



# The United Church of Canada General Council

## GCE The Gambling Economy (1998G121)

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### ***Abridged***

#### **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 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)

"...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**

.... 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 fuelling the demand for a gambling boom.

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

- a. the invention of *the electronic chip* and the ability to make electronic transfers of money to anywhere on the globe;
- b. 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...."*[\[1\]](#)

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

*"...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...."*[\[2\]](#)

The result is a rapidly growing gambling economy. Legal gambling in Canada amounts to a \$20 to \$27 billion industry.[\[3\]](#) In just four years, net gambling revenues[\[4\]](#) 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....

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.

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## 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"....[\[5\]](#)

## 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. Councillors 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*;
- assessment of the social impact and the substantial costs to the municipalities associated with the gambling industry.[\[6\]](#)

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....

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.

.... 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 high accessible, especially to minors. Also VLTs require virtually no skill and are played at a very rapid pace. The distinctions between VLTs 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....

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...."*[\[7\]](#)

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 muddied 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.)....

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.
- 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.

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## **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.
- 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.

- A. **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 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.

1. 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.
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; and

That the Executive of General Council express its thanks:

1. to the Church in Society Co-ordinating Group for the work on this report, and
2. to all individuals, congregations, presbyteries and conferences who submitted ideas and suggestions.

Executive of General Council, Minutes, April 24-27, 1998, pp. 138-139

## Reference

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

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

[3]*Gambling in Canada*. National Council of Welfare. Ottawa, Winter, 1996, p. 1.

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

[5]*Spirit of Bingoland*, Nechi Training, Research, & Health Promotions Institute. Edmonton, 1994.

[6]A 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.

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

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