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**Economic and Social Effects of Gambling in the Czech
Republic**

(bakalářská práce)

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Olomouc 2011

I declare that I elaborated this paper independently and that I mentioned the absolute list of works cited.

In Olomouc on the day:

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Abbreviations Used in the Thesis

CR – Czech Republic

EU – European Union

GA – Gamblers Anonymous

PBP – Public beneficiary purposes

VLT– Video lottery terminal

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Methodology

This research paper has used a variety of sources to demonstrate that gambling has become a serious problem within the Czech Republic through the examination of both the economic and social advantages and disadvantages. The thesis is divided into three main sections.

In the history section the primary resources used include books authored by David G. Schwartz entitled “*Roll the Bones*” and Carl Sifakis “*The Encyclopedia of Gambling*”. These books served as well-arranged timeline.

The primary sources used in the economic section include the Lottery Act 202/1990, Local Fee Act 565/1990 and the Administration Fee Act 634/2004. Data was also acquired from the Ministry of Finance. Secondary sources used were the unofficial reports of the senator Josef Novotný, various internet resources, newspaper and magazine articles to illustrate the imminence of this issue.

The third section which deals with the social impact on the Czech population used data from the Czech Statistical Institute and renowned senior psychiatrist MUDr. Karel Nešpor, CSc.

1 Introduction

This thesis is written as a reaction to the unregulated outbreak of gambling in the Czech Republic in past decade. Casinos and gambling houses are spreading in an alarming rate. In places where newsagents, dry cleaners and hair dressers were prominent are now gambling houses. They are scratching the faces of our cities with neon signs and jackpot meters.

In 2009, the Czechs bet almost 128 billion Kč (Ministerstvo financí ČR), that is 12.163 Kč per person including babies and teenagers. There is no reason to think this number will be lower in 2010 or 2011. Excessive gambling has had many negative impacts on the public and the economy. The most serious side effects being criminality related to gambling and pathological gambling. According to some experts in this field the number of pathological gamblers may have already reached 100.000 (Nešpor 15). The Czech government has not initiated an official study that would show the impact of gambling on society and economy.

The section of this research paper briefly analyzes the history of gambling from its very first origins to the modern digital era, highlighting the most important milestones of this phenomenon. The second section then explores the economic aspects of gambling in the Czech Republic. This part is based on disturbing data published by the Ministry of Finance. Primary attention is paid to slot machines and technical games especially to video lottery terminals which make more than 70 percent of overall gambling turnover. The third and final section focuses on the social side-effects related to gambling and demonstrates that the gambling industry may not be as economically beneficial as it may seem at first glance.

2 Origin of Gambling

In order to fully comprehend the notion of gambling it is necessary to examine its origins and history. For many of us, gambling today is perceived as almost an inseparable part of human nature. In fact, Binde claims that gambling is unavoidable and even necessary for human beings (2). We do not know when exactly the early people started to gamble and no modern historian can pinpoint an exact year, however, researchers give credit or blame to our Paleolithic predecessors who first crafted stones, wood and bones which later became the first gambling instruments (Schwartz 24; Glimne 2007).

Many historians today agree that gambling derived from early religious and pageant rituals and it is certainly connected with divination. These first fortunetellers had a wide range of mechanisms to foretell the future. This included haruspicy, the foretelling of the future using a ritually sacrificed beast, karydaomancy using coconuts and Oomancy using eggs (Schwartz 24). More extreme techniques included compromancy and uromancy which used faces and urine (Schwartz 24). Most relevant to the origins to gambling was the divination based upon cleromancy. Cleromancy was the casting of small objects such as pebbles, stones, and arrows to foretell the future; one small step away from the invention of the dice. In 7000 B.C. our ancestors used small heel bones from sheep and goats known as “*astragali*” (figure 3.1) for cleromancy (Glimne).

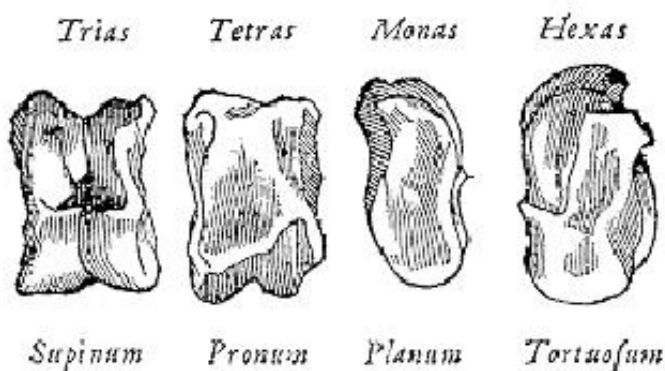


Figure 3.1 Astragali
source: *Roll the Bones*

The astragali began to resemble the dice we know today, but it had only four sides and each side had different dimensions. This means that the each side also had odds favoring the largest side (Sifakis 43). Later, people gave values to each side of astragali. The smaller the side the higher the value and of course there was smaller probability of such an outcome. These predecessors of dice were played usually in pairs and occasionally in threes. The goal of the game was to cast the highest value or exceed a previous cast of an opponent (Sifakis 48). Cubical dice as we know them today were used first in Mesopotamia in 3000 B.C. and in Egypt in 2000 B.C. (Schwartz 33).

2.1 Gambling in Mesopotamia, Egypt and Asia

Mesopotamia, one of the oldest societies that built the first cities on fertile land along the riverbanks of the Euphrates and Tigris was also one of the first gambling societies on the Earth's surface. The people of Mesopotamia played *astragali* and are given credit for the modification of the playing device into the six-sided cube we know today. The cubes discovered in Mesopotamia date to 3000 B.C. An interestingly, these cubes already had pips similar to the dice we know today. Dice have pips rather than numbers because Hindu-Arabic numbers were introduced to the world no earlier than 700 B.C. (Fleming 47; Schwartz 43). At this time board games were played using dice and from evidence uncovered a game resembling backgammon was played; a game combining skill with luck.

In ancient Egypt 3000 B.C. gambling was closely tied to religion and the Egyptian system of gods, demigods and their worshipping servants. We know that Egyptians were profound gamblers who kept records of everything and their gambling passion was no exception. They played various dice games as well as board games. The stakes were naturally money but one could also bet his own freedom and become a slave. Interestingly, the Egyptians recognized the negative effects of gambling and were the first culture that issued the first anti-gambling laws (Schwartz 35; Fleming 51). Those who violated this law could be sent to the quarries.

On the Asian continent gambling was wide spread around 1500B.C, especially in India and China. The first written evidence of gambling can also be found in the great Indian epic, Mahabharata. However, Indians were familiar with gambling as early as 4000B.C. The most popular game was a 5 sided dice. These dice were made of nuts from a *vibhitaka* tree (Schwartz 30). One of the many myths in Mahabharata mentions a gambler with loaded dice. Based upon this evidence we may assume that gambling and cheating went and continues to go hand in hand from the invention of gambling itself. Later on, Indians were influenced by the west and adopted the six-sided cube. Of course board games were also widely spread across India combining skill and luck (Fleming 55-60; Schwartz 30).

The first traces of gambling in China are evident from 1700 B.C. Though it was much later than compared to the rest of the world, gambling took some revolutionary steps. The Chinese were heavy gamblers and bet virtually on everything including dice, cock-fighting, ram-fighting to dog and horse races. In Chinese chronicles there is evidence that gambling halls flourished all over China. In the 5th century B.C. Chinese transformed the western dice into dominoes but the biggest contribution of China is undoubtedly the popularization and mass spreading of playing cards in the 12th century A.D. Playing cards spread to the entire world and the production of playing cards in Europe became an article of national interest (Schwartz 37; Sifakis 24).

2.2 Gambling in Greco-Roman Period

Greek culture is very well known for its wisdom, great philosophers, and invention of the Olympic Games. That is what most of us were taught in school but no one would imagine that the Greeks were avid gamblers. The only thing that could stop them from dicing was betting on sports (Harris 75). Still the Greeks played merely for pin money compared to the Romans. We can divide roman gambling into three categories: Simple games like odds and evens, gaming that involved dice and finally animal fighting and human contests. Even though the Romans gambled ferociously, they issued many laws

against gambling. The emperors issuing these laws were usually the first ones to break them. Still gambling was allowed during festivals and holidays and to old people gambling was not restricted at all. Anti-gambling laws were not strictly enforced but payment to the winner could not be enforced (Schwartz 40). During these holidays and other major events “The games” were usually held in amphitheatres and arenas across the Roman Empire. These celebrations attracted blood thirsty spectators who could watch gladiator fights, cock fighting, and chariot races. Romans also imitated some famous battles and even one naval.

The emperor Augustus Caesar enjoyed playing dice so much that he even wrote a book about dicing which would be today easily considered a guide to dicing. Caesar played mildly for the pleasure from playing he was a thinking gambler and tried not to lose much. David Schwartz also gives him credit for the invention of a lottery. He distributed gifts which were of unequal value among his guests by drawing the lots. Thus, he prevented them from envying each other because the guest could blame only bad fortune.

The successor of Caesar, the emperor Caligula, did not see gambling as a diversion. He tried to win at all costs. He was seen as a cheater and liar. Caligula gambled even after the burial of his own sister (Schwartz 48). After Caligula’s death, Emperor Nero seized the throne. He was infamously known for burning half of Rome just to create a dramatic background for one of his plays. He played recklessly and without limits, covering his gambling debt by confiscating estates of random rich citizens (Sifakis 24).

2.3 Gambling in Middle-Ages

After the decline of the Roman Empire in 476 A.D., Europe entered the Middle-Ages for the next 1000 years. European countries were constantly fighting each other. Under these circumstances gambling did not have the best conditions to spread; in fact, it ceased for several periods during this era but never vanished completely. While the poor played dice, the rich aristocrats enjoyed the brand new sensation: playing cards. The first decks were imported to harbors in Italy through Persia (Stewart 120-145). The invention of cards is still a mystery as its origins are unclear. due to the nature of playing cards, and

their fragility (Stewart 67-90).. The first cards were made of silk, palm leaves, cloth, wood or paper.

The first cards in Europe were manufactured in North Italy. These decks were handmade and extremely expensive, only the aristocrats and rich merchants could afford them. It took no more than six years before the cards were produced by modern printing techniques using stencils or woodblock printing (Stewart 156). The inevitable result was the lowering of the price of a card deck so much that cards became available for the masses. Because there was such a need to produce large quantities of card decks in a short period of time new methods of producing cards were needed. In 1446, card making gave birth to a new trade called engraving. This trade originated in Germany using a hand-made copper matrix. Since then, engraving has become an indispensable production method of today's modern industry, money making, sign-making to name a few (Wikipedia: Engraving). The card decks created were not entirely identical to today's cards; they underwent an number of modifications before they could be used to play today's Texas hold'em.

We should mention that throughout the Middle-Ages gambling became an eyesore to both the church and the kings. Many anti-gambling laws were issued to suppress gambling. In 1377 cards were added to the list of forbidden games in France and in Italy in 1430 (Schwartz 67). Again, anti-gambling laws were not enforced so strictly with some exceptions usually caused by eloquent priest. People after their preaching went and burnt dice, cards and board games. However, nobles quickly realized that gambling may fill the state treasury and started to tax gambling vendors as well as card makers. There was an incredible demand for cards throughout Europe that manufacturing cards became an industry of state importance especially in Italy, Germany and later also in France (Schwartz 88).

2.4 Mercantile Gambling from 15th Century to Present

After the medieval period the renaissance soon followed with the Enlightenment era taking over. The Renaissance began in Italy and slowly spread through the rest of Europe. During this period most countries began to be more benevolent to gambling. The already widespread playing cards had not yet celebrated their climax which came with the onset of mercantile gambling (Sifakis 65). Mercantile games are played against a banker rather than an opponent. Dicing and card playing became even more popular as players could bet according to their wishes. All gambling before the mercantile games was considered to be social gambling where the chances were equal to all participants. Mercantile gaming was different in this way; the chances always “slightly” favored the house. When it comes to money people tend to be very creative and it was not different in this case. Professionals and mathematicians tried to improve their gambling odds by studying probabilities in various games. The Probability Theory we know today is directly linked to mercantile gambling. The origins of the Probability Theory as a philosophical concept can be traced back to ancient Greek and Rome. It became a numerical concept in the 15th century (Hald 35). The pioneer of this theory, Girolamo Cardano spent his whole life gambling. Interestingly, he did not gamble for the money but rather in order to get rid of boredom. (Schwartz 94). He was soon followed by other physicians and mathematicians like Galileo Galilei or Blaise Pascal (Hald 37). The invention of the Theory of Probability played an inseparable part in industrializing gambling and is applied in physics, mathematics, statistics and insurance making today.

For the first time in history the mercantile games could be found in Italy in a place called “*Ridotto*” Originally it was an aristocratic gathering place where social gambling took place but from 16th century mercantile games took over. Mercantile gambling may not mean much today however, all games based on the advantage of the house are considered mercantile games. In 1774 the nobles decided to close down the Ridotto because it caused too much gambling problems in Venice (Wikipedia). After its closure, gambling did not cease as everyone had expected but rather had the opposite effect. Illegal casini and ridotti

opened rapidly but now for poor people which was devastating for them. The center of gambling for the nobles moved to Western Europe into newly built spa resorts where the nobles were bored and were willing to lose considerable amounts of money (Schwartz 124). All the cities in Europe ending in “*bad*” were once spa resorts where mercantile games were played. Baden-Baden had become an attraction for the whole of Europe where the nobles could gamble in luxury casinos apart from having their treatment in spas (Schwartz 124).

In 1748, after the French revolution new mercantile games appeared. Some of them are still well known today including roulette and the predecessor of today’s blackjack. Also an ironic change occurred in the card deck. The ace (lowest card until then) had become the highest value card (Schwartz 125).

Mercantile gambling has not changed. Countries are still trying to regulate this sensitive industry more or less successfully. Gambling has become a considerable income of a number of countries’ budgets. This income is used for various kinds of public beneficiary purposes such as sports, education, and healthcare. Today gambling is a fast growing industry in both Europe and Asia.

The above section has provided an insight to the origins of gambling. It has demonstrated its development and spread throughout the world. It has also shown that although often seen as a negative, gambling has helped to pioneer new printing methods in Germany, laid the grounds for the formulation of the Theory of Probability in France, resulted in the building of monumental casinos in Monte Carlo and was used in the arts by Italian artists using the playing card to create artistic masterpieces. It is also important to note that throughout history, governments in most European countries were against gambling and were already trying to regulate it through the creation and enforcement of laws. It is therefore with some concern that the Czech Republic has neglected to consider the impacts of gambling and has continued to be benevolent to gambling vendors across the country.

3 Gambling and its Economical Effects in the Czech Republic

This section explores gambling in the Czech Republic (CR), the income and benefits it generates for the government as well as the disadvantages it brings to the masses. The CR is host to an incredible number of casinos, pseudo-casinos, and gambling houses. In fact, it could be said that gambling is out of control. The reality however has yet to be measured. The CR is one of a few European countries that have yet to conduct a Social-Economic study into gambling and its influence and take action. Countries such as Poland, France, Ireland, and Germany have completed these and taken appropriate measures to regulate and limit gambling based on these studies. The government in the CR seems to be stalling. The only reports available at this time are unofficial reports by the senator Josef Novotný, reports by the Ministry of Finance and Interior, newspapers and magazines.

Our generation is entering a new digital age of gambling. With today's dynamic development of computer technology like high speed internet, smart phones, interactive digital television and other sophisticated devices it is not just our streets which are invaded but our very homes as well. Gambling vendors are using aggressive commercial campaigns to attract as many people as possible. The gambling industry has the ultimate distribution network now and because of the incredible amounts of money spinning in this very industry it will always be one step ahead of legislation. Thus, government should be very vigilant to this sector of business and set indisputable rules.

3.1 The Legislature Concerning Gambling after 1980

After the revolution in 1980 the parliament of CR issued the first laws regulating lotteries and similar games (Act no. 202/1990). This Act is very liberal and has not changed much since the time it was written. Everyone who applies for a license and fulfills

the formal requirements is must be granted a license or permitted to run and offer products such as lotteries, slot machines or card games. In other words, the authorities have no power to deny any applicants who want to run gambling games. Of course, the major reason for such a liberal approach of the authorities is the income these permits generate. Before 1990 the only company that operated in the Czech market was Sazka, which held two lotteries (Sportka and Mates). This company was in 1990 privatized (Sazka a.s.) The earnings are supposed to finance Czech sports. They invest more than 20% of their NET income which is mandatory for all gambling operators. The rest is split up among shareholders who are sports unions so it again goes to sports.

The fact that the lottery act has not been changed or there has not been a major amendment should raise a concern to the public. This fact itself is little bit odd, taking in account what products gambling vendors offered 20 years ago and what products are being offered now on the Czech respectively World market. There have been few attempts to update the act from 1990 to patch the most critical holes.

Since 2005, there has been a serious effort to push a new Lottery act through parliament. However, its first reading in parliament was postponed six times. The same fate occurred in 2009. (Sobotka, Tejc and Zaorálek) In 2010 the act finally passed through both parliament and the senate. The new act patched the most critical shortcomings of previous lottery act with the granting of licenses being moved from the ministry of finance to the local authorities. The rationale behind this was very simple; cities and villages were to be given tools to decide for themselves whether they wanted casinos or gambling houses on their premises. (Sobotka, Tejc and Zaorálek; ČTK) It was a “*revolution*” because the license or permission does not have to be granted even when the applicant fulfills all the required necessities. The authorities would also been able to issue municipal ordinance to clearly specify whether they allow gambling on their premises or not. Most city halls across the Czech Republic had actually prepared municipal ordinances to regulate gambling in some forms based on the statutory power of the new upcoming lottery law. So it came as a shock when the president Vaclav Klaus vetoed the Act and sent it back to the

parliament. By doing so he again delayed the process for at least a year because the former government was running out of mandate. (ČTK) It is yet another very controversial action our president has made.

The inability to make solid legislature, leave the mayors of our cities and villages helpless against the building of new casinos and gambling houses, has made it clear that the lobby in parliament is very strong. In 2010 the Czechs bet almost 128 billion crowns (5.1 billion euro) and the total profit of this industry was 32 billion crowns (1.3 billion euro). Based on this data we can be sure that the vendors have more than enough funds to afford a strong lobby in our parliament.

3.2 Sazka Arena the Mother of VLT's

In 2004 the Czech Republic hosted the Ice-Hockey championship in Prague. The sport that is almost sacred to all Czechs. For this purpose a new Ice-hockey rink had to be built. Sazka a.s. wanted the government to financially participate in this expensive project. Although, the hosting of such an event was in the states interest, this request was rejected. (Novotný 2) Sazka however did not come up empty handed. There is at least speculation that Sazka was given permission to run a so called video lottery terminals (VLT's). This was decided upon to secure a Sazka loan of 19 billion (0, 8 billion euro) for building the Sazka arena (today called O2 Arena). Sazka provided the Ministry of Finance with its own expert's opinions about VLT's as not being classical slot machines for which the Lottery Act does not apply. The trick is that slot machines have a central processing unit physically inside them (figure 4.1) while VLT's are controlled by a single central processing unit situated outside VLT's (figure 4.2).

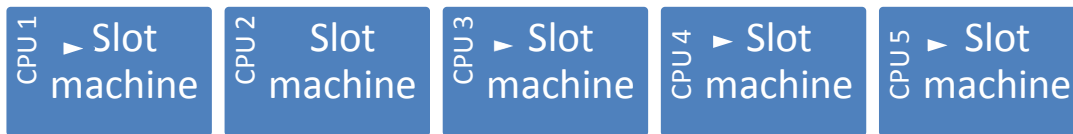


Figure 4.1 CPU source: Novotný, Josef

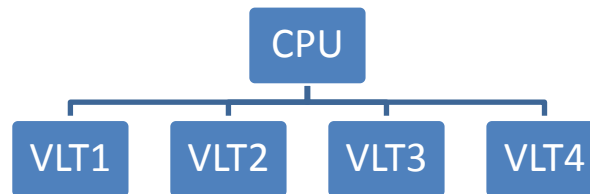


Figure 4.2 source: Novotný, Josef

Why would anyone want to persuade the ministry that the VLT is not a slot machine? Even though, one could not tell the difference in physical appearance? The Lottery Act from 1990 is very specific about the operation of slot machines and especially about its stakes per spin which are 1Kč and 2Kč in restaurants, pubs and similar establishments, 5Kč in gambling houses and 50Kč in casinos.

Because VLT's are not considered slot machines the Ministry of Finance had the jurisdiction to specify rules for their operation. It is more than clear that there was strong political will to help Sazka a.s. and thus setting the rules as benevolent as possible. In fact, the rules are so benevolent that VLT's can be operated also on public places like gas stations or shops and with the minimum bet 5Kč and maximum bet up 10.000Kč per spin. The availability and the possibility to bet these incredible amounts of money make these machines the most dangerous way of gambling. (Binde, What are the most harmful forms of gambling? 10)

3.3 The Amount of Money Bet in the Czech Republic

With the dynamic increase of the number of new casinos and, especially, of gambling houses, the amount of money the Czechs bet in lotteries and similar games is rapidly increasing. In 2009 the Czech citizens bet according to the Ministry of Finance

almost 128 billion Kč. The amount of money returned to the bettors was 32 billion Kč (Ministerstvo financí ČR). This means that every Czech citizen (including underage persons and babies) bet 12 163Kč in 2009. This is approximately 4, 5% of the gross average annual income in the CR which was 22 328Kč in 2009 (Český statistický úřad). In other words, every Czech citizen in 2009 lost in games of chance 3089Kč. In 2006 a study mapping gambling industry was published by the Swiss Institute of Comparative Law (see attachment 3.1) In the chart we can see the GGR (Gross Gaming Revenue) of individual countries. This study served as an information source for the EU about gambling industry. The CR takes 19th place in EU25 but compare to the new entered countries we take the first place. The chart is distorted for the difference in salaries among these countries. In EU27 was annual average salary 37.171€ but in the CR only 8.376€. If we take in account that the average Czech salary is about 4 times smaller than the average European salary we would end up 3rd and if we add online gambling we might be very well the biggest gamblers in EU. To quote Senator Josef Novotný: *“Considering how Czechs’ income is low they gamble the most in Europe.”*

This statistics include all games which are legally run and approved by the Ministry of finance such as lotteries, sport pools, bingo, casinos, slot machines and technical games. In the category of technical games we include video lottery terminals (VLT), electromechanical roulette, electromechanical dice, internet sport pools, and other technical games. It does not include internet gambling which is heavily offered by foreign gambling companies. According to the expert’s opinions there are already registered 28.000 Czech citizens and the estimated turnover in internet gambling is over 15 billion Kč. Not only this is book tax evasion but what is even more concerning is that this money may go unknown where and could be used for example to finance organized crime or terrorism. (Novotný 25)

However, in this analysis we should be more concerned with slot machines and VLT’s because most money went right through these machines. From the figure 4.3and figure 4.4 we can see the percentage of slot machines and VLT’s have on the market. From

the figure it is also noticeable that games of chance such as lotteries, sport pools and casino games have almost insignificant percentage compare to VLT's and slot machines. (Novotný 32)

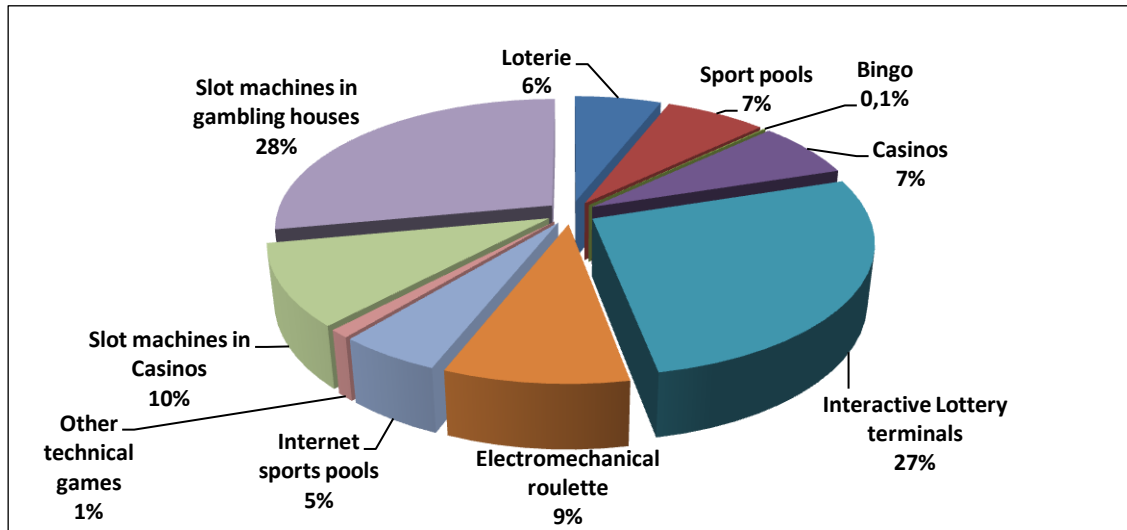


Figure 4.3 Gambling Products on Czech Market in 2009

source: Ministry of Finance CR

From the 128 billion bet in 2009, more than 102 billion was bet in slot machines and technical games (48, 7 billion in slot machines and 53, 4 billion in technical games). The major income from technical games is of course earned from VLT's and electromechanical roulette (Ministerstvo financí ČR).

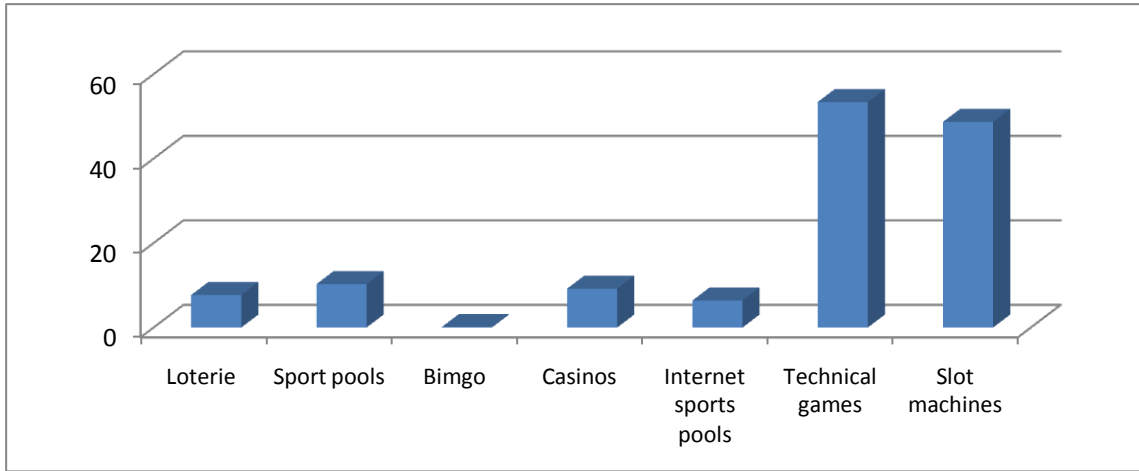


Figure 4.4 Amount of Money Bet on Different Games

source: Ministry of Finance CR

As mentioned earlier, the gambling industry has expanded rapidly in the last 15 years. In figure 4.5 clearly demonstrates this dynamic increase in money bet from 1994-2009. In the past decade the amount bet has more than doubled with the annual average growth oscillating between 7-10 percent. In 2009, there was a slight decrease which may be the result of saturation in the market. The red columns demonstrate the money which was paid back to bettors. From this figure it is also clear that gross profit increased, peaking at 32.5 billion in 2009 (Ministerstvo financí ČR).

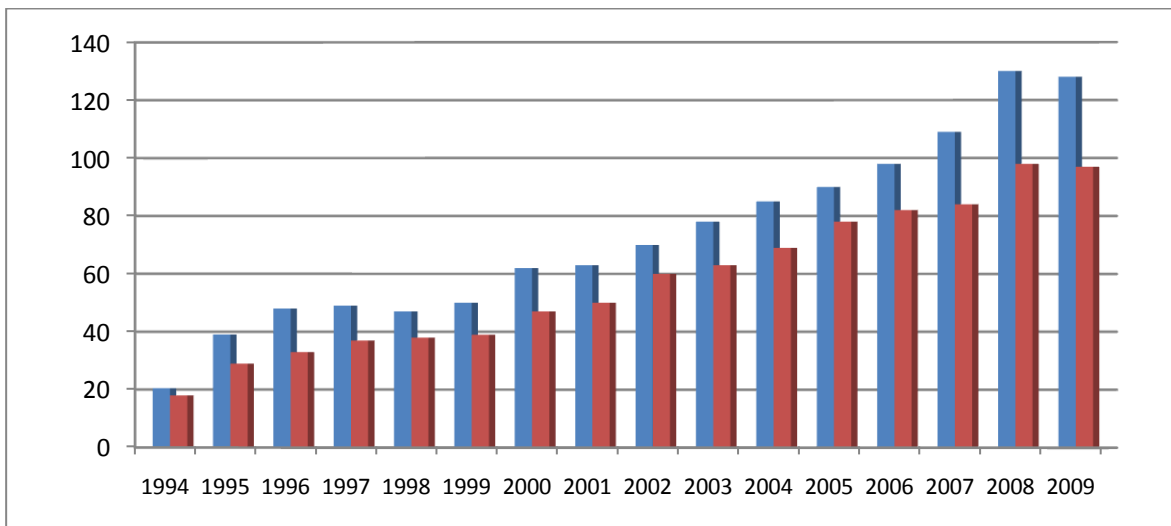


Figure 4.5 The Amount of Money Bet and Money Paid (in billions Kč)

source: Ministry of Finance CR

If we again focus on the slot machines and technical games, in the year 2000 the Czechs bet 35, 5 billion on slot machines growing annually up to the 2008 when it reached its maximum of 63, 4 billion crowns. Then it decreased to 48, 7 billion in 2009 (figure 4.6). Much more interesting is the technical games market where the Czechs bet *only* 417 million in 2000 while in 2002 the number had more than quadrupled to 2 billion. In 2009 this number was already 53, 4 billion which is 128 times more than in 2000 (figure 4.7) This growth can be explained by the fast progress of modern technical games and its massive placement in gambling houses and casinos throughout the Czech Republic.

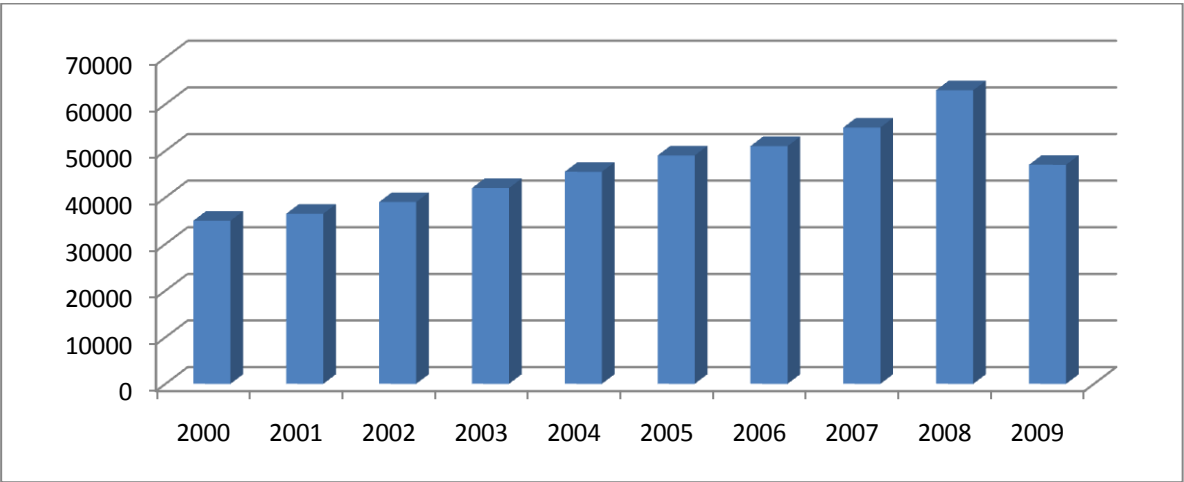


Figure 4.6 Money bet in slot machines 2000-2009 (in millions Kč)

source: Ministry of Finance CR

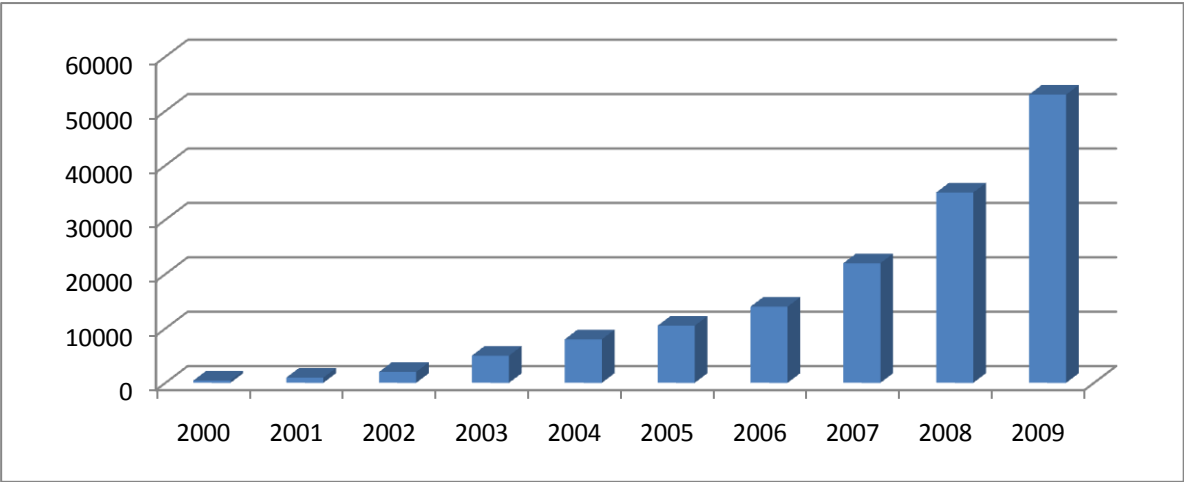


Figure 4.7 Money bet in technical games 2000-2009 (in millions Kč)

source: Ministry of Finance CR

Figure 2.6 shows that that in 2009 there was a significant decrease in money bet in slot machines. According to all predictions the income from slot machines will continue to drop (Ministerstvo financí ČR). Slot machines are being replaced by VLT's due to the fact that their operation is not permitted by the local authorities but by the Ministry of Finance. This creates a strange paradox. Cities who want to regulate gambling are not given the right to reduce the number of VLT's in their region. Although they have the right to ban slot machines, they do not have the power to ban the far more dangerous VLT's which have taken most the slot machines place. These actions are directly against the principle of subsidiarity. This means that greater authority should not carry out activities which can be performed more effectively by local authority. This principle is also one of three basic principles in establishing documents of the European Union. Some districts even filed a class action to the Constitutional Court. So in the next years if the market remains unregulated there will likely be a growth of technical games and a simultaneous slow decline of slot machines

3.4 Gambling Fees

Earlier it was shown that the gross income of gambling industry in years 2000 through 2009 and now we should look whether the fees and taxes are in direct proportion with it. We will pay special attention to slot machines and VLT's. The income from gambling is not taxed and the gambling vendors are also exempted from paying VAT unlike regular businesses. The income to public budget is done by the means of fees and mandatory contributions (Novotný 19). In 2009 the NET income from gambling to public budget was 7 billion Kč which is a considerable amount of money (Ministerstvo financí ČR). In the figure 4.8 we may see that the fees and mandatory contributions do not respond to the development in gambling market. Blue columns present the sum of fees and mandatory contribution which are: public beneficiary purpose fee (PBP), administrative fee, supervisory fee and local fee (Novotný 19).

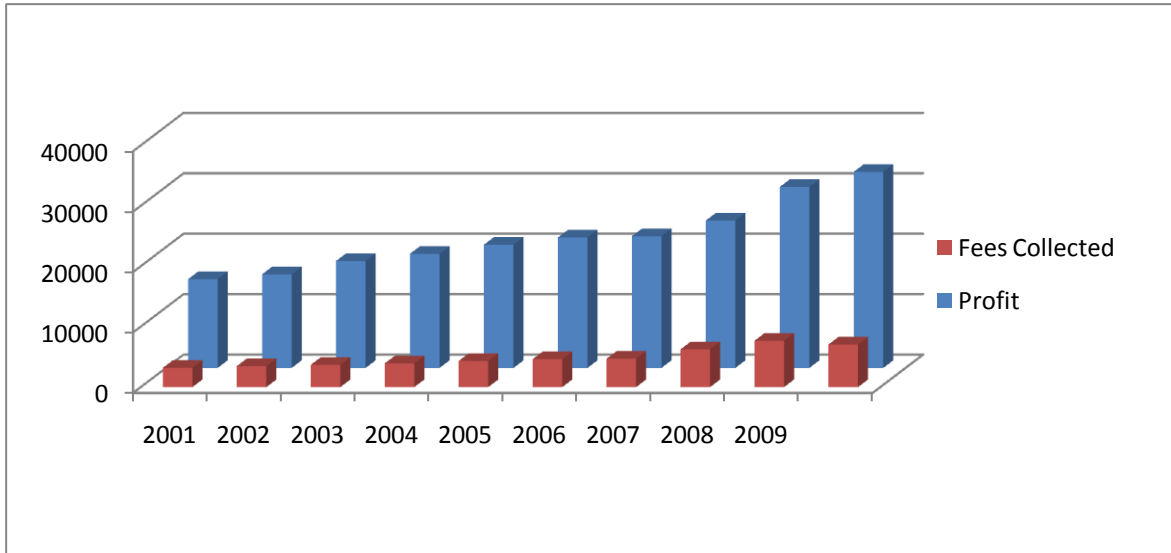


Figure 4.8 Fees Collected from Gambling in 2009

source: Ministry of Finance CR

3.4.1 Public Beneficiary Purpose Fee (PBP)

As we have mentioned earlier gambling was tolerated and permitted because of the significance it brought to countries' budgets from 13th century. From the income of gambling in the Czech Republic we finance sports, education, healthcare, and education. Gambling vendors are obliged by the §4 subsection 2 of the lottery act 202/1990 to pay a fee from 6 to 20 percent of their NET profit. (Ministerstvo financí ČR) The higher the income the higher the percentage the vendors have to give to public beneficiary purposes (see table 4.1).

Table 4.1 source: Lottery Act 202/1990

NET profit (in mil. Kč)	to 50	50-100	100-500	500-1000	over 1000
Fee	6%	8%	10%	15%	20%

In, vendors had to pay almost 3 billion Kč in PBP fees which is a significant amount of money. However, the vendors themselves are eligible to decide to whom the

money will be donated. This in itself is often being criticized, as the vendors can establish a foundation and literally keep the money to themselves. There are also known cases when such foundations even sponsored political campaigns or bribed local authorities, thus, ensuring their goodwill (Hospodářské noviny 2). This way of distributing money by the vendors contributes to corrupt behavior in our society and should not be tolerated. There should be no doubt that this way of distributing money has proven ineffective. Another way how to “save” money is to establish subsidiary companies and split the profit among them and pay only the 6 percent rate from the NET income. (Sobotka, Tejc and Zaorálek 25; Novotný 19; Řezáčová, Salivar a Vlasáková 30) Table 4.2 shows the amount of money donated and the area to which it was donated in 2008 and 2009. Of particular interest is the money donated to districts which decreased significantly from 2008 to 2009. This drop can be explained by the replacement of slot machines by VLT’s. As mentioned earlier VLT permits are given by the Ministry of Finance not by local authorities like slot machines. This means that the money goes to the ministry. This exchange has resulted in almost a 50% drop in the donations to districts which have to tolerate VLT’s on their premises but receive little benefits.

Table 4.2 Money Donated for Public Beneficiary purposes source: Ministry of Finance CR

Character of donation	Amount of money donated in 2008	Character of donation	Amount of money donated 2009
Sports	1.628.167.000 Kč	Sports	1.762.784.000 Kč
Districts	1.356.787.000 Kč	Districts	735.618.000 Kč
Foundations	304.351.000 Kč	Foundations	342.668.000 Kč
Culture	130.607.000 Kč	Culture	228.532.000 Kč
Healthcare	79.510.000 Kč	Healthcare	95.971.000 Kč
Education	20.041.000 Kč	Education	21.954.000 Kč
Social events	76.555.000 Kč	Social events	136.942.000 Kč
Total	3.619.223.000 Kč	Total	3.361.292.000 Kč

Most experts and politicians agree that finances for the PBP should be more transparent and not put to foundations owned by the vendors. We should be reminded here of case where the owners of “Happy day casinos” in Prague transferred this fee (100 million Kč) to their own foundation (Foundation of the third millennium) and then sponsored organizations with links to certain politicians or political organizations. It is even more alarming that one of the politicians was the former minister of interior Ivan Langer. Another sum of money was also received by a charity organization controlled by present president Vaclav Klaus. (Vít)

3.4.2 Administrative Fee/Tax

The administrative fee was amended through the act 634/2004. As stated earlier gambling is free from taxes. However, the primary purpose of this fee is to substitute the gambling tax. This fee is collected by the Ministry of Finance, the only exception are slot machines where the fee is cashed in directly to the district authorities. For each slot machine the administrative fee for permission for 3 months is 10.000Kč, for 6 months 16.000Kč and 30.000Kč for one year (Act 634/2004).

In case of VLT's the situation is little bit more complicated. As mentioned, districts do not cash in anything for the operation of VLT's on their premises. The ministry of finance collects 10% of the annual income from the vendor. But the fee is set to a maximum of 10 million Kč! This is interesting for two reasons; while the gross profit is about the same from gambling in both VLT's and slot machines (see figure 4.3) the administrative fee is collected quite unevenly (see figure 4.11). This caused by the set maximum of 10 million. Administrative fee is collected more effectively from slot machines by charging each machine separately (Novotný 21).

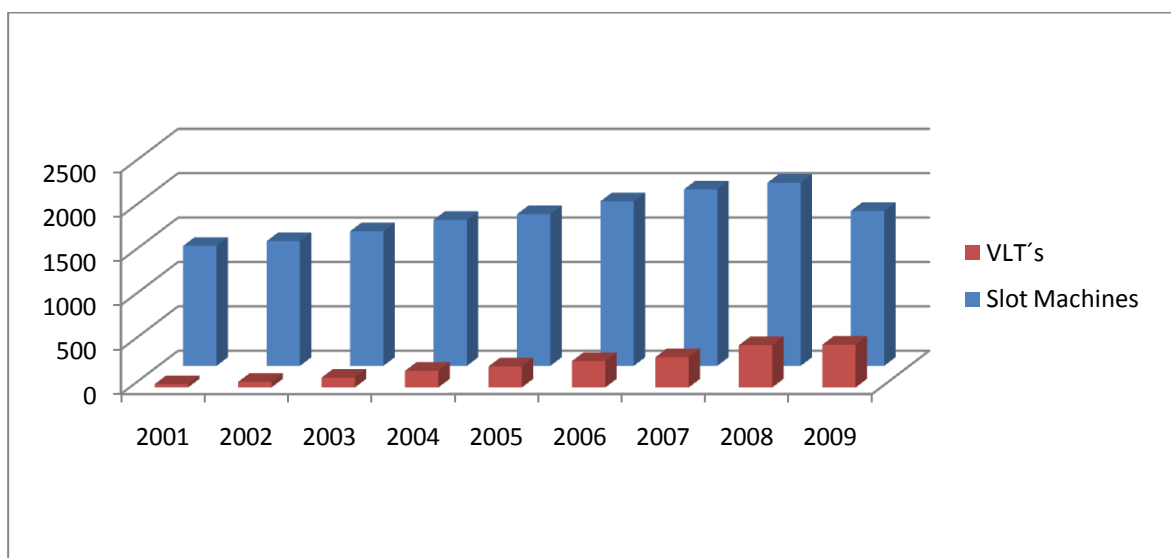


Figure 4.11 Administrative Fees Collected in millions (2001-2009)

source: Ministry of Finance CR

We can thus conclude that the more gambling companies profit, the smaller administration fee they have to pay. This is the exact opposite compared to regular businesses in CR and there is no reason for such motivation in this sector of business. Furthermore, the state treasury is losing a significant amount of money.

3.4.3 State Supervisory Fees and Local fees

Another 1% of Net income is deducted for the purpose of state supervisory and the vendors pay this fee for operating sports pools, casino games and technical games. In 2005,

55million Kč was collected which barely covered the cost for the supervision (Novotný 22).

Local fees are paid to district or local authorities for the placement of every slot machine on their premises. The range varies between 5.000Kč - 20.000Kč per year. (Novotný 22; Řezáčová, Salivar a Vlasáková 27). Most districts charge the maximum of 20.000Kč per year. In 2010, the amendment on the law of administrative fees determined that technical games are also subjected to the local fees. Immediately, some cities imposed this fee on VLT's and electromechanical roulettes and dice. This law was challenged on the specification of the term "*technical games*" being far too general and not including VLT's. Even though, the intention of the law is clear some municipalities are afraid to collect fees from VLT's and wait for the new lottery will deal with this shortcoming and will be more specific about the term "*technical games*" (Řezáčová, Salivar a Vlasáková 22).

3.5 Possibilities to Increase Income from Gambling

Based on the information it is more than clear that gambling vendors have incredibly liberal laws regulating their operation in the Czech market. Through lobbying, benevolent legislature and corrupt politicians the Czech Republic is now flooded with casinos, poolrooms, and gambling houses which are literary on every corner and even near public places like schools, hospitals or churches. Gambling also has a negative social impact on the Czech population and it is only adequate that the society as a whole is at least well financially compensated.

The first step in reaching this goal should be of the establishment of bulletproof legislature which would be up to date and specify taxes or fees imposed on gambling product. Furthermore, fees for public beneficiary purposes should be set evenly for every vendor. Senator Josef Novotný proposes the maximum rate of 20 percent of NET income for each vendor with no exception whatsoever. This would stop atomizing gambling vendors into smaller affiliated companies. Also having the vendors themselves distributing

the money is not transparent and creates room for corruption. There is no doubt that these funds are used for lobbying and further developing of the vendors' interest. PBP should be collected on central level by the ministry of finance or on local level by the local authorities.

Another step which could bring another significant amount of money is to cancel the 10 million limit of administration fee. There is no reason to give such a fee relief to technical games while the NET income from both technical games and slot machines were about the same in 2009 (see figure 2.3). In 2009 gross income (bets minus paid winnings) from slot machines was 12, 1 billion Kč and 12, 3 billion Kč from technical games. Administration fees from operating slot machines was approximately 1, 7 billion Kč the fee collected from technical games was only 482 million Kč. (Ministerstvo financí ČR). Only on this fee the state treasury lost about 1, 3 billion Kč. (see figure 2.11)

There is also absolutely no reason for technical games not to be subjected to local fees as well as slot machines. The Ministry of Finance already posted on their website that the new lottery act will specify that this fee also applies to technical games and especially for VLT's. In 2009, a 1 billion Kč was collected on local fees for operating slot machines (Ministerstvo financí ČR). This is another billion that could end up in state treasury in 2009.

But this fee evasion may seem insignificant compared to the amount of money that disappears through internet gambling. An amendment of the lottery act 202/1990 explicitly forbids internet gambling (Ministerstvo financí ČR). However, internet gambling is being offered by foreign vendors from all over the world. These companies do not pay any fees or taxes in CR. According to the expert opinions and prognoses there are already 28.000 registered Czech players and this number is rising dramatically (Novotný 26). The annual turnover is estimated to be as high as 15 billion Kč. The possible contribution could be approximately 3, 5 billion Kč to the state treasury. From statistics, online gambling is becoming more and more popular worldwide and the Czech Republic is no exception. Some countries like USA, Netherland, Sweden and Australia have already banned online

gambling by blocking deposits to their bank accounts (John 11). Sooner or later the Czech government will have to take a stand whether to tolerate, regulate or ban entirely online gambling.

4 Social Effects of Gambling

In previous sections gambling has been analyzed from an economic viewpoint which despite all money leaks may be considered positive. Public budgets collect over 8 billion Kč annually and this amount is rising each year (Ministerstvo financí ČR). Gambling benefits sports unions, charity and other non-profit organization in the CR. On the other hand gambling raises a lot serious social issues which cannot be always express with money including pathological gambling, money laundering, crime, organized crime, prostitution and so forth. In order to decide whether gambling is financially beneficial, one must weigh up the social costs of gambling. While it is relatively easy to measure the fees collected through gambling, it is much more difficult to measure the cost of the social effects gambling has. The reason is again a missing official study that would map this problematic thoroughly.

4.1 Pathological Gambling

All human actions are considered common and socially desired whether the person is making them in expected scale and expected space. In such case the essence of the action itself does not matter. If these actions, however, get out of control we speak about pathology. We may define pathology as:

- Inability to resist an impulse or temptation, even though, the person is aware of negative consequences.
- This is preceded by slowly growing craving which can be satisfied only by a certain action.
- Such an action is connected with feeling of satisfaction, even though, a given person as well aware of the later regrets (Hublík 19).

Pathological gambling may be described as repeating episodes of gambling at the expense of social, material and family values or engagements. Although, most of us have a friendly card game with family or friends there is a certain group of people that suffer from

uncontrollable lust for a game. This craving cannot be consciously controlled and such person gambles without limits and awareness of his or hers actions. American Psychological Organization acknowledged pathological gambling as an illness in 1980. In Czech Republic this diagnosis is used from 1994 (Nešpor 17).

At first it may seem that gambling is an individual problem of a person addicted to gambling. But a closer look reveals that this individual does not only burden themselves but also society. Gambling therefore becomes a problem to society as a whole (Řezáčová, Salivar a Vlasáková 47). Studies conducted in Australia, New Zealand and Sweden show that one pathological gambler influences 6 to 15 people around them (Binde 44). This circle of people includes family members, relatives, co-workers and employers.

Addiction of pathological gambler is a very specific addiction, despite the absence of any chemicals (drugs, alcohol), it has the same three features also called the three C's: compulsion, loss of control, continuous use despite negative consequences) (Řezáčová, Salivar a Vlasáková 14). Because of the absence of any chemical substance pathological gambling is often not considered a mental illness. This assumption that everyone gambles out of his own free will makes it very difficult for further regulation of gambling. While the outcome of this addiction can be easily compared to the addictions of alcohol or cigarettes, gambling is far less regulated in CR. Pathological gambling is usually linked to financial problems from excessive gambling but its impact on a life of addicted individual is much wider:

- Poverty in families , divorces
- Pathological gambling
- Criminality (embezzlement, thefts, scams, violent criminality)
- Depressions, suicides
- Material and emotional suffering of children in families where one or both parents are pathological gamblers.
- Worse performance in work which usually ends up in unemployment.
- Prostitution

- Homelessness
- Alcohol and drug abuse
- Diseases caused by stress to a gambler himself or to his relatives.
- Personal bankruptcies

The existence of pathological gambling in CR can be demonstrated from the statistics of Health Institute of Information and Statistics. This institute monitors the number of hospitalized and treated patients with the diagnoses of pathological gambling. From figure 5.1 it can be seen that that the number of pathological gamblers does not correlate with the dynamic development of gambling industry in CR. In 2009, there were 1435 patients diagnosed as pathological and problem gamblers. This number oscillates but not dramatically. These numbers do not reflect the reality due to the fact that most of the pathological gamblers or problem gamblers do not seek professional help and because the capacity of hospitals is limited (Nechanská 5). The average treatment of diagnosed pathological gambler is 46, 7 days in psychiatric hospital, the cost of such treatment are not published. (Nechanská 5)

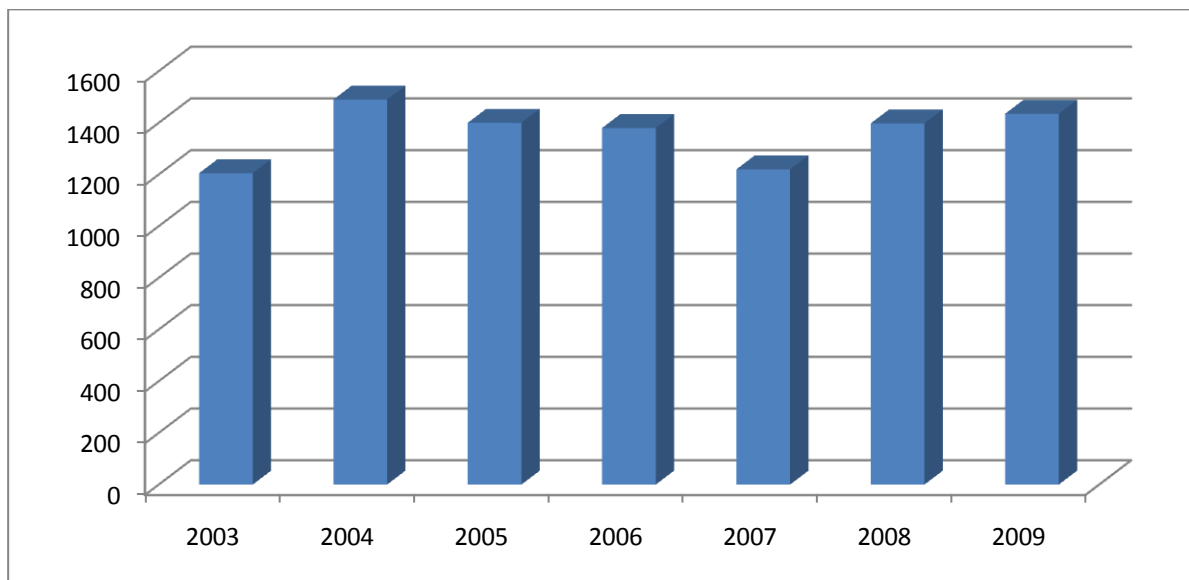


Figure 5.1 No. of Hospitalized Patients Diagnosed as Pathological Gamblers (2003-2009)

source: Health Institute of Information and Statistics CR

The number of pathological and problem gamblers is estimated by experts' opinions to be as high as 100.000 in 2005 (Nešpor 58) If we take this number of 100.000 people which is probably higher in presence and multiply it with the smallest number of effected people by gambling which is 6-15 we will get 600.000 people who are somehow effected by pathological gambling. This is approximately 6% of Czech population. (Řezáčová, Salivar a Vlasáková 16)

4.2 Criminality and Gambling

We have mentioned that criminality is a negative side effect of gambling. It is clear from many studies that the banning of gambling has resulted in significant decreases of gambling in given area or country. Studies from Australia have shown that 34 percent of convicted criminals had a problem connected with excessive gambling that was eighteen times more that in areas of similar population where gambling was prohibited.= (Novotný 40). It cannot be confirmed whether this applies to the CR because the Czech prison system does not keep records of causes of committed criminal actions or causes that led to criminal offense. If such records existed it would provide tangible evidence of the number of crimes related to gambling and furthermore the amount of money paid by tax payers to suppress this criminal activity could be calculated. Criminality related to gambling can be divided according to the offenders as shown below.

4.2.1 Criminality of Vendors

Probably the most serious crimes related to gambling is money laundering or legalizing of illegal incomes from organized crime, prostitution or human trafficking. Gambling houses and pseudo-casinos play a major role in money laundering in the CR where new mechanical games, especially VLT's and electromechanical roulettes are operated. The Lottery act 202/1990 is not specific about the difference between casinos and gambling houses. Casinos must follow standard security protocols such as evidence of all players, detailed evidence of paid winnings and color video surveillance installed.

Gambling houses do not have to keep the track of their customers. Thanks to the VLT's their turnover may be comparable with casinos so the money can be easily laundered there. Czech secret police BIS have alerted politicians that there is a high risk of money laundering occurring and the introduction of new laws are needed. (Novotný 42). Other crimes discovered by police and the ministry of finance are the:

- Operation of slot machines or VLT's without appropriate license.
- Operation of slot machines or VLT's on a different location than it was permitted.
- Software criminality – adjusting the odds in favor of the vendor under the minimum of 50 percent.
- Nontransparent financial operations in foundation with PBP fees
- Local fee evasion
- Corruption

4.2.2 **Criminality of players**

The majority of crimes related to gambling are committed by pathological gamblers unable to finance their gambling addiction from their own resources. Most often crimes are theft, embezzlement, armed robberies or damaging of property inside of casino or gambling houses.

4.3 **Treatment of Pathological Gamblers**

As mentioned earlier, from the 100.000 possible gamblers in the CR only about 1, 5 percent search for professional help. The majority has critical financial problems, has lost their job, family or is considering or has tried to commit suicide. MUDr. Karel Nešpor the senior consultant in the psychiatric hospital in Prague writes in his book entitled "*I have already lost enough*" that before 1989 the diagnosis of pathological gambling was very rare while today this diagnosis is quite common (Nešpor 15).

Treatment of patients consists of sessions with trained psychiatrists and sometimes the administration of anti-depressives. During the sessions the psychiatrist shows the patients that the problem is not of financial character but the addiction to gambling itself. The origins of the problem are identified and why the patient started gambling in the first place and together they look for reasons to help recovery. Ironically, the financial problems are the ones that are the simplest to solve. If the patient is successfully cured debts will sooner or later be repayed but the relationship with family, partner or friends may not be so easy to fix.

Treatment of pathological gamblers is also extended to voluntary participation in groups called Gamblers Anonymous (GA) which MUDr. Karel Nešpor introduced for the first time in the CR. This non-profit organization was founded in the United States in 1957 by two men who gambled excessively and lost considerable amount of money. They started to meet regularly and discussed their problems and neither one of them returned to gambling. The only requirement for GA membership is a desire to stop gambling (Nešpor 35). This therapy group is very similar to Alcoholic Anonymous. Meetings of GA are held in many countries around the world and have helped thousands of pathological gamblers to overcome this addition (Nešpor 13).

However, even when the patient is cured they are still often tempted every day to gamble again. Especially, in the CR, cured gamblers complain and believe that the government should do something to prevent them from further gambling. *“It is very difficult to resist when you pass five gambling houses and three casinos.”* says one of the member of GA (Nešpor 45).

4.4 The Availability of Games

The supply of gambling products has flooded the Czech Market. In 2007, 56.000 licenses were issued for slot machines and 15.000 licenses for technical games (Novotný 7). According to the profit from gambling it is estimated that today there are around 60.000 slot machines and 35.000 technical games. There are 600 registered companies that operate

gambling products in the Czech market, 231 licensed casinos (Ministerstvo financí ČR) and 3.900 gambling houses (Novotný 11). Therefore, for every 120 people there is one slot machine or VLT in the CR. In comparison, Sazka had 1200 collection points in 1990.

The problem of this large number of places where people can gamble is also the high risk for cured gamblers. It is common practice for individual casinos to keep so called “Black lists” of people who e.g. cheated, behaved inappropriately as well as people who put their name there voluntarily. These people are not allowed to reenter casinos again. Close relatives of gamblers also have the right to put their loved ones on the black list to prevent their relatives from gambling. The problem is that casinos do not share these lists. Gambling houses do not have these lists at all so one cannot prevent themselves from reentering. However, obligations to keep black lists are not stated in Czech legislature.

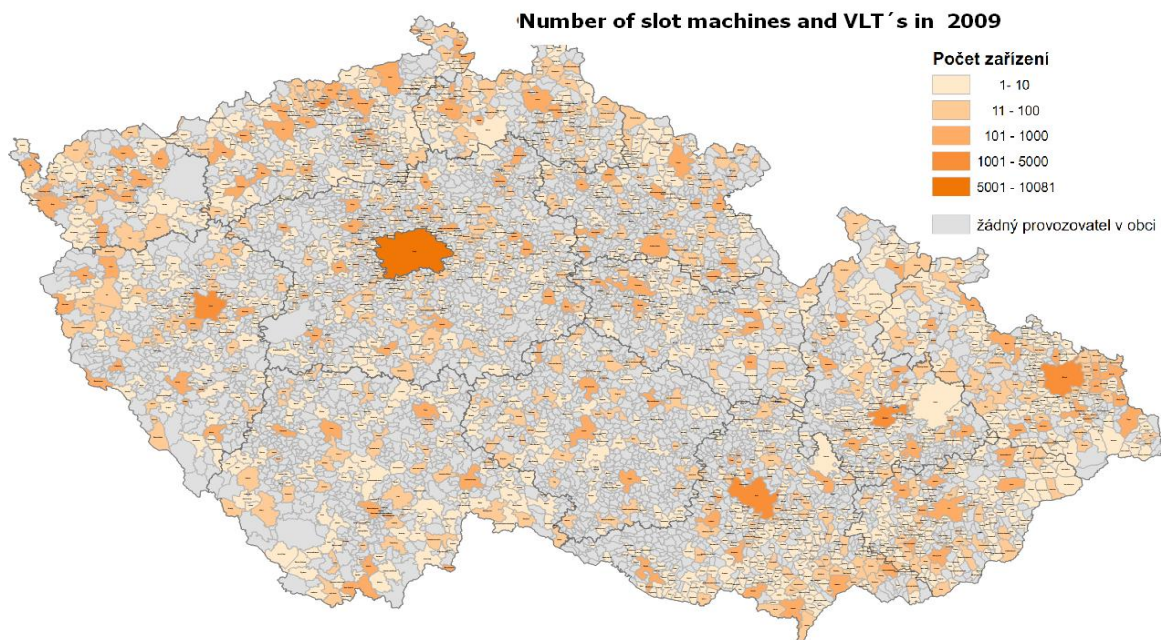


Figure 5.2 Number of Slot Machines in 2009

source: Ministry of Finance CR

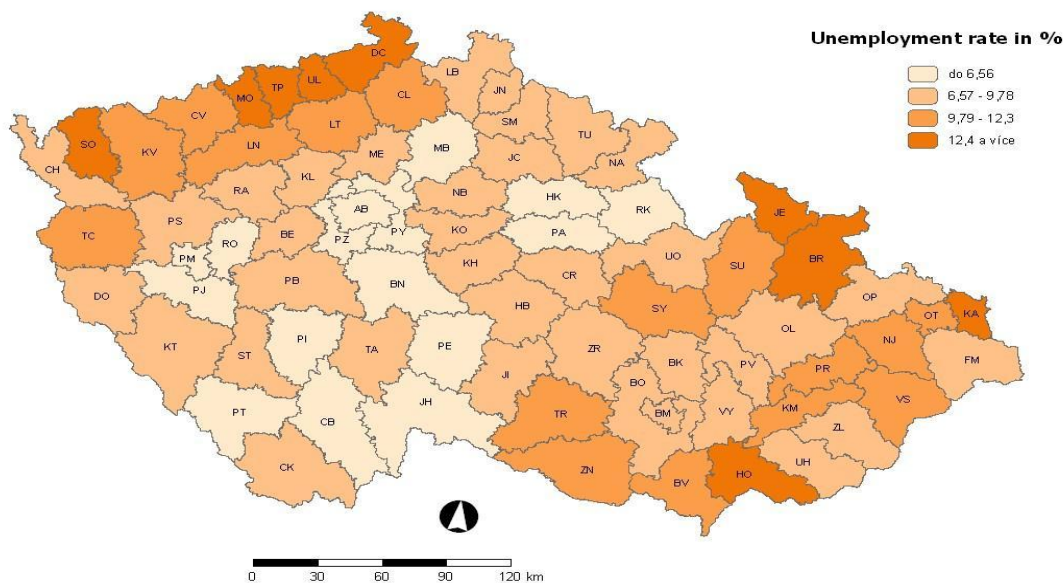


Figure 5.3 Unemployment Rate in 2009

source: Ministry of Labor CR

In figure 5.3 shows a map of unemployment rates in the CR from 2009. The districts with the highest rate are marked orange. By comparing this with figure 5.2 which is a map of the number of slot machines situated in districts, there is an interesting factor to note between these figures. Gambling halls are situated in places with a high concentration of people and estates with socially weak inhabitants or families on welfare (Nešpor 35).

Another problem to consider is that Sazka a.s. does not only place technical games in casinos, gambling houses or another suitable establishments but their VLT's called "starport" are placed nationwide in network of gas stations Benzina a.s. (Bene). Thus, VLT's can be seen by underage teenagers and are hardly avoidable by the general public. This expansion to public places is more proof that gambling has gotten out of control.

The virtual space has also remained unnoticed by the gambling industry. In the CR, 56 percent of households are connected to the internet (Český statistický úřad 2010). Vendors of online casinos are using even more aggressive methods to attract people to

gamble on-line. With massive commercial campaigns they are offering special bonuses paid upon registration. Other bonuses are paid when the player refers his or hers friends. It seems that even the well known comic heroes like Iron man gamble from time to time as well. (see figure 3.4). These aggressive methods in advertising make are young adults and underage children vulnerable. Through these commercials they are being familiarized with gambling and are more likely to become gamble when they have access to money (Binde, What are the most harmful forms of gambling?; Eurogrand).

4.5 International Comparison of Gambling

Slovakia: until the division of Czechoslovakia Slovakia had the same Lottery Act. In 2005 Slovakia made strict rules for permitting of slot machines. Today, there are only about fifty technical games mostly VLT's which are placed only in casinos. Casinos must keep records of players, and winnings are being taxed. In comparison the CR has more benevolent rules for VLT's than for slot machines (Novotný 9).

France: gambling is only permitted in casinos in bigger cities. There are about 30 casinos. Compared to the CR it is 7 times less despite the fact France has six times higher population. Very clever is also that local people cannot play in casinos situated in their district. So in order to gamble they have travel at least 100 km. Casinos are meant to serve tourists who bring most of the income (Novotný 9). In France for 80.000 citizens there is one slot machine. In the CR for 124 citizens there is one slot machine.

Russia: from 1st January 2007 Russian parliament forbade all gambling to stop gambling boom. Gambling is forbidden everywhere except in 4 gaming areas situated in undeveloped parts in order to raise money for their further economical development. The vendor must be a Russian entity and these zones far from the capital city to prevent access to pathological gamblers (Novotný 10). Because of this ban the majority of Russian VLT's ended up in the CR.

USA: gambling here is strictly regulated and permitted only in gambling paradises in well know Las Vegas and Atlantic City. Other exceptions are Indian reservations in order to help their development. Internet casinos were forbidden entirely because the limited control and the possibility of gambling by underage children (Novotný 10). Congress has blocked transaction to companies that operates abroad.

Germany: is after the CR the most benevolent country in Europe. But they are actively protecting their citizens to prevent them from becoming addicted to gambling and pathological gamblers by issuing special ID cards. Without this card a person may not enter any casino. If the person wants to stop gambling he or she simply cancels their card and is allowed to apply no sooner than one year thereafter (Nešpor 52).

Austria: has only twelve casinos owned only by two vendor who have the monopoly although they are directly controlled by the federal government. The government gets the majority of the profits from gambling. Slot machines are permitted by individual states but the stakes on these machines are insignificant (Sobotka, Tejc and Zaorálek).

In most countries gambling is visibly more regulated than in the CR. We have become a “*dump yard*” for countries that have banned gambling entirely and the slot machines and VLT’s have moved here. Many countries have done so based on the impact studies conducted of gambling onto their economy. These countries have realized that gambling is not as financially beneficial as it may seem. Thus the notion that gambling fills the state treasury is misleading.

4.6 What Could Be Done

In the second chapter it has been suggested how to improve the income fees that the gambling vendors are obliged to levy. However, there more ways how to regulate gambling and how to lower the risks related to gambling. The focus should be at the regulation of slot machines and especially VLT’s because these are causing the major social problems. Though, games of chance such as horse racing, sport pools or lotteries

should not be underestimated. These games are far less dangerous according to Binde's study entitled "What Are the Most Harmful Ways of Gambling" (8). Here are some suggestion how gambling can be regulated.

- Neither the Ministry of the CR nor district authorities should not grand more licenses to slot machines and especially to VLT's. This would lower the interest of gambling companies for further investment as well as the supply in the market.
- District authorities should issue municipal ordinance to regulate opening hours of gambling houses which are now running 24 hours a day seven days in a week. Again, this action will lower the supply in the market. This is normal in Germany where apart from some exception businesses cannot be opened on Sunday.
- Local people should not be allowed to play in a certain radius from their residency. If someone wanted to play he or she should overcome at least some obstacle in order to gamble. This model is successfully used in France.
- Casinos or gambling houses should not be situated near public buildings such as hospitals, churches, public parks, rail stations, bus stations and city halls. Gambling should be entirely in cities 'downtowns entirely.
- Introduction of a new fee from which hospitalization or treatment of pathological gamblers would be covered and also the availability of treatment would be accessible to all gamblers.
- The introduction of player's cards or ID's. If a Czech citizen wanted to gamble he would have to apply for such a card which would be granted only if the person is not on welfare or in debts. This would be a great help to all cured pathological gamblers as they could ban themselves to even enter any casino or gambling hall. Furthermore "Normal" gambler could keep track of their losses. And at last not least the Ministry of Finance will have perfect evidence for potential taxing of winnings as well as the ultimate weapon against money laundering.

5 Conclusion

Gambling is old as mankind itself. From the past to the present almost all people have enjoyed games and even more games of chance. It is probably our genetic heritage that we bear and pass onto the future generations. Gambling should not be viewed in black and white colors as it is a very complex issue. Through gambling people have discovered The Theory of Probability used by scientist all over the world and thrilling games of chance like roulette and black jack are today the most spread card game of all. Gambling has contributed to the birth of entirely new trades such as printers or engravers. Furthermore, gambling has served throughout the centuries as a social event of great importance for many cultures. After all gambling has developed from religious and spirituous rituals.

From 1990 casinos and especially gambling houses spread across the Czech Republic uncontrollably. Gambling was new and immediately very attractive among the population as it bore the essence of mystery, western life and a James-Bond-like lifestyle. During the 90's the only exclusive places where people could gamble were casinos in five star hotels. At that time a visit to a casino was a social event for no one had to be ashamed but quite the opposite. If someone was in the casino everyone was asking what it was like. Though, many people were curious or dreamt about visiting a casino not many people did go there as most of them thought casinos were for high society only. In Ostrava which is the third biggest city in the Czech Republic with 360.000 inhabitants there was only one casino. Today there are roughly 40 of them and who knows how many gambling houses.

From 2003, Sazka a.s had pushed through their new video lottery terminals. These machines are not treated as slot machines even though they are operated right next to each other and the principle of operation is the same. They brought the possibility for individuals to lose one month's salary in tens of minutes. With the higher stakes and winnings terminals became very attractive to players. This attractiveness is of course compensated by a higher number of pathological gamblers.

The weakest link of gambling regulation is the granting of permits and licenses to offer gambling products especially of VLT's. District authorities are not involved in this process even though it violates the democratic principle of subsidiarity. Districts that tried to regulate the number of slot machines ended up in having far more dangerous VLT's instead of slot machines. It is almost unbelievable that these machines can be placed in public places like gas stations.

Based on all available information the Lottery Act 202/1990 is with no doubts able to regulate or limit gambling in the Czech Republic. The integrity of this act had been undermined by a series of amendments that made this act even more benevolent to gambling vendors. There have been at least two solid attempts to introduce a new Lottery Act last in 2010 but all of them were miraculously rejected.

Gambling in the CR raises serious concerns just from the amount of money people were willing to bet in 2009 altogether 128 billion Kč. That is 3, 6 percent of Czech GDP or the budget deficit in 2009! Gambling vendors have earned over 35 billion Kč in revenues and the income to the state treasury was approximately 7 billion Kč. The signals are that in 2010 and 2011 we will see further growth in this sector.

Although 7 billion is a significant amount there is no doubt that this money would get to the treasury anyway but through different channels. This money would be invested in different goods or services. Furthermore, from this amount must be deducted administration fees, money spent on hospitalization of pathological gamblers and expenditures connected with criminality related to gambling. However, most of the social impacts gambling has can be hardly expressed in any currency. Foreign studies have shown that there is a small economic benefit compared to the social outcomes and there is no reason to be it otherwise in the Czech Republic.

The goal of this thesis was to demonstrate that gambling has gone out of control based on official information from Ministry of Finance supported by additional resources.

With the incredible number of casinos and gambling houses we have become a world gambling paradise without even noticing it.

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7 Summary

Tato diplomová práce vznikla jako reakce na nekontrolovanou expanzi hazardních zařízení. V České republice (ČR) je nyní registrováno okolo 63.000 heren, kasin, zařízení k podávání kurzových sázek a loterií. Nápisy s aktuální výší jackpotu jsou vidět doslova na každém roku jak v centrech měst, tak i na vesnicích. V roce 2009 bylo vsazeno bezmála 128 miliard korun, v přepočtu na obyvatele to znamená, že každý z nás včetně dětí a nezletilých vsadil 12.163 Kč (Ministerstvo financí ČR) a podle veškerých dostupných prognóz tato suma nebude nižší ani v letech 2010 a 2011 spíše naopak. Pokud bychom vzali v úvahu, že průměrná roční mzda v roce 2009 byla 209.450 Kč (Český statistický úřad) pak jsou Češi poměru vydělaných a vsazených peněz na třetím místě v porovnání se zeměmi EU27. Pokud bychom do této bilance připočítali internetový hazard, kde se podle znaleckých prosází okolo 15 miliard ročně tak jsme na pomyslném prvním místě v celé Evropské unii¹. Slovy pana senátora Josefa Novotného: „*Češi na to jak málo vydělávají, hrají nejvíce v celé Evropské unii*“ (Novotný 8).

Tato práce je tematicky rozdělena do tří hlavních celků. Úvodní část je zaměřena na vývoj hazardu a hazardních her. Druhá část pak analyzuje ekonomickou stránku provozování hazardních her v České republice. Poslední část pak analyzuje sociální dopady hazardního hráčství na obyvatelstvo.

Historická část této práce si klade především za cíl seznámit čtenáře s vývojem hazardního hraní od jejího prvopočátku až do současné digitální éry. Jasně dokládá, že hazard byl hojně rozšířen ve všech vyspělých civilizacích, které používali nějakou formu platidla. Objektivně se pak snaží hodnotit jak negativa, tak i přínosy hazardu. V jednotlivých obdobích vývoje hazardu je pak popsáno, jakým způsobem se jednotlivé

¹ Internetový hazard je podle současné právní úpravy zakázán. Nicméně internetové kasina operují hojně na územích České republiky. Zisk z této činnosti není nijak zdaněn a jedná se v podstatě o čistý daňový únik.

národy snažili hazard regulovat. Závěrem této části potom docházíme k závěru, jak hluboko je hráčství zakořeněno v historii.

Druhá část je pak zaměřena na současnou ekonomickou situaci hazardního průmyslu v ČR. Jako primární zdroje zde slouží především výkazy ministerstva financí ČR. Použity byly nejaktuálnější zveřejněné data z roku 2009. Cílem této kapitoly je ukázat v číslech, jak velké množství peněz se v tomto sektoru pohybuje a kolik si společnosti provozující hazardní hry vydělaly. Ekonomické výsledky jsou prezentovány v kontextu s minulými léty, aby byl patrný enormní rozvoj hazardního průmyslu. Analýza rovněž zahrnuje příjmy z hazardního hraní do státního rozpočtu skrze poplatky, které jsou zákonem uloženy a jak se provozovatelé těmto poplatkům vyhýbají. Tato kapitola se rovněž zaměřuje na masivní rozšíření výherních hracích zařízení (VHP) a technických her především video-loterijních terminálů (VLT), které tvoří přibližně 70 procent veškerého obrátu v hazardním průmyslu. Dále pak na paradoxní přístup k udělování licencí k provozu VLT ze strany státu resp. finančního úřadu stejně tak k neadekvátnímu výběru poplatků za provoz VHP a VLT. Vezmeme-li v úvahu, že oba přístroje VHP i VLT jsou principem identické a jsou provozovány na stejných místech, ve většině případů vedle sebe, je pak zvláštní pro jejich provoz platí zcela odlišné podmínky. Za tento současný stav je zodpovědný stát, který umožnil svou nečinností obejít loterijní zákon 202/1990 společností Sazka a.s. aby tak zajistil této soukromé firmě finance na splácení několikamiliardového úvěru určeného pro výstavbu multifunkční sportovní arény. Této skutečnosti ihned využili i konkurenční firmy. Terminály jsou v porovnání s výherními automaty velice podobné, avšak sázky se pohybují v řádech tisíců korun za jeden spin (protočení válců). To sebou nese i větší možné výhry, což je pro hráče mnohem více atraktivní. Na VHP je možné prohrát celou výplatu v řádu hodin na VLT se pohybujeme v řádech minut. Co je potom

mnohém více znepokojující je fakt, že tyto přístroje mohou být umístovány na veřejně přístupných místech, jako jsou například benzinové stanice. Pro porovnání na Slovensku je v provozu přibližně 50 technický her, které jsou v provozu pod přísným dozorem pouze v kasinech (Novotný 15). Rovněž povolení k provozu VLT je vydáváno centrálně ministerstvem financí, v případě VHP o povolení rozhodují obce. Tímto dochází porušení principu subsidiarity, který je zakotven v ústavě ČR o samosprávě obcí. Obce tak přicházejí o možnost regulace hazardu na svém území. Je znám velký počet případů, kdy obce zakázaly výherní automaty na svém území. Provozovatelé heren a kasin je však nahradili mnohem nebezpečnějšími terminály. Zcela absurdní je také skutečnost, že příjem z VLT je nižší než z VHP. Závěrem této kapitoly je navrženo několik možných řešení jak zvýšit příjmy do státního rozpočtu z provozování hazardních her a také jak umožnit obcím efektivnější regulaci počtu VHP a VLT na jejich území.

Poslední část této diplomové práce je zaměřena na analýzu sociálně-ekonomických dopadů z nadměrného provozování hazardních her v ČR. Bohužel kvůli neexistenci potřebných údajů, tato kapitola musí vycházet z odhadů odborníků a znalecký posudků.

Mezi nejzávažnější negativní dopady samozřejmě řadíme problémové a patologické hráčství. Každý rok je u nás hospitalizováno přibližně 1.500 pacientů s diagnózou patologického hráčství (Nešpor 14; Novotný 30). Toto číslo je samo osobě zanedbatelné, avšak odhady odborníků se pohybují od 50.000 až do 100.000 problémových a patologických hráčů. Podle primáře psychiatrické léčebny v Praze Bohnicích a dalších odborníků jeden patologický hráč ovlivní 9-15 a to zejména ekonomicky. Pokud bychom vzali minimální odhadovaný počet patologických hráčů tj. 50.000 a vynásobíme ho minimálním počtem lidí, kteří jsou těmito hráči ovlivněni, tj. 9 dojdeme k znepokojivému

číslo 450.000, což je minimální odhadovaný počet lidí, kteří byli nějak patologickým hráčem ovlivněni.

Herní průmysl bývá také zdrojem nejrůznějších kriminálních aktivit, které jsou v této závěrečné kapitole podrobněji rozvedeny. Mezi ty nejvíce společensky nebezpečné patří zejména praní špinavých peněz provozovateli heren a kasin, krácení poplatků, daňové úniky. Samotní hráči se potom nejčastěji dopouští krádeží a zpronevěrou za účelem získání dalších finančních prostředků pro opětovné hraní. Bohužel policie ČR nevede statistiky, kolik takových trestných činů bylo spácháno patologickými hráči případně majiteli heren resp. kasin. Bylo by pak mnohem jednodušší, spočítat kolik peněz jeden patologický hráč stojí daňové poplatníky. Samozřejmě není možné vyčíslit sociální dopady, jako je rozpad rodin rovněž ekonomické a sociální následky pokud je patologický hráč soudce nebo policista. Můžeme říct, že hazardní průmysl svým rozsahem zásadně ovlivňuje sociální pospolitost v celé ČR. Závěr této kapitoly je opět věnován způsobům, jak negativní dopady zmírnit.

Cílem této diplomové práce je především upozornit na existenci nadměrného rozšíření hazardního hraní v celé České republice a s tím i spojených negativních dopadů. Česká republika zatím nemá vypracovanou studii, která by hazard v Česku detailně analyzovala, aby se zjistilo, zdali je ekonomický přínos adekvátní sociálním důsledkům způsobených patologickým hráčstvím. Většina vyspělých zemí již takovéto studie mají několik let vypracovány a postupně hazardní hry omezují nebo je zakázaly plošně jako je příklad Polska nebo Ruska.

8 Attachments

Table 3.1 GGR (Gross Gaming Revenue) gross income from gambling (bets minus winnings)

GGR	Millions of Euro	GGR per citizen	in Euro
Great Britain	10 972	Ireland	293
Germany	8 421	Malta	284
France	7 603	Finland	238
Italy	6 205	Luxemburg	193
Spain	4 887	Great Britain	182
Netherlands	2 067	Sweden	177
Sweden	1 583	Denmark	153
Portugal	1 434	Portugal	142
Finland	1 241	Slovenia	139
Ireland	1 144	Netherlands	127
Greece	1 068	France	126
Austria	894	Spain	121
Denmark	830	Austria	109
Czech Republic	593	Italy	107
Hungary	580	Germany	102
Poland	433	Greece	99
Slovenia	265	Cyprus	90
Slovakia	216	Belgium	66
Malta	114	Czech Republic	58
Luxemburg	96	Hungary	58
Cyprus	73	Slovakia	40
Lithuania	67	Lithuania	29
Estonia	41	Estonia	17

Source: Swiss institute of Comparative Law 2006

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 Play the Classic Blackjack
Play Now

Free Play
The Incredible Hulk
 5 reel, 25 line slot
Play Now

Free Play
Live Roulette
 Roulette with live dealers
Play Now

Free Play
Fantastic Four
 5 reel, 20 line slot
Play Now

Free Play
Live Blackjack
 Blackjack with live dealers
Play Now

Free Play
Pink Panther
 5 reel, 40 line slot
Play Now

Free Play
CASINO HOLD'EM
 Poker against the house
Play Now

Free Play
Gladiator
 5 reel, 25 line slot
Play Now

Free Play
Jacks or Better
 Half or double up feature
Play Now

Free Play
SPIN 2 MILLION \$
 5 reel, 5 line slot
Play Now

Figure 5.4 Online casino

source: www.eurogrand.com

Annotation

Author: Petr Šimon

Department: Department of English and American Studies, Philosophical Faculty

Title: Economical and Social Effects of Gambling in the Czech Republic

Final paper supervisor: Josef James Ference, J.Dr

Number of characters: 79.188

Keywords: Gambling, Games of chances, History of Gambling, New technical games, Video lottery terminals, Slot machines, Pathological Gambling, Gambler, Gambling revenues

Bachelor thesis is divided into three main chapters into three main chapters that map the history of gambling, the economic advantages and disadvantages and last but not least it mentions the social impact of gambling on the Czech society. It also offers the comparison with other countries and how these countries deal with gambling. The goal of the thesis is to raise awareness of problems that are caused by gambling which is today very benevolently regulated.

Anotace

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Název diplomové práce: Ekonomický a sociální vliv hazardních her v České republice

Vedoucí diplomové práce: Josef James Ference, J.Dr

Počet znaků: 79.188

Klíčová slova: Hazard, hazardní hry, historie hazardu, nové technické hry, video loterijní terminály, výherní hrací automaty, patologické hráčství, zisky z hazardních her

Bakalářská práce je rozdělena do tří hlavních částí, které mapují: historii hazardu, ekonomické výhody a nevýhody a v neposlední řadě rovněž sociální vlivy na české obyvatelstvo. Dále pak tato práce nabízí srovnání se zahraničními státy, a jak tyto státy regulují hazardní hry. Cílem této práce je upozornit na problémy, které úzce souvisí s hazardními hrami. Dále pak upozornit na špatnou regulaci hazardních her ze strany státu.