

# ***THE DESEGREGATION OF GAMBLING MEDIA AND THE EMERGENCE OF A SINGLE FORM OF GAMBLING***

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## **Abstract**

This paper compares the findings of government reviews of gambling in the United Kingdom and New Zealand. It focuses on the desegregation of gambling media, a process that makes possible one-stop gambling venues where different gambling media are combined in a single site. The authors argue that although this process makes large-scale casinos/gaming machine venues subject to state control in both countries, it is the way in which desegregation takes place outside of these gambling sites – with gaming machines and virtual gaming – that differs. It is these areas that are found to drive debate and ongoing attempts by the state to regulate and to secure both surveillance and revenue, as well as protection of the vulnerable (e.g. problem gamblers). The authors conclude that the technology of the networked random number generator has determined how gambling has affected society.

## INTRODUCTION

The simultaneous publication of government reviews of gambling in the United Kingdom and New Zealand provides an opportunity to raise a number of issues concerning the similarities and differences in local developments in gambling. These issues turn on the disputed “normalisation” of gambling.

## NORMALISATION

Normalisation is an argument that has accompanied and reinforced developments in gambling media involving the state promotion of lotteries, but more significantly the computerisation of gaming machines and the developments in Internet wagering and Internet gaming. It is clear that these developments in the diffusion of gambling – or, to put it another way, gambling as mass consumption – turn on greater abilities on the part of states to regulate and control this mobile good. Claims for normalisation and state control can therefore be said to reinforce one another, albeit in different ways in

different countries. However, just as normalisation is subject to dispute, state control is never total.

It is recognised in both the United Kingdom and New Zealand that control focuses on developments in surveillance and the operation of state-sanctioned established operators of casino gaming and wagering. Such control necessitates blocking the more difficult areas of (1) community gambling in pubs and clubs operating gaming machines and (2) uncontrolled overseas suppliers who now mobilise the Internet (Sinclair 2001). Significantly, the British and New Zealand reviews differ most on how to handle these difficult areas, especially the suppliers of virtual gambling.

The New Zealand *Gaming Review* is presented as making gambling for (or returning it to) the community (Markland 2001):

**The four key themes underpinning the Government's decisions are:**

- **Gambling will be primarily used to raise funds for the community.**
- **The harm caused by gambling will be minimised.**
- **There will be local involvement in decisions about the availability in communities of the more risky forms of gambling.**
- **There will be controls on the growth of gambling. (Department of Internal Affairs 2001: 1)**

Most notably, the New Zealand review extends the monopolies of existing operators in the areas of casinos and wagering, and further limits community gambling (Curtis and Wilson 2001b). The new developments here are that the state-owned Totalisator Agency Board (TAB) is given explicit approval for gaming machines and Internet wagering, and the Lotteries Commission gains limited approval for Internet gaming. At the same time, community gambling through gaming machines in chartered clubs and those owned by non-commercial associations in pubs continues to be disciplined and disadvantaged *vis-à-vis* casinos and the TAB.

Over the last decade the combination of gaming machines with wagering (through agencies of the TAB) in clubs and pubs in New Zealand has resulted in them becoming entertainment complexes or suburban casinos (Austrin 1998). The disciplining of these suburban casinos involves:

- the continued limitation of prizes and marketing
- a reduction in the number of gaming machines allowed on new sites (from 18 to 9)
- the introduction of a community veto in the siting of gaming machines (which will also apply to new TABs)
- the establishment of new surveillance regimes over the gaming machine operations in clubs and pubs similar to that of the otherwise unrestricted casinos.

By contrast, the British *Gambling Review Report* recommendations:

... are designed:

- to simplify the regulation of gambling
- to extend choice for adult gamblers

while seeking to ensure that:

- permitted forms of gambling are crime-free, and conducted in accordance with regulation and honest
- players know what to expect, are confident they will get it and are not exploited
- there is protection for children and vulnerable persons. (Department for Culture, Media and Sport 2001:2)

This extension of choice involves giving both gaming machines and virtual gambling (Internet wagering and Internet gaming) to existing operators, and continues a tradition of blocking the large-scale operation of gaming machines outside of these operators. The novel suggestion of the British review is that casinos be given unlimited gaming machines and that established operators be permitted virtual gambling.

Clearly there are many differences between the two jurisdictions. The most significant of these are the status of public gaming and the operation of gaming machines. It should be noted that in Britain there is no equivalent of the de facto suburban casino found in clubs or pubs around New Zealand, largely because “members clubs” were debarred from having gaming machines. Gaming machines in clubs and pubs in New Zealand are ostensibly run for community purposes, which are approved by the New Zealand Department of Internal Affairs. Most clubs in New Zealand (including workingmen’s clubs, returned servicemen’s clubs and sports clubs) depend on these gaming revenues.

However, regardless of the differences between the two jurisdictions, there are shared processes at play in the diffusion of gambling in New Zealand and the United Kingdom: the desegregation of gambling media, resulting in homogenised venues (Miers 1996), and the emergence of a single form of gambling, which involves random number generation (Austrin and Curtis 1999).

#### THE DESEGREGATION OF GAMBLING MEDIA: THE POLITICS OF LICENSING

The desegregation of gambling makes possible one-stop venues in which all gambling products are available to consumers. It involves the combination of different gambling media in a single site (for example, combinations of gaming machines, bookmaking, sports betting and keno). Miers points to this development in the United Kingdom:

**This homogenisation of gambling media in a single venue is a significant departure from the traditional view that different types of gambling media ought to be kept apart, where their structural characteristics are such that they offer different (and more effective) incentives to play and to repeat play. (1996: 289)**

Miers was talking about the changes occurring to British betting shops, but he notes that the long-run outcome of this development will involve the development of gambling centres offering the entire range of gambling products. The reference here, of course, is to the Las-Vegas-style casino, but his point is that such venues typically exist for reasons diametrically opposed to those that have traditionally informed Home Office policy; that is, stimulating rather than merely responding to demand. In this view, desegregation shifts gambling policy to what Miers refers to as a revenue-generation regime (Miers 1996).

The process of desegregation that Miers forecasts involves a range of fully commercial operators. These are established operators, who provide gambling in multiple venues across Britain. They include firms like the Hilton Group, which has interests in casinos, the bookmakers Ladbrokes, as well as a joint venture to operate interactive betting services on BSKyB's digital sports channels. As a result of desegregation, these established operators will be increasingly able to locate gambling media in venues in accordance with commercial pressures, most notably those of marketing.

New Zealand has moved some way toward desegregation of gambling, albeit largely to sustain public gaming in which revenues are used for authorised purposes (Markland 2001). Thus, the state-owned TAB has sited its agencies alongside gaming machines owned by non-commercial associations in pubs and in chartered clubs and sports clubs since 1993. This location of bookmaking and sports betting (since 1996) has been an important feature of the *de facto* suburban casinos. At the same time, casinos in New Zealand already take the form of large-scale commercial gambling venues (combining machine gaming and table gaming on a 12.5 : 1 ratio).

The New Zealand *Gaming Review* is explicit about furthering desegregation, but insofar as casinos, clubs and pubs already operate gaming machines this involves fresh alliances between commercial and public operators. Notably, the *Gaming Review* suggests that the TAB will be able to offer bookmaking and sports betting in New Zealand casinos as well as operate its own gaming machines (Department of Internal Affairs 2001).

As noted, in New Zealand the desegregation of gambling is used to secure public gambling (which is putatively non-commercial) in the form of the TAB, chartered clubs and the non-commercial associations running gaming machines in pubs. However, this strategy of (re)emphasising the community-building aspect of gambling is both

contested and uneven (Curtis and Wilson 2001a, 2001b). Arguably, the *Gaming Review* and the Gambling Act 2003 it proposed represent a reversal of the recent policies that resulted in the Casino Control Act (1990) and the subsequent licensing of casinos. Certainly there has been considerable pressure from state-owned operators, the Lotteries Commission and TAB for such a switch. As the New Zealand Lotteries Commission noted some years ago in its document *Responsible Gaming: A Commentary*:

**The introduction of casinos for private gain was a major aberration in the general pattern of the New Zealand gambling and gaming industry. It should remain as an aberration... the contagion should not be allowed to spread. (Lotteries Commission 1997:15)**

Nevertheless, the New Zealand review is as much about securing existing arrangements as it is about promoting public gambling. While the review recommends that no further casinos be licensed and the Casino Control Authority be abolished, it acts simultaneously to secure the monopoly arrangements of existing casinos. Indeed, the share prices of Sky City casino rocketed in the wake of the *Gaming Review*. Similarly, although the TAB has been allowed access to Internet wagering, gaming machines and casinos, and the Lotteries Commission to limited Internet wagering, certain aspirations have been checked: the Lotteries Commission is denied gaming machines, and the clubs and the non-commercial associations running gaming machines in pubs are further limited in their use of gaming machines.

The New Zealand situation reveals the desegregation of gambling media as part of the politics of licensing, wherein the state allocates specific gambling franchises to operators. It is these state franchising decisions that determine whether or not, in Miers's words, different types of media are kept apart.

Perhaps more interesting than the differences in the politics of licensing are the commonalities, realised as desegregation. Thus critical differences between the United Kingdom and New Zealand in ownership of gambling, and arguably in the motivations of state actors, do not offset segregation or joint arrangements between operators of different kinds of gambling media. This is already the case in Australia. An explanation for this parallelism is found in the transformation of gambling media towards a form of random number generation.

## THE EMERGENCE OF A SINGLE FORM OF GAMBLING MEDIA

The desegregation of gambling media has an important technical aspect in that it involves computerisation and software to run (and survey) the varied forms of gambling. Much of this technical development centres on the capacity for networking in order to secure electronic surveillance, linked jackpots, real-time betting and wagering,

and, most importantly, continuous gambling. Examples of such networking currently exist for gaming machines, national lotteries, bingo, keno and off-track betting. The process of desegregation is both facilitated by and furthers these aspects of networking.

Significantly, networking is important because it allows a variety of gambling media to be located at a single venue. At the same time, this diversity of gambling media – in effect, of games that can be played in one location – is matched by the movement of all these games towards the logic of random number generation. Which is to say, all forms of gambling increasingly takes the form of the lottery.

The clearest examples of this movement are the national lotteries, keno and gaming machines. In these examples, whether or not a player has purchased a winning ticket is determined by a random combination of numbers. The national lotteries in Britain and New Zealand feature the draw as the weekly highlight of their marketing campaigns.

Keno offers far greater possibilities for continuous gambling insofar as the numbers for each game can be generated more or less continuously. The limiting factors in keno are the speed at which players can make bets and marketing decisions by the operator (for example, most casinos use keno to sustain gambling during players' "time out" periods). Gaming machines combine near-instantaneous play and determination. They approximate continuous gambling. Other examples of the movement to the logic of the lottery in gambling include:

- wagering on track racing and sports – in these cases the logic is worked through with changes to the betting options (for example, "Pick Six" and point spreads)
- casino gambling – most notable here are changes to the rules of blackjack and the introduction of continuous shuffling.

The logic of the lottery – the determination of win and loss by random elements – is significant in the much-commented-upon shift from gambling to gaming. Gaming can be said to be the most important part of the argument about the normalisation of gambling. Gaming is the mass entertainment form of gambling. Gambling increasingly looks like a craft model.

The shift towards the logic of lotteries is the common condition in New Zealand and Britain, and indeed globally. It secures the emergence of gambling as mass entertainment. In the British report this is made explicit in the facilitation of resort casinos for development purposes. In the New Zealand report it is checked and subordinated to "community" gaming.

In the British report the argument for normalisation is advanced by its commercialisation. The New Zealand report proposes a more limited form of normalisation in which gambling is diffused through community forms.

## CONTROLLING THE DIFFICULT AREAS OF GAMBLING

While it has been proposed that gambling has been globalised (McMillen 1996), it remains important to locate local differences in order to understand the continuing diversity and controversies over developments in gambling. The argument of this paper is that while desegregation of gambling media has and will secure large-scale casinos/gaming machine venues subject to state control in both the United Kingdom and New Zealand, by contrast, the way in which desegregation takes place outside of these gambling sites has been and will remain different.

This is true of both gaming machines and virtual gaming. Further, it is these areas that drive debate and the continuing attempts by the state to regulate to secure both surveillance and revenue, and protection of the vulnerable (for example, problem gamblers).

- Gaming machines: in Britain gaming machines remain prohibited outside of casinos. In New Zealand, where gaming machines in clubs and pubs enjoy the largest share of gambling expenditure, the state has moved to introduce electronic surveillance while denying operators the capacity to network machines.
- Virtual gambling: in Britain the state has moved to licensed virtual gaming in order to seek tax revenues currently lost to Caribbean and extra-territorial operators. In New Zealand the state has allowed the TAB virtual wagering and the Lotteries Commission limited virtual gaming.

## CONCLUSION: THE MEDIUM IS THE MESSAGE

In the field of gambling all government action is a response to developments within society – they follow rather than lead (Austrin 2001). There are timing differences in terms of the implementation of wagering and casinos in the two jurisdictions, but in both cases it was the introduction of state-organised lotteries that disturbed the existing segregation of real-time gambling and provoked changes directed towards desegregating other forms of gambling. Further, there is a relationship between the mass consumption of gaming – through linked random number generators or their like – and the state control of the operators of these forms of gaming. In short, as gambling becomes more decentralised, more centralised gaming commissions will come into play. In both jurisdictions desegregation and a single form of gambling are the basis for such single commissions. At the same time, the reviews are provisional documents that provide new opportunities for operators but do not resolve ongoing developments with respect to virtual gaming. The British review marks a bigger break in this direction but it remains to be seen.

In an absolute sense the ongoing shift from gambling to gaming is a confirmation of McLuhan's most popularly quoted phrase, "the medium is the message". This



describes how the technology itself – and not just the way it is used – determines the essence of the thing that shapes our lives (McLuhan 1964:7). In the case of gambling it is the technology of the networked random number generator that is decisive.

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