EDITORIAL: GAMBLING, THE STATE AND THE MARKET

Chris Brady

Until Nassim Taleb published *The Black Swan*, I never realised that I was an economist, albeit from the ‘Fat Tony’ school of economic realism. For those of you unfamiliar with Fat Tony, I need to explain that he is, in Taleb’s words, someone who thinks ‘entirely outside the box’. He is the fictional Brooklyn wide-boy who always challenges the conventional ‘academic’ thinking by applying simple common sense and experience.

As a graduate of the Fat Tony school, I feel privileged to edit this symposium on gambling within *Economic Affairs*, which has as its raison d’être the promotion of a greater understanding of the gambling industry and its interaction with the state and the market. It is to be hoped that such understanding will generate more informed, and thus more valuable, discourse around the topic.

As with most of the popular ‘vices’ (alcohol, smoking, pornography), gambling has a love/hate relationship with the state which, in the form of its consequential regulatory regimes, has a direct effect on the market. In this symposium the various authors address these continual interrelationships in what is both an interesting and informative way. Brian Sturgess, for example, asks why should the structures of the gambling market that amount to state monopolies exist at all. He does so through a case study of pari-mutuel gambling. He argues that not only do such monopolies restrict consumer choice but they also artificially restrict market growth.

In their paper, Basham and Luik contend that one of the reasons the state does not act sensibly with regard to the gambling industry is because it assumes that there are no social benefits to gambling. The authors provide significant evidence to the contrary. Their ‘gambling-as-recreation’ argument is insightful and exposes a different perspective on the debate. In addition to its recreational value, the authors also cite the value of poker as an educational tool. Those who doubt such a claim may be unaware that von Neumann’s original model for developing the theory of games was poker.

Naturally, in such a narrow field, some areas of discussion overlap. For example, the theme of ‘strange bedfellows’ arises more than once. In Gary Loveman’s exposition of the irrationality of regulatory regimes, he points to the ‘small coterie of opponents motivated by moral opposition and their own financial interests [who] succeeded in shaping public perceptions about the so-called “dangers” of destination-resort casinos’. This echoes the same kind of unholy alliance as that between the mid-West bible-belt and the Las Vegas casinos that fought against internet gambling in the USA.

In his paper, Marc Etches identifies what he refers to as the ‘moral entrepreneurs’ and their political alliance with those protecting their own commercial interests. He also shows how that alliance used the British print media in a particularly effective way to affect the ultimate regulatory direction of the British government.

Bill Eadington explains very clearly how regulation has a direct effect upon the market. He shows how particular regulations, such as smoking bans (or lack of them) can damage the businesses in the regulating state to the benefit of neighbouring states with no such ban. Eadington’s article also provides a very full examination of the key trends in the industry. He describes the effects of the recession and the likelihood of greater governmental authorisation of gambling, rather than less.

In his article Mark Littlewood further examines regulatory structures and concludes that, with respect to gambling, they are especially strict and prevent real market entry by small competitors. He is also clear that addictive gambling is unlikely to be helped by regulation and that a lighter regulatory regime could help ensure that gambling is a major growth sector in Britain.

Of course, all participants in the gambling industry debate call upon quantitative evidence to substantiate their claims. In one area, the ‘social costs’ of gambling, Walker and Kelly address the entire basis upon which quantitative ‘evidence’ is presented. They
present a methodological challenge which contends that the majority of studies contain 'fundamental measurement problems' and wildly overestimate the social costs of gambling. They suggest a more principled approach to determining policy which includes such criteria as consumer sovereignty, property rights and the role of governments in free societies.

The natural constraints of space mean that some interesting areas are left to future scholars. The roles of internet gambling, financial spread betting and betting exchanges are mentioned only briefly. Notwithstanding, the essential discourse about the relationships between the gambling industry, the state and the market are fully covered. A valuable side product is the demythologising of the media sound-bites regarding the gambling industry.

What comes through the range of contributions in this symposium is the level of general and governmental misunderstanding of the gambling industry itself and the role that regulation plays in affecting the market place in which the industry operates. If this edition of *Economic Affairs* can address that imbalance then well and good; if not, then we will keep trying.

1. I was, for many years, employed by a bookmaker in a variety of roles.

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