

The Gambling Economy

A policy of the General Council

The United Church of Canada

April 1998

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1. Background

On the basis of letters from presbyteries and petitions from conferences to the 36th General Council, the Executive of General Council asked the Division of Mission in Canada to prepare a policy update on gambling in Canada. This policy was to address, in particular, the increasing use of gambling and gaming by governments to generate income. The DMC was asked to prepare an updated policy recommendation on gambling as a public policy issue for the April meeting of the GCE.

The matter of church use of gambling-generated funds is not a part of this report because it was addressed in a year-long study and the adoption of policy by the General Council Executive in November 1992. For the record, the policy adopted is:

That the Executive of General Council urge formally constituted groups of The United Church of Canada to avoid applying for or using funds generated from lotteries, casinos, or other activities in the gambling industry, where it is possible to determine the source of funds....Minutes, Executive of the General Council, 22-24 November 1992

2. Existing church policy on gambling as a public policy issue

General Councils have taken action on numerous occasions on gambling as an industry with an impact on Canadian society. The policies adopted by General Councils were developed in different historical moments. Each of them reflects issues that people within the church were concerned about in response to the public policy debate at the time and to changes in the gambling industry.¹

The most comprehensive report to a General Council was done in 1977. The 1977 report is clear that the issue is a matter of social responsibility rather than only a matter of personal morality. General Councils in 1977, 1980, and 1986 called on federal and provincial governments to address the impact of the gambling industry on society by these measures:

- "...more responsible ways of taxation for support of educational, cultural, recreational, health and welfare programs than is provided by lotteries;
- ...complete public accountability and disclosure of all lotteries, with particular reference to costs of administration and promotion as well as detailed listings of funds used; ...institutionalized advertising;
- ...the right [of employees of financial institutions] to decline to sell ...tickets...." (ROP, 27th General Council, 1977, pp. 314-323)

¹The word "gaming" is the term preferred by the gambling industry over "gambling". Both words refer to the same kinds of activities in Canada--lotteries, casinos, charitable gaming, and pari-mutuel wagering (e.g. horse racing). Once these activities became legal under limited conditions, the promoters began changing the public image of the industry from a sleazy activity conducted by people beyond the law to a controlled "leisure" activity like any other. They therefore began using the word "gaming" instead of "gambling". This report uses the traditional term, except where it refers to "charitable gaming", the term used in Canadian legislation.

- "...to withdraw [government] support of organized gambling in our country;" (ROP, 28th General Council, 1980, p 751)
- "...[to recognize] the increasing difficulty faced by church groups which are eligible for public funding, but choose not to accept funds which have lotteries as their source." (ROP, 31st General Council, 1986, p. 135.)

The current interest in the issue in the church is driven by two factors: (i) the rapid expansion of the gambling economy in Canada, with changing public policy and (2) the pastoral care and human development challenges that congregations are facing in the wake of gambling expansion in their communities.

This policy updates existing church policy by speaking to the major trends in Canadian society:

- flouting of the law on gambling in Canada;
- government-driven expansion of gambling;
- intrusion of the private sector in gambling;
- transfer of financial responsibility for public services from the tax base to the losses of gamblers.

3. A revolution in the gambling industry

When church people speak to the gambling issue in Canada, they are often told: "That's your Methodism talking." Or "You just don't want people to have fun." Or "You have no right to say anything as long as church members play bingo or buy lottery tickets." Rather than reclaiming a much-needed Methodism, that kind of resistance has discouraged many from taking a hard look at what is really going on. Gambling today is no longer simply a matter of a raffle on a hand-made quilt in a church basement or the traditional bingo night for a local charity.

The gambling industry at the end of the 1990s differs from the industry in the late 1970s in several significant ways.

- Gambling was once low-tech and labour-intensive, with long waits between gambling events. Now it is a 24-hour-a-day activity, with instant results, repeat playing, and much higher losses.
- Gambling was once dominated by "mom-and-pop" operations, with limited reach. It is now an *industry*, dominated by huge operations with unlimited international reach.
- Gambling was once dominated by criminal organizations, controlled by government, and--in the US--quarantined in Nevada. Today it is promoted by government as another leisure activity and a positive contribution to "civil society" and community development.

Since the time when the basic church policies were adopted, the gambling industry has gone through an *industrial revolution* and a *political revolution*. In the political sphere, governments abandoned their responsibility to contain the spread of gambling and to regulate what little gambling was lawful in Canada. Instead, governments in North America have themselves been fueling the demand for a gambling boom.

The *industrial* revolution in the gambling industry was made possible by two important developments:

- the invention of *the electronic chip* and the ability to make electronic transfers of money to anywhere on the globe;
- the adoption of the organization and methods of *international corporations* by the big players in the gambling industry.

The significance of this part of the revolution is that what once was an underground or quarantined economy has been integrated into the above-ground economy. Thanks to major investments and promotion by governments, it is now a significant player in the economy as a whole.

The *political* revolution has been made possible by:

- the *lifting of the quarantine* on gambling in the United States, with the decision to allow states and aboriginal groups to run casinos and lottery schemes to generate revenue;
- the *decision by Canadian governments* to amend the *Criminal Code* to allow provincial lotteries and charitable casino gaming (1969) and to give greater authority to provinces (1985);
- the aggressive use of *exemptions* in criminal law to expand the number and types of gambling schemes;

These economic and political developments made the North American boom in gambling possible, particularly *electronic* gambling.

However, these developments would not have created Canada's current gambling boom had there not also been a *revolution in public social responsibility*. In a widely-publicized report, the Canada West Foundation described the revolution this way:

"When a stigmatized activity such as gambling becomes decriminalized, it requires an image make-over to attain an aura of respectability. By successfully linking legal gambling to the 'greater good' principle, governments changed what was once considered deviant behaviour into a widely tolerated activity....In an effort to transform negative public perception of gambling, governments promoted their legal gambling initiatives on the following grounds:

- the need to keep gambling dollars from migrating to other jurisdictions;
- the difficulty in enforcing the present gambling laws;
- a way to generate government revenues without raising taxes;
- a way to revive economically depressed areas;
- a way to stimulate tourism;
- a way to prevent the infiltration of organized crime; and
- a way to provide a revenue stream for popular social programs and worthy causes...."²

John Ralston Saul described the revolution in public morality in less measured terms:

²"Gambling and the Public Interest?", Prof. Garry Smith and Jason Azmier. Canada West Foundation. Calgary, November 1997, pp 2-3.

"...I consider state gambling one of the most important philosophical questions of our day. If your governments are actively involved in attempting to corrupt you, you have a central philosophical problem--that is, if you believe you are living in a democracy....I'm not making a purist or ideological statement. I'm talking about a particular problem: the state as the organizer of, and profiteer from, gambling; the state funding the public good by corrupting the citizen...."³

The result is a rapidly growing gambling economy. Legal gambling in Canada amounts to a \$20 to \$27 billion industry.⁴ In just four years, net gambling revenues⁵ in Canada grew from \$4.3 billion to \$7 billion or a 64% growth (1992-1996). In Alberta alone, the increase was 85% in that same period. For governments, gambling revenues have become a new tributary to the government revenue stream in place of unpopular tax hikes. Therefore, it has become commonplace to call governments the most highly addicted of all the addicts in Canada.

4. Gambling and the law in Canada

The Criminal Code treats gambling as "inherently criminal in nature". Gambling has been prohibited in Canada since 1892, when the Criminal Code was passed (*Article 205*). Eight years later, the Supreme Court of Canada determined that gambling was exclusively a matter of the criminal law and therefore a matter for federal regulation.

The current boom in gambling in Canada depends on *exemptions* in the Criminal Code, which allow for legal gambling under certain circumstances. In 1969 the Criminal Code was amended to permit certain exemptions to the ban on gambling. Those exemptions allow groups to run lotteries on a limited basis, as long as they contribute to the public good. Table 1 below indicates the exemptions.

TABLE 1 Exemptions to the prohibition on gambling in Canada, according to the Criminal Code		
<i>Lawful sponsor</i>	<i>Gambling activities permitted for sponsor</i>	<i>Restrictions</i>
Federal government	Pari-mutuel betting on horse races	
Provincial governments	Lottery schemes Electronic gambling (computer, slot machine, video lottery terminal (VLT))	May conduct & manage lottery schemes, alone or with other provinces. Exclusive right to operate electronic gambling.
Charitable groups or religious organizations	Bingo, raffles, break-open tickets (Nevada), Monte Carlo events (table games & wheels of fortune)	Licensed charity must conduct and manage No electronic (i.e. computer, slot machine, VLT)
Agricultural fairs	Lottery schemes	Board is licensed to conduct & manage. No electronic

³John Ralston Saul, as quoted in *Canadian FundRaiser*, Vol. 7, Num. 4, February 26, 1997, pp. 1-2.

⁴*Gambling in Canada*. National Council of Welfare. Ottawa, Winter, 1996, p. 1.

⁵For purposes of their report, Canada West Foundation defined net gambling revenues as "total revenues less prizes and payouts."

Group or person to whom province issues permit	Lottery scheme in public place of amusement,	Bets are limited to \$2 each, with prizes limited to \$500. No electronic
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In 1985 the provinces and the federal government agreed to leave the regulation of gambling to the provinces. In return the provinces agreed to pay the federal government a share of the proceeds (\$49 million in 1995). The 1985 decision "marked a pronounced shift in the legal attitude toward gambling in Canada, as gaming was considered to have both criminal (federal) and commercial (provincial) aspects."⁶

These apparently minor changes mean that in Canada today control over gambling has been left almost exclusively to the provinces. This creates a serious conflict of interest because *both* regulation and interpretation of *exemptions* are left in the hands of provincial and territorial governments.

The boom in gambling in Canada--despite the Criminal Code--is a result of very aggressive interpretations of the *exemptions*, backed by provincial legislation. In many provinces, there is no comprehensive gambling legislation. As a result, gambling expansion is frequently imposed by administrative decree and without adequate consultation or assessment of the social, economic, and legal impact.

5. The intrusion of the private sector

According to the law, private sector gambling has no place in Canada. However, cash-strapped provincial governments have become increasingly eager to act as "partners" with commercial gambling operators in return for part of the profits of the new gambling--both casinos and electronic. These partnerships have opened Canadian cities and towns to enormous pressure to expand gambling, often without regard to the legality of the proposals. Instead of stopping with traditional government lotteries, town councils have been pressed in the 1990s to accept two types of commercial gambling: destination casinos and slot machines or VLTs.

There are several obvious results:

- Provincial governments have become active participants in the gambling industry that they are supposed to be containing and regulating.
- Provincial governments have become dependent on gambling revenues, especially from the highly lucrative VLTs, and also on "partnerships" developed with private sector gambling companies.
- Money generated by gambling is being diverted from *public* and *charitable* or *religious* purposes to *private* interests. Some of those private interests lie outside the country.

The exemptions in the Criminal Code allow for gambling that benefits the public interest through the social spending of provinces or through charities. The intrusion of the private sector means that money spent on gambling will go into the pockets of private businesses first. Unless they're in a high-traffic tourist area, it is local people's money that is being diverted to private, for-profit owners of the gambling businesses. People operating non-gambling businesses have begun to identify another result: the gambling economy "cannibalizes" other businesses. As Donald

⁶"Place Your Bets! On Gambling, Government and Society: Lessons for British Columbia. Michael and Julie Seelig, School of Community and Regional Planning, University of British Columbia. Vancouver: February 1997, p. 3.

Trump, a key player in the industry put it in *The Miami Herald*, "People will spend an enormous amount of money they would otherwise spend on refrigerators."

Therefore, business groups have become part of the citizens' revolt in the US against government efforts to grow the gambling economy. In Canada, a similar trend is emerging. The chairman and CEO of Canadian Hunter Exploration, Ltd., Mr. J. K. Gray, became an instant newsmaker when he delivered the Canada West Foundation's study on gambling to a committee of Calgary City Council. Small business people in Nova Scotia revolted against the diversion of dollars from groceries and other consumer products to the "products" of the gambling industry. They joined many others in getting VLTs out of local stores, a first step in turning back the expansion of the gambling industry in that province. Similar stories are spread across Canada.

6. The lure for vulnerable communities

The initial decision to open up gambling in the US rested on the argument that the state's safety net and poor communities--especially aboriginal communities--would benefit. In Canada, similar arguments have been advanced, especially for rural, low-income, and aboriginal communities. Although some communities have benefited through jobs, many individuals have paid an extremely high price.

Studies done in Alberta document that aboriginal communities have been especially hard hit. A 1994 study conducted by aboriginal peoples themselves reported that "...prevalence of problem and compulsive gambling among Natives may be twice that of the general population".⁷ A similar study by Native Americans in North Dakota found there were 4 times as many people suffering from problem and compulsive gambling as there were in the general population. The Alberta study also compared the amounts of money that aboriginal problem gamblers lost over against the losses of non-aboriginal problem gamblers. The "win" for the province and for operators from aboriginal problem gamblers was 3 times the "win" from non-aboriginal problem gamblers.

7. The economic and social impact of gambling expansion

Decisions about gambling expansion usually take place far from their impact. Provincial governments issue licenses to operators, who then place pressure on city council members for building permits. Councilors are usually presented with a business plan from operators, including estimated revenues. Seldom is an independent economic impact assessment done. Therefore decisions are usually taken without attention to:

- long-term balance of costs and benefits of the project for the total economy of the area, including non-gambling businesses, traditional gambling businesses; the labour force; and charities;
- calculations of both gains and losses in government revenue, including lost revenues from non-gambling businesses;
- the experience of other jurisdictions in *actual* revenues generated from gambling compared with industry *projections*;

⁷ *Spirit of BingoLand*, Nechi Training, Research, & Health Promotions Institute. Edmonton, 1994.

- assessment of the social impact and the substantial costs to the municipalities associated with the gambling industry.⁸

Analyses of the economic development impact of casino and electronic gambling expansion in the US now exist. Few have been done in Canada, yet political leaders proceed. William Thompson, professor of public administration at the University of Nevada in Las Vegas, recently described the present situation for communities: "*Hell is knowing the truth about gaming after it is too late.*"

One of the sad lessons for communities that built gambling into their economic development strategy is the speed with which "market saturation" turns a glittering casino into yesterday's entertainment site. Market saturation in the US is one of the reasons gambling operators are turning to Canada as a place to expand the *locations* where gambling occurs, the *kinds* of gambling available, and the *frequency* of gambling activity. VLTs are an example of highly addictive forms of gambling to which the industry and governments have turned when market saturation and stagnant revenues threatened.

The social costs associated with gambling expansion have been well documented. One of the most important studies was issued by the Attorney General of the State of Maryland, who called his report, "The House Never Loses and Maryland Cannot Win". Studies are now emerging in Canada on the basic areas where social costs are most concentrated:

- problem gambling;
- crime;
- unemployment as a result of losses in non-gambling businesses.

An American study estimates the out-of-pocket costs for taxpayers as US\$13,200 per year for each problem gambler. In Canada, similar estimates have been as high as \$56,000⁹. There is particular concern about growing incidence of problem gambling among youth.¹⁰ The costs resulting from family break-up and other family problems are not included in that figure, nor are the costs of lost productivity to the problem gambler's employer.

Despite significant studies in most provinces, decisions in favour of gambling expansion are usually undertaken without *a social impact assessment*. It is in this area that the church's experience is the greatest, primarily through its ministers who counsel the families of addicts or through lay people who work in the mental health field.

8. The case of VLTs and Internet gambling

Video lottery terminals or VLTs have galvanized public attention on government-sponsored gambling for several reasons. First, they are the equivalent of the slot machines inside major casinos, with a few differences. They are often located outside casinos. They are highly accessible, especially to minors. Also VLTs require virtually no skill and are played at a very rapid pace. The distinctions between VLTs

⁸A ground-breaking Canadian study in this area is *On the Expansion of Legalized Gambling in British Columbia: Evidence and Appropriate Procedures* by Richard Lipsey. Canadian Institute for Advanced Research, Simon Fraser University, 1997.

⁹Differences in social safety net provisions account for part of the difference in costs.

¹⁰See "Hardly a Quick Fix: Casino Gambling in Canada", *Canadian Public Policy*, vol. XXII, no. 2, (June, 1996), pp 116-128.

and slot machines are small enough that public policies need to be developed for *both*, with an eye to the known dangers of VLTs per se. The issue is government-sponsored *expansion* of gambling and its plan to make it universally accessible by increasing the gambling sites.

VLTs are called "the crack cocaine" of the gambling industry because they are highly addictive. Although they are banned in all but 7 of the United States, they are promoted by provincial governments in Canada. The Ontario government plan called for 20,000 VLTs (now slot machines) operating in the province to assist it in reaching its development goal. That goal is: that 1 in 3 Ontario adults will gamble at least one time per month.¹¹ Persuading this many Ontario adults to lose money is crucial in generating the money that government will use to fund public purposes and charities.

Internet gambling is but the next stage of an industrial revolution that is upon us. The National Coalition Against Legalized Gambling in the US described internet gambling this way:

"Consider the ABCs of Internet gambling -- Addiction, Bankruptcy, and Crime. Internet gambling would multiply addiction exponentially by making highly addictive forms of gambling easily accessible to everyone. Internet gambling has the potential to take huge sums out of the entertainment/retail economy all over the nation without creating any replacement jobs...."¹²

The social costs of this new form of gambling are partly responsible for legislation under consideration in the US Senate and the House. Such legislation is not yet being developed in Canada.

9. Charity casinos

In Ontario, the public debate on the merits of expanding gambling to include VLTs was muddled by government plans to create so-called "charity casinos". This development in gambling is especially important to the church because it is part of the charitable sector, whose need for funds is being used to justify gambling expansion by illegal plans.

The charity casinos have been proposed as the best way to generate new money for hard-working charities and community groups that have lost their government funding. They are also offered to charities that have relied on traditional gambling in the past (bingo, Nevada tickets, "Monte Carlo" events, etc.) These forms of gambling are expected to dwindle rapidly once VLTs or slot machines are introduced, as has been demonstrated in western Canada. In effect, governments have offered charities a chance to join the industrial revolution in gambling by switching from low-tech, traditional gaming operations to electronic gambling.

VLTs create a profound moral dilemma for charities, whether or not they use gambling-generated revenue.

- (i) They privatize the funding for community services, taking it from taxpayers and donors and placing it on gamblers.

¹¹Coopers and Lybrand (1996) "Ontario Gambling Club Project (Report prepared for the Gaming Control Commission), p. 14.

¹²Ann Geer, Chair, in testimony to hearings of the American Senate on the Internet Gambling Prohibition Act. National Coalition Against Legalized Gambling *Newsletter*, Fall, 1997.

- (ii) Charity casinos risk the reputations of charities and their many volunteers to lend legitimacy to an expansion of gambling that is neither lawful nor socially responsible.
- (iii) Schemes for charity casinos change the relationship between charities and the communities they serve. They turn charities into tax collectors for the provincial government. They bring charities into the dependency relationship with commercial gambling interests and with gambling addicts in order to pay the costs of doing good work.

In the Ontario case, the charity casinos proposal attempted to buy the silence of most charities on the government's bigger plan to introduce VLTs outside major casino sites and outside the charitable sector. The illegal aspects of the plan have been scarcely explored in the public debate, unlike BC, where the Supreme Court has issued decisions. That is:

- Charities are prohibited from using electronic gambling to raise revenue.
- The majority of the money raised in charity casinos will go to government and commercial operators, contrary to the law.¹³
- The scheme brings charities, government, and commercial, for-profit companies--both Canadian and American--into a partnership.

This development in gambling is being debated in the charity sector under difficult circumstances. Few boards have had the opportunity to consider a policy on using VLTs or slot machines to generate their revenues, but find themselves threatened with the loss of existing funding. Timelines for decision-making in local municipalities are generally set by the applications for permits and licenses submitted by developers and commercial operators, rather than by a careful assessment of the fund-raising needs of charities.

10. Challenges to faith posed by gambling expansion

The expansion of gambling is the public policy issue on which the membership of the United Church has been most persistently outspoken during the 1990s. Most conferences, many presbyteries and hundreds of congregations have been involved. In most cases church people have succeeded in reframing the gambling question from moralistic condemnations of individuals to a question of public social responsibility.

In recent years, however, there has been little public discussion of the operating belief system that has led people to conclude that gambling expansion is unethical and a challenge to people of faith. In a recent gathering of church leaders involved in resisting gambling expansion, people articulated the faith reasons for their involvement. The list included:

- (i) Our culture defines success in material terms, yet few will achieve it. A society that holds out only "failure" for the vast majority of its members is one that has failed to build "the people" and left individuals to compete against one another to be among the very few who succeed. Government is exploiting the social dilemma built into our culture.

¹³See the BC Supreme Court decisions, 1998.

- (ii) The Christian sense of solidarity with neighbours or community is destroyed by creating a society in which an exploiter-exploited relationship is set up.
- (iii) We are opposed to the exploitation of the vulnerable in the community (problem gamblers and those affected by their behaviour) by vested interests.
- (iv) At an inter-personal level, electronic gambling undermines community and produces anti-social behaviour.
- (v) God's creation is good. The resources it offers are to be equitably divided amongst God's people--justice is the measure of our society.
- (vi) Christian stewardship requires accountability to God for all that one possesses and for how it is used.
- (vii) Current government plans narrow our responsibility for the good of our "neighbours" from all taxpayers and donors to only those who gamble. This violates our Christian commitment to common responsibility for the common good.
- (viii) We remain convinced that protecting the social safety net is our way of doing what the early followers of Jesus did in distributing basic goods for widows and orphans. In our day it is a duty of citizenship and therefore one that should be shared by all taxpayers, not just gamblers. It is therefore not a *charity*, but a *duty* of the government on behalf of all citizens.
- (ix) Respect for real life and a sense of responsibility are undermined when government urges people to rely on the false hope of security in gambling. It encourages an escape from reality and distracts us from seeing the hope of God's ultimate reality piercing our world.
- (x) We do not want to lend moral legitimacy to flouting of the law in our society.

Every group involved in Christian witness on this public policy issue will have additional points to make. The preceding list simply demonstrates the kind of challenges to their faith that people are experiencing as gambling expansion proceeds.

11. Policy recommendations

Given these developments in the gambling industry in Canada, the following policies are recommended to the Executive of General Council as a basis for further work by church courts and people in addressing gambling as it presents itself in the late 1990s.

That the Executive of General Council urge the federal government to:

1. create a federal inquiry to conduct a public and independent review of the social, economic, and legal impact of legal and illegal gambling and charitable gaming in Canada, and to make

recommendations regarding public policy, with particular attention to electronic gambling and to effective oversight of the gambling industry within the requirements of the Criminal Code;

2. establish national standards for the assessment of gambling and charitable gaming proposals, including economic, legal, and social impact assessments;
3. establish a single format for providing information on gambling, gaming and gambling-generated revenues and require full disclosure of such information annually;
4. establish an independent review of the activities of provincial gambling/gaming commissions and issue a public report on the findings, with particular attention to public processes for decision-making regarding the allocation of gambling-generated funds, public accountability, and standards of governance that serve the public interest; and

B. That the Executive of General Council urge all provincial, territorial, and First Nations governments to:

1. halt all gambling/gaming expansion until such time as a full federal review has been completed and the recommendations acted on;
2. ban the use of VLTs and slot machines and establish plans with timelines for removing those VLTs and slot machines that have already been licensed.

C. That the Executive of General Council

1. urge presbyteries--especially those serving low-income, native or remote communities--to seek the co-operation of others (e.g. police, the Children's Aid Society, the Chamber of Commerce, other charities) in protecting their communities from gambling expansion and its social and human costs.
2. ensure that current information for use of congregations in connection with gambling expansion be disseminated to all UCC congregations (including a standardized petition form and procedure for a petition campaign), within the current budgeting parameters of the Division of Mission in Canada;
3. issue a press release on the action taken to give visibility to the General Council's support for the efforts of local churches on this issue;
4. express its thanks to the Church in Society Co-ordinating Group for the work on this report and to all those who submitted ideas and suggestions;
5. adopt the report, "The Gambling Economy" as an update to the policy of the General Council.