


# The Ethical Casino Company

By Anthony Cabot

Casinos face two ethical dilemmas. First, can a casino company be ethical if gambling itself is unethical? Second, if so, what is an ethical gaming company?

I will concentrate on the latter, but they interrelate. Is the gambling industry ethical? Common law courts have long had an issue with gambling contracts, because the parties in this contract are not exchanging traditional value. Here, one party wins, and the other loses. This difference was the basis for the common law prohibition against gambling contracts. A philosophical argument exists for this conclusion. John Hobson, an early twentieth-century philosopher, noted: “The desire to take unearned gains is... itself immoral, for such gains of necessity imply an injury to some other known or unknown persons.”

Limited gambling exists based on utilitarian economic principles. This school of thought argues that gambling is acceptable if it brings about the greatest overall happiness for the greatest number of people. Under this theory, casinos are not inherently good or bad; rather, their ethicality depends on how their impact on society. Professor William Eadington recommended that governments considering legal gambling should weigh the benefits, such as taxes, jobs, economic stimulation, and fulfilling consumer demands against costs, such as economic displacement, effects on crime, and dysfunctional gambling. Governments should next consider reasonable, cost-effective methods to minimize costs. Then, “if, at that point, aggregate benefits do not exceed aggregate costs, or the proposed gambling industry is not economically viable, then creation of a new gambling industry would not be wise.”<sup>1</sup>



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But the equation does not end with legalization. The casino industry is mistaken to think society should treat it like any other lawful industry. So, we end up with two very different potential outcomes.

- 1. Gambling is unethical for anyone to take part in - the prevailing rule for centuries and still the prevailing rule in many countries.**
- 2. Gambling is ethical if we minimize the adverse effects (costs) on society and achieve the desired benefits.**

Casino gaming lives as we know it in the second universe. However, another alternative is absent—that gambling is like other pursuits and should exist with little or no government oversight.

Regulation is a rough system for the government to achieve the best balance between achieving the goals of allowing casinos and minimizing its harmful effects. Casinos can respond to this regulation in three ways.

- 1. Bad actors** (immoral) try to maximize profits even if their pursuit of money violates laws and regulations.
- 2. Neutral actors** (amoral) try to maximize profits while complying with the laws and regulations.
- 3. Ethical actors** (moral) maximize profits while complying with laws and regulations and taking steps to minimize the adverse effects of their activities.

The difference between neutral actors and ethical actors is pronounced. Simply, a company can be legally compliant but exercise questionable ethics. An example is a casino owner who turns a blind eye to drug dealers or loan sharks, or who continues to service a player with a gambling issue who is losing their nest egg.



So, what is ethical? The Cambridge Dictionary defines business ethics as “the rules, principles, and standards of deciding what is morally right or wrong when working.”<sup>2</sup> While the description of an ethical business is easy to comprehend, it is often tough to apply. What’s debatable is what’s right or wrong in various contexts and between different stakeholders. When faced with a decision, two ethical people can disagree on what’s right. Moreover, you cannot legislate to cover all unethical situations.

Management’s singular “obligation” to maximize “shareholder value” is central to the debate over corporate casino ethics. We see this struggle consistently. For example, Crown Resorts’ board defended undefendable conduct zealously when the media criticized them for working with unsuitable junket companies. Likely, they thought the media attacks threatened the company’s financial future. This is understandable. The dominant corporate governance framework is “shareholder primacy” or “shareholder value maximization.” Under shareholder primacy, corporate decisions try to raise share prices. The board’s fiduciary duty is to make decisions solely based on shareholders’ interests. Indeed, financial investors expect returns. But are they entitled to maximum returns regardless of the impact on others?

All corporations need to move away from shareholder primacy and consider all stakeholders, including employees, players, and communities. Companies that focus on short-term profits drive down all other costs at the expense of long-term productivity and better compensation. As a result, there is widespread economic inequality and stagnant wages. This has also led to splintering in the workplace. Corporations also externalize societal costs to customers and communities to increase earnings per share. For casinos, this mainly means ignoring responsible gaming or even promoting irresponsible gambling and forcing communities to deal with treatment and the effects on families.

Regardless of what you think about shareholder primacy, gaming is not like other industries. As a privileged industry, casino gaming falls under a small category of permitted vices. Casinos are an exception to the gambling ban. The government or voters trusted the benefits of casinos outweighed the negative consequences. Casinos must earn this trust because operators with special privileges have obligations to balance benefits and burdens. Their very existence depends on it. When the government creates a privileged industry, it can and probably should revoke the privilege if increased costs or decreased benefits tip the scales in a different direction.

This new paradigm requires the casino to look at all those affected by their decisions. Besides shareholders, gaming companies have responsibilities to employees, patrons, and the community. The primary responsibility to patrons is addressing responsible gambling or problem gambling. Exposure to gambling advertisements may increase the likelihood of gambling behavior, especially among vulnerable young people and people with problem gambling histories. Casinos should know their advertisements' potential impact and make sure they do not contribute to problem gambling. Another area is alcohol policy.

Alcohol availability in casinos can also affect problem gambling rates, since it can lower inhibitions and increase risk-taking. As a result, people might gamble excessively or impulsively. Research shows that people who mix alcohol and gambling are more likely to have financial problems or gambling addictions. Some casinos implement responsible gambling policies to minimize these risks, such as limiting alcohol service, offering free non-alcoholic beverages, or providing resources for problem gamblers.

Casino companies also should ensure their marketing and advertising practices are truthful and not misleading. It is unethical to deceive consumers with false or incomplete information to persuade them to gamble. It violates the trust between the casino and the players and undermines fair competition.

Casinos also handle sensitive information that can devastate customers if misused or mishandled. Casinos have collected personal data for years. In the past, casino hosts were most valued by the quality of their customer lists. Since the 1990s, casinos have also collected personal information, including name, date of birth, address, email

address, gender, and driver's license information, for loyalty programs. However, these efforts are opt-in, where patrons agree to share information for comps or loyalty benefits.

Casinos can use biometrics and other player data to analyze behavior and target the patron with individual incentives designed to increase or prolong play. Here, the opt-in customer relinquishes expectations of privacy because they agreed to be part of the marketing program. But what about patrons whose data the casino collects and uses in marketing promotions without their express consent?

Biometrics and artificial intelligence are moving into casinos, so ethical casinos must reassess patron privacy. There is a growing sense that people's privacy is being invaded. According to a Pew Research Study, 79% of Americans have concerns about how companies use their data. Three-quarters of Americans think data retention is less secure than five years ago. Those fears grow as businesses collect more information about their customers, including their locations, who they associate with, and their gambling habits.

Artificial intelligence and facial recognition also raise privacy issues. The technology requires a lot of data collection and storage, including facial images and biometric data, which might be stolen, misused, or abused. Face recognition technology can have unintended consequences, like misidentifying people, seriously affecting privacy and freedom. Facial recognition systems also may perpetuate existing biases and discrimination, especially against marginalized groups. Facial recognition systems often operate in a black box, making exclusion decisions in a very opaque manner, leading to concerns about accountability and fairness.



Ethical issues abound. Is this an accepted fact of living in the digital age, or could it bring a public backlash? For example, should a casino track a person using biometrics only long enough to determine if they are a good customer and want to opt into a player's club? Can the casino use third-party services that compare images of otherwise anonymous players captured at the casino to databases of photos often scrapped from social media to identify the patron by name? Finally, should casinos be able to use biometric and other data to push offers to target patrons at gaming devices that stimulate more gaming?

Finally, casinos need to help protect vulnerable classes. Minors cannot gamble, and exposing them to gambling advertising can normalize gambling behavior and increase the likelihood of underage gambling. Juveniles also are more vulnerable to the psychological effects of gambling. As a result, they may develop a gambling addiction, severely affecting their mental and financial well-being and their relationships with family and friends.

Next, casinos have responsibilities to the communities that let them thrive. One area of responsibility ties back to players. A problem gambler can have far-reaching consequences on their family and community. Problem gambling can strain relationships, cause financial hardship, and cause emotional distress for the gambler's family. Children of problem gamblers also have a higher risk of emotional and behavioral problems and financial troubles. Problem gambling can affect businesses because it decreases productivity. Dysfunctional gambling can also lead to crime, homelessness, and other social issues.

The general notion that casinos increase crime in the surrounding areas is debatable, but that does not mean

an individual casino can fail in this area. Instead, casinos should ensure that their presence does not increase neighborhood crime. This can include programs to prevent crime and promote safety, being a responsible corporate citizen, and contributing to community development and improvement.

Casinos that accept criminals as patrons might be unethical from different angles. As a business, gambling has long been associated with organized crime, contributing to its general prohibition. The casino industry's reputation could be damaged if criminals participate. Criminals also use casinos for loan sharking, drug sales, prostitution, and money laundering. The latter undermines financial system integrity and contributes to organized crime, drug trafficking, and terrorism financing. Employees and patrons are less safe because of this.

Using political contributions to influence legislation and government policy also is controversial. Some people consider it a legitimate way for casino companies to express their opinions and participate in the democratic process. Others think it is unethical since it can give wealthy companies disproportionate influence, resulting in policies that benefit them rather than the public. Nevertheless, contributions can influence elected officials, causing corruption and compromising the integrity of politics.

Representative democracy principles and whether people and organizations should have a say in politics are all questioned when political contributions are misused to influence legislation and government actions. Its ethicality may depend on how political influence is used and its impact on society and politics.



Employees are the last stakeholder group worth mentioning. Corporations are ethically obligated to provide employees with a safe and healthy work environment. A positive work culture, a productive workforce, and company success all depend on the well-being of employees. Therefore, casinos should pay employees enough so they can meet their basic needs. Failure to do this can cause financial insecurity, stress, and poor physical and mental health. It also can contribute to broader societal problems, like poverty, inequality, and economic instability.

A positive work environment and a living wage are essential for fostering employee satisfaction and loyalty. Employee loyalty is vital. Therefore, companies should support and value employees. Lack of loyalty can lead to high levels of stress and dissatisfaction among employees, which leads to higher turnover and lower productivity. It also can make a company seem untrustworthy, damaging its reputation and affecting its business. Employees who are loyal avoid conflicts of interest, boost the company's image, and lift their coworkers' morale.

Casino employees should feel free to express their opinions about ethical and other workplace issues. Ethical casino companies do not tolerate racial, ethnic, or national origin discrimination. As well, sexual harassment violates people's fundamental rights and dignity and can have severe consequences for the people who experience it and the organizations that tolerate it. Casino employees interact with a wide range of patrons, so keeping a safe, respectful work environment free of harassment and other forms of misconduct is crucial.


Employee privacy is also essential. Keeping work-related information confidential is one way to show loyalty.

Ethics in the casino industry is a tricky business. Legislating reasonable regulations can address the more obvious ethical issues. Some unethical circumstances can be defined and are appropriate for regulations—including things such as the honesty or fairness of the games. For example, criminal laws can cover the more egregious violations, such as prohibiting casinos from cheating the players. In addition, regulations such as technical standards can assure the randomness of the computer chips that determine win or loss. Jurisdictions emphasizing player protection have various regulatory options, from player exclusion to daily loss limits.

More problematic is the ethical situations that lie between legal and unethical. Does the government even have a role in this area? Some, like Nevada, rely on legally ambiguous regulations that enable regulators to discipline them “if the casino reflects discredit or disrepute on the state.” This is a problematic method for several reasons. First, it provides virtually no guidance to the casino industry regarding what is ethically acceptable. Second, the ultimate decision of what is ethically acceptable can be entirely subjective. For example, those who oppose affirmative action and similar programs might find a casino's diversity and inclusion initiatives unethical. Others would disagree and argue that they represent the best of an ethical company. Third, depending on the jurisdiction, a general ethical standard may fail constitutional tests as being too vague as a standard.

A more sustainable approach is through requirements for the government to require business standards and procedures. This approach recognizes that each casino corporation has different stakes and may respond differently to an ethical problem.





Standards set general guidelines for the casinos to follow. Here are some ideas similar to the American Bar Association's code of ethics for lawyers.

- 1. Candor, Honesty, and Integrity.** Casinos should act with candor, honesty, and integrity in all their dealings with customers, suppliers, employees, and regulators. They should not misrepresent or deceive in their advertising, promotions, or other business activities. Casinos should conduct public relations and the press with honesty and integrity.
- 2. Privacy and Confidentiality.** Casinos should protect their customers' financial and personal information. They should not disclose confidential information unless required by law or with the customer's informed consent.
- 3. Fairness.** Casinos should offer fair and impartial service to all customers. A casino should not mislead its customers regarding its gambling activities, such as odds, game play, payouts, or any other means.
- 4. Non-Discrimination.** Casinos should not discriminate based on of race, gender, religion, or any other protected class.
- 5. Competence.** Casinos should be competent in all business areas, including gaming regulations, responsible gaming, compliance, customer service, and accounting.
- 6. Compliance.** Casinos should comply with all applicable laws, regulations, and ethical standards.
- 7. Social Responsibility.** Casinos should be socially responsible and consider their impact on the community, including issues like underage gambling, problem gambling, addiction, and economic and social effects. Casinos should promote responsible alcohol and drug policies.
- 8. Conflict of Interest.** The casino and its employees should avoid conflicts of interest that could compromise their independence, objectivity, or integrity.

**9. Responsibility to Employees.** Casinos should treat their employees fairly and respectfully, provide safe working conditions, and offer professional development opportunities. Casinos should avoid placing employees in situations where their employment or compensation depends on engaging in illegal or unethical practices.

**10. Responsibility to Regulators.** Casinos should cooperate with regulators and provide accurate and timely information in response to regulatory inquiries or audits. Casinos should self-report significant instances of ethical issues by it or any other casino.

**11. Responsibility to the Industry and Profession.** Casinos should maintain the reputation of their industry and promote the highest ethical standards. Professional associations and other organizations that promote responsible gaming, mitigate social impacts and promote ethical business practices should be supported.

Procedures ensure that, regardless of the corporation's ultimate decision in a situation, management and the board of directors have adequately considered the ethical implications. Ethical failures for these companies are more likely the result of failure to identify and disclose unethical situations to leadership that would otherwise intercede and prevent objectionable behavior. Keeping ethical considerations in mind when making decisions is often more challenging in companies than knowing what is right or wrong. For example, the casino industry could have avoided most scandals reported too frequently in the media if it had identified, investigated, and deliberated about ethical issues. This involves processes not unlike those involved in compliance, including reporting systems and obligations, training, and a dedicated ethic officer. ■

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<sup>1</sup> Eadington, William R. "Problem gambling and public policy: Alternatives in dealing with problem gamblers and commercial gambling." 1989). *Compulsive gambling: Theory, research, and practice*. Lexington, MA: Lexington Books (1989): 175-186.

<sup>2</sup> What Are Business Ethics? Definition, Principles, and Types. <https://bau.edu/blog/what-are-business-ethics/>.