

“Ethics of Sacrifice” versus “Ethics of Tolerance”:
A critical review of government’s tobacco and gambling policies

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1. Introduction

Before the legalization of football betting, the routine gambling policy of the government is to restrict commercial gambling activities at a restricted level, it means the government does not encourage any forms of gambling, but limited gambling outlets are allowed to meet the public demand, so that gambling opportunities would not become excessive and impose huge sum of social costs to the community. However, after the world cup in 1998, government noticed that football betting had become increasing more popular and widespread, both in terms of the number of people participating and money involved in it, so the government published a consultation paper to ask the public about the feasibility of the legalization of soccer betting in 2001¹ and the bills was passed by the legislative council with a little margin in 2003. Starting from august in the same year, the Jockey Club was permitted to carry out more forms of wagering and promotions for soccer betting, as a way to combat or compete with illegal bookmakers.

The government argues that legalization is the stone that could kill two birds, on the one way that is to reduce citizens' money draining out to illegal gambling operators and on the other way that brings government revenue from the tax collected from the betters. As a result, "legalization reduces capital outflow to illegal gambling operators" and "legalization opens a new financial channel which would not be opposed by the taxpayers for the government" are probably the two arguments that have been most often brought up by government and even the gambling proponents.

Concerning about the tobacco issue, the government strongly believe that smoking can cause serious health hazards and is the largest single preventable cause of death and disease. To protect the health of the community, the government's tobacco policy, same as the rationale of gambling policy, is to discourage smoking, educate the public about the risk factors caused by smoking and avoid non-smokers from second-hand smoke in indoor areas², so the government proposes a smoking ban in all indoor catering and entertainment outlets³.

The question left to be answered is both industries would definitely cause the health and other social problems and undoubtedly bring lucrative returns to the government, but the government obviously pays more attention to the side effects imposed to the public by tobacco industry, while tangible rewards contributing to the government by gambling industry, so what makes the difference?

¹ HKSAR Home Affairs Bureau. (2001). Gambling Review: A Consultation Paper

² Legislative Council Panel on Health Services. (2001). Progress on setting up tobacco control office. <http://www.legco.gov.hk/yr00-01/english/panels/hs/papers/b412e05.pdf>

³ Legislative Council Panel on Health Services. (2005). The Administration's paper on proposed amendments to smoking (Public Health) ordinance. <http://www.legco.gov.hk/yr04-05/english/panels/hs/papers/hs0110cb2-535-3e.pdf>

The focus of this paper is to compare the similarities and differences of the development of both gambling and tobacco industry, as a way to use two moral concepts “Ethics of Sacrifice” and “Ethics of Tolerance” to assess the ideology of the government over these two public policy issues. Thus, suggestions can be made for the government to rectify its policies.

2. Government Ethics and Public Policy

Before the concepts of Sacrifice and Tolerance are elaborated, we should first deliberately think of a question why government ethics is an issue that should be discussed. Along with the liberalization process, more and more people, including some government officials and party leaders, agree that the stance of the government in public policy areas should be neutral, it is largely because it is impossible to find a common standard which can accommodate every person in the society, so many liberals have argued that the legitimacy of the government can only be kept when its policies rely on values and beliefs that could not be reasonably refuted by any individuals under its jurisdiction⁴.

However this argument is sometimes contradictory and ambiguous, because coming up with a common consensus among individuals is not only a time consuming and costly task, but also infeasible, since people are not robot, they have their own free will, if the legitimacy can only be upheld when both implicit and explicit values and beliefs of the government’s policies are not rejected by any individuals, it implies that government is no longer a prerequisite institution for the continuity of the community or even a country.

Instead government ethics should be treated as an accountability system which people can judge and assess the public policies carried out by the government. Thompson⁵ argues to against the paradox that priority should not be given to government ethics, since there are plenty of missions that the government should accomplish, like striving for prosperous economy, national defense and even the victory of next general election. Thompson points out that

“Ethics is not a primary goal of government in the way that, say, national defense, economic prosperity, or public welfare are. These and other public policy goals are intrinsic to government: they are part of the reason that government is established and maintained. Ethics is mainly instrumental to government: its main purpose is to contribute to the other, intrinsic value. Honest government is a good in itself, valuable independently of any good policies that government may make. The value of ethics, however, is still a by-product of government, not a good at which government directly aims.”

⁴ Lund, William R. (1997). “Egalitarian liberalization and social pathology: A defense of public neutrality”. *Social Theory and Practice*. Vol.23, Iss.3. Page 449-478.

⁵ Thompson, Dennis F. (1992). “Paradoxes of Government Ethics”. *Public Administration Review*: Washington. Vol.52, Iss.3. Page254-259.

The central component of Thompson's argument is that government ethics is the prerequisite for the making of good public policy, because the consistency of all policies depend on it. The more the people understand the ethics of the government is, the less likely they raise questions about the motives and rationale for every government's policy is and the more rooms for the government to concentrate on policy implementation is.

Thompson's viewpoint supports why a standard form of government ethics is crucial for public policies, as it provides a framework for the public to testify the consistency and even implies the ruling ideology of the government.

3. Ethics of Sacrifice and Tolerance

Sometimes government ethics may be conflicting with personal ethics, it is because personal ethics emphasizes on face-to-face relations among individuals, it aims to guide people to perform better morally. Government ethics has a noble aim, which set standards for impersonal relations among people who may not know each other, but live in a same community and most importantly is to make public policy better by making public officials more accountable⁶.

Gambling is a behaviour that may contradict with personal ethics but is almost ignored in government ethics, as same as gambling, smoking is a behaviour which is publicly recognised as a violation of personal ethics is highly emphasized in government ethics, so what makes the difference? When assessing government's public policies from moral point of view, two concepts are usually adopted, which are "Ethics of Sacrifice" and "Ethics of Tolerance", before comparing government's gambling and tobacco policies, these two concepts must be clearly explained.

According to McGowan⁷, when "Sacrifice" is used as a moral concept to emphasize the advantages of a particular public policy issue, the government must be able to persuade the public that the general masses must abandon certain "rights", so as to achieve the common social goods. On the contrary, "Tolerance" emphasizes that people do not need to sacrifice anything (including rights or freedoms), as a way to achieve some goals of public welfare or preserve some institutions. The first concept stresses on the initiative by the government to restrict the masses in particular policy issue, the later one stresses the action taken by the government to restrict the masses in particular policy issue, the later one stresses the action taken by the government to remove all unnecessary barriers, so individuals can make their own choice without any restriction, even it may bring externalities to the society.

⁶ same

⁷ McGowan, Richard A. (2001). "From Gambling to Gaming: What's in a name". Government and the Transformation of the Gaming Industry. Edward Elgar: UK. Page 21-23.

4. Determination for Comprehensive Smoke Free Policy

The government first enacted a law which restricted the use, sale and promotion of tobacco products in 1982, because of the changes of international trend and knowledge over the nature and side effects of tobacco products, the government proposed a bill in 1997, in order to further restrict tobacco advertisement and extend the scope of designated no smoking areas⁸. The existing legislation regarding the tobacco products consists of the followings⁹:

1. prohibits smoking on public transport and in cinemas, theatres, concert halls, banks, supermarkets, lifts, department stores and shopping malls;
2. prohibits tobacco advertisements on radio, television, film and the internet;
3. prohibits tobacco advertisements in printed publications;
4. prohibits the displays of tobacco advertisements (with some exemptions);
5. requires packages of tobacco products to carry health warnings and the quantitative amounts of tar and nicotine yield, if applicable;
6. prohibits the sale of cigarettes with a tar content of more than 17 milligrams;
7. prohibits the sale of cigarettes through vending machines;
8. requires large restaurants (over 200 seats) to designate at least one-third of their total area as no smoking areas; and requires all restaurants to display a sign to indicate whether a no-smoking area is provided in the restaurant premises;
9. empowers managers of designated no smoking areas to enforce no-smoking requirements;
10. prohibits the sale of tobacco products to minors under the age of 18 and requires retailers to display a sign to the same effect; and
11. prohibits the giving of tobacco products to any person for the purpose of promotion.

In order to enhance the public to create a smoke-free culture and facilitate the public to comply with the existing legislation, the government proposed to set up the Tobacco Control Office in 2000, with the main duties to educate managerial and supporting staff of the restaurants and other public premises to enforce the ordinance, censor illegal tobacco advertisement and conduct ant-smoking activities and health education in general public¹⁰.

Later on, the government estimated that smoking claimed 5500 lives in Hong Kong every year and around 800 millions dollars in public health expenditure was directly caused by smoking in 1997, significantly higher than the previous year by 170 millions and another additional 157 million dollars was caused by second hand smoke, as a way to lease the financial burden of the government and protect citizens from being affected by smoking, the government proposed an amendment bill to expand the smoking ban areas to all indoor workplace, catering and entertainment premises,

⁸ Bilingual Laws Information System Chapter 371. <http://www.legislation.gov.hk/chi/home.htm>

⁹ Extracted from Environment Resources Management. (2001). Regulatory Impact Assessment: Proposed Amendments to the Existing Smoking Legislation. Page 2

¹⁰ Legislative Council Panel on Health Services. (2001). Progress on setting up tobacco control office. <http://www.legco.gov.hk/yr00-01/english/panels/hs/papers/b412e05.pdf>

prohibit smoking in all indoor and outdoor areas in kindergarten, primary and secondary schools, and outdoor areas in all tertiary institutions and universities¹¹.

The government also planned to revoke the exemption for registered hawker stalls and retail shops employing less than 2 staffs for displaying tobacco advertisement, nevertheless, the proposal suggested prohibiting all kinds of titled sponsorship in all public activities, so that no more public advertisement can be shown in the public. Finally, health warning with pictorial and graphic content should be shown on cigarette pack at a restricted size (50%), so that smokers can be better informed by the negative consequences caused by smoking¹².

The harsh proposal by the government would definitely welcomed the series oppositions from different rent seekers or stakeholders, namely the catering and entertainment industries, hawker stalls and small retail shops, tobacco companies. The Hong Kong Catering Industry Association commissioned KPMG to conduct a study, it showed the revenue of the industry would fall 10.6% by government proposal, which equalled to 7.9 billions dollars or 0.6% GDP and finally lost 21,500 working positions¹³.

Since the coalition used economic reason to persuade the legislative council members to turn down the government proposal, the government commissioned the Hong Kong University to conduct separate studies on impacts of Hong Kong tourists industry for government proposals¹⁴ and rebuttal of KPMG report by the Hong Kong Catering Industry Association¹⁵. The first study showed that two-third visitors would not change their visiting rate to Hong Kong, and one-third visitors would come more often. For mainland visitors, only 4% visitors would deter their visit to Hong Kong, while another 27% claimed that they would come more often. The study estimated that the government proposal would bring 5% increase in total expenditure for Taiwan visitors and 31% increase for visitors from other regions (South Asia, South East Asia and Asia Pacific Region). The second study attempted to challenge the methodology used by KPMG, as a way to overthrow all the findings drawn from the report.

After a series negotiations and public consultation, the government proposes another administration paper on the proposed amendments to Smoking (Public Health) Ordinance January

¹¹ Legislative Council Panel on Health Services. (2001) Administration's discussion paper on "Proposed Amendments to the Smoking (Public Health) Ordinance (Cap.371)
<http://legco.gov.hk/yr00-01/english/panels/hs/papers/b1459e03.pdf>

¹² same

¹³ Hong Kong Catering Industry Association. (2001) Proposed Smoking Ban: Impacts on Hong Kong Hospitality Businesses.

¹⁴ The Department of Community Medicine of the Hong Kong University. (2002). Final report on the studies of air, ferry and rail travellers to Hong Kong.

¹⁵ The Department of Community Medicine of the Hong Kong University. (2002). A critical appraisal and rebuttal of the KPMG Hong Kong Report produced for the Hong Kong Catering Industry Association.

this year, to be concise, the content inside the paper is almost the same as the one proposed in 2001, except suggests transitional period for the new measures after legislation. The government claims that, through the public hearings, consultation and surveys conducted by different institutions and parties, the proposal gets the overwhelming support from the general public¹⁶. In order to make the proposal more convincing, the government also studies overseas experience, as a way to prove that a comprehensive smoking ban legislation in all indoor areas is a global trend and inevitable¹⁷¹⁸.

Because of the success of the government to convince the public by using both public health and financial reasons, and also different in-depth studies regarding the social and economic benefits of the government proposals, it is expected that the proposal would be sooner or later passed by the legislative council unanimously. It deduces smoking would be banned in all public areas and any means of advertisement, including titled sponsorship or souvenir promotion, would be strictly prohibited, and the community is going to the road for smoke-free society in the future.

5. Dedication for Gambling Liberalization

The long-established government's gambling policy is not to encourage people participating in gambling, while allow certain forms of wagering to be run in the public by the Hong Kong Jockey Club, namely horse-racing and mark six. Before the amendment of Gambling Ordinance (Chapter 148), overseas bookmakers can publicly invite local residents to place bets; the most obvious example is the Macau Jockey Club, which set up 6 services centres in Hong Kong. In order to combat those unauthorised gambling channels publicly operated in Hong Kong, the government proposed an amendment in 2000, which outlawed any means of public operation for all unauthorized bookmakers¹⁹.

However the financial crisis held in late 1990's completely changed the mindset of the government, the government shifted her focus from social issue to the economic issue, and she concerned the potential additional revenue from the legalization of football betting. In order to understand the actual situation more thoroughly, the government commissioned the Hong Kong Polytechnic University to conduct a comprehensive study on Hong Kong people's participation in gambling activities in 2001.

The study clearly showed the participation of local people participate in football betting was

¹⁶ Legislative Council Panel for Health Services. (2005) The Administration's paper on the proposed amendments to Smoking (Public Health) Ordinance. <http://legco.gov.hk/yr04-05/english/panels/hs/papers/hs0110cb2-535-3e.pdf>

¹⁷ Legislative Council Panel for Health Services. (2005) Smoke-free Workplace Legislation: Overseas Experience. <http://legco.gov.hk/yr04-05/english/panels/hs/papers/hs0225cb2-839-3e.pdf>

¹⁸ Legislative Council Panel for Health Services. (2005). Summary of studies assessing the economic impact of smoke-free policies in the hospitality industry. <http://legco.gov.hk/yr04-05/english/panels/hs/papers/hs0225cb2-1074-1e.pdf>

¹⁹ Legislative Council Panel on Home Affairs. (2000). Proposed Amendment for Gambling Ordinance (Chapter 148) to outlaw gambling with extraterritorial elements. <http://legco.gov.hk/yr99-00/english/panels/ha/papers/535e.pdf>

strictly limited in terms of numbers and amount of bets, as the estimated number of people participating in football betting was around 120,000 people (2.4%, including local and offshore bookmakers) comparing with horse racing(64.2%) and mark six(30.4%), and more than 70% bettors spent less than \$1,000 per month and the median monthly betting money the bettors spent on the whole in football betting was \$300 for local bookmakers and \$750 for offshore bookmakers²⁰.

Although the study conducted by the Hong Kong Polytechnic University showed that participation of football betting was not that popular, while the government denied the figures found in the study. The government later on published a consultation paper to explain to the public the urgent need for legalization of football betting. The main arguments of the government were the popularity of illegal football betting and the continuous decline of government's betting duty tax and Jockey Club's turnover²¹.

Government strongly believed that the penetration of the illegal football betting activities was spread over every corner of Hong Kong areas, the government not only denies the figure found in the study conducted by the Hong Kong Polytechnic University that only 120,000 people participating in illegal football betting, but also estimated that the number of people should be more than 340,000 and the estimated amount of bets was more than 20 billions, which had a huge discrepancy with the one conducted by Hong Kong Polytechnic University²².

Another major argument of the government was that the continuous decline in horse racing turnover of the Jockey Club would definitely affect the revenue of the government, and the main reason for the continuous decline of the Jockey Club's turnover was illegal football betting, so legalization of football betting would definitely improve the operations of the club.

Table 1 supports the argument that legalization of football betting has greatly improved the operation of the Jockey Club, as its total turnover has been increased from 88 billion dollars in year 1999/00 to 96 billion dollars in year 2004/05. However, the legalization of football betting intensifies the decline in turnover of horsing racing.

²⁰ Centre for Social Policy Studies of The Department of Applied Social Sciences and General Education Centre of The Hong Kong Polytechnic University. (2001). Report on a study of Hong Kong people's participation in gambling activities. Page 24-32.

²¹ HKSAR Home Affairs Bureau. (2001). Gambling Review: A Consultation Paper

²² Same. Page 11

Table 1: Jockey Club's Turnover from year 1999/00 to 2004/05

Million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Horse Racing	83,417	81,532	78,159	71,465	65,025	62,661
Mark Six	4,493	5,088	4,024	5,086	5,860	6,599
Football Betting					16,063	26,731
Total	87,910	86,620	82,183	76,551	86,948	95,991

Source: Jockey Club's Annual Report, various issues

The public consultation attracted heated debates among different individuals and social groups, especially those in education, social welfare and religious sectors. The government recognized that almost submissions (87% submissions and 96% signatures) were against the legalization of football betting, while wondered those submissions were provoked by those anti-gambling or pro-ethnics social groups and may not fully represent the opinion of the general masses²³.

Just 8 months after the consultation report was published, the government firmly agreed that there were sufficiently large and persistent demand of football betting in the society, so she first officially declared her intention to authorize football betting in late 2002 and concretely listed out the details of future operations, including the scrutiny, betting duty and license issuance system²⁴.

In order to pacify the large opposition force in the general public, the government issued an arrangement regarding the authorization and regulation concepts of football betting in January 2003, which composed of the followings²⁵:

1. provide a legal football betting channel to combat illegal gambling activities;
2. Hong Kong Jockey Club would be licensed to operate;
3. license would be granted for initial 5 years and renewable after expiration (it was later changed to 3 years);
4. set up an independent gaming affairs committee, which composed of mainly non-official members, to scrutinize the operations of lottery and football betting (an advisory body called Football Betting and Lottery Affairs Committee was set up in July 2003);
5. tax at a fixed rate with reference to the gross profit (the rate was finalized at 50%); and
6. set up a fund for the preventive education programmes and counselling services for pathological and problem gamblers (Ping Wo Fund was set up in September 2003, the source of funding was solely contributed by the Jockey Club).

²³ Legislative Council Panel on Home Affairs. (2002). Consultation report on "Gambling Review : A Consultation Paper" <http://legco.gov.hk/yr01-02/english/panels/ha/papers/ha0412cb2-1437-1e.pdf>

²⁴ Legislative Council Panel on Home Affairs. (2002). Authorization of soccer betting : The way forward. http://legco.gov.hk/yr02-03/english/panels/ha/papers/hab_cr_1_17_109_e.pdf

²⁵ Legislative Council Panel on Home Affairs. (2003). Administration's paper on "Proposed arrangements for the authorisation and regulation of soccer betting" <http://legco.gov.hk/yr02-03/english/panels/ha/papers/ha0110cb2-815-1e.pdf>

Finally, the bill proposed by the government in March 2003 was passed in Legislative Council with little margin in July of the same year. Bad news to those anti-gambling groups, the government passed the bill before the issuance of the code of practices for the conduct of football betting and lotteries. The content of this code of practices is ambiguous and not binding to the Jockey club, also, it does not clearly define “major tournaments and popular league”, as a result, the Jockey Club can openly accept bets in different matches all over the world (Table 2), which is different at the very beginning that government plans to set a match ceiling²⁶.

Table 2: Tournaments or Leagues that bets are accepted by Jockey Club

Tournaments and Leagues	
National Level (Level 1)	World Cup, Euro
National Level (Level 2)	Confederation Cup, COPA, Asian Cup, Olympic Games
National Level (Level 3)	Gold Cup, World Youth Championship, East Asian Football Tournament, International Friendly
Club Level (Level 1)	English Premier League, Spanish League (Division1), German League (Division1), Italian League (Division 1), European Champions League
Club Level (Level 2)	Brazil, France, Holland, Portugal, Belgium, UEFA Cup, Liberty Cup
Club Level (Level 3)	Scotland, Japan, Norway, Sweden, Finland, Toto Cup
Club Level (Level 4)	English League Championship, English League (Division 1), German League (Division 2)
Forms of Wagering	
In-time Betting, Half-time Betting, combinations, HAD, section HAD, Handicap HAD, Correct Score, Handicap, Total Goals, Odd/Even, First Scorer, HaFu, HiLo, Double HaFu, 6 HaFu, Champion	

Source: Jockey Club’s Webpage www.hkjc.com

Recently, the government seeks the support from the legislative council to accept her new proposal for changing the horse racing betting duty system from “take out/ gross margin” to profit tax, as a way to allow more rooms of the Jockey Club to provide more attractive odds to bettors. The government firmly states that the previous decline in horse racing turnover is due to illegal horse racing, the Jockey Club estimated that the turnover of illegal horse racing is around 50-60 billion dollars, and the government is confident that the change of betting duty system would retrench the decline in horse racing turnover of Jockey Club²⁷.

Under the proposed betting duty system, the Jockey Club needs to pay at least 8 billion dollars to the government every year, and the government, in return, would permit Jockey Club to operate

²⁶ Legislative Council Panel on Home Affairs. (2004). Codes of Practice for the Conduct of Football Betting and Lotteries. <http://legco.gov.hk/yr03-04/english/panels/ha/papers/ha0213cb2-1263-02e.pdf>

²⁷ Legislative Council Panel on Home Affairs. (2005). Proposed reforms to betting duty system on horse race betting. <http://legco.gov.hk/yr04-05/english/panels/ha/papers/ha0513cb2-1520-2e.pdf>

horse racing during the summer holiday and release the restriction for operation in horse racing. According to the data provided by the government, it highlights the trend for the decline in horse racing, but hides the powerful upward trend in football betting and only emphasizes on how illegal horse racing betting affects the Jockey Club, but never mentions the threat by the new gambling channel (football betting)²⁸, and the most important is both government and Jockey Club never disclose the calculation or methodology for getting the figures that 50-60 billion dollars turnover of illegal horse racing, it seems the government tries to mislead the public by manipulation of incomplete data.

Unlike government's tobacco policy, she relies on researches conducted by academics and expertises to show how smoking ban can bring both social and economic benefits to the society, while her approach in gambling policy is different, she positions illegal bookmakers as society common enemy, even though they are invisible and immeasurable. Although the study conducted by Hong Kong Polytechnic University shows that the degree of participation in illegal football betting is not that serious, but the government can claim the result is under-estimated the actual phenomenon without conducting research.

It is obvious that the "Ethics of Sacrifice" triumphs over "Ethics of Tolerance" in government's tobacco policy and vice versa, does the government really rely on expertise to determine her stance in different public or social policies? Surely not! Otherwise, the government would not initiate the legalization of football betting after looking at the study by the Hong Kong Polytechnic University. So the question attempts to be answered is what makes the government taking different moral values in different policy areas.

6. Different Policies, Different Angles?

Gambling and Tobacco products together with pornographic and alcoholic beverage industry are traditionally classified as sin businesses²⁹, because all these products may cause damage not only to the individuals, but also society as a whole. However, along with the liberalization process, the common acceptance towards these industries becomes higher and higher, but is the government using a consistent viewpoint in all these policy areas?

Thanks to the public health education programme offered by the government, generally speaking, every individual, including smokers, should be conscious how smoking can cause panic to their bodies. Regular cigar use causes cancer of the lung, oral cavity, larynx, and espphagus³⁰.

²⁸ Legislative Council Panel on Home Affairs. (2005). Supplementary information provided by the Administration on proposed reforms to the betting duty system of horse race betting.

<http://legco.gov.hk/yr04-05/english/panels/ha/papers/ha0513cb2-1880-1e.pdf>

²⁹ Davidson, D. Kirk. (2003). Selling sin : the marketing of socially unacceptable products. Westport, Conn.: Praeger.

³⁰ US Department of Health and Human Services, Public Health Services, National Cancer Institute. (1998). Cigars: Health Effects and Trends. National Cancer Institute: Smoking and Tobacco Control Monograph.

Moreover, heavy cigar smokers and those who inhale deeply face elevated risks of coronary heart disease and chronic obstructive pulmonary disease³¹. On the contrary, not smoking not only extends the life expectancy, but also enjoys longer disability-free life too.

Smoking is the leading cause of preventable death in the United States. It causes serious illness of 8.6 million patients; it costs \$1.3 trillion Hong Kong dollars in public health expenditure every year, and kills approximately 438,000 people each year³². Worldwide, smoking kills nearly 5 million people annually. If the trend has not been retrenched, the number will be double in 2030, and smoking will kill more than 1 billion people in next 100 years³³.

The disease caused by smoking not only harmful to individuals, but also increases the financial burden of the government. According to the figures provided by the government, smoking costs 5500 lives every year, and 800 million and 157 million dollars public health expenditure are spent because of the direct and second hand smoking in 1997³⁴, so Hong Kong, same as other jurisdictions in the world, has high intention to initiate smoke free campaign.

In 1986, the World Health Assembly set nine components of comprehensive tobacco³⁵:

1. protecting non-smokers from environmental tobacco smoke;
2. promoting abstention from tobacco use;
3. promoting tobacco free health care;
4. elimination of socioeconomic and behavioural incentives to smoke;
5. posting prominent health warnings;
6. implementation of public education and smoking cessation programmes;
7. surveillance of tobacco use and disease trends;
8. developing alternatives to tobacco production, trade, and taxation; and
9. establishing a national “focal point” to coordinate tobacco control activities.

The components set by the World Health Assembly become the guiding principle for regions and countries to carry out smoke free campaign domestically. Hong Kong government’s tobacco policy can simply be divided into three areas: Economic, Legislation and Education.

Same as other governments, Hong Kong government imposes high tax rate in tobacco products,

³¹ Jacobson PD, Lantz PM, Warner KE, et al. (2001). *Combating Teen Smoking Research and Policy Strategies*. Ann Arbor: University of Michigan Press.

³² Annual smoking-attributable mortality, years of potential life lost, and productivity losses- United States. 1997-2001.

³³ Mackay J, Eriksen M. (2002). *The Tobacco Atlas*. Geneva, Switzerland: World Health Organization.

³⁴ Legislative Council Panel on Health Services. (2001) Administration's discussion paper on "Proposed Amendments to the Smoking (Public Health) Ordinance (Cap.371)

<http://legco.gov.hk/yr00-01/english/panels/hs/papers/b1459e03.pdf>

³⁵ Extracted from Hodge, James G., Eber, Gabriel B. (2004). Tobacco Control Legislation: Tools for Public Health Improvement. *The Journal of Law, Medicine & Ethics*. Vol.32, Iss.3. Page 516-523.

which contributes 2.2 billion dollars revenue to the government³⁶. Regarding the legislation, it mainly consists of youth access restriction, no-smoking areas, advertising restriction, marketing and other enforcement measures.

The main efforts of the government in education are mainly educating the public about the harms of tobacco products, commission research institute to conduct researches, shifting the attention to public health, smoking cessation programmes (especially in schools) and most importantly counter-advertising.

If the government treats tobacco taxes as a primary source of income, it is not the major concern for the government to initiate other non-economic policies, such as legislation, because it would directly affect the revenue of the government. However, if the government is not necessarily concerned with the tax revenue from tobacco tax, other regulations and educations can easily be implemented. So tax can be treated as a “two-edged sword”, on the one hand, it may be a good method to discourage smoking, on the other hand, it may also provide incentive for the government to promote or not to restrict smoking.

Also, when comparing 957 million dollars public health expenditure with 2.2 billion dollars revenue from tobacco tax, the government still does not have economic reason to enforce a smoke free legislation, does the government solely give up these 2.2 billion dollars revenue for only lowering around 1 billion dollars expenditure in public health?

Some argues that tobacco not only raises tax revenue to the government, but also creates jobs and contributes to Gross Domestic Product of the nations, however, the World Bank analyzes the net economic effect of tobacco, it finds that the money not spent on tobacco products would be shifted to other goods and services that in turn would generate more jobs and economic activities to outweigh the losses from tobacco industry³⁷. In United States, there is a research to estimate that complete prohibition of all tobacco products would have net 130,000 jobs increase³⁸, and in South Africa, there is a study which is conducted in 1995, shows that if people completely stop purchasing cigarettes, between 9000 and 34,000 jobs would be created, if people completely stop purchasing cigarettes and the money they spend in cigarettes before flows to other goods and services, another 50,000 jobs would be created, and if current rate of decline in cigarette consumption doubled, 3500 jobs are immediately created³⁹.

³⁶ HKSAR the Treasury. http://www.try.gov.hk/cinternet/pdc_srahead04.pdf

³⁷ Jha P, Chaloupka FJ. (1999) *Curbing the Epidemic: Governments and the Economics of Tobacco Control*. Washington, DC: The World Bank.

³⁸ Warner KE, Fulton GA, Nicolas P, Grimes DR. (1996). Employment implications of declining tobacco product sales for the regional economies of the United States.

³⁹ Van Der Merwe, R., Abedian, Iraj. (1999). A reduction in consumer expenditure on cigarettes and its effects on employment: A case study of South Africa. *Contemporary Economic Policy*. Vol.17, Iss.3. Page412-422.

According to Nobel Prize winner in Economics in 1970, Paul Samuelson, states that “Gambling involves simply sterile transfers of money or goods between individuals, creating no new money or goods. Although it creates no output, gambling does nevertheless absorb time and resources. When pursued beyond the limits of recreation, here the main purpose after all is to “kill” time, gambling subtracts from national income.⁴⁰” It implies that gambling is just a zero sum game, which produces no product, no new wealth, and so it makes no genuine contribution to economic development; it is just a wealth redistribution process from one’s pocket to another’s pocket, in economics, which is called the “cannibalization effect” or “crowding out effect”, as it just extracts money from other productive business sectors, so the higher the degree of participation in gambling is, the higher the negative multiplier effect towards the economy is.

On the one hand, gambling can not guarantee the emergence of economic prosperity, on the other hand, excessive gambling participation in the society may cause panic and impose a huge sum of social costs to the society as well. In United States, the medical and social costs associated with treating and remedying the negatives, including the treatment to gamblers, counselling services to their family and other social welfare services, encountered by the problem and pathological gamblers ranging between \$100,000 and \$400,000 Hong Kong dollars⁴¹. The most conservative estimation for the medical and social costs for problem and pathological gamblers also attains \$78,000 Hong Kong dollars⁴². Hong Kong has approximately around 4% problem (200,000 people) and 1.85% pathological gamblers (90,000 people)⁴³ (the numbers is expected to be increased tremendously, because the survey was conducted before the legalization of football betting), since the treatment and other social services provided to problem and pathological gamblers are still on the developing stage, so I take the most conservative estimation \$78,000. It finds that the most conservative estimation of social cost for addicted gambling is around 22.6 billion dollars.

Excessive gambling not only imposes a huge sum of social cost to the society, but also brings intangible disturbance to their family members and friends. According to study conducted by Leiseur⁴⁴, one problem gambler can bring different degrees of influence to 10-17 people nearby, both spiritually and monetarily. So people may argue that 290,000 problem or pathological gamblers only occupy a small fraction of the total population, if we take this number into consideration, it implies over one-third of the population is suffered from addicted gambling. “We think the number of people being affected would be even higher, because the closed connection in

⁴⁰ Samuelson P. (1976). Economics 425 (10th Edition). McGraw-Hill: New York.

⁴¹ Politzer R. Morrow J., Leavey S. (1985). Report on the cost-benefit/ effectiveness of treatment at the Johns Hopkins Center for Pathological Gambling. *Journal of Gambling Behavior*. 1: 131 et sequelae.

⁴² Thompson W., Gazel R., Rickman R., (1995). *The Economic Impact of Native American Gaming in Wisconsin*. Wisconsin Policy Research Institute: Wisconsin.

⁴³ Centre for Social Policy Studies of The Department of Applied Social Sciences and General Education Centre of The Hong Kong Polytechnic University. (2001). Report on a study of Hong Kong people’s participation in gambling activities.

⁴⁴ Leiseur, H.. (1984). *The Chase: Career of the Compulsive Gambler*. Schenkman Books, Cambridge.

Chinese Society, that's why the counselling services, provided by the Rehabilitation Centre for Problem Gamblers run by the Industrial Evangelistic Fellowship, should include their family members." said by Director Y.C. Poon.

As same as tobacco policy, the government claims that the long-established gambling policy is not to encourage people gambling. In tobacco policy, the government adopts three strategies to discourage smoking in the community comprehensively, namely education, legislation and economic action, but can these strategies also be applied in gambling policy?

The government relies on Ping Wo Fund, with funding provided by the Jockey Club, for carrying out public education, which almost money goes to operating capital for two publicly funded counselling centres, and some are spent for counter- advertising in the media. Also, the government sets up a webpage⁴⁵, which mainly targets at teenagers and organizes various activities to preach the negative consequences of gambling⁴⁶.

Comparing with government's determination in smoke free legislation, she not only does nothing, but also dedicates to liberalize gambling instead. The government sets up a regulatory body which is solely responsible for monitoring the Jockey Club's operation, however, it is just an advisory body and its decisions are not binding to the Club, also the code of practice does not include the concrete measures to regulate the Club, just lists out the general guiding principles, as a result, the Club has lot of rooms to run its gambling business.

Unlike government's tobacco policy, which restricts all kinds of promotion and titled sponsorship of the Jockey Club, but the government, rather, allows all kinds of gambling information and promotions to be published and broadcasted in the media, as a result, the counter-advertising efforts put by Ping Wo Fund are completely crowded out by the ever-lasting efforts of the Club.

Mr. H.L. Wong, the convener of the Hong Kong Gambling Watch, comments that the most influential effort by the Jockey Club is its "soft promotion". During the past decade, the government keeps cutting the welfare expenditure, it makes the social welfare sector more reliable on the funding provided by the Club, and now, more and more youth and social services centres are named with "Hong Kong Jockey Club" on behalf, which means rooting a positive and charitable image in minds of teenagers and society as well.

Heavy tax is treated as one of the most important measure to discourage sin business, but

⁴⁵ www.saynotogambling.net

⁴⁶ Legislative Council Panel on Home Affairs. (2003). Measures to address gambling-related problems. <http://www.legco.gov.hk/yr03-04/english/panels/ha/papers/ha1212cb2-633-1-e.pdf>

recently, the government not only increases the betting duty, instead, releases the tax burden of the Jockey Club in horse racing, under the proposed system, the new horse racing betting duty will be changed from “take-out/ gross profit” to profit tax. The government insists that removing restriction for Jockey Club to run gambling business is the most effective measure to combat the illegal bookmakers.

Professor David Miers agrees that the main purpose of legalization is to provide sufficient gambling channels to meet the public needs in gambling, otherwise, those unsatisfied needs will go to the illegal channels. However, his core idea is that before gambling is legalized, the government should take necessary actions to suppress the excess demand and supply of gambling in the society, like impose a harsh punishment for those placing bets through illegal bookmakers, as a way to divert the bets to legal channels⁴⁷.

Also, both government and market can not fully combat black market through various measures, because wherever there is a market failure or demand for particular product, there is people who are willing to take the risk for higher return⁴⁸, so the responsibility of the government is to avoid the existence of market failure or black market, instead of allowing the Jockey Club to compete with illegal bookmakers, as it would stimulate the demand for both legal and illegal gambling market.

According to Onkvisit and Shaw⁴⁹, every product should face four discrete stages: introduction, growth, maturation and decline, which is called the product life cycle. Technically, a cycle implies that the demand of product will diminish after the maturation stage. In Hong Kong, there is a century history of horse racing, as one of the gambling product, which experiences many ups and downs before, with the introduction of football betting in 2003, the continuous decline in horse racing turnover seems inevitable and expected. (Table 3)

Table 3: changes of turnover in horse racing 1992-2004

Year	Turnover in Horse Racing (Millions)	% change
1992	55,600	-
1993	60,100	+8.09
1994	66,300	+10.32
1995	72,200	+8.90
1996	80,600	+11.63

⁴⁷ Miers, David. (1996). Objectives and Systems in the Regulation of Commercial Gambling in *Gambling Culture: Studies in History and Interpretation*. Jan McMillen (eds.). Routledge. 288-311.

⁴⁸ Butterworth, John. (1994). “Production and Control”. *The Theory of Price Control and Black Markets*. Avebury. 46-62.

⁴⁹ Onkvisit, S., Shaw, J. (1989). *Product Life Cycles and Product Management*. Westport, CT: Greenwood Press.

1997	92,400	+14.64
1998	91,500	-0.97
1999	81,300	-11.15
2000	83,400	+2.58
2001	81,500	-2.28
2002	78,200	-4.05
2003	71,400	-8.70
2004	65,000	-8.96

Source: Jockey Club's annual report, various issues

As one of the consumer goods, the “sales” performance of horse racing would be definitely affected by the economic conditions. If we compare the horse racing turnover with other economic figures, the decline in turnover may strongly correlate with the changes of economic conditions. The coefficient correlation between the turnover and inflation/ deflation rate is 0.769 ($p < 0.05$), it means the turnover would be higher during the inflationary period and vice versa.

Because horse racing is relatively more popular in lower income class, and consumer price index (I) reflects the purchasing power of this class, it finds that the correlation coefficient between these two variables is 0.812 ($p < 0.01$) (Table 4). Furthermore, the changes of horse racing turnover is negatively correlated with the unemployment rate (correlation coefficient -0.922, $p < 0.001$), it means the higher the unemployment rate is, the lower the horse racing turnover is (Table 5). Even working class can avoid the destiny of unemployment, most working class are also suffered from wage cut, it shows that the correlation coefficient between horse racing turnover and wage cut is 0.812 ($p < 0.01$), it means people would reduce their bets during wage cut (Table 6).

Table 4: Changes of horse racing turnover and Consumer Price Index (I) (1993-2004)

Year	% change in horse racing turnover	% change in CPI (I)
1993	8.09	8.50
1994	10.32	8.10
1995	8.9	8.70
1996	11.63	6.00
1997	14.64	5.70
1998	-0.97	2.60
1999	-11.15	-3.30
2000	2.58	-3.00
2001	-2.28	-1.70
2002	-4.05	-3.20
2003	-8.7	-2.10

2004	-8.96	.00
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Table 5: changes of horse racing turnover and unemployment rate (1993-2004)

Year	% change of horse racing turnover	% change of unemployment rate
1993	8.09	2.0
1994	10.32	1.9
1995	8.9	3.2
1996	11.63	2.8
1997	14.64	2.2
1998	-0.97	4.7
1999	-11.15	6.2
2000	2.58	4.9
2001	-2.28	5.1
2002	-4.05	7.3
2003	-8.7	7.9
2004	-8.96	6.8

Table 6: changes of horse racing turnover and wages 1993-2004

Year	% Change of horse racing turnover	% change of wage
1993	+8.09	+11.2
1994	+10.32	+9.9
1995	+8.9	+9.0
1996	+11.63	+6.1
1997	+14.64	+6.0
1998	-0.97	+5.2
1999	-11.15	+0.1
2000	+2.58	-0.4
2001	-2.28	+1.4
2002	-4.05	-0.8
2003	-8.7	-1.5
2004	-8.96	-1.6

From the above analysis, both gambling and tobacco industry may impose a huge social cost and bring lucrative economic benefits to the society, theoretically, the government should have high intention to carry out anti-smoking and gambling policies, however, the policy stance of the government is completely opposite, so what makes the difference?

Unlike gambling, government is the largest victim by tobacco industry in terms of financial

burden, the government collects 2.2 billion dollars duty last year, but needs to pay around 1 billion dollars in public health expenditure, excluding other implicit and intangible costs. However, the government is the biggest winner in gambling. In year 2004/05, betting tax contributes 11.6 billion dollars⁵⁰, equals to 10% for government's internal revenue, which is the double of the Jockey Club's profit: 6.6 billion dollars⁵¹.

However the money spent on remedying gambling related problems by the government is strictly limited, the Jockey Club is the major financial source of Ping Wo Fund, it means the Club is almost the sole supporter for the operations of the two counselling services centres, also all expenses regarding the public education are paid by the fund, the government pays nearly nothing in this issue.

Although the social cost of addicted gambling is tremendous, different from tobacco, those costs are not directly borne by the government, because most counselling services are offered by voluntary organizations, debts are borne by their social networks, even they go bankrupt; the largest victim is their creditors. As a result, the government has no economic reason to support gambling free policy; it is rather a reason to push the government to liberalize gambling.

Conclusion: moral values as noble cause for utilitarianism

As mentioned before, government ethics is the prerequisite for the making of good public policy. The more the people understand the ethics of the government is, the less likely they raise questions about the motives and rationale for every government's policy is and the more rooms for the government to concentrate on policy implementation is, so government ethics provides a framework for the public to gauge the ruling philosophy of the government.

Traditionally, tobacco, gambling, pornography and alcoholic beverage are classified as "sin business". This paper chooses to compare gambling and tobacco, because government recently proposes separate bills to the legislative council, with the first one for relaxation of duty system, and the later one for restricting the operation of tobacco industry. It seems there is a great discrepancy over different policy areas, so the main purpose of this paper attempts to use moral values to justify whether the government has a consistent ruling philosophy in different policy areas.

Theoretically, both industries may cause social problems, and bring lucrative returns to the government and society. Smoking can cause tremendous physical damage to individuals' bodies, and gambling can cause panic to gamblers and their families spiritually and monetarily. The only difference is the costs are borne by the government for tobacco, but individuals for gambling. This

⁵⁰ HKSAR the Treasury. http://www.try.gov.hk/cinternet/pdc_srahead04.pdf

⁵¹ Hong Kong Jockey Club (2005). Annual Report. Page 106

makes the government concerns the social issue in tobacco, while economic issue in gambling.

In fact, different scholars conclude that both tobacco and gambling industry may lead to crowding out effect or cannibalization effect to other business sectors. The reality is the government determines in smoking free policy, as a way to release the huge burden of the public health expenditure, however the government dedicates in gambling liberalization to release the burden and restriction of the Jockey Club, so as to boost up the tax revenue of the government.

To conclude, the government does not have central and consistent moral values, the only ruling ideology she has is utilitarianism, and the main purpose of the government is financial stability through the increase in revenue and decrease in expenditure. That's why the government insists the long-established policy is not to encourage smoking and gambling, while measures taken by the government are contradictory.

The government understands that solely economic reason is not effective in persuading legislative council members to pass the bills, so some moral concepts are sometimes borrowed to convince the members, like public health has been emphasized in government's tobacco proposal (ethics of sacrifice), respect individuals' choice and combating illegal bookmakers are highlighted in government's gambling proposal (ethics of tolerance), as a result, those moral values are just the noble cause for utilitarianism, instead of a guiding philosophy of the government.

The utilitarian eye of the government in public policy may cause series criticisms from the public, because it reflects the inconsistency of government's ideology, which is a loophole or crisis for governance; along with the liberalization, more and more challenges or judicial reviews towards the existing long-established polices, like pornography, drugs, housing, can be foreseen. If the government can not formulate a standard guiding philosophy or ethics, she would loss grounds in public debates and finally hurt her legitimacy.