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Book Reviews

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Doughney James, ***The Poker Machine State: Dilemmas in Economics and Governance***, Altona, Vic: Common Ground, 2002, xiii + 190pp. ISBN 1 86335 503 0 (hb), Price $35.00.

In 2000-1, 3.4 percent of household disposable income in Australia was lost in gambling, 58 percent of it poured into poker machines. And this $14.38 billion represented gambling losses, not turnover. They were not evenly distributed across the population. Per capita losses were significantly higher in Victoria than in other states. Within Victoria, the poorer the locality, the more was lost. Within each locality, the losses were highly concentrated: the industry itself concedes that 80 percent of losses are incurred by 20 percent of the gamblers, themselves representing only about 40 percent of the adult population. In 2000-1 total losses on poker machines in Victoria were $2.4 billion, or $650 per adult, or $1625 per gambler, or no less than $6500 per 'heavy' gambler. All this began in 1992, when poker machines became legal in Victoria. Before then punters had to take the bus 200 kilometres north to Moama, just across the Murray River in libertarian New South Wales. Now they can walk down the road to the local pub.

So what, as Deirdre McCloskey might ask. If some people enjoy a night at the pokies, whose business is it except their own? In this original, deeply reflective and very disturbing book, James Doughney argues that it is everyone's business. Serious harm is inflicted by the poker machine industry on its 'problem gamblers', who often suffer 'stress-related physical and psychological ill-health. Other adverse effects include family breakdown, domestic violence, criminal activity, disruption to or loss of employment and social isolation. Additionally, problem gambling may compromise their capacity to afford necessities such as adequate nutrition, heating, shelter, transport, medications and health services' (p. 27, citing a 1999 report by the Australian Medical Association). The industry that is responsible for all this is an unholy alliance of the duopoly private owners of the machines, Tattersalls and Tabcorp, the clubs and pubs where the machines are located, and the Victorian state government (which takes one-third of the loot from clubs, and even more from pubs). Doughney argues, convincingly, that the industry's gains are substantial, risk-free, socially damaging and in the final analysis quite unconscionable.

What, then, of the counter-argument based on the principle of consumer sovereignty? The core of the book comprises Doughney's wide-ranging attack on neoclassical economics, which is aimed at discrediting utilitarianism, the welfare theory founded upon it, and the closely related notion of consumer surplus that the gambling industry's apologists rely on to defend their dirty trade (Chapters 6-8). His analysis is scholarly and subtle, drawing on the writings of Thomas Aquinas, Roy Bhaskar, John Maynard Keynes, C.B. Macpherson, John Stuart Mill and Amartya Sen, among many others, to support his case that the harm inflicted by the poker machine industry on heavy gamblers is a moral wrong (Chapters 3-4) that cannot be justified by any reasonable argument based on rights or on the principle of double effect (Chapter 5). Readers will take issue with Doughney on many points of detail, but they will find it difficult to resist his conclusion that government policies towards gambling in Australia 'have not minimised harm but increased it. Their policies are better termed damage amelioration, in so far as they try to treat the effects of harm (eg, by counselling of problem gamblers). They do not address the cause and do not try to minimise the harm itself' (p. 163).

The poker machine industry is already heavily taxed and highly regulated. Doughney is not a prohibitionist. Instead, he calls for very much more of the same. The Victorian state government should halve the number of poker machines in the state, he suggests, and in addition impose restrictions on the industry's ability to target poorer localities. It should require mandatory 'machine off line' times, slower machine speeds and less intensive spin-bet-loss combinations. The ratio of losses to turnover should be cut to a maximum of 5 percent, while the size of the average payout should be increased and the frequency reduced. Smoking in venues should be prohibited, along with advertising and the provision of ATMs. The operations of the industry should be fully transparent, with the prevalent 'commercial in confidence' provisions outlawed. And the industry should be run by the State, since it is too dangerous to be left to the existing private owners (pp. 166-71).

This last point, perhaps, needs more supporting argument than Doughney provides. The case is similar to that for publicly-owned electricity generation and water supply: only thus can appropriate incentives be provided for managers to encourage the *contraction* of demand that the social interest requires, but which will never be delivered by private ownership. An analogous case can

be made for tobacco and possibly for other drugs, including many that are currently illegal. It would be greatly strengthened by a reform of the Australian taxation system that reduced the temptation for state governments to rely so much on the fiscal proceeds of harmful activities (an astonishing 17.2 percent of Victoria's own-source tax revenue comes from gambling).

There is much more to Doughney's analysis than I have been able to cover in a brief review. Highlights include his demolition of the 'dirty hands' defence mounted by the state Labor government (pp. 75-85), his discussion of the conceptual problems raised by any attempt to make interpersonal comparisons of mental states (pp. 134-43) and his summary of Keynes on serious and 'frivolous' gambling (pp. 163-6). Again, the reader will demur on particular points, but she will be greatly impressed by the book as a whole. Unless she is from Victoria, however, she might complain that too much local knowledge is expected of her. A couple of maps, and a short historical account of the Cain-Kirner, Kennett and Bracks eras in Victorian state politics, might have been appreciated by interstate and overseas readers. There certainly should be many such readers. This is an absorbing and important book, and reflects great credit on its boutique publisher.

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