

Toward a Science of Gambling Regulation: *A Concept Statement*

The Concept

Legalized gambling has consistently attracted considerable attention and stimulated ongoing public controversy. While supporters and opponents of gambling present arguments for or against the issue, the global expansion of casino, lottery, pari-mutuel, and other forms of gambling in recent decades suggests that legalized gambling is slowly becoming a common, acceptable and possibly permanent feature in many of societies around the world. Because gambling is an activity that is not without risk, in many countries expansion has been accompanied by a plethora of new and adapted regulations designed to prevent gambling-related negative social and economic consequences.

The set of gambling regulations within a jurisdiction represent that jurisdiction's strategy for preventing negative consequences. Prevention strategies differ among jurisdictions as a function of various and diverse social perceptions, for example: (1) the pathways to disordered gambling; (2) the expected efficacy of different interventions; (3) identification of vulnerable subgroups within the population; and (4) the regulatory environment. The regulatory environment emerges from external pressures to install regulations; these pressures include but are not limited to public opinions, media sensationalism and perceived threats to the public welfare. We propose that gambling regulations would be more effective if the regulatory process was science-based.

The first step in the development of a science of gambling regulation is to conduct a study of existing international and intra-national gambling regulations. Scientific examination of existing regulations will help to guide the creation and implementation of future gambling regulations. To accomplish this goal, the justification behind each existing statute would be examined, and its purpose, as it relates to the epidemiology of gambling, would be determined. Each statute would be assessed to see

**“Bad laws punish many people and
deter few. Good laws punish few
people and prevent many.”**

Norman E. Zinberg

how it fits into a general public health framework, its intended target or targets, estimated costs and benefits, and various other factors. When this initial review is completed, the aggregated information base over all jurisdictions will describe the epidemiology of regulations.

This report discusses the policy implications of a new methodology for constructing regulation. We then report on the assessment of the epidemiology of regulations that led us to conclude that developing a science of gambling regulation was necessary. Finally, we present a brief description of the findings from analyzing a limited number of regulations intended to promote responsible gambling that led us to conclude that landscape of regulations was as expected and that our research hypotheses were tenable.

Policy Implications

A study of inter- and intra-national gambling regulations will provide valuable insight for policy-makers working to create and implement efficient and effective regulatory structures for the oversight of legalized gambling. Doing so will eliminate the need for educated guesswork in policy-making as policy-makers will be able to use a generalized framework for the creation of scientifically driven gambling policy. For example, if the study of gambling regulations reveals that the development of new gambling policy is largely motivated by public opinion, media sensationalism or perceived threats, then existing policy might require updating to reflect actual cost-benefit data. The assessment and codifying of global gaming regulations, statutes and laws also will result in an information base that can be examined for relationships between adopted regulations and jurisdictional attributes. The preference for different intervention strategies and the associated preference for certain types of regulations might be a function of characteristics such as types of allowed gambling formats or time since gambling was introduced. Hence, the regulation information base can be used to assure that the creation and implementation of future gaming regulations is appropriate given a jurisdiction's unique attributes. Finally, if the study reveals that some jurisdictions have considerably more effective regulatory processes than others, less effective jurisdictions will be encouraged to adopt successful or best practice mechanisms into their systems.

The Regulatory Background

Numerous studies from around the world indicate that governments have increasingly focused on reforming and simplifying regulatory processes in recent decades (1, 2). Such regulatory reform not only allows governments to reassess justification for existing policies, but also provides an opportunity for budgetary reform. The result is that nations are able to reduce administrative and compliance expenditure while reassigning regulatory power and responsibility to the lowest appropriate level of government. One notable exception to this trend is the United States, where in the wake of recent terrorist attacks, expenditures on regulatory activities comprised 1.22 percent of the 2002 federal budget—the highest percentage since 1980 (3).

Government regulatory reform efforts seldom occur at random. Instead, most governments tend to implement reforms in a wave of interrelated initiatives or, more broadly, in a widespread program of regulatory reform (4). In these instances, governmental reform could be systematically and scientifically driven—that is, conceived and implemented based on a variety of contributing factors (e.g., cost-benefit analysis, social desirability, etc.) and with certain specific outcomes in mind, including the simplification of regulatory and administrative structures, and increased social welfare.

Despite initiatives to simplify regulatory processes, evidence reveals that proposed regulatory reforms often do not meet expectations when put into practice (e.g., 5). This is especially true in nations with multiple layers of government. For example, a recent General Accounting Office (GAO) study reports that in the United States states regularly make trade-offs with the federal government so that both levels of government can achieve regulatory objectives. Such trade-offs make regulation possible; these trade-offs also expose both levels of government to financial and other vulnerabilities (6). Thus, while regulation is generally viewed as a means to achieve a desired outcome, practice indicates that regulatory action in itself can be problematic.

While regulatory reform continues to be a general theme as nations attempt to streamline their public sectors, recent evidence suggests that new gambling regulations are on the rise (7). Regulatory oversight is commonly used throughout the world to counterbalance potential economic benefits with the perceived social threats posed by legalized gambling (e.g., addiction, crime, suicide). More specifically, governments establish regulatory bodies to oversee gambling activities in the attempt to accomplish three globally accepted goals: (1) to ensure that legalized gambling activities and establishments remain crime free; (2) to

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keep players informed and ensure that they are not exploited; and (3) to provide protection for children and vulnerable populations (8). To achieve these goals, Cabot (9) states that governments engage in two basic forms of gambling regulation: economic, which ensures that customers receive gaming services at competitive “prices,” or payback; and social, which serves to protect the public and inform consumers of the risks of gambling activity.

While intended to benefit the public, regulatory efforts are not without cost. Regulatory structures are costly to establish and maintain, and generally rely upon the taxes and fees levied upon the regulated industry as well as taxpayer funds to operate. In addition, there are substantial costs associated with regulatory compliance (e.g., licensing fees, reporting, data management and storage) that must be absorbed by the gaming industry. Ultimately, such fees are passed on to gaming patrons through price increases and lower payouts.

There are many reports in the scientific literature and the general media noting the association between gambling and adverse social consequences. However, it is difficult to untangle cause and effect. After the National Gambling Impact Study Commission (11) failed to find a direct link, the GAO initiated its own investigation focusing on Atlantic City and also failed to find a link (10). The GAO also did not find a link between bankruptcy and gambling. Howard Shaffer summarized the issue this way, “To date, the state of scientific research simply does not permit the conclusion that gambling is the primary or contributing cause of a wide array of social problems. It can appear that gambling causes social problems, and it even might be that gambling is a cause of these social problems. However, given the commitment of a public health perspective on gambling to scientific research, it is important to note that the current state of scientific research simply does not permit this conclusion” (12, p. 21).

Our assessment of the regulatory background led us to conclude that there was a need to study regulations and to develop and advance a science of gambling regulation that can guide the creation and implementation of gambling-related public policy. We also were able to frame the study’s preliminary research hypotheses. First, while intended to protect the public from the potential ills of gambling, we hypothesize that gambling laws are rarely formulated by reviewing empirical evidence and practical experience; instead, political ideologies, media coverage, prevailing public opinion, and a host of other circumstantial factors mainly drive the development of gambling-related policy. As a result, we further hypothesize that gambling laws fail to maximize utility and are largely inefficient in terms of implementation and enforcement. Finally, we hypothesize that a scientific approach to gambling regulation

would yield more effective, efficient and fair laws, both for the gambling and non-gambling public and the legalized gambling industry.

Studying Regulations

To confirm our perceptions of existing regulations and to help formulate study strategies and procedures, we conducted a preliminary evaluation of a limited set of regulations. The American Gaming Association published a report of the statutes and regulations concerning responsible gaming in the states with commercial casinos (13). As briefly illustrated below, the results of that evaluation confirmed the validity of our research hypotheses and also established the need for developing a science of gambling regulation.

Preliminary Study Results

There are 11 states with commercial (non-Indian) casinos. Those states have enacted a total of 45 regulations relevant to promoting responsible gambling. The regulations addressed 11 different topics that we grouped into three major categories defined by the natural chronological stage of developing gambling-related problems.

1. Initiation of Gambling

- Public Awareness—programs designed to make the public aware of the potential problems associated with gaming and gambling
- Prevention—early prevention through programs directed to youth and students
- Advertising/marketing restrictions

2. Gambling and gambling-related activities

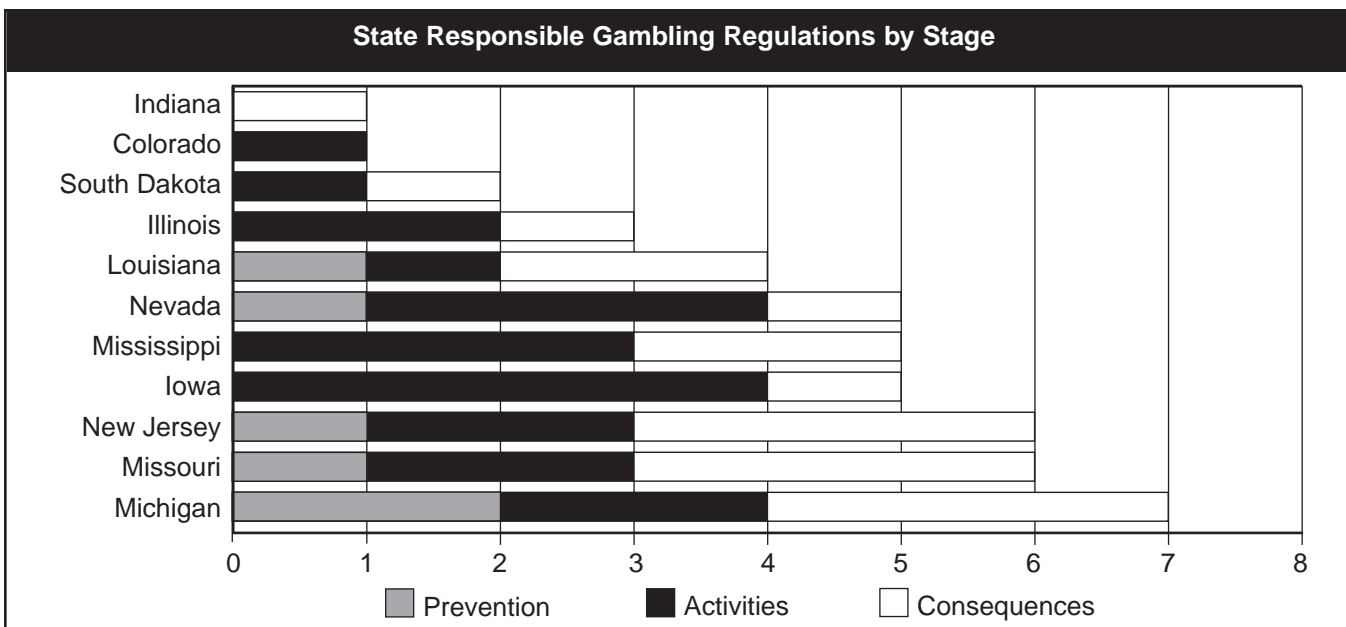
- Signage
- Employee training—pathological gambling and education
- Alcohol service
- Credit restrictions
- Loss limits

3. Consequences of Gambling

- Self-exclusion
- Help line
- Treatment

The first stage includes regulations directed toward the public in general who may or may not have begun to gamble. The second stage is directed to regulating activities that are part of the gambling experience or the social setting within which people gamble (e.g., as in the case of signage and alcohol service within the casino environment). The last stage deals with procedures for helping people who have developed a gambling problem. The three stages conform to the public health system of defining primary intervention as appropriate for people who have not yet engaged in a health risk; secondary interventions are directed to people behaving in a healthy way but who may need help to maintain their health, while tertiary interventions are for people who are no longer healthy.

The figure below presents the number of responsible gambling regulations by state and broken down by stage. The number of regulated areas varied widely across states and ranged from one to seven. No state was comprehensive of all the enacted regulations. Even the state with the most regulations, Michigan, did not regulate some important gambling-related areas, such as alcohol service, credit restrictions or loss limits. Interestingly, of all the regulations (i.e., 45), only five (13 percent) were directed toward initial prevention. The remaining interventions were divided nearly equally between gambling activities (n=21) and consequences of gambling (n=18). The pattern of areas covered by the states revealed some distinct differences in strategies for limiting problem gambling. For example, Iowa and Nevada concentrated their regulations on gambling activities. The states with the most regulations—Michigan, Missouri and New Jersey—had the majority of the regulations directed toward intervening with the consequences of gambling.



Future Directions

At this writing, the Institute for the Study of Pathological Gambling and Related Disorders has started the Science of Gambling Regulation project. The first efforts are to identify and collect current, pending, and repealed statutes pertaining to the establishment and regulation of gaming institutions and systems across the world. Then, we will examine all existing available gaming regulations, including laws (i.e., both active and repealed), bills and policy initiatives on a country-by-country basis. We will conduct a content analysis to determine the patterns, goals and implicit conceptual issues that are associated with the drafting and passage of these regulations. We also will identify existing gaming laws by conducting an in-depth review of existing gaming literature, legal databases, and U.S. Supreme Court and international high court decisions.

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