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Money over misery: Restrictive gambling legislation in an era of liberalisation

Carsten Jensen

Abstract

Gambling is a major industry in all European countries generating billions in revenue to commercial actors and governments alike. It is also a source of addictions adversely affecting millions of individuals. The little research that exists on the politics of gambling legislation indicates a process of convergence towards a common policy standard. Yet while policy convergence is the general trend, there are still significant national differences and, indeed, even divergence. A powerful example of this is the policy trajectories of Denmark and Norway. These two countries not only resemble each other in terms of political system and social model; they also shared virtually identical gambling policies for most of the 20th century. Notwithstanding these similarities, in recent years, Norway has restricted access to gambling, whereas Denmark has become one of the most liberalised gambling regimes in Europe. The article presents an explanation of these diverse policy trends.

Keywords: Addictive activities; gambling; gambling addiction; policy divergence; liberalisation; regulation

Introduction

Gambling, in all its variety, is one of the main forms of entertainment in modern societies: as a pastime for the many and a windfall for the lucky few that are turned into millionaires. It is also a source of considerable misery. In the European Union (EU) alone, the number of gambling addicts sums up to anywhere between 2.5 and 10 million individuals. Because gambling addiction frequently has severe negative effects on people's health, economy and family life, it features as one of the most prominent social ills of today (Griffiths 2009; Lorains et al. 2011; Shaffer et al. 1999). As a consequence of the millions of addicts, gambling is a huge and profitable industry. In 2012, turnover reached EUR 84.9 billion in the EU alone (European Commission 2015).

Given the societal importance of gambling both in terms of misery and money, there has been very little attention to the topic by political scientists. The little research that exists indicates a process of convergence towards a common policy standard (Adam and Raschzok 2014: 496–497). Yet while policy convergence may be the general trend, there are still significant national differences and, indeed, even divergence. A powerful example of this is the policy trajectories of Denmark and Norway. These two countries not only resemble each other in terms of political system and social model; they also shared virtually identical gambling policies for most of the 20th century. Notwithstanding these similarities, in recent years, Norway has restricted access to gambling, whereas Denmark has become one of the most liberalised gambling regimes in Europe.

The article explores this policy divergence. Three theoretical lessons emerge from the empirical investigation. First, in the formulation of Wilson (1980), costs and benefits of change are concentrated on a few actors who are powerful enough to block change if it goes against their preferences. The primary actors are those societal groups that get a cut of the profits from gambling as well as the state that earns taxes. Neither the groups (that can represent large number of voters),

nor the state have any incentive to forego anything. This means that change normally will only occur when the total gambling revenue is set to grow. This creates a push for liberalization of gambling since this is one of the surest ways to expand the revenue.

Second, the slow and steady move towards liberalization is a good example of path dependent change. That is, real and consequential reforms which nevertheless stick to the trajectory of past decisions. Yet, whereas much existing work on path dependence (e.g., Pierson 1993; Streeck and Thelen 2005) focus on how institutions are the source of the path dependence, this article argues that path dependence can also come about because the solution to the potential conflict between the vested interests stays the same. Liberalization becomes – and remains – an instrument to keep both the powerful societal groups and the treasury happy.

Third, deviation from this path towards further liberalization only occurs if the state cedes having a financial gain from gambling. In that situation the downside from gambling, above all else gambling addiction, become a much more prominent concern with potential knock-on effects on legislation. Yet such a change is usually unlikely exactly because of the benefits flowing from gambling to the state. However, while the state aims at maximizing the value of their share of the gambling revenue, sudden changes in gambling technology can make it difficult to foresee what the best way to do so is – and because of the general status quo bias on the area any suboptimal changes quickly become entrenched.

As I explain below, it was a technocratic, and at the time entirely uncontroversial, decision in Norway in the early 1990s about what part of the state budget should finance public research and development that eliminated the Norwegian government's share of the gambling revenue. As the gambling industry explodes with the internet in the 2000s, this entails that the Norwegian government – in sharp contrast to the Danish – has little fiscal interest in promoting

gambling. This leaves Norwegian politicians free to prioritise health and social issues, whereas their Danish colleagues push for a liberalised market that significantly increases the state's tax earnings.

The lesson from the analysis is, on the face of it, dismal. Politicians appear to prioritise reduced gambling addiction only when the state itself is not directly benefitting from the activity. Since governments in most European countries in fact benefit in this way, this is a plausible explanation for the past decade's liberalisation. On the other hand, other addictive activities such as smoking have seen the introduction of restrictive policies in recent years despite the fact that governments' also benefit from these. In the final part of the article, I therefore discuss the likelihood that gambling in the future will experience the same turnaround as smoking has.

Divergent reform patterns in Denmark and Norway

Gambling is regulated along several distinct dimensions (for summaries of national legislation, see Adam and Raschzok [2014]; European Commission [2014]). One dimension is the types of games available to gamble on. The first type of game to become legal during the 20th century was sports betting, e.g. on horse racing or football. Sports betting is characterised by an element of knowledge on the part of the better. To be successful, it helps to know something about the sport, which in the early days of legalised gambling made sports betting appear less immoral than games where the outcome is based purely on luck. With the exception of some small-scale state lotteries, these luck games – casinos, but above all else big-prize lotteries – got legalised relatively late in Europe and often not until the 1980s and 1990s.

A second dimension is consumer access, i.e. if some segments of the public are barred from participating. The most typical restriction here relates to age, but with substantial variation both across time and country. Some countries have never had an age limit, whereas others have had

one for a long time. A third dimension is provider access. In Europe, provider access relates to the degree of competition and the rules regulating commercial advertisement. Traditionally, all or most gambling has taken place under the auspice of state-run monopolies, but many countries have introduced competition by allowing private operators to compete against the state provider. The rules regulating commercial advertisement have also been made more lenient over time in many countries, so the providers' opportunity to target potential customers has increased significantly.

In modern times, Denmark has never had an age limit, so by design it could not liberalise on this dimension. However, both in terms of the types of games available and provider access, Denmark has liberalised dramatically. Like in most other European countries, new big-prize lotteries were launched, and casinos were made legal in the late 1980s and early 1990s (LBK no. 187, 16/03/1989; LOV no. 397, 13/06/1990). The casinos were privately operated but heavily regulated and taxed, whereas the new lotteries all belonged to the public Danske Spil (previously Dansk Tipstjeneste). Provider access was, in short, constrained. The reform on slot machines in 2000 did not change that, but aimed at reducing the number of illegal slot machines via a combination of tougher license requirements and a reduction of the taxes slot machine operators had to pay (LOV no. 462, 31/05/2000). As the politicians hoped, this led to a surge in licensed machines, from 26,000 to 34,000, and tax revenue to the state (Berlingske, 20/10/2006). In 2010, provider access was liberalised with a large reform that allowed private companies to operate online gambling against a fee and the payment of 20 per cent of their revenue as tax. Danske Spil retained their monopoly on several of the most lucrative lotteries, but fierce competition has erupted on the online market facilitated by more lax advertisement legislation (Jakobsen 2012: 346–362; LOV no. 698, 25/06/2010; LOV no. 848, 01/07/2010). Before the reform, the turnover in 2012 on the online market was expected to reach around EUR 200 million, but that estimate was exceeded with almost EUR 70 million due to the inflow of foreign operators (Berlingske, 28/11/2012).

In the late 1980s, Norway, too, launched a big-prize lottery run by the state monopoly, Norsk Tipping (LOV no. 102, 20/12/1985). However, from then on, Norway changed track. From 2001, players had to be 18 years or older to play on slot machines (Besl. no. 13, 21/12/2000). The restriction in consumer access was made with the explicit intent of combatting gambling addiction and stands in sharp contrast to the Danish legislation from 2000 that contained no such restriction of consumer access. In 2003, a controversial law forbade privately-operated slot machines (Besl. no. 123, 29/08/2003). The law only became effective in 2006 because of the court case I will discuss below. However, when the law was finally implemented, it was one of the most significant examples in Europe of restricting provider access in an era where access almost everywhere else has been liberalised. Today, Norsk Tipping and its small sister company Norsk Rikstoto remain the monopoly providers of games, and commercial advertisement is relatively constrained. Compared to Denmark and the majority of other European countries, Norway has bucked the trend towards liberalisation and has even introduced new restrictions.

It is this divergence between seemingly alike countries that I want to explain. From an analytical perspective, the comparison between Denmark and Norway is likely to provide a lot of leverage. On the one hand, because the two countries share so many similarities, as outlined in the next sections, it is possible to rule out many potential courses since these similarities logically cannot account for the differences in policy. On the other hand, because the policy difference between Denmark and Norway is so wide, the lessons learned from a comparison can travel to other countries with policies similar to or less extreme than the Danish and Norwegian ones. The experience of the two cases studied in this article should, in other words, be relevant to the rest of Europe.

Denmark and Norway before the divergence

Compared to other European nations, Denmark and Norway share a number of similarities that are important to keep in mind in the following. Both countries have multiparty systems with a historically strong social democracy and a more fragmented centre-right that represents various agrarian and urban interests. Since no party has had the majority alone for more than 100 years, both government formation and policymaking require extensive consensus building (Lijphart 1999). It is in line with this tradition that the major gambling reforms, including those since 2000, have normally been passed with large bipartisan parliamentary majorities in both countries. Denmark and Norway also share the same social model, including a generous welfare state and a generally interventionist state. From the perspective of gambling and the associated addictions, it is particularly relevant that both countries host universal health care and a firm belief that society ought to protect vulnerable individuals (Blank and Bureau 2013; Huber and Stephens 2001; Jensen 2014). This implies that the observed policy divergence after 2000 is unlikely to be down to different interventionist traditions.

It is not just at the macro-political level that Denmark and Norway resemble each other. Their history of gambling legislation is strikingly alike – at least from the 1920s until the end of the 1990s, a period of more than 70 years (for overviews of the legislation in this period, see the Danish Ministry of Taxation [2001]; Ot.prp. no. 44, 14/03/2003). Early in the 20th century, both Denmark and Norway had small-prize lotteries in support of worthy causes such as help for people suffering from tuberculosis. In 1927, Norway legalised betting on horse races; something that had been legal for a long time in Denmark. With the 1927 law, the legislation in the two countries was essentially synchronised. For the next couple of decades, until the end of the 1940s, gambling was restricted to horse racing, slot machines and small-prize lotteries. Yet in both countries sports clubs, and their national umbrella organisations pushed for liberalisation of betting on sports such as

football. In 1946 in Norway, and in 1948 in Denmark, the pressure results in the establishment of the two state monopolies, Norsk Tipping and Dansk Tipstjeneste, which are charged with organising the games. From the outset, the aim is to channel most of the revenue back into civil society, and when big-prize lotteries are introduced in the late 1980s, the new revenue is distributed along the same lines as the revenue from sports betting. The revenue quickly becomes an essential part of the budgets of an array of civil society organisations ranging from sports clubs to all sorts of cultural and youth political organisations – although the state in both countries gets a substantial cut of the revenue too.

In Denmark and Norway, there has historically been a very explicit concern with gambling addiction. In parliamentary debates as well as the various official documents, gambling addiction was frequently listed as a reason for caution. In the early part of the period, the concern has a moralistic ring to it, but later on it becomes less about morals and more about the health situation of the individual. This is the same demoralisation of the gambling issue Euchner et al. (2013) find in a comparison of the discourse in Germany and the Netherlands. Interestingly, this is not just a similarity before the policy divergence, but also after where concerns about gambling addiction remain explicitly formulated even in Denmark as policies are liberalised. This does not necessarily mean that Danish politicians do not care about gambling addiction, but it underscores how there is no one-to-one relationship between public statements and policy action.

To re-emphasize, the main lesson of the above is the great similarities between the two cases. It is hard to argue that differences in political system or social model should be able to account for the divergence after 2000. It is equally difficult to argue that the source lies in the trajectory to the policy areas since they have developed almost exactly the same way. The major pieces of legislation in the 1940s and 1980s came within two years of each other and contained virtually identical provisions in terms of the type of games available and consumer and provider

access. The discourse of decision-makers was, finally, also very similar in the sense that both Danish and Norwegian politicians recognised the dangers of gambling. By the end of the 1990s, there is nothing to suggest that Denmark and Norway would begin to diverge in the coming decade.

The internal market and the European Court of Justice

The internal market is intended to facilitate cross-border competition by ensuring that companies from member states are treated identically disregarding their country of origin. Related to gambling the main legal issue has been whether the rules of the internal market are violated when countries prohibit other operators than state-run monopolies to supply gambling (Littler 2007). Private, and often foreign, operators have been keen to move into new territories but would find themselves barred by legislation favouring the state's gambling organisation. From the early 2000s this led the European Court of Justice to hear a number of cases against member states. It is particularly relevant to note in this respect, that since Norway is member of the EEA, the rules governing the internal market in the rest of the EU applies here too (the exceptions Norway has to the internal market mostly relates to farming and fishery and does not concern gambling).

The jurisprudence developed by the European Court of Justice holds that gambling legislation has to be coherent and systematic (Siekmann 2012). This means that there has to be a clear and logical link between the stated goals of policies and the legislative means. In several instances, this has been difficult for governments to document. A significant ruling went against Germany where the court concluded that the rules of the internal market had been violated by monopolising most of the gambling market. The defence claimed that the monopolies were meant to keep gambling at a minimum and, hence, reduce gambling addiction. This was considered unconvincing by the court given that the state-run monopolies were very active advertisers, i.e.

clearly working to create more gambling, not less. In this situation, the impression left with the court was, not unreasonably, that the real purpose of sticking to state-run monopolies was to maximise the revenue to the public purse rather than having to share the pie with private companies.

In the words of the court (Court of Justice of the European Union 2010: 1–2),
monopolies

...may be justified by imperative reasons in the public interest, such as preventing incitement to squander on gambling and combating gambling addiction. However, the national measures for attaining those objectives must be suitable for attaining them and must be limited to the restrictions necessary for that purpose. [...] the German rules do not limit games of chance in a consistent and systematic manner. First, the holders of public monopolies carry out intensive advertising campaigns with a view to maximising profits from lotteries, thereby departing from the objectives justifying the existence of those monopolies. Secondly, with regard to games of chance such as casino games and automated games, which do not fall within the public monopoly but carry a greater risk of addiction than games which are subject to that monopoly, the German authorities carry out or tolerate policies designed to encourage participation in those games. In such circumstances, the preventive objective of that monopoly can no longer be pursued, so that the monopoly ceases to be justifiable.

A few countries have escaped with their state-run monopolies intact because their legislation was judged to be coherently and systematically geared towards containing gambling addiction. Portugal won one such a case in 2009 (Court of Justice of the European Union 2009), and Norway did as well (EFTA Court 2007). The Norwegian case, which is the interesting one currently, originated in

the prohibition of privately operated slot machines in 2003 mentioned above. The 2006 ruling stated that the Norwegian legislation was indeed genuinely aimed at reducing addiction, as evidenced by the modest advertisement efforts, and that the prohibition was therefore justified (Van der Meij 2012).

In sum, Denmark had two paths open to it when deciding on the content of the 2010 reform. It could either opt for the Norwegian solution of restricted access or the liberalising solution that would allow more competition into the system. At the end of the day, the latter solution was chosen. However, it is important to realise that restriction was a real possibility; being subject to the internal market does not mean that a country cannot fight gambling addiction. Naturally, since restriction in all likelihood would lower the revenue created from gambling because advertisement efforts might have to be toned down, and liberalisation, on the other hand, promised to increase revenue, Danish politicians were facing a tough decision. Should they prioritise combatting addiction or maximise revenue? Cynics will note that their choice to go for the money is hardly surprising, also given that this has turned out to be the favoured choice by most European governments in the same predicament. Yet this overlooks a crucial question: why did the Norwegian politicians stick to the moral high ground?

Voter demands and the public economy

One reason for their distinct policy choice may be that Norwegian politicians need the additional revenue less than their Danish colleagues. Norway is famed for its oil wealth, so it may simply be better posed to forego the extra revenue. For that to be analytically convincing, however, would require three conditions to be met. The first condition for the oil-wealth explanation to be plausible is that the Norwegian politicians should have refrained from liberalising gambling already from the

late 1970s or early 1980s when the oil production turned into a profitable industry for the Norwegian society. Yet it is obvious that Norway exactly did not change its liberalising gambling regime just because oil entered the picture. Indeed, there is a 20 year lag between the founding of the oil wealth and the restriction from 2000 onwards (30 years if calculated from the year oil was first produced, i.e. in 1971). In between these two time points, Norway liberalises big-prize lotteries, as outlined above. That oil wealth should have a causal impact on gambling legislation is, in sum, unlikely based on the sequence of historical events.

Even if we disregarded this, two other conditions should still be met. First, that the Norwegian politicians have access to the oil money to the extent they need them. Second and more importantly, that the Norwegian voters are satisfied with the public services they are offered. Firstly, the huge profit that for decades has flowed from Norwegian oil industry has since 1990 been put into the Government Pension Fund (better known as the Oil Fund). In 2001, the so-called spending rule was introduced, which stated that a maximum of four per cent of the fund could be spent annually in order to avoid overheating the economy. Given the size of the Oil Fund, four per cent is, in fact, quite a lot – though not enough to satisfy the Norwegian voters. The 2009 National Election Survey asked which of two statements voters agreed most with: statement A argued that ‘to avoid rising prices and interest rates we should not spend more of the oil money than we do today’; the alternative statement B argued that ‘to solve current social problems we need to spend substantially more of the oil money than we already do today’. Of all the voters, 33.4 per cent agreed most with statement B, which is very substantial given that they were explicitly reminded of the potentially negative consequences (Election Survey 2009).

Thus, a large electoral minority has been willing to use the oil money even at the cost of a sound economy, it would appear. Moreover, a big majority believes the government spends too little on core welfare services. An example of this is found in the Role of Government module from

the International Social Survey Programme from 2006, which asked about preferences for social spending in both Denmark and Norway, allowing for a direct comparison of voters' preferences (the two countries' national election studies yield the same conclusion, but they are based on less comparable data). In Norway, 85.6 per cent believed that the government should spend more or much more on health care, whereas 81 per cent believed the same in Denmark. When it came to education, 62.1 and 62.3 per cent wanted more or much more spending in Norway and Denmark, respectively (International Social Survey Programme 2006).

Norwegian politicians have undoubtedly been lucky that they happen to govern a country with a large oil industry. However, it would be a mistake to conclude that they are freed from the continuing demand for more public spending that politicians elsewhere are faced with. Norwegian voters certainly express the same pro-spending opinions as found in Denmark – and many other European countries as well. Indeed, recent Norwegian elections have often featured a debate about both the perceived underperformance of core services such as health care and education as well as the appropriateness of staying within the limits of the spending rule. Under the pressure of a recent downturn, the four per cent rule has actually been put aside, but that is in the context of much lower oil revenue. Either way, it is obvious that Norwegian politicians would have been able to make good use of any additional revenue from liberalising gambling. In short, the question remains why they chose not to.

The politics of gambling taxation

The gambling revenue that goes to sports clubs and other civil activities are often vital for securing a thriving local community life in many areas. Large sums have over the decades been spent on training grounds, club houses and all sorts of other physical facilities and equipment. Both Norway

and Denmark are renowned for their lively civil society with 10–20 per cent of the population working voluntarily in sports clubs and millions of citizens being members of the broad variety of clubs (Breivik and Rafoss 2012: 60–70; Danish Ministry of Culture 2009: 35–86; Laub 2013: 92–97). In other words, the money coming from gambling are spent in a highly visible way on a large and active part of the public. Without the revenue, or in the event of a dramatic cut, the quality of civil society would drop significantly in many places. From the perspective of re-election-motivated politicians, this combination is dangerous because any cuts will be felt directly by a big pool of engaged voters.

Therefore, it is noteworthy, but not surprising, that the overall share of the revenue going especially to sport has never dropped. Most of the time, it has remained stable. However, when there has been a significant reform, the share has often increased. This happened in the 1992 Norwegian reform, which I will introduce shortly, and in the 2010 Danish reform described above. In both cases, expanding sport's share was an explicit motive highlighted by the politicians themselves. Huber and Stephens (2001) call this phenomenon a ratchet effect, meaning that spending can only go up, not down again, so whenever there is an increase, it will be permanent.

This has important consequences for the likelihood of and way in which politicians will use gambling as a vehicle for generating an income to the state. First of all, increasing the state's income will be politically least risky if it happens by expanding total turnover because this leaves both the share and the absolute amount available to civil society intact or even increasing. Such expansion of total turnover is typically what happens when gambling is liberalised. In contrast, any reduction in either the share or the absolute amount going to civil society will be very risky because of the intense pro-spending preferences of these actors and the fact that they are organised both at the local level (i.e. large voter groups) and at the national level (i.e. resourceful elite organisations). Hence, even smaller, technical changes are likely to be noticed.

This logic arguably works even more forcefully if the state does not get a part of the gambling revenue to begin with. If the state does not already levy tax on gambling, beginning to do so will not only be perceived as a threat to civil society's revenue; it will also be perceived as being in conflict with the customs and norms of a policy designed to compensate for making money on gambling by spending it on activities that are unquestionably good. This scenario is, of course, not a very frequent occurrence; taxes have almost always been a key feature of the fiscal setup of gambling. At the very start when gambling is made legal, vested interests are much weaker and poorly organised for the precise reason that they are without the resources that gambling will later bestow on them. Yet much like in the history of the welfare state, path-dependencies will emerge fast (Pierson 1993; Huber and Stephens 2001). This entails that the best opportunity to introduce taxes on gambling is with the first law legalising it. After that point in time, the initially-made arrangements will quickly get very hard to alter: more people come to enjoy the benefits the revenue brings, they will organise themselves and generally come to feel entitled to the subsidies.

How gambling addiction crowded-out taxation as the first priority in Norway

In the early 1990s, Norway resembles most other countries in terms of the tax income of the state. In 1990, the Norwegian state's share of gambling revenue stood at 38.9 per cent (Ot.prp. no. 52, 04/03/1992: 6). Thus, a quite sizable part of the money made on gambling did go to the state's coffers rather than to civil society. On top of that was a 28 per cent tax on prizes bigger than NOK 10,000 (roughly EUR 1,500) won on games provided by foreign operators (a rule that had been in place since 1911, cf. Lov af 18. august 1911, §43, b–c). However, the value of this to the state is tiny compared to the cut of the gambling revenue. At this point in time, the big-prize lotteries have been up and running for half a decade with great success, while online gambling – indeed the

internet itself – is still beyond the horizon. The revenue from gambling is set to be rising at a steady, incremental pace, while the economic potential of the 2000s is simply unrecognized. It is in this situation that the Norwegian sports clubs begin to complain that their part of the revenue is too small and, equally frustrating, volatile from one year to the next because of natural fluctuations in the turnover (*ibid.*: 4).

The solution comes with the 1992 reform that is meant to serve multiple purposes: first, to help the sports clubs; second, to streamline the gambling legislation that at the time consists of several different laws each with different provisions for revenue distribution. Streamlining is expected to reduce administrative costs, thereby freeing revenue to other purposes (*ibid.*: 1). The two goals are complementary because by pooling the revenue from betting on football, the lotteries, slot machines and horse racing into one, volatility becomes less of a problem. The process of streamlining leads to changes that at the time are considered mainly technical and which are explicitly underscored to be revenue-neutral to the state (*ibid.*: 5), but which nevertheless crowds the state out from the revenue stream.

One of the little quirks of the Norwegian 1946 reform is that roughly a third of the revenue is designated to research. At the time, this is done because the funds that used to support research in Norway before the Second World War has been depleted, and the public economy is in tatters. It is clear from the legislative commission's report that research is regarded as a praiseworthy and non-profit activity, just like sports clubs (Ot.prp. no. 36, 1946: 2). Neither before nor after 1946 will research be singled-out for part of the gambling revenue when new games are introduced. However, with the 1992 streamlining, it is evidently considered as a natural part of the system since the solution is to pool the revenue from the various gambling activities into a single pot, which is then distributed with one third to sports, one third to culture and one third to research. Since the gambling revenue going to research before 1992 is far lower than one third of the total

revenue from all gambling activities (only one third of the revenue comes from football), the state in return eliminates its own share, which it previously got as taxes (Ot.prp. no. 52, 04/03/1992: 10).

From the perspective of the politicians, this solution solves the two problems at hand in an elegant way. The sports clubs' revenue is increased with the equivalent of EUR 15 million, or a more than 20 per cent increase compared to the situation in 1990, while the pooling also means that the previous volatility decreases. Thus, the sports clubs are accommodated generously. The streamlining means that the administrative costs of managing the games can be cut without increasing public spending. The state loses its tax income, but it is compensated by moving some of the public research spending from the national budget onto the budget for gambling. Since research – due to its long history as recipient of gambling revenue – is regarded as an ideal activity, this is considered a natural way of bundling. The swop is almost perfectly cost neutral, but it allows for the streamlining that the decision-makers at the time prioritise highly. All of the revenue from gambling now went to ideal activities. Conversely, the effect is that the state no longer earns any tax income from gambling.

Yet in one of the ironies of history, the exchange of tax for research that made sense in the early 1990s gradually ends up being a bad idea economically speaking as the potential gambling market – not least because of the internet – grows much faster than anyone could foresee. With the state no longer earning any tax from gambling, the incentives to embrace the technological changes that come about from the late 1990s onwards are reduced significantly. While Norwegian politicians, just like politicians everywhere, could make good use of a larger tax income to spend on core welfare services in very high demand among the public, they cannot get it from gambling. This in turn means that other goals can be prioritised – most importantly gambling addiction. While the fight against gambling addiction has always been highlighted as a goal by Norwegian politicians, this has not stopped them from continuously liberalising the gambling legislation – just like in

Denmark. In both countries, the introduction of big-prize lotteries in the 1980s is accompanied by a lot of hand waving about the need for governments to take gambling addiction seriously. The almost exact phrases are used a decade or so later, but this time actions match words in Norway – although this is still not the case in Denmark. The only thing that has changed is the elimination of the Norwegian state's tax income from gambling.

One may speculate why the Norwegian government did not at a later point decide to levy taxes again when the revenue began to soar. The most likely explanation follows directly from the discussion of the politics of gambling taxation in the last section. It is politically extremely difficult to justify taking away money from ideal activities such as those supported by the gambling revenue in Norway. This form of tax hikes is highly visible and hurtful for a well-defined and resourceful group of voters who even can be said to be particularly worthy of support. It is much better for politicians, then, to increase taxes in less visible ways if the money is needed. It is certainly the case that the decision to stop taxing gambling profits has not been reversed so far.

Conclusion

Gambling policies may appear as a matter of regulating entertainment; a light issue. However, to the principal actors involved, this is not the case. For both commercial actors and governments, the gambling market is a source of huge earnings and jobs for thousands of workers. Contrastingly, for the millions of citizens suffering from gambling addiction, it is a source of misery. Gambling policies are not just about what people can do in their pastime; they are also about how the billions of euros made every year should be distributed and how societies deal with a major social disorder. Moreover, as a policy issue, gambling is interesting because the pursuit of revenue has dominated the pursuit of health in the vast majority of European countries. Denmark has gone pretty far in its

liberalisation but is not alone in the direction of its policies; the Norwegian state only went for the moral high ground after it incidentally shut itself out from the revenue stream.

From a cynical point of view, this may not sound very surprising. Surely, politicians want to maximize their tax income. However, such a despairing notion overlooks the fact that other policy areas have seen the opposite development. Smoking is the most prominent example of this. Just like gambling, smoking has been a source of state revenue on a big scale, and for decades the well-known health consequences were mostly ignored by authorities. Still, within a few hectic years in the 2000s, legislation was restricted dramatically across Europe. The obvious question is whether or not gambling has the potential to see a similar shift. One core obstacle to this is the perceived severity of gambling compared to tobacco use. Gambling does not kill as tobacco does, and gambling addiction is by many regarded as a result of lacking willpower and generally not a very serious ailment. In other words, it is not a real illness. In medical terms, that is false (cf. e.g. Griffiths [2009]; Lorains et al. [2011]; Shaffer et al. [1999]), but a first condition seems to be a new public discourse recognising gambling addiction as a 'real' addiction. Another condition arguably is for the societal costs associated with gambling addiction to be made more explicit. Currently, gambling addiction is mostly seen as a private problem; a lot like smoking a few decades ago. By making the costs to society more explicit, the relative benefits from liberalising will decrease. However, it is not certain that the relative benefits will drop enough to turn gambling into a bad business for governments. As shown above, it is certainly true that money so far has mattered more than misery.

Biographical note

Carsten Jensen is Associate professor in political science at Aarhus University.

Address for correspondence

Bartholins Alle 7

Aarhus University

8000 Aarhus C

Denmark

Email: carstenj@ps.au.dk

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