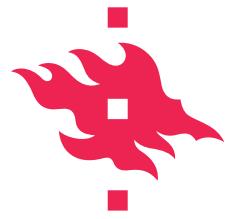


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Pekka Sulkunen

WHERE DOES THE GAMBLING SURPLUS COME FROM?

A Theory of an Asymmetric Market



Faculty of Social Sciences
University of Helsinki

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ABSTRACT

Gambling produces a surplus over and above the cost of providing the game. Many governments started state lotteries and allowed other kinds of charitable gambling in the 1980s to be taxed away, or given to civil society organizations and other associations, to cover the cost of cultural, educational, social, and sometimes health services. Even commercial gambling today produces a surplus. This book analyses the origin of the surplus from the perspectives of two economic theories of value, the labour theory in the work of Marx, and the utility theory of neoclassical economics that today is the orthodoxy in economic science. Both theoretical perspectives assume that to be exchanged for money on the market, commodities and services must have an objective quantitative value and to be comparable in kind. Labour theory grounds value in work but is unable to determine its quantitative expression as price. The utility theory identifies value with the market price but is unable to explain why different utilities are comparable. From both theoretical perspectives, market competition should eliminate the surplus but it does not. This book solves the problem by the concept of market asymmetries. Gambling is not exchange of equivalents. Gamblers and operators are unequal in terms of information, transaction, and position. Information on odds cannot be equally shared, the transaction is unequal as gamblers pay with real money but operators are not giving away something they own, and the risk of loss is real for players whereas it is a calculable cost as seen from the position of the operators.

Labour theory and utility theory fail to explain the surplus because both share the assumption of capitalist economy as market exchange of equivalents. Gambling is an example of an asymmetric market that violates this assumption. If perfect competitive transparency were to eliminate the asymmetries, gambling would destroy its own imaginary use value. The theoretical positions differ in their moral understanding of value. For the labour theory, value is grounded on human effort to provide necessities of life. For the utility theory, value is embedded in choice. Both approaches are liberal, not taking a stand on private goods and interests, but they differ in their views on the public interest in social justice. This difference, usually unobserved, underlies the major divides in policy approaches to gambling regulation in contemporary capitalism.

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1 INTRODUCTION

Gambling has become a significant source of funding public services, charged from the operators in the form of taxes, license fees, other forms of public revenue, and/or as direct contributions toward good causes. This funding, here called the gambling surplus, has grown together with the gambling volume since the 1980s, when many states introduced state-operated national lotteries to collect money for sports, culture, youth work and other “good causes”. Lotteries have a very high “house take”, in other words low share of total wager returned to players as winnings, and this makes them an attractive source for funding public services, often identified with national causes like veteran care, youth work, sports, and culture. Spending on these games is experienced as donation as well as a source of excitement about the small chance of winning high jackpots.

The surplus has not disappeared as gambling has developed into a global industry that offers not only lotteries and charity raffles or bingos but mostly fast games with high event frequencies and high return rates. A cross-sectional analysis of data from income statements of 30 European companies shows that the surplus is proportional to the total volume of their gambling operations irrespectively of the aggregate return rates that approximate the share of fast games offered to players. The companies in our study delivered from 40 to 80 percent of the money gamblers spent on their games as a surplus to society, in most cases more than their operating costs (Sulkunen et al. forthcoming). As Peter Adams (2007) has written, gambling is an extractive industry; it absorbs more resources than the value it adds to the economy.

Whereas the surplus from do-national games is by definition based on altruistic images of losing money, commercial gambling creates it as a side product of its entertainment value. Governments and gambling companies advertise the surplus as “free income” for the public good, as it does not depend on taxes, mostly paid from wages and salaries, or from entrepreneurial activity. Thorstein Veblen (2002 [1919]), the critical American economist, used this term in the early 20th century to stress the distinction between producers and predators, those who create value, and those who only exploit the fruits of their labour as unearned value.

The distinction between income from productive and unproductive labour is moral as well as economic. This boundary has been drawn in classical economic theory, up until the marginal utility revolution in economics turned tables over it in late nineteenth century. For Adam Smith and David Ricardo the source of the “wealth of nations” was work that produces commodities, whereas collecting what they called “rent” was unproductive and wasteful, particularly when it was used to satisfy needs and desires of the leisure classes:

the aristocracy, landowners, and the clerical and bureaucratic estates. Gambling was for them the prime example of such wasteful and demoralizing use of productive resources (Mazzucato 2019, p. 80).

Orthodox economic theory taught in universities and business schools today does not make such distinctions. It counts as value everything that fetches a price, be it a payment for material goods and services by consumers, or remuneration for inputs of labour, land (including all kinds of natural resources), or capital.

The labour theory of value, as well as the neoclassical marginal utility theory, pose problems for understanding where the gambling surplus comes from, each in their own way. For both, prices of commodities, and revenues from which they are paid, are the mechanism through which competitive markets allocate resources in the economy, including gambling. The labour theory of value has difficulty in showing how these develop from value produced by labour; the marginal utility theory faces challenges in explaining how qualitatively different preferences or utilities become comparable so that they are exchanged for money as the common measure of their worth and value. For the marginal utility approach, extra profits result from what is often called “market imperfections” where market competition is unable to eliminate them. This book argues that both approaches require to be complemented with an analysis of the merchandise itself, an area of research that Marx relegated to the “study of commodities” (*Warenlehre*) rather than political economy, and which marginalism also considers to be beyond the domain of economic theory.

The labour theory of value and the utility approach in orthodox economics are political as well as economic theories. Marx developed his surplus theory originally not to explain prices and revenues but to uncover the class divisions hidden under the confusing surface of early nineteenth century political events. Surplus value (S) is the product of human labour. It comes from the investment that Marx called variable capital (C_v) in the production process. Variable capital, labour, not only reproduces itself but produces extra value above its own, consumed as exertion of human effort. Marx wanted to show that industrial poverty of his time resulted from the capitalist labour process under the guise of what formally seemed to be free and equitable contracts between workers and capitalists. For him, the labour theory of value was an instrument in a sociological diagnosis of the political mayhem with recurrent unrest between the bourgeoisie and the working class. If you wonder what this has to do with today’s global capitalism, just think about the surplus value that is produced with a very low value of the labour power – and still lower price paid for it – in the industrial centres of Asia and India. The result is a high rate of exploitation S/(C_v) and the over-accumulation of capital circulating in the global financial markets. This theory leads to a political analysis of the great abyss between the levels of living in different parts of the world even now.

The utility theory was also political from the start: a way of justifying consumer capitalism. It saw it as a social system based on individual choice on the market, and this is the way it is still used in defence of the profit motive, inequalities, and the power of competition to generate co-operation in the economy based on private entrepreneurship. A political analysis of contemporary global inequalities results, but very different from the labour theory approach.

This book starts from the question concerning what is value. Although opposed politically, both the labour theory of value and theories of marginal utility fail to explain the gambling surplus for the same reason. Both set the free market as the ideal model of capitalist commodity exchange in general, and see deviations from it as market imperfections. In theory, market imperfections can be eliminated by lifting restrictions of supply and removing asymmetries between buyers and sellers. The labour theory of value argues that this would not eliminate capitalist exploitation, whereas the utility theory leads us to trust competition as a way of removing undue inequalities and exploitation in the long run.

The argument here is that the laws of the free market, rigorously applied, are an impossibility and a fiction. Capitalism is not a competitive free market economy of equivalent exchange. Many kinds of asymmetries are constitutive in capitalism in general, and in contemporary global capitalism in particular. Gambling is one particular case of such market asymmetries, and elimination of them would destroy commercial gambling as an economic activity altogether. It is an instructive case to contest one particular unreason that is characteristic of all economic theories since the classical political economy laid their foundations: it is disingenuous to assume that market competition, unhampered by restrictions, eliminates consumption surpluses. The gambling surplus, like many other consumer surpluses, depends not only on supply restrictions but on the imaginary use-values of gambling itself.

Neglect of the analysis of use values disarms gambling economists in understanding where the gambling surplus comes from, and thereby in understanding the moral and political edgings of gambling policy. This omission does it for the same reason as it disarms economic theory, both Marxist and utilitarian, not only in understanding consumption and markets but also in the diagnosis of capitalist society itself.

The theoretical exercise presented in the following chapters applies in parallel the labour theory and the utility theory of value to the analysis of the gambling surplus. It shows that both fail to explain the surplus, but extends to more than that. My argument is that the wrong assumptions of the free market and equivalent exchange articulate a liberal ethos of neutralization, a refusal to take a stand on the moralities of consumption that can only be exposed through an analysis of what in fact are the utilities or use values of what is consumed.

Applied to gambling, the two theoretical approaches to value, nevertheless appear to bear within them opposite moral and political stratagems about the value of life, work and contentment. The labour theory commits you to draw a boundary between valuable and useless – or even destructive – needs as goals of exerting human effort in work; the utility theory commits you to assess the positive value of choice against the loss of common good in public interest that follow from it. The theory of value, usually invisible in gambling policy positions, is the critical lens that unmasks the true moral mount hidden behind the liberal cover of neutralisation, in gambling issues as well as any other matter of public concern.

2 THE GAMBLING MARKET

Gambling in is as old as human culture. It is a form of play but also a way of collecting money for associations, voluntary groups, churches and local clubs. Many countries have restricted gambling to local or national sports betting and bingos in support of local sports clubs until the global gambling expansion started in the 1980s. Then state lotteries were set up by neoliberal governments to support state budgets in many Western countries. They introduced gambling to wide audiences in countries like Norway (Sulkunen 2015), Sweden, and Finland, where even public sports betting has been severely restricted and private gambling prohibited altogether (Matilainen 2017, pp. 60–83), and in the UK, and Australia (Bedford 2019, pp. 80–117; Markham & Young 2015). This is why they can be called *do-national* games. Legalization of gambling for the public good relaxed restrictive norms also around commercial gambling, resulting in what can be called the gambling expansion, with accelerating speed after the millennium.

The expansion has progressed towards faster game selection with increasing proportion of intensive products played continuously, notably electronic gambling machines (EGM) and online casinos. Digitalization has vastly accelerated the development of game intensity and multiple simultaneous games. The data from H2 Gambling Capital provides an overall picture of this development, which has occurred in North America, Asia, Oceania, and Europe. China and European post-socialist countries have legalized gambling operations. There have been significant changes in the gambling market's structure in recent years. One example is the casino sector. The US gambling market, still the world's largest in absolute size at approximately GGR of 94 billion EUR in 2016, is shifting from Nevada (primarily Las Vegas) to other states. Pennsylvania and New Jersey (Atlantic City) are now the second and third most popular casino destinations. There have been heavy investments in casinos in Ohio, New York, Connecticut, and Maryland as these states have moved to attract gambling revenue from other states to their jurisdictions. In Nevada itself, non-gambling revenue (hotels, restaurants, etc.) is increasingly important, since it forms 60% of the total revenue produced on "The Strip" in Las Vegas. This is a remarkable change from 40% in 2005.

After a five-fold increase that began in 2006, the Asia-Pacific region today has joined North America in dominating the global casino market, at an estimated GGR of 64 billion EUR. The Asia-Pacific market is dominated to a considerable extent by Australia and China, two countries whose cultures are congenial to gambling, though casinos remain forbidden in mainland China. Europe and Latin America were estimated to produce GGR of 18.3 billion and 4.5 billion EUR, respectively, in the same year.

The structure of the gambling industry varies by country and region, but one general trend is concentration of ownership into a small number of individuals, families, and corporations. Ownership in the United States is heavily concentrated in a few large Las Vegas and East Coast operators. The leading casino company in the world is Las Vegas Sands, with a turnover of 11.7 billion EUR in profits in 2014. Most of the 12 largest casino companies, including MGM Resorts and Caesar's Entertainment, are US-based. Three (SJM, Galaxy, and Melco Crown) have their headquarters in Hong Kong, the financial centre adjacent to Macau. These companies are profitable. In 2013, stock price gains in the Dow Jones US Gaming Index more than doubled the performance of the Standard & Poor's 500 (S & P 500), the leading indicator of US equities, incorporating the 500 largest companies and approximately 80% of US market capitalization. The 11 most exchanged gambling companies in the United States generated an average return of 65.7% compared to the 29.0% return of the S & P 500 in a similar period. Seven out of the 11 major gambling companies generated returns of over 70%, high for any investment.

UK gambling operators William Hill and Ladbrokes have developed a strong presence in various markets internationally, including Europe and Australia. They have clients in over 150 and 160 countries, respectively. Another UK-based company, Expekt.com, moved from London to Malta in 2000. It serves internet customers from 227 countries using 19 languages, mainly focused on the Scandinavian market. The leading pan-European sportsbook is an Austrian-based bookmaker, Win2Day, operating out of Gibraltar under UK jurisdiction. The leading global mobile gambling company is Sportingbet, UK-based but operating from Antigua. Others include companies such as Betfred (United Kingdom), Punt Club (Australia, a social betting service), Openbet (United Kingdom), Unibet, and 888 Holdings (Gibraltar).

Some jurisdictions have established monopolies licensed to be the sole providers, or operated directly by the state. State lotteries with exclusive operating rights have been common in Europe and North America in the 19th and 20th centuries. State monopolies account for 20% of online gambling in Europe, the share being much higher in Northern Europe than in Southern or Eastern Europe. Many countries that have had a government-owned gambling monopoly are privatizing, collecting the public revenue in the form of taxes and other payments from licensed private companies. For example, the Netherlands restructured its gambling framework in 2015. Even the Nordic countries, a traditional stronghold of state monopolies, are increasingly privatizing, Denmark having the most liberal licensing framework. Outside of Europe, Australia provides perhaps the clearest illustration of the privatization of gambling operations.

Many state-owned and even state-operated lotteries in Europe have added EGMs and other typical commercial gambling products to their portfolios. These include the Nordic monopolies, the British Camelot, Sazka in the Czech

Republic, Française des Jeux, PMU, Santa Casa in Portugal, Win2day in Austria, and others. Several of these have been privatized completely, others partially by outsourcing their supply and value chains (game development, marketing) (Heslop & Stone 2021).

Competition in fast games is more intensive than in lotteries and other games organized by nation states to support designated national causes, to be called *do-national* games here. The latter are highly restricted because their profit (surplus) margins are high, usually above 50 percent of the total wager placed by participants. Nevertheless, a review of international companies shows that automated fast games produce most revenue to gambling companies (Williams et al. 2012). Our own study of 30 European gambling companies (Sulkunen et al. forthcoming) shows that high RTP%^s do not reduce the gambling surplus per volume, although they are a cost to the industry. This is partly explained by low operating costs of fast games. Despite growing return rates paid back to players as winnings (RTP), combined with privatization, and intensified competition, commercial gambling continues to produce a surplus in amounts that are significant, as compared to other sources of funding public services.

At some point, game portfolios cannot become much faster because the RTP comes too close to 100 percent, leaving nothing to the companies, and operating costs cannot be reduced too close to zero percent either. This can be called “supply saturation”, analysed in Sulkunen et al. (forthcoming). Nevertheless, the surplus still remains, and provides industry operators and owners attractive profit possibilities that cannot be explained by supply factors alone. This requires that we analyse the utilities, or use values of gambling, or demand, to use the term of the theoretical orthodoxy.

3 WHAT IS VALUE?

The question about whether the gambling surplus, as well as the money circulating in the gambling business as a whole, is a product of the industry or merely consumption rather than production of wealth, or simply a transfer, fundamentally depends on what is meant by value. Answers to this question inevitably imply moral answers to the question about the worth of gambling as an activity itself. Without a well-argued theory of value the latter question tends to turn into arbitrary judgements that those who cling to the marginal utility orthodoxy steer towards approval and those who look into labour as the source of value tend to frown on.

Marginal utility and the labour theory of value

Orthodox economic theory taught in university economics departments and business schools today receives its foundational ideas from neoclassical economic science of the late nineteenth and early twentieth century. Classical economic theory explained how economic value develops from productive work rather than import of money and valuables (mercantilism) or directly from nature (the physiocrats). Human effort is exerted in many ways, however, and only part of it can be thought to produce economic value. The labour theory of value, represented by Adam Smith and David Ricardo in particular, measured value by the input of labour expended in productive work, constructing what Mariana Mazzucato (2019) calls the productive boundary between work that produces value and activities of spending it. The latter include wars, the financial market operations, furnishing for court life and other luxury, even culture for a large part.

Whereas a boundary between what is production and what is spending involves subjective judgements by the theorist, neoclassical theorists, such as Walras, Jevons, and later Marshal, decided to measure value as the amount of money that consumers are willing to pay for commodities and services available on the market. This value depends on the “utilities”, today called preferences, that consumers choose to pay for, but also on the price of providing them. Clean air, for example is (or was) almost free for everyone to breathe, and therefore its production generates very little value. In contrast, new vaccinations for COVID-19 were, however, very expensive to develop and to produce, and therefore making them available and distributed to the population has created an enormous amount of value.

The value generated in the production of commodities diminishes as the market becomes saturated. When people already have enough food, for example wheat, beef or eggs, the value generated in the production and consumption of these items will be reduced, and less expensive methods of

producing them must be found. In fact, it is not the absolute price consumers want to pay, but their willingness to pay for an additional amount of it. This is why neoclassical economic theory is also called marginal utility theory, or marginalism in short. The demand for wheat, beef and eggs varies for a variety of reasons, like the age structure of the population, considerations of what is healthy, and judgements of what is ethical, but these are no concerns for economists. When the consumers' willingness to pay and producers' willingness to produce meet at a certain price level, called the equilibrium point, the market is in balance and the value produced and consumed can be measured. If demand sets the price higher than this point, producers gain extra profits until the excess demand is satisfied. If the price level is lower than consumers are willing to pay, they get what economists call consumer surplus – they get to satisfy their needs, wants, or desires for less than their preferences would admit. Economic analysts do not need to decide what is productive work and what is just spending economic resources; consumers make the choice for them.

The two perspectives on value look at human activity from opposite perspectives. The labour theory weighs value from the point of view of human effort expended; the utility theory measures it by the amount of needs, wants and desires satisfied. Applied to gambling, the labour theory counts as value any amount of labour expended on providing gambling opportunities, including the games, environments, other services, regulation, marketing and management, sometimes also financing, and often accounting for opportunity costs of possible alternative employment of the same resources. The utility theory counts as value the satisfaction of needs, wants and desires measured as the price paid for gambling consumption, minus the disutility from harms caused by the activity. The disutility is measured in “prices” assigned to them in various ways, depending on the logic of the study.

The contrast between the approaches reflects moral, political and ideological differences to be discussed later. Nevertheless, theories stemming from either one or the other of them share an important assumption. It is the competitive market that mediates the effort (labour) and the satisfaction (utility) exerted in and gained from economic activity, to the use of resources. To do this, commodities and services must be commensurable and comparable to have a price and to be exchanged. In other words, preferences (or utilities if you like) that are qualitatively different, such as punters' excitement and children's want of food, must have a price expressed in money, and somehow they must be comparable so that certain quantities of them are of equal value. Both approaches face challenges in theorizing how this happens through the market. The utility approach solves the commensurability problem easily: the common value is measured by the price paid for qualitatively different preferences. The difficulty is to explain how the market assures the comparability of the different needs, wants, and desires. For the labour theory

approach, the difficulty is the opposite. The comparable substance in all commodities and services is human labour, however different are the needs, wants and desires that its products are used to satisfy. The challenge for the labour theory is to show how labour turns into prices and revenues on the market, to be measured in money that allows quantitative comparison and exchange of equivalent for equivalent.

The production boundary

The stock exchange has often been compared to gambling, as uncertainty and risk are the commodities traded in both. Most major economic theorists have taken a stand on whether, and in what way, the operations of the financial market – or gambling – adds value to the economy, and in what ways. John Maynard Keynes, for example, thought that betting, including betting on Wall Street, was a wasteful occupation that should be restricted as much as possible. For him, betting on horses was “certainly not a form of production” and the profits of the bookmaker “merely a transfer” (Keynes 1932, p. 400). His main points were the following:

- (i) Betting facilities offered to the public must be fair, not subject to a ruinous percentage deduction for expenses or profits, and on a scale and with a frequency that minimise the temptation for people to ruin themselves.
- (ii) Abstracting from the question of fraud, it is in the public interest that there be no pretence of skill in the betting facilities offered. Where there is pretence of skill, it is likely that unfairness will creep in. The pretence of an element of skill would enable some people to be sharp at the expense of their neighbours.
- (iii) The expenses should be kept to a minimum; the profits should accrue to the state. For this and other reasons, if it is deemed unfeasible to prohibit betting altogether then the public’s betting appetite should be satisfied by state lotteries. To cut out the private profit-making interest in the gambling industry would be all to the good. (Barba & de Vivo 2012.)

Keynes understood that betting has entertainment value as well as a collective function to provide for charitable services, while also symbolizing solidarity and belonging to a community (Nicoll 2019, p. 23), but as such it should be seen as consumption and transfer rather than value added in terms of employment and productive investment of capital (Mazzucato 2019, p. 119).

Classical political economy, notably Adam Smith (1723–1790) and David Ricardo (1772–1823) drew what Mariana Mazzucato (2019, pp. 21–56) calls a production boundary between work that produces value and unproductive work that they considered to be simply consumption, such as servants’ work for the landlord, the military, or a large part of public administration. For the classics, observing the economy of early industrial capitalism, the issue of

productive and non-productive work was less unclear than it is for us. Production for them centred on the creation of material objects that are necessary and useful to people whereas for us production processes of the things we need are longer involving larger amounts of research, product development, design, marketing, transportation and also co-production by consumers. As division of labour becomes highly developed, many parts of the supply chain are quite distant from the actual production of the final products. Furthermore, contemporary consumer societies spend an enormous share of their resources on entertainment, sports, culture, and leisure services, of which it is very difficult to distinguish those that deserve to be called products of economic activity, from those that are merely spending away those products, or from those that are better seen as extraction of value. This complexity is one of the reasons why the marginal utility theory resolved the problem of value by declaring it as non-existing separately from price: everything that people are willing to spend money on adds to their satisfaction in a quantity that corresponds to the amount of money they consume on it.

In this book I follow both trains of thought: those that associate value with the human effort exerted in the production of the goods and services that are sold on the market, and those that identify value with the money consumers spend on them, as an indicator of their preferences and satisfactions.

Let us start with the former. Karl Marx is relevant here not only because his work on capitalist accumulation focused on exploitation and growth but also because it considers value as product of work *in circulation*. This is what explicitly happens in gambling where only a fragment of the money received as revenues in the income statements of the companies, is a price for producing the services. The rest is the gambling surplus, paid out as special taxes and direct contributions to good causes. But where does this surplus come from?

The doubling of the commodity: use value and value

Karl Marx built on the work of his predecessors in classical political economy to develop his theory of capitalist exploitation, which still today offers important insights into the secrets of economic extraction that we need to understand where the gambling surplus comes from. His theory of the surplus value (*Mehrwert*) is developed on the basis of equivalent exchange for political reasons, to show that capitalist exploitation is a necessary outcome within exchange of between free workers and owners of capital on the basis of mutual contract; surplus value is not taken by force, stolen, or otherwise sapped by fraudulent means, as in earlier modes of production like slavery, feudalism, or in various forms of robber capitalism. The source of the surplus is hidden in the production, circulation, and extraction of value *in the whole economy*, not in the production of each commodity, nor within industrial branches producing similar types of commodities. This is a key point for understanding

where profits in the financial markets come from, as well as understanding the extractive nature of gambling.

The heart of this invisible source is the commodity form, which enables value to circulate in the capitalist economy also in its globalized framework today. The simple commodity form Marx uses to start his dialectical presentation of value in Volume 1 of *Capital* is the equation

$$x \text{ quantity of commodity A} = y \text{ quantity of commodity B},$$

where A and B are useful products of human labour. The quantities include living labour performed in the production of new commodities, and “dead” labour invested in raw materials, machinery, production site, and other equipment. These come from elapsed production processes and their value is transmitted unchanged to A and B when they are produced. The new value comes from living labour expended in production on both sides of the equation.

The simple commodity form leads to the theory of surplus value (and capitalist exploitation). The labour absorbed in A and B is usually of very different kinds, but in the production process it becomes abstracted into human effort that can be measured and compared. The abstract labour expended has to be paid for according to its value. Marx goes on to argue that this value depends on how much effort is required to assure the workers their capacity to outlay their input. They require rest, food, shelter, and other necessities to maintain their capacity to participate in the production process. This capacity is called labour power (*Arbeitskraft*), and it belongs to the workers themselves as a commodity, like the machinery and raw materials are commodities that belong to the employer-capitalist. Workers sell their labour power to the employer in the labour market, but provided with the machinery and other technologies, it produces more value than its own worth, to be handed over to its owner, the capitalist, as surplus value. The whole output of commodities belongs to the firm that puts labour and invested capital together. This is the source of profits in the economy, turned into consumption of the owners as well as management and administration of companies, or re-invested in new production, improvements, and growth that Marx calls capital accumulation. This is the heart of the way business companies operate even today, some successfully and others less so. The political essence of the surplus theory of value was for Marx that capitalist exploitation occurs within a system of equal exchange – commodity for commodity – not based on theft, force, or fraud.

Marx called the useful body of commodities their use-value, in contrast to value in terms of abstract labour, and price as its transformation. The use-value appears in exchange with other commodities as price, and deviates from the average amount of abstract labour included in them. Money is the abstract negativity of the result – use values – of human labour that produced it.

The deformation thesis

The doubling of the commodity into value and use value has another side: the doubling of work into concrete work that produces useful objects that people need to survive, and into abstract labour that produces abstract value in the form of money. The capitalist labour process is driven only by the anonymous forces of accumulation of abstract value, indifferent to what the objects produced are and what people need them for. The only thing that interests the capitalists is to gain back the money they have invested, topped with a reasonable profit, and the only thing that interests the workers is a sum of money – their wages – that is sufficient for them to buy commodities that they need to subsist, to care for their families, and to continue life as workers. Any extra gained as profits or additional income is welcome to both, but also that is value in the form of money. For the capitalist, money is capital except for the small amount the capitalist needs for private consumption. The outcome of the production is irrelevant as long as it can be sold on the market for a price that covers at least the cost of making it, plus a normal rate of profit. For the labourer, money represents life itself. Anything above the absolute minimum needed for daily keep is an improvement in the quality of life, facilitating recovery from fatigue and even investment in personal development and good taste.

The wage-takers' interest is selective, as they must assure their upkeep with concrete commodities and services. But they can realize this interest only as consumers, not in the labour process directly. Their work has value for them only as abstract labour. Many authors have seen that the doubling of the commodity form begets a wider phenomenon of alienation than the separation of workers' interest in the commodities they produce: an antagonistic separation between two spheres in bourgeois societies. The first is the "explicit circulatory cycle of production and reproduction of capital" which "expresses the pure totality of political economy". The second sphere consists of the material, ideological and political forms in which the reproduction of the capitalist-bourgeois form of society takes place (Schanz 1974; Thomsen 1976). The problem is to establish the 'subsumptive forms of intervention' between the two spheres, i.e. to show how the capitalist form subsumes the social spheres that do not lie immediately within the reproductive logic of capital itself.

An example of such analysis is Wolfgang Fritz Haug's famous theory of commodity aesthetics' (Haug 1971). As money becomes the delusive goal of the whole economic process, the use value of commodities and the whole way of life they support become merely a means towards the goal of acquiring money through the sale (Haug 1971, p. 15). The real use value materializes only after the transaction; before it takes place, the buyers are offered only an imaginary promise of the usefulness of the object which they desire. This is why the aesthetics of commodities (design, packing, etc.) have an important function

as a servant of realization. The imaginary use value – “Schein” – becomes more important than the real one – “Sein”. As the contradictions of capitalism grow in intensity, and as the problem of realization of commodity capital becomes ever more serious, the Schein will become increasingly divorced from the Sein.

The standpoint of capital, the only aim of which is to increase its own value, usurps all human efforts, desires, wants and wishes and makes these mere motivations by which people can be trapped, and which are the object of a research that employs a whole branch of social science. This standpoint of increasing the value of capital contradicts everything that people themselves are and want. That which connects people with capital can only be imaginary (Haug 1971, p. 57).

Haug’s theory seems to apply perfectly to commercial gambling. Games are offered as a magical means to acquire an easy and democratic way to a life unbound by necessity or financial distress, and many gamblers are ensnared by this promise, the “Schein” that actually contains no real value. The appearance of the product is a delusive wrapping that covers the true content that is extraction of value from gamblers to providers and their beneficiaries and cost-dependents.

We can go further from here, however, following the analysis of value more in detail. The use value of gambling, even in its commercial forms, may not be a completely empty illusion of gaining money, and more importantly, most of the extra value collected as the gambling surplus from the sale of these “services” does not originate in the labour process of the gambling industry itself. How it gets extracted into the gambling circuit requires an analysis of the commodity, not only as the product of the doubled process of abstract and concrete labour, but as carriers of value in the circulation of capital as a whole economic system.

Use value as the carrier of value

Marx continues his theory in Volume 2 of *Das Kapital* on the circulation of value, and in Volume 3 to show how value turns into prices and revenues and accumulates the total capital stock in the economy. These are the least understood parts of his work, and no wonder why (Harvey 2018, p. 356). The circulation of value from money to commodities (when they are produced), and back to more money (when commodities are sold), is necessary to make the use values available to consumers and to allocate resources in the economy. It consists of transportation, commerce, financing, marketing, accounting, and other auxiliary operations that either do or do not add value to commodities. Even in the industrial economy of the nineteenth century the circuit was enormously complex, and the story of how value created in the production process circulates in today’s global finance capitalism still needs to

be told. The same applies to how the elements of capital (constant, variable, surplus) in the production process turn into revenues (wages, profits, rents).

This transformation cannot transpire within each individual production process separately. The transition takes place at the level of the economy as a whole, where the exchange between participants is mediated through the market, but involves also political configurations of power divided between the working class and the diverse propertied classes that share the surplus value produced in the labour process. These two transformations, one from value to price, the other from the elements of capital to revenues, contain theoretical insights into the nature of class contradictions in capitalism, but also into the dynamism and growth in capitalist economies. Prices allowing a rate of profit above the normal level attract individual firms to invest in new technologies to reduce costs (revenues to suppliers, labour, distribution, financing, marketing and other auxiliary operations), and in product development. The incentives provided by the price and revenue mechanisms guide market actors but they also affect the accumulation process as a whole. Obviously, Marx had some trouble in putting all the pieces consistently together, and he never finished the work. "Here the manuscript ends", is the last sentence in the critical edition of *Das Kapital*, Volume 3 (Marx 1964 [1894], p. 893).

Both the labour theory of value tradition and the utility approach take it for granted that price and revenue (or cost) are the mechanisms through which the competitive market allocates resources in the economy. When demand for a commodity exceeds supply, the price will increase above the cost of production and more investments in the supply will be made. In the case of oversupply, or technological obsolescence (for example mechanical typewriters or calculators after the introduction of digital technology), the use-values of products disappear and they no longer represent the value of other commodities including the same amount of abstract labour. The Marxian theory differs from marginal utility approach, however, in that it considers the value of commodities, imperfectly reflected in their price, to be an objective product of labour, not of subjective utilities aggregated in the equilibria of demand and supply. The value that gets lost when use values disappear is a real loss of human effort expended in abstract labour and stored in commodities as well as in money circulating in the economy as revenues, the accumulated part of it stocked in assets of all sorts.

The theory presented in *Capital* leads us to two conclusions that are relevant for our problem. The first is that the value of commodities is expressed in the use value bodies of other commodities as well as in money. One hundred gram of ground beef is worth approximately of one litre of milk, or of three hundred grams of tomatoes, or of three single-use face masks, or about one euro. Take any of these commodities, and the value of the others can be expressed in a certain quantity of it. One commodity, gold, is specialized to represent the value of all other commodities as money. The value of any commodity can be

expressed as so and so much gold, and furthermore, the value of commodities can be stored and traded in the form of gold, and in paper money that represents it and was always exchangeable with it in Marx's time. The important part of this first conclusion for our problem is that the demand met by gambling offer on the market represents real value produced somewhere in the economy (local, regional, national, or global) and appears as a surplus or free income that has little to do with value produced within the industry itself.

The second conclusion is that the value extracted from production as revenues and accumulated capital takes the form of money and gets detached from the individual labour process, to form parts of the surplus value creation of the "total capital"¹. It circulates semi-autonomously in the cycle from money to commodities to more money, split between participants in various ways that are beyond the abstract general value theory. It may appear to be cut off from its origin in production completely, like in the operations of asset managers in contemporary finance capitalism. Or it can be accumulated in property values that are reflected in the cost of housing and in the structures of rural-urban geographies that are completely disconnected from the value produced in building them. It may also appear as disproportionately high income of some privileged groups compared to the cost that goes into the formation and upkeep of their labour power. It creates the business cycles typical of capitalist economies since the industrial revolution, and it appears as global financial bubbles and banking crises in contemporary financial capitalism. And it can circulate in the gambling economy.

These revenues from (and costs of) financial operations, real estate values, personal accumulation of wealth, and many other forms of "free income" seem to appear from nowhere. No effort to justify them as necessary and "productive" elements of the economy is convincing (Barba & de Vivo 2012). Nevertheless, they consist of real value produced by human labour somewhere in the total economic process. When economies crash and collateral values of real estate collapse, the money lost represents loss of human effort, loss of use-values, and for many, destruction of material conditions that are necessary to lead a life with dignity and worth.

¹ The "transformation" of value into prices and revenues is *only a way of saying* that although everything in the exchange process occurs in terms of prices, the latter are nevertheless determined by value relations of which the producers are not aware. This determination of price by value *cannot be established empirically*; it can only be deduced from the fact that all commodities are products of labour ... There is no observable "transformation" of values into prices; and the value concept has meaning only with regard to total social capital (Mattick 1971, p. 43). Mattick goes onto explain how values turn into prices "by way of competition, by the search for profits and extra-profits which constitutes the capitalist contribution and reaction to the increasing productivity of labor". For a full explanation of this whole issue, see Mattick (1971), ch. 4, Value and Price, pp. 40–50.

Gambling operators' capacity as individual firms, as well as the industry as a whole, to collect an excess of value, then, depends on two types of factors. The first is the structure and size of their costs relative to the revenue they receive from gamblers. This depends on the part returned to gamblers as winnings, and on their ability to take advantage of their cost efficiency relative to competitors and other fields. This is a matter of supply. The second is the ability of gambling products to represent value that exceeds the price necessary to produce them, or an equivalent quantity of value in other commodities (like 100 EUR spent on gambling that costs only 50 EUR to the operator versus 100 EUR spent on food items that cost 90 EUR to produce). This is a matter of demand, or the use-value of gambling activity.

4 GAMBLING SUPPLY

Money spent on gambling represents real value, produced partly in the activity itself, partly somewhere else in the past. It is collected as the gross gambling revenue (GGR), which is the sum of total wagers minus the sum of winnings paid back to gamblers. It is divided between operation costs, private profits, investments, cost of financing, and the gambling surplus.

It is well known that the gambling industry itself produces very little value, however measured, as compared to the surplus (Adams 2007). In our study of 30 European companies, the surplus constitutes over 40 percent of their total gross gambling revenue (GGR). This equals or exceeds (with only two or three exceptions) their total operating costs. The cost of financing and earnings by private owners in our sample is quite small, mostly well below 5 percent of the GGR with a few exceptions (Eesti Loto and Holland Casino 9.9%, Serenzjateck 17%, and Sazka 22%). Personnel costs, the “variable capital” invested in the industry, are a fraction of the gross gambling revenue. The surplus, then, is a major element in the gambling economy, and its magnitude represents the character of the industry as an extractive activity – it collects value from the economy that has been created somewhere else. (Sulkunen et al. forthcoming.)

European gambling markets are highly regulated, and this no doubt constitutes an entry restriction that allows monopoly pricing above the cost and normal profit. In our study we had four Italian companies, Snaitec, Sisal, Gamenet, and HBG, that we classified as market-based, whereas the rest of the sample were monopolies or holders of restricted licenses. The division is not clear-cut, as many monopolies are private companies with an exclusive license on national lotteries, but they often carry also non-monopoly games in their portfolios. The gambling surplus per volume (GGR) produced by the market-based companies (and taxed away by the state) was not substantially lower than the monopoly-based ones, and a detailed study found that the difference was not essential between the four Italians and the four Nordic state-owned monopolies (Marionneau et al. forthcoming).

Unfortunately, it is not known to what extent multinationals operating on several national markets, either with a license or as free-riders, produce a surplus either for public use or for private gain. In our material we only have Betsson, with a gambling surplus of only 1.2% of the GGR reported by the parent company. Its sub-companies, however, are taxed in many countries to produce a much more substantial surplus for national governments. This is suggested by the fact that when Sweden opened their gambling market to licensed competition, the state’s gambling revenue increased. Even competitive multinational gambling operators can, if governments so want, yield an important surplus.

The "rent"

Other factors that contribute to monopoly pricing, besides institutional limitations, include economies of scale and entry barriers. Surplus over the cost of production and investments, and normal profit, is a necessary and natural element of competitive free market economies. The surplus, often called “rent” in economic theory, occurs when demand puts the price higher than current cost of production of a commodity, and when additional supply is blocked. Blockers can be of various kinds. Classical examples are limited availability of a factor of production such as fertile land, advantageous location, or natural resource (e.g. crude oil), but other kinds of scarcities may, at least temporarily, generate a surplus profit. These can include shortage of skilled labour force, lack of capital, high investment requirements to attain normal or sub-normal production costs, efficient branding, patents, other non-competitive cost factors, heterogeneity of products in the market segment, and asymmetric information about their qualities and production costs. All of these can be drivers of surplus. These are often temporary, and technical improvements or alternatives to the current supply will eliminate the rent.

These factors, permanent or short-term, require that there is a demand that is independent of supply or of production costs. The Ricardian differential rent is the paradigm case. The demand for a homogeneous product (grain) is relatively constant (the Malthusian long-term elasticities observed) and sufficient to support a price level to keep producers on least fertile land in business, thus allowing a rent for the farmers on more fertile fields.

A body of evidence shows that in gambling markets demand seldom exists independently of supply, waiting for gambling companies to provide games to satisfy it. On the contrary, additional supply creates additional demand (Sulkunen et al. 2019, pp. 87–105). A review of studies shows that adding new games to the existing selection increases overall spending substituting only a small part of existing demand (Marionneau & Nikkinen 2018).

The industry has grown by increasing the average speed of the games they offer, and correspondingly increased the return percentages paid out to players as winnings. Competition in the supply of fast games is more intensive than in the supply of lotteries and other do-national games, which are usually highly restricted because of their low return rates, and correspondingly, high rates of “house take” justified by the good causes for which they are collected.

Our study (Sulkunen et al. forthcoming) shows that high RTP%^s do not reduce the gambling surplus per GGR, although they are a cost to the industry. This is partly explained by the size of companies offering mostly fast games to players. Another contributing element is that these companies have low operating costs. At some point, however, further growth by adding fast games

with high RTP faces increasing unit costs, due to distribution, marketing and game development expenses. Casinos tend to operate very fast games but they also have high operating costs and thus are not very efficient in producing the surplus. Unless companies can reverse the trend and attract gamblers back to slower games with lower RTPs, or move games to mobile devices to reduce distribution expenses, the end of the road for increasing surplus from gambling may be in sight.

In conclusion, market imperfections on the supply side do explain partly the surplus from commercial gambling in circumstances where the market has been growing. Adding faster games with lower operating costs and taking advantage of economies of scale and efficient technologies of distribution has maintained the surplus at a high level. This level is likely to suffer from what can be called “surplus saturation” – after a certain point game portfolios cannot become much faster because the RTP comes too close to 100 percent, leaving nothing to the companies, and operating costs cannot be reduced too close to zero percent either. Still, the surplus remains, and this requires that we step beyond the boundary of economics proper, to the study of the *Warenlehre* of gambling products, or demand, to use the term of the theoretical orthodoxy in economic science.

5 GAMBLING DEMAND

Equilibrium of demand and supply

According to the orthodoxy in economic science – and also the Marxian version of the labour theory of value – surplus profit that depends on limited access to the market requires that there is a demand in excess of the available supply. In service industries, the nature of this demand and, correspondingly, the product value² that circulates in the cycle of consumption and the costs and revenues of the producers and their value chains, is ambiguous. This is doubly so in gambling, which is in itself largely transfer of money from gamblers to operators and to beneficiaries of the surplus.

Like the surplus, also the other side of the exchange between gamblers and gambling operators – the money spent by gamblers – represents real value, although it is not easy to see what it is exchanged for. The money spent as wagers is taken from accumulated assets or from revenues received from somewhere in the economy (in the case of fast games, most of this revenue consists of “wins” from the wheels and reels of preceding rounds of play). Part of the money, more than one half in the companies in our study, goes to public bursaries and other beneficiaries who do not participate in providing the gambling opportunities. From this point of view, the gambling surplus is not part of the cost of producing the experience.

The nature of this surplus is different in different contexts. The surplus in markets dominated by do-national regimes is by definition based on altruistic images of giving away money for a good cause, but adoption of this funding instrument soon led to liberalization of commercial gambling opportunities as well. What we want to explain here is the use value potential of gambling to represent value in commercial regimes that started to develop after the gradual liberalization of public gambling.

The surplus from commercial gambling is often thought to depend on deceit, or to result from marketing and manipulation that prevent gamblers from using their good judgement (Reith 2019, pp. 140–141). For example, Young and Markham (2017) have called gambling a coercive commodity, because engaging in it is against the interests of the gambler. Such interpretations amount to drawing a consumptive boundary between satisfaction of authentic needs of autonomous consumers, and manipulated consumption dictated by the interests of providers, much like in Haug’s theory of commodity aesthetics

² Product value is what Marx defines as the input of “dead” labour – raw materials, machinery, production site etc. and “living labour” plus an average rate of profit within and between production branches (Sulkunen 1981, pp. 40–43).

discussed above. Such interests appeal to wants and desires dictated externally by weakness of character, addiction, or other factors exogenous to the will of the consumers. Like the productive boundary, also the consumptive boundary involves a moral judgement; this time based not on the capacity of production to enable further production and sustenance of life, but on consumers' will. It concerns their freedom to set and realise their preferences to their own authentic satisfaction.

Orthodox economic theory avoids such judgements by equating value and price: whatever consumers pay for reflects their aggregated subjective utilities and has value as measured by the price. The definition of value as equal to price seems simple and objective (neutral) as well as observable, to be counted as value added to the economy, as has been done in cost-benefit analysis of gambling. Assumed price elasticity of demand is used to assign a monetary value to the difference between what consumers are willing to pay and what they actually are paying for gambling services, the so-called "consumer surplus", and this value is interpreted to be the amount of benefit added to the actual gambling spend. Accounting for the fact that a part of this surplus comes from problem gamblers, the total consumer benefit has been calculated and compared to the cost of problem gambling and other harms from the activity (Australian Productivity Commission 1999).

The gambling surplus used for good causes and to support public budgets is part of the consumer surplus but transferred to government and beneficiaries rather than accruing to the gamblers (Forrest 2013). Many technical problems undermine the usefulness of such calculations but, from the point of view of understanding the surplus over the cost of providing the benefit, they are not essential. The inconsistency of the logic is that the gambling surplus is both part of the total benefit and (in most cases) a reduction from the consumer benefit since it increases the price of the service.

A second flaw of the approach is that it looks at gambling in isolation from alternative consumption possibilities. If the intention is to measure the effect of gambling on the total welfare of the population, the measure should cover only *the difference* between the consumer benefit from gambling (including the gambling surplus), and the consumer benefit from other consumption activities such as using sports facilities, going to the opera, or spending time in dance halls, for example. A related critique concerns the amount of value added by the industry, which is most likely smaller than equivalent spend on other sectors (Corfe et al. 2021).

Thirdly, the cost-benefit approach is unable to account for distributional effects: who actually gets the satisfaction from the consumer surplus and from the gambling surplus accruing to government and the beneficiaries, and who are the spenders from whom these surpluses are collected.

Finally, benefit estimations in welfare economics are used either to calculate the balance between social costs and benefits, or to measure the effects of potential changes in taxes, regulations or availability; not the actual consumer surplus, of which the gambling surplus is considered to be the part which is transferred to government and beneficiaries (Grinols 2004). To answer our question, however, this is the very part the source of which we are interested in.

Social components of demand

Economic systems that satisfy the assumption that supply follows demand through competition and free choice of autonomous consumers are called “standard markets” (Gronow 2020, p. 9). The factors listed in the foregoing section on supply as contributors to surplus, or monopoly price, are examples of the use of this model: the source of the surplus is sought in factors that prevent the free market to level off price advantages offered by entry barriers. These are seen as market imperfections, deviations that would eliminate themselves if the market competition would work to perfection. Despite their differences, the marginal utility orthodoxy and the Marxian labour theory of value handle them approximately in the same way. In the former, identifying value with price implies that an equilibrium between demand and supply indicates a natural balance between preferences and production costs unless the economy is disturbed by external factors, usually thought to result from actions of governments. In the latter, the investment of capital in the production, added with the normal rate of profit, is what Marx calls the production price (Sulkunen 1981). When the actual price of a commodity falls below it, production shifts to other areas; when it rises above it, additional capital is attracted to the area, and if barriers to entry block additional investment, monopoly profits will be made. Empirically, the standard market appears to be the exception rather than the rule, however, not only on the supply side but also as regards the assumptions about demand: rational consumers pursuing their individual preferences that the market brings to equilibrium with the supply.

The standard market model involves well-known drawbacks knotted in assumptions received from marginal utility theory. These assumptions can be summarized as three types (Ilmonen 2011). First, consumers are assumed to know their preferences prior to supply and act consequently. In the era of classical political economy and marginalism, until the explosive expansion of consumer capitalism during the three golden decades after the Second World War (Hobsbawm 1995), consumer choice was still limited to smidgeons of taste about basic needs – food, shelter, health – for most people. In today’s hyper-monetized mass consumption economy, the power of supply to define needs is enormous. All commodities, regardless of how “necessary” they are, are equal representations of value, but also objects of choice within the limits of accessible money, knowledge, and other capabilities of the consumer. With

the hyper-monetized consumer economy, a new type of market uncertainty gives rise to social mechanisms beyond the standard market model. Unlimited availability of credit, following the deregulated global financial markets since the mid-1970s, has lifted the constraints of obvious needs for the vast majority of consumers and exposed them to discretionary choices proposed to them by suppliers.

Second, the market is supposed to average out price differences between commodities of equal quality and performance, as well as between qualitatively different utilities among consumers. To measure value by price assumes that buyers know what sellers offer, and that no asymmetries between their knowledge distort the price formation. Asymmetric information is common in markets where the buyer knows less about the merchandise than the seller. The text-book example is second-hand cars (Akerlof 1970), but the same applies also to new cars as well as to computers, household appliances, telephones and other durables. High price suggests high quality but the consumer is normally not competent to judge the relationship. Extra profits can be made from reputation, novelty, design, and other ways of attracting and persuading the consumer. Economic models account for this kind of quality uncertainty as a cost, distributed among participants as guarantees, quality checks, certificates and regulations to support consumers' rights (Rothschild & Stiglitz 1976). Technical quality uncertainties are regulated *by procedural market devices*, including ratings, tests, regulations, and certificates (Gronow 2020, p. 149).

A third failing assumption is that consumers set their preferences alone in isolation of their culture and context. Jukka Gronow (2020) has proposed that fashion, social worlds, and cultural fields, rather than individual preferences, are the mechanisms that govern the markets of different types of commodities. Each follow their own laws and regularities but their common economic function is to support the capacity of commodities to represent abstract value in their use value bodies. Markets of different types of goods and services are very different depending on which market devices are used to assure commensurability and comparability of exchangeable commodities, and in which social practices their operations are embedded (Gronow 2020, p. 149). This applies to marketable objects that Lucien Karpic (2010) calls singularities. These include works of art, other collectors' items, and cultural practices, but also quality wines, restaurants and other goods and services that involve judgements of taste. In many cases they have no objective value at all in relation to production costs. Judgments of taste dissociate individual preferences from market supply. Prices of singularities depend on *connoisseurial market devices* including judgements of professional critics, listings, competitions, and other reputational techniques (Gronow 2020, p. 89).

The issues arising from the standard market model are well known in gambling studies.

First, demand arising from utilities or preferences does not exist prior to supply. As pointed out above, a body of evidence shows that additional supply creates additional demand (Sulkunen et al. 2019, pp. 87–105).

Second, asymmetric information is an essential characteristic of gambling markets. Gamblers frequently do not know the price and the odds of the games they play. Comparisons between operators and games require a high volume of participation as the pay-out rates are usually not disclosed (Woolley et al. 2013). A British time series study, also covering a review of elasticity studies (Frontier Economics 2014), concludes that remote gaming (mostly online poker), and lottery main-draw products and scratch cards, are most price-elastic, followed by terrestrial betting (casinos and bookmakers' shops) and bingo (available in bingo halls), whereas the commercial growth sectors – EGMs and remote betting – are the most inelastic. Although the availability or studies is limited, the evidence suggests that players of fast immersive games are not sensitive to the price they pay for the experience.

Procedural market devices to resolve market uncertainty are difficult to apply in gambling where the merchandise itself is uncertainty. Many governments decreed the return percentages of state lotteries when they were set up in the 1980s, to indicate that participation was a donation towards a good, often national cause. As games have become increasingly fast and complex, such stipulations have become ambiguous, even meaningless (Harrigan & MacLaren 2014). The variety of games available today is multiplied by the variety of environments, online as well as physical; and multiplied again by the variety of social meanings attached to them. Procedural and connoisseurial market devices do not help the consumer much to adapt the subjective value of the game to the price paid for it. On the contrary, the market does not by itself rely on price competition. Research shows that financial incentives proposed in gambling marketing are focused on a variety of bonuses like free bets against a deposit of a certain sum on the gambling account, risk-free bets, and sign-up bonuses, but never indicating a price for the gaming experience (Newall et al. 2019). The authors conclude: “Arguably, advertised financial incentives are becoming more attuned to take advantage of these decision-making errors, rather than offering gamblers incentives of true economic value.”

Little is known about fashion cycles in gambling, and also the cultural fields in which gambling stands for cultural, economic, or social capital are mostly unexplored. Fiona Nicoll (2019, pp. 76–114) has observed that famous casinos often refer to glamorous images of royal, aristocratic, or colonial traditions by names such as Crown, Cesar, King, Royal, Ambassador, Aristocrat, and so on, but in an ambiguous way blended with irony as well as luxury and wealth.

Among the three sociological mechanisms, social worlds, widely understood, are important in gambling markets and are somewhat better covered by empirical research than the other two. Social ties, in a narrow sense, develop around a practice like Howard Becker's Art Worlds (1982), or in a variety of hobbies with a hierarchy of strangers, tourists, regulars, and insiders, as observed by David Unruh (1979). Also Michel Maffesoli's (1994) physical neo-tribes are social worlds, fused together by an "epidermic consciousness". Such worlds are relevant in the case of certain games like poker and sports betting, where insiders and regulars form more or less exclusive social networks. They are not sufficiently wide to enable gambling as a whole to represent extra value over its cost of production, but may have significance in the reverse direction by facilitating price competition between suppliers. For example, the Finnish state monopoly Veikkaus has found in their customer surveys that gamblers who play on unauthorized sites are regulars or heavy users networked through social media. The most important motive given is price ("better odds"). The second most important motive was "better games".³

At a more abstract level, use values of commodities and services depend on norms, functions and meanings of their use. These are different explanatory frameworks embedded in wider background theories and research traditions (Sulkunen 2002), but they also involve different types of social processes. *Norms* regulate consumer practices by drawing boundaries around acceptability and by sanctions against infringements. Restrictive norms and prohibitions have always supported extra profits on the markets of drugs, alcohol, tobacco, prostitution, and certainly of gambling. State lotteries radically relaxed gambling norms in the UK (Bedford 2019, pp. 61–87), Finland (Matilainen 2017, pp. 60–83), Norway (Sulkunen 2015), and Australia (Livingstone 2005). The expansion was conditional on legal changes that allowed private or public companies to introduce EGMs and online casinos on the national markets in several major gambling countries (Sulkunen et al. 2019, pp. 37–41). *Functions* depend on availability and supply of equivalents to satisfy needs, wants and desires. Limited availability supports price formation of luxury products and turns gambling opportunities to singularities that do not obey the laws of elastic supply and demand. *Meanings* depend on the cultural context associating gambling with wider values and understandings concerning work, leisure, family, and religion. For example a comparative focus group study showed that the paternalistic approach to protect the working class is still visible in France, as compared to Finnish individualism (Marionneau 2015).

Whether looked at from the perspective of abstract norms, functions and meanings, or as part of market devices, fashion, social worlds, and cultural fields, the determination of use values has little in common with the image of

³ Veikkaus 2016, unpublished data.

what Pierre Bourdieu (Bourdieu & Wacquant 1992, pp. 115–140) called “the anthropological monster”, the self-interested “rational” calculator of the standard market model. The anthropological monster does not gamble. Real humans do, but their practices are governed by a complexity of social processes rather than by their autochthonic needs, preferences and calculated interests. Instead of simply desiring to win money, or to donate it toward good causes, sociability experiences in particular have become increasingly ambiguous in the social worlds of gambling with growing diversity of games and environments of play.

Consumptive experiences and monetary expectations

Money is often seen as a gift that gambling shrouds in a veil of anonymity in *do-national* games like national lotteries, or in altruistic bingos and raffles organized by community clubs and associations of various kinds. Like other gifts, giving money to a cause conveys commitment, belonging, and solidarity – the core of being social – and the actual sociability in the context of sharing combines with the excitement offered by Lady Luck. Money spent is a message sent, diffuse and with many meanings but commitment to a social world more than a cost.

In commercial gambling, the relationship between consumptive experiences and monetary expectations is even more complicated. Heavy users who contribute a major share of the total GGR, and who also play fast games offered by commercial gambling, have a particularly dualistic attitude towards money. Most of them seem to be aware of the fact that they are “losing”, but the consumptive experience they are paying for is valued and sought for its social functions. Some studies have found that the actual sociability involved in the consumptive experience is important for some gamblers. For example VIP customers, heavy users, not only seek the solitary excitement of the imaginary but also value actual social activities that operators arrange for them. These include social dinners and gatherings and sometimes tours to remote gambling destinations (Cassidy 2020, pp. 145–152). Also the interaction in and about the games may in itself be important for gamblers, obviously in social games like poker but a survey study showed that heavy gamblers had high social motivation scores even in solitary online games (Blinka & Mikuška 2014).

Many studies have found that heavy gambling is an uncanny solitary experience, like the comment by a heavy gambler in one of our own studies below:

On payday it's just so nice to play roulette on the Internet, with a box of beer at hand. Sorry? Not really, we only live here once, for a moment, and there is little other pleasure than the game for an ugly man like me. (Rantala & Sulkunen 2011.)

Schüll's (2012) anthropological study of Las Vegas casino gamblers suggests that for the insiders and regulars the solitary activity valued as "being in the zone", undisturbed. Operators regulate the return rates according to demand to optimize customers' "time on device" (Schüll 2012).

One interesting Australian study of help-seeking problem gamblers (Livingstone 2005) suggests that they often experience and value "sociability without talking" in the pokey room. The indeterminacy of being in the "zone" of chance allows infinite space for an imaginary capacity to capture a sense of the player's interior monadic agency, not splintered by alienating and organized institutions and roles. Money is important but not as an object in itself: winnings are seldom collected because they are used to extend the period of play and money serves as the vehicle of communicating with the machines as if they were persons capable of emotional influences susceptible to belly-rubs, endearments, and deception.

British anthropologist Gerda Reith (2019, p. 132) has observed that many solitary gamblers devalue money to the point where it only serves as a means of magical communication between the player and the machine, which allows companies to develop games that return only virtual currencies, thus merging gambling and social gaming.

Nevertheless, a substantial body of research shows that gamblers are usually motivated by the possibility of winning also in a more instrumental sense (Lesieur 1984 [1976]; Griffiths 1995, pp. 149–168, 172–176; Rockloff et al. 2007) even though they misconceive their wins and losses. Two studies (Braverman et al. 2014; Auer & Griffiths 2017) comparing players' self-report estimates with actual behavioural tracking data found that they systematically underestimate their losses or overestimate their wins. Players with high losses and strong preferences for intensive games have more difficulty estimating their expenditure than small spenders favouring slow games.

Gamblers' reasons for playing for money, and the excitement experienced, typically revolve around individual competence or skill. This has been observed in several studies (Griffiths 1995, pp. 129–148; Joukhador et al. 2003; Rockloff et al. 2007), and also in studies of gamblers represented in films (Turner et al. 2007, pp. 123–125). In our study the competence illusion appeared in remarks like the following:

My favourite is roulette, it is nice to play in a restaurant where I apply systems that I have found to work... and look how others play like monkeys and place their bets here and there. With no planning at all. With roulette, you can make nice gains quickly, but you can also lose. (Rantala & Sulkunen 2011.)

In contrast to alcoholism stereotypes, in which self-control sustains the drinker's social relationships and a lack of will-power isolates the problem drinker, the gambler is often a lonely hero from the start.

Irrational beliefs about winning have been found to be most prevalent among players who prefer commercial forms of gambling: machines, bingo automats, card games and online gambling (Lund 2011). Cognitive distortions about skill are generally higher among immersive players than those who associate the game with sociability (Shead et al. 2008; Cotte & Latour 2009). For example a study of Canadian students (MacKay et al. 2014) found that online poker players played more and had higher scores on gamblers' beliefs questionnaire (GBC) and on gambling cognitions inventory (GCI) than off-line gamblers.

Gamblers' motivational images, then, include both money and the consumptive value of the activity itself, and the value can be either solitary or collective. I am not referring to motivations here in the explanatory sense – motives do not explain behaviour. Rather they are images that players have of themselves, often as mistaken identities and patterns of problem denial (Hing et al. 2015). These motivational images nevertheless constitute the diversity of the use values that represent the abstract value circulating in the activity. Table 1 summarizes the typology.

Table 1. *Motivational images of gambling*

		SOLITARY	SOCIABLE
CONSUMPTIVE	IMMERSIVE	excitement, being in the zone	insiders, regulars, VIP guests
	NON-IMMERSIVE	ordinary lotto folk, bettors	lotto groups, betting, poker rings
MONETARY	ALTRUISTIC	ordinary lotto folk, anonymous donators	community raffles and bingos
	ACQUISITIVE	chasing, jackpot dreaming, competence illusions	insiders, professionals, connoisseurs

In actual consumption practices the motivational images overlap and blend into an inseparable mixture, of course. The solitary lotto participant may believe that the donation goes to good causes, but also values the excitement of the very small chance to win. Jackpot dreamers and chasers may wish to fix their financial problems but also enjoy being in the zone. Sports betting, poker, and other games with a skill element, often involve consumptive sociability as well as an acquisitive element in the motivational pattern. Other examples are easy to imagine. The essential distinctions for the analysis that follows are the consumptive versus monetary motivations, and the distinction between solitary and sociable practices.

Table 2. Factors supporting and weakening high (extractive) use values of gambling in do-national and commercial regimes. *Italics refer to factors supporting the surplus.*

	DO-NATIONAL	COMMERCIAL
normative barrier	<i>high</i>	low
luxury function	<i>high</i>	low
status, distinction value	<i>high</i>	low
committed social worlds	<i>low/high</i>	<i>high/low</i>
consumptive - solitary	low	<i>high</i>
consumptive - sociable	<i>high</i>	<i>high/low</i>
altruistic	<i>high</i>	low
acquisitive	low	<i>high</i>
asymmetric information	low	<i>high</i>

High normative acceptability, frequently called normalization (Thomas et al. 2018), a term borrowed from drug policy research, complicates the capacity of gambling consumption to represent value. It is a necessary but not the only condition for the commercial expansion; on the other hand, relaxation of normative barriers also weakens the acceptability of availability restrictions that help the industry to gain monopoly profits and to produce a surplus. It undermines the luxury value and the status image of gambling but expands the market to mass consumption with low production costs. It accelerates competition within the industry as well as with other leisure industries, and brings the market closer to the standard model. On the other hand, the global gambling expansion since the 1980s has multiplied the social worlds of gambling, some with high and some with low capacity to support a high exchange value of gambling. Lotto rings and bingo clubs in do-national regimes support collective social consumptive value of gambling, and thus its high exchange value, but have a relatively small role in commercial gambling. In contrast, insiders' and regulars' networks in competitive commercial markets have the reverse effect with their capacity to compare odds and products. Commercial gambling increases the solitary and anonymous consumptive value of gambling but is less governed by collectively shared experiences and altruistic motivational images than national lotteries and local clubs. Anonymous gambling experiences in commercial contexts are more strongly governed by acquisitive motivational images and competence illusions than in do-national regimes. In do-national regimes the information on odds and return rates is simple and understandable, whereas commercial gambling markets are characterised by asymmetric information that is very hard to commodify by market devices.

Commercial gambling thus appears to be a self-defeating system of value extraction. While it creates its own demand and expands the market for its products, it also undermines the altruistic monetary as well as the consumptive motivational images that support the surplus: normative barriers, luxury function and status images. It may bolster consumptive social worlds, some supporting but others undercutting the surplus, but it also opens the gambling market to competition that inevitably pulls down its capacity to produce a surplus. Do-national motivational images crumple when the operator is no longer the nation state nor the local or national association but a commercial, often multinational company owned by anonymous investment banks or pension funds, as in the case of the Postcode Lotteries operating in Sweden, Germany, UK, and the Netherlands. The motivational images supporting the surplus of commercial gambling are those most often associated with gambling problems: asymmetrical information, illusionary acquisition, and solitary immersion in an imaginary social world without other people.

In sum, liberalization of gambling regulations has generated new use values, and attracted new types of customers in a way that resembles what has been called cumulative growth in alcohol consumption in the three or four decades after the Second World War (Sulkunen 1976). In the same way as the globalized alcohol industry, also commercial gambling first creates its own demand but then saturates it in the high consuming regions of the world. The adverse consequences of the activity become highlighted and arouse protest, as we have seen in Europe, Asia, Oceania, and North America in the two recent decades, with the consequence that further growth will have to be found in post-socialist countries in East Central Europe, in Africa and in Latin America. The surplus, then, may no longer easily find its way to public bursaries and civil society organizations serving the public good.

6 UNEQUAL EXCHANGE

The free market fiction

Since Adam Smith's and David Ricardo's work, economic theorists have taken for granted that accumulation of wealth in modern capitalist market economies takes place within the framework of equivalent exchange under the pressure of competition. Commodities are exchanged with money on the marketplace, and must be somehow commensurable and comparable, in other words have the same quantifiable substance in qualitatively different use values. This is the presupposition of the orthodox marginal utility approach, but the free market was also the starting point of Marx's theory of capitalist exploitation. As we have seen, however, both fail to develop an adequate theory of how the market actually works but in opposite ways. The labour theory of value accounts for the comparability of qualitatively different use values, with abstract labour as the common substance of value in them, but fails to theorize how the substance appears as measurable prices and revenues. In contrast, the marginal utility approach accounts for commensurability by identifying value and price, but fails to explain the comparability of different utilities.

As discussed above, it is also widely recognized that the standard market model is a rare exception in the real world, if not altogether a fiction. Yet it is not a plain untruth: it serves different purposes in different theoretical contexts. For the classics it was a means to distinguish real wealth, based on productive labour, from wealth of the privileged non-producers, emerging from distorted competition, especially from regulations set up by mercantilist trade policies and monopolistic land ownership. For the nascent marginal utility theory that Marx called "vulgar economics", it was a way of turning economics into a Newtonian science with calculable mathematical equilibriums and measurable elasticities (Mazzucato 2019, p. 60), but also an ideology, as it is in today's neoliberal social thought. Marx called it an apologetic defence of the bourgeois system of exploitation declaring that the market represents "Freedom, Equality, Property, and Bentham" (Marx 1990 [1862], p. 280), the latter referring to the utilitarian philosopher, whom Marx considered as one of the founding fathers of the apologists.

This fiction could not serve as an ideology, however, if it did not somehow correspond to reality as it appears to participants. For Marx the fiction served as a tool of his *critique* of political economy, which was his method to expose the contradictions not only in bourgeois economic theory but also in capitalist economic reality itself. His theory of surplus value is constructed on the basis of equivalent exchange for political reasons. This was his way to expose the objective laws of capitalist accumulation: *even if* the free market fiction of equivalent exchange were true, production of surplus value, i.e. capitalist

exploitation, would still result from the exchange between labour power and capital, as explained above. The laws of capitalist accumulation, thus established, explain why it necessarily appears as the phenomena we can observe: technological progress, growth through regular recessions, but also industrial poverty, concentration of wealth, and class struggles between the proletariat, the bourgeoisie, and the landed aristocracy (Sulkunen 1978).

Rather than presenting an economic model proper in the quantitative sense, it constitutes a critique of the emerging bourgeois *critical awareness of the present* (Sulkunen 2016, pp. 10–12). Formal equality of economic agents is the bourgeois principle that justifies the social order as acceptable, and “provides the ‘free-trader vulgaris’ with his views, his concepts and the standard by which he judges the society of capital and wage-labour” (Marx 1990 [1862], p. 280). This standard is a society of autonomous agents that are bonded together by voluntary contracts rather than by force and hierarchical submission.

The assumption of equivalent exchange does not mean that unequal exchange is non-existent or dysfunctional in capitalism; on the contrary, the fact that value circulates in the form of money, facilitates all sorts of plundering, cheating, corruption, usury, and violence. Value in the form of money is detached from its source as well as from its holder. It can be stolen or taken by force, taxed away by the state, or dispossessed by creditors, and it still holds its value. The theory developed by Marx under the assumption of equivalent exchange only explains that the organizing principle of the appearances of prices, wages, profits, and rents is the creation of surplus value in production that results from labour power sold to capitalists. It reveals that beneath the apparent commotions of the day, the historical class conflict over the outcome of the labour process is waged between the three revenue classes: capitalists, landed aristocracy, and the working class together with the peasantry.

The contra-factual nature of the assumption was obvious to everyone, not least to Marx himself at the time when he was working on his theory. Primitive accumulation in the 18th and 19th centuries was a spectacle of violence, expropriation by property legislation, and enclosures of common land by big landowners, not to talk about the massive pillage in Asia and America by European colonists. The conflict over the adequate length of the working day, to which Marx devotes one of the most political chapters in *Capital*, was not in any way a negotiation between equal partners, either. The disciplinary domination of the working class by captains of industry was felt and experienced as a hard fact of life, as Marx describes in his writings. Yet the underlying forms of surplus production, the substance of the value thus created, and the necessary freedom of workers to move and to offer their only commodity for sale were, and this is what Marx wanted to show, the basis of the whole social order that was developing but not readily apparent in daily life.

In the global capitalism today we have no trouble pointing out how the “free market” operates through unequal exchange besides the market imperfections discussed above. Global inequality between countries is maintained not because of the free market but by political structures. Extreme and growing inequality within high-income countries is not due to “market forces” but created by extremely unequal access to economic resources. Labour migration, the legal misery of paperless populations, slavery and human trafficking, and many other forms of suppression of individual freedom to engage in economic transactions as equal partners are part of our everyday reality. Dispossession of land and natural resources, and dispossession of property through credit – especially after the liberalization of global financial markets since the mid-1970s – are examples of more indirect forms of unequal exchange. These can hardly be interpreted as violations of the economic laws of capitalism but obviously not representing exchange of equivalents either. Gambling is involved in all of these more or less directly, but is it sufficient to say that as a form of transferring value from players to operators, their cost dependents and beneficiaries, it depends on unequal exchange, and if so, what is the mechanism of doing it?

Mainstream economic theory makes a distinction between transfer transactions and exchange transactions. “The latter ... involves two trading partners both of whom give up something of value in search of mutual gain. The former involves a donor and a recipient, with the donor giving up something of value without receiving anything in return ... Transfers ...can be voluntary or involuntary and may be motivated either by altruism of the donor or malevolence of the recipient” (Lampman 1987, p. 681).

Participation in national lotteries, bingo in local clubs, and raffles to support other associational and charity activities are transparently voluntary transfers. They involve consumptive experiences, too, that gamblers get in exchange of the money they spend, but it is no secret to plkayers that they are giving away money in excess of the cost of providing the game. In commercial gambling, their donations easily get detached from their altruistic purposes and take on the appearance of exchange, where the gamblers’ money is no longer spent to support a good cause but to gain experiences that are governed by an amalgam of motivational images, consumptive as well as acquisitive. Still, also commercial gambling produces a surplus over and above the cost of production plus normal profit. The surplus is divided between public beneficiaries, be they states or other users of the money, and private owners of the companies and their stakeholders. Do-national and commercial gambling merge, as national lotteries are privatized and appended with instant scratch cards and other fast games, and bingo tables are replaced with machines. Local clubs outsource their game operations to private companies as in Australia and the UK (Nicoll 2019; Markham & Young 2015; Bedford 2019), and national

lottery monopolies enter into competition with commercial gambling offer, as in the Nordic countries (Marionneau et al. forthcoming).

Commercialization of gambling turns voluntary transfers of do-national gambling into what appears as transactions of exchange, but this exchange involves features that no longer meet the condition of equivalence at all. Commensurability and comparability cannot be assured, not by procedural nor by connoisseurial market devices, and the transactions turn into involuntary transfers that are beyond the boundaries of equivalent exchange.

Let us follow the logic of the free market model to analyse what would be required *if the exchange of commodities did follow the rule of equivalents*. What would happen if the transaction itself would be fair exchange of equivalent for equivalent, and market competition would be allowed to eliminate both barriers to entry and any asymmetries between the buyer and the seller?

Milton Friedman, the 1976 Nobel Prize laureat in economics, applied the principle of free market transparency to gambling from the utility theory perspective in this way: as long as “the people engaging in the gambling do so deliberately, and are reasonably well informed ... suppos[ing] that the gambling services are provided under competitive conditions ... [t]he proprietors of the gambling house are ... producing services to satisfy the wants of consumers”, and this generates an “economic gain” (Friedman 1969 [1960], pp. 288–289).

This involves three things.

First, if the exchange is free in the sense of resulting from the will rather than force or other obligations of the participants, they must be equally equipped to enact the transaction. Second, the value being transmitted from the buyer to the seller must be objective and independent of their subjective evaluations, in other words value as represented by money. Correspondingly, the seller should give up something in return that has value, either in terms of labour input (labour theory of value) or in terms of preferences or utilities for the consumer (marginal utility theory). Third, the positions of the buyer and the seller in the transaction must be that of equal contract partners. Let us start from the second of these conditions.

The object of exchange in the gambling transaction

For the utility theory, the value that circulates in gambling is created in the consumptive experience itself, as suggested in the quotation from Friedman above.

For the labour theory of value, the money circulating in gambling represents value that is mostly created elsewhere in the economy. It does not depend on

how much value is produced in the gambling industry itself, nor on any judgements concerning the use-value(s) it is exchanged for, as long as the money is spent as wagers by the players and received as revenue by the operators.

Either way, from the point of view of *value generation and circulation*, the use value itself is inessential. From the point of view of *value distribution*, however, it appears that the use value/utility is elemental. By both theories, the act of consuming the commodities or services purchased and sold takes place outside of the value circuit. From the point of view of creation and circulation of value, it does not matter what consumers do with commodities and services, or what the utility is that they derive from using what they have purchased. Cars can be used mainly to impress neighbours, to visit the second home and relatives; to access work, school and hobbies; for tourism; for transportation of equipment; as a hobby, and a mixture of these. A domestic aid can be paid formally for cleaning the home and washing laundry, but some clients might prefer to spend time with them talking and chatting. And so on. When the purchased good or service is gone, it has satisfied a want, need, or desire, but it also has been depleted and destroyed, and must be replaced by expending more resources. The end consumer must acquire more money somewhere (its origin does not concern us here) to buy new goods and services; the merchant must use some of the revenue from the sale to buy new things to sell; and the producer must spend some of the returns from selling the products to make new ones. And there will be demand for replacements, unless the end consumers either change preferences or run out of money. For the utility theory, value is thus created; for the labour theory the value represented by the objects consumed has been consumed, depleted, and exhausted.

For both theoretical perspectives, the subjective use value itself is irrelevant as regards the circulation of the exchange value. Whatever motivational images govern the consumers' behaviour, the value consequences of the transaction are objective facts. Consumption is the driving force of the market economy, but it is also a cost, to consumers obviously, but to producers and sellers as well (including the cost of their own consumption, taken from their revenues). Reduction in the expenses is in the interest of all participants, whether their aim is to satisfy wants, needs, and desires, or to gain money.

From the point of view of *value distribution*, the use value/utility does matter, however. Gambling is not a standard market, nor can market devices be applied to adapt its imperfections to the requirements of equivalent exchange. It differs in three respects from the market for any other commodity (except some part of the financial services market) even if the standard market model applies in all other respects. One is the inevitable buyer-seller asymmetry of information discussed above. Gamblers rarely have access to data on the odds and return rates of games. However, unlike for second-hand cars,

technological products or singularities that involve expert judgements and other reputational techniques, the buyer-seller asymmetry of gambling cannot be commodified as a cost from setting and applying rules, check-ups, certificates, competitions, expert jury proceedings, and other market devices.

The other deviation from the standard market model is that an important part of gamblers' purchases are not consumables that disappear when they are used. After the players' money is gone, the want, need, or desire is not satisfied, nor will money need to be expended to make available a new product as a replacement for the depleted one. The seller, the gambling operator, has almost no cost from making available the next purchase, especially in fast games played in a continuous fashion like EGMs and digital casino games. Money just circulates in the industry, and when the act of consumption is over, the demand for a new one is at best the consumptive experience gained on the side, and at worst the dangerous desire to win back what has been lost.

As described in the foregoing section, the consumptive experience in commercial gambling is concocted in the imagination of the players, usually as a solitary indeterminacy of being in the zone. The flow of the game opens up an infinite imaginary space for the player's interior agency imputed to the random events of chance. Money is an important vehicle in this flow of give and take, conveying a fetish relationship between the capacities of the player and their fiduciary contract with the uncanny source of luck. Whenever experienced as instrumental object of acquisition, monetary expectations are swathed in beliefs of magical superiority of the player, or in misconceived regularities of chance to redeliver what it has taken away so far. This, economically speaking, is the source of the gambling surplus: the object of the purchase is not a commodity nor a service but a promise of an unknown chance to win – money! – at an unknown price. Trading money for money is an exchange only if the mental currency of payment is different from the mental currency of the money received as winnings. This is often the case: experimental studies show that gamblers are more likely to replay winnings than to wager money earned in another way. The value transferred is nevertheless objective. The real asymmetry in the transaction between the buyer and the seller is that the game operator does not give away anything it owns, and must replace after the transaction (the game, spin, or draw) is over. All the provider needs to give is promises on the motivational images listed in Tables 1 and 2; the realization – and frustration – of these promises falls on the players.

Besides the fascination with imaginary forces of *alea*, actual consumptive experiences as part of the transaction are undeniably real, too. They have to be provided by the commercial operators as space and services in land-based casinos, pokey rooms in clubs and hotels, VIP amenities, and other personalized contacts. Sometimes the cost of providing them undercuts substantially the gambling surplus. This may happen in casinos with live

croupiers and other service staff (Sulkunen et al. forthcoming), but often the cost of these services amounts to a marginal expense compared with the GGR gained, and even then they function only as an appendix to the transfer of money, and could not arise without it. The asymmetry of transaction – real money transferred for no dissolving consumable – does not result from shiny and misleading appearance covering deformed content to accelerate circulation. Gambling is not consuming what Wolfgang Fritz Haug's called *Schein* in place of *Sein*, as the deformation thesis would argue. The imaginary experience is immaterial but real, subjective but a vehicle of objective transactions. The glittering wrappings in which it is offered to consumers invite them to the zone, but the experience itself is neither delusion nor reduced to the wrappings. It is capable of representing value, as objective as a car, new or used, or a famous painting, or an exquisite bottle of wine. The difference from other kinds of singularities is that it cannot be detached from the transaction itself, stored, shipped and depleted later, and the cost of producing it falls almost entirely on the consumer, not the provider.

Asymmetric positions of buyers and sellers

The third inequality of the gambling transaction, as compared with the standard market assumptions, concerns the relationship between the buyer and the seller. What can it mean that an exchange of equivalents takes place between equal contract partners, and is this the case between gamblers and commercial operators?

Marx explains his exclamation above about the market thus: “Freedom, because both buyer and seller of a commodity... are determined only by their own free will. They contract as free persons, who are equal before the law. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to his own advantage. The only force bringing them together, and putting them into relation with each other, is the selfishness, the gain and the private interest of each.” (Marx, 1990 [1862]).

This is how the market, “the very Eden of the innate rights of man”, appears also to the eyes of mainstream economists, who make a distinction between transfer transactions and exchange transactions. Paradoxically, here the substance of the use value matters, although equality between the partners of a transaction seems to be a formal matter regardless of what the exchange is about. We already observed that the assumption of demand existing prior to gambling supply is without foundation. The producer and the consumer are not equal, one offering money for a commodity or service, the other supplying it for a competitive price. This, however, is not unique in gambling. Also in the market for entertainment and art there can be no demand until supply exists. New technologies in cars, smartphones, household appliances, and even in

foods, do not have the buyers waiting for them in the marketplace; it may take a while – and a lot of power – to create sufficient demand for mass production. Vice versa, the demand is often there while the supply remains absent because of enormous power of producers; for example the development of electric cars has been blocked by the petroleum industry for two or three decades.

Equality between buyer and seller in gambling transactions depends on what the transactions are about. They are transfers in so far as the donor does not receive anything in return besides the consumptive experience, which usually is far cheaper to produce than the wager remaining with the operator after winnings are paid out. The rest constitutes the gambling surplus. But to say that this *explains* the surplus is to beg the question: from the gamblers' point of view, also the surplus is a cost, an expense for the consumptive experience. From the utility perspective this is value created, for the labour theory it is value spent – on luxury rather than necessity, but nevertheless taken from the buyers' resources and added to those of the supplier.

Formal equality before the law does not assure that a transaction is an exchange of equivalent for equivalent. On the contrary, it is a state guarantee for turning an exchange transaction into a transfer, for example in dispossession through credit when equity values of homes fall. This happened in a mass scale in the 2008 credit crisis, when millions of property purchased with subprime mortgages were taken over by banks in the USA (Harvey 2018, p. 337). In the same way, dispossession of gamblers' property is not an exchange but a transfer transaction although it may result from a transaction between formally equal partners, one buyer and the other seller of gambling services.

Gambling partners may be equal before the law, the players placing the wagers and the operators following the rules they have largely set up themselves. To assure fair play, an army of usually state-provided regulators is in operation in all countries in which gambling is legalized.

Equality of partners in exchange transactions is a wider concept, not only in terms of justice but also in an economic sense. Consideration of it must include the motivational images in Table 1 and 2, but also concrete processes involving the actors' positions, capabilities, interests and intentions (Sulkunen 2018).

The essential character of gambling transactions is that the motivational images in Tables 1 and 2 are indistinct, versatile, and erratic. Several studies (Dickerson 1996; Griffiths & Delfabbro 2001; Young 2010) have demonstrated that games involving competition (*agôn* in the distinction of Roger Caillois 1961) are often confused with games of chance (*alea*), like in our own study referred to above. The chance to win in itself generates not only false beliefs confusing chance with skill but also images of *hubris*, being the favourite of Lady Fortune, and equipped with magical or otherwise illusionary skills. The

diversity of consumptive motivational images, in which the game represents the imaginary partner (Livingstone 2005), are mixed with acquisitive images, and even altruistic images are often combined with them. Gamblers may enter the game under one type of images but they change in an erratic way that does not allow a weighing of the utility with the price paid. The seller, on the other hand, is a faceless supplier with a single motivation, which is the calculative interest in collecting money, even if a large share of it goes to the gambling surplus rather than to private gain. This asymmetry of positions is obvious from the way gambling companies present their products to consumers: “A consistent finding in these studies is that ...gambling is portrayed as fun, exciting and often as social. Humour and celebrities are often used to catch attention. Some forms of gambling are associated with a luxurious lifestyle. Poker and sports betting are described as challenging competitions in which skill brings success. It is claimed in advertisements that lottery tickets ‘may’ pay millions in wins and that everyone ‘can’ win. The tone, colours, style and imagery of advertisements are symbolically associated with wealth, success and happiness.” (Binde 2014.)

An important marketing theme is – paradoxically – equality: everyone can win. Young (2010) has pointed out that chance (*alea*) is couched as a democratic alternative to competitive success (*agôn*), which is not accessible to everyone (“The next winner could be you!”). The risk, however, is not equal between the buyer and the seller. The gamblers’ risks may be very serious like the possibility of losing one’s home, family and job. The whole income to be earned during the remaining years of employment may be lost, comparable to losses involved in subprime mortgages and other exploitative lending practices. The supplier’s risk is limited to almost nil: a very high jackpot lost to a lucky winner is counted in as a calculable cost to be covered by other gamblers’ losses.

Given these three asymmetries: of information, of transaction, and of position, the gambling surplus does not depend on manipulation, addiction, dependency, folly, or imprudence. They are characteristics of a market that does not fit into the standard model, nor can they be assigned a price by market devices.

Inequalities, however, are not equally distributed. We know from studies of gambling behaviour that a very small minority of players, about 2 to 5 percent, contribute about one half of all the money spent on gambling. Low-income earners spend on average a larger share of their income on gambling than high-income earners, and high spending is closely associated with problem gambling (Fiedler et al. 2019). A range of studies show that about one half of the heaviest spenders already have financial problems, and a substantial proportion of them suffer from addictions, mental and physical health issues and are otherwise vulnerable (Sulkunen et al. 2019, Chapter 4). These factors aggravate the asymmetry of position between those who produce most of the

gambling surplus and the operators who collect it. Economically deprived populations tend to gamble to their disadvantage because gambling offers to many of them the only perceived possibility of escaping poverty, feeding aspirations for social mobility or access to consumer goods (Beckert & Lutter 2009; Schissel 2001). Other explanations include greater financial risk-taking relative to income (Tabri et al. 2015; Bol et al. 2014; Callan et al. 2008); seeking stress relief (Bol et al. 2014; Nibert 2000); and unawareness of the redistributive outcomes of the activity (Rogers 1998; Rogers & Webley 2001).

Another distributional issue is that gambling causes economic losses to persons who do not themselves participate in it at all. Estimates vary greatly but it is safe to say that at least six other persons will be affected by each problem gambler. Others harmed form a greater proportion of the population than problem gamblers themselves, in the range of 2% to 20%. The three asymmetries producing the gambling surplus deprive people who are already deprived of resources that are necessary for subsistence. (Sulkunen et al. 2019, Chapter 4).

The insuperably asymmetric market

Why are commercial gambling markets, even the most unrestricted of them, not eliminating the surplus that has so dire consequences for gamblers: reduction of choice if seen from the utility perspective; or reduction of life itself, as seen from the labour theory perspective? What would happen if Milton Friedman's dream were true and the free market would impose its "coercive laws of competition" on gambling companies?

Deviations from the assumption of the ideal free market do occur. In fact they are the rule, and different types of commodity markets differ in the way these deviations are handled. In some areas imperfect competition on the supply side supports innovation chains through monopoly rents protected by patents and other entry restrictions; in others entry restrictions based on huge company size like Microsoft or Apple guarantee monopoly rents that are maintained by dysfunctional updates and artificial decay. The gambling industry has efficiently used the innovation potential of the IT industry, not only by creating new types of games but also by reducing delivery and maintenance costs. The consequence has been a massive concentration of the game development sector, as we saw in Chapter 2. The commercial gambling market today is approaching supply conditions that differ in no essential way from any other market of electronic services, such as the social media, supply of music and entertainment, payment services, any online shopping facilities, and social gaming. The ongoing shift of gambling to online platforms merges social gaming and commercial gambling so that they can no longer easily be distinguished (Wardle 2021). The freemium method of payment, where access to games (and adjunct services) is free but payable premiums are offered, complicates the distinction further (Parke et al. 2012). The online trend is

escorted by integration of land-based gambling with tourism, showroom shopping, movies, theme park facilities, and other leisure activities.

The industry exploits monopolistic entry barriers but in no essentially higher degree than the industries it is integrated with. The market imperfections imposed by these barriers serve as drivers of further investments and continuing concentration of the business in this field. Growth, integration, and market segmentation are simultaneous processes that depend on monopoly rents provided by entry barriers and other competitive advantages. Like in other digital service industries these advantages do not seem to block development in the field as long as potential demand for further growth can be found. As we have shown elsewhere, government-imposed supply restrictions are today on their way out as well. All these factors together mean that the gambling surpluses that have earlier depended on government-imposed supply restrictions, or entry barriers due to market imperfections, can no longer be relied on. The margins available to operators are narrowing when competition drives up both average speed and return rates. Production costs can still go down in many cases, but approaching zero slows down the possibilities here, too. Integration of gambling with other services particularly in the land-based market segment will inevitably increase operation costs. The global gambling market is inevitably facing a supply saturation, where the gambling surplus is no longer able to grow with the volume of the trade. This situation will probably satisfy any supporter of the free market ideology and the utility theory on which it is based. The beneficiaries of the gambling surplus, including state budgets and servants of the good causes, had better look elsewhere for funding.

The consequence of supply saturation is that although monopolistic and rent-producing, the market no doubt eliminates the supply restrictions to satisfy Friedman's conditions of free market transparency. But what about the asymmetries of information, of the transaction, and of the buyer-seller positions? Nothing prevents the gambling markets to wipe them out, too. The asymmetry of information could be corrected by true data on the transfer instead of promises of jackpots, reinforcing competence illusions, and false beliefs of the outcome such as losses disguised as wins (LDW) (Harrigan et al. 2014). Gamblers could be told, in earnest, that they will lose more money on the games than the cost of running them. Even more efficiently, the actual price of time on device could be lowered down to the level dictated by the cost of supplying the service, as Milton Friedman suggests. And the imaginary use values that place the partners of gambling transactions in unequal positions, could be destroyed, instead of supporting them with suggestive cues such as prominent public personalities reporting on their successes, and other reputational techniques currently in use. In other words, the choice would be free and the exchange transaction of equivalent for equivalent would be fair.

But, as a consequence, the object of the transaction, the imaginary use value of catching the chance by a magical surprise would have gone, too. Imagine a Milton Friedman playing EGMs in his classy favourite casino, spending only his share of the cost of using the machine. He would be well informed about the average return rate and the price he has paid for each win, looking at the reels stop and go, and reminded fairly of the probability of winning more than he has spent so far, before he decides to place a wager on the next run. The operator could assist him in his deliberations on spending more by offering an insurance against loss, for a price adapted to the price of each run, the average true return rate, the speed and other features of the game, and so on. He could, of course, move away and move to another casino to see more exciting spins of the wheels, or even to try different types of games altogether, paying perhaps a little more for a more exciting game design, but the asymmetries could be eliminated there, too.

Friedman's conditions for a free market would be met. The choice would be free, the competition fully effective, and the transaction transparent. But the utility itself would remain watery. Such a dull game would probably send him to the stock exchange, where he could opt for high-risk purchases or more stable placements, depending on his willingness to take chances and his investment skills. The "economic gain" created by his gambling choices would be meagre, limited to the consumptive motivational images. These would be insipid in comparison with his deliberations on hedge funds, property and share-holder values, interest rates and government spending trends, not to talk about conversations in the stock exchange bar and over lunch with other investors. In contrast, his pretty lonely gambling activity might not be worth much consumptive utility, and his eventual conversations with fellow gamblers about near wins, LDWs, and the fake stop buttons even less so.

The other option for Friedman would be to relax the conditions of the value-producing gambling transactions. For example, he could consider the information asymmetry as part of the utility provided by the gaming experience, or he could define the transaction asymmetry as a voluntary donation for a good cause, chosen by him from several options available among competing operators with different priorities in their beneficiary policy.

As we see again, to assess the value gained from his choice he would have to enter the very area of use-values that his background theory has excluded from the science of economics for almost two hundred years. All he could do about this is to leave his hat as an economist at home, and step down to the role of an ordinary consumer who does not need to know about the creation and distribution of value, as long as he gets the satisfaction he wants.

From the labour theory perspective, things would not look very different. Consider Peter, an ardent devotee of the Communist Party, working as a

bricklayer's assistant in a constructing company. In his job he has heard about the profits made by developers in the property business. During the lunchbreak in the next pub he sometimes tries his democratic chance to become rich, like the owners of his employer company, by buying scratch cards with instant wins. His neighbour, a widow who retired recently from a cleaner's job in the local hospital, won a jackpot of almost a million pounds in a national lottery last week – so if she could do it, why not try... Peter knows that the gambling operator, Camelot, is in the business to make a profit and contributes to the total surplus value produced in the economy, but this is normal because this is the case for everything else he needs to buy. He considers the lunch money he spends on the scratch cards as necessary consumption, which he needs to recover from the monotony of his work and from the distressing submission to the orders of his boss, being very well aware that part of the money he spends is a transfer above the cost of organizing the game. He does not know how much the transfer is, because his net expense varies. One day a few months ago he actually won back all his lunch money, plus enough to buy a pack of cigarettes and a beer. He accepts the losses because the company supports the football league in which his son is playing; and besides, you never know...

For Peter also, chopping off the asymmetries would kill the game, and he would no longer need to choose between his lunch and the cards. He could be given the exact return rates, and explained the LDWs (every second card wins! – but less than the cost of the whole set). The money for the football league could go from his taxes and he would only pay for what organizing the instant lottery actually costs. With these equivalences he would probably prefer to send part of his lunch money directly to the football club, and visit his party chapter to promote a more equal society rather than try to achieve it by scratching cards that whittle away his lunches.

The conclusion from the different calling points in our journey is quite unequivocal. Given that supply restrictions are insufficient, and increasingly so, to explain the gambling surplus, we must look for its origin on the demand side. Gambling depends on three types of asymmetries that deviate from the ideal model of equivalent exchange. Asymmetries of information are an indispensable element of a trade in which the object of exchange is chance. Asymmetries of transaction consist of unequal participation: the gambler gives away real value in money form, whereas the operator does not give away anything beyond the cost of organizing the game. No market device for singularities will ever be able to settle the just price of a transaction where the buyer transfers money to the seller but the seller transfers nothing it owns to the buyer. Singularities are objects, some of which like famous paintings are able to store value as investments. In gambling the goods collected by the players are products of their own imaginaries. Asymmetries of position depend on the consumptive and acquisitive images that motivate the play as

against the position of the operator who participates only in order to gain money with no incalculable risk whereas the buyer's risks are real and can be very high.

These asymmetries are essential elements of the use-value of gambling consumption. Eliminating them would destroy the commodity, and gambling could happen no more.

The point at which the asymmetries will cease to be the cost of an experience that would not exist without them, and turn into mendacious purloining, is subjective and wobbly. After one visit to a casino, a VIP customer may feel that the loss was worth it, especially after the drinks and the free game coupons offered to her in the VIP lobby; another time the same amount of money spent, this time on blackjack, may feel like larceny. No amount of economic theorising and research will help to determine which of her experience is genuine and represents objective reality.

Nevertheless, the gambling surplus is not just a subjective experience. It is objective transfer of value from gamblers to providers and beneficiaries. To answer the question, where does the gambling surplus come from, Milton Friedman must put his economist's hat back on, and make a judgment. Does the surplus result from fraudulent market imperfection, or is it part of normal value production to realize consumers' preferences in a market economy through free choice? Somewhere the line must be drawn to meet his own, relaxed criteria of "generating economic gain".

The same for Peter. His experience of scratching the cards depends on the asymmetries, and he may feel his losses to be a well-spent outlay for the excitement, or he may, at another time, feel robbed a second time by the capitalist class. No amount of sociological theory and research will be able to determine where the real difference lies, and he would not even care. But when he goes to his party chapter to discuss the government's gambling policy and the funding of his son's football league, he also will have to answer the question "Where does the gambling surplus come from?" What is the fair amount of abstract labour, and necessary consumption that can be sacrificed to produce the gambling experience and to use the surplus to support the athletic activities for young people? Again, the line must be drawn somewhere, on some criteria, somehow.

7 KARL MARX THE LIBERAL, UTILITARIAN CYNICS, AND THE IDEA OF JUSTICE

In the foregoing chapters we have examined the free market ideal and the way commercial gambling deviates from it, in parallel from the utility and the labour theory of value perspectives. From both perspectives, the results we found are the same. The gambling surplus depends on supply restrictions and on three insuperable asymmetries about demand and the transaction: of information, of the exchange, and of the participants' positions in the transaction. The supply factors and the asymmetries are not equally important across all forms of commercial gambling, and they hold only in part for do-national gambling. Although the utility theory and the labour theory are fundamentally contradictory, the similarity of results is not as such surprising. The free market ideal is the same for Karl Marx as it is for J.S. Mill or Milton Friedman.

The difference comes up only when we consider the nature of the value that circulates in the gambling transaction. This appears to be a moral rather than a purely economic matter. We have already observed that the labour theory of value draws a moral boundary between productive and unproductive labour. The former contributes to the wealth of the nation, the latter consumes it. The boundary is difficult if not impossible to draw empirically, especially in economies that essentially depend on non-material production, financial services, personal services, networks, scientific knowledge, ideas and creativity. Yet, logically, if we postulate labour as the source of value, this distinction must be made. Karl Marx, the most sophisticated of the labour value theorists, added another moral boundary to this, that between productive or "necessary" consumption. He had to do this to fix the value of the labour force that needs to be paid out of the value it creates when it is used in the labour process. Only consumption that is necessary for reproducing the labour force counts as its value. This, however, varies in different historical and cultural contexts, and depends on class struggle. The Marxian consumptive boundary is drawn politically, not determined naturally nor enclosed in the economic sphere.

Utility theory makes no such distinctions, because it considers the consumption of everything that fetches a price as value, or – more exactly – it considers the utility derived from such consumption *to be value*. In other words, utility turns into a measurable quantity that appears as price. *What the utility is, does not belong to the use-value neutral sphere of economic theory and analysis.*

Also Marx refused to answer the question where the consumption boundary lies or should lie. He recognized the moral nature of what is considered as necessary consumption (Marx 1990 [1862], p. 236) but thought that this is a matter of politics and class struggle, not of abstract economic theory. This is how he formulates it in the First Volume of *Capital*:

"The capitalist maintains his rights as a purchaser when he tries to make the working day as long as possible, and to make, whenever possible, two working days out of one. On the other hand, the peculiar nature of the commodity sold implies a limit to its consumption by the purchaser, and the labourer maintains his right as seller when he wishes to reduce the working day to one of definite normal duration. There is here, therefore, an antinomy, right against right, both equally bearing the seal of the law of exchanges. Between equal rights force decides. Hence is it that in the history of capitalist production, the determination of what is a working day, presents itself as the result of a struggle, a struggle between collective capital, i.e., the class of capitalists, and collective labour, i.e., the working class." (Marx 1990 [1862], Part III, Chapter X, Section 1.)⁴

There is more to these abstractions than the difficulty of historical analysis, however. Both the utility theory and the Marxian labour theory reduce value to a quantity – the former to price, the latter to time. These are moral standpoints. As Carl Schmitt, often called the “Hobbes of the twentieth century”⁵, has pointed out, abstraction – Schmitt called it neutralisation –

⁴ At this point his followers have taken two different paths. One line of argument has been to analyse the “real subsumption” of labour to capital, to see in what ways the capitalist mode of production alienates work from workers and workers from themselves by repressive, monotonous and sometimes inhuman conditions of industrial production. A famous example of this line of critique of capitalism was Harry Braverman’s “Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century, Monthly Review Press: USA. The other line has been functional critique, or Malthusian critique (see Sulkunen 1978). The Malthusian critique has argued that even the magnificent growth of consumption during the three glorious decades after the Second World War could be seen to demonstrate an “historical” and “moral” reproduction deficit. Given the enormous intensification of the work process and rising quality requirements of the labour force, its reproduction requires longer years of education and training, and the cost burden it places on parents to support their children until well into their twenties, even thirties in some cases. The rising reproduction costs escape the rising wage and consumption level of workers, and intensifies their exploitation rather than relaxes it.

⁵ Thomas Hobbes was the English philosopher whose book *Leviathan or The Matter, Forme and Power of a Commonwealth Ecclesiasticall and Civil*, published in 1651, two hundred years before Marx’s Capital I, is besides Rousseau, the most long-lived modern proponent of the idea of the social contract. Leo Strauss (2007), the German legal theorist of the Weimar Republic, considered Hobbes to be the founding father of European liberalism, because his support for the absolutist state was based on a similar abstraction as abstract labour in Marx: people are very different in their needs, wants and desires, as well as in their (religious) beliefs, but we all share one thing in common – the desire to live. This

from the variety of goods in life, is a liberal strategy. It makes room for differences and individualism, and limits the regulatory function of the state to an impartiality of the big machine, *machina machinarum* (Schmitt 2008 [1996], p. 42). It protects freedom and peace between citizens by demanding equal respect to their fellows' rights, however different they are. Its interference is neutral, mechanical, and impartial.

Abstraction or neutralisation cannot proceed only *from* the goods of life, however; it also must *lead to* something, a standard behind the quantities of price and time. It is here that the labour theory and the utility theory of value part ways. The standard for the utility theory is choice. Without freedom to choose there can be no utility determined by consumers, and any limitation of this freedom is a reduction of the value gained by entering in market transactions, and in fact, any interactions. Market restrictions, whatever causes them, raise prices and absorb resources from the satisfaction of other needs, wants and desires. Milton Friedman, the ideological figurehead of neoliberalism I quoted above on gambling and drugs, launched his critique of government power on this count: government interference in transactions between individuals and businesses was for him by definition a reduction of value in terms of welfare, security and freedom, all determined by the choices of individuals. Besides legalization of the gambling and drug markets, he defended voluntary conscription, same-sex marriage and free education for children offered by competitive educational institutions (Friedman & Friedman 1981, pp. 1–29, 193–200).

The position of the labour theory is also liberal, but in a different way. For Marx, abstraction from the goods of life leads to labour. Labour is the use-value of labour power, the commodity that capitalists buy from workers. Also this standard, measured by time, is very abstract. Marx in fact not only adds the consumption boundary to the production boundary of his classical predecessors in political economy; he repositions the production boundary to the consumption boundary. Only the *value* that is “necessary” for the reproduction or renewal of the labour power commodity enters in the formula of surplus value production; the use-values of commodities resulting from the labour process are irrelevant. “Productive labour is the labour that produces surplus value”, and surplus value is the product of labour above the value of the labour power itself, determined by necessary consumption. Abstract

common desire above all differences is sufficiently strong to justify the covenant of co-operation under the absolute rule of the monarch, “mortal god”, a great human (*makros anthropos*), who cannot violate the law because *he is the law*. The monarch has sovereign and unquestionable authority under the contract between citizens in order to protect the abstract one thing we all have in common: life itself, regardless of what it means to individuals. The difference is that submission in Marx is not voluntary nor to the absolute rule of a monarch but to the law of capital accumulation. But the abstraction from the diversity of the goods of life to subsistence, life itself, is the same.

labour represents for Marx the negativity of the goods of life, the exertion of effort that constitutes the cost of subsistence, or as Marx (1973) says in the famous Introduction to *Grundrisse*: Foundations of the Critique of Political Economy, of human metabolism with nature (Harvey 2018, p. 372). This negativity, or cost, is common for all people in a given material, social, and cultural context; and as such it is a historically variable outcome of the class struggle. Labour exerted in capitalist production is a reduction from life, but necessary to sustain the reproduction of labour power; the rest goes to capital accumulation, in other words to growth, and to the consumption of the non-productive classes. It is alienated labour; performing it is not itself satisfaction, only its products are. On the other hand, losing it – for example in the form of money lost in gambling – means a loss of life's satisfaction, just like artificial price increases are deductions from the level of satisfaction/welfare in the utility theory perspective.

The idea of justice

We are now close to the end of our journey to discover where the gambling surplus comes from. The surplus is value collected from gambling over the cost of organizing the game. In our study of European gambling companies the surplus was, with only some exceptions, greater than the cost of producing the fun. We have approached the issue in parallel from two opposed theoretical points of view, the labour theory of value received from classical political economy, and the marginal utility theory of value, now the orthodoxy of economic science. At first sight, these opposed starting points are incompatible, as if locating the source of value in opposite extremes of the economic activity, the first in the production of commodities and services, the second in using them, with the transaction of selling and buying in between.

At a closer look, the findings have been quite similar between the two approaches, as we have explored the different calling points of our trajectory. This is in fact not surprising, as both approaches to the theory of value build on the same assumption of the free market and equivalent exchange: equal partners, guided by their free will only, enter a relationship of exchange where they give away something they own and receive something else that they want. For that to happen, the objects of exchange must have something comparable in common, and that comparable substance must be measurable to have equal value. From both perspectives, the equivalence of the exchange depends not only on the exchange value (or production costs) but – somewhat surprisingly – also on the use-values of the commodities. *What* the use-values are is a problem for both approaches: economic science is not in a position to determine what the real needs of people are, but some standard of comparison and measurement is nevertheless necessary. Just any effort made, and just any pleasure enjoyed, cannot be counted as the source of value.

It is here that the two approaches differ most: for the utility perspective, any satisfaction, however noxious, is value that catches a price on the market, and the quantity of the value is the average price paid for it, *ceteris paribus*. On this point, the utility theory goes to the point of cynicism in its unwillingness to take a stand on what is useful and valuable. If the choice is formally free, however determined, value will be created by the very action of making it. Disutilities may follow and a price can be attached to them, but these are externalities and subject to moral and political decisions that do not affect the original value generation in the transaction.

The labour theory of value is equally liberal in its concerns about use-values. As Marx said, use-values are a matter of *Warenlehre*, and as such beyond economic theory. At a close look, also here a liberal moral standard is at work. For the classics it was the production boundary, for the critique of classical political economy performed by Marx it was the boundary between “necessary” consumption and consumption that only destroys value, whether it produces pleasure or not. What is necessary, is a question he left outside of economic theory to be dealt with in class struggle about life itself as the metabolism between humans and nature. In the Critique of the Gotha Programme (Marx 1970 [1875]) he poignantly attacks the “childish” notion that (any) labour is the *only* source of value; for him, it is the source of value as one of the forces of nature that in combination produce the conditions of subsistence, turned into private property under capitalism.

So we see that our initial question comes back to us, but now transformed into a moral one, an issue of how much loss of choice (utility reduced through extra money collected from gambling), or loss of value created by abstract labour (necessary consumption sacrificed in order to transfer money for the good causes) is acceptable, and on what grounds. Given that the gambling surplus depends on inequalities – or asymmetries to use the more technical vernacular – these are questions of justice, not of economic efficiency, supply restrictions, or even of the moral value attached to the gambling activity itself.

Now we have a big problem. Moral questions do not have quantitative answers. A reasonable moral theory can advise us on the idea of justice about the commercial gambling system, possibly from several divergent points of view. But no moral theory can explain why and to what extent the insuperable inequalities, on which gambling depends, are tolerated or are sufficiently useful to society to be maintained, despite the deviation they represent in an economy that is – ideally at least – governed by the principle of equivalent exchange. If such an idea of justice could be established, it would guide us in formulating a policy opinion, but it would nevertheless not guarantee that this opinion is followed by those who have a stake in the matter, and by those who have the power to do something about it. Issues that involve the idea of justice are matters of political processes, not something that can be solved at the theorist’s desk.

Social science, on the other hand, can be rightly expected to provide guidance on the social forces that are at play both in maintaining injustice and in attempts to solve them in ways that from their points of view best serve justice. If people would follow their own private interests only, such analysis would not be excessively difficult. The owners of commercial gambling companies, their cost-dependants and their beneficiaries would all compete for their share of the surplus. Gamblers themselves would also have a stake to reduce the extra cost, but if successful enough they might drain the excitement of their consumption too much to be interested in it at all.

As Adam Smith reminded us, however, human sense of justice is not limited to self-interest. “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of having it... That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it“, he begins the Theory of Moral Sentiments (Smith 1984 [1790], p. 9).

Political action is seldom determined only by self-interest, however well-defined and recognizable. On the contrary, the most passionate political stands are often taken on issues that concern little the majority of voters: abortion, same-sex marriage, substitution treatment for opiate users, euthanasia, and many other questions of mostly symbolic rather than practical relevance. Even the gambling surplus may seem politically marginal to many, as only a small proportion of most populations spend substantial amounts of money to contribute to it.

Here we need to remind ourselves of the fact that a very small minority of players, about 2 to 5 percent, contribute about one half of all the money spent on gambling. Another distributional issue is that gambling causes economic losses to persons who do not themselves participate in it at all. A political answer to the question “where does the gambling surplus come from?” is that it comes from inequalities between the operators and the gamblers, a substantial part of whom are unable to assess the disutility caused by their spending, to implement it in their choices, and to bear its consequences. Another part comes from consumers who recognize the asymmetries on which the surplus depends and accept them but are for one reason or another not able to consider alternative sources of the motivational images that form the use-value of the activity, strong enough to represent the amount of value they are spending on it.

8 TWO THEORIES OF VALUE – TWO PATHWAYS FOR GAMBLING POLICY

Given that gambling is closely related to a variety of harms to individuals and society, and that these harms are relatively well known, all forms of gambling in all countries is highly regulated. Another, even more commonly recognized need for public supervision is the need to assure players a fair deal with chance. This is a continuing, even growing concern particularly as regards betting on sports and even more on e-sports, where match fixing has long been a problem and is getting worse as the object of gambling is increasingly game vents rather than game outcomes. Manipulation of outcomes can be detected rather easily, whereas manipulation of game events is less obvious to regulators. Fair games and flawless random processors, and trust in getting paid in case of winning, are necessary to keep players coming back, and a testing industry has developed to maintain this trust.

Another reason for reliable regulation is the gambling surplus analysed here. The finding we have established in this book is essential to integrate the various needs for a sound regulation policy. The gambling surplus comes only partly from market imperfections of supply, many of them resulting from regulation itself. The other part emerges from the three insurmountable asymmetries integral to the gambling activity as a series of transactions between buyers and sellers.

However, this result alone is not sufficient for anybody to decide what kind of gambling policy they should support. Even from a limited economic point of view the analysis of market imperfections does not exhaust the policy options. Knowing how these inequalities are distributed, a heavy burden of the cost resting on the shoulders of people who least can afford it, adds to considerations of justice about gambling. We should also consider the common interest in protecting the health, welfare and security of the whole population. We might also have views about the intrinsic value of gambling itself as a consumptive experience, as a form of voluntary support for good causes, as well as offering a democratic chance of becoming rich, at least dreaming about it. Such views have defined gambling as something to be banned altogether in many societies to protect the common economic good that everybody should pursue. Most importantly, policy makers have different views on the kinds and degree of justifications required to restrict consumers' freedom to spend their money, as well as the freedom of businesses, associations and public bodies to engage in the supply of gambling opportunities.

The analysis of the asymmetries is necessary to understand what the differences in policy view are about, and as I have already pointed out, covers a wide range of policy issues that are beyond economic calculations in a strict sense. Public policy is never a matter of just comparing the plusses and minuses of alternative pathways. It always includes incommensurable considerations between rights (or interests) and goods, and also considerations of the nature of policy-making itself either in the service of something that can be called common rights (or interests) and goods, or rather as a matter of public debate between different groups in society. As I have shown, the two major approaches to value have much in common in economic terms, as both rely in theory on the free market ideal and steer away from judging the inherent value of gambling as an activity. However, their moral implications depart because their abstractions from the use value content, or the utility, lead to two different things, the labour theory of value to the effort exerted in human labour, the utility theory to choice. Even within these two major theoretical starting points ambivalences remain. Policy analysis even on a sound theory basis is no algorithm, but it uncovers what the debates and differing discourses are about.

Rights and goods, common and public

Justifications of public policy in social issues like gambling generally revolve around two principles. One approach rests on the idea of *goods*; others draw on *rights and interests*. Both involve economic aspects. Healthy life is a prime example of a good thing that everybody, or most people, consider desirable, even if it entails a cost. On the other hand, health can also be understood as a right, and people have an interest in protecting it against other interests. A significant example is the World Health Organization (2008) programme on global health equity. It goes deep into the economic conditions of supplying healthy food, shelter, and care, not to talk of the economics of medical services. Tobacco, alcohol, and processed foods industries have health endangering financial interests, but promoting health also serves a variety of interests, represented by medical technology, pharmaceuticals, patient associations, health professions, and many other people. Often rights and interests about health are contradictory, and – following this perspective – we need to weigh the legitimacy of one interest or right against others.

Policy approaches are commonly justified from both of the two perspectives of goods and rights. At first sight, the difference appears to be slight – who would not be interested in good health? In fact, the two perspectives are very different.

The grounds on which the goodness of things and the rights or interests are evaluated oscillate themselves between two dual possibilities. *First*, they can be assessed in terms of how *common* or how *particular* they are, in other words how widely they are shared in society. Democratic societies, where

political and legal authority is seen to emanate from the people, tend to require uniformity of their members, often based on religious or otherwise normative grounds. Many pleasures, like gambling, smoking, and drinking, have been – and are still – considered as bads, not only in themselves but also because they disturb the welfare and normative order of the whole society, like in the rallies for alcohol prohibitions in the early twentieth century. Sometimes exceptions have been made in particular cases, defining such indulgencies as goods for some but bads for others, and not allowed to them. Also interests can be seen as common or particular. Promoting health is in everybody's interest as it saves lives, costs, and suffering; promoting employment is likewise a common interest, but also particular interests are attached to the same policy issues.

Second, a distinction between *private and public* goods and interests may be drawn. This distinction is and has been essential for European liberal thought from the seventeenth century onwards, including both the utility and the labour theory versions of what is considered to be value. Policy justifications need to be limited exclusively to what can be considered public goods and interests, leaving aside – and also undisturbed by public regulation – those that should be considered private. The question is how the line between public and private is drawn.

Both goods and interests (or rights) can be used as policy justifications either on the basis of being common, shared by all or most people, or on the basis of being public. The Table below summarises these four different approaches.

Table 3. *Principles of justifying (gambling) regulation*

	COMMON	PUBLIC
GOOD	1. Common goods/bads <i>Criminalization, prohibition, moral bans.</i>	2. Public goods/bads <i>The Ethics of Not taking a Stand, information, persuasion.</i>
INTEREST	3. Common interest <i>Cost-benefit analysis.</i>	4. Public interest <i>Public debate and negotiation.</i>

As we have seen, the two lines of reasoning about value that we have followed in this book share many common assumptions about the surplus. Both build their explanations on the free market ideal, while recognizing that the model itself is not reality as much as the exceptions to it. They explain the surplus by market restrictions, some imposed by public regulators, another part arising from barriers to entry that are part of the industry itself. Both approaches must also recognize the insuperable asymmetries of the gambling transaction that cannot be eliminated without destroying the game itself. And both approaches agree that it is not the business of economic science to define to judge whether gambling is a common good or bad in itself (unlike the position in Cell 1 in Table 3). Like any consumption, in the sense of depleting commodities or

using services, gambling takes place outside of the economic circuit proper – what matters is only its contribution to the production and circulation of economic value. But in considerations of how to draw the line between common and particular interests, an even more so between public and private goods and interests (Cells 2, 3, and 4), the two approaches lead to different positions on how to assess the surplus and its social consequences, and in fact gambling's role in society as a whole.

Starting from Cell 2, the utility approach takes the view that gambling consumption, like any other free consumer choice, satisfies value-generating private preferences. In the interest of the public good, including not only the economic outcome but also welfare and happiness of the population, any public policy interference should be limited to the minimum. Harm from gambling is recognized but responsibility for preventing them should rest on the market actors. Public policy should inform about effective responsible gambling (RG) measures and encourage to apply them, but it should adopt an ethics of not taking a stand in implementing them: businesses should weigh the pros and cons of various ways of limit setting required of their customers, and players should use their own informed reason to subscribe to them. The surplus is, from the consumer point of view, not exploitation but a cost to be included in the payment for the gambling experience, and thus in its value. Money that pays for it comes from the pockets of the players but the satisfaction of the preferences is co-produced in their imaginary inner worlds. This extra cost cannot be eliminated by competition between the suppliers; neither can it be reduced by technical or connoisseurial market devices, lest the activity would become meaningless. One way of bringing the operating costs closer to the price paid is to include adjunct consumer services to the gambling act, as happens in new types of multifunction casino venues. This would eliminate the surplus. The gambling act itself, however, would remain surplus-producing, although it would be spent on the costs of these additional features of the environment.

The only way to bring the gambling act closer to the fee market ideal, and to the standard of “normal” market transaction, is to recognize the altruistic or do-national function of the surplus by allowing gamblers to choose which good causes they want to support with their contributions. This would add to the utility gained from the transaction as well as improve its transparency as a give-away. Ambivalences will remain, not concerning the merchandise itself, since for the marginal utility perspective whatever is voluntarily paid for is value, but concerning the conditions of purchase. To what extent the choice is free for those who are addicted, and for those who are misled by marketing alluding to the democratic chance of becoming rich is a question to which the answer depends on one's theory of addiction and of human rationality. Those who believe that *akrasia*, acting against one's own interest, is possible and in fact manufactured by the industry's manipulating technology, will agree with

Young and Markham (2017) that gambling is “coercive consumption”, and therefore not generating any economic value. It is secondary exploitation through consumption. This would explain a large part of the gambling surplus, but not the equally large part that actually conforms, by all criteria, to the model of the free and informed choice of the non-problem gamblers.

From the labour theory of value the distinction between public and private good of gambling looks very different. The money that circulates in the business represents abstract labour, human effort, which – at least in the world of *Capital 1* by Marx, is an expenditure necessary for human subsistence, however unequally it is levied on different classes in the capitalist (world) system. As such, it is a public matter and needs to be evaluated, not for its intrinsic moral value as a common good or bad, but as a public issue concerning the employment of the human resource. Keynes, Samuelson, Toby, among many other economists, and writers cited in earlier chapters of this book (Mazzucato 2019; Barba & de Vivo 2012), although not strictly devoted to the classical labour theory of value but in line with it, have argued that a large part of the financial market is like gambling, consuming rather than producing value. The ambivalence here is on the one hand whether gambling falls within the productive side of the production boundary, and on the other hand to what extent gambling activity belongs to the wage goods that determine the value of the labour force. The question is not quite as obvious as it may seem. Some financial operations in the stock market were considered productive even by Marx, who argued that they shorten the circulation time from money invested to money plus surplus value received, thus increasing the capacity of capital to generate surplus value through the labour process. This would squeeze back the tendency of the rate of profit from total capital investment in society to fall, which follows from a growing proportion of constant capital (machinery, technology, materials, TKI outlay etc.) to variable capital (labour) (Harvey 2018).

Gambling is part of the operations of finance capital in the sense that the amount of money circulating through it, is mostly unrelated to the production of the service, just like the operations of finance capital are detached from the “real economy”. However, it is difficult to see what function it might serve in the circuits of total social capital from money to commodities and services and to more money ($M - C - M'$). My view is that the question of how much gambling capital participates in the production of wealth or surplus value is in any case marginal compared to the total amount of money it circulates in society, considering that this money represents human labour expended at some point somewhere else in global capitalism. The conclusion from this is that although the value circulated by the industry as a whole is a public issue, its function in the value production is not a sufficient ground for policy making. To what extent gambling is a public good or public bad must be decided on other criteria.

Moving to Cell 3, the utility approach leads to consider gambling and the gambling surplus as sources of revenue to support common expenditures, either through public budgets or – preferably – through direct contributions chosen by gamblers themselves. Direct contributions selected by the players serve the common good in two ways. First, the choice of consumers to spend in the first place satisfies their preferences and thus produces value to the economy. Secondly, their choice of the good causes they want to support reflects their preferences for public services, at least much better than any political decision that would be necessary if the extra money they pay goes through taxation, although voluntarily spent. Avoidable costs and hardships from gambling appear from this perspective as deductions from the contributions to common interest by applying a cost-benefit analysis (CBA) where they would have to be assigned a monetary value. As discussed above in Chapter 5, many technical and logical issues complicate the analysis. The most fundamental of these is that while the gambling surplus is part of the common interest in good causes, it is also a loss of total welfare as it is a reduction from the “consumer surplus”. Another problem of the CBA approach is that the benefits do not go to the same people who bear most of the costs and burdens caused by the activity. Those who benefit from the gambling surplus are not likely to be the gamblers who produce most of it, even if they were to choose who the beneficiaries are. The third issue is obviously the difficulty of assigning money values to the diversity of non-measurable harms and burdens, such as emotional distress, health, loss of life, and suffering of the gamblers and their near ones.

The labour theory perspective, on the other hand, considers spending on gambling as a cost that must be subtracted from public revenue collected from the gambling surplus in common interest. Several studies show that taxes are a lot cheaper way to treasure funding for public use. For example, the Finnish government collects about 60 000 million in income and consumption taxes annually, costing about 400 million (total expenses of the tax administration), or less than 10 percent of the revenue (and much less if other taxes are considered in the revenue). Veikkaus, the Finnish gambling monopoly, reports its total turnover as about 3,200 million euros for 2017, of which it paid 1,200 million as taxes and surplus contributions. In other words close to two thirds of the total spend by players go to costs of collecting the surplus. These figures include only the GGR (=turnover minus winnings paid out) for EGMS; the estimated total spend (including replayed winnings from EGMS) is about 12.000 million, in other words ten times the surplus. In Norway, also a state monopoly country, the cost of collecting the surplus (about 500 million) is 85 percent of the total monopoly revenue and 35 percent of the GGR (Marionneau & Lähteenmaa 2020). As the state monopolies are very efficient in collecting the surplus, with no capital, shareholder, and financial costs, we can conclude that in other countries the cost of collecting the surplus for public use is much higher.

Going finally to Cell 4, the public interest, the difference between the utility and labour theory approach to value is essential. The former sees gambling consumption as satisfaction of preferences, and provision of gambling opportunities, as business activities that arise from private interests but generate public value. The legitimate public interest in gambling regulation should be limited to consumer protection and to assuring fair terms of trade between the businesses and customers, as well as legal and administrative supervision to guarantee that consumers are correctly informed. They should not be forced or manipulated to participate in any way. Public regulation is necessary from this point of view to oversee that competition is free and occurs under equitable conditions. The need to protect the consumers arises not only from the side of the players; also the industry as a whole profits from a high degree of trust, and has accepted to co-operate with regulatory bodies to promote responsible gambling policies and to prevent crime and fraud, including money laundering. How efficiently and uniformly these goals are implemented is an empirical question, but concluding from the large number of reported court cases and other public hearings the temptation to free-riding is great.

From the labour theory of value perspective, the public interest extends to far wider issues concerning the distribution of benefits and damage, as well as public responsibility for the collective employ of abstract labour. From the utility theory perspective the public interest is to guarantee legal equality and formal autonomy of providers and players as contract partners and to assure that promises and engagements are held. Market imperfections, including the insuperable asymmetries in gambling, can be tolerated, as long as participants are aware of them and face them on equal terms. In contrast, for the labour theory, value is a social relationship, and the asymmetries of the gambling transaction are a public problem in itself. As Marx said in the quote above about the formal equality between capitalists and workers as contract partners, “between equal rights force decides”. The public interest, then, has to account for the imbalance of forces between operators, cost-dependants, beneficiaries, and the gamblers, both among themselves and as participants in the system with the other participants. As Amartya Sen (2010) has stressed, formal equality in itself does not guarantee justice, however perfectly public policy is able and willing to protect it. The public interest also accounts for the unequal capabilities of participants to evaluate the insuperable asymmetries and to bear the impact of these on their own health and welfare as well as those of others affected.

9 CONCLUSION: A TRUE MORAL ECONOMY

We have approached the source of the gambling surplus in parallel from two opposed points of view, the labour theory of value received from classical political economy, and the marginal utility theory of value, now the orthodoxy of economic science. These opposed starting points appear incompatible at the outset, locating the source of value in opposite extremes, the first in the production of commodities and services, the second in using them, with the transaction of selling and buying in between.

At a closer look, the findings have been quite similar between the two approaches. This is in fact not surprising, as both approaches build on the same assumption of the free market and equivalent exchange: equal partners, guided by their free will only, enter a relationship of exchange where they give away something they own and receive something else that they want. For that to happen, the objects of exchange must have something comparable in common, and that comparable substance must be measurable to have equal value. From both perspectives, the equivalence of the exchange depends on both the use-values of the commodities and the cost of producing them. *What* the use-values or utilities are is a vacuity, also common in both: economic science is not in a position to determine what people need, want, or desire, but some standard of comparison and measurement is nevertheless necessary.

It is here that the two approaches differ most: for the utility perspective, any satisfaction, that is sold, bought, and paid for on the market, is value, and the quantity of the value is its average price, *ceteris paribus*. The classical labour theory of value draws a boundary between productive and unproductive work expended to produce commodities and services. Marx turns it into a boundary between “necessary” consumption that determines the value of the labour force, and consumption that only circulates or even destroys value. This consumption boundary is not drawn on the market; instead, Marx leaves it to the class struggle to determine what commodities and services belong to “wage goods” and what are either luxuries or unproductive expenses of the capitalist system of circulation.

For both perspectives, the gambling surplus is a transfer that results from the same market asymmetries and incurs a loss but in different ways: a loss of choice for the utility theory, and a loss of value produced by abstract labour for the labour theory. The asymmetries of information, transaction, and position, are the sources of the gambling surplus, but insuperable in the sense that if they are eliminated, gambling becomes meaningless. So the initial question comes back to us, now transformed into a moral one, an issue of how much

loss of choice (utility reduced through extra money collected from gambling), or loss of value created by abstract labour (necessary consumption sacrificed to transfer money for the good causes and extra private profits to the operators) is acceptable. Given that the gambling surplus depends on inequalities – or asymmetries to use the more technical vernacular – these are questions of justice, not of economic efficiency, supply restrictions, entry barriers, or free market competition. Eliminating the asymmetries eliminates the commercial gambling activity altogether; allowing them demands moral judgements on distributional justice as well as considerations of the public interest, accounting not only for priorities in spending the surplus but also for the human suffering caused by dispossession of resources through gambling.

We have thus encountered two points in economic theory that involve inevitable moral judgements, both within the liberal mode of theory with neutralization in its core: the productive boundary between what is considered productive and unproductive labour, and the consumptive boundary between what is considered necessary satisfaction of needs and unnecessary waste. Economic theory avoids involvement in such issues, giving answers like: “productive labour is what produces surplus value”, or productive work is what produces added value, independently of any consideration of how necessary for human welfare or any other need we might think of. For the Marxian surplus value theory even the first answer is obnoxious, as the auxiliary but sometimes necessary expenses from accounting, banking, and financing, and the expenses from circulation including transportation, marketing, regulation, user advice etc. are always a question mark in terms of “producing surplus value”. The same is the case for the utility theory in terms of including and excluding costs from what can be considered added value.

The distinction between “wage goods” and “luxuries”, or what should be included in the concept “socially necessary labour” that determines the value of the labour force, is always, as Marx admits, a moral one over which societies negotiate and contest to produce historically changing ways of looking at it.

Moral questions do not have quantitative answers. They need to be, and constantly are, produced in considerations of goods and rights on the one hand, and of common and public concerns on the other hand. The two approaches to value in society over-determine policy positions on all aspects of gambling, not only the weight given to its narrowly economic consequences. The approaches are united in the sense that both adopt a liberal position on the issue of common good by refusing to take a stand on whether or not the activity itself should be rebuked as a common bad. The difference between them comes up, first, in drawing the line between common and particular interests. If value is thought to reside in consumers’ willingness to pay, the surplus is a cost, a voluntary tax, to players but revenue to cover the expenses of public services and thus in common interest. Seen from the labour theory perspective, the gambling surplus is also a revenue in common interest but the

money spent on collecting it through gambling is a cost to society, and a reduction from the common interest.

Second, the lines are drawn differently between public versus private good, and between public versus private interest. For the utility theory, gambling is a public good as it satisfies consumers' preferences and interference by regulators should be limited to information on RG tools. The public interest from this perspective is limited to protecting consumers, preventing fraud and crime, and assuring equitable conditions of business for all operators, commercial, associational and publicly owned. The labour theory of value adds considerations on the good use of the human resource invested in abstract labour. Commercial gambling adds little to collective public goods of mutuality, solidarity, the integrating force of gift exchange, and other forms of sociability. From this perspective, the public interest covers not only issues of formal equality but also justice accounting for the consequences and the capabilities of those affected to bear them.

The analysis of the source of the gambling surplus in the light of economic theory has led us far beyond calculations of costs and benefits and elasticity estimates, to principles of policy-making and to the general role of commercial gambling in contemporary commercial society. What appears as an issue in economic science is in fact a part of a true moral theory.

Social scientists do not make political decisions but they can point out the moral and theoretical stratagems of the disparate propositions when decisions are debated, and inversely, they bring to light theoretical and ideological presuppositions that are implicated in opposed moral and political stands on controversial issues. This journey was intended to provide such an intellectual intervention to debates on gambling that tend to be muddy and unclear because they are translations of particular interests into the language of general policy, or because they are fitted into a pattern of ideological and moralistic battles. A sociological intervention, instead, is to perform a translation back, from practical attacks in a battle, to a recognition of the issues involved in different ways of seeing society. My ambition in performing this translation is that it tells you what values and interests probably underlie your gambling policy preferences, and inversely, what gambling policy you are likely to support once you are clear about your views of capitalist society in general. Beyond this point, I can only join Marx whose favourite quote from Horace was "*De te fabula narratur!*" [It is of you that the story is told.]

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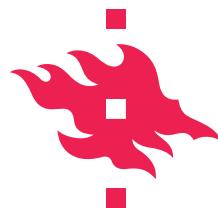
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Centre for Research on Addictions, Control and Governance (CEACG)

Gambling is a source of public funding, charged from the operators as taxes, license fees, and other forms of public revenue. This funding expanded in the 1980s when many governments introduced national lotteries and betting monopolies to collect money for sports, culture, youth work and other “good causes”. Only about half of the money spent on these games was returned to players as winnings, the rest going to the surplus. Commercial gambling offers to consumers mostly fast electronic games. Fast games require high pay-outs to players as winnings to keep them spending money. Margins are very low but the surplus remains high.

This book explains why. Gambling is an asymmetric market where buyers spend real money on uncertain outcomes every time they play, but operators pay almost nothing for additional rounds of the game. High jackpots are calculable costs for the companies but the risk of loss is very high for gamblers. The larger the turnover, the smaller the margins can be and still produce a surplus.

The theory of asymmetric markets developed in this book rests on the classical labour theory of value. Asymmetric markets circulate and redistribute value produced elsewhere in the economy. The book develops a public interest view to account for the social consequences of this asymmetry, and proposes a strategy to reduce the harm resulting from it.



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