Opposition to gambling and poker machines is a confused mixture of patronising ‘compassion’ and political rhetoric, writes Richard Allsop.

Kevin Rudd hates them. Brendan Nelson has expressed deep concern about them. Bob Brown wants huge cuts to their numbers. And Senators Stephen Fielding and Nick Xenophon rant against them at every opportunity.

Dislike of poker machines is so universal that it joined the Costello brothers in rare unanimity on a public policy issue. Regular adversaries Andrew Bolt and Stephen Mayne at least share in common the fact that they have both campaigned strongly against them. And, in the perhaps ultimate recognition, a trendy leftie band produced a song attacking them.

Yes, if there is one thing that unites the conservatives and the left, it is agreeing that The Whitlams were correct—we should ‘Blow Up the Pokies’.

The third of the community who play poker machines are self-evidently stupid and need to be saved from themselves. Their views are never heard in a public debate that has concluded that the negative impacts of poker machines for problem gamblers far outweigh the advantages gained by those who enjoy them, or gain employment from them. Further, as a community, we only have to put up with them because state governments are ‘addicted’ to gaming taxation.

The volume of the attacks on poker machines—and on gambling in general—is likely to increase with anti-pokies campaigner Nick Xenophon taking his place in the federal senate, and the Council of Australian Governments requesting the Productivity Commission to update its 1999 report on gambling.

The PC’s 1999 report, Australia’s Gambling Industries, found that 81.5 per cent of Australians participated in some form of gambling in the previous year, while 38.6 per cent played poker, or gaming, machines. Instead of celebrating the fact that in the 1990s millions of Australians had finally been allowed to readily access a leisure activity for which there was such obvious demand, the PC came down against the pokies.

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Since its release, the 1999 report has been used as the basis for numerous attacks on the gaming industry, all designed to deny citizens the right to enjoy gaming as a leisure activity. It would not be surprising if the updated version adopted the same illiberal way of thinking.

Class and gambling

Denying citizens the right to gamble is a time-honoured action of illiberal governments. It is typically one of the first steps of authoritarian regimes—the Chinese Communist Party banned gambling the moment it seized power in 1949. Hitler did not have the opportunity to close gambling houses in Germany, as they had been shut by decree of Kaiser Wilhelm I in 1872, but Hitler’s takeover of Austria in 1938 at least allowed him to close them there. Mussolini banned gambling houses in Italy in 1923, as did Castro when he seized power in Cuba in 1959. Indeed, for Castro, banning gambling was as much a priority as expropriating private property.

Democracies have also regularly impinged on their citizens’ gambling rights. The ebbs and flows of legalisation and prohibition in the United States not only vary over time, but from state to state, and from type to type of gambling. In England, the first attempts to restrict gambling were taken as early as the fourteenth century as, along with the playing of certain games, it was seen as diverting men from practicing archery. What is notable about the various English acts through the centuries is that they tended not to ban gambling per se, but to prohibit it in certain places, at certain times and, in particular to target certain classes of people such as craftsmen and apprentice labourers. Such discrimination has become typical of anti-gambling laws—gambling is allowed for the select few, but not for the masses.

For the first six decades of the twentieth century, the main gambling issue of concern for Australian Governments, and concerned wowsers, was illegal off-track gambling on horse racing.
Conservatives and the Left have always worked together on the issue of gambling to deny the working class their gambling of choice, while allowing the better off a largely free rein.

generally conducted by ‘SP’ bookmakers, but most famously by John Wren’s tote. The attacks on Wren’s tote, and private racecourses, show that conservatives and the left have always worked together to deny the working class their gambling of choice, while allowing the better off largely free rein.

One conservative politician who regularly passed Wren’s Richmond racecourse commented that he had ‘no time for these fellows who at this time when everybody else is trying to do something to add to the happiness of the community, waste their time at racecourses’. Similar comments were never made about patrons at up-market Flemington. Conservatives made constant attempts to place restrictions on horse race betting so that it would be limited to an upper class pursuit. Sometimes, Labor supported the conservatives; if they did not, they were accused of being bribed by Wren. Similarly, the conservatives frowned on trotting and greyhound racing, specifically because conservatives frowned on trotting and greyhound racing, specifically because they were designed to appeal to a working class clientele.

Wren’s most recent biographer, James Griffen, summed up the position perfectly:

… ‘wowsers’ deserve their disparaging appellation. They tolerated gambling for gentlemen in elite clubs. They were oppressive and class conscious and, when triumphant, responsible for such squalid features of social life as ubiquitous back-lane betting and, after the First World War, the infamous six-o’clock swill. Their attitude was punitive: if the lower classes must drink, let them do it in degrading circumstances.

And yet, in the end, it was not conservative wowsers, but the communist, Frank Hardy, who did the most to destroy Wren’s reputation. For a communist, providing enjoyment to working class people was anathema, as it would only divert them from their revolutionary duty. Unsurprisingly, the gullible Manning Clark was happy to pick up Hardy’s unsubstantiated and scurrilous accusations and bequeath Wren to history as ‘a prey on humanity’.

Strange then, that Wren’s tote saw the operator take only 10 per cent of turnover, a lower figure than today’s TABs extract from their punters, and that all the evidence points to the Wren tote having been scrupulously fair. Wren’s private pony and trotting tracks charged lower admission than the public courses and yet, for both conservatives and communists, providing to the working class something readily available to the upper class was a sign of immorality.

While Wren’s tote stopped operating in 1907, SP bookmakers remained a feature of Australian culture for many decades. Certainly, not all the SPs operating in public bars across the country, returned 90 per cent of turnover to punters like Wren did, but they certainly gave nothing to government. Combined with moralising, the desire of governments to gain a share of gambling revenue was a key factor in the establishment of state-owned, off-course totalisators (TABs) that were introduced in every state in the 1960s. Realising that gambling taxes were a soft way to extract revenue, states soon found other ways to extract money from gambling and so state-run lotteries were introduced, followed in some jurisdictions by casinos.

While NSW was one of the last states to introduce a TAB, it preempted the other states by almost four decades when it allowed the introduction of poker machines in 1956. Most other states, excluding Western Australia, joined them in the 1990s. Often the rationale for allowing the entry of the machines in those states was not based on the right of citizens to seek enjoyment, but worries about losing tax revenue and employment to other jurisdictions.

Gambling rhetoric and reality

Nevertheless, the strangest aspect of anti-pokies rhetoric today is that it places a large proportion of the blame for ‘excessive’ gambling on state governments, which are allegedly beholden to taxation on gambling. This line of argument formed part of the Howard government attack on the states and Kevin Rudd has also criticised state Labor governments for relying too heavily on pokies tax revenue.

But in 2006-07, the states and territories received a mere $4.7 billion in gambling taxes out of a total state and territory revenue of almost $153 billion. It is hard to argue that a rate of a bit over 3 per cent for gambling as a whole—2 per cent for gaming machines—of total revenue is heavy reliance when compared to property and payroll taxes. Of course, an easy way to reduce their ‘reliance’ would be for the states to cut the rates of gambling taxes, but it isn’t clear that this obvious way of reducing ‘reliance’ is what the critics of gambling have in mind. Ensuring punters get back a higher percentage of their turnover would seem a laudable aim, especially as gambling taxes tend to be regressive, but not apparently to the anti-gambling zealots. In fact, a plan proposed by Senator Fielding earlier this year would increase the rate of tax, an odd way to reduce ‘reliance’.

That is not to argue that there is not room for changes to how the states issue gaming licenses. The Victorian
government intends to end the duopoly of Tabcorp and Tattersalls when their current gaming licenses expire in 2012.

The claim about state government reliance on gaming taxation is just one of a series of myths that seem to go unchallenged whenever poker machines are discussed.

It is constantly claimed that Australia has the highest number of gaming machines in the world, and yet, with 2.4 per cent of the world’s total, it actually ranks eighth, behind Japan, the United States and several European countries.

Intriguingly, the pokies have tended to be far more controversial in the later entrant states. Victorians, who think that the pokies have had a particularly pernicious impact on their state, appear largely unaware that with a cap of 104,000 machines, NSW has well over twice as many machines per head of population as has Victoria with its 27,500 cap. It makes calls in Victoria to reduce the total number of machines seem particularly odd.

There was undoubtedly considerable pent up demand for gaming machines in the states which had not had them until the 1990s. There is also considerable evidence that, as the market has become more mature, machine use has plateaued, perhaps partly due to restrictions such as smoking bans and advertising restrictions, but also as a result of changing entertainment choices. As a percentage of household expenditure, gambling has generally been declining. And yet, if one listens to the anti-gambling rhetoric, one would think that it was a growing problem.

A gambling epidemic?

However, the real assault on poker machines is based on two claims: that pokies produce higher numbers of problem gamblers than any other form of gambling, and that problem gambling is a particularly pernicious social ill. Opponents of poker machines argue that the negative impact of problem gambling on individual gamblers and their families outweighs any benefits which may be derived from gaming.

The Productivity Commission’s 1999 report found that 2.1 per cent of poker machine users were problem gamblers. While there has been no national study since then, most state-based surveys have indicated a rate of problem gambling at less than half that level. And if surveys in Queensland are typical, it is a declining rate, in that state going from 0.83 per cent in 2001 to 0.47 per cent in 2006-07. According to the PC report, problem gamblers accounted for 43 per cent of losses on the machines and, despite evidence of a declining percentage of problem gamblers, opponents of poker machines argue that the figure is an underestimate and that now half of losses come from problem gamblers, which seems unlikely, unless a more wealthy cohort of the community are now becoming problem gamblers.

One recent commentator, Charles Livingstone, listed ‘financial ruin, relationship breakdown, the neglect of children, theft and fraud, and in some cases suicide and imprisonment’ as being among the harm that poker machines cause. While it is clear that poker machines have contributed to these problems, the actual figures seem to be much lower than Livingstone implies.

In 2004-05, there were 4,372 business bankruptcies in Australia of which 63 were attributable to gambling speculation. In the same year, there were 16,324 personal bankruptcies of which 480 were gambling related. (And bear in mind that the gambling category includes all types of betting, not just poker machines.) Twice as many business bankruptcies were caused by ‘failure to
keep proper books’ while four times as many personal ones were caused by ‘domestic discord’. Maybe Senators Fielding and Xenophon should turn their attention to accountancy courses and marriage guidance.

Interestingly, on the issue of marriage and relationships, a 2006 Relationships Australia survey placed gambling 22nd of 24 possible factors ‘negatively influencing relationship with partner’, with a score of just 3 per cent. Six times as many people had relationship problems due to disputes over housework and three times as many complained about the ‘influence of in-laws’. So while pokie critics stress about poker machine spin rates, perhaps they could do more good if they worried about in-law visitation rates.

As one of the most regulated industries in the nation, the gambling industry has been forced to take a number of measures designed to ameliorate the problems caused by excessive gambling. Given the range of voluntary measures also taken by industry in recent years—codes of conduct, staff training, exclusion policies—it is obvious that the gaming industry knows that it needs to do everything it can about problem gambling if it is to have a viable future.

**Rage against the machines**

Earlier this year Senator Fielding announced a ‘bold plan’ to rid pubs and clubs of poker machines. His plan, if implemented, would deny many Australians—particularly older Australians—their trip to a pub or club, a trip involving a cheap and wholesome meal, a couple of drinks. The chance to put a few dollars into a poker machine is a highlight of the week, with transport to the venue often provided as well. Many of these people would not have the means, or the desire, to travel to the far away casinos or racetracks where Fielding wants to corral pokies. They like going somewhere local, where the staff and other customers know them, and they feel secure. So when Fielding takes their pokies away, first the small flutter they enjoy would be denied them, next to go would be the subsidised meals and drinks, and finally the club or pub could also close denying these citizens a vital opportunity for social intercourse. Instead, they will probably just stay home.

While Fielding’s opposition to pokies fits neatly into an overall worldview, what is strange is the remarkably large number of people who adopt a libertarian attitude to most things, who nonetheless somehow draw the line at gambling. Of course, socially progressive people such as The Whitlams lead singer, Tim Freedman, hate to be seen as intolerant of any type of social behaviour—so when their anti-pokies song came out he made clear that he does not mind gambling ‘as long as the odds are fair’, but in his view ‘pokies are just a form of legislated losing’. Would it be churlish to point out that bands like The Whitlams have an obvious self-interest in opposing poker machines, their competitors for space in pubs and clubs?

The same blind spot about pokies seems to happen to the otherwise economically rational. In most instances, the Productivity Commission has played a positive role in promoting economic liberty and the rights of consumers to decide how they should spend their own dollars on goods and services. Yet, their 1999 gambling report was a disappointment. Despite the fact that it found that there was a large net benefit to the Australian economy from gambling, (after taking problem gambling into account, it was estimated at between $4.4 billion and $6.1 billion per annum), it proceeded then to adopt a variety of measures to undermine their own finding.

The Productivity Commission also found that ‘in the absence of gambling other industries would have received the
consumers’ dollars and would have grown, invested, employed people and produced value in much the same way as the gambling industries have done’. The Australian Gaming Machine Manufacturers Association pointed out three obvious flaws in this argument. First, gambling would not disappear, it would operate illegally; second, not all people skilled in one industry can be instantly reemployed in another; and third, the multiplier effect might be completely different if the expenditure moves to something like Hollywood movies instead.

The amount of taxation paid by gambling tends to be one line of defence taken by the gambling industry. The industry can reel off a lengthy list of good causes that this revenue has been applied to both in dealing with problem gambling and funding other initiatives. Plus they point to the significant number of jobs provided directly, and indirectly, by the industry.

However, there is a much more fundamental issue at stake than these utilitarian benefits. While there is no doubt that problems have been caused by gambling and by poker machines, these negatives do not justify stopping the 97.9 per cent who are not classed as ‘problem’ gamblers from consuming a product they enjoy. A 2003 survey in Victoria found that only 4 per cent of people who had found gambling had a negative impact on their lives, compared to 21 per cent who found it had a positive impact (and 75 per cent for whom it made no difference). Why should the needs of the 4 per cent outweigh the 21 per cent?

The whole language of the anti-gambling lobby underscores their prejudice. No one says that people ‘lost’ $100 on going to the football, the theatre or a restaurant. One might not enjoy seeing a football team lose, a lousy play or a poorly cooked meal, but people still do not say the money was ‘lost’.

Of course, there are many aspects of our society where if one chooses to focus purely on the negative aspects one can mount an argument that the activity should be stopped. For instance, car accidents destroy far more lives than poker machine addiction ever will. In 2007, a total of 1,616 people lost their lives on Australia’s roads, with some estimates of the economic costs of this being in the order of $25 billion per year. If one followed the pokies model, politicians would be proposing that we remove ten per cent of cars from the road, with a special cap placed on car numbers in country areas where the car accident rate is higher.

Whatever one’s personal position on the potential costs and benefits of driving a car, or playing the pokies, that decision is clearly best left with the individual, rather than the state.

In the United States in recent years, a similar debate to our one about poker machines has been taking place about gambling over the internet, which has been banned, with the exception of certain government approved forms, such as horse racing. As Radley Balko of Reason Magazine concludes:

The gambling ban seems to have been supported by two similar approaches to governance that, although they come from opposite sides of the political spectrum, are generally quite similar.

From the right, many feel that if they’re personally morally opposed to a particular consensual activity, it ought to be banned for everyone. From the left, it’s the mentality that because some people can’t engage in a particular activity responsibly and without harming themselves, that activity ought to be banned for everyone. One is moral paternalism. The other is Nanny State paternalism. But the result is the same. The government makes your decisions for you.

Gambling’s history of hyperbole

‘Among the lower orders, gambling forms a leading incentive to enormity, and should by all means be discouraged by efforts of the legislature.’

—Sydney Gazette, 1806

‘One of the most degrading vices of the present day is gambling. It is blighting the youth and manhood of Australia. Like many other forms of moral evil, gambling is ensnaring and fascinating. I propose to tear off the deceitful garb of this exciting fiend, expose his deformed character, and, so far as I can, drive him back to the hell from whence he emerged.’

—Henry Varley, Melbourne, 1890

‘Gambling has become such a curse in this city [Sydney] that our young people neglect everything for it. Married men neglect their wives and children, mothers their children, and boys and girls their ordinary duties to participate in the gambling craze.’

—William Murphy MP, 1893

‘A Vesuvius of carnality and greed ... a seething mass of flaming animalism ... tainting the community, corrupting the youth, luring to destruction the weak and foolish, and scattering among the hard-working clean living people the seeds of crime, debauchery and miserable poverty.’

—William Judkins, Methodist lay preacher, 1906, describing John Wren’s tote

‘Almost the first question one asks on hearing of an embezzlement is ‘Does he patronise the races?’ Who has not seen the ruined house, the heart-broken wife, the ragged children whose condition is due to gambling by the head of the house? And sometimes suicide and murder are its fruits.’

—Methodist Spectator, 1906

‘[A lottery] is the utter negation of brotherly love. It is the sin of Judas.’

—Archdeacon Schofield, 1952

‘Australia has the dishonour to lead the world in gambling. Australia’s is the gambler’s paradise, the treasure island of the slick fellows who know there is no more gullible person than the get-rich-quick gambler.’

—Rev. A. Crichton Barr, Melbourne, 1956