Public interests and economic regulation of gambling

Abstract
In the Netherlands, the Betting and Gaming Act from 1964 largely determines the current structure of gambling markets. The policy was to channel consumers to a limited number of licensed operators. This led to state-owned monopolies for lotteries, sports betting and casinos, a private monopoly for horse race betting, a limited number of privately owned charity lotteries, and a large number of private slot machines operators.

Pending legislation proposes an online market without a limit on the number of operators. Furthermore, state ownership will be phased out, and introduced legislation to privatizing and expanding the number of casinos. The current policy is not to limit market entry per se, but to license and supervise operators on gambling related consumer risks, such as addiction, consumer protection and crime. Recent court cases have led the Netherlands Gaming Authority (NGA) to introduce a licensing regime for charity lotteries based on this policy.

We discuss a guidance paper that outlines a general economic framework for regulation of gambling markets, analyzing market failure, entry conditions, technological characteristics, the integrity of operators, the risks for gambling addiction and from advertising. We show how the general analysis framework can be applied to several relevant examples.

Keywords: regulation, public interests, market failure, Netherlands

Research implications
Across the world, gambling regulation has been rooted in country-specific historical paths, while there is a scarcity of sound economic reasoning underlying the rationale for such regulations. The economic framework developed by the Netherlands Gambling Authority attempts to systemize gambling regulation based on technological production capabilities and consumer preferences.

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Rein Halbersma is the Research Coordinator of the Netherlands Gambling Authority, with over 15 years of experience in economic policy analysis, in particular in antitrust, economic regulation and supervision. After obtaining his PhD in physics, Rein was an economic consultant (2002-2005) and an economic expert at the Dutch Healthcare Authority (2005-2014). He regularly presents at conferences and publishes in scientific journals. Rein is a member of the editorial board of the Dutch Journal of Supervision.
Joost Poort is associate professor at the Institute for Information Law (IViR), University of Amsterdam. He performed a large number of economic studies at the interface of copyright, culture, media and economics and on market structure and regulation in markets in which governments play a significant role. Since 2016, he has been associated with the Netherlands Gambling Authority as an external research partner.