

**Response to the Review of Gaming Machines and Social Responsibility Measures  
(call for evidence) from Christopher Snowden, Head of Lifestyle Economics at the Institute  
of Economic Affairs.**

The following is a response to questions 1 and 3 of the consultation.

Whilst the Institute of Economic Affairs supports free markets and personal liberty, we accept that the government will not - and should not - take an entirely *laissez-faire* approach to gambling. There are bound to be limits on stakes and prizes and **we have no view on what the limits should be on B2 machines (fixed odds betting terminals)**. Any limit is bound to be somewhat arbitrary. However, I would like to make four general points that I hope will guide DCMS's decision.

**1. B2 machines should not be compared to conventional fruit machines**

To a non-gambler, it might seem incongruous that fixed odds betting terminals (FOBTs) have a stake limit of £50 or £100 when other gambling machines have a limit of £1 or £2, but this reflects the different nature of the games. Fruit machines with a low stake have jackpots which allow up to £500 to be won in a single spin. FOBTs, by contrast, do not have jackpots. In blackjack, a winning player can usually do no more than double what he has staked. The same is true of a roulette player betting on red or black, or odds or evens (the exception is when the player bets on a single number which returns at a rate of 36:1, but since FOBT payouts are capped at £500 it makes no sense to place more than £13 on such a bet).

Given the 1:1 payout ratio, there would be little excitement in betting £2 to win £2 and therefore the stake is considerably higher on FOBTs. In most casinos, the *minimum* stake on blackjack and roulette is £5 and it is often as high as £10 or £15. Any cap on the maximum stake must be set at a high enough level for players to get a sufficient sense of risk and reward to make the games satisfying. It should not be set at a level that will deter a significant number of players.

Anti-FOBT campaigners have called for a £2 stake limit. This has been portrayed as a way of reducing the risks to problem gamblers and may have been perceived as such by naive observers. In practice, however, it is an attempt to put an end to FOBTs by the back door because such a severe reduction in stakes and prizes would reduce consumer appeal and amount to a *de facto* ban. Not for nothing is the group leading the campaign for a £2 stake called Stop the FOBTs.

**2. The real competition to B2 machines is the internet**

There has been opposition to betting shops offering B2 machines from some operators in the casino and arcade industries, presumably because they feel they would have a commercial advantage from their removal. But the real competition to fixed-odds betting terminals - and video gaming in general - is the online world, much of which remains offshore and untaxed. FOBTs are one way for the incumbent betting industry to keep pace with changing tastes in a digital world. Twenty-first century gambling preferences require twenty-first century legislation if the sector is to thrive. Regulation cannot afford to be anachronistic in a market in which punters can place unlimited bets on their mobile phones.

If politicians try to wind back the clock to the days when betting shops were filled with old men gambling on greyhounds they will consign bookmaking to history. B2 machines might not be to everybody's taste but they have a place in the modern industry and existing regulation and taxation is more than adequate, if not excessive, for this gambling product. If stakes and prizes are reduced to a level that makes the games unexciting to some players, those players will spend their money online and betting shops will close.

If people prefer to gamble online than in licensed betting shops or casinos, I have no objection to that, but they should have the choice. Moreover, there are obvious advantages to keeping gambling in bricks and mortar establishments, such as employment, tax revenue and supervision.

### **3. There is no evidence of rise in problem gambling**

Anti-gambling campaigners have been predicting an epidemic of problem gambling ever since the Gambling Act was introduced. As early as 2004, Geoff Raynor of the Public Health Association was predicting that the number of problem gamblers would double to 750,000.<sup>1</sup> In 2013, the *Independent* reported that the rate of problem gambling *had* doubled - 'to almost 500,000'.<sup>2</sup> Recently, *The Times* reported that the number of problem gamblers had 'almost doubled to 336,000' in the last three years.

The public have been drip-fed a narrative of spiralling rates of problem gambling and yet the figures cited in the three articles above show that it cannot be true. If the number of problem gamblers was 375,000 in 2004, it cannot have doubled twice and still be 336,000. The reality is that the rate of problem gambling has been between 0.4 per cent and 0.9 per cent since surveys began in 1999 (see **Table 1** below). There is some fluctuation in the figures from year to year, as would be expected from survey evidence with wide confidence intervals. Newspapers report the figures when they appear to rise but fail to report them when they appear to fall. In all probability, they have been essentially static at around 0.5 per cent of the adult population for 17 years, unaffected by both the rise in gambling advertising and the emergence of fixed-odds betting terminals.

In the absence of serious evidence that FOBTs have caused a rise in gambling addiction, anti-FOBT campaigners simply assert that the machines are the 'crack cocaine of gambling'. The popular press routinely use this term when discussing FOBTs and yet there is no credible source for it. The phrase seems to have been coined by Donald Trump in the 1980s when talking about Keno, a form of video bingo, which he saw as a threat to his casino business. Trump failed to get Keno banned but 'he succeeded in providing a great shorthand term for all opponents of gambling'. It is a shorthand that has been used extensively around the world ever since.

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<sup>1</sup> [http://news.bbc.co.uk/1/hi/uk\\_politics/3641207.stm](http://news.bbc.co.uk/1/hi/uk_politics/3641207.stm)

<sup>2</sup> <http://www.independent.co.uk/news/uk/home-news/addiction-soars-as-online-gambling-hits-2bn-mark-8468376.html>

In the 1990s, video lottery terminals were often described as the ‘crack cocaine of gambling’ in Canada. In 2004, the *New York Times* reported that ‘anti-gambling activists’ were calling slot machines ‘the crack cocaine of gambling’. In 1997, a Republican Senator in Arizona called internet gaming the ‘hard-core crack cocaine of gambling’. When lottery scratchcards were launched in Texas in 2007, Senator Eliot Shapleigh said: ‘Scratch-off tickets are to the lottery what crack is to cocaine’. The Reverend Tom Grey, executive director of the National Coalition Against Legalised Gambling not only described casinos as the ‘crack cocaine of gambling’ but also dubbed slot machines ‘electric morphine’.

A plethora of other examples could be cited to further illustrate the fact that FOBTs are not unique in being compared to crack cocaine. Indeed, it is difficult to find any form of gambling that has avoided this epithet in the last twenty years. Anti-gambling activists never attribute the term to any specific individual because it is not based on any expert testimony or empirical evidence. Through constant repetition it becomes attached to whatever gambling product is popular with the public - and, therefore, unpopular with anti-gambling campaigners - at the time. At the moment, that product is the FOBT.

**Table 1**

Problem gambling prevalence (England and Scotland)	DSM-IV methodology	PGSI methodology
1999 (BGPS)	0.6%	N/A
2007 (BGPS)	0.6%	0.6%
2010 (BGPS)	0.9%	0.7%
2012 (health surveys)	0.5%	0.4%
2013 (PGSI mini-screen)	N/A	0.3%
2014 (PGSI mini-screen)	N/A	0.5%
2015 (PGSI mini-screen)	N/A	0.4%
2016 (PGSI mini-screen)	N/A	0.7%

#### 4. Current gambling statistics are inadequate

The table above relies on three different datasets, each of a lower quality than the last. Until 2010, the UK produced world class data on gambling prevalence in the form of the British Gambling Prevalence Survey (BGPS). These were replaced by less thorough, but still useful, research in health surveys. Since 2013 we have had to rely on small surveys of 4,000 people conducted by Populus on behalf of the the Gambling Commission.

The current surveys provide little that is useful, particularly with regards to problem gambling. The sample size is half as large as that in the BGPS and they contain very few details that shine a light on the characteristics of problem gamblers.

My understanding is that the Gambling Commission has resorted to this low quality data to save money. The government receives a great of tax revenue from the gambling industry, particularly since it increased the tax on B2 machines. It does not seem unreasonable for it to provide the Gambling Commission with enough resources to conduct high quality research. If the government takes the issue of problem gambling seriously, it should use a small fraction of the taxes paid by gamblers to commission research that is on a par with the 1999-2010 surveys. Indeed, if the government wishes to accurately measure problem gambling it needs to commission surveys that have a significantly larger sample than that of the BGPS.

