Book Review

Gambling and Governments in Canada, 1969—1998: How Much? Who Plays? What Pay-off?

By François Vaillancourt and Alexandre Roy. (2000).
Toronto, ON: Canadian Tax Foundation, Special Studies in Taxation and Public Finance, No. 2, xi, 72 pages. Price: $30.00 Cdn.
ISBN: 0-88808-156-1.

Reviewed by Len Henriksson
Faculty of Commerce, University of British Columbia
Vancouver, British Columbia, Canada
E-mail: len.henriksson@commerce.ubc.ca

With the ongoing growth of state-sponsored gambling throughout Canada and much of the western world, this study by Vaillancourt and Roy is of more than a passing interest. Following a brief history of gambling, the authors present a comprehensive overview of the level, composition and importance of government gambling revenues in Canada. The compendium of statistical tables drawn from a variety of domestic and international sources is a useful general reference for researchers in the field.

Three themes emerge from the statistical presentation that invite comment. First, the authors focus on government revenue from gambling and do not include non-government gambling activities in their analysis. While this was no doubt in the interest of simplicity, it may understate the true importance of gambling as a funding mechanism for traditional government responsibilities. For example, hospital lotteries have become a staple in many Canadian cities, while community service agencies have often come to depend on the proceeds of raffles and bingos to fund "off-loaded" activities.

Second, on a more technical note, the authors' breakdown of gambling revenue by source includes a specific designation for video lottery terminals (VLTs). As some readers may know, controversy surfaced over VLTs in several Alberta communities because of concerns about the "addictive" properties of these devices. The question of whether any meaningful distinction can be drawn between VLTs and slot machines represents a continuing challenge for the research community.

Third, using 1995 estimates, the authors show that Canadian government gambling revenues now constitute about two per cent of total government revenues. What I find interesting about this statistic is that it invites study on the relationship between the revenue and the expense side of government ledgers. A high proportion of Canadian provincial budgets is spent on health care. An aging population, technological advances and a competitive international market for health care practitioners will heighten cost pressures further. If governments expand gambling in ways that are later found to cause even tiny increases in health care expenditures, the revenue "growth" becomes illusory, particularly with the advent of intensified competition from offshore locations and the Internet.

The expense summary of provincial lottery corporations is nicely done. An interesting minor addition would be a detailing of marketing and promotion costs. Agencies such as the British Columbia Lottery Corporation rank among the largest advertising accounts in their provinces. It is important to maintain awareness of these expenditures into the future given the well-understood example of tobacco and alcohol marketing.

The authors then review family expenditure surveys using an impressive number of domestic and international sources. They present a multivariate analysis in order to identify the key determinants of purchasing decisions. Their evaluation of the incidence of gambling taxes reveals that they are second only to tobacco in terms of regressivity.

The final part of the study has attracted some interest in the popular press. It finds that the benefits of gambling in Canada greatly outweigh the costs. The authors begin by reviewing the methodological issues. Appropriately, they point out the need for an "incremental" approach. In the case of problem and pathological gambling, for example, it is important to try to separate out the costs created by other illnesses such as alcoholism in order to get useful results. Unfortunately, the underlying causal linkages remain uncertain, and so, remain "problematic" for cost estimation projections. The difficulty is exacerbated by our limited knowledge of incidence, due to the inherent limitations of self-report data and poor (or unreported) response rates, evident in the two British Columbia incidence studies with which I am most familiar.

The authors' cost estimations include only "real" resource costs. What economists call "transfers" are not included. "Real resource costs ...do not include any form of transfers, including the proceeds of crime (theft), government transfers (welfare), inter-family transfers and bad debts (transfers from creditors to debtors), since transfers do not use additional resources" (p. 41). This is good economic practice but it is also a good reason why so many students of the overall effects of gambling dismiss economic studies that take this line as irrelevant. Such studies do tell us something, but they manifestly do not tell us *everything* about the social impacts of gambling.

To put the economist's definition of economic gain and loss into perspective, consider a tax of $100 on the 100,000 poorest people in the country, the proceeds of which are used to pay a lump sum to the richest person. This would be neither good nor bad (economically) as it merely transfers wealth from one set of people to another. Closer to the problem at hand, if gamblers are driven to embezzle money from others, and they seek out poorer and less well-informed people as the easiest victims, but the government does not respond with additional police and other resources that are costs to the justice system, there is no "loss" to be set against the gains of gambling.

Similarly, if an unemployed or retired person commits suicide because of insufferable gambling losses, there is no economic cost (in fact, there may be an economic gain in the sense that the person will not consume more medical and hospital resources). A cost is recorded only if the person who committed suicide is an employed person, and then, only if he is not replaced by someone who is employed (p. 41). Of course, it is interesting to uncover the narrowly defined economic costs of gambling (and I am not ridiculing the attempt), but as these examples show, the costs are much less than the social losses, many of which show up in economists' calculations as "mere" transfers. Thus, the authors' conclusion that gains from gambling exceed losses must be interpreted with extreme caution.

The "population health paradigm" —defined as a conceptual framework for thinking about why some people (and hence, some societies) are healthier than others —will help shed more light on gambling as a desirable fiscal tool for governments. Vaillancourt and Roy's treatment of income distribution and socio-economic status is useful in this regard because both have been found to be important determinants of population health.

The authors' assertion that more research is needed to help understand provincial and regional issues associated with gambling expansion is well taken. Their conclusion suggests that the risks of expanded state-sponsored gambling in Canada can be justified by societal and government benefits. On that point, I must respectfully disagree (Henriksson, in press; Henriksson & Lipsey, 1999). That said, I found this study to be a useful contribution to the literature.

References

Henriksson, L.E. (In press).
Gambling in Canada: some insights for cost-benefit analysis. *Management and Decision Economics.*

Henriksson, L.E. & Lipsey, R.G. (1999).
Should provinces expand gambling? *Canadian Public Policy, XXV*(2), 259–275.

The author thanks Professor Richard Lipsey for his insightful comments and suggestions.

This book review was not peer-reviewed.

Submitted: December 20, 2000

Correspondence:
Lennart E. (Len) Henriksson, PhD
Faculty of Commerce & Business Administration
University of British Columbia
2053 Main Mall, Vancouver, BC, Canada V6T 1Z2
Tel: (604) 822-8289
E-mail: len.henriksson@commerce.ubc.ca

issue 4 —may 2001

Centre for Addiction and Mental Health Centre de toxicomanie et de santé mentale Go to Current Issue

intro | feature | opinion | research | service profile | first person accounts | reviews | letters | archive | submissions | subscribe | links

Please note that these text links will always take you to articles from the **current** issue of eGambling. Use the navigation bar at the top left of the page to move around within back issues.

Editorial Contact: phil_lange@camh.net
Subscribe to our automated announcement list: gamble-on@lists.camh.net
Unsubscribe: gamble-off@lists.camh.net