it was placed in direct competition with other claimants on the general public revenue, with no guarantee that its hypothecated revenue is greater than would otherwise have been made available. More fundamentally, there does not appear to be any logical reason why this particular industry should be accorded special treatment and have funds set aside purely for its own purposes. It would not superficially appear to warrant any special status or a higher priority than other claimants in general, or even other sporting activities/industries.

In relation to the distribution of income, it should be realised that the vast majority of the HBLB's revenue is derived from off-course betting, which in any case accounts for approximately 93% of all betting turnover on horseracing. It is a recurrent theme of sociological studies of betting participation [5] that the clientele of High Street betting offices are drawn predominantly from the lower socio-economic groups, and that manual and semiskilled workers tend to devote a larger proportion of their net incomes to betting than their wealthier peer groups. Such research suggests that the levy is paid by the relatively poorer sections of society, and that in economic terms, the betting levy is a highly regressive form of taxation. The levy is principally used to supplement prize money and to improve the amenities at racecourses, both of which tend to benefit the wealthier in British society, typified by the racehorse owners. This situation is exacerbated by the fact that there is little correlation between inveterate betting office customers and regular racegoers, and amply illustrates that the distributional implications in the case of the betting levy would seem to run contrary to any accepted notion of equity or social justice.

It should also be realised that the betting levy is a complementary form of taxation to the non-hypothecated General Betting Duty collected by HM Customs & Excise. It must therefore follow that if the rate of the betting levy is increased whether to provide for the expansionist policies of the HBLB or to placate the increasing demands from the recipients of the Board's largesse, this would necessarily have a deleterious effect - first on the size of betting turnover and thereby on the yield to the Exchequer derived from the General Betting Duty.

At this juncture it is perhaps appropriate to indicate that despite commonly being regarded, at least on an individual basis, as an habitual or compulsive activity, previous research into the demand for betting [6] demonstrates that in practice betting turnover (i.e. quantity) is inversely related to the 'take-out rate' deducted from winning returns (i.e. price), and that such demand is relatively elastic (i.e. it is rather sensitive to changes in the 'take-out rate'). Betting would therefore, at least on a collective basis, appear to be a 'normal good' in economic terms in that punters react to price changes in betting in the same manner as with most other goods and services, and indeed act as 'rational economic man'.

This analysis is of major importance for at least two reasons: first, it illustrates that (as argued later in this paper) whilst decisions concerning the determination of the levy rate are outside the direct control of Parliament, they can nevertheless adversely affect central government fiscal policy by prejudicing its revenue; and second, basic microeconomic theory suggests that the demand for goods or services will be elastic if close substitutes exist to which the purchaser can easily switch his allegiance. In the case of betting, this substitute good is represented by the illegal sector of bookmakers willing to accept 'tax-free' bets. It follows that the over-taxation of betting can stimulate this illegal sector, and, in effect, undermine the tenets behind the 1960 Betting and Gaming Act.

In several public statements, the HBLB has suggested that the government reduces the rate of the General Betting Duty whilst accompanying such pronouncements with a justification for increases in its own levy rate, illustrating a certain duplicity in its argument. As both the betting levy and the General Betting Duty are components of this betting taxation it would appear vital that their rates are determined together rather than separately - the obvious solution being a single tax with the determination of its one controlled directly by Parliament and administered by an accountable government department.

To turn to a consideration of the precise structure of this hypothecated betting levy, it was the intention under the original 1961 Act that the formal tax burden be placed upon the bookmakers, and for this reason the first annual Levy Schemes used their profits as the tax base. Problems of levy avoidance/evasion soured relations between the HBLB and the bookmakers by 1968, and the prospect of virtual anarchy in the betting industry promoted Levy Board Chairman Lord Wigg to approach the Home Secretary and demand extra powers for the HBLB.

As previously inferred, the resultant 1969 Horserace Betting Levy Act is of prime importance in that it changed the very nature of the levy, militated directly against many of the Peppiatt Committee's recommendations, and allowed the HBLB to actively pursue policies aimed solely at maximising the yield of the levy. Under the new legislation, bookmakers were explicitly permitted to shift the tax burden on to the punters, while the change in the tax base from their profits of betting turnover (which began under 7th annual Levy Scheme) meant that the fundamental 'capacity to pay' principle (which has been much abused) was no longer appropriate. Although the betting levy continued to be described as 'a voluntary contribution by the bookmakers' this was both naive and woefully misleading: payment of the levy was statutory not voluntary, whilst the bookmakers no longer made any personal contributions whatsoever to the horseracing industry but were simply acting as collecting agents for the HBLB, responsible only for transferring the punters' contributions periodically to the Board.

Lord Wigg soon felt able to admit openly that it was indeed his intention to maximise off-course betting turnover by the expedient of encouraging the opportunities for continuous betting patterns to be established in High Street betting offices, and these policies culminated in horseraces being held every 15 minutes on 6 afternoons a week, as a result of sponsored extra race meetings, extra races and the staggering of starting times. Should the relationship between the HBLB's expansionist policies and the deliberate stimulation of off-course betting remain unclear, it has perhaps been best typified by the Board's unsympathetic attitude towards - and withdrawal of sponsorship from - evening horserace meetings and its equivocal statements regarding the Jockey Club's proposal for Sunday racing, simply because betting offices are not permitted to open in the evenings or on Sundays and such meetings therefore generate little off-course business.

A by-product of the 1969 Act was the discernable change that it created in the relationship between the HBLB and the bookmakers, as for the first time both parties were united in common cause, with both standing to gain from the stimulation of off-course betting. The Board's expansionist policies were therefore guaranteed to gain the wholesale support not only of the bookmakers but also of the recipients of the levy, including of course the racecourse owners.

Among the leading critics of the HBLB's policies was Rev. Gordon E. Moody, who rightly drew attention to the glaring irony and paradox behind such moves:

'How can a statutory body attempt to deliberately stimulate and maximise betting when sponsored by the very government department dedicated to administering laws and rules specifically designed to curb excessive gambling and prevent its encouragement?' [7]

Whilst Moody concentrated upon the dangerous implications of this insidious creation of continuous betting patterns, *Timeform* owner/editor Phil Bull commented wryly:

'The punter, on the racecourse or in the betting office, is the paying customer of the racing entertainment, and all the entertainers, bar the horse, are after his money' [8]

which placed this 'unholy tripartite alliance' of HBLB, bookmakers and horseracing industry in context, with its cause being to empty the punter's pocket as effectively and efficiently as possible.

As a direct result of this concerted programme, the levy yield increased quite dramatically from the 8th Scheme onwards, and the scale of that increase can perhaps be gauged from the fact that by 1982-83 the HBLB was collecting in excess of £21m a year. To place such a figure in context, the Peppiatt Committee in 1960 regarded £1.25m as being perfectly adequate and in fact rejected the Jockey Club's estimate of £3m. In the first 24 years of its existence, the HBLB has collected and distributed just over £231m, details of which are given in Table 1.

As implied earlier, the levy is charged in accordance with the provisions contained in self-contained Levy Schemes, each of which is operative for a single year only, and the method of determining these Schemes is worthy of closer scrutiny. Each year a new Scheme is proposed by the Bookmakers' Committee which comprises members drawn from the Betting Office Licencees' Association and the National Association of Bookmakers. If the proposed

Scheme is acceptable to the HBLB, it is automatically promulgated and takes effect from the following 1st April. However, since the 1969 Act, the arbitration machinery to be invoked in the case of the proposal proving unacceptable has been changed, and the entire matter is to be referred to the Home Secretary whose decision is final.

However, the burden of the levy has, since 1969, been placed firmly on to the punter, and yet whilst it is he who pays the betting levy and therefore contributes the monies for redistribution by the HBLB, he has no constitutional voice in determining either the size or indeed the destiny of his contribution, nor does he have any representation in the initial decision-making forum. Given the mutual interest of the two parties concerned (i.e. the bookmakers and the HBLB) this places them in a situation where both may wish to exploit the punter, which appears to be highly undesirable and even unconstitutional, particularly as the levy represents - to the best of the writer's belief - the only form of taxation with rates not directly determined by an accountable government department. In the case of all other taxes, if the general public are dissatisfied either with their rates or the manner in which they are administered, that disapproval may ultimately be registered at the polling booth. How is one to register disapproval of the betting levy except by the crude expedients of either refraining from betting or seeking an illegal bookmaker?

TABLE 1: THE HORSERACE BETTING LEVY BOARD: THE SOURCES AND ALLOCATION OF FUNDS FROM ITS FORMATION ON 1ST SEPTEMBER 1961 To 31ST MARCH 1986

Source: HBLB Annual Reports and Financial Statements

A. Sources of Revenue:

	£	%
1. Bookmakers	213,750,000	(92.5)
2. Horserace Totalisator Board	14,038,000	(6.0)
3. Others (e.g. net interest, taxation recovered and the National Stud)	3,362,000	(1.5)
	231,150,000	

B. Allocation of Revenue:

	£	%
1. Prize money and racehorse transport allowance	115,056,000	(49.8)
2. Assistance to racecourses	46,094,000	(19.9)
3. Assistance for maintaining the integrity of racing	23,415,000	(10.1)
4. Addition to net assets	23,367,000	(10.1)
5. Levy Board administrative expenses	8,948,000	(3.9)
6. Assistance for veterinary science and education	6,931,000	(3.0)
7. Assistance for racing industry labour force	2,956,000	(1.3)
8. Assistance for breeding	2,196,000	(1.0)
9. Racing industry administrative and miscellaneous expenditure	2,187,000	(0.9)
	231,150,000	

In summary, the determination of the rates and the distribution of the levy revenue are outside the normal channels of direct public control and accountability, and whilst the former is decided normally by individuals none of whom are democratically elected by the general public, the latter appears to be at the behest of an inner enclave of bureaucrats within the HBLB. Only the Home Office is given the task of overseeing the entire procedure, but given its stance when confronted by the Board's expansionist policies, it does not appear to discharge this duty in the public's best interests. This assumes critical importance given the inevitable pressures that are placed upon the HBLB to increase the levy yield from interest groups within the racing industry. There is bound to be a certain element of acquiescence to such demands as HBLB officials attempt to minimise confrontations, (perhaps seeking 'a quiet life'), and it may well be that constant exposure to the inevitable lobbying from the various factions within the horseracing industry creates not only pressure but also a propensity among HBLB officers to identify with that industry, and fosters a certain empathy with its values, mores and perceived requirements. Indeed, as the 'economic theory of bureaucracy' suggests [9], this convergence of views may occur because the power, status and sinecures of HBLB senior officials may be directly equated with the size of the levy yield and its continued existence.

Two major internal reports on the HBLB have been conducted by management consultants, by the Economist Intelligence Unit in 1969 and Peat Marwick Mitchell & Co in 1984, and both have - with certain minor reservations - given the Board a 'clean bill of health' in terms of its efficiency and cost-effectiveness. However, finally two current issues appear to warrant consideration:

- 1 the suggestion frequently articulated in the racing press that the Board's National Stud should be privatised; and
- 2 why the HBLB's subsidiary Racecourse Technical Services Ltd. was not able to compete with Satellite Information Systems in providing satellite/cable television broadcasts to betting offices, especially given that it already had the equipment and expertise gained from operating film patrols, race surveillance and closed circuit television at horserace meetings.

## REFERENCES

- [1] 'Quasi-autonomous non-governmental organisation'
- [2] *Royal Commission on Gambling, Final Report*, Cmnd 7200, London, HMSO, 1978, para 9.43.
- [3] Home Office: *Report of the Departmental Committee on a Levy on Betting on Horse Races*, Cmnd 1003, London, HMSO, 1960, para 19.
- [4] *op cit.* paras 20 and 58.
- [5] For an excellent overview of such research see:  
 Cornish, D.B. 'Gambling: a review of the literature and its implications for policy and research', *Home Office Research Study*, no 42, London, HMSO, 1978.
- [6] Gruen, A. 'An inquiry into the economics of race-track gambling', *Journal of Political Economy*, **84**, 1976, 169-77.  
 Suits, D.B. 'The elasticity of demand for gambling', *Quarterly Journal of Economics*, **35**, 1979, 155-62.  
 Morgan, W.D. & Vasche, J.D. 'A note on the elasticity of demand for wagering', *Applied Economics*, **14**, 1982, 469-74.
- [7] Moody, G.E. *The facts about the Money Factories*, London, Churches Council on Gambling, 1972, p 42.
- [8] Bull, P. *Gambling and the racing scene*, Halifax, Partway Press, 1977, para 236.
- [9] Niskanen, W.A. *Bureaucracy and representative government*, Chicago, Aldine, 1971.  
 Niskanen, W.A. 'Bureaucracy: servant or master?', *Hobart Paperback No 5*, London, IEA, 1973.

## RECENT DEVELOPMENTS

David Miers  
Department of Law  
University College Cardiff

### **Gaming (Amendment) Act -1987**

This modest Act extends and standardises Sunday morning closing hours for premises licensed for gaming under part II of the Gaming Act 1968. Casinos in London will be permitted to remain open until 4 a.m. instead of 3 a.m., and those in the rest of Great Britain will likewise be permitted to remain open until 4 a.m. instead of 2 a.m., thus making permitted closing hours uniform throughout the week, and throughout Great Britain.

The Act gives a recommendation of the Report of the Royal Commission on Gambling (1978, Cmnd. 7800), was sponsored by Lord Harris of Greenwich and was supported by the Gaming Board for Great Britain, the British Casino Association, and the government

The Act came into force on 1 August 1987 (S.I. 1987/1200).

See generally, Parliamentary debates: House of Lords, vol. 483, col. 775; House of Commons, vol. 113, col. 721.

### **The Report of the Gaming Board for Great Britain 1986**

(24 March 1987, House of Commons paper No. 263)

This shows that:

- 1 In 1986 115 casinos enjoyed a total drop of £1,604m., a 1% decrease over 1985. The decrease was entirely borne by the 20 London casinos, where the drop fell from £1,235m. in 1985 to £1,181m. in 1986.
- 2 The amount staked on bingo in 1986 was £517.03m., a 4.1% increase over £496.31 in 1985.

- 3 The number of gaming machines was:

	<i>1985-86</i>	<i>1984-85</i>
jackpot machines	39,600	39,100
amusement with prizes machines	160,800	138,400

### **Greyhound Racing: Report of the Monopolies and Mergers Commission**

(July 1986, Cmnd.9834).

In 1984 the Director General of Fair Trading referred the matter of the supply of greyhound tracks' management services in Great Britain to the MMC. The basis for the referral was the possibility that the rules enforced by the National Greyhound Racing Club (NGRC) amounted to a monopoly situation under sections 6-8 of the Fair Trading Act 1973. The Report contains a history of greyhound racing and of the present distinction between NGRC and independent tracks. There are also sections on the links between greyhound racing and betting. The Commission concluded that the NGRC was enforcing rules that amount to a complex monopoly which is contrary to the public interest, and recommended that the matter be resolved in the first instance by discussion between the interested parties.

On greyhound racing, see *SSG, Newsletter* Number 8, pp6-8, F.J.Underhill (Secretary, NGRC), 'Greyhound racing, betting and the law'.

## Video Games

British Amusement Catering Trades Association v. Westminster C.C. (1987)  
2 All England Law Reports 897.

This is an important test case in which BACTA sought a clear answer to the question whether, as a matter of law, the operation of a video game constitutes a 'cinematograph exhibition' within section 1(3) of the Cinematograph Acts 1909 to 1982. If it does, then *any* premises on which video games are in operation will require a licence to be issued by the licensing authority specified under that legislation. The Court of Appeal (Civil Division) held by a majority, that video games were cinematograph exhibitions.

The majority (Balcombe and Slade L.JJ.) took the view that, being defined, in section 1 (9) as an 'exhibition of moving pictures', the word 'exhibition' was not confined to the showing of moving images in a predetermined form and sequence, and of which the viewer is merely a passive spectator, but included any showing of a number of moving pictures where the viewer played some part in selecting and controlling the images which appeared on the screen, as in the course of a video game.

BACTA had argued (and the point was accepted by the dissenting judge, Nourse L.J.), that this legislation was not apt to deal with video games. Apart from the obvious fact that the legislation was drafted long before the technology necessary for video games had been developed, it was observed that the Acts were aimed at enclosed premises where a large number of people were intended to congregate, and to which and from which access was in some way controlled; viz. cinemas. One important objective of the Act is to empower the local authority to vet such premises for fire safety, and more particularly, to ensure that there are sufficient fire exits for the number of the audience. Video games, by contrast, are commonly found in cafés, pubs, railway stations, motorway service areas and the like, where there is typically greater freedom of movement, and in respect of which cinema-type licensing may appear inappropriate. Nevertheless the majority held that there was no real absurdity in requiring licensing of such premises under this legislation, and remarked that if Parliament thought it desirable to distinguish video games from films, then it could enact legislation. The implications for the video machine market are substantial:

- 1 if all premises on which such games are operated must be licensed, then licensing authorities will come under pressure from those groups who believe that access to such games should be curtailed in the interest of reducing participation (even if that is not a prime objective of the legislation);
- 2 the Licensing procedure will become a cost of market entry, which will price out those for whom the incentive to operate such games is low; and
- 3 the extension of the law in this case may encourage those who wish to see greater control over amusement-with-prizes machines elsewhere to renew their efforts to persuade the Home Office to introduce further legislation.

Leave to appeal to the House of Lords was given; the report of that judgment, if the appeal is taken, will be summarised in a future *Newsletter*.

## UPDATE

Ceci, S J. and Liker, J.K. (1986)

'A day at the races: a study of IQ, expertise, and cognitive complexity', *Journal of Experimental Psychology: General*, **115**, 255-266

This study was undertaken to examine the relations among cognitive complexity, expertise, and intelligence. Cognitive complexity was measured by the extent to which subjects used a sophisticated multiplicative model to handicap races, as opposed to a simpler additive model. Thirty middle-aged and older men who were avid racetrack patrons were the subjects of this study. They were studied and tested over a 4 year period. None of the men earned their living exclusively by handicapping races, though all of them attended the races nearly every day of their adult lives. The men were selected for inclusion in the study on the basis of their high levels of knowledge about harness racing, as evidenced by their performance on a test of factual information about racing (e.g., rank ordering of tracks by their United States Harnessracing Association speed ratings, identification of record holders and speeds in each class) and the fact that they had all purchased the 'early form' which comes out the day prior to the race. As purchasers of the early form, they represented approximately the top 3% of racetrack patrons. Within this group of 30 men, 14 were classified as experts and the remaining as nonexperts based on their ability to predict post-time odds on the basis of factual information about horses. The important background characteristics of experts and non-experts were equivalent (i.e., their factual knowledge about racing, years of experience attending the track, age, IQ, socioeconomic status, and years of schooling). The difference between these two groups of men was their actual handicapping ability.

All men were asked to handicap 10 actual races and 50 experimenter-contrived races. The contrived races were designed to provide match-ups between fictional horses that represented a wide range of possible permutations of a set of variables that were hypothesized to be important in expert handicapping (e.g., a horse's lifetime speed, claiming price, etc.). The analyses revealed that expert handicapping was a cognitively sophisticated enterprise, with experts using a mental model that contained multiple interaction effects and nonlinearity. For example, to predict the speed with which a horse could run the final quarter mile of the race, it appears that experts relied on a complex interactive model involving as many as seven variables. The basic finding was that IQ is unrelated to skilled performance at the racetrack.

Regan, R.T.(1986)

'Complexity of IQ: comment on Ceci and Liker, *Journal of Experimental Psychology: General*, **116**, 302-3

My interpretation of these results is that we have no evidence that IQ is related to whether a man becomes a horse-race aficionado; IQ distribution parameters for this sample match the general population. Nor is there evidence that IQ is related to whether a man becomes an expert among aficionados. However, a correlation of  $-.35$  ( $P=.07$ ) between IQ and years of experience is a modest indication that IQ is related to how long it takes a man to become familiar enough with harness racing to be eligible for the Ceci and Liker study...

Whereas persons with high IQ might become aficionados faster, perhaps persons with low IQ are more likely to want to become aficionados.

Liker, J.K. and Ceci, Stephen J.

'IQ and reasoning complexity, the role of experience', *Journal of Experimental Psychology: General*, **116**, 304-6

...because of the study design, our data in no way speak to the issue of how long it took to learn to become experts or any possible differential learning time by IQ. This suggests an interesting follow-up study. Nonetheless, the fact remains that in a sample of very experienced and knowledgeable 'racetrack aficionados' some showed a

much higher level of handicapping expertise than others and this expertise was unrelated to measured IQ.

...underlying the expertise of racetrack handicapping is a highly complex reasoning process that cannot be dismissed as rote memorization of patterns. We do not know whether persons with high IQ acquired this expertise faster than persons with low IQ. On the other hand, we have not seen suggestions in the IQ literature that persons with very low IQs can equal the cognitive complexity of persons with high IQs if they are only given some additional time to practice.

## **NOTICES**

The next two meetings of the Society will be held on the following dates in the Connaught Hall:

Thursday, 26 November 1987

Thursday, 26 May 1988 (this meeting will include the A.G.M.)