

From the desk of Gideon Rozner, Director of Policy



21 June 2021

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

I refer to the Parliamentary Joint Committee on Corporations and Financial Services' (the **Committee**) inquiry into the regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia (the **Inquiry**).

The Institute of Public Affairs (**IPA**) wishes to submit this contribution which may assist the Committee's deliberations. Specifically, our submission addresses the first item in the Inquiry's terms of reference: The extent of consumer detriment.

About the Institute of Public Affairs

The IPA is an independent, non-profit public policy think tank, dedicated to preserving and strengthening the foundations of economic and political freedom. The IPA supports the free market of ideas, the free flow of capital, a limited and efficient government, evidence-based public policy, the rule of law, and representative democracy. Throughout human history, these ideas have proven themselves to be the most dynamic, liberating and exciting. Our researchers apply these ideas to the public policy questions which matter today.

The Australian gambling debate

Gambling is a popular pastime for many Australians. The latest data from the University of Melbourne's Household, Income and Labour Dynamics in Australia Survey (**HILDA**) indicates that in a typical month in 2015, approximately 6.8 million Australians – representing around 39 per cent of the adult population – participated on some form of gambling activity.¹

For the most part, our enjoyment of gambling is a harmless staple of Australian culture. We take the day off to put a wager on the Melbourne Cup, play two-up on ANZAC Day, and will bet on anything from election outcomes to royal baby names.²

¹ Australian Gambling Research Centre, *Gambling activity in Australia – Findings from wave 15 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey*, accessed 17 June 2021, <https://aifs.gov.au/agrc/publications/gambling-activity-australia#:~:text=The%2012th%20annual%20statistical,expenditure%20of%20%24115%20per%20month.>

² See, for example, Stephanie Bedo and Alexis Carey, 'US election betting: Sportsbet pays out on Joe Biden early', *news.com.au*, accessed 17 June 2021, <https://www.news.com.au/world/north-america/us-politics/the->

However – quite predictably – gambling has been the subject of a longstanding moral panic by Australia’s political and cultural elite. Tellingly, most commentary around ‘gambling harm’ centres on types of gambling activity that tend to have a more ‘working class’ consumer profile. While it is common to hear about the evils of electronic poker machines and – in this case – online wagering, very little, if anything, is said about high-value casino table games (which, as outlined below, attract among the highest proportion of problem gamblers).

This disparity in the public debate underscores the elitist and condescending attitude of policy-makers towards the free choices of mainstream Australians. It has become an unspoken article of faith among Australia’s anti-gambling lobby that regular gamblers – particularly those of less affluent socio-economic backgrounds – cannot be trusted to decide how to spend their own money.

Problem gambling in Australia

Despite our high gambling participation rate – and contrary to what the anti-gambling lobby would have us believe – the rate of problem gambling in Australia remains low.

Problem gambling, in its properly understood sense, is defined as ‘repeated problematic gambling behaviour that causes significant problems or distress’.³ According to the American Psychiatric Association, a diagnosis of a problem gambling disorder requires at least four of the following during the past year:

- Need to gamble with increasing amount of money to achieve the desired excitement;
- Restless or irritable when trying to cut down or stop gambling;
- Repeated unsuccessful efforts to control, cut back on or stop gambling;
- Frequent thoughts about gambling;
- Often gambling when feeling distressed;
- After losing money gambling, often returning to ‘get even’;
- Lying to conceal gambling activity;
- Jeopardising or losing a significant relationship, job or educational/career opportunity because of gambling; and
- Relying on others to help with money problems caused by gambling.⁴

130000-bet-that-shows-huge-us-election-favourite/news-story/fc4714998743b5aae8f0d3afe4427f5c; and Alex Chapman, ‘Royal baby name betting: Bookies confident Meghan Markle to deliver a girl’, *7News*, accessed 17 June 2021, <https://7news.com.au/entertainment/royal-family/royal-baby-betting-bookies-confident-meghan-markle-to-deliver-a-girl-c-93796>

³ American Psychiatric Association, ‘What is Gambling Disorder?’, accessed 17 June 2021, <https://www.psychiatry.org/patients-families/gambling-disorder/what-is-gambling-disorder>.

⁴ *Ibid.*

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Similar metrics are used in the Problem Gambling Severity Index (**PGSI**), which is used as the standard measurement of problem gambling rates in Australia and internationally.⁵ Problem gambling generally requires a PGSI score of eight or above.⁶

HILDA figures indicate that as at 2015, problem gamblers represented just 1.1 per cent of the Australian population, and 2.1 per cent of regular gamblers. Between types of gambling activity, problem gambling rates are highest for casino table games at 14.7 per cent, and lowest for lottery games at 1.3 per cent.⁷

While HILDA does not have a separate measure of problem gambling rates for online wagering, the rate of problem gambling (including both online and offline wagering) is 5.1 per cent for race betting and 6.3 per cent for sports betting.⁸ Given that much race and sports betting is done offline – via in-person bookmakers at racecourses and the like – the proportion of problem gamblers among those participating in online wagering will be smaller still.

The HILDA results, released in 2017, appear to correlate with earlier research, suggesting that the rate of problem gambling in Australia is static. A 2010 report by the Productivity Commission, for example, suggests that:

Drawing on the most recent surveys... the Australian prevalence rate for problem gambling, measured as a score of 8 or more on the CPGI, is likely to range between 0.5 and 1 per cent of the adult population, with a median of 0.64 per cent and an average of 0.69 per cent... Assuming this average applies to the whole population, then that suggests around 115,000 problem gamblers in Australia in June 2009.⁹

In short, problem gamblers are a tiny proportion of Australians participating in gambling activity, and only a small subset of those problem gamblers participate in online wagering. Accordingly, the Inquiry appears to be contemplating a punitive, one-size-fits-all solution to a problem that is not particularly widespread in the Australian community.

Problem gambling versus ‘gambling harm’

Nevertheless, the tenor of the popular debate often suggests that problem gambling is a serious social issue in Australia. The reason for this, in large part, is that the anti-gambling lobby has ‘shifted the goal posts’.

Instead of discussing the rate of problem gambling, anti-gambling campaigners rely on the nebulous concept of ‘gambling harm’. Unlike problem gambling, there does not appear to be a clear definition

⁵ See, for example, Victorian Responsible Gambling Foundation, ‘Victorian Population Gambling and Health Study (2018-19)’, accessed 17 June 2021, https://responsiblegambling.vic.gov.au/documents/762/Pop_study_-_Fact_sheet_3_-_PGSI.pdf.

⁶ Above n 1.

⁷ Above n 1.

⁸ Ibid.

⁹ Productivity Commission, *Report of the Public Inquiry into Gambling* (2010), accessed 17 June 2021, <https://www.pc.gov.au/inquiries/completed/gambling-2010>, 5.17.

From the desk of Gideon Rozner, Director of Policy

of ‘gambling harm’, something that has been conceded by the Victorian Responsible Gambling Foundation (VRGF):

There is no agreed definition of gambling-related harm. The concept of harm is highly subjective and the difficulties of isolating gambling harm from other co-occurring conditions such as depression and anxiety make defining gambling-related harm a complex task.¹⁰

Nevertheless, the VRGF attempts to make an attempt at defining ‘gambling harm’ elsewhere:

Gambling harm refers to the reduced wellbeing that can result from gambling. It affects the person who gambles, as well as the people around them, including family, friends and community.¹¹

A recent survey by the Australian Gambling Research Centre – appropriately, studying sports wagering activity by young men – exposes the importance of differentiating between problem gambling and ‘gambling harm’:

An alarming but not surprisingly high proportion (70%) of the 335 bettors who completed the survey were found to be at risk of, or already experiencing, gambling harm. **Of these, 15% were considered to be over the threshold for ‘problem gambling’ as measured by the Problem Gambling Severity Index (PGSI)**, a tool for estimating a person’s risk of gambling problems and, consequently, harm.¹²

This distinction is important. It suggests a deliberate attempt to ‘widen the net’ and present any and all harm that can come from gambling as evidence of a social evil that must be fiercely curtailed, or worse.

By contrast, problem gambling is a recognised psychiatric disorder with a definitive set of widely-recognised indicia. It is a mental health problem, with negative consequences for, as we have seen, a small proportion of people. It can and should be treated as a mental health issue, not a consumer regulation issue. And for the most vulnerable, there are in most instances existing self-exclusion schemes.

The concept of ‘gambling harm’ – at least according to the definitions available – appears to seek to ‘socialise’ perceived issues with gambling. By including vague notions like ‘the wellbeing... [of] people around them’, this sleight of hand makes problem gambling less of a disorder affecting minority of individuals, and more of a general and intangible source of ‘harm’ to us all. Problem gamblers can be identified and treated, but ‘gambling harm’ to ‘the community’ is so vague that it can only logically

¹⁰ Victorian Responsible Gambling Foundation, ‘Assessing gambling-related harm in Victoria – A conceptual framework of gambling harm’, accessed 17 June 2021, <https://responsiblegambling.vic.gov.au/documents/165/Harm-study-Fact-sheet-1-Conceptual-framework-of-harm.pdf>

¹¹ Above n 5.

¹² Australian Gambling Research Centre, ‘Weighing up the odds: Sports betting and young men’, accessed 17 June 2021, https://aifs.gov.au/agrc/sites/default/files/publication-documents/1903_weighing_up_the_odds_sports_betting_and_young_men_v3.pdf, emphasis added.

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be addressed with the bluntest of regulatory instruments that apply to everyone. Sadly, this appears to be the endgame of the anti-gambling lobby.

Our freedom to wager

As noted above, if we set aside fashionable and vague concepts like ‘gambling harm’, actual problem gambling comprises a tiny proportion of regular Australian gamblers. Online wagering represents a small subset of problem gamblers, and those who use credit card debt to purchase credits for wagering platforms would be a smaller proportion still.

The push for bans on the use of credit cards for the sake of the negligible number of problem gamblers in the online wagering market seems, then, to be driven by the same loud voices in the public debate that seek to overstate the problem and provide needlessly punitive ‘solutions’. Whether motivated by a stream of taxpayers’ money to study ‘gambling harm’, or simply by a distaste for gambling, the anti-gambling lobby is a regrettable but consistent staple in the Australian public policy debate.

In its deliberations, the Committee should be mindful that the role of Parliament is not to bend to the policy prescriptions of unelected and unrepresentative public health lobbyists, but to protect the rights and freedoms of every Australian citizen. This includes the freedom to engage in activities that some in the community may personally dislike.

More importantly, though, personal freedom includes the right to make the conscious choice to engage in activities that incur the risk of ‘harm’. That is another reason why the semantic pivot to ‘gambling harm’ is both important and unhelpful. An attempt by the state to protect citizens from any and all harm – not least of all harm that they consciously and in most instances happily risk incurring – is an unacceptable limit on the personal freedom of Australians in a supposedly liberal democracy.

As a matter of statistical reality, every regular gambler in Australia and indeed the world has incurred at least some ‘harm’, because every regular gambler has, at some point, lost money. The possibility of loss is an inherent, obvious and widely-understood aspect of gambling. If it were a ‘sure thing’, then it wouldn’t be called ‘gambling’, but ‘investing’.

More generally, it is in many cases a difficult and fruitless task for policy-makers to determine the precise nature of ‘harm’. Neither the Committee, nor any minister or bureaucrat or even Parliament itself can presume to second-guess the preferences and motivations of each individual free Australian citizen.

The concept of ‘gambling harm’ is particularly unhelpful in this sense. Is the ‘harm’ simply the loss of money? In that case, is the anti-gambling lobby concerned about gamblers who spend large amounts but tend to ‘break even’ over time? Or is it just the psychological addiction to gambling itself that is the issue? And has there been any consideration of the enjoyment some people have for the simple act of gambling itself – the people for whom gambling losses are just discretionary spending that would otherwise be spent on some other form of entertainment?

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A ban on the use of credit cards to purchase credits for online wagering would set a dangerous precedent when it comes to our personal freedoms. If Parliament prevents Australian adults from using their own money to gamble on the basis that it can cause 'harm', then it could theoretically extend this to other potentially 'harmful' purchases, like alcohol or fast food.

This unreasonable intrusion into our purchasing decisions would, if taken to its logical endpoint, represent a kind of social credit system by stealth. It would mean Australians' control over their own spending would be theoretically voluntary, but subject always to a veto imposed by the state and executed through financial institutions.

Conclusion

The IPA recommends that the Committee's report does not seek to interfere with the freedom of mainstream Australians to access online wagering platforms using credit cards. We would welcome the opportunity to discuss our research further before the Committee.

Yours faithfully

Gideon Rozner
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