Taking other people’s money: development and the political economy of Asian casinos

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Abstract: The transfer of Macau from Portuguese to Chinese governance elicited a change in the territory’s approach to its casinos with the introduction of a Vegas-style casino complex increasingly attractive to Mainland Chinese gamblers. This situation represents the first case for accumulation by dispossession via the casino, gambling is illegal in Mainland China and the Macau casino serves to transfer wealth from the Mainland to Macau and its casinos’ foreign investors. The second case is shaped by the identification of Macau’s casinos as a model for economic development and the migration of this economic development model to Singapore, where again it operates as accumulation by dispossession. For the latter case Singapore’s gambling laws explicitly shape the institution to appropriate other people’s money because the Singapore citizen must pay a fee to enter the casino. This strategy for accumulation by dispossession operates through the inside/outside dichotomy of sovereignty by appropriating the money of the non-citizen, at the same time that it relies on the foreign investment capital of multinational casino companies. The efficacy for the use of casinos as economic development is interrogated in this paper as the Macau casino experience has emerged as one model for economic development in Asia.

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Introduction

The predictive powers of social scientists are not spectacular, as demonstrated by political science’s failure to forecast the end of the Cold War and economics’ failure to foresee the global financial crisis. For the area of casinos and gambling there is as well this failed attempt at prognostication:

But the chances that someplace else will become a new Las Vegas are in the category of hitting a ten spot in keno—very remote indeed. Except for isolated cases, big casino developments in the near future will be found in North America, and the world of casino gambling will continue to revolve around Las Vegas. (Thompson 1998: 21)

As observers of Macau’s economy or the global casino industry are aware, annual revenues for Macau surpassed Las Vegas in 2006 (Holmes 2010). Data for 2012 indicates Macau collected US$ 38,154 million in gambling revenue while in 2010 Nevada’s casinos collected US$ 10,405 million, while the total casino market in the US generated US$ 57,488 million (Statistics and Census Service 2013; PricewaterhouseCoopers 2011: 8, 17). The nature of this situation and the related construction and operation of two casinos in Singapore provide the case study at the centre of the following analysis.

This paper offers one understanding for the change in Macau’s casino regulatory regime at the turn of the century. Assessments of Macau’s casino industry deemed it a success which influenced public policy decision making in Singapore and elsewhere in Asia to consider casinos as a form of economic development. The analysis here is framed through the concept of ‘accumulation by dispossession’ articulated by David Harvey (2003; 2005) as a way to understand, not simply what he termed ‘new imperialism’, but what he then deployed as a means to comprehend practices of neoliberalism and their global diffusion over the past several decades (Harvey 2007a). After laying out the concept of accumulation by dispossession the paper turns to the specific case of Macau, and the evolution of its casino licensing policy in conjunction with its return to China. Macau is the only legitimate destination for gambling (in particular casino gambling) inside Greater China while at the same time under the ‘one country, two systems’ policy it exists ‘outside’ of China. This semisojvereign status is physically manifested in a demarcated border between Macau and the People’s Republic of China (PRC). At the same time access to the casinos by PRC citizens is regulated via the government’s exit visa regime, a feature that holds a critical influence over Macau’s economy and its casinos’ investors because many visitors to the casinos are ‘day trippers’ from China (MGM China Holdings Limited 2012: 150). The burgeoning success of Macau demonstrated an opportunity for Singapore, though the city-state’s strategy is predicated on attracting the wealthier PRC citizen willing to travel further and stay longer (da Cunha 2010: 45). ‘Singapore regards Macau’s strength not as a competitive threat but rather as proof of concept.’ (Anon 2010) In the Singapore case there are further constraints, with only two casinos in the city-state and an explicit objective by the government to constrain local gambling by citizens and residents. The final section of the paper reflects on the efficacy of casinos for economic development in the context of the strategy’s further employment by post-financial crisis governments in the European Union and United States as one path toward local economic recovery.

Accumulation by dispossession

A concept presented as the means to theorise ‘new imperialism’ does not immediately suggest itself as a theory for casinos in the international political economy, beyond the indicative meaning of the words themselves—accumulation by dispossession. Consequently,
the objective for this section is to review David Harvey’s theoretical extension to Karl Marx’s original proposition for primitive accumulation in the development of capitalism and situate it as a framework for understanding the application of a casino for economic development (Harvey 2005; Harvey 2003). The initial position, as described by Harvey, is that primitive accumulation for Marx consisted of a variety of processes, including the commodification of land and labour power, the direct appropriation of natural resources through colonialism/imperialism, and state control over financial exchange through national money, taxation and credit (Harvey 2003: 74). This process is essentially the privatisation of goods and services, mediated through the circulation of money, that in turn facilitated the accumulation of wealth as property or money for persons (natural and legal) as well as the state (achieved through measures of taxation). Subsequent to Marx, the emergence of financialisation and the growth and power of finance capital were incorporated as part of the process for primitive accumulation by Vladimir Lenin, Rudolf Hilferding, and Rosa Luxemburg, among others (Harvey 2003: 74). Of continuing relevance today is Harvey’s observation that these three authors all remarked on the ‘predation, fraud and thievery’ accomplished through financialisation, including Ponzi schemes (e.g. Bernard Madoff), corporate fraud (e.g. Enron) and the ‘dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapse)’, activities notoriously more prominent in the years since Harvey made this observation and listed among the causes and consequences of the global financial crisis (Harvey 2003: 74-75). His point, however, was that the viewpoint designating these processes of ‘accumulation based upon predation, fraud and violence to an “original stage” that is no longer relevant’ for the practices of capitalism was inaccurate, while at the same time it seemed inappropriate to name a process that continued to function in the same manner today as ‘primitive’ (Harvey 2003: 74). It is for this reason he terms the process ‘accumulation by dispossession’.

The means by which this process operates is simply stated, ‘what accumulation by dispossession does is to release a set of assets (including labour power) at very low (and in some instances zero) cost.’ (Harvey 2005: 149) Harvey describes accumulation by dispossession as a solution to the problem of ‘overaccumulation’, that is, an economic condition in which ‘surpluses of capital (perhaps accompanied by surpluses of labour) lie idle with no profitable outlets in sight.’ (Harvey 2005: 149) Consequently, the surplus capital seeks out and identifies the low cost asset and acquires it in order to secure the future profit (return on investment) that it is believed to represent and possess. The classical example of primitive accumulation was the privatisation of a formerly public (common) asset, for example, land. In the present context Harvey finds this practice in the acquisition of assets from ‘distressed’ property owners following an economic crisis, in his example Southeast Asia following the 1997 – 98 crisis, while more recently there have been references to hedge funds circling around the Euro-zone in order to pounce on assets sold by financial firms at a loss because of their need to increase their capital buffer (Harvey 2005: 151; Wigglesworth 2011).

To be clear, Harvey’s terminology and application is not unproblematic, particularly for some fellow students of Marx’s Capital. Ben Fine, for example, finds that it seems as if an unduly diverse set of factors is being collected under the umbrella of accumulation by dispossession. This has resulted in the conflation of the analytical categories associated with value theory. (Fine 2006: 145)

The essential difference rests on this point, that the range of practices enveloped by the concept of ‘primitive accumulation’ is not as extensive as Harvey ascribes to accumulation by dispossession. Consequently Fine observes that their differing perspectives may likely emerge from ‘our respective positions as geographer and economist’ and the differing reception for Marxist political economy in those disciplines over the past few decades (Fine
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2006: 150). In response Harvey described the ready appreciation for his substantive point, beyond the metaphysics of Marxian theory, by audiences with little familiarity for those great debates. It is therefore important, he says, to appreciate that scholars have ‘an obligation not only to theoretical rigour but also to communicability.’ At the same time, such ready appreciation for the substantive point encapsulated by the term *accumulation by dispossession* lends itself to misappropriation and misapplication, and Harvey worries ‘about the indiscriminate way in which it might be (and already has!) used.’ (Harvey 2006: 158) The application of the term/concept in the context of the following analysis may be considered as just such an indiscriminate application in that it may be read as insufficiently theoretical by Marxist scholars.

Nonetheless, the entry point for the application of accumulation by dispossession in this analysis is the fact that it ‘can occur in a variety of ways and there is much that is both contingent and haphazard about its modus operandi.’ (Harvey 2005: 149) The widespread engagement with the concept, particularly in geography, led one author to assert that ‘the empirical argument about accumulation by dispossession is well established regardless of disagreement on detailed aspects of interpretation.’ (Bonefeld 2011: 380) In contrast with that assessment another author found it necessary to explicate a clear definition for the term, reading Harvey’s description of accumulation by dispossession as contradictory at points and that subsequent remarks from Harvey have led to a loss of ‘analytical specificity’ (Levien 2012: 940). For purposes of his analysis Michael Levien argues it is necessary to emphasise the ‘extra-economic coercion’ features embedded in accumulation by dispossession, because it is ‘fundamentally a political process in which states – or other coercion wielding entities – use extra-economic forces to help capitalists overcome barriers to accumulation.’ (Levien 2012: 940; see also Glassman 2006) In the following analysis, the overaccumulation for this case emerges from the transition of China to a socialist market economy producing substantial wealth in private hands (Beardsley et al. 2013; Capgemini and RBC Wealth Management 2013; Leung et al. 2011; Chan et al. 2010). But, beyond investing that capital in property, stocks and bonds the wealthy Chinese citizen also derives entertainment value from the accumulated wealth through gambling. In this fashion a significant portion of capital is transferred to a casino in Macau, Singapore and, increasingly, Las Vegas (Berzon et al. 2012). Therefore, the overaccumulation of capital in China is transformed by the individual citizen’s desire to gamble into the ‘distressed asset’ acquired by the overaccumulation of capital that had been invested in a casino firm. The context for this transfer of wealth to the casino and the state entity promoting and supporting casino operations is outlined in the following sections for the cases of Macau and Singapore.

**Macau as economic development role model**

Portugal secured Macau as its outpost for trade with China ‘around 1573’ when the Portuguese began paying rent to the Chinese government for a trading post on the peninsula. Following the Opium War (1839 - 1842) the Portuguese advanced territorial claims to the area, culminating in 1887 with Chinese government agreement to the ‘Sino-Portuguese Treaty of Amity and Commerce, under which the Portuguese obtained the right to permanently settle in Macao as well as control over the region.’ (Macao Yearbook Editorial Team 2002: 469, 70)³ The territory remained under Portuguese governance until 1999. The history of gaming in Macau is similarly long, dating from the 16th century when it ‘first opened its harbour to the visitors.’ (Gaming Inspection and Coordination Bureau n.d.) The gambling environment at the time was informal and unregulated because it was nominally illegal; the Portuguese did not interfere with the activity among Chinese workers and it was not clear how and to what extent local Chinese government officials regulated gambling (Loughlin and Pannell 2010: 1). An explanation that has been offered for formalising the
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gaming industry in the 19th century sounds little different from the rationales offered by
governments today. Trading activity through the port of Macau had declined after Britain
was granted Hong Kong in 1842, therefore ‘In an effort to fill its depleted coffers and
diversify its leading economic activities, the Macao’s [sic] Portuguese government legalized

gaming for the first time in 1847.’ (Gaming Inspection and Coordination Bureau n.d.)

Legalisation facilitates taxation, and in time the taxes collected from gambling became the
main revenue source for Macau’s government. In 1930 a single firm was granted the
monopoly concession to operate casinos in the territory, and that concession was granted to a
different firm in 1937 in parallel with new casino games regulation. The latter concession
had an expiration date of 31 December 1961, however, a law passed in 1961 opened the new
concession award process to public bidding. Winning the bid for the monopoly casino
gaming concession was Sociedade de Turismo e Diversões de Macao (STDM) and it began
managing casino operations in 1962.

The casino concession granted STDM was extended by the Portuguese government in
Macau, with the final extension expiring in 2001. Casino operation had shifted over time to
emphasise VIP rooms catering to high value customers rather than the mass market
customers occupying the casino’s main floor. The focus on high value customers catered to
by the VIP rooms changed the dynamics of the industry in Macau as they sub-contracted the
activity to individuals and firms responsible for attracting the customers and selling them
casino gaming chips. It was this sub-contracting arrangement that opened an avenue for
organised crime to enter the casino business, leading to the Triad violence that plagued
Macau in the 1990s (Lo 2005: 210). As a result of these events a conjecture develops in the
closing years of the 20th century formed by the pending return of Macau to China, the
increasing casino-related violence in Macau, and a growing class of wealthy Chinese citizens
seeking an outlet for their desire to gamble. As ably described by Shiu Hing Lo, the pending
return of Macau to China undermined the rule of the colonial government, which in turn
encouraging increased violence among the criminal groups that had infected the casino
industry and were competing over control and access to the VIP rooms and customers.

Worries over the political implications produced by the colonial government’s inability to
adequately contain and resolve the situation led the PRC government to intervene prior to the
formal handover of control in order to assure a quiet, peaceful transition environment. At the
same time measures were taken to study casinos and casino operation in the US with the
intention of modernising the casino sector in Macau (Lo 2005). The modernisation of the
casino sector included the liberalisation of the monopoly casino concession, and a move
toward the ‘neoliberalisation’ of Macau’s casino industry.

The policy shift for a liberalisation of the casino sector took place in a situation where
other sectors in the Macau economy were under pressure. Historically the economy had
included both textile production and light manufacturing operations which provided
economic diversity. However, the global economic circumstances during the closing decades
of the 20th century served to reduce or extinguish those sectors as production activity shifted
to the PRC. In 1993 Richard Edmonds foresaw a need for the Macau economy to move from
these low-cost labour-intensive activities toward high-tech value-added sectors, while
anticipating that Macau’s ‘virtual monopoly of regional gambling, is likely to be broken after
1999.’ (Edmonds 1993: 905) A decade later the virtual monopoly remained and was
reinforced by the liberalisation of the casino sector and the introduction of FDI from foreign
casino firms. Competition for Macau’s casino customer base only seriously began following
the opening of Singapore’s two casinos as discussed in the next section (Wong 2012).

The move toward neoliberalisation of Macau’s casinos began with a study produced by
Arthur Anderson (subsequently a casualty of the ENRON debacle in the US and the staff and
project transferred to the PricewaterhouseCoopers office in Macau) for the Macau SAR
government. In addition to moving from a monopoly situation in the casino sector to an oligopoly structure with the intention of producing competition among the casino operators, the report encouraged the introduction of more comprehensive accounting procedures and stronger external audits. ‘Reporting needed to be transparent and inspector powers enhanced.’ (Gasper 2007: 21) Further, by opening up the bidding process to foreign casino management firms it was anticipated that they would introduce business practices and procedures used in other jurisdictions and thereby improve casino operation in Macau. Initially three firms were awarded casino licenses in February 2002, Galaxy Casino SA (a joint venture that soon parted company between what is now Galaxy Entertainment Group Ltd. and Sands China Ltd.), Wynn Resorts (Macao) SA, and Sociiedade de Jogos de Macau SA (SJM), which is a subsidiary of the previous monopoly firm STDM (Anon 2012f). With the collapse of the Galaxy Casino SA joint venture in December 2002 the concession agreement with Galaxy Casino was amended to permit a sub-concession to Venetian Macao SA, a subsidiary of Sands China Ltd (Anon 2012f). The creation of the sub-concession strategy was then extended to the other two licensees, Wynn Resorts (Macao) SA awarded its sub-concession to Melco PBL Jogos (Macao) SA, a subsidiary of the casino firm Melco Crown Entertainment Ltd., which is a joint venture between Hong Kong-based Melco International Development Limited and the Australian casino firm Crown Ltd (Melco Crown Entertainment 2012: SEC Form 20-F page 42). Similarly, SJM awarded its sub-concession to MGM Grand Paradise SA, a subsidiary of MGM China Holdings Ltd which is 51% owned by MGM Resorts International (MGM China Holdings Limited 2012: 19).

The names for the local casino operating companies in Macau echo some of the globally recognised brands held by the parent/significant shareholding firms—including Las Vegas Sands, MGM Grand, and Crown. From that echo it becomes clear that one objective behind the Macau SAR solicitation for bids on its casino license(s), to attract foreign casino management firms and presumably their best practices for casino operation, was achieved.5 The Macau government announced in 2008 that no further casino licenses would be granted, fixing the composition for the casino sector in Macau until the expiration date on the current concession agreements in 2020 and 2022 (Anon 2012f; Gough 2011).6 Further, the granting of casino licenses to foreign firms initiated a surge in foreign direct investment to Macau in order to finance the boom in new casino construction (Barboza 2005). The small territory that comprised Macau was originally a peninsula and two small islands (Coloane and Taipa) with a territory that was measured at 11.6 square kilometres in 1912. Land reclamation projects had increased the size of the territory to 29.7 square kilometres in 2010. The reclamation of land between the two islands, known as the COTAI Reclamation Area, itself added six square kilometres of territory suitable for the large casino-entertainment complexes of hotels, meeting spaces and gaming rooms planned by the foreign firms (Macao Yearbook Editorial Team 2011: 495). Consequently, the liberalisation of the industry to increase competition among the casino license holders succeeded in inspiring competition for bigger and (notionally) better casino-entertainment complexes. Unfortunately, when land is a precious, limited commodity the competition for access to it may encourage illegal practices in an effort to gain an edge in bidding for the prime locations. In the case of Macau there have been bribery and corruption scandals involving the reclaimed land of Cotai (e.g. Cheung 2012).

The first new, foreign-managed/-owned casinos began operation in 2004 (Anon 2012f). Data for the revenue generated by Macau’s gaming industry is displayed in Figure 1, and there is a slight surge in revenue for 2004 indicated by a small peak in the data line. The ever-increasing revenue generated by the industry since 2002 reflects not only the increase in the number of casinos operating in Macau over that time period, but it also reflects the ever-increasing number of visitors to Macau throughout the period. Figure 2 charts the total
number of visitors to Macau and the author recognises that the data includes visitors who are in Macau for reasons other than to gamble. In a ‘reconsideration’ on the evolution of casinos in Macau Ricardo C. S. Siu charted the average gross gaming revenue per visitor over the period 1997 – 2004, noting that while the number of visitors increased during the time period the average gross gaming revenue was less in 2004 than in 1997. His explanation for this fact was the change in PRC visa policy in 2003, which simplified the process while permitting individuals to visit Hong Kong and Macau when not a member of a tour group. One result of the visa policy change was the increase in visitors to Macau for a vacation that did not necessarily include gambling, ‘thus, average spending on gaming was comparatively lower than when the majority of people used to visit Macau for gambling.’ (Siu 2006: 981) In the table accompanying Siu’s article, in 1997 the average was US$ 318 and for 2004 it was US$ 301; by calculating a similar value from the data used in Figure 2, the average for 2008 was US$ 599 and for 2012 it was US$ 1359.

The significantly greater average gross gaming revenue per visitor for the more recent period of time indicates that the increase in total visitors shown in Figure 2 represents an increase in the number of visitors to Macau that gambled. Concern over the increase in gambling by PRC citizens in Macau motivated the PRC government to constrain the visa programme in May 2007, having a direct impact on Macau’s tourism industry as a whole beyond simply the casinos and casino revenue (Sheng and Tsui 2009: 72). Yet two years later the media reported that the PRC had ‘quietly begun relaxing restrictions for its citizens from Guangdong travelling to Macau’ and the casinos were reporting revenue increases in response to it, which is clearly seen in Figure 2 (Reuters 2009). Nevertheless, a fundamental concern remains, which is that the success of the casinos in Macau serves to transfer wealth from the PRC to Macau and from there onward to the foreign investors behind the firms in possession of a casino license.

The situation is not simply a matter of PRC citizens’ private wealth lost at gaming tables in Macau, and that when those tables are in a foreign-invested firm those profits in turn leaked out of Macau when repatriated to Hong Kong, Australia or the United States. Rather there are additional factors of concern over the provenance of the capital that crosses the gaming tables or is inserted in the slot machines. Beyond widely-reported instances of PRC officials at various levels of government using public funds for gaming in Macau (Coonan 2012; Anon 2012b) there is the basic fact that PRC capital controls limit the individual citizen from transferring out of the PRC more than US$50,000 a year (Yu 2008: 18). In many cases that sum may be sufficient to cover the entertainment expenses of the PRC citizen on holiday in Macau, but it doesn’t begin to gain one entry to a VIP room. It is through the cross-border extension of credit and subsequent efforts to recover outstanding debts that explain the modalities of the VIP junket segment of the gaming sector. And those modalities in turn lend themselves to the business practices of organised crime, particularly when it comes to collecting debt (Gough 2008; Gough 2012; Anon 2012a). An alternative to the junket operator is the pawn shops and other businesses offering money services in Macau, where the citizen purchases a high value item (e.g. a luxury brand watch) using their PRC-based debit card (denominated in yuan) and then immediately sells it back for a cash refund in Macau patacas or Hong Kong dollars (less a commission to the service provider). This activity is essentially an illicit transfer of money out of China, particularly when the citizen ‘can legally bring only Rmb20,000 ($3,175) when crossing into the territory.’ (Tsui 2012) The efforts of one individual to illicitly transfer otherwise legitimate income to Macau in order to gamble, when aggregated across the number of visitors from the PRC to Macau, results in large flows of capital (Pomfret and Miller 2013). These capital flows in turn may serve to conceal illegal money, the proceeds of other criminal activity, and produce a concern for the presence of money laundering in connection with the casino industry (O’Keeffe et al.)
Introducing casinos to Singapore

The history of casinos in Singapore is shorter than is the case with Macau; the first casino opened for business in February 2010 (Resorts World Sentosa) and there is only one other licensed casino in the city-state (Marina Bay Sands), which opened in April 2010. These two casinos represent a significant change from the previous policy in Singapore toward casino gaming, a policy which had permitted sports betting and lotteries but banned casinos since independence (Ming 2007: 440 - 41). In the 2004 the change in government policy was announced to Parliament, and an invitation for ‘potential bidders to submit their views on a proposal to build an integrated resort (IR) with a casino for two sites’ in Singapore (Ming 2007: 441, emphasis added). To some extent the previous government policy on casinos reflected the policy making process in Singapore, which Siong and Chung (2011) declare ‘had always been pragmatic’ but at the same time some decisions ‘were based largely on the values of one strong leader.’ (Siong and Chung 2011: 116) They cited the speech made by Parliament by Lee Kuan Yew, founding Prime Minister of Singapore, in which he declared that he was ‘ “anti-gambling” and “did not want to undermine Singapore’s work ethic and breed the belief that people can get rich by gambling”‘. (Siong and Chung 2011: 115, citing Lee Kuan Yew, speech in Parliament on the proposal to develop integrated resorts, 19 April 2005). These quotations are slightly disingenuous as Lee Kuan Yew was setting the background for his position on the proposal to approve casino gaming in Singapore and goes on to state, ‘But I have had to change my attitude to casinos in Singapore, when it is part (3-5%) of an Integrated Resort.’ He further defers the decision to the ‘present generation of leaders’ while noting that the ‘world has changed’ since the 1950s with respect to citizens having access to a casino (Yew 2005). His speech served to reinforce the position of the government proposal and the case made that integrated resorts with embedded casinos served to ‘reposition’ Singapore in the world as a cosmopolitan, global city and a leading tourist destination (Henderson 2006: 174).

From media reports the two casinos in Singapore have been a resounding success, for example, ‘Singapore’s gaming success ... has defied the expectations of many cynics and has helped fuel a resurgence in the island’s tourism sector.’ (Anon 2012c) This resurgence is seen in the 15% increase in international visitor numbers over the first nine months of 2011 as compared to the previous year, and in Marina Bay Sands’ reported gross gaming revenue for 2011 at US$2.9 billion, ‘equivalent to almost 50% of the total gaming win for the Las Vegas Strip over the 12 month period to Nov. 30 [2011].’ (Anon 2012c) The total gross gaming revenue from Singapore’s two casinos for 2011 was ‘almost US$6 billion’, though these figures are not precise (Wong 2012). Visitor numbers in particular are ‘inconclusive’ according to Wong (2012), a situation that arises from the fact that ‘Data on the total number of visitors to the 2 casinos reside with the IR operators.’ (Ministry of Community Development Youth and Sports 2012) The more interesting question posed to the Ministry of Community Development, Youth and Sports concerned the number of Singaporeans visiting the casinos and how many of them were repeat visitors. The written response provided for the Parliamentary Question contained visitor numbers ‘recently received’ from the two casinos for ‘unique local patrons’, as 136,434 and 137,259 for 2011. The ministry assumed a
30% attendance overlap between the two casinos, leading it to conclude that ‘around 200,000’ locals had visited a casino in 2011. This particular question emerges from a continuing tension in Singapore society over the presence of the casinos, the social and moral ills they engender, and the extent to which those ills have been offset by government policies.  

The debate in Singapore contains echoes for the neoliberal perspective behind the shifting treatment of the casino in society today, moving from a moral/social question for society to become a matter for the individual and their personal choice to gamble as a form of entertainment. As analysed by Wee (2012), framing the casino as an ‘integrated resort’ diminishes the location of the casino in the casino-entertainment complex (thereby diminishing the gambling aspect) and highlights the other amenities to be available for tourists, in particular the ‘family-friendly’ entertainment consistent with already existing resorts in Singapore (Wee 2012: 22 - 23). At the same time, for Singapore there remained sufficient public concern over problem gambling among the population to consider a total ban on citizens entering the casinos as customers. Henderson reports that in response to criticism from citizens as well as prospective casino developers a compromise solution was crafted, citizens and permanent residents pay an entrance fee ($100 per visit or $2,000 for an annual pass) while certain categories of citizens are excluded from entering a casino (Henderson 2006: 175; see also da Cunha 2010: 61 - 62). As a solution addressing citizen concern over gambling’s social ills, the compromise in practice was less effective than desired, with the Ministry of Community Development, Youth and Sports declaring that it is concerned over ‘a small group of frequent gamblers’ and that it is investigating further measures to exclude that population of ‘problem gamblers and financially vulnerable local gamblers’ from access to the casinos (Ministry of Community Development Youth and Sports 2012). While problem gambling remained an issue, concern for an increase in crime due to the introduction of casinos in Singapore appears to have been handled adequately by the increased police awareness for it. Reported crime in Singapore declined in 2011 ‘to a 20-year low, while casino-related crime ... has remained stable at less than 2% of total crime’ and the total number of visits by citizens and permanent residents also declined in 2011 from the number in 2010 (Wong 2012). The desire by Singapore citizens to gamble is clearly not hindered by the entrance levy, and that desire to gamble is further represented in data on internet-based gaming by Singapore residents that showed an increase in gambling losses year-on-year from 2009 through 2011 (Anon 2012d). Singapore’s efforts to exclude its citizens from domestic gambling in its casinos is not unique, Malaysia’s large Genting Highlands casino excludes Muslims (enforcing the Koran’s prohibition on gambling) and Korea only licensed casinos that catered solely to foreigners until 2000 when it opened a casino catering to citizens (Bromberg 2006: 83; Lee and Back 2006: 32 - 33).

When the explicit attempts by the Singapore government to interdict the use of its two casinos by the domestic population is combined with Macau’s reliance on PRC visitors for its success in the casino industry, one conclusion to be reached is that economic development success relies on taking other people’s money. The Singapore government policy, administered by the Casino Regulatory Authority (CRA), demands that the integrated resorts firmly and rigorously enforce its regulations to interdict gambling by citizens and residents when it goes against Singapore’s regulations and laws. Any failure to do so will lead to fines against the integrated resort, for example, in its 2011/2012 Annual Report the CRA identified a total of ten enforcement actions during the reporting period taken against the two casinos (three on Marina Bay Sands and seven on on Resort Worlds at Sentosa) of which six of the penalties between the two casinos were for failing to keep excluded persons (including minors) ‘from entering and/or remaining on its casino premises’ (Casino Regulatory Authority 2012: 29) The focus for Singapore’s casinos, even though embedded in the integrated resort targeting tourists, remains firmly on dispossession of the capital of the non-
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citizen. In Macau a significant portion of casino revenue comes from the VIP rooms, the casino market sector that Singapore has hesitated to license. Nonetheless, the foreign investors behind the two IRs remain confident that the government will license VIP junket operators in order for the two integrated resorts to prosper and enhance the government’s revenue take from the casinos and associated tourism (Wong 2012).

The question of efficacy

From an international political economy perspective the focus on taking other people’s money is grounded on the inside/outside dichotomy of state sovereignty in an international system of states (Walker 1993). Consequently, to use a casino for economic development essentially involves following a mercantilist economic development policy. It is a policy where rather than producing goods and services to be traded with other jurisdictions as the means for increasing the overall mutual wealth of the trading partners, the policy is to provide a service that directly strips the non-citizen of wealth. And in some cases, it is a situation where the government deems it acceptable to provide a service to the non-citizen which is denied to the citizen. This practice is not unique to casino gaming, as one can identify other goods and services produced in a jurisdiction that are denied its citizens, e.g. jurisdictions that create a special tax regime available to non-resident, non-citizens that is denied to residents. There is another dimension to the international political economy of casinos in Asia, that is the investment capital behind many of the casino firms consists of foreign direct investment (FDI) and this FDI is financing the construction and management of the casino-entertainment complexes in Macau and Singapore. As noted above, foreign investment means that profits are repatriated out of the host jurisdiction to the home jurisdiction of the investor. This leakage represents the investor’s compensation for the risk taken when first investing in the foreign jurisdiction. Even after the initial success generated by the investment and the repayment of any debt used to finance the investment, the venture remains risky. For the case of investing in a casino, the host government may decide to increase its tax take from the casino, it may chose to introduce new rules and regulations that increase the cost to operate the casino, or (as with any tourism-based industry) customers could decide to find their gambling entertainment in a different location. But risk is a prerequisite for profit, and as such a necessary component to the capitalist accumulation of wealth.

Recall that accumulation by dispossession represents a practice of capitalist accumulation under the structures of neoliberal economics, and that in Harvey’s treatment neoliberalism serves to be ‘redistributive rather than generative’ where that redistribution is accomplished via his extensive set of accumulation techniques (Harvey 2007b: 34). For Harvey neoliberal political economy is an institutional framework supported by the state to facilitate the utility-maximising individual’s pursuit of liberty and happiness. The state is expected to provide the necessary services ‘required to secure private property rights and to support freely functioning markets.’ (Harvey 2007b: 22) Prominent in the move to neoliberalism is the reduction in state control and intervention in the economy, that is the deregulation of markets, which for the case of casinos (and gambling more generally) occurred in conjunction with the deregulation of other market sectors in the US in the 1980s and 1990s (Christiansen 1998: 36). It was, however, actually less an exercise in deregulation and more a process of reframing the public perception of gambling, from a vice to be prohibited into a form of entertainment that is a matter for individual choice rather than state intervention and control (Frey 1998b: 151; see also Preston et al. 1998). The central point behind the normalisation of gambling in all its forms involved its revenue generating potential, because the effect produced by the legalisation of gambling was the implementation of gambling as ‘a voluntary tax [in place of] a mandated, across-the-board assessment.’ (Frey 1998a: 9)
The efficacy argument in this deregulated environment is over politics and public policy as much as it is about the economic benefits accruing to the state (and thus society). Moral questions may be understood as personal in nature, or as social in that they effect the social environment in which the individual lives and works. The economic argument won out over the moral critiques in the context of fiscally-straitened times, which following the sub-prime crisis in the US has been revisited in the context of internet gambling (Richtel 2011; Alvarez 2011; Wyatt 2011). Nonetheless, for this analysis the objective of the state (and the government for the semi-sovereign jurisdiction in the case of Macau) is not so much to raise revenue by taxing the mathematically-challenged residents who fail to realise that the odds of winning are against them (e.g. lotteries, see Fasman 2010: 4), but rather it is to raise revenue from non-residents in order to provide public goods and services to residents. While it is about taking other people’s money, for the case of Macau (with its long history of casino gambling) the revenue-generating factor was recognised without the prerequisite to change public perceptions of gambling. For Singapore the public perception of casinos and gambling remained a factor in public debates, particularly for the social costs that result from problem gambling, at the same time the issue of problem gambling is receiving increased attention in Macau (Fong et al. 2011). It is also important to recognise that this social ill for the most part is exported to the PRC when its citizens return home.

For the case of Macau the revenue generated consists of three individual taxes applied to ‘gross gaming revenue’, rather than to the net income or profit of the casino management firm. These taxes comprise a basic rate of 35 percent, and two taxes designated for social objectives. The first social tax (up to 2 percent) supports a designated public charitable foundation (under the current concession agreements it is set at a rate of 1.6 percent) and the second social tax (up to 3 percent) supports ‘urban development, tourism promotion and social security’ (presently set at 2.4 percent for the five foreign firms and at 1.4 percent for SJM). While none of the casino firms pays the maximum possible rate of 40 percent there is an ‘additional hidden tax’, an annual fee on the casino concession license along with a fee on every gaming table and slot machine operating in the casino (Pessanha 2008: 346). Concurrently, the Macau Legislature has granted an annual exemption for the casino management firms from also paying any corporate income tax (Pessanha 2008: 347).

Singapore on the other hand collects its 7 percent Goods and Services Tax on casino winnings before applying its casino tax on the remainder. The casino tax in Singapore has two rates, 5 percent on gross gaming revenue derived from ‘premium players’ (those with a casino deposit account opened with at least S$100,000) and 15 percent on the revenue generated from ‘other players’ (Inland Revenue Authority of Singapore 2013).

It is important to appreciate that ‘social cost’ must be treated as distinct from ‘individual cost’, an analytical point considered in some depth by Douglas Walker (Walker 2010: see chapter 6). Substantially, the social cost is a collective cost to society in total, which may be less than the aggregate costs attributed to individuals and here it must be acknowledged that individual choice remains a determining factor. Recall that individual choice is a fundamental element to neoliberalism, as emblematic for the exercise of liberty in a democratic society. Yet the simple presence of easily accessible legal gambling opportunities does not create problem gamblers, as alternative opportunities to gamble are available, in other jurisdictions where gambling is legal or in back alleys alongside other prohibited activities (see for example the popular numbers game found in Brazil, jogo do bicho (Anon 2012c)). This position may be challenged by an argument that the embryonic problem gambler might remain ‘unborn’ if the convenient opportunity to gamble, as represented by a local casino, is not available. Such was one argument made against the introduction of casinos to Singapore, that notwithstanding the availability of casinos in Macau, Malaysia and further afield, the sheer convenience of a casino in the city-state would give rise to an
increased incidence of problem gambling among the population of Singapore (da Cunha 2010: 60 - 63). Nonetheless, the transfer of wealth from the gambler to the casino (and its shareholders as well as the government tax revenue collector) is not a social cost, whereas the cost for problem gambling programmes when that revenue could be used for other (potentially more desirable) social welfare activities (e.g. a youth sports league) is a social cost (Walker 2010: 88 – 89, 105 - 06). Fundamentally, this analytical point emerges from the effort by economists to assign a measurable, numeric value to an individual’s actions and decisions, leading in turn to definitional debates between economists. At the same time it indicates the underlying neoliberal emphasis on the individual actor over the collective actor that is society and the social concern for the collective welfare loss arising from problem gambling. One way to deal with the problem is to impose a levy on citizens that choose to gamble in the local casino, as in the case of Singapore, while Singapore also imposes a collection of other measures to address the issue of problem gambling.

As already noted, the new casinos in Macau and Singapore were substantially financed with FDI, and one of those FDI sources continues to seek additional locations for a growing global network of casino-entertainment complexes. Sheldon Adelson, majority shareholder and CEO of Las Vegas Sands, not only has casinos in Macau and Singapore he also has planned the development of a ‘EuroVegas’ in Spain that will include theatres and golf courses in addition to casinos (Fontevetchcia 2012; Tremlett 2012). In Asia there are a number of additional developments underway or in negotiation, in the Philippines the first of four casino entertainment locations on Manila Bay opened in March 2013 with hopes the completed complex will attract ‘millions of newly well-off Asian visitors.’ (AFP 2013) Further afield is a proposal from Crown Ltd in Australia to construct a six-star casino resort in Sydney, again to attract ‘rich Chinese gamblers’ as well as a smaller, five-star casino resort in Colombo, Sri Lanka (Rosenman 2013; Fickling 2013). Closer to Beijing than Macau is Vladivostok, where Russia has located one of four zones for legal casinos and where casino operators from Macau are planning to construct a casino (Lee and Ho 2013).

Concluding remarks and further research

The preceding analysis framed the economic development features of casino gaming with David Harvey’s concept of accumulation by dispossession as it operates in a neoliberal market and society. By focusing on the decisions of the individual neoliberalism supported the transformation of gambling from a moral question to one of personal choice, from social ill to yet another form of entertainment. And as a form of entertainment, gambling and the casino environment in which it occurs becomes a tourism industry to attract foreign visitors to the casino. An explicit emphasis on attracting foreign visitors while discouraging the local population from gambling at the casino sends out a message that the government’s policy is predicated on this paper’s title, that it is about taking other people’s money. From this policy approach emerges the claim that casinos used for development are a form of accumulation by dispossession, gathering revenue for the government from the gambling losses of foreigners. The use of Harvey’s concept of ‘accumulation by dispossession’ lays bare the pragmatic decision-making behind new casino construction in Asia. It is not simply taking other people’s money, it is explicitly an effort to accumulate wealth from Chinese tourists. The casino represents the mechanism to extract wealth out of China via its citizens rather than via trade in goods and commodities. And beyond offering one way to theorise the role of casino gambling in a jurisdiction’s economic development strategy, bluntly declaring it to be ‘accumulation by dispossession’ points to the question of its efficacy, is taking other people’s money in this fashion an appropriate means to pursue economic development? At one extreme, critics of casinos that accuse them as promoting problem gambling might suggest that it would be just as acceptable to encourage the production of opium poppies or coca
plants in order to supply the global market for addictive drugs. Nonetheless, this question is important as the success of Macau and now Singapore reinforces the claims of casino promoters across Asia, the US (a Genting proposal for Miami, Gelles 2012) and Europe for new casino complexes with tax revenue and employment as the leading reasons to justify them.

In parallel with this theoretical examination, this research suggests that Macau’s experience also demonstrates the hazards inherent with using research on casinos and gambling conducted in the US context as sufficiently generalisable for application in the analysis on casinos and gambling in Asia. Quick comparisons made to identify the differences between Macau and Las Vegas (e.g. average length of stay in the casino city, or ratio of foreign to local gamblers) show not only those direct differences between these two locales, but also articulate the fact that their circumstances are not sufficiently alike to support a generalisable analytical framework. There are significant differences in customer base, where Macau is reliant on the VIP gambler Las Vegas is reliant on the mass market, repeat visitor and this distinguishing feature will influence both the research activity and its analytical value. Beyond the analysis of currently operating casino-entertainment complexes, such research is also used to support and critique the introduction of a casino-entertainment complex in other locales. Thus one avenue for further research includes the diffusion of arguments supporting casinos (and gambling more generally) as the means to generate state revenue, as well as the diffusion of arguments against gambling. Another avenue for analysis would interrogate the acceptance by state governments for accumulation by dispossession (with the complicity of private actors, the casino firms) to raise revenue for the state, predicated on a perspective that it is acceptable as long as it is ‘other people’s money’. Finally there is the increasing presence of gambling in the global political economy and a question as to what shift occurred in public policy to explain the acceptance of gambling. In other words, is the shift behind the increased use of casinos for development mainly explained by the global diffusion of neoliberalism? The analysis here suggests that to be the case, but further examination of the casino industry beyond Asia is necessary in order to produce a conclusive answer to this question.
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Figure 1

![Macau annual gross gaming revenue chart](source)

Source: DSEC - Statistics and Census Service, Macao SAR Government (May 2013)

Figure 2

![Macau visitors and gross revenue chart](source)

Source: DSEC - Statistics and Census Service, Macao SAR Government (May 2013)
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Endnotes
1 For the non-gambling reader, the odds for ‘hitting a ten spot’ in keno are 8,911,700 to 1.
2 But see (Levien 2012; Levien 2011) for an application of accumulation by dispossession involving land in India today.
3 Reflecting the coerced nature of the agreement the text in the Macau Yearbook reads, ‘The Portuguese seized the opportunity to put forward various requests – including exemption from the annual land rent – and gradually occupied Macao. In 1887, the Qing government was forced to sign the Sino-Portuguese Treaty of Amity and Commerce, under which the Portuguese obtained the right to permanently settle in Macao as well as control over the region. In 1928, the foreign affairs ministry of the then Kuomintang government officially notified the Portuguese side that it was abrogating the treaty.’ (Macau Yearbook Editorial Team 2002: 470)
4 Here, conjuncture and conjectural analysis follow Justin Rosenberg, (Rosenberg 2005); see also (Koivisto and Lahtinen 2012).
5 At the same time, concerns have emerged among the US casino regulatory agencies that business practices for VIP rooms learned in the Macau casino environment have been exported to Las Vegas, see (Berzon et al. 2012).
6 Sheng and Tsui (2009: 72) report the Macau’s Chief Executive reported to the Legislative Assembly in an open session that the number of casino licenses, and relatedly the total number of approved gaming tables, in Macau were frozen by ‘explicit instruction from Beijing’.
7 For example, an article in the Wall Street Journal reported that Las Vegas Sands generated ‘more than 50% of its revenue from the company’s three properties in Macau’ (O’Keeffe 2011).
8 This figure may be compared to a figure of ‘one million trips to the two gaming houses’ by locals during the first seven months of casino operations in Singapore reported in a blog of the Wall Street Journal (Anon 2012e).
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References


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