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Editors: Jack Dowie and Michael Pokorny
Preparation: Barbara Knox and Chris Nichols

Correspondence and papers The Faculty of Social Sciences,
should be addressed to The Open University,

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REGULATORY OBJECTIVES AND THE EXPANSION OF CASINO GAMBLING

William R. Eadington*

(A full version of the paper including surveys of gaming regulation and performance in four jurisdictions (Nevada, Atlantic City, Alberta and England) is available from Professor Eadington.)

Since the end of world war II, the gaming industry has been an important economic and political force in Nevada. However, until the mid-1970's, Nevada was the only jurisdiction in North America, excluding the Caribbean, which had legalized and regulated casino gambling operations. In 1976, New Jersey voters approved a referendum issue that authorized legal casinos in the seaside resort community of Atlantic City. The first casino operation did not open in Atlantic City until May 1978, but by the end of 1981, there were nine casino-hotel complexes in operation in Atlantic City, which generated \$1.1 billion in gross gaming revenues in 1981, 44% of the volume of all Nevada's casinos for that year.

Because of the rapid growth of the Atlantic City gaming industry and its tremendous revenue generation, along with a number of other important factors, a number of other jurisdictions in the United States and Canada have seriously examined the desirability of creating a legal casino industry, with appropriate constraints. In 1978 and again in 1980, the state of New York passed legislation that could have eventually led to legal casinos in that state; however, in both instances, the necessary follow-up legislation was not enacted. In 1978, the voters of Florida rejected a referendum which would have authorized casino operations in the Miami area. In 1981, the Massachusetts legislature considered legalizing casinos in two communities, Hull and Adams, but failed to do so by the end of the legislative session. In 1978, the Province of Quebec released a report indicating their interest in establishing a legal casino gaming industry in that Province; as of this writing, the matter is still under active consideration. Finally, since 1977, the Province of Alberta has authorized, and licensed charitable organizations to operate casinos for their own benefit two nights per year. This has led to the creation of

*Department of Economics, College of Business Administration,
University of Nevada, Reno, Nevada 89557, USA

relatively permanent casino operations in the cities of Edmonton and Calgary which generated nearly \$15 million (Canadian) in gross gaming revenues in 1980.

The lure of legalizing casinos for the profit and revenue potential they hold is tampered by a number of political and social risks that a legal casino industry could create. Among the more important of these are: fears of infiltration: of the commercial gaming industry by undesirable characters or organized crime elements who might skim gambling profits and corrupt political processes; fears of increased social costs on the communities where casinos are present and on individuals who are unable to cope with gambling; concerns that the casino gaming industry can't be regulated and controlled in such a way that aggregate social benefits will exceed aggregate social costs; and questions concerning the morality of state sanctioned commercial gambling. Because of these factors, and the apparent irreversibility of a decision to legalize casinos due to the creation of property rights and various economic dependencies, jurisdictions have not moved rapidly to legalize casinos. However, the pressures to legalize still remain.

I have been examining the factors that have contributed to the spread of gambling and specifically casino gambling, and how various jurisdictions, including Nevada and New Jersey, have attempted to deal with the positive and negative implications associated with the presence of casino gaming operations. I have also been looking at some other jurisdictions with legal casinos or casino games and developing a general model that can explain a number of the underlying economic and political forces that bring about growth and change in a gaming industry. The major underlying thesis is as follows: casino gambling, when it is taken from an illegal status to a legal status, creates substantial demand for legal gambling services. The demand emanates from potential players who wish to participate in legal gambling activities and consequently creates a situation where excess revenues (revenues less costs of supplying gambling services) will be earned. The legislation and regulations governing casino gaming will divide the excess revenues among the 'revenue sharers', which could include the casino operators, various levels of government, charitable or other 'needy' organizations, or other beneficiaries. For various reasons, the ability to extract excess revenues from potential players is often limited by statute or regulation. However, to the extent that the revenue sharers perceive the opportunities to earn a greater volume of excess revenues, and to the extent that they can influence the restricting statutes or regulations through lobbying or other political efforts, they will attempt to influence the legislators or policy makers to bring about those expansions.

In traditional consumer theory, the major benefits that accrue to society from the existence of a competitive market for a particular commodity can be conceptually measured by 'consumer's surplus'. The underlying idea behind consumer's surplus is relatively straightforward; it is measured by determining the aggregate of differences between what consumers would be willing and able to pay for the commodity in question, and what they actually pay for the commodity. For society as a whole, it is argued, social well-being is maximised by allowing competitive forces to determine the market clearing price and quantity for the commodity. If the market is in some fashion monopolized, say under the control of a single producer who can restrict entry, or because of government rules or restrictions, then, other things equal, the market clearing price will be higher and quantity will be lower. This will result in a reduction in consumer's surplus, an income transfer to producers of the commodity and a 'dead weight loss' of net social benefits that would accrue under competition, but which do not exist if output is restricted below the competitive output level. Thus, the dead weight loss is an objective measure of the net cost to society of restricting production and exchange of a commodity.

Gambling is not just any commodity, however. Depending on the jurisdiction and the time period, society has sometimes chosen to prohibit gambling, to legalize it but under various constraints, or to legalize it with relatively few constraints. Thus, at least in the eyes of policy makers, maximization of consumer's surplus in the market for gambling services is inconsistent with the maximization of social well-being.

It is interesting to note that under the general competitive model, the only real beneficiary from the existence of the market is the consumer, or more accurately, the aggregate of consumers, who receive greater use value from the commodity than what they pay in exchange. Producers, in the long run, are unable to earn an excess profit, and are thus only compensated for their costs of production, including abnormal profit (i.e., what could be earned if their resources were used elsewhere in the economy). It is only when producers can somehow restrict production, through cartels, monopoly, or government restrictions, that excess profits in the long term are possible.

When the legalization of casino gambling is considered by a jurisdiction, there are usually a number of reasons cited as potential justifications. Among these are: legalizing gambling will diminish the presence of illegal, gambling in society; legal gambling is a painless way of raising needed tax revenues; legal casinos can revitalize otherwise declining destination resort areas; legal casinos can create jobs directly in the gaming and construction industries, and

indirectly in communities where casinos are located through a multiplier process; and legal gambling can generate revenues for deserving organizations who do not have good alternatives for revenue generation. Interestingly, the argument that gambling should be legalized for the benefit of consumers, by way of the consumer's surplus created, is seldom heard. This is probably because, given most societies' sets of values, the activity of gambling is considered as less legitimate than others, and one where the interests of the consumer, whose willingness and ability to purchase the gambling services creates a potential for the market in the first place, are secondary to the interests of other potential 'revenue sharers', whose economic gain becomes the social reason behind gambling legalization.

This ambivalence on the part of policy makers to the social well-being of consumers of gambling services creates an indeterminacy with respect to the appropriate distribution of 'surplus' among the various 'interested parties', the potential revenue sharers when gambling is legalized. We could classify the identifiable interested parties as follows: consumers, or 'players', who wish to consume gambling services; producers, who are motivated by profit, and who will pursue opportunities to increase the profitability of gambling operations (as would any other profit motivated firms); suppliers of ancillary services to the gaming industry, whose motives are going to be similar to the producers; government, who may be an active revenue sharer through tax collections; and 'charitable' organizations, who may be given a share of 'taxes' through statutory or regulatory mandate. The public policy debate that would accompany a decision to legalize gambling then centres on the 'appropriate' division of the consumer's surplus among the other interested parties.

One of the obvious implications of this model is that when policy makers take casino gambling from illegal to legal status, they are creating considerable opportunities for economic gain for some or all the interested parties. However, because there is no objectively appropriate allocation of the 'tax' revenues generated, this will be determined politically, and the political decisions of legislators and regulators can be quite valuable to the various interested parties. (This might provide one explanation of why legal gambling tends to be prone to scandals; there is an incentive for interested parties to share a portion of their economic gain with the legislators or regulators who have the power to bestow it upon them. Under certain circumstances such sharing could be construed as a bribe.)

This model is also useful in providing insights into some of the social cost issues associated with gambling and casino gambling. The most common arguments made against gambling legalization or the expansion of legalized gambling

are: there is a strong tendency for characters of questionable character, or of 'organized crime', to become associated with gambling operations; legal gambling can be a corrupting influence on politicians and political institutions; some players have a propensity to overindulge in gambling, which creates costs not only for themselves, but for those for whom they are responsible; gambling undermines the work ethic and a proper perspective on the relation between effort and financial reward; gambling, especially casino gambling, encourages other activities, such as prostitution and loan sharking which are socially undesirable; and gambling is, at least in some people's opinions, immoral. The reasons that gambling is kept illegal in some jurisdictions, or legalized and constrained in others, usually come back to some or all of the above arguments. Designating gambling as illegal does not prevent it creating the above problems; however, legalizing or expanding legalized gambling can obviously exacerbate some or all of them. The questions confronting policy makers when evaluating alternative legal statuses primarily involve the appropriate weighing of the social costs of gambling at various levels of activity against the potential economic gains to interested parties.

Examination of the social cost issues points out some of the weaknesses inherent in objectively evaluating alternatives concerning gambling in a social welfare context. First, it is fairly clear that most of the social costs are difficult to quantify and measure, either because the effects themselves are quite subtle and largely unmeasurable, such as political corruption or diminished social values, or are so ambiguous as to be, in the main, unobservable, as with compulsive gambling. The benefits, however, tend to be economic and readily quantifiable as they show up in the form of tax revenues, profits, jobs created, or number of players serviced. Thus, if the cost-benefit methods place greater credibility on measurable criteria, they will place greater emphasis on the benefits of legalization or expansion than they will on the costs.

Second, there is an apparent inconsistency with the framework of consumer's surplus and the consumption of gambling services, at least with respect to so-called overindulgence problems. Economic choice theory is based on the premise that choices made by the individual are freely and rationally made, and that he knows his own preferences best. Compulsive gambling, however, implies that the affected player, when gambling, has no choice; he is obsessed by the activity and will continue to stay 'in the action' until he 'taps out', runs out of money to gamble with. The different perception between gambling as a matter of free choice and gambling as compulsion, or somewhat of a compulsion, raises the issue of whether the consumer's surplus that arises in a market for gambling services should be treated as a social benefit or as a social cost. If

gambling was a fully legitimate commodity, and there were no tendency for people to overindulge in gambling, then there would be no argument against using the consumer's surplus as a net benefit to society. However, at the other extreme, if all gambling were compulsive, then all gambling losses incurred by players would just reflect an unchosen income transfer to producers of gambling services, and there would be no justification for using the surplus measure. The social costs created would be subsequent to this income transfer, which may or may not be measurable in a cost-benefit context. Thus in a cost-benefit framework, the treatment of gambling is analogous to the treatment of other activities of similar questionable social worth, such as cigarette smoking, prostitution, or demon rum. The broad question of whether society is better served by expansion or contraction of gambling services depends on the actual and perceived economic rationality of the potential consumers. If government tends toward paternalistic attitudes, or if in fact members of society do need protection from themselves, then the less gambling the better. If, on the other hand, government tends to allocate responsibility to individual citizens, and those citizens generally act responsibly, then gambling should exist to the level, that the market will support it.

As we examine the spectrum of potential jurisdictions that could consider legal gambling markets, we find some are quite paternalistic, some are quite willing to allocate responsibilities for individual actions to individuals themselves, and many are somewhere in between. When we examine the consumers of gambling services, we note that some of them may appear quite rational and responsible in their choices, some of them may appear quite compulsive and driven to chase their losses in the gambling games but most of them remain a mystery to the outside observer in terms of tipping their hand toward or away from free choice actions. Both society's perception of paternalism vs allocation of individual responsibility and the individual reality of free choice vs compulsion are important in determining the appropriate perspective of measuring the benefits and costs of alternative legal statuses of gambling. The first issue is ideological and the second is empirical, but both are quite difficult to resolve. Therefore, as long as society's perception of paternalism vs allocation of individual responsibility is subject to change, and as long as there are some members of society who are damaged by their own actions while gambling, there is unlikely to be a clear resolution on the extent of benefits and costs that accrue to society from the presence of gambling. Thus, in a sense, casino gambling will always be a less than fully legitimate institution.

LEGALISED GAMBLING: FOR OR AGAINST GAMBLERS?

Gordon Moody*

Former Secretary, Churches' Council on Gambling (U.K.) Honorary
Founder-Patron, Gamblers Anonymous (U.K.)

Gambling tends to flourish whether or not it is legal. Only when it is legalised, however, is a sense of social responsibility expected to govern its promotion. Then the onus is, in my opinion, on the Government concerned. The key to success, I believe, is so to structure the institutions which are set up that they tend to encourage control and moderation in those who use them. That would mean starting from a consideration of the needs and interests of gamblers. One might expect that to be the starting point. After all, when governments regulate trading they consider those who buy and sell and when they regulate road traffic they consider road users of every kind.

Gambling is for gamblers just as trading is for those who trade and roads are for road users. Even so, gambling legislation is rarely approached in that way. There are usually other beneficiaries in mind - the State, the horseracing industry, or various projects for which funds are required.

My contention is that this creates situations in which gambling is legalised and arranged against gamblers whereas it should be legalised and arranged for gamblers, to provide them with a service. I am not speaking of permissive legislation. I am speaking of the positive provision of facilities to gamble for those who wish or may in future wish to use them. I believe that would be wise as well as right. I am convinced that it would lead to a situation in which the adverse effects would be kept to a minimum.

There are, in my opinion, two principal reasons why that is rarely done, the first giving rise to the second. First, to a considerable extent gambling still lies under the stigma which attached to it when it was prohibited. Second, and for that reason, governments, when they have proposed its legalisation, have had to break through a moral barrier and show creditable reasons for doing something which many still thought discreditable. They have justified legalising gambling in two ways. It would take gambling out of the hands of undesirable people and put to a constructive use a

*'Cotleigh', Main Road, Salcombe, Devon. TQ8 8AD

considerable proportion of the money being 'dissipated' in this way.

The latter purpose has tended to dominate and when States have legalised gambling they have done so to raise revenue. The idea that it is appropriate to do this springs from the fact that gamblers are still frequently regarded as being something between wrong-doers and fools and are looked upon as a proper and easy source of funds for one purpose or another.

That approach leads to discrimination against gamblers in three ways:

- 1 The intention is to appropriate a considerable proportion of the stakes. In Britain, at least, people have spoken of 'making use of some of the proceeds of gambling'. What proceeds? When people play together they do not create a little pile of fresh money which is left on the table. So far as they are concerned the stakes are their property and, by their common consent, the winner takes all. If they depend on a promoter, he or she has a right to a share (which it is the duty of the law to oversee and control). In addition, gambling may be taxed like any other but that consideration properly arises after the event, not before it.
- 2 There is a strong tendency for those forms of gambling to be legalised which most easily provide the greatest 'take', not those which gamblers prefer. For instance, punters, when they have a choice, appear strongly to prefer bookmakers to totalisators or parimutuel systems. Yet Governments usually set up the latter because so much more can be extracted from the stakes under such systems than under a system of bookmakers. Sports betting is at least as popular with New York's punters as horserace betting but only horse betting events are available at the off-track betting parlours because, it seems, sports betting would be more difficult and less profitable to provide.
- 3 Most important, interest in the 'take' promotes interest in the 'handle'. This leads to the exploitation of opportunities to increase the 'handle'. That, in my opinion, leads to the exploitation of gamblers which, in turn, tends to multiply the adverse social effects of gambling.

Of course, no one wishes to encourage excess. But then, what is excess? It is a word which it is impossible to define quantitatively in this context. One man's moderation is another man's excess. Each knows for himself what he considers to be excess. Unfortunately, excess is generally thought of only in terms of the significant minority who become 'compulsive' gamblers.

Let me state two hypotheses. First, that the stimulation of gambling affects all participants, not only those who are in danger of ruining themselves. Second, that it leads to minor and temporary losses of control in many quite 'moderate' gamblers. (These hypotheses might be tested by comparing the proportion of tourists visiting Nevada and those visiting Florida who suffer minor and temporary but real financial embarrassment by spending more on their holiday than they intended to do.)

For that reason I believe it to be misleading to concentrate only on the number of 'compulsive' gamblers. It is too easy to disown responsibility for them. Once they were looked upon as 'bad' people. Now they are considered 'sick'. That is an improvement but 'sick' or 'bad' they can be dismissed as people for whom nothing can be done because, whatever the circumstances, they would ruin themselves by gambling.

I do not believe that to be the case. Promotion in any sphere is intended to influence many people slightly but when it is successful it may lead some into trouble. The promotion of credit facilities, for instance, enables the majority to know where they can find assistance but for some it opens the way to trouble and even to bankruptcy. Similarly, supermarkets appear to prompt most shoppers to make additional purchases and to lead a few into shoplifting. So, I believe, any device used successfully to encourage enhanced participation in gambling in the majority will for some act as a vehicle for 'compulsive' gambling. Gamblers as a whole, like shoppers as a whole, need consumer protection. In both cases, however, the criterion must be whether or not they are being subjected to undue stimulation amounting to exploitation.

The general assertions made above are conclusions drawn from a twenty year study of gambling from various points of view, principally in Britain but also in the United States, France, Australia and New Zealand. I shall deal with lotteries, wagering and gaming and in each case I shall describe what I consider to be the basic unstimulated demand and instance ways in which that demand has been stimulated to increase the 'take' by increasing the 'handle' and show how that has operated against gamblers.

Lotteries

What is said under this head applies principally to the United States. Lotteries and similar forms of gambling (i.e., football pools in Britain) are by far the most popular. Certainly there is little actual demand for small lotteries which throw up small prizes except on the part of the charities and clubs which organise them. There is,

however, considerable potential demand for lotteries which throw up prizes large enough to make possible a change of life-style. This relates, I believe, to the fact that, in modern, industrial, mobile societies, everyone feels under pressure to 'succeed' by increasing his or her spending power.

The ability to achieve material success varies considerably from one individual to another. The 'lottery of life' operates strongly against some. That 'lottery' determines the relative 'handicaps' under which individuals enter this race. Mental and physical abilities vary as much as qualities of 'character' and 'personality'. The environments into which people are born and the greater or lesser degree of opportunity those environments give them, vary also. Indeed, those with greater abilities often have more and better opportunities.

In this sense the provision of lotteries may be seen as a kindness to those - a very considerable minority - who feel that, however hard they work or practice thrift, they will never be able to achieve the minimum level of 'success'. Lotteries appeal not only to them, however. Those who reach the first peak may see lotteries as a means of achieving the second or third and so on.

'Drawn' lotteries satisfy that demand. They also encourage control in the punters. Those who buy a chance have until the day of the draw. Few buy many chances. Indeed, few can be persuaded to do so. One astronomical chance is still a chance. Two, three, ten or twenty chances do not significantly increase the possibility of winning.

'Instant' lotteries, however, have been introduced to serve the purpose of raising considerable revenue. They have also changed the nature and impact of this form of gambling. There is a degree of excitement involved in the act of purchasing a chance which is not present in the case of a 'drawn' lottery. Immediately on purchase, the purchaser has either won a prize or, more likely, has no chance. Further, 'losing' chances are designed to prompt the thought that the next must be a 'winner'. This leads many to buy one chance after another. Few, if any, will become 'compulsive' gamblers in this way and probably only a minority will buy enough chances for the effect on their households to be significant. Most, however, will have to resist the impulse to buy more chances and not a few are likely to be in the position of resenting the fact that they have been 'led on' to buy more than they intended or wished to do. For this reason 'instant' lotteries may be said to be legalised for the State and against gamblers.

Betting

British betting offices provide an example of the way in which a form of gambling, legalised for gamblers, can be arranged and conducted so as to operate against them when a third party, in this case the horseracing industry, is given a financial interest in the amount staked. Betting offices were intended to provide a legal medium for 'hobby' betting. They have become a medium for 'action' betting.

Before betting offices were opened 'hobby' betting was both the general practice and the 'norm' for off-track cash betting. It consisted of studying 'form', making a selection, placing a bet once a day or perhaps once a week and collecting any winnings the day following. Bets could be passed through a barber or a news vendor or handed to a bookmaker's agent in the street or in the factory. Stakes were small. Altogether, this provided a recipe for controlled gambling.

'Action' betting, betting from race to race either on the track or in specially equipped premises off the track, tends to be addictive. It is a continuous activity in a stimulating environment. Winnings may be restaked, losses chased and it is not difficult for people to be 'carried away'. Indeed that can happen to the most unlikely people on their first experience.

When he introduced the betting legislation into Parliament in 1960, the then Home Secretary said it was not the Government's intention to encourage continuous betting. Three actions of Parliament, however, brought that about and changed the 'norm' for off-track cash betting from 'hobby' betting to 'action' betting. This put great pressure on 'hobby' punters to increase both the frequency and intensity of their betting. These three actions were:

- 1 Allowing betting offices to open in afternoon racing hours and providing bookmakers with a telecommunication commentary and results service. This may have been intended for bookmakers only in their private office but in fact loudspeakers were installed in betting offices for the punters.
- 2 The Horserace Betting Levy Board was established to levy betting on horseracing and to use the proceeds for the benefit of the horseracing industry. At first the effect was slight because the levy was based on a charge for premises and on bookmakers' profits on horserace bets.
- 3 In 1966, however, a tax revenue was imposed on betting. This was based on a percentage of total stakes and enabled the Levy Board to change the basis of the levy. From that time it was based on a percentage of total

stakes on horserace bets. The Board gained an interest in the 'handle'.

In 1968 the Board, in conjunction with the horseracing industry, launched its 'expansionist' policies. Whereas previously it was common for only one horserace meeting to take place each weekday afternoon two or three were now arranged. The events were staggered so that while the interval between them on the track was still half an hour, commentaries were broadcast in betting offices at a rate of at least one each fifteen minutes. This produced a 'casino' atmosphere of continuous betting.

Because many British racecourses are far from large urban centres, weekday attendances are sparse and most of the additional meetings would have been run at a loss. They were therefore subsidised by the Levy Board but the volume of betting in betting offices was so increased that it recouped in levy far more than it laid out. More people tended to stay in betting offices for longer periods and to bet more frequently. No doubt they laid out new money from time to time but winnings were restaked more frequently so that a greater proportion of the money available was lost.

The effect on punters was marked. Until about 1968 betting offices still did considerable business in the mornings with once-for-the-day 'hobby' punters. After that time, nearly all business was drawn into the afternoons when, with the continuous commentary, the premises became 'alive'. Dr Mark Dickerson, a clinical psychologist, from research he conducted, showed that perhaps 80 per cent of those who went to place one bet, hear the commentary on that race and receive their winnings, if any, felt the pressure of the commentary to stay and bet again. He said that betting offices provided an ideal environment for learning to bet more frequently and more heavily.

As has been said above continuous 'action' betting became the norm off-track and it is in that form that new generations of punters meet it. One result of this is seen in the number of young people who now attend Gamblers Anonymous. That was unknown in the 1960's. They have been plunged straight into the more dangerous form of 'action' betting and have in a few years reached a stage of desperation which earlier members of Gamblers Anonymous, who began with 'hobby' betting, took about twenty years to accomplish. Had these young people been introduced to 'hobby' betting they might never have gambled compulsively.

There is, no doubt, an actual, existing, unstimulated demand for 'action' betting but it is likely to be far less than now appears to be the case. Hindsight allows us to see that the interests of gamblers would have been better served by providing for 'hobby' betting without the commentary and

results service in the majority of betting offices. That would have given it the status of normality. 'Action' betting could have been reserved for the track and a few specially designed betting offices.

When I saw the New York off-track betting parlours in 1975 I wondered at first how the intense atmosphere that prevailed in them was generated without the commentary service. I soon saw the answer. The premises were large, encouraging people to gather and stay. Information concerning runners at many meetings was posted on the walls, winnings were paid after each race and a clock prominently placed suggested that this was a place where something was about to happen and that it was important to bet now in order to be involved in it. The parlours encouraged continuous betting and I considered that they also operated against gamblers in that way.

Gaming

Casino gaming in Britain, as controlled under the Gaming Act 1968, is an example of gambling legalised for gamblers. This was a successful second attempt following an earlier one which had proved disastrous. The purpose of the 1960 Act was to make the private practice of all gaming legal while preventing its commercial exploitation. Unfortunately, a loophole allowed the rapid development of 1,000 casino clubs and 3,000 commercially based bingo clubs.

The whole of this presented a wide open scandalous scene. There were two principal problems. First, there was no control over ownership, management or the employment of staff, all matters which are internationally regarded as essential where casino gaming is concerned. It became widely known that some clubs were in the hands of people who were associated with known criminals.

Second, there was no control over the way clubs were conducted. People were induced to game in a variety of ways. Clubs advertised freely and circulated potential players by post and telephone. Casino clubs provided bingo facilities and bingo clubs provided casino facilities to attract people to take part in the milder form of gaming and induce them to graduate to the harder forms. Clubs combining casino gaming with cabaret were formed. They used the cabaret to attract people to the premises so that they might be led to game. Gaming (by far the more profitable activity) subsidised the artistes' fees. Restaurants set up tables to induce diners to try their hand at gaming. All this was exploitation of an opportunity but it also constituted exploitation of the people concerned.

Credit facilities were offered freely and players' cheques were held for weeks and months until they had funds to meet them. Players who stayed away because they were in debt were encouraged to return by promises to remit their debt in whole or in part. The rules under which games were played openly exploited the players.

It was a scene of rank exploitation. The then Home Secretary, Mr. Roy Jenkins, a known libertarian, at the time he introduced the 1968 Act into Parliament, said that when people were subjected to such pressures it constituted a restriction of freedom and Parliament must act.

The new Act established a strict licensing system under the Gaming Board for Great Britain and under the local magistrates. It provided for thorough inspection and control under the Act and under regulations made under it by the Board's inspectors and by the police. This rooted out the undesirable persons who had owned or managed the clubs or worked in them.

Casino and bingo clubs were prevented from advertising and play was strictly limited to members and their bona fide guests. Parliament was determined that the decision to game should not be a matter of impulse. Casino gaming was separated from bingo, cabaret, hotels and restaurants. No credit was permitted, cheques had to be passed immediately through the bank and rules for all games were laid down. All this was done to ensure that gaming was arranged and conducted for gamblers.

Immediately the Act took effect, the number of both bingo and gaming clubs was drastically reduced. In its first report, however, the Gaming Board stated that the existing, unstimulated, demand for casino gaming had proved to be less even than had been supposed. This was substantiated by the Royal Commission that reported in 1978. It said that while representations for a relaxation of the law had been made by proprietors and would be proprietors of gaming clubs, none had been made by members of the public.

Naturally, the revenue from gaming was greatly reduced but that was never considered an issue which ought to affect decisions about the gaming law. That was a matter for the Home Office to decide on social grounds.

The effectiveness of the Act to protect the interests of punters has been proved in the period from 1979 to 1981 in which three companies operating leading casino clubs in the west End of London have lost their licences, in two cases still subject to appeals. They were charged with contacting members of the public with a view to inducing them to game in their clubs. They gave credit and in some cases cancelled debts to encourage players to continue to game. They knowingly allowed, even encouraged, clients to write cheques

on banks at which they had no account. In one case it transpired that ultimate control resided in the hands of a foreign parent company and not with the apparent head of the company in London.

It is not to the point that most of those who were affected were rich. The law must protect all citizens: including the very rich and the very poor, even though the rich might be thought not to need its protection and in spite of the fact that the poor do not always seem to get it. If malpractices were permitted at the leading clubs they might soon be imitated at the expense of ordinary citizens in other clubs.

BET YOU CAN'T WIN: GAMBLING AND THE OFFENDER

Paul Bellringer*

£3,250 MILLION was paid as stake money to betting shops and on-course bookmakers in Britain during 1980, according to the duty receipts of £250 MILLION that were received by Customs and Excise. That is over £10 MILLION for every day of the year except Sundays. For some people gambling is an occasional flutter, for others it becomes a way of life.

More often than not, the heavy or compulsive gambler is less easy to spot than people who are addicted to alcohol or drugs, but there is no doubt the effects of this compulsion can be as destructive to the individual concerned, to family and friends, and, in many instances, to society in general. Reasons why this addiction can remain hidden include the lack of physical symptoms, the outward respectability of the person, a general ability to provide plausible reasons for financial shortage, and because the betting shop retains a separateness from the community.

The problem is liable to prove as intractable as that of the chronic alcoholic and it is often suggested the two addictions have similar symptoms and are frequently interlinked. This seems to be true in that drinking and gambling are available in pubs and clubs, horse and dog meetings, and also in that both addicts tend to view life in distinct black and white terms, will seek geographical flight to start afresh, tend to develop low self-esteem, accept a moral deterioration in order to feed the habit at any cost, may physically abuse members of their own family as a means of dealing with their own guilt, and when without money or facing court sentences are apt to make sincere but unreal assertions that they have overcome the addiction.

Compulsive gamblers, however, differ from other addicts in that there is no physical dependence, but there is an intellectual element of working out odds, there is the magic of being able to foretell the future by possessing the power to pick a winner, the thrill needs to be fairly instant, and the spending rate of available money can be far more rapid than that for drink and drugs - whatever cash is available

•Probation Officer, South East London. Probation Service, 6 Beckenham Road, Beckenham, Kent.

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be it £1 or £1,000 it can all be placed on one horse or dog, and frequently is!

Gambling in one form or another has been with us throughout history but since the first world war it has become increasingly legalised. The Betting and Gaming Act of 1960 is significant in having established full legal status for the off-course betting shop. Subsequent acts have sought to tighten controls over gambling but these afford little or no protection to those addicted to betting and gaming. The issue is further complicated by the fact that many forms of gambling are socially approved and indulged in by the majority of the population - even if it is only the pools or the town lottery; it is a well organised and profitable business that provides many jobs and, of course, a considerable revenue for the government; and perhaps, it also helps sustain the fantasy of instant 'success' everyone dreams about from time to time.

Who becomes a compulsive gambler? He or she may come from one end of the social spectrum or the other, may be illiterate or highly intelligent, and can be of almost any age from a teenager upwards. Betting on horses and dogs, and the lure of the ubiquitous fruit machine seem to predominantly attract men, and the endless games of bingo have a principal attraction to women. It is quite likely the compulsive gambler will have felt rejected by or been separated from his parents at a crucial time and those who have committed crimes to finance their addiction will probably lack confidence and suffer from low self esteem. Gamblers are frequently introduced to betting by a relation or by their peer group be it street corner gang or public school clique. By the time they are prepared to recognise the problem, it is probable they will have alienated themselves from family and friends who no longer can tolerate continual crises, constant tension, deceptions, possible physical violence, and frequently theft of their money or personal possessions. The compulsive gambler is also very likely to have a criminal record for burglary, fraud, deception or shoplifting; and may well have left obvious clues to their crimes or voluntarily given themselves up in a bid to salve their conscience when unable to honour the intention of repaying the victim with their winnings. It is also probable they move quickly from job to job or are unemployed despite possessing work skills, either because they have defrauded their employer or gambling has undermined job performance and attendance.

Despite the serious problems thrown up by compulsive gambling and its recognition as an addiction, there are amazingly few facilities for advice and treatment beyond the national GA and GamAnon organisations, a Council on Gambling, and a handful of people in medical and social agencies who are interested in tackling this addiction. Additionally, in Sydenham, South East London, there is a

hostel unique in England and Wales in that it specifically caters for compulsive gamblers.

Gordon House is a voluntary hostel established in 1971 and now administered by the Gordon House Association which is a registered charity. It is an agent of the Stonham Housing Association and is mainly funded by a Home Office deficit grant. The hostel, which welcomes referrals nationally, is a 10 bedded unit catering for ex-offenders of either sex who do not necessarily have to be on any statutory order but who do have a serious gambling problem and are committed to doing something about it and to breaking away from a life style of offending.

The principal objectives of Gordon House are to provide a viable therapeutic and rehabilitative alternative to prison for offenders with a gambling problem and thereby help to break the cycle of offending, and to provide support and counselling for the gambler during his or her stay at the hostel, which ideally is for 1-2 years, and if appropriate after their departure. The hostel is not highly regimented but residents are expected to co-operate in maintaining a good standard of communal living and to actively seek employment. They are encouraged to increase self awareness and self reliance; to improve social and personal skills; to control, moderate, or eliminate abnormal anti-social or self-destructive behaviour; to develop more positive and constructive ways of dealing with problems and crises and, in particular in coping with their gambling problems. Individual and group counselling is provided by the manager of Gordon House, Mr Robert Evans, and by his deputy, Ms Liz Stocker. Transactional analysis, gestalt and behavioural approaches are used during counselling. Additionally residents subject to probation orders or statutory licence keep regular contact with myself, the liaison probation officer for the hostel, and voluntary contact is provided for other residents as requested.

There is a basic expectation of and by residents that they want to stop gambling and in general the majority of them endeavour to keep to this expectation. However, as the very nature of this intractable compulsion makes the sustained cessation of gambling extremely hard to achieve, there are periods when all or nearly all residents are gambling, particularly when lured by the excitement and media coverage of races such as the Grand National or the Derby. There are also periods when little or no gambling takes place and this usually occurs when residents are mutually supportive. Whilst no gambling is allowed within Gordon House, a ban on all gambling has been found to be counter-productive in that it encourages deception, and as the only effective sanction for breaking the few house rules is eviction, it would seem to defeat the object of being a resident.

Is it successful? If this is to be gauged in the numbers of residents who cease to gamble the answer must be no, as some continue a self destructive path of uncontrolled gambling - and usually their stay is short, and the majority continue to gamble to a degree. But what Gordon House does seem to achieve for many is a greater awareness of themselves and how their lives are affected by gambling, an increased ability to exercise control over the compulsion, an opportunity to rebuild confidence, employment skills and relationships, a safe and empathetic base in which to re-stabilise, and a future point of reference should they lose control in the future.

Within the next 2 to 3 years, it is hoped a purpose-built hostel will be opened enabling a three-phase programme to be introduced for residents, and later this year a research project into the problems of compulsive gambling is expected to be undertaken at Gordon House. [Ed: see below, pp 20-22.] These developments will extend the help that can be provided but it is clear there remains a great need for more research and a growth of facilities to deal with the severe problems caused by compulsive gambling. Indeed, in writing this article, I discovered the dearth of literature on the effects of gambling - but plenty on how to go about it! We in the probation service see the disruption and destruction it can cause and it therefore is obvious we have a role to play in promoting a greater awareness of this social problem. With that thought in mind, I would like to leave you with a general question: do you know how many of your clients are compulsive gamblers?

UPDATE

'Compulsive gamblers in treatment', British Journal of Psychiatry, (1982), 140, pp364-366, David Greenberg (Senior Registrar, Maudsley Hospital, Denmark Hill, London SE5) and Howard Rankin (St Andrews Hospital, Billing Lane, Northampton NN1 5DG).

Twenty-six male compulsive gamblers were seen in one hospital over the last 8 years. Five were single, and only 5 had stable marriages. In most cases the compulsive gambling preceded their marriage. The majority had criminal records arising out of their gambling debts. All were offered treatment based on behavioural principles. In one clinic, the therapist advised the gambler how to control the stimuli, e.g. take a route that avoids the betting shop, read the daily paper in the late afternoon, hand the pay cheque to his spouse and only carry an agreed amount of money. In the other clinic, the therapist accompanied the patient into the gambling-inducing situation and then gradually withdrew his presence once the patient could withstand the urge to bet. In both clinics the patient's spouse or girlfriend was asked to participate in the treatment in all cases. Only 5 of the 26 gained and maintained control over their gambling, 7 lapsed intermittently, and the remaining 14 were gambling when last seen. The problems in treatment are discussed, and modifications suggested.

'Gambling-implicated offending' (Howard Rankin and Sue Levey)

Research shows that one of the main dangers of compulsive gambling is a higher risk of criminal involvement. However, apart from this broad generalisation and some anecdotal information and speculation, little is known about the relationship between gambling and crime.

Despite this dearth of knowledge organisations do exist that try to rehabilitate the offender for whom gambling is a problem. A two-year research project has now been funded by the Rowntree Trust to examine gambling-implicated offending. The project is based at St Andrews Hospital, Northampton and will be carried out by Howard Rankin and Sue Levey. The study grew out of an interest in a particular establishment and the awareness that its work would be greatly enhanced if more information were available on the precise extent and the nature of the relationship of gambling to crime - thus allowing for the development and provision of services on a

basis of fact rather than speculation.

Like such organisations then, this study starts with the assumption that there is a relationship between gambling and crime and focuses on this rather than the evils of gambling per se.

Three main questions will be addressed:

- 1 What is the extent and nature of the relationship of gambling to criminal activity?
- 2 What types of people with what types of gambling behaviours are associated with what types of crime?
- 3 Are gambling-implicated offenders characterised by any social or psychological deficits?

In order to examine the impact of gambling across a wide range of offences, types of offenders and types of custodial and non-custodial sentences it is essential to investigate subjects in a number of different venues (e.g. prisons, borstals, magistrates' courts). The proposed research thus has three phases:

- a A short postal survey questionnaire sent to each Prison Department establishment in England and Wales. This will enable an examination of regional differences and provide comparative national data against which to test the representativeness of our interview sample.
- b An in-depth focus on one Region (probably the Midlands or the South-East) which should enable us to cover most types of custodial institution, if not a representative sample of them all. Ideally we would like to approach each establishment in the Region and ask them to insert into their usual Reception procedure (if it is not already there) the following question:

'Did drinking alcohol, taking drugs or gambling have anything to do with the offence for which you are currently being detained?'

At regular intervals (say, once a month) each establishment would forward to us details of those offenders identified as having responded positively to the suggestion that gambling was implicated in this way. We would then interview a randomly selected sample of those offenders. The information required by us from the establishments will be recorded on pre-printed cards supplied by us to ease the administrative burden. The information would obviously be completely confidential. The data would be detailed enough to get a clear picture of the prevalence of gambling-implicated offending.

c The randomly selected interviewees will be given a structured interview using a number of psychological and sociological measures designed to gather information in a way that maximises the usefulness of computerised statistical analysis as well as the richness of individual case histories. The following topics would be covered in the interview:

- i demographic data, social background and forensic history;
- ii data on the cues, antecedents and consequences of their gambling behaviour;
- iii data on aspects of the gambling behaviour itself: amount staked, frequency, etc.;
- iv offenders' perceptions of the ways in which their gambling is implicated in their offending;
- v data on involvement in other addictive behaviours.

It is envisaged that data collection will commence in January 1983. Further details are available from us at St Andrews Hospital, Billing Lane, Northampton, NN1 5DG.

NOTICES

The Sixth National Conference on Gambling and Risk-taking will take place in Atlantic City in December 1984. Further details are available from Professor Bill Eadington, Department of Economics, College of Business Administration, University of Nevada, Reno, Nevada 89557, U.S.A.

MISCELLANY

Papers read to the Society for the Study of Gambling
(This continues the list published in issue number 1, pp5-8)

2 June 1977

1 David Oldman:

'Habitual gaming and compulsive gambling from the experience of a croupier and the viewpoint of a sociologist'

- 2 Discussion: Social considerations and the law on gambling. Summaries of submissions of evidence to the Royal Commission on Gambling from the Royal College of Psychiatry, The Gamblers Anonymous General Service Board and the Churches' Council on Gambling.

16 November 1977

- 1 Daniel Saunders, Polytechnic of Wales, Pontypridd, Mid-Glamorgan:
'Laboratory analogues of the gambling situation: human and animal'
- 2 Jack Dowie, The Open University, Milton Keynes: 'Risk taking'
- 3 Ken Overton, President, Race Course Starting Price Bookmakers' Association:
'A typical day in the life of a bookmaker'

17 May 1978

- 1 Geoffrey Simmons, Senior Social Worker, London Borough of Waltham Forest and ex-gambler:
'Risk avoidance through betting and gaming'
- 2 Michael Pokorny, Consultant Psychoanalyst in private practice:
'Compulsive gambling and marital structure'
- 3 Victor Lownes, Chairman and Managing Director, The Playboy Club, London:
'The practical problems of running a gaming club'

3 November 1978

A review of the Report of the Royal Commission on Gambling

- 1 Emanuel Moran, Chairman of the Society: Summary of the findings of the Commission.
- 2 Group Captain Stephens, Executive Secretary of the Casino Association of Great Britain, London:
Comments on the Report from members of the Gaming industry
- 3 Ken Overton, President, The Racecourse and Starting Price Bookmakers Association, Birmingham:
Comments on the Report from the Betting industry

4 Michael Pokorny:

Comment on the Report - a socio-economic critique
5 Jeremy Mitchell, Director of the National Consumer
Council, London:
Comments on the Report - a consumer's point of view

6 The Chairman:

Summary of discussion points and general
discussion.
9 May 1979

1 N.K. Finlayson, The Gaming Board for Great Britain:
'The lotteries scene in Great Britain in 1979'

2 R.L. Custer, Chief, Treatment Services Division,
Mental Health and Behavioural Sciences Service,
Veterans Administration, Washington, U.S.A.:
'The diagnosis of compulsive gambling'

15 November 1979

1 Grace Leung, Department of Psychology, Barnsley Hall
Hospital, Worcester:
'Obsessional aspects of compulsive gambling'

2 Symposium on Health education about compulsive gambling:

A teachers' pack of slides, audiotape and
workmaterials on compulsive gambling, edited and
presented by Messrs James Chappell and Roger Markham
for the General Services Board of Gamblers Anonymous
(UK).

'Gambling': a programme made for the BBC Scotland
series Living in Scotland for 14-16 year olds in
schools by Iain Brown, Department of Psychology,
University of Glasgow.

Role play as an aid to health education by Jane Moran,
Lecturer in Communications, Middlesex Polytechnic,
London.

3 Panel discussion on Health Education about
compulsive gambling led by A.C.L. Mackie, Director
General, Health Education Council, London.

4 June 1980

1 Ian Wray, Clinical Psychologist, Manager,
Psychiatric Day Centre, Norwich:
' "Withdrawal symptoms" from excessive gambling'

- 2 Mark Dickerson, Principal Psychologist, The Royal Edinburgh Hospital, Edinburgh:
'Controlled gambling as a treatment goal: a controlled gambling programme for a single case'
- 3 Howard Rankin, now at St Andrews Hospital, Billing Lane, Northampton:
'What does experience with controlled drinking programmes suggest for the treatment of compulsive gamblers?'
- 4 Bob Evans, Warden, Gordon House, London:
'The work of a hostel for the single homeless compulsive gambler'

5 November 1980

- 1 Grace Leung, Senior Clinical Psychologist, Barnsley Hall Hospital, Bromsgrove, Worcester:
'Chinese gambling: gambling and the Chinese. A cross cultural perspective'
- 2 Michael Pokorny, Consultant Psychiatrist and Psychoanalyst, Harley street, London:
'The paradox of gambling'
- 3 James Stevenson, Daily Mirror Punter's Club:
'Betting with bookmakers from the punter's point of view' Discussants: Ken Overton, President, Racecourse Starting Price Bookmakers Association and Mr Jeremy Mitchell, Director National Consumer council.

20 May 1982

- 1 O.W. Fletcher, The Editor, The Sporting Life: 'The arbiters of betting'
- 2 Jack Dowie, The Open University, Milton Keynes: 'Gambling in the curriculum: "a pound each-way proposition"?'

18 November 1981 (See Newsletter no. 1)

- 1 Howard Rankin, now at St Andrews Hospital, Billing Lane, Northampton:
'Perspectives on addictions'
- 2 Suman Fernando, Consultant Psychiatrist, Chase Farm Hospital, Enfield:
'Alcoholism and gambling: the case of the Jews'
- 3 Tristan Ricketts, Secretary of the Horseracing Betting Levy Board:
The Horseracing Levy Board'