



Gambling's biggest addict

It's time for governments to get out of the gambling scene - or use the profits to pay down debt.

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If an individual neck-deep in debt turned to gambling to turn things around, would you call it a smart move?

Not likely, and yet governments around the world are doing exactly that. They have spent themselves into massive debt and are looking to gambling as an easy way to raise money. *The Economist* notes the [expansion](#) of gambling by state governments across the United States. In Europe, governments are engaged in ongoing battles to protect their gambling monopolies.

It's not all bad news. The state of New Hampshire [voted down](#) a proposal to legalize casinos on March 29. And the Australian government is attempting to regulate slot machines so that players will only be able to gamble up to a pre-determined limit -- although some question their resolve, since the technology rollout has been delayed and more tepid than originally proposed.

Whatever else is happening across the globe, in Canada the situation is crystal clear. Here, provincial governments are knee-deep in debt and are working to increase gambling revenue as a result. They have a complete monopoly on gambling, and they enforce it with all the determination of the gambling addict who wears a diaper so that no one will take his slot machine when he goes to the bathroom.

Like their counterparts in the US, the Canadian provincial governments see gambling as an easier alternative to raising taxes in times of economic distress. In the province of Ontario, the government received CAD\$2 billion in 2011 from the Ontario Lottery and Gaming Corporation. The government recently introduced a plan to raise its take by CAD\$1.3 billion annually by 2017.

Not surprisingly, governments of all stripes around the world are motivated by one thing with respect to gambling: profits. They refuse to acknowledge the costs of gambling to individuals, families and communities. This myopia allows governments to lust after gambling money above all else, since they don't suffer the consequences directly. Even if the public purse pays to clean up the damage, no one tracks the exact cost, so it is easy to disregard it.

Governments like to hide the scope of the problems caused by gambling. One way they do this is to highlight the relatively low percentage of gamblers who are hardcore addicts. Research in Canada shows that around three per cent of Canadian adults are severely addicted. If 97 per cent gamble responsibly, what's the big issue?

However, dig a bit deeper and there is an issue. Research from Australia shows that each gambling addict negatively affects five to ten other people. In Canadian terms, that would mean between 15 and 30 per cent of the adult population is affected by gambling. For example, there are co-workers who see their workplace robbed. There are wives and children who lose their house or have to eat rotten food because there is no money to pay for the rent or mortgage or groceries. There are employees who lose their jobs when the boss has to file for bankruptcy. Fifteen to 30 per cent of the adult population loses so that governments can win.

Canadian governments are getting the biggest portion of their gambling profit on the backs of addicts. The province of Alberta found that, where the average population has a rate of gambling addiction around two to three per cent, the top six per cent of highest gambling spenders in that province had an addiction rate of 40 per cent. If Alberta lost those big spenders, government profits would plummet. One has to wonder, in light of the above, if they are really serious about curbing gambling addiction.

Still, governments will often trumpet that the money they take from gamblers goes to fund gambling addiction research and treatment, charities and non-profit organizations.

In our review of four Canadian provinces, we found that the money given to charities, non-profits and gambling addiction research and treatment is a pittance in light of gambling profits, ranging between 2.9 per cent and 12 per cent of profits. Gambling addiction research and treatment ranged from 0.5 per cent to 4.7 per cent by the same measure. Canadian provincial governments are *not* putting their money where their mouths are.

Originally, the province of Ontario established casinos near the border with America to draw gambling money from our neighbours to the south. Now, pressed for cash, the government plans to plant casinos in localities where too many people are spending their gambling money in a nearby province. They'll take more money from a local economy to prop up spending habits that have racked up massive debts.

Local businesses that compete with a casino for entertainment dollars will likely lose some portion of their revenue to the gambling hall. Restaurants close by will likely feel the pinch as gamblers stay close to the action where good food is provided more cheaply than business competitors can afford. In other words, if you love the local mom and pop restaurant, you might not want a casino next door.

So what can we do about this? When a family member has a gambling addiction and is spending the family into bankruptcy, they will likely be cut off from every bank account, credit card, line of credit or any source of cash.

Unfortunately, we can't turn off the tap of money to our governments. What we recommend is therefore another option: take all the gambling profits received by government and use them to pay down the deficit and debt. In the four Canadian provinces we studied, gambling profits made up around two per cent of total government revenue in a given year. If governments everywhere did this, gambling would not stop, but deficits and debts would be paid down faster, freeing up money that would have been paid to cover debt interest to sustain social services.

What would happen to all the services that are now funded from gambling profits? Governments would need to cut overall spending by the amount of gambling revenue in order to maintain essential services. This would provide another level of fiscal austerity to governments all too used to profligate spending.

And, since debt reduction is not nearly as politically beneficial as grand spending plans, this might also push governments to leave gambling revenue behind as a way to prop up spending when the rubber hits the road.

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