



A brief political economy analysis on the Betting Duty Amendment Bill 2013

Simon Lee

to:

立法會CB(2)1174/12-13(03)號文件

LC Paper No. CB(2)1174/12-13(03)

21/05/2013 09:51

Hide Details

From: Simon Lee

A brief political economy analysis on the Betting Duty Amendment Bill 2013

The legalization of gambling, since 1970's, had an overarching goal to combat extralegal and black market activities.

Once used to be the most important sources of profit for the underground economy, illegal gambling and corruption in the police force were closely related to each other and posed a serious institutional challenge to the colonial government.

Through the Hong Kong Jockey Club, the colonial government provided a legitimate avenue for gambling activities, hence, crowding out extralegal gambling activities. Groups running extralegal activities found their profitability reduced through direct competition with a legitimate gambling business and subsequently being eliminated through the competitive process. Legalization of gambling is one of the prime example of how the colonial government make use of the market force to accomplish an institutional change in an effective and non-interventive manner.

One must not fall to the myth that establishment of ICAC was the sole reason public corruption was rooted out. Without legalization of gambling, hence making it unprofitable for underground groups to bribe the policy, it is inconceivable that corruption, especially in the public sector, would cease.

Despite what was said above, legalization of gambling can never completely eliminate extralegal gambling activities. The best a government can do is to continuously allow the institution be adapted to the need of society and adjust accordingly. It is therefore the reason why the proposal to allow co-mingling of the betting pools between Hong Kong and other overseas operators should be considered in the light of the original policy objective of containing extralegal, and currently, cross-jurisdictional, gambling activities.

Whenever the incentive to potential profit exceeds the deterrence, there will always be someone to take the chance and attempt to profit. In the case of cross-jurisdictional extralegal gambling, deterrence is difficult to establish institutionally, especially when communication technology progresses in an unimaginable pace.

The proposal regarding the co-mingling of the betting pools should in principle equalize the betting odds for the same races across different market hence eliminate the potential profit for the cross-jurisdictional extralegal odds arbitrage. It is therefore in line with the very original policy objective of gambling legalization.

It is inconceivable that any rational beings, other than those vested interests, would oppose to such technical adaptation to the needs of the market. I therefore submit that the bills should be considered. The views expressed in this document is solely my personal opinion and it does not reflect the position of any organization or group with which I am associated.

Simon Lee

May 2013