



## Controversial Activities

# GAMBLING

## 0. Background

There is overwhelming evidence that gambling leads to:

- Individual problems like serious social, health and financial problems
- Societal problems like a significant transfer of wealth from the poor to the rich («a tax on the poor») as well as increase in crimes (e.g. the existence of an illegal circuit which is partly in the hands of criminal organizations used for money laundering)

A number of studies and/or websites give more facts and figures. The ones below are very interesting reading material:

- Research by Earl Grinols<sup>1</sup> in the Spring 1995 Edition of the Illinois Business Review indicates that, when casinos were introduced, the overall number of people wanting to gamble increases; he also argues that casinos make between 25% and 50% of their profit from the 5% of the population at risk for problem gambling, and that an estimated 40% of white-collar crime originates in the gambling industry<sup>2</sup>.
- In 1998, studies presented at the American Psychological Association<sup>3</sup> found that massive publicity campaigns for state lotteries were increasing the incidence of serious gambling problems among the young; between 5% and 8% of the young in the United States and Canada at that time reportedly had 'serious' problems with gambling – double the rate for adults.
- The National Gambling Impact Study Commission conducted a comprehensive two-year, \$5 million legal and factual study of the social and economic impacts of gambling in the United States and makes the information of the study available on-line<sup>4</sup>
- U.S. National Coalition Against Legalized Gambling's website<sup>5</sup>
- A Swiss report called «Casino Gambling in Switzerland – The Legal situation, Politics and Prospects for Prevention and Harm Reduction» by Addiction Research Institute<sup>6</sup>
- The European Association for the Study of Gambling provides many interesting web links<sup>7</sup>

The fact that law of many countries legalize gambling under certain strict conditions and circumstances and that a large proportion of the population plays state lotteries should not classify gambling as a non-disputable practise. Legal compliance is always a prerequisite with respect to sustainable entrepreneurship, but it should not in itself be a permit to accept the practise of gambling as non-disputable one.

<sup>1</sup> <http://www.cba.uiuc.edu/grinols/>

<sup>2</sup> see Earl Grinols' article in the Spring 1995 issue of the Illinois Business Review, entitled «Gambling as Economic Policy: Enumerating Why Losses Exceed Gains» for arguments on the social costs of gambling

<sup>3</sup> <http://www.apa.org/releases/kidgamble.html>

<sup>4</sup> National Gambling Impact Study Commission ([www.ngisc.gov](http://www.ngisc.gov))

<sup>5</sup> National Coalition Against Legalized Gambling ([www.ncalg.org](http://www.ncalg.org))

<sup>6</sup> <http://www.camh.net/egambling/issue4/policy/index.html>

<sup>7</sup> [www.easg.org](http://www.easg.org)



## Legal background in Belgium and the Netherlands

Solely for information purposes, the legal stance in Belgium and the Netherlands is briefly described below.

Belgium and the Netherlands try to contain gambling or try at least to install a legal framework that diminishes addiction and abuses of any kind. Because gambling is a very lucrative business, there is always the existence of an illegal circuit that partly is in the hands of criminal organizations.

In both countries, gambling is not illegal. Organizing games of chance, exploitation of a casino and advertising for gambling are prohibited by law, unless explicitly permitted. The government gives namely «licenses» to organizations that are allowed to organize a kind of gambling activity. Crucial is the fact that, by doing so, the government can perform intensive control and supervision being placed in the front row.

A couple of elements in this respect are constantly in the spotlights of public opinion and researchers in this field:

- Measures to protect players (prevention, damage control)
- Use of gambling revenues for public spending and/or for charity purposes

The role of governments remains very much contested in today's literature: on one hand, governments earn (tax) money from gambling, and on the other hand, gambling leads to a lot of societal inconvenience/trouble and health problems.

## **1. Gambling - definition**

First, a definition is given. Then, some terminology helps clarifying the picture and finally, a couple of practical examples are added.

### **1.1. Definition**

Gambling can be understood as any product/service/place that combines a game of chance with exploitation.

### **1.2. Terminology**

There is a difference between games of skill and games of chance.

- Games of skill (e.g. machine games where the outcome depends to some degree on the skill of the player)
- Games of chance that cannot be influenced by the skills of the gambler (e.g., slot machines or one-armed bandits; often referred to as "chance amusement machines").

Games of skill that still entail a dominant portion of chance are considered as a gambling practise. In addition, the circumstances can always provide clarification (e.g. exploitation).

Games of chance implicitly are based on 2 underlying assumptions:

- Chance is the main factor to be successful in the game



- There is a chance to win for the players

Exploitation can be judged along the following guidelines:

- Participating in the game by creating conditions whereby all other players are disadvantaged in terms of the odds
- Players pay a participation fee
- Part of the stakes of the players is withheld
- Benefiting directly or indirectly from the game

### 1.3. Examples of gambling

Gambling in the view of the public is comprised out of a number of products and/or sites:

- Slot machines
- Table games
- Betting (in some cases)
- Amusement arcades
- Animal, sports and events competition (e.g. horses, dogs, soccer)
- Lottery of any kind
- Casino's
- Public places such as bars and restaurants, cruise ships
- And other places where gambling takes place

The list is clearly not exhaustive and it is irrelevant if the gambling takes place in a physical place or in a virtual world (via telecommunication) like for example the Internet<sup>8</sup>.

## 2. Degree of Involvement

The following activities of companies are screened to determine involvement with respect to gambling as a disputable practise:

- Organizing gambling
- Distribution of gambling activities (f.i. lottery tickets)
- Production and distribution of gambling devices (e.g. manufacturers of slot machines)
- Advertisements for gambling

### 2.1. Major involvement

Companies are regarded as having a major involvement in gambling-related activities if they derive :

- 2.1.1 **5% or more** of revenues from activities in the field of
- organizing gambling and/or
  - production or distribution of gambling devices.

### 2.2. Minor involvement

Companies are regarded as having a minor involvement in gambling related activities if they:

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<sup>8</sup> [www.clubcasino.com](http://www.clubcasino.com); [www.eurobet.co.uk](http://www.eurobet.co.uk); [www.casinobar.com](http://www.casinobar.com); [www.europe-casino.com](http://www.europe-casino.com);



- 2.2.1 Derive **less than 5%** of their revenues from activities listed under 'major involvement'
- 2.2.2 Derive **1% of more** of revenues from activities in the field of distribution and/or sales of gambling activities

**3.3. No involvement**

Companies are regarded as not being involved in gambling related activities if they:

- 3.3.1 Have activities in the field of gambling related advertising
- 3.3.2 Derive **less than 1%** of revenues from activities in the field of distribution and/or sales of gambling activities

**Summary**

	<b>Organization of gambling and/or the production or distribution of gambling devices</b>	<b>Distribution of gambling activities</b>	<b>Advertising for gambling</b>
<b>Major involvement</b>	5% or more of revenue	Never	Never
<b>Minor involvement</b>	Less than 5% of revenue	1% or more of revenue	Never
<b>No involvement</b>	Never	Less than 1% of revenue	Always

