

THE SOCIETY FOR THE STUDY OF GAMBLING

NEWSLETTER

April 1996, Number 27

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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 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 commercial 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.

Papers are reproduced in the **Newsletter** as a record of the Society's meetings, and/or at the invitation of the editor, and are not intended as an alternative to publication in a learned journal. Any of the standard reference systems is acceptable. The Editor welcomes unsolicited manuscripts, correspondence, book reviews and other items which are of interest to SSG members.

Subscription: The **Newsletter** is circulated twice a year to Society members. Annual subscription for individual Society membership - £18. Annual subscription to Newsletter only - £12. Cheques should be made payable to The Society for the Study of Gambling, and sent to the Honorary Treasurer. Overseas subscribers should remit in sterling.

The Society holds regular meetings twice a year in London. Preliminary details of the next meeting are:

The Society for the Study of Gambling will meet at Connaught Hall, Tavistock Square, London, on Tuesday, 7th May, 1996, at 10.15 am.

Dr Sue Fisher and Dr Iain Brown will present research undertaken by way of background to the Home Office's recent Consultation Document, followed by a panel session, in which representatives of the Home Office and the Gaming Board will take part.

The meeting takes place within the Consultation period, which ends on 31st May, and will therefore provide a valuable opportunity for views on the proposals to be made known.

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Society for the Study of Gambling Newsletter 27: April 1997

EDITORIAL

In this issue the Society for the Study of Gambling commemorates its founder, the Revd Gordon Moody, who died on 30th September, 1994. From the many tributes to him we have selected two: first, The Times' obituary to him, written by Dr Emmanuel Moran, and reproduced here with his kind permission and that of The Times. Secondly we reprint an edited version of a chapter "A View from the Downside" from David Spaniel's pioneering work Easy Money: Inside the Gambler's Mind, which was first published in 1987.

Gordon Moody would be intrigued by the diversity of material available to the Newsletter. To take just one example, Syd Bloom's paper on Gambling Literature on the Internet might have been too technological for him, just as it may still be above some current readers' heads, but he would undoubtedly have been grateful on behalf of those who do feel at home with the Internet.

He would also be proud to know that there now exists a European Association for the Study of Gambling. This fledgling body, an offspring of our own Society, held its first conference at Cambridge in August 1995, and I have included some notes on it. They are brief, because so long has passed since the conference.

Things are at last beginning to move on the deregulation front, and the Home Office's recent proposals in its Consultation Document will be the main topic of discussion at the Society's next meeting.

Meanwhile the National Lottery consolidates its hold on some sections of the gambling market, although it is by no means the only factor blamed in bookmakers' recent reports of declines in betting turnover. Nor is horse racing alone: greyhound tracks seem to be going out of business daily and the pools and bingo have been badly affected. For example, Rank reported an increase in overall profit of 6 per cent in the fourteen months to 31st December, 1995, but a decline in profits in its recreation arm from £69m to £50m. Meanwhile Camelot has (in the words of *The Independent*) left nothing to chance, and has dropped its commitment to the £10 minimum prize, although it has said that the change is minor and technical, and will "probably never, ever be enforced".

Turnover on the 1995 Derby was down 20n/o and even on the Grand National down 10% because, in the view of the spokesman of Coral, which produces the figures, the traditional once or twice a year flutter is falling away. Surrey Racing announced a loss for the six months to the end of September 1995, caused, it believes, by many of its high-margin multiple-bet punters turning to the lottery. On the other hand, the company admits that the lottery was only one factor in the loss. The profit from Bass's leisure division (covering bingo and horse racing, and other leisure pursuits, but not pubs) was down 30 per cent in the first sixteen weeks of its financial year. Again, the Lottery was not the only cause; bad weather also played its part.

Ladbroke's betting and gaming division reported a 40.3 per cent drop in 1995, not only in Great Britain, but also on the continent. The lottery, especially scratch cards, firm ground and small fields in the summer and the loss of racing over the Christmas period were to blame. Scratch cards had been expected to reduce turnover by 3.5 per cent, but in fact the damage was over seven per cent, mainly due to a fall in the number of bets by smaller-staking customers. Stanley Racing's profits halved in the six months to 29th October 1995, (£2.8m from £5.6m), but the chairman believed the worst was over, and thought the dry weather in the summer the main culprit.

The Commons' Select Committee on National Heritage is examining the effect of the Lottery on other forms of betting: it remains to be seen what line it will take, and what effect its recommendations will have on policy. Meanwhile, bookmakers have been lobbying hard to be allowed to bet on British lottery numbers, as they already do on those coming up in the Irish Lottery, and seem to be gaining confidence that this will be allowed.

In short, the gambling scene is, as always, fraught with activity.

EUROPEAN ASSOCIATION FOR THE STUDY OF GAMBLING

Christopher Hill

The Association's inaugural conference was held at St. John's College, Cambridge, from August 2nd-6th, 1996.

There were about 170 participants and 70 papers. The participants came from most western European countries, but unfortunately not France or eastern Europe. Just over half the papers were on such subjects as the psychology of gambling, the prevalence of problem gambling, its treatment and so on. Most of the other papers were on aspects of casino development and regulation, with a few on lotteries and one on bingo. There were hardly any papers on any aspect of horse racing, and virtually no mentions of it in the conference sessions, except when speakers referred in passing to the damage inflicted on it by the expansion of lotteries and casino gaming in other countries.

The emphasis on such subjects as psychology may have deterred some representatives of various sectors of the gambling industry from taking part, (for example, the only bookmaker was from Germany) whereas they would have gained respect and goodwill if they had attended and met the arguments head-on. The few industrial representatives who did attend achieved just this response.

Some ideas that seemed to be generally accepted among conference participants (the conference as such did not reach any formal conclusions) were that the number of problem gamblers is bound to increase as gambling increases, and that something should be done to identify and treat them. Much was made of the interest in research and treatment shown in other countries by "the industry" (a phrase which was almost invariably used to refer to casinos and lotteries) and governments. Particular attention was paid to the example of Australia, where expansion of gambling has led the industry to realise that it needs guidance in respect of social problems, and that it must sponsor research as a first step towards their solution or containment. It was felt that Britain was lagging behind in this respect, just as it was in the deregulation of gambling.

One would expect academics to believe that more research was necessary, but so, it seemed, did a number of non-academic bodies, although at the time of the conference they were noticeably unwilling to say anything about their research, planned or in progress, perhaps because they feared that to do so would be construed by the public as an admission that a problem existed. Now that the Home Office's long-awaited Consultation Document on deregulation has appeared, a new situation exists, and the results of research commissioned by the Home Office are to be presented at the Society's next meeting. It is to be hoped that other pieces of research will be similarly publicised as soon as possible.

It was also fairly generally accepted at the conference that there were benefits (employment, tax revenue, enjoyment, etc) to be gained from gambling, and not just social costs to be endured. The temper of the conference was not opposed to gambling root and branch; most people seemed to accept the plea put forward by the Association's chairman, Dr Iain Brown, in his opening remarks, that the industry should work with government to supply enjoyable gambling opportunities, fairly taxed, with minimum exploitation of vulnerable economies and individuals.

The conference was greatly enjoyed by all concerned. The new Association was widely congratulated on its first event, whose success was seen as a good omen for the future.

THE REV GORDON MOODY

The Times Monday October 31 1994

In the early 1960s, following a Royal Commission, gambling lost some of the restraints which had previously been imposed on it. Just before this, Gordon Moody, a Methodist Minister, took over the responsibility of running the Churches' Council on Gambling. He persuaded the churches to drop their moralistic view of gambling and concentrate on the social effects, with a great emphasis on the psychological and psychiatric implications of gambling.

While he was not in favour of preventing people from gambling, he nevertheless was most concerned that there should be adequate legislative control of the activity to restrict excess. He also saw the need to provide some help for the casualties of a more relaxed approach to gambling. Consequently, when the opportunity to set up Gamblers Anonymous in the UK presented itself, he pursued this with the enthusiasm that was so characteristic of him.

He helped to fashion modern views of gambling and its availability, though he would have deplored the current "free market in all activities" atmosphere which has distorted many of the ideals that led to these views.

Gordon Edward Moody grew up in a Methodist family in Tottenham, where he also received his early education. After a short period of commercial work, he offered himself for the Methodist ministry and for 13 years he had pastoral charge of churches in Leicestershire, Derbyshire, Cheshire and Devon. From 1952 to 1958 he served as a chaplain in the RAF and was stationed in England and Singapore.

In 1958 Moody was invited to become Secretary of the Churches' Council on Gambling. Although he had no prior contact with gambling, he approached the subject with a keen interest, as was typical of him. He developed a view of gambling which was more concerned with the social impact of this activity than with its morality.

After the Betting and Gambling Act 1960 and the consequent greater availability of gambling facilities, there was an increase in the number of people who were gambling to excess and were harming themselves and others. In 1964, with the help and advice of a member of Gamblers Anonymous in the USA, who happened to be visiting Britain, Gordon Moody played a vital role in the formation of Gamblers Anonymous (GA) and Gamanon (the support group for the spouses and partners of gamblers) in the UK. Subsequently, these organisations conferred on him the title of honorary founder-patron.

Since the liberalised legislation in the early 1960s had not been drawn up sufficient tightly, a large amount of illegal gaming started to appear. This needed further legislation.

In recognition of the assistance that Gordon Moody gave the Home Office in formulating the policy *which* became the Gaming Act 1968, he was appointed MBE in 1969. In addition, the Open University conferred an honorary MA on him in 1980.

In 1971 he was instrumental in setting up a hostel in Beckenham for single homeless compulsive gamblers. This was named Gordon House, after him, and he continued to take an active interest in it until the end of his life.

In addition to his warm and friendly personality, which was most evident when dealing with people in trouble, Gordon (as he was always referred to in line with GA's principle of anonymity) had a very enquiring mind. This led him to organise consultations on compulsive gambling. These became a regular forum for those from various disciplines who were interested in learning more about excessive gambling. As a result of this, in 1977 the Society for the Study of Gambling was formed.

Towards the end of the 1970s, with Moody's imminent retirement from the secretaryship of the Churches' Council on Gambling and the consequent closure of the council, he was most concerned that its work in the social sphere should be maintained. This led, in 1980, to the formation of the National Council on Gambling, an organisation concerned with the impact of all aspects of gambling on the community and the family. Moody played a very important role in setting this up and became and remained until his death, one of its foundation trustees.

Even after his retirement to Salcombe in Devon, he continued his pioneering work. Coinciding with the serious situation resulting from the access that children have to fruit machines in public places, he was responsible for setting up Parents of Young Gamblers, an organisation that provides some practical help in individual cases.

Gordon Moody was a man of vision, enthusiasm and charm. He travelled widely and established lasting contacts and friendships among those in various parts of the world, who were concerned to learn more about the factors that lead to excessive gambling. Even after the onset of his final illness, following a major operation, he opened a conference on gambling in Australia in the summer of 1993.

Gordon Moody is survived by his wife Jess, a son and a daughter.

INSIDE THE GAMBLER'S MIND from A

A View from the Downside

David Spanier

Gordon Moody had that fresh-air, alert, well-scrubbed look of a bookish boy scout. In his early seventies, his step had the same spring, his eye the same gleam of humour and interest, as in those far-off days when he started out as a Methodist minister, on circuit around the English shires. He inherited a strong and simple faith from his parents, particularly his mother who took him to church on Sunday mornings; but in the week there was no contact with the church at all, none of his close friends were from church-going families. Belief became a part of him, mixed with a good streak of old-English common sense.

He grew up to feel there were two parts of his life: he lived in the world, and the beliefs he accepted from the church lived in him. He learned, as he put it, not to turn the world inside out but to accept it, as it is. A quality of mind sunned up in the young Gordon's estimation that 'People are people'- regardless of who they are or what they may believe.

Or whether they are in trouble from gambling. Over the years no individual had more influence on or a closer knowledge of the social issues involved in gambling in Britain than the Rev. Gordon Moody. Yet his own involvement with gambling was the purest chance.

When he left school, where he had been regarded as a no-hoper, he managed to find a job with an import firm in the City of London. At the age of 19 it suddenly struck him, as he described it, that he ought to be ordained. He was accepted into the Methodist ministry, and this time went to college with a will; next came probationary service, travelling around country parishes, leading to his ordination in 1942, the year he got married. Moody, with his motto of 'People are people' was not used to confining his activities to churchy folk. He was a mixer. Volunteering as a chaplain to the forces, he was accepted by the Royal Air Force. Mixing with all ranks, being treated as an equal by all ranks, was a great release. The question was what to do in 1958, after his term of six years was up. Out of the blue a friend suggested he should become Secretary to the Churches' Council on Gambling.

Moody had never heard of it. He guessed it must follow some kind of temperance approach and felt a bit insulted. He wrote back and asked what qualifications were required. His friend told him he could get on all right with the Anglicans. And secondly, as regards the job itself, Moody knew how to talk to 'lewd fellows of the baser sort' as the New Testament expression has it, people like bookmakers; for he too was a man who did not speak the language of Zion. In short the job was like a frontier post from which he could go out and meet his fellow men on their own ground. His motivation for accepting, he recalled, was of the lowest,

but he rather esteemed low motivations. 'They get you through, they go on. High motivations burn you out. They really only operate at key points.' He took the job on.

His position brought him on to various Methodist committees where he experienced people's fears of social change, for instance the fear that if divorce were made easier, everyone would go wild. Likewise with abortion: the official line seemed to base itself on the need for new law, taking no account of the strong natural pull of motherhood; if that ever changed, something would have changed in human nature itself. Some people, Moody felt, seemed to believe in the power of evil more than the power of good. The same principle applied to the Royal Commission report. When it came down to doing something, like opening betting shops, the Churches' Council resisted it. It was also part of human nature to seize on any argument, good or bad, to bolster a moral view, and the churchmen were no exception. Moody concluded early on that the Council was playing charades. What they were saying about gambling had got nothing to do with what people were doing when they were out gambling.

The first thing to do was to discover what gambling was all about. He did not pursue the ethical discussion of gambling - the high church view was that gambling was not wrong unless taken to excess, as opposed to the low church view that it was wrong in itself - which he had been drawn into many times. No one ever changed their minds in such discussions. (When he had worked in the City, and people had offered him sweepstake tickets in the office lottery for the Derby or the Oaks he had sometimes bought them, and sometimes refused, feeling bad either way for judging people he could see were doing no harm.) What was it which attracted people to gambling? Why did people bet? He began to look around for ways of finding out.

He went to the Derby and had a wonderful day. He did not watch the races, he watched the people. He ate sweetmeats he hadn't tasted since he was a child, went to the fair and saw the boxing, joined in the shouts of protest when the all-in wrestler kicked the amateur. The Derby was more than betting and racing, he realised, it was about life; people left their problems behind them. It was another stage in his enlightenment. It helped persuade him, in writing reports for the Council, to get the relevant facts checked out by people who knew gambling from the inside.

The darker side of gambling had impressed itself on him quite early on, during his visits to the dogs. One day he saw a cutting in the Daily Express only a couple of inches long, about Gamblers' Anonymous being set up in the United States. Was this a bona fide organisation? He wondered if something similar might be started in England. On May 27, 1964 (he remembered the date) Moody went to address a meeting about gambling in Croydon and was asked some questions about addiction. Afterwards a fellow came up to him and said he knew about GA because, as a compulsive gambler, he was a member of it. He was an American called Henry. 'Right, let's get cracking!' said Moody. He invited him to attend a meeting of the executive committee of the Churches' Council.

Henry had ruined himself through petty crookery to get money for gambling. The committee gave permission to hold a press conference to launch him. Moody gave out the Council's telephone number for anyone who might want help. They got enormous press coverage. No one had ever heard a story like Henry's before, and Moody's phone didn't stop ringing for three days. It was like taking the lid off a sewer. The stories came pouring out. A meeting was arranged one evening for these desperate people and about a dozen turned up. Henry told his story. Then he asked if anyone else would like to recount his own experience. Everyone did. The effect was sensational. The last person to speak was a taxi driver. He said how he couldn't go on any more, how he had gambled the money put by for his wife's birthday present, how he'd become sick and tired of gambling. 'Is there anything you can do to stop gambling?' the taxi driver demanded rhetorically. 'Yes! You've just got to stop.' On that ring of truth, the meeting closed itself.

Of worse the failure level at GA was very high. People slipped back again in their own environment, because it was too long to wait a whole week until the next meeting of GA. Moody would have liked a special hostel for gamblers but there was never enough money.

When social workers and others telephoned GA for advice about clients who gambled, Moody used their experience to build up a backlog of case histories and information about gambling. This in turn encouraged him to arrange the fast conference on compulsive gambling, held in London in 1967. The conference continued on an occasional basis in London, Manchester and Glasgow. Moody served as chairman, secretary and treasurer, but he saw that to be effective the group had to get away from the churches and be seen as independent.

There was also a public dimension to Gordon Moody's work, in press conferences and so on. The Times, in particular, was very supportive. Moran had written a letter to the paper protesting against a crude suggestion that compulsive gamblers should undergo lobotomy; when he was contradicted a few days later by an irate sociologist, Moody fired off a heated reply in Moran's defence. After that little exchange The Times took a continuing interest in Moody's views on gambling, regularly reviewing the Churches' Council's reports and statements in leading articles. Given the importance of the letters column in The Times - which serves as a kind of establishment notice-board - this was very valuable back-up, even when points of disagreement arose.

In effect Moody had emerged as spokesman for the one group of people none of the official authorities ever bothered to talk to - the gamblers themselves. Indeed, so great was his success in persuading MPs and others to take account of the gamblers' interests that he began to feel, light-headedly, that he was the world's greatest political lobbyist. When gambling was such a live issue, especially in that peak year of 1968 when the House of Commons was thrashing out the new Gaming Act, everything he said was heard and heeded; he certainly enjoyed special (and perhaps disproportionate) influence in the public debate on the kind of reforms needed to clear up the anomalies of the unworkable legislation of 1960. (In recognition of his contribution he got an MBE in the 1969 Birthday Honours list.)

Moody also set about organising a series of conferences on gambling; his idea was to bring together academics and experts, including people in the casino industry itself. Their efforts were complementary: the churchman trying to knock some sense into people, the psychiatrists pursuing a scientific approach, the operators representing the business interest. The purpose of such meetings was, in a word, enlightenment. The people who attended accepted gambling as part of life; Moody himself was neither for it nor against it. His experience was that, whenever he met someone for the first time, he always had to fight to show he was not a stereotyped do-gooder. (One of the reasons gambling legislation goes wrong is that the people in favour of gaming have got the most money - look at New Jersey.)

Moody's reports for the Churches' Council in the early years had a centrality and clarity which were impressive. Successive titles told the story: *A Nation's Responsibility ... Time to Think Again ... A Bad Risk for Britain*. Thus in 1965 he set out a particular problem. Parliament had legalised certain forms of gambling in 1960, hoping this would not lead to an increase or excess of gambling, but the results had been quite the opposite. Public opinion had become anaemic, he wrote, because many people who wished to resist the spread of gambling hesitated to take action, feeling they would be adopting a 'moral' position, and be thought 'puritan'. This was unfortunate, because it involved a misconception.

'It has come to be accepted that the moral question can be expressed in terms of one man and his money. This is a proper question for individuals to resolve, but the discussion is inadequate for the practical task of containing gambling as an element in society. The argument that gambling is all right in moderation leads to a laissez-faire attitude towards gambling and its results in society generally. The attitude that gambling is essentially wrong on every occasion leads to a rigorist approach which is equally ineffective.'

Moody nailed parliamentary responsibility: No one knows how many gaming clubs there are, nor how many people are involved. The intention of the law is ignored. As gaming is conducted in some clubs, it is quite illegal even as the law now stands. Its legality in many others is doubtful.'

His point was that before the 1960 Act most people in Britain had never gone in for casino gaming. It was in the main an upper class foible, indulged on summer holidays in the French resorts of Nice, Cannes or, nearer to home, Deauville, plus a few private parties in Mayfair. At the other end of the social scale there had always been shady dice and card clubs in London's East End. Yet now, like a pincer movement from these opposite ends of the social scale, gaming was tightening its grip on the whole population, for the benefit of commercial interests. 'It is reasonable to argue that people should be free to take part in gaming if they wish to do so,' Moody concluded. 'It is unreasonable not to consider deeply the probable consequences of frankly encouraging people to gamble.'

A true moral approach, Moody had argued back in his very first report, should take into account, among other things, that some people are prone to become addicted to gambling. Conditions which afford opportunities to gamble for some involved enormous temptations for others. 'It is morally indefensible to ignore either this fact or its consequences. At the present

times both the law and public opinion incline to assume that everyone is equally able to look after himself. Because it is thoughtless, it is immoral to dismiss anyone who gambles to excess as necessarily either a fool or a knave, when he may be only more vulnerable than the rest'

The Gaming Act of 1968, which Moody had followed so closely in its various stages through the Commons, established the format for casino gaming in Britain. It has been widely admired in other countries, but it is so idiosyncratically English - for example, the chairman of the Gaming Board need have no qualifications whatever in terms of gaming experience (the man appointed in 1985 told me that he had up to then never even visited a casino!) - that it could hardly be applied elsewhere.

Moody felt gratified that, while they did not achieve everything they wanted in detail, the principal concerns of the Churches' Council had been met. First, the number of clubs had been restricted; and secondly, gaming was to be kept separate from entertainment. (Compare the Scene in Las Vegas, where the only exit for the audience after the floorshow is through the gaming tables.) Bingo, the housewives' little flutter, was also set apart. In sum, the Act set reasonable limitations on the promoters' opportunities to induce people to gamble. A typical instance (which many foreign visitors find a very annoying restriction) is that you cannot just walk off the street into a casino; a player has to become a club' member', which means waiting a period of 48 hours after formally 'joining. Likewise, the ban on entertainment - cabaret or otherwise - in casinos, means that there is no showbiz razzmatazz to' induce' people to gamble. Moody's other main concern was that the new Act should be capable of being strictly enforced. This it was - as future events were to show.

Moody's true memorial came in another form altogether. A hostel was set up in Beckenham, South London, for looking after single, homeless, compulsive gamblers. It was essential, if such people were to have a chance of pulling through, to get them off the streets; otherwise they went straight back into trouble. The hostel, which could take care of up to eight people, now receives an annual grant from the Home Office. It was named Gordon House.

Looking back, Moody believed that the record of the Churches' Council, its successes and failures, were due not so much to skill as to luck - a surprisingly 'gambling' view of life! He meant that when they were successful they were ridiculously successful, because they were riding the wave of political opinion, like a winning streak. Where they failed, for instance on the Horse Totalisator and Betting Levy Board Act (when no one was thinking at all about the poor old punter at the bottom of the crock of gold) or on the legislation for lotteries (where the local authorities were siphoning off all the profits for their own ends) it was not through bad work, but bad luck. The political tide was running the other way.

One sunny day at the end of 1986 a newly decorated and expanded Gordon House - rooms for 15 residents - was opened in south-east London. Moody, spruce and pink and jolly as ever, held a pair of golden scissors for the tape across the front door to be ceremonially cut. A little crowd of well-wishers and residents gathered round him in the forecourt.

'We're going to open a door in a minute, Moody began, 'and it reminded me (I don't often worry people when I'm not in the pulpit about what it says in the Bible) of Jesus telling Peter that he is giving him the keys of the Kingdom of Heaven: what he sets free will be free and what he binds will be bound. Tremendous responsibility!' When he was young and interested mainly in theology, Moody explained, there was a great argument over who held these keys, whether it was the Pope or the Archbishop of Canterbury or the President of the Methodist Church, or just the priesthood in general.

But since he had got mixed up with Gamblers Anonymous and Gordon House and its residents and staff he had come down to earth and realised that what this was all about was that in life some people - either by their situation of birth or their circumstances or by their own actions - had got themselves outside the door, and wanted to get through the door, back into life.

'And I've realised, too, that all of us as members of the human race very often hold for others the keys of life, and if we open a door then those who wish to go through can go through. Now often when that's thought about by people I know in ordinary life they think its a matter of the staff at Gordon House saying, "Oh yes, come in," and in comes an outcast, who is then put under instruction and very great discipline, and who may eventually become some kind of a human being, but will live for ever afterwards under a shadow, because of the past. But what goes on here, and has done from the beginning, I'd like you to know, is that when the door opens, its opened as much by the residents as by the staff, and there is a welcoming hand to a fellow human being, coming back into life, with no reservation.

And for that I'm jolly glad about Gordon House.

SCRATCH CARD GAMBLING: IS IT ADDICTIVE?

Mark Griffiths

Psychology Department, Nottingham Trent University

In a relatively short time, the Instants scratch cards have already established themselves as a cultural phenomenon. Scratch cards are not new to the UK, but the fact that they are heavily advertised and have a potential £50,000 jackpot prize has meant that they have become successful very quickly. This short article asks whether scratch cards have the potential to be addictive by examining some characteristics of the activity. As we shall see, the decision to gamble is not always determined by the person's psychological state but may also depend on the characteristics of the gambling activity itself.

An analysis of the gaming industry's marketing methods shows that they fall into two main categories. The first contains the situational characteristics which get people to gamble in the first place. Over the last eighty years, players in the gaming industry have used techniques based both on appeals to expressive needs and on the manipulation of situational factors to attract new custom or to increase their share of the market. These situational characteristics are primarily features of the environment: they include the location of the gambling outlet, the number of gambling outlets in an area and the use of advertising to stimulate people to gamble. These variables may be very important in the initial decision to gamble and may help to clarify why some forms of gambling are attractive to particular socio-economic classes. There is no doubt that these characteristics have been critical in the success of scratch cards to date. Not only is the product heavily advertised on billboards, television and in the national newspapers, but the accessibility is so widespread that they are difficult to avoid in most shops.

Characteristics of the second type are structural: they are responsible for reinforcement, may satisfy gamblers' needs and may actually facilitate excessive gambling. By distinguishing particular structural characteristics it may be possible to see how needs are identified, how information about gambling is presented (or perhaps misrepresented) and how thoughts about gambling are influenced and distorted. Showing the existence of such relationships has great practical importance, since it allows potentially 'dangerous forms of gambling to be identified, and effective and selective legislation has to be formulated. The Royal Commission of 1976-78 said that gaming incorporated the largest number of gambling-inducing characteristics. Such characteristics included a high pay-out ratio (i.e. jackpots) and rapid event frequency. In addition, heavy losses were deemed likely because gaming contained structural characteristics which allowed continuous gambling. However, some people argue that the essentially solitary nature of this form of gambling prevents the competitive pressure to increase stakes which is present in other forms.

A worrying aspect of scratch cards is the ease with which adolescents can buy them. Some supermarkets, petrol stations, convenience stores and newsagents have been shown to be breaking the law by selling scratch cards to children as young as 11 and 12 years old. A children's charity (Children's Express) in a survey for The Independent found that on two-thirds of occasions children aged between 12 and 15 were able to buy tickets. Another survey by the Sunday Mirror claimed that three quarters of the 11 to 15 year old children in its survey were able to buy tickets. Children are thus being introduced to the principles of gambling and are growing up to believe gambling is socially acceptable, particularly because the National Lottery and Instants are linked with good (i.e. charitable) causes. The advertising for Instants is telling children that gambling is normal.

A number of studies have shown that fruit machine gambling amongst adolescents is a popular activity in the UK. Although most adolescents control their gambling activity, in a minority of cases gambling behaviour can be pathological. Accepting that for a minority of adolescents fruit machine gambling is a major problem, it could be the case that adolescents will find scratch cards equally addictive. But what is it that makes scratch cards so addictive? The rest of this article concentrates on some structural characteristics (event frequency, the near miss, pay-out ratios and the suspension of judgement) that appear to facilitate addictiveness.

Event frequency - At present, the Government line on scratch cards is that they are a "soft" form of gambling like the National Lottery and the football pools. This is complete nonsense as scratch cards are "hard" gambling and could be described as paper fruit machines. Three linked factors justify the classification of scratch cards as "hard" gambling, of which the first is the frequency of opportunities to gamble. Logistically, some gambling activities (e.g. the National Lottery, football pools) have small event frequencies (i.e. there is only one draw a week) making them "soft" forms of gambling. However, in the case of scratch cards there are few constraints on repeated gambling as limits are set only by how rapidly a person can scratch off the covering of the winning or losing symbols. The frequency of playing when linked with the two other factors -the speed with which the result of the gamble (win or loss) is known and the very short interval before winnings are received - exploit a process of learning called operant conditioning, which conditions habits by rewarding behaviour.

Reinforcement occurs through presentation of rewards, such as money. Those schedules which present rewards intermittently have been shown to be most effective in producing high rates of response. Since scratch cards operate on such schedules, it is not surprising to find high rates of response (i.e. excessive gambling). Promoters appear to acknowledge the need to pay out winnings as quickly as possible, thus indicating that receiving winnings is seen by the gaming industry to act as a reinforcement to winners to continue gambling. Rapid event frequency also means that the loss period is brief with little time given over to financial considerations and, more importantly, winnings can be regambled almost immediately.

The "near miss" - A psychological factor related to operant conditioning is the "psychology of the near miss" which can act as an intermediate reinforcer. A number of psychologists, including myself, have noted that near misses - that is failures that are close to being successful - appear to encourage future play, inducing continued gambling, and that some

commercial gambling activities (particularly fruit machines and scratch card lotteries) are formulated to ensure a higher-than-chance frequency of near misses. At a behavioural level, a near miss may have the same kind of conditioning effect on behaviour as a success. For example, the fruit machine's pay-out line is horizontally located in the middle line of a 3 x 3 matrix. When three winning symbols are displayed, the jackpot is won and thus reinforces play. However, a near miss - such as two winning symbols and a third losing one just above or below the payline - is still strongly reinforcing at no extra expense to the machine's owner. The player is not constantly losing but constantly nearly winning.

The near miss can also be explained in terms of "frustration theory" or "cognitive regret." According to frustration theory, failing to fulfil a goal (for example, not winning on a scratch card) produces frustration which energises ongoing behaviour. Subsequent wins then reinforce high-rate behaviour. Other psychologists say the frustration produced by 'nearly winning' induces a form of cognitive regret. The elimination of regret can be achieved by playing again, and this in turn encourages future play.

Win probability and pay-out ratios - These differ in most types of gambling but are important structural characteristics. It is these basic risk dimensions which may help determine whether a person gambles on a particular activity in the first place. On scratch cards, these structural characteristics may or may not appear to be especially important to the gambler. Probabilities of winning something on scratch cards are fairly high in comparison with other gambling activities, although the chances of winning the jackpot are very small. It is therefore likely that the ordinary 'social gambler' does not think about the actual probability of winning but relies on heuristic strategies for handling the available information. What most people will concentrate on is the amount that could be won rather than the probability of doing so. The general finding is that the greater the jackpot the more people will gamble. For instance, more lottery tickets are sold on "rollover" weeks because the potential jackpot is very large.

Suspension of judgement - A number of gambling activities also rely to some extent on the suspension of judgement. This refers to structural characteristics which temporarily disrupt the gambler's financial value system and may potentially stimulate further gambling. In the case of scratch cards, the money staked (i.e. £1) to gamble is fairly low, which makes the gambler think there is little to lose on each gamble. However, if the gambler were to consider money staked per session rather than per gamble (i.e. the total amount of money spent and lost during gambling), he or she might not gamble as much.

I hope I have shown in this article that various structural characteristics of scratch cards have, at the very least, the potential to induce excessive gambling regardless of the individual characteristics of the gambler. However, some structural characteristics are capable of producing psychologically rewarding experiences even in financially losing situations - particularly the near miss - although there is no evidence to suggest that the gaming industry has used the psychological literature to "exploit" gamblers. However, the development of consciously exploitative practices is not easy to define, identify or prevent.

With their integrated mix of conditioning effects, rapid event frequency, short pay-out intervals and psychological rewards, coupled with the fact that scratch cards require no skill, are deceptively inexpensive, are highly accessible and are sold in respectable outlets, it is not hard to see how scratch card gambling could become a repetitive habit. There is plenty of evidence to suggest that ignorance about probability or situational cues may encourage gamblers to think that they have some influence over mainly chance-determined activities. Another complicating factor is that educating the public about gambling may have the reverse of the desired effect and actually increase awareness. It may be that regulation is best done, not through changing the structural characteristics, but through such practices as prohibition of advertising, decreasing the number of outlets available to gamble and geographically locating gambling establishments away from sites where vulnerable members of the population are found (e.g. schools, colleges).

TWO ABSTRACTS OF PAPERS

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Risk Strategy under Task Complexity: a Naturalistic Study

This paper complements the existing literature on decision-making processes and outcomes in complex settings by conducting a naturalistic study of the impact of different types of complexity on risk strategies employed by horserace bettors. The study analyses a large sample of decisions made in U.K. off-course flat race betting markets, a fertile environment for observing both a variety of risk strategies and a range of task complexities. Specifically, the investigation focuses on the comparative impacts of complexity defined in terms, respectively, of alternatives (number of runners) and attributes (handicaps v non-handicaps). Both large runner races (twelve or more runners) and handicaps are classed as comparatively complex events. The results suggest that complexity defined in terms of alternatives induces ask-averse strategies, whereas complexity in terms of the attribute set generates greater risk propensity.

These differential effects on risk strategy corroborate earlier work on decision process and outcome, where attribute-defined (vs. alternative-defined) complexity is generally held to have a less disruptive impact on decision process and a less negative impact on decision performance. Policy implications for bookmakers, in terms of the impact of large runner races and/or handicaps are also addressed.

Comparing Market Power in Pari-mutuel and Bookmaker-based Horserace Betting Markets: An Empirical Economic Analysis

The investigation of efficiency issues in horserace betting markets has attracted considerable interest in the past two decades. Specifically, attention has focused on informational efficiency, measured by the distribution of returns to subsets of the betting population, largely in an on-course, pari-mutuel setting. There has been relatively little work to date on the efficiency associated with the distribution of returns across the market interface in bookmaker-based markets, that is the existence of market power in such settings, with its attendant implications for economic welfare.

This paper seeks to address this under-researched area by analysing a random sample of 1200 real betting decisions made in IJK betting offices.

The paper begins by examining the fundamental operational distinctions between pari-mutuel and bookmaker-based markets and drawing inferences regarding the likely origins and nature of market (specifically supplier) power in the latter setting. The measurement of supplier power is investigated via three procedures. First, the theoretical rate of return to bookmakers (derived from the 'overround' characteristics of races in the sample) is compared with the actual rate of return generated from bets in the sample. Second, the actual rate of return is compared with the pari-mutuel (Tote) 'takeout', which is regarded as a reasonable yardstick in a parallel market. Finally, the distribution of betting activity across the odds range is compared with the distribution of probabilities of success across the odds range. The significance of this final procedure lies in the extent to which betting behaviour demonstrates an awareness of the skewed probability distribution (the 'favourite/longshot bias').

The results indicate significantly greater actual than theoretical bookmaker return and a significant premium to actual return over the pari-mutuel 'takeout', each of which is indicative of supplier power. The latter result also suggests that important distinctions may exist between on-course and off course activity. The results relating to the distribution of activity suggest, in general, a skewing away from the more profitable odds zones. This may be explained by the manipulative promotional influence of bookmakers or the presence of non-return related elements in bettors' utility functions. Further analysis indicates a marked distinction between the distribution of comparatively large versus comparatively small bets, which suggests the existence of distinct sub-populations within the aggregate sample.

Overall, the paper offers significant empirical insights into bookmaker-based market activity and persuasive evidence of significant supplier power.

GAMBLING LITERATURE ON THE INTERNET

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As many members will undoubtedly appreciate, the volume of material that can be accessed on the Internet is growing at an exponential rate: each and every day, additions are made which render any review of information available in this area of the public domain out-of-date as soon as compiled. For example, I can report that Carnegie Mellon University's Lycos search engine recorded 2,414 sites under the term "gambling", 2,935 under "lottery", 974 under "betting" and a staggering 17,718 under "horse racing", figures which provide some indication of the sheer volume of material available now on the WorldWideWeb. It should, however, be appreciated that the majority of this material emanates from North America and therefore has a high bias toward forms of gambling prevalent on that side of the Atlantic. In consequence, vast amounts relate to state lotteries, casino gaming and points spread betting, especially on the outcome of US Football games. In addition, there is a large new market in the US and Canada based on betting (primarily on sports events) via the auspices of the Internet itself: indeed the Internet now boasts its own lottery!

In this review, I have concentrated on sites containing information that may be of genuine interest to members and have tried to classify all those sites (URLs) under generic headings, although this is an exceedingly difficult task as many will contain material on several different forms of gambling and are interrelated.

Betting and gambling in general:

<http://www.conjelw.com/>

A company publishing gambling software and books

<http://www.branch.com/infovid/c3l6.html>

InfoVID publish a number of gambling-related books

<http://nearnnet.gnn.com/gnn/meta/finance/feat/archives.invest/cocks/gambtc.html>

Details of Graham Cocks' book "Gambling, Speculating and Investing"

<http://galaxy.einet.net/galaxy/Leisure-and-Recreation/Games/Gambling.html>

This site has lots of diverse material, including an interactive gambling forum

<http://www.covers.com/>

Comprehensive Sports Information magazine site

<http://www.RGTonline.com/>

Rolling Good Times on-line magazine site

<http://www.yahoo.wm/Recreation/Games/Gambling>

Yahoo is an extremely useful search engine and leads to many other sites, for example

http://www.yahoo.com/Business_and_Economy/Products_and_Services/Entertainment/Gambling/

Further links via Yahoo to other general Sites

http://www.maresoft.com/other_links.html

Gambling around the world with links to other sites

<http://www.teleport.com/~mbn/gambling.html>

Another gambling links site

Sports handicapping and betting services:

<http://www.tcs.co.at/inter/engl/>

<http://www.intertops.co.at/inter/engl/index.html>

Intertops/TechConsultSalzburg betting service via the Internet

<http://www.intersphere.com/bet/>

Sports International betting service via the Internet

<http://www.telebet.com/>

Betting service via the Internet based on UK sports

<http://www.tabcorp.com.au/>

Betting service via the Internet based on Australian sports

<http://www.u-net.com/langfield/bet.htm>

A sports betting agency

<http://www.pacnet.ca/spro/>

A sports handicapping service

<http://www.uwa.edu.au/studen/graymice/bet.html>

Details of Australian sports

<http://gramercy.ios.com/~djdobbs/index.html>

Gambler's Den general sports betting site

<http://www.airmail.net/~swcott>

Scott Hendry's computerised sports betting site

<http://www.niagara.com/downey/a&b/sport.html>

Sports Consultants of New York

http://www.infohaus.com/access/by-seller/GAMBLING_WIZARD

InfoHaus Gambling Wizard information service

<http://www.winsports.com/>

Winsports general sports information service

<http://satchmo.com/nolavl/nogamble.html>

Another dedicated to New Orleans/Louisiana

http://www.webcom.com/~docline/sports_odds.shtml

Doc's handicapping and odds service on US sports

Lotteries:

<http://www.interlotto.com/pages/short.html>

This site provides details of all US state lotteries

<http://www.interlotto.com>

A Leichtenstein-based lottery

<http://www.lechateau.com/lottery>

The Internet lottery

<http://www.connect.org.uk/lottery/>

Details on the UK national lottery - check whether you have missed a win!

[http://www.yahoo.comBusiness_and_Economy/Products_and_Services/Get_Rich_Quick /Lotteries](http://www.yahoo.comBusiness_and_Economy/Products_and_Services/Get_Rich_Quick/Lotteries)

Links to other lottery sites

<http://xmission.com/~winner/pool.html>

The Pool - the Internet sports pool

<http://www.hd.nl/~cyberlot/>

The Cyber Lottery online Internet service

<http://lottoworldmagazine.com/>

Lotto World covers all major lotteries

Casino gaming:

<http://www.wp.com/GAMBLEHEAD>

Details on gaming in the US

<http://www.vegas.com/>

Details on Las Vegas gaming

<http://www.infi.net/vegas/>

An alternative site for details on Las Vegas gaming

<http://www.hk.super.net/~ainacio/MC/entertain/casinos/main/main.html>

Details of gaming in Macau (The Macau gambling directory)

<http://www.detnews.com/CASINOS/CASINOS.html>

General site on various types of casino gaming

<http://www.langsys.com/bryan/index.html>

A general gaming site

<http://www.fastlane.net/homepages/jgurkin/gamble.htm>

Gamblers Edge general casino gaming site

http://atsinet.com/The_Tipster/Tipster_home.html

The Tipster site on general casino gaming

Horseracing:

http://futurenet.co.uk/News/today/19951120_SNT_HRACING.html

A good site for information on issues in UK horseracing

<http://www.tis.co.uk/tis/racing/>

Racecall site with details of UK horseracing, including fixture list

<http://nw.demon.co.uk/ibo/racing>

Internet Racing Ltd with details of UK racing

<http://www.demon.co.uk/racenews>

Racenews with increasing amounts of UK information

http://www.yahoo.com/Business_and_Economy/Companies/Animals/Horses/Racing/

Yahoo's links to other sites in the horseracing area

<http://www.horseracing.com.hk/~journal>

Details of horseracing in Hong Kong

<http://www.inslab.uky.edu/~stevem/horses/racing.html>

US racing archives compiled by University of Kentucky

<http://www.electriciti.com:80/~thril/>

THRIL (Thoroughbred Horse Racing Information Links) site on US industry

<http://www.horseraces.com/>

WinNET Communications links to other racing sites

<http://www.webcom.com/~alauck/index.html>

Running Horse home page with wide links to other US racing sites

Other interesting sites:

<http://catless.ncl.ac.uk/Risks/>

The Risks Digest journal which occasionally contains articles on gambling

<http://www.hwwilson.com/gamble.html>

<http://www.mbnet.mb.ca/crm/health/afm.html>

<http://www.cs.ualberta.ca/~mah/gambling.html>

All the above contain references to pathological gambling

<http://www.acy.digex.net/~acpress/games.html>

A site with access to many articles on gambling

<http://cityindex.co.uk/city/>

<http://www.bogo.co.uk/city/>

2 sites concerning UK spread betting on the Stock Market by City Index

http://secure.londonmall.co.uk/ig_indexsports.htm

UK spread betting on sports events

http://secure.londonmall.co.uk/ig_index/fin.htm

More UK spread betting on financial markets

<http://if.arc.ab.ca/IF.shtml>

Rather unusual - an Idea Futures market!

<http://linux1.uwc.edu/~sasha/articles/IdeaFutures.txt>

Another contribution to Idea Futures - could this be the future?

<http://www.open.gov.uk/customs/c&ehome.htm>

HM Customs & Excise facts and statistics

<http://www.coi.gov.uk/coi/>

Official UK government statements, statistics and publications, for example

<http://www.coi.gov.uk/coi/depts/GTI/coi5820a.ok>

This site still contains Minister Jonathan Evans' statement dated 5th April 1995 concerning the application of the Deregulation and Contracting Out Act 1994 to greyhound race betting.

Turning from the WorldWideWeb to Usenet which is more interactive and comprises newsgroups, the following may be of interest, although members should be aware that such groups inevitably attract sad ex-trainspotters who may well be suffering from the newly-detected disease of Anorakia Nervosa! Bearing this warning carefully in mind, you may wish to try some of the following:

alt.gambling

alt.sporthorse-racing

alt.sport.horse-racing.systems

rec.gambling.archive

rec.gambling.blackjack

rec.gambling.craps

rec.gambling.lottery

rec.gambling.misc

rec.gambling.other-games

rec.gambling.poker

rec.gambling.racing

rec.gambling.sports

uk.sport.horseracing

Happy surfing/navigating/browsing!

SOME BRIEF PERSPECTIVES ON THE UK NATIONAL LOTTERY

Ian Ellis

International Soft-Gaming Consultant

'Startling success' or 'gross obscenity, 'harmless fun' or 'a licence to print money'. These are the types of headline and comment which have surrounded the National Lottery almost from its inception - but can these opposing views be reconciled from a dispassionate viewpoint, and how does the UK experience compare with that of other countries?

1. **'Startling success'**: whilst from the Government's standpoint the Lottery can do little wrong (and produced £544.8 million in Lottery Duty for the Exchequer in 1995), the revenue forecasts of Camelot and the other bidders clearly relied on other countries' lottery experiences and, as the following table of the largest lottery sales by country shows, the UK has achieved similar results to those of Europe and North America (albeit in a much shorter time-scale).

Countries ranked by per capita sales of lotteries - 1994

	<u>Country</u>	<u>Population</u> (m)	<u>Lotteries</u> <u>Sales (Bn)</u>	<u>Sales Per</u> <u>Capita (\$)</u>
1	Australia	7.7	2.1	272.7
2	Spain	39.2	8.9	227.0
3	Canada	28.5	3.9	136.8
4	UK	58.2	6.7*	115.1
5	Germany	81.4	9.2	113.0
6	USA	258.3	28.7	111.1
7	France	57.7	5.8	100.5
8	Italy	57.1	5.7	99.9
9	Malaysia	19.3	1.9	98.4
10	Japan	124.6	6.6	53.0
*	1995 figure			

Thus, whilst there are many other factors that could be taken into account in the above comparisons, a general conclusion is that the UK Lottery has performed perhaps slightly better than could have been anticipated - but not 'startlingly' so.

- 2 **'Gross obscenity'**: some Church leaders have used this sort of language, particularly in relation to the Lottery's roll-over jackpots - and for most people the concept of a £17 million winner probably borders on the obscene. But such is the nature of large lotteries, with a recent German jackpot of £40m and examples in the USA going up to around £70m (albeit paid out over 20 years).

It could be argued that the motivation to enter a lottery for a major win is to change one's lifestyle and ensure family security for life. For most people a sum in the range of £2-5m would probably secure this objective (and might avoid the description 'obscene'). Lottery operators know that large jackpots generate increased sales; what is called the '5 to 2' rule applies in broad terms to lottery jackpots, the concept being that five times the 'nominal' jackpot will give twice the base sales.

The issue, therefore, becomes one of public policy to decide where a reasonable balance lies between optimising lottery sales and restricting maximum prizes to what is generally accepted as 'reasonable' (or perhaps 'not unreasonable').

- 3 **'Harmless fun'**: this is Virginia Bottonfley's description of the Lottery in addressing the recently-established Select Committee Enquiry into it. In a sense this is an entirely valid comment in that, for the individual choosing 6 numbers and then waiting to see the result is fun and even exciting - as is rubbing tickets to see if an 'instant' prize has been won. On the other hand, it could be argued that the fun element is very brief as the anticipation is followed (for most) by disappointment. But perhaps more important is the 'harmless' element of the description.

By later this year there should be serious statistical evidence available to illuminate the anecdotal stories of excessive and under-age spending - thus far the only hard facts are of an average weekly spend (for those aged 16+) of around £2.25, although this rises to around £3.25 per average actual player. When fuller statistics are available the distribution curve is likely to show both £1 per week and a smaller number of £50 per week players and also the extent of under-age participation may become clearer. 'Harmful to a small minority' may emerge as a fairer conclusion on the Lottery's effect on players.

- 4 **'A licence to print money'**: this phrase, originally attributed to the advent of commercial television in the UK, could also be applied to Camelot's good fortune both in being selected to run and in successfully operating the Lottery. There is little doubt that G-Tech (the American partner in Camelot) had much more experience of running national and state lotteries than the other contenders and, with so much at stake (an unintentional pun!) it is not surprising that there are now counter-allegations about respective backgrounds.

There does seem to be an emerging consensus that the Lottery is becoming uncontrollable (and Oflot's role seems to be of little influence), but perhaps there were

two mistakes made by Government - despite the advice that had been given even as early as 1991.

First, in pursuing its privatisation theme, the Government established the UK Lottery as the world's only state monopoly lottery run for private profit - could 130 other countries be that wrong? Ironically, the most recent major lottery start-up in Texas in late 1992 also involved G-Tech, but there the State Lottery office retains all financial lottery functions together with others such as agent licensing, security and game marketing. The operating functions are handled by G-Tech in return for a fee of 3.944% of total sales, whereas Camelot makes a profit from sales revenue after deducting prizes, tax and the 'good causes' percentage. Whilst there are pros and cons for the Texas hybrid approach, the state does retain control over the potentially contentious aspects of the lottery.

Secondly, because the Government took the view that the Lottery was not a form of gambling, it became the responsibility of the Department of National Heritage, whereas the Gaming Board has been controlling lotteries of varying size since the inception of the 1976 Lotteries and Amusements Act. Perhaps a new Gaming Board offshoot would be the best way to control the Lottery in the longer term.

Conclusion

Whilst some countries have run State lotteries for many years, their modern growth stems from the mid 1960s and in this context the UK is at the start of the learning curve. The public debate should perhaps draw more heavily on overseas experiences to hasten our knowledge of lottery control so that a reasonable balance can be struck between the need to generate and retain sales interest, the optimising of amounts and recipients of funds and the public perception of fairness.

Acknowledgements:

- a) Lottery sales figures from 'Gaming & Wagering Business' Magazine, New York
- b) The '5-2' rule - Ray Bates paper at Interstate 1993 in Hong Kong

**BASIC ISSUES IN THE PUBLIC AND PRIVATE SECTOR
REGULATION OF COMMERCIAL GAMING***

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*This is a revised version of a presentation given at the International Association of Gaming Regulators Day, the Annual Conference of the International Association of Gaming Attorneys; 9 October 1995, Puerto Rico.

The remarks I shall make today are by way of response to Bernard Polders' invitation to comment, from a British perspective, on the impetus to transfer to the private sector, some or all of the functions currently performed by public regulators of commercial gaming.

We may begin by remarking on the three models under which gaming facilities may be supplied and regulated.

		A	B	C
supplier		public	private	private
regulator		public	public	private

Model A is, so far as Great Britain is concerned, largely of historical interest. The forerunner of the National Lottery, the state lotteries of the eighteenth and early nineteenth centuries, were publicly owned and regulated - though even then there were private sector arrangements at the point of sale. Worldwide, as Bill Eadington has observed, governments have come to trust the private sector, at least on the supply side; but there remain significant instances of the public sector supply of gaming facilities: in Canada, Austria and in Puerto Rico, where, while the supply in casino hotels of table games is in the private sector, slot machines are owned by the government. But this, as we heard earlier this morning, is about to change: under proposed legislation slot machines will become another feature of private sector suppliers. More generally, of course, the supply of state lotteries within the United States is firmly within the public sector.¹

As between the public and private sector supply of gambling facilities, Ray Bates, the Director of the Irish National Lottery, has argued that in the context of a state lottery, the outcome differences in venue generation have been negligible.' He does, however, acknowledge that changes in, for example, prize structure and game development, will be differently motivated. In the case of the private supplier, the needs of shareholders must be met, with implications for generating short term gains. The public sector supplier is not

likely to be under short term pressure, but may well be susceptible to inhibiting political pressure. In addition, it may find difficulty in raising capital or may otherwise adopt a more cautious approach to, for example, game development, than a private supplier.

Thus, while model A continues to be a viable option,³ the almost universally preferred model is B: a private supplier regulated by a public sector agency. The two examples I shall be using from the British experience are arrangements affecting gaming and the National Lottery.

These illustrate, first, that so far as the supply side is concerned, there may be a single (Camelot plc in the case of the Lottery), or multiple (as in the case of casino gaming) private sector involvement.

So far as the regulator is concerned, the responsible government department may be the Home Office, a Ministry of the Interior, the Treasury or a Justice Department. As with public sector suppliers under model A, there is clearly scope for differing agendas, depending on the parent department.

These differences will follow from the regulatory policy the department wishes to pursue. Responsibility for the control of gambling in Great Britain has, historically, lain with the Home Office, one of whose major concerns has been with crime and policing. This concern has contributed to the policy that has informed regulation in this area for the past 30 years: that to the extent that there exists a demand for gaming facilities, it is the task of government to permit the existence of such facilities that will satisfy, but not expand that demand. From this perspective, it probably would not matter if all casino gaming were supplied by one private sector company.

By contrast, the government's regulatory policy for the National Lottery is one of revenue generation. Given its traditional role, it would almost certainly be inappropriate to vest the Home Office with responsibility for a gambling medium where the objective is to expand, rather than contain, consumer spending. Partly for that reason, the responsible department is the Department of National Heritage. Among its spending priorities is the heritage, which is one of the five good causes benefiting from the Lottery. From this perspective, there may well be advantages in having a single private sector supplier: non-duplication of start up costs and of highly expensive lottery technology; non-proliferation of standards concerning ticket security, ticket management and so on. In short, lottery integrity is probably better secured by single rather than multiple suppliers. Moreover, since the explicit purpose of the Lottery is revenue generation, competition between private suppliers is not necessarily the best way of optimising income. There would inevitably be different pricing and prize structures, different game processes and drawing arrangements that would cumulatively confuse rather than clarify the identity of the Lottery.

The third model, which prompts the remarks I have been asked to make, proposes the private sector as an appropriate context for some or all regulatory functions. Certainly it is possible to envisage the Gaming Board contracting out some of its functions; an example

might be the inspection and testing of gaming machines - as is done in the Netherlands.⁴ The reasoning would be (and leaving aside questions of commercial confidence, accountability and so on) that such contracting out would be cheaper (more efficient) either because the Gaming Board's own procedures are faulty, it does not have the technical expertise, or it does but it is not using that expertise to capacity.

But the broader, and more contentious question, is whether there is any mileage in going further. Could we privatise the whole burden of gaming regulation, or more than its merely technical aspects without putting at risk the process values we associate with the public sector?

I begin my answer to that question by considering briefly the general regulatory context in Great Britain. Instances of social regulation like the Gaming Board have, of course, existed for many years. What is novel has been the recent impetus, driven by the political ideology of successive Conservative governments, of privatisation and contracting out. So far as privatisation is concerned, we have seen the supply of essential services: telecommunications, gas, water and electricity shifted from the public to the private sector, with their regulation remaining with a public body. The model was set by the privatisation of telecommunications - the creation of a statutory regulator, OFTEL, with power to license and then monitor the performance of a private sector supplier. Following OFTEL came OFGAS, OFWAT and OFFER. Each regulator seeks to ensure compliance with a highly complex set of standards, essentially balancing the company's drive to maximise its return with the interests of the consumer in, for example, pricing and quality of service delivery.

OFLOT, the Office of the National Lottery, falls squarely in this model. The Director General is empowered to license a single private sector company (Camelot plc) to run the Lottery, the Director General himself operating under three statutory duties (s 4, National Lottery etc Act 1993):

- (a) to ensure that the Lottery is properly run;
- (b) to protect the interests of all the participants; and
- (c) to maximise revenue to the five good causes.

These objectives are realised in Camelot's section 5 and 6 licences. The question then might be posed this way: could OFLOT (or the Gaming Board - OFGAM?) be repositioned in the private sector? To answer that, we need to ask what decisions a regulator has to make: are these appropriately made within the private sector?

At the risk of some over generalisation, three major areas of decision making fall to the regulator:

- (a) working out the implications of the regulatory policy for the gambling medium in question;

- (b) implementing particular media; and
- (c) working out the interrelationship between gambling media.

(a) Regulatory policy

Let us start from the proposition that there are two basic policy models: social control and revenue generation.

I do not see that there can be much incentive for the private sector to seek to regulate any gambling medium where the object is to contain consumer spending. What has driven the privatisation initiative is the prospect that the profit motive will improve efficiency. A private sector company could, it may be supposed, provide a service at a rate cheaper than that incurred by the Gaming Board - rather like the Home Office has contracted out aspects of prisoner management to the private security industry. But since, by definition, the market cannot expand (though there may be some turnover within it), there is little opportunity for a company to drive down costs (and improve its own profitability) through economies of scale. It may be that there would be some efficiency gains, but they might as readily be achieved by reforming the Gaming Board's own work practices.

In the case of a gambling medium informed by a policy of revenue generation, there would, I think, be some significant tensions. Take, for example, two areas where the management of the Lottery has been criticised: publicity and the impact of scratch cards. Without going into detail, there was criticism earlier this year of Camelot's decision to reveal the general whereabouts of a jackpot winner who had requested no publicity. The National Heritage Select Committee investigated the matter, as did OFLOT, which concluded that there had been a technical breach only of Camelot's licence.¹ There has also been criticism that OFLOT has not, at least publicly, taken seriously enough the second of its statutory duties (the protection of all participants) concerning the impact of scratch cards on patterns of consumer spending and, more particularly, their ready availability to persons under 16 (who are not permitted to buy **Lottery** tickets).

If the public sector regulator attracts such criticism, could we expect the private sector to do better? Or would its private sector position make it more rather than less amenable to the demands of revenue generation when they are in conflict with player protection?

(b) Implementing the medium

Whether the regulatory policy is one of expansion or containment, the regulator will routinely need to make decisions about aspects of the implementation of the medium in question. We may again take two examples.

One key element in any game is its prize structure. The prize percentage payout is the main driver of sales; generally, the bigger the prize, the greater the turnover. In Britain the size of the 3 week (maximum) accumulation of unworn jackpots to a rollover jackpot around £20m has attracted much criticism; basically that such prizes are excessive and should be capped. The Director General has pointed to the extra income generated by rollover jackpots and has indicated that he is happy with them.⁶ Would a private sector regulator react differently, and if so, how?

A second key factor is game development. This is of interest because, as matters stand, the supplier (Camelot) has, unlike the suppliers of casino gaming, a greater incentive to develop new games. This arises precisely because it is the Lottery's purpose to maintain (preferably to increase) consumer interest, and hence spending. As Clotfelter and Cook have demonstrated, the history of games development in the United States has inexorably moved from passive to active participation by players, as states have sought to retain (or recapture) the initial high spending levels.⁷ The Secretary of State has issued directions under the Act forbidding the licensing of any game which involves the use of lottery machines involving the active participation of the player, but it is not difficult to visualise the pressure that is likely to build up in a few years' time, should the current level of spending (£100m a week) begin to wane, to introduce more exciting games.⁸

Underlying these observations about policy and the individual gambling medium is a concern about a key process value: accountability and the public interest. It is relatively easy to see how the Chairman of the Gaming Board or the Director General of the National Lottery are answerable to Ministers, and then to Parliament. To whom would a private sector regulator be answerable? This would, again, have to be Ministers, or some agency (the other contracting party) within the department, which would have to audit the regulator's activities. This is hardly the way to deliver regulation more cheaply.

(e) The inter-relationship of gambling media

Ray Bates has observed that "the lottery market should be considered as part of the overall gaming market"⁹ This observation is important, if slightly misleading. One of the prime characteristics of a market is that the consumer chooses between goods or services offered under similar entry conditions: if there is government intervention, it applies uniformly.

This is not so in the case of gambling: there are, in Britain at least, varying registration and licensing procedures and varying rates of duty. These pose more or less costly barriers to entry. Gambling in Great Britain is not conducted on a level playing field and, in the case of the National Lottery, quite deliberately so. This preferential treatment accorded to the Lottery - for example in the matter of advertising - is causing significant tensions in the commercial gambling market. These tensions need to be addressed, but are properly matters of public, rather than private, interest.

Conclusions

The first conclusion I reach is that to assess whether the regulation of commercial gambling can appropriately be conducted in the private sector, we must first identify the regulator's tasks. These are, in large measure, qualitative, involving judgments about the balance between the private and public interest which I do not believe are properly left to the private sector. One area that I have not yet mentioned but which also serves my conclusion relates to the judgments the regulator must make about applicants' fitness to be suppliers of any particular medium. This land of quality control is a central feature of the regulatory regimes under review.

In the case of the Gaming Board, the question is whether the applicant for a certificate of consent to apply for a gaming licence is likely to be capable of, and diligent in, complying with the requirements of the 1968 Act. In the case of the National Lottery, the Director General is required to determine whether an applicant for a section 5 or 6 licence is a 'fit and proper' person. These determinations are made, in each case, on the basis of confidential records held by the police, the Inland Revenue, Customs and Excise, and other regulatory bodies, both domestic and in other countries. They also involve the disapplication of the law that provides that, over time, convictions become spent. It is inconceivable that a government would grant powers of investigation into such matters to the private sector.

Apart from the public interest argument that weighs (conclusively) against private sector involvement in these judgments, I do not believe that the industry itself would be convinced of the integrity and fairness of a system under which, to take a less controversial matter, a private sector company was contracted to carry out inspections of casino clubs. Currently it is the Gaming Board's inspectors who routinely check the membership book, the serving of liquor, the processes for dealing with cheques, employees' certificates, and so on. To inspire confidence in the integrity of such inspections where conducted by the private sector, that organisation's own employees would, I think, have to be vetted, in the same way as the casinos' are. This merely creates another layer of bureaucracy.

Finally, we may consider the suitability of the Gaming Board (or other public sector regulators) as an Executive Agency. Executive (or Next Steps) Agencies are a development introduced in the 1980s intended to bring private sector efficiency to activities traditionally provided by the public sector, such as the delivery of social security benefits, the prison service or the meteorological office, but without placing them within the private sector. Each agency agrees with its parent department a framework document, stating its objectives and main operating standards. The agency has a Chief Executive (or equivalent) and employs its own staff. The idea is that if such bodies are imbued with the business ethic, they will be able to deliver the service hitherto the direct responsibility of a government department, more efficiently. The question is whether the Gaming Board would be a suitable case for such treatment.

RECENT DEVELOPMENTS.

David Miers

1. Gaming, bingo and machines

The Report of the Gaming Board for Great Britain 1994/95 (11 July 1994, House of Commons paper No. 587) shows the following.

1.1 *Casino gaming*

In 1994/95 121 casinos enjoyed a total drop of £2,461m. This was a 10% increase over 1993/94, itself an 8% increase over 1992/93. London casinos accounted for 68% of the drop. The total house win was £428m (17% of the drop). American roulette was by far the most popular game (66% of the drop), with blackjack second (17.5%).

1.2 *Licensed bingo*

The amount staked on bingo at licensed bingo clubs between September 1993 and August 1994 was £811m. This was a 3% increase over the previous year; over the past three years there had been a 22% increase in money staked. The number of licensed clubs showed a slight increase over the previous year - 972 compared with 967. As has always been the case, not all of these were open for business.

1.3 *Gaming machines*

The number of licensed gaming machines in 1993/94 was 271,272. Because Customs & Excise (upon whom the Board relies for its statistics here) have changed their data collection methods, it is no longer possible to distinguish, within that number, between jackpot and the lower limit AWP machines. In 1992/93 there were 238,668 altogether.

2. Proposals for Change

2.1 *Gaming machines*

In Newsletter 25, it was noted that in March 1995 the Home Office published a Consultation Paper which invited comments on a variety of matters entailing the relaxation of existing restrictions in a number of areas of commercial gambling. In the case of machines, it raised the possibility:

- (a) of an all cash AWP paying a top prize of £10 to be available in adult gambling environments (betting offices, arcades, pubs and bingo clubs); and
- (b) of an increase in the number of jackpot machines (now 20 in casinos (6), bingo clubs (4) and members' clubs (3)).

These proposals were included in deregulation measures put before Parliament on 11 December 1995 under the provisions in section 3 of the Deregulation and Contracting Out Act 1994. If the measures survive the scrutiny of the relevant committees of the Houses of Commons and of the Lords, an order will later be laid before Parliament amending both the Betting, Gaming and Lotteries Act 1963 and the Gaming Act 1968.

2.2 *Betting offices*

The Consultation Paper published in March 1995 also contained a number of proposals affecting betting shops. These included the installation of the all cash AWP machine, the sale of racing papers and lottery tickets (but not the National Lottery), and the payment of winnings on the football pools.

These proposals were included in the deregulation measures put before Parliament on 11 December 1995 under the provisions in section 3 of the Deregulation and Contracting Out Act 1994. The same procedures will apply to them.

3 **Annual Report of the Department of Customs and Excise year ending 31 March 1995. (October 1995; Command Paper 2980; statistical table L2).**

The total of betting and gaming duties (rounded figures) for the fiscal year 1994-95 was £1216.9m. This was an increase on the preceding year (£1,105.8m).

The breakdown (mm) was:	1993-94	1994-95
general betting duty	494.4	508.6
pool betting duty	346.6	341.6
gaming licence (premises) duty	82.1	72.3
gaming machine licence duty	104.4	106.1
bingo duty	77.9	84.4

4 Changes to Greyhound Totes

In 1994 the Home Office issued a consultation paper setting out proposed changes to the law governing greyhound totes (see Newsletter 25). These proposals were considered by Parliament under the Deregulation and Contracting Out Act 1994. An order was laid in October 1995.

The relevant parliamentary papers are:

4.1 House of Commons

First Report from the Deregulation Committee 1994-95: Consideration of Deregulation Proposals and Draft Orders; the Government's Reply to the First Special Report from the Committee; Deregulation (Greyhound Racing) Order 1995 (HC 409; 2 May 1995).

Second Report from the Deregulation Committee 1994-95: The Deregulation (Greyhound Racing Order 1995: the Proposal (HC 535; 20 June 1995).

Sixth Report from the Deregulation Committee 1994-95: The Deregulation (Sunday Dancing) Order 1995; the Proposal; the Draft Deregulation (Greyhound Racing) Order 1995; the Draft Deregulation (Building Societies) Order 1995 (HC 817; 3 November 1995).

4.2 House of Lords

Select Committee on the Scrutiny of Delegated Powers 1994-95: Proposal for the Deregulation (Greyhound Racing) Order 1995 (1-IL 67; 24 May 1995)

4.3 Home Office

The Deregulation (Greyhound Racing) Order 1995 - Explanatory Memorandum (October 1995).

The Deregulation (Greyhound Racing) Order 1995: Draft

5. The National Lottery

5.1 *The Annual Report 1994/95 of Director General of the National Lottery (1995, House of Commons paper 755).*

This contains sections on OFLOT's role as the regulator of the Lottery, ensuring Camelot's compliance with its licences, protecting players and informing the public about the Lottery.

5.2 *Volume 264 of the Official Report of Parliamentary debates in the House of Commons (columns 1022-1117).*

This is the report of the debate on the Lottery initiated by the Opposition on 25 October 1995. It contains some figures on the distribution of the Lottery's proceeds, as well as rehearsing many of the arguments about prize totals, rollovers and children's participation that have been regular features of the Lottery debate.

5.3 *Enquiry by the Committee of Public Accounts.*

The PAC conducted a short enquiry into the process by which OFLOT awarded the section 5 licence to Camelot. The evidence is published as: Committee of Public Accounts: *Evaluating the Applications to Run the National Lottery*; Minutes of Evidence, 11 December 1995; HC Paper 96-i. London: HMSO

5.4 *Enquiry by the National Heritage Select Committee.*

During February and March 1996, this Committee conducted an enquiry into the running of the Lottery and the distribution of its proceeds. The evidence to date is published as: National Heritage Committee: *The National Lottery*; Minutes of Evidence, 20, 22 & 29 February 1996; HC papers 240-i, 240-ii, 240-iii. London: HMSO.

BOOK REVIEW

***State Lotteries and Legalized Gambling: painless revenue or painful mirage.* By Richard McGowan. Quorum Books: The Eurospan Group, London. 1994 xiv + 171pp. Hb £44.95. ISBN 0-89930-859-7.**

This book is a timely reminder that many of the difficulties now surfacing in connection with the operation of the National Lottery are by no means new, having been experienced in the United States in the thirty years since the introduction there of the first state lottery in New Hampshire in 1964. As its subtitle suggests, the book's thesis is that state (national) lotteries are not the unalloyed income bonanza that their supporters always claim for them when pressing for their introduction. In this, McGowan follows the excellent 1989 critique, *Selling Hope: State Lotteries in America* (Harvard UP), in which Clotfelther and Cook concluded that lotteries constitute a regressive form of taxation of the poor. While it is McGowan's intention not to duplicate this or other published analyses either of the impact of lottery purchasing on the purchasers or of the politics behind the introduction of state lotteries (p xii), he is not explicit about what does constitute the focus of his analysis. However, since the bulk of the text (pp 59-147) addresses the questions first, how can income be maintained beyond a lottery's initial appeal, and second, what is the impact upon other commercial gambling opportunities of adjustments to the way in which a lottery is marketed, it may be inferred that it is the development of answers to these questions with which the author is primarily concerned. Both questions, and their answers, have of course assumed considerable significance in Britain since 14 November 1994.

McGowan's book is in three parts: the history, controversies and current state of lotteries in the United States; the strategic management of lotteries; and the future of lotteries and legalized gambling. Part I commences with an unattributed rehearsal of Nelson Rose's "three waves" of gambling activity in the United States (see *Gambling and the Law*, 1986). His analysis is explicitly acknowledged later (p 152), but the omission from the bibliography of any of Rose's published work is inexplicable. Indeed, the bibliography is poor, omitting also any references to useful work published in the *Journal of Gambling Studies*. McGowan argues that lotteries were introduced in the United States mainly to finance war: either its prosecution or its consequences for a drained economy. This argument may be sustainable in connection with the revolutionary and civil wars, but is less convincing when made in the context of the cold war: that state lotteries were needed to raise the income shortfall created by the redirection of federal funds to finance America's defence spending. Coupled with this is the impact of the new conservatism, which dictates that the burden of taxation should be lowered, and with it, public funding of welfare and social services. It is certainly the case that, unlike the National Lottery, income from state lotteries in America is used to fund such core activities as education; but it seems simplistic to attribute their introduction to the financial exigencies of maintaining the nuclear deterrent. Earlier wars may have been financed in part by lotteries because (as was the case in Britain during the Napoleonic War) there was no form of central taxation or of public finance, but neither of these factors applied during the third "wave" of lottery activity. Nor were two more obvious twentieth century

candidates for additional income funded by state lotteries; indeed, in the case of the 1914-18 war, the British government explicitly rejected the proposal that the war effort should be supported in this way. Neither does McGowan's analysis take account of the well documented "domino" effect in the eastern United States: that once one state had introduced a lottery, its neighbours introduced their own as a means of countering the loss of revenue implied by the efflux of consumer spending.

The second chapter comprises a brief overview of lottery activity "worldwide". If the section on Great Britain is indicative, these overviews are unreliable. Even allowing for the fact that the National Lottery was not launched until November 1994, McGowan is unaware of the 1992 White Paper on which the Lottery was based; worse, there is no excuse for omitting any reference to the Rothschild Commission which, among other things, did have something to say about a national lottery.

In the final chapter in Part I, the author argues that what has typified the success of pro-lottery over anti-gambling sentiments has been the triumph, on each occasion, of "the ethics of tolerance" (that is, that each of us has a right to engage in activities that do not harm others) over "the ethics of sacrifice" (that is, that society has a right to insist that we relinquish our self-regarding beliefs for the good of the community). The argument is also exemplified by reference to the smoking debate in the United States. It hardly needs to be said that the characterisations presented in chapter 3 touch on some of the most fundamental aspects of moral and social philosophy. Whether 12 pages is sufficient to do them justice is open to question.

Part II comprises three chapters which deal with different aspects of the strategic management of lotteries: lottery games; lottery sales; and expansion from a lottery into other gambling media. In each case McGowan uses examples from particular lotteries in the United States. Much of the analysis is technical, but there are helpful conclusions for the lay reader.

Chapter 4 deals with the structural characteristics of lottery games. Somewhat disarmingly, McGowan commences this chapter by remarking that the thesis of the preceding chapters is that lotteries are a form of entertainment; this hardly squares with the analysis presented in chapter 1, that the introduction of state lotteries has been driven by fiscal need. As between different game types, McGowan concluded (p 74) that "instant games are the only type of lottery game capable of sustained growth in the long run." By contrast, lotto games (such as that promoted weekly by Camelot), display a standard product life cycle: initial success followed by eventual decline. Attempts to revitalise the lottery market by the promotion of new games can, in some instances, impact negatively on existing products. This was the case, for example, when keno was introduced in Maryland and video lottery terminals in Oregon. Cannibalisation of existing lottery revenue is not, however, the inevitable consequence of the promotion of new games, and McGowan concludes chapter 4 by observing that in the long run, there may be an insatiable public appetite for lottery promotions; it is then a matter of public policy whether such constant redevelopment is desirable.

The final chapter in Part II examines the economic and political pressures that encouraged both Pennsylvania and Massachusetts to expand the range of permissible commercial gambling opportunities. McGowan's conclusion is that notwithstanding their differing political contexts, both states opted for an expansion in gambling media firstly because their independent analysis showed that their respective state lotteries, whatever might be done to repackage them, could no longer sustain their income, and secondly because they wished to ensure that their citizens' gambling dollars were not exported to neighbouring states. A common theme in McGowan's analysis is that the very fact of the state lotteries in these two otherwise conservative states made the introduction of casino gaming (or at least, of other gambling media) both inevitable and palatable: inevitable because while a lottery's appeal will in time fail, the state will have become dependent on its revenue; palatable because everyone will have become accustomed to the lottery as part of everyday life, so that the political question is not whether to introduce other forms of gambling, but when, and under what conditions.

The book's final Part will be of direct interest to British readers. State lotteries in the United States have traditionally been operated by the state, as well as on its behalf. What McGowan presents in chapter 7 is an account of how a privatised operation might prove attractive to a government seeking to maximise lottery income while distancing itself from the economic risk of failure and the political risk of appearing to encourage gambling. This route has now been adopted in a number of United States' jurisdictions, and it is, of course, precisely what the Government here has sought to do by the device of licensing a single private sector operator (Camelot) to manage the National Lottery.

McGowan evaluates privatised gambling operations in terms of their political and economic benefits, measured over the short and the long term; there are thus four "cells" generated by this framework. The short-term economic gain derives firstly from the transfer to the private sector of the capital risk entailed in setting up and launching a new national lottery, and thereafter from the fact that a private operator can adopt much more aggressive marketing strategies than might be thought appropriate for the state. Can we envisage the Department of National Heritage running the "It could be you" advertising campaign? The short-term political gain derives from the fact that the government can distance itself from questions concerning the fairness of the lottery enterprise. So far as its own position is concerned, officials can both claim not to be encouraging individuals to gamble but merely to be giving them the freedom to do so if they wish and, at the same time, demonstrating that by licensing a private operator to run the lottery, the government is ensuring that income is maximised but at no risk to the taxpayer. Players benefit because a private sector operator is more likely (because of its technical expertise) to offer a wider range of games and prize structures. Two groups who are unlikely to benefit from privatisation are the operator's employees and anti-gambling interests. Staff employed by government to run a lottery will, in general, be more favourably treated on such matters as pensions than will those employed in the private sector, where reliance on part-time (that is, low paid) workers is likely to be high. Anti-gambling interests will find private sector operators much less amenable to their concerns. By virtue of having to answer to parliamentary committees and other official

bodies, government departments are vulnerable to political pressure, even if it is not terminal. For the private sector operator, the question is whether those directly benefiting from its operations - who may include shareholders - are content.

Over the longer term, the benefits and losses already identified similarly hold good. If the state wishes to pursue a strategy of diversification in the gambling market, then privatisation offers the advantages of income without risk; while politically, it is distanced from awkward questions about the fairness and the rightness of the enterprise. As this review was being written (31 December 1995), a main news item concerned the alleged obscenity of a possible £30m jackpot to be available in the National Lottery draw on Saturday 6 January 1996. The person who was defending the jackpot as simply part of the fun was not a harassed civil servant but a PR spokeswoman from Camelot.

McGowan concludes by canvassing three gambling options open to state governments in the United States: status quo, expansion (via privatisation), and niche sweepstakes. The first he discounts on the ground that it will not meet the demand to maintain income. As to the second, he judges that "the privatisation of gambling is sure to be a path that most states will follow.." (p 157). The third contemplates the introduction of European style lotteries, though quite how this will differ from what is presently on offer is not clear. What is clear is that in McGowan's view, Nelson Rose's thesis, that there will be a puritanical swing against the current "third wave" of gambling, is not going to happen. Gambling is here to stay; the only question is how much more of it there will be.

David Miers

1. C. Clotfelher and P. Cook, *Selling Hope (1991)*.
2. R. Bates,
3. In Germany, the management of lotteries has been reclaimed by the public sector, because the private sector suppliers have proved to be incompetent.
4. Dutch lady.
5. National Heritage Committee, *The National Lottery* (1995; HC 131, 26 Jan 1995); OFLOT, *The Anonymity Review* (May 1995).
6. P. Davis, 'Relations between Lotteries and Government.' Paper given at the 7th AELLE Congress, 812 May 1995.
7. Op. cit
8. By way of contrast: until 1992 the only way in which new games could be added to those available in casinos in Atlantic City was by the promotion of new legislation. Since then the New Jersey Casino Control Commission has had the authority to approve new games. This approval typically follows trials and regulation drafting by the operator. In the 15 years prior to 1992, 4 new games were added; since then 9 more have been approved.
9. Op. cit.