

The Tale of Two “Sins”: Regulation of Gambling and Tobacco

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1964

- Tobacco: 40% of the Adult Population Smoke cigarettes. Smoking was permitted in all public places; 15% of TV network advertising was cigarette ads. Average excise tax: \$.10/pack
- Gambling: 1 state had casino gambling and one state had a \$.50 lottery drawn once a week. The majority of states did permit gambling was on the “sport” of horse racing

2004

- Tobacco: 25% of the adult population smokes cigarettes; all advertising of cigarettes has been banned; the majority of states banned all indoor smoking; the average excise tax: \$1.20/pack
- Gambling: 28 states have a form of casino gambling; 40 states have lotteries and Churchill Downs, the Mecca of Horse racing survives with slot machines!

Ethics of “Sin”

- Public policy makers are always faced with the following conflict
- Individual “Rights” Versus the Societal “Good”
- Let us also not forget that these industries provide “Painless” revenue for “good” causes!

Ethics of “Sacrifice”

- Sacrifice: the public is asked to give up or forfeit its “right” to a good or service in the interest of the “common good”
- Examples: War on Terror, Prohibition
Pete Rose’s gambling and baseball.

Problem: Can easily lead to the “ends justify the means”

Ethics of “Tolerance”

- Tolerance: no person can be asked to “sacrifice” her/his right to achieve societal good. You must preserve the rights of the minorities at the cost of the majority. You should be able to perform an act as long as it does harm another.
- Examples: Gun control, Affirmative Action
- Problem: To live in community, doesn't there have to be a hierarchy or “rights”?

The Triumph of Gambling!

- Gambling: Passes both “ethical” standards in the eyes of most Americans.
- “Sacrifice” The revenue for states $>$ social costs of gambling (this can be debated but usually isn't)
- “Tolerance”: Someone's gambling habits in no way affect another person. MYOB!

Demise Of Tobacco

- Sacrifice: The health costs associated with smoking > revenue that state receives.
- Tolerance: The Second hand (Passive) smoking issue was the death knell of the Tobacco Industry. Cigarette smoking did affect others who did not smoke!
- Tobacco loses both ethical battles!

Public Policy Implications

- Question: Is there a relationship between the revenue that states receive from tobacco excise taxes, gambling revenues and the amount they spend on preventing or providing treatment for addiction to these activities?

Gambling

- $H_0: r = 0$ (There is no correlation)
- $R = .63$ (There is a positive correlation)
- Sig (2 tailed) = 0
- It appears that states do spend more on problem gambling as revenues increase!

Tobacco

- $H_0: r = 0$ (There is no correlation)
- $R = .185$ (There is a slight positive correlation)
- Sig (2 tailed)= .2
- It appears that states do NOT spend more on tobacco addiction as revenues increase!

Conclusions

- States are “conflicted”: Unlike a firm (profit maximizing- this is debatable!) how does government balance revenue, societal acceptance with the costs of addiction?
- States “harvest” the Tobacco industry as a cash cow that will eventually dry up.
- Meanwhile Government “bets” the gambling revenue will continue to flourish!



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