

Government—gambling’s biggest addict

Profligate spending feeds government gambling addiction

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EXECUTIVE SUMMARY

Provincial governments in Canada are addicted to gambling revenue in the same way that they are addicted to tax revenue. In Canada, the average family pays more in taxes than they do for food, clothing and shelter combined.¹ Yet mismanagement of current high tax levels means Canadian provincial governments have become bookies to keep the money flowing in.

Gambling takes another \$534, on average, from every Canadian adult. While not every Canadian adult gambles, this number is intended to give a clear picture of how much additional money gambling takes from Canadians.

Provincial governments across Canada show all the signs of addiction. They attempt to hide the scope of the problems for individuals, families and communities. They can't stop gambling as evidenced by expansion into online gambling and the building of new casinos. Furthermore, they jealously protect their territory, shutting down gambling that profits only the owners instead of provincial coffers.

Neither does gambling contribute very much to communities when viewed in the context of provincial profits. The money governments give to charities and non-profit organizations amount to a very small sliver of total profits. In difficult economic times, when 13 percent of federal government revenue goes only to service interest payments on our debt, the provincial push for additional gambling revenue is an attempt to band-aid over profligate spending.²

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1. Lammam, C. and Veldhuis, N. (2011, April 26). *Average Canadian family pays more in taxes than it does for food, clothing, and shelter combined*. Vancouver: The Fraser Institute. Retrieved from <http://www.fraserinstitute.org/publicationdisplay.aspx?id=17445>
2. Barnett, R., Danforth, J. and Matier, C. (2011, November 1). *PBO economic and fiscal outlook*. Ottawa: Office of the parliamentary budget officer. See slides 11, 12. Retrieved from http://www.parl.gc.ca/pbo-dpb/documents/EFO_November_2011_EN.pdf. With calculations by author.

RECOMMENDATIONS

- Profits from gambling should be put exclusively toward deficit and debt elimination
- Provincial governments and/or private agencies must conduct thorough research into the effects of gambling when considering expansion into a new area (online gambling) or enlarging existing areas (casino, slots and VLT gambling)

INTRODUCTION

Gambling revenues in Canada amount to \$13 billion annually.³ However, this amount has leveled off over the last three years and provincial governments want more. Individual gamblers and their families find themselves, not surprisingly, on the other side of the coin. While every gambler hopes for the big win, the vast majority deal with mounting losses. The only guaranteed winner in Canadian gambling circles is government.

Provincial governments across the country are addicted to gambling revenue. In Ontario, casino gambling first appeared in the depths of economic recession in 1993. Likewise today provincial governments are mired in debt and are looking to grow gambling revenue. Don Drummond summarized Ontario's economic problems in his recent report this way: "Even Greece, the poster child for rampant debt, carried an Ontario-style debt load as recently as 1984."⁴ When governments can't get spending under control, they look for new ways in which to increase their revenue. Not surprisingly, they turn to the taxpayer.

Sure, people win the jackpot once in a while. Winners are plastered all over the media, which acts as unpaid advertising for the government gambling industry. However, they are the minority and their winnings are a pittance compared to the revenue governments receive from gambling. A \$50 million dollar win is chump change (only 2.5 percent) when annual profits hover around the \$2 billion dollar mark, as is the case in Ontario, for example.⁵

3. Statistics Canada. (2010, August 27). The Daily. Retrieved from <http://www.statcan.gc.ca/daily-quotidien/100827/dq100827beng.htm>

4. Drummond, D. (Chair). (2012). Commission on the reform of Ontario's public services. Public services for Ontarians: A path to sustainability and excellence. Toronto: Queen's printer for Ontario. p. 79.

5. Ontario Lottery and Gaming Corporation. (2010). Annual report: Economic impact., p. 5. Retrieved from http://www.olg.ca/assets/documents/annual_report/annual_report_economic_impact.pdf

Province	Gambling profits	Percentage to charities and non-profits	Percentage to gambling addiction research and treatment
BRITISH COLUMBIA	\$1.1046 BILLION (2011)	12%	0.5%
ONTARIO	\$1.958 BILLION (2010)	6.6%	2.6%
QUEBEC	\$1.337 BILLION (2011)	2.6%	2.3%
NOVA SCOTIA	\$141 MILLION (2011)	2.9%	4.7%

Sources: Ontario Lottery and Gaming Corporation, British Columbia Lottery Corporation, Nova Scotia Gaming Corporation and Lotto Quebec.⁶

PROVINCIAL LOTTERY PROFITS VERSUS MONIES INVESTED IN COMMUNITIES

True enough, a very small percentage of lottery profits ranging from 3.6 to 12 percent are diverted to non-profit organizations and charities. A closer look reveals those benefits to be a drop in the bucket compared with how much provincial governments keep to prop up unsustainable spending.

In British Columbia and Ontario, communities that agree to host gambling facilities are given a percentage of the profits earned there. This money to host communities is part of the operating expenses for the provincial lottery corporations. Amounts ranged from 5.6 percent in Ontario to 7.5 percent of gambling profits in British Columbia.⁷

While governments across Canada are awash in gambling profits, average Canadians are nursing their losses.

WHERE DO THE PROFITS COME FROM?

While the average gambler may be able to survive their losses, a small but consequential percentage of gamblers are drowning in debt to help fund the provinces.

In a 2011 study of Alberta, Dr. Robert William of the University of Lethbridge found that a “small percentage of people currently account for the bulk of reported Alberta gambling expenditure. Roughly six percent account for 75 percent, ten percent account for 81 percent, and 20 percent account for 89 percent.”⁸

- British Columbia Lottery Corporation. (2011). Annual benefits to B.C. Retrieved from <http://www.bclbc.com/cm/benefitingbc/financialchart.htm>. With calculations by author. Ontario Lottery and Gaming Corporation. (2010). Lotto Quebec. (2011). Annual report 2011. See Consolidated table of earnings, p. 38. Retrieved from http://lotoquebec.com/corporatif/pdf/rapportannuel/rapport_2011/2010-2011_lq_annual_report.pdf - page=1 See also Lotto Quebec. (2011). 2011 Profile of social contributions, p. 10. Retrieved from http://lotoquebec.com/corporatif/pdf/responsabilitesociale/contributions/profil_contributions_2011_en.pdf - page=1 and Nova Scotia Gaming Corporation. (2011). Where the money goes. Retrieved from http://nsgc.ca/corporate/financials/where_the_money_goes/
- British Columbia Lottery Corporation (2011). Annual benefits to BC. Ontario Lottery and Gaming Corporation. (2011). OLG gives back. Retrieved from http://www.olg.ca/about/economic_benefits/index.jsp
- Williams, R., Belanger, Y.D., and Arthur, J.N. (2011). Gambling in Alberta: History, current status, and socioeconomic impacts. Final report to the Alberta Gaming Research Institute. p. 259. Retrieved from <http://dspace.ucalgary.ca/bitstream/1880/48495/3/SEIGA%20FINAL%20REPORT-Apr2.pdf>

The top six percent of highest spenders have a 40.6 percent prevalence of problem gambling, compared to two to three percent prevalence in the population as a whole.⁹

GOVERNMENTS ARE ADDICTED TO GAMBLING INCOME

Why must governments continue to rely on gambling to prop up sagging provincial treasuries? Simply put, because they aren't controlling their spending.

If we look at gambling profits in Canada as a whole, this \$13 billion would be an average additional \$534 per year per Canadian adult. While we realize that not every Canadian gambles, this number highlights how much additional money the government takes from Canadian citizens through gambling. Given the slim chances of winning the lottery, this is money that would be better spent in almost any other way. For example, were it given to charity, we might see a decreased need for government services in other areas. And donating to charity guarantees a 15 percent return on the first \$200 dollar donation and 29 percent on anything above that in the form of a tax deduction.

Governments are addicted to gambling income, particularly in times of economic distress. Especially then, it is easier to expand gambling than it is to raise taxes because not every taxpayer is affected and gamblers do so by choice, at least initially. Let us examine some ways that this addiction shows:

Governments hide the damage

Like any gambling addict, governments do their best to minimize the visibility of the damage their habit is causing.

Gambling addicts are those whose gambling is causing damage to their finances, their families, their jobs.¹⁰ They are the few gamblers who can no longer control their gambling and rush further and further into debt. One Ontario-based health professional working in proximity to a casino says: "There are people that could sit there for eight hours at the same slot machine and they may or may not get up to go to the bathroom." The same health worker, who preferred to remain anonymous, goes on: "Various people have gone through their entire retirement savings. They've had to re-mortgage their houses. They've gone through their children's education funding."¹¹

These are people who are addicted to gambling and cannot by their own power stop. In a 2010 paper titled *Government gambling and broken families* the Institute of Marriage and Family Canada outlined the effects of gambling addiction on addicts and their families.¹² We found that the effect of gambling addictions likely touch between 4.1 and 8.28 million Canadians.

Governments protect their monopoly

Provincial governments are fiercely territorial about gambling, like a gambling addict who won't let anyone else play their slot machine, for fear of the next person hitting the jackpot. This leads to the idea that government gambling is moral where private gambling is not. Government is acting as the morality police. Any

9. *Ibid.*

10. Problem Gambling Institute of Ontario. (2012). What is problem gambling? Centre for Addiction and Mental Health. Retrieved from <https://www.problemgambling.ca/gambling-help/gambling-information/what-is-problem-gambling.aspx>

11. Ontario-based community health professional (personal communication, July 28, 2011).

12. Miedema, D. (2010). *Government gambling and broken families: How problem gambling effects families*. Ottawa: Institute of Marriage and Family Canada. Retrieved from http://www.imfcanada.org/article_files/October_2010_Government-gambling-and-broken-families.pdf

Apparently, government gambling is moral where private gambling is not. Government is acting as the morality police. Any prohibitions which still exist are enforced only to protect the government monopoly

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In Vankleek Hill, a small town in Eastern Ontario, police carried out a warrant and found “illegal video gambling machines.” Individuals in Vankleek Hill, Cornwall and Montreal were charged with violating the criminal code statutes against gambling.¹³ In British Columbia, the government gambling site is trumpeted as “British Columbia’s only LEGAL gambling site” (emphasis in the original).¹⁴

Ontario Finance Minister Dwight Duncan, acknowledging that the government’s profit from the new online gambling site would be relatively modest, stated that “in my way of thinking, it’s more about the competitiveness of OLG going forward and ensuring that it continues to be a reliable source of revenue for the province.”¹⁵

Governments use the coercive power of the state to

protect their revenue. At the same time, the law is a teacher. While gambling has traditionally been seen as detrimental to society, the government operation of gambling teaches that gambling is fine, so long as the government is your bookie.

Governments can’t quit

Provincial governments are moving deeper and deeper into gambling activity. Whereas the gambler does this to recover his losses, governments do this in order to expand spending. In Ontario, the provincial government decided in March 2012 to establish a casino in Toronto and to expand the availability of slot machines and lottery tickets in the hopes of raising an extra \$1.3 billion in profit annually by 2017. Putting a casino in Toronto is something no party had proposed since former Premier Bob Rae announced Ontario’s first casino in Windsor in 1993.¹⁶ In addition, the OLG is committed to building another facility housing slot machines at a racetrack in eastern Ontario.¹⁷ British Columbia, Atlantic Canada and Quebec have already expanded into online gambling, with Ontario soon to follow.

Arguments for gambling expansion include the idea that local gambling keeps money in the community.

This, strictly speaking, is not true. Colin S. Campell, a criminology professor in British Columbia, argues that “...it is increasingly suspect that rather than apprehending ‘revenue leakage’ to nearby jurisdictions that permit legal

13. Peeling, M. (2011). Illegal gambling machines seized in Cornwall, Vankleek Hill, Montreal. *Cornwall Standard Freeholder*. Retrieved from <http://www.standard-freeholder.com/ArticleDisplay.aspx?e=2585602&archive=true>

14. See <https://www.playnow.com/?WT.ac=bclclplaynow|globalnavlink>

15. Online gambling comes to Ontario. (2010, August 10). CBC News. Retrieved from <http://www.cbc.ca/news/canada/toronto/story/2010/08/10/ontario-gambling-olg546.html>

16. Benzie, R. (2012, January 16). Liberals soften opposition to Toronto casino. *Toronto Star*. Retrieved from <http://www.thestar.com/news/article/1116483--liberals-soften-opposition-to-toronto-casino>. Robson, D. (2011, January 17). The game goes on: Two decades of casinos in Ontario. *Toronto Star*. Retrieved from <http://www.thestar.com/news/article/922751--the-game-goes-on-two-decades-of-casinos-in-ontario>. Ontario Lottery and Gaming Corporation. (2012, March 12). Modernizing lottery and gaming in Ontario. Retrieved from http://www.olg.ca/assets/documents/media/strategic_business_review2012.pdf

17. Ontario Lottery and Gaming Corporation. (2010). Annual report. p. 28.

gambling, the availability of local gambling, particularly in the form of urban casinos, may actually encourage an outflow of money from the local community.”¹⁸ Dr. Campbell goes on to explain that this outflow happens when people introduced to local gambling subsequently book a trip to Las Vegas, for example, to experience a larger gambling experience.

WHAT COULD STOP THIS EXPANSION?

First and foremost, fiscal accountability and responsibility would force governments to live within their means, decreasing the necessity of gambling revenue. Premier Dalton McGuinty of Ontario once said: “There is no doubt about it, we have come to rely on gambling revenues. Perhaps in a better world we wouldn’t, but the fact of the matter is it’s here, it’s here to stay.”¹⁹ Why is it here to stay? Because the government says so? Because rearing in spending is just too hard? As media commentator John Robson asked in a recent article, why is government acting as a bookie?²⁰

Gambling revenue should be used to eliminate the deficit and debt, in order to stop the bleeding of provincial finances. When gambling profits go into general coffers, it gives government the false impression that they can

continue to overspend. Using gambling profits exclusively for debt reduction would deter governments from profligate spending. In Ontario, if current gambling profits were put toward deficit reduction, we could eliminate the deficit in just over eight years, lowering

interest costs and allowing future profits to speed up the pace of debt payment. It would take approximately 107 years to pay off the debt if current annual gambling profits were applied.²¹ This assumes the government would continue to pay the interest on

the debt. Just paying down the principle would still take generations, but at least it’s a start.

Certainly, governments see their recovery from this addiction as impossible. One way to change this opinion would be through an in depth cost/benefit analysis. Researchers should compare the costs of gambling addiction to social services, (through suicide, bankruptcy and family breakdown, for example) with the benefits. If all these outcomes of gambling could be assigned a dollar value, we would begin to see the negative economic impact of gambling.

The authors of a 2011 Canadian Consortium for Gambling Research report note that “[t]he monetary costs include money spent on a) treatment and prevention; b) policing, prosecution, incarceration, and probation for gambling-

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18. Cosgrave, J.F. and Klassen, T.R. (Eds.) (2009). *Casino State: Legalized Gambling in Canada*. Toronto: University of Toronto Press, p. 86.

19. Robson, D. (2011, January 17). The game goes on: Two decades of casinos in Ontario.

20. Robson, J. (2012, February 19). Drummond offers no real relief. *Toronto Sun*. Retrieved from <http://www.torontosun.com/2012/02/17/drummond-offers-no-real-relief>

21. Ontario Ministry of Finance. (2011). 2011 Ontario budget. See Chapter II: Ontario’s economic outlook and fiscal plan. Retrieved from <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2011/ch2a.html>

related crime; c) child welfare involvement for gambling-related family problems; and d) unemployment and welfare payments and lost productivity because of gambling-related work problems.”²²

Exactly how to quantify the social and economic impacts of gambling is the topic of ongoing discussion in the Canadian research community. The Canadian Consortium for Gambling Research report charts a course for further study through its recommendations and gives a detailed overview of current gambling research.

In that detailed report, the authors note that “[m]ost socioeconomic impact studies simply examine the pre- and post-changes in a community after the introduction of a new gambling venue/format. However, there are a multitude of economic and social forces at work that account for social/economic changes in a community. Furthermore, gambling often represents only a small fraction of total economic activity within a community.”²³ They recommend comparing a locale which has introduced gambling to a comparable community which has not.²⁴

Ultimately, a solid study of gambling’s effects in a particular geographical area would involve gaining data relating to gambling addicts and their families, along with related community organizations.

CONCLUSION

Provincial governments in Canada must break their addiction to gambling. Taking an extra \$534 from the average Canadian adult’s pocket through gambling is not the way to save our economy. Instead, provinces must learn to live within their means. The best way to do this would be to get spending under control so that we can actually be able to cut not only deficits but debt, rendering the \$13 billion dollars in gambling revenue unnecessary in the running of smaller, leaner governments.

RECOMMENDATIONS

- Profits from gambling should be put exclusively toward deficit and debt elimination
- Provincial governments and/or private agencies must conduct thorough research into the effects of gambling when considering expansion into a new area (online gambling) or enlarging existing areas (casino, slots and VLT gambling). 🍁

22. Williams, R.J., Rehm, J., & Stevens, R.M.G. (2011). *The social and economic impacts of gambling. Final report prepared for the Canadian Consortium for Gambling Research*, p. 42. Retrieved from http://www.ccsa.ca/2011_CCSA_Documents/SEIG_FINAL_REPORT.pdf

23. Williams, R.J., Rehm, J., & Stevens, R.M.G. (2011), p. 19.

24. Williams, R.J., Rehm, J., & Stevens, R.M.G. (2011), p. 20.

PREVIOUS PUBLICATIONS:

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