

# Sustainable development in a rapid developing Casino destination

The Case of Macau

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## BACHELOR THESIS WITHIN TOURISM STUDIES

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### ABSTRACT

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The casino industry has had a rapid development all over the world the last years, together with this a wide discussion concerning the sustainability of the destination has started. Has the casino industry developed goals concerning the social and economical sustainability?

Macau is one of the world largest casino destinations and has been a gambling metropolis for over 140 years. In 2002 the government decided to deregulate the gaming industry that had been a monopoly since the 1930's. This has started a massive development all over Macau. One of the greatest developments is the so called Cotai Strip. This is a plot of land that is modelled after the Las Vegas Strip and there they are developing large hotels and casinos and the aim is to become "Asia's premier entertainment destination". The plan is to provide 20 new casinos and over 20 000 hotel rooms. The purpose of this research is to do an inventory of factors influencing social and economic sustainability of Macau as a rapid developing gaming destination and to see if Macau is working towards a sustainable development.

The conclusions are made that Macau has a great economic development mostly because of the tax contributions from the casino companies that reaches a sum of about 3,7 billion US-dollar every year. We can also see that the casino companies in Macau are trying to be social responsible companies as they work against problem gambling and donates money to those in need. But the research also shows that all these tax money that the government receives do not reach the inhabitants in the right amount. The research has concluded that this has caused problems such as increased criminality in the city, immigration of illegal workers and a great risk of a high increase in pathological gamblers.

A wide dissatisfaction has started to spread among the inhabitants and many protests have taken place to open the eyes of the government. In recent time the government has understood that the development might have been too rapid and not sustainable, and because of this made some restrictions on further development. As the government has showed that they are aware of all the negative aspects and made some serious measures to address the development problems it might mean that Macau will not develop more serious struggles. But on the other hand it might have gone too far already, the future will tell.

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# 1 INTRODUCTION

*In this section there is an introduced to the subject of sustainable development, the development of casinos as well as the development of the city of Macau. The research question and purpose is also one part of the first chapter.*

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Carmichael (2001) defines sustainable development as a tourism community that does not damage the environment or the social integrity of the inhabitants. Sustainable tourism development is one of the most extensive debates in the tourism industry today, discussing what can be done to diminish the negative impacts caused by the development of a tourism destination. And casinos can be just that, a tourism destination, when they attract a significant number of visitors from outside.

According to Castells (2000) our world and our lives has been shaped and influenced by the globalization. The new information technology has led to a new social system, the network society. Further, Castells (2000) say that this new society is run by elites were tourism companies, such as casinos, are contributing to the redevelopment of cultures and social movements and also to poverty and wealth.

Casinos have had a rapid expansion rate since the 1980s when countries all over the world deregulated the gaming industry. Between the year 1990 and 2000 casino revenues went up with over 200% and can now be compared with the revenues of the whole world's cigarette business (Grinols and Mustard 2006). Before this event there were three major casino cities, Las Vegas, Monte Carlo and Macau, now casinos are easily found all over North America, South East Asia, Eastern Europe and Australia (Weaver, 2006). A new report assesses the revenues from casino gambling worldwide will reach 100 billion US-dollar 2009 (Walker, 2007).

Macau is one of the world largest casino destinations and has been a gambling metropolis for over 140 years. Macau has been its own country separated from China but in December 1999 Macau was returned back to the Peoples Republic of China and became a Special Administrative Region (SAR) (Vong, 2004; Vong and MacCartney, 2005).

The new administration decided in 2002 to deregulate the gaming industry that had been a monopoly since the 1930's and gave away three gaming rights. This has started a massive development all over Macau. One of the greatest developments is the so called Cotai Strip. This is a plot of land that is modelled after the Las Vegas Strip and there they are developing large hotels and casinos and the aim is to become "Asia's premier entertainment and MICE destination". The plan is to provide 20 casinos and 20 000 hotel rooms, for example a 4000 room Sheraton Hotel which will be the biggest hotel in Asia when it opens in 2008 (Vong, 2004; Vong and MacCartney, 2005).

Studies concerning the inhabitants perceptions about casinos and gambling has been made several times in the past and it is a mixture of thoughts and feelings. Also sustainable development is a well researched subject (Vong, 2004; Vong and MacCartney, 2005). There has been a lack of quality studies on economical and social effects of casino gambling (Walker, 2007). Macau is also doing something that has never been done before, creating a world leading casino metropolis in just a few years time. And as this development is happening as we speak there are no research made concerning the sustainability of this rapid development.

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Macau want to become a “new” Las Vegas and they are trying to develop this in not even half the time that Las Vegas was built. Is it possible for Macau to create a sustainable casino destination when developing “Asia’s Las Vegas” in just about 5 years? How well planned is this development and what has the government done to minimize the costs for the region and its inhabitants?

### **1.1 RESEARCH QUESTION**

- What factors influence Macau’s social and economical sustainability in its rapid developing casino tourism?

### **1.2 PURPOSE**

The purpose of this research is to do an inventory of factors influencing social and economic sustainability of Macau as a rapid developing gaming destination.

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## 2. RESEARCH METHOD

*This chapter describes briefly the chosen method of research and explains the methods used during the creation of this thesis.*

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### 2.1 METHOD OF RESEARCH

To get the right information needed and to form an understanding concerning casino development and planning I have been using a qualitative method, as the main method for this research to get the right empirical material. When doing a research a method of gathering the information and compiling it into a text is needed. There are two research approaches that are normally used – the qualitative and the quantitative research methodologies that can be seen as using different aspects of looking at the same thing. The most evident difference between the methods is the use of numbers and statistics in the quantitative method, in comparison with the qualitative method that uses categorize data found through observations. Another aspect is that the quantitative method is more structured and the researcher can have a greater control due to all of the statistical tools available (Holme and Solvang, 1997).

The reason for this choice of method was that my aim it fitted in with the methods focus. I wanted to achieve an understanding of a social event, which is the sustainability in rapid developing casino destinations. The qualitative research method also often includes some fieldwork to get an as accurate observation as possible (Merriam, 1998). To get this accuracy I have used reliable sources to gather both the theoretical and empirical information. The accuracy rate also heightens because of my knowledge of the region as I lived in Macau half a year and can use my observations and impressions from that time in this paper.

Also, in a qualitative research the person that carries out the research is sole responsible for gathering and interpreting data in comparison to quantitative research methods where it is possible that computers are used instead (Merriam, 1998). Since the researcher himself interprets the findings in the qualitative research, it is of great significance to be critical of these findings. This also causes that the human factor is a common source of inaccuracy, which makes it even more crucial for the researcher to be objective (Merriam, 1998). To avoid this to the greatest extent possible, all empirical data gathered has been examined critically and made sure that they are reliable

It is not always possible to create conclusions that are valid for other people that are not included in the research, but in this case I am studying the development of one single place which makes it possible to understand it better (Holme & Solvang, 1997). But in the same time I could not draw any vast conclusions with for example other casino destinations without further research. On the other hand I have done many relative interpretations to be able to compare and create an understanding towards the collected data (Holme & Solvang, 1997).

### 2.2 APPROACH

A qualitative analysis can be carried out with two different viewpoints, inductive and deductive. The inductive approach is used when the researcher collects and looks at the data, and out of that develops theories that are later related to the findings. The deductive approach is used when already existing theories and literature is being used to help identify theories and ideas. In this research I decided to use the deductive approach

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which means that the research before that data collection had a clear theoretical position (Holme and Solvang, 1997). I wanted to achieve an understanding of the reality that I investigated before the study started. It is in my opinion that this was needed to find the right empirical material and that is the reason for me using the deductive approach.

The information gathered for the frame of reference mainly comes from books and articles found at the university library, the internet, and from different databases like Google Scholar, Libris, Elin@kalmar. Important keywords that I used in the search for information was; sustainable development, casino tourism, casino impacts, Macau. For the theoretical part I have mostly used academic articles for the reason to get as up to date information as possible. For the empirical part I mainly used statistics from the Macau government as well as research done by others on the Macau resident's thoughts, feelings and behaviours. Bryman et al. (2005) says that secondary data usually gives the researcher an advantage. The benefits you can get from secondary data are that it will save time and money as well as that this type of data generally has a very high quality. I have used secondary data both on the theoretical and empirical study.

The reason for choosing Macau as the place for the case study is the fact that I myself studied in the city recently and with my own eyes witnessed some of the great casino developments made. It immediately made me think of the possible costs and benefits for the city and created a curiosity to learn more about the subject. This also means that I had a foundation to stand on and had good use of my prior knowledge about the city.

Furthermore I have chosen to write my thesis in English with the main purpose to be able to present the research for the Macau government and also for other English speaking privies. Since the study was carried out in a foreign country where Cantonese and Portuguese is the spoken language and English is one of the major business languages, writing it in English was an apparent choice since I do not master the other two languages.

This study is written for the Macau government and other cities governments planning to develop casinos. It is also applied for tourism students that want to dig deeper into the subject in thesis's and other scholastic assignments.

### **2.3 CASE STUDY**

My intentions with this research was to find out if the development in Macau can reach a sustainable development and see if the casino companies and the government are working towards this. The purpose I had was to concentrate on present time, but the past time and the present has also been involved. The reason for this development is that I wanted to get an as complete picture as possible of this study.

A case study has different functions and according to Backman (1998) there are three different types of case studies when doing research. These are descriptive, explanatory and investigative. As a starting point I had the descriptive focus but later moved towards some investigative as well. The motive for this was to get an overview of Macau and its casinos and then get a deeper understanding of this case.

### **2.4 METHOD CRITICISM**

All the secondary data that I have used are according to me most relevant to this research. I have had a critical perspective towards all the articles and literature. Mainly I have used recent writings but also some older ones, the reason for this is that more recent information has not been available which makes the old information still relevant

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and trustworthy. Information from internet should always be viewed in an extra critical way, and that has been done with the information in this study. The subjectivity of some of the sources is obvious, but that is nothing that says to avoid using them. I have used internet sites connected to governments, world wide organisations as much as possible to get the most reliable information.



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### 3. SUSTAINABILITY AND THE HISTORICAL DEVELOPMENT OF MACAU

*This chapter introduces the theoretical background to sustainable development as well as a historic background to the city of Macau. This will help to understand and take in the coming discussions in this paper.*

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#### 3.1 SUSTAINABLE DEVELOPMENT

Sustainable tourism and planning must consider three main points to be able to succeed in the goal of sustainability. In the plan there must be well developed social, economical and environmental goals (Hall 2000). In this research the focus will be on social and economical goals. The reason for this is the purpose to find out if the rapid development that in many parts are economical and see if it can be sustainable for the inhabitants in Macau, the society.

There are many definitions of sustainability. Mowforth and Munt (2003), means that sustainable tourism consists of four different parts; ecological, social, cultural and economical sustainability. As mentioned above the focus will not be on the ecological sustainability. *Social sustainability* is referred by Mowforth and Munt (2003) as a community's ability to take in new phenomenon's and to continue to function in a social harmony with the new terms in the society. Further they describe *Cultural Sustainability* as "the ability of people to retain or adapt elements of their culture which distinguish them from other people." *Economic sustainability* is on the other hand said to be when the level of tourism incomes of a community that are enough to cover the cost of catering for the incoming tourists and/or for the costs that are an effect of the damage the tourists creates (Mowforth and Munt, 2003). Carmichael (2001) defines sustainable development as a tourism community that does not damage the environment or the social integrity of the inhabitants.

The World Tourism Organisation (WTO) has set up guideline for development and management of sustainable tourism. These are guidelines that all types of tourism destinations can apply, WTO also uses sustainability principles as mentioned above which are; environmental, economic and social. And to be able to make these parts sustainable the WTO believe that sustainable tourism should:

- 1) **Make optimal use of environmental resources** such as conservation of natural heritage and biodiversity.
- 2) **Respect the socio-cultural authenticity of host communities**, conservation of cultural heritage and traditional values as well as helping the community to understand and tolerate different cultures.
- 3) **Providing socio-economic benefits to all stakeholders**, examples include stable income-earning opportunities, social services and doing the best to ease poverty. As well as making sure that the economic development is long-term.

The WTO also ads that, to be able to have a sustainable tourism destination there should be an "informed participation of all relevant stakeholders, as well as strong political leadership". It is also crucial to understand that this requires regular monitoring when sustainable tourism is a non-stop process. Above all, the customer can not be foreseen, that is the reason for keeping the satisfaction among the tourists high ([www.world-tourism.org](http://www.world-tourism.org)).

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Is the government of Macau thinking about all parts of the sustainability, both social cultural and environmental? And are the casino companies doing their part to help the people of Macau? Mowforth and Munt (2003) say that mass tourism and growth can lead to many different problems such as social and cultural degradation, uneven allocation of the financial benefits. What are the government and the casino community doing to prevent this from happening?

### 3.2 HISTORY OF MACAU

Macau is located on the Southeast coast of China to the western bank of the Pearl River Delta, only 60km from Hong Kong. It only has the size of 28,6 square kilometres and a population of about 530 000 people. The population consists mostly of ethnic Chinese (94%) and the remaining is mostly Portuguese but also from other regions. The official languages are Cantonese and Portuguese, though Portuguese is at this time almost only used in government departments. Also English is well developed especially in the trade and tourism sectors ([www.macautourism.gov.mo](http://www.macautourism.gov.mo)).



**IMAGE 1:** *Location of Macau* (Vong and MacCartney, 2005)

The location of the city made it a part of the Silk Road with ships sailing all the way to Europe. In the middle of the 1600<sup>th</sup> century the first Portuguese arrived to the city. At this time the inhabitants called the city A Ma Gao, the place of A Ma. A Ma is the goddess that protects the seafarers whose temple also was placed in the city. The Portuguese took the name A Ma Gao but it gradually changed into Macau. With the help of the Portuguese Macau became an important port for trading between China and Europe. The European trade with China grew with the British taking over Hong Kong in the 1840's and already at this time Macau became a recreational retreat for the European merchants. Since then they have developed into a vast tourism destination with many resorts, restaurants and casinos. But they also have industries such as making toys, electronics and textiles ([www.macautourism.gov.mo](http://www.macautourism.gov.mo)).

The European influences has also been an important part of creating Macau's unique cultural heritage, the combination of east and west in religious rituals, customs, architectures, and cuisine. The unique architecture in the centre of Macau is an important part of the cities cultural heritage and in 2005 "The Historic Centre of Macau" was added to UNESCO's World Heritage List. The "historic centre consists of 25 historic monuments and sites, for instance the A-Ma Temple and the Ruins of St. Paul ([www.gcs.gov.mo](http://www.gcs.gov.mo)).

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On December 20<sup>th</sup> 1999 Macau became a Special Administrative Region of the People's Republic of China. This meant that they now is a part of China but still could keep their own laws and regulations. Macau could still also benefit from a high degree of independence and they are also approved to keep its social and economical features in agreement with the rule of "one country, two systems." (Fong and Ozorio, 2003) One of these was the law allowing gambling in Macau while it is totally illegal to gamble for money in all other parts of China ([www.macautourism.gov.mo](http://www.macautourism.gov.mo)).

### 3.3 DEVELOPMENT IN MACAU

Gambling in different forms has long been a part of the inhabitants life in Macau and the first legal licensing system were incorporated in the 1850s. Though, these licenses were not controlled in the right ways which lead to corruption and other illegal activities in the city. As a way of trying to take control of this problem the government gave the rights of a gaming monopoly given to the Tai Xing Company in 1934 (Hobson, 1995). This monopoly was intact for about seventy years and the last period was run by Mr Stanley Ho.

The new administration decided in 2002 to deregulate the gaming industry and end Mr Stanley Ho's monopoly. At this time companies all over the world had the opportunity to attend a bidding for the gaming rights. They gave away three gaming rights out of a pool of 21 applicants, to Sociedade de Jogos de Macau (SJM, Stanley Ho's company) a subsidiary of the Macau Tourism organisation which, Galaxy Casino Company Limited and Wynn Resort (Macau) Limited (Partner with The Venetian Las Vegas). Together these three companies will by the end of 2009 have invested about 2,2 billion US-dollar in Macau (Macau Yearbook 2006). Galaxy entertainment worked together with Las Vegas Sands and together they had plans to build resorts in an area called Cotai. Cotai is a new land area in Macau that was created by the Macau government which meant that they filled in the sea that separated two of Macau's islands, Coloane and Taipa. Nevertheless, they had great conflicts concerning this development and the Macau Government gave Las Vegas Sands a sub-concession license to let them go ahead with above the three grants. And in a reasonable way the government also gave SJM and Wynn resorts sub-concession licenses. This lead to two new concessions coming into the Macau market, the MGM Grand Paradise and Melco PBL ([www.thecotaicasinos.com](http://www.thecotaicasinos.com)). All in all this means that the three gaming licenses now had developed into six companies:

- SJM (Stanley Ho)
- Galaxy Entertainment
- Wynn Resorts
- MGM Grand Paradise
- Las Vegas Sands
- Melco PBL

Other companies are also in the plans of the development that are not one of the six concessionaries which means that they do not have the possibility to own or manage a casino in their resort. To work around this they can let the concessionaries run a casino on their premises. The goal with these developments is to make Macau's own Las Vegas strip resort destination and become Asia's premier entertainment destination ([www.thecotaicasinos.com](http://www.thecotaicasinos.com)). Right now the developments are ongoing and listed below (Figure 1) you can recognize that there are two developments already operative and many others under construction.

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## **COTAI STRIP – HOTELS AND CASINOS**

### **NOW OPEN**

Galaxy entertainment's Grand Waldo Hotel  
The Venetian Macau Resort Hotel

### **UNDER CONSTRUCTION**

#### **Las Vegas Sand's Cotai Strip Project:**

- Four Season Macao
- Intercontinental Hotel, Holiday Inn, Cosmopolitan and Dorsett Hotels
- Shangri-La and Traders
- Sheraton and St Regis
- Hilton and Conrad
- Fairmont and Raffles

#### **New Cotai's Macau Studio City**

- Marriott, Ritz Carlton, and Tang Hotels

#### **Melco-PBL's City of Dreams**

- Hyatt, Hard Rock, Crown Towers

#### **Galaxy Entertainment's Cotai Mega Resort**

**FIGURE 1:** *Establishments on the Cotai Strip* (www.thecotaicasinos.com)

This projects aim is to use a total investment of between 10 and 15 billion US-dollar (Macau Yearbook 2006). As a measure we can see that in 2003, before the new developments had begun they were already the third largest casino destination in the world with casino revenues on about 3500 million US-dollars (USA; 26400 million US-dollar, Canada; 3700 million US-dollar). As a comparison we can see that the Swedish governmentally owned casinos has revenues on about 225 million US-dollar (Walker, 2007). The Cotai Reclamation Project has been considered for many years, but the plans did not look the same when starting developing it. In the beginning the thought with joining the island Taipa and Coloane together was to build a railway link to mainland China and to be able to expand the city with over 150 000 new residents (Hobson, 1995). How will this development affect Macau? Are the government and the casino companies aware of the negative effects and how to prevent it?

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### **3.4 IS MACAU PREPARED?**

In this chapter we have gotten an overview of the concept of sustainable development, that it concerns the economical, cultural and natural environment. The most important fact when working towards sustainability is to understand that it is a non-stop process that requires regular monitoring.

The history of Macau shows that they for a long time have close contact with both gambling and western culture in form of the Portuguese. And since 1999 they are again a part of China but still have different laws then the mainland China which make them one country with two systems. In 2002 the Macau government decided to abolish the casino monopoly and two new companies could start to develop casinos in the city. It was then estimated that the two new together with the previous monopoly holder would invest 2,2 billion US-dollar in 2009. Is the Macau government prepared for this immense development and all that is entitles?

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## 4. POSITIVE AND NEGATIVE ASPECTS OF CASINO TOURISM

*In this section the foundation of the discussion concerning the impacts of casino tourism is being considered to give an overview of the costs and benefits. In later chapters some of these aspects will be discussed deeper.*

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### 4.1. POSITIVE IMPACTS

After analysis of different studies a few major positive factors that all authors agree with can be recognized. Using two different groups *Economic Benefits* and *Social benefits* we can more easily see the positive impacts (Vong and MacCartney, 2005). To summarize the authors agreements the major economic benefits for destinations that develop casinos are profit and tax revenues and the social benefits are such as new job creation and increased income and increased pride among residents (Grinols and Mustard, 2001; Vong and MacCartney, 2005; Eadington, 1999; Roehl, 1999; Smith and Hinch, 1996; Carmichael, 2001; Vong, 2004).

#### ECONOMIC BENEFITS

The economic benefits have been the most thoroughly discussed subject regarding the positive sides of casino development. When looking at the research made in the subject nearly all state that this is why the majority of destinations start to develop gaming facilities (Grinols and Mustard, 2001; Vong and MacCartney, 2005; Eadington, 1999; Smith and Hinch, 1996; Roehl, 1999; Carmichael, 2001; Vong, 2004). Of course this is not a faulty reason to make such a decision rather the other way around.

If there is something that can be proven about the casino development it is that the economic development is almost certainly positive. If we use examples from one of the major casino destinations in the world, which is Macau, we can immediately see the great economic development there. In a study of the casino development in Macau made by Vong and MacCartney (2005) they summarize the positive economic development as follows:

“The people of Macao have benefited considerably from casino revenues in the form of large tax contributions from the casinos that have gone into the development of infrastructure, culture and arts, generous social subsidies, health services, and education.”

Vong and MacCartney (2005)

To take into consideration here is that all these revenues might not gain the specific destinations, a leakage to neighboring places or to other countries might be a fact. In Chhabra's (2007) research about the benefits and costs of casino gambling in Iowa, United States, he finds that an average of 30% of the overall positive impacts leaked into neighboring states. According to Eadington (1999) other parts of the positive economic development can be seen through the increasing tourism, investment stimulation and higher economic status of unprivileged groups. Grinols and Mustard (2001) adds that when analyzing the increased profits and taxes they are often just weighed locally and often forget areas further away from the specific casino community. They add that this might mean that incomes just have moved to another place and not increased.

To be able to keep these economic benefits over time Smith and Hinch (2006) states that casinos need to be run as a tourism attraction, to attract visitors from outside and in that way get new fresh money into the community. This implies that it is important to

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also see outside the casinos and the need to have something else that attracts the visitors for them to prolong their stay and spend more. Furthermore this makes it important to think outside the box and think of the community as a whole.

## **SOCIAL BENEFITS**

The economic benefits will also lead to other positive effects as here listed as social benefits. The most dominant social benefit is the development of job opportunities, but also other aspect for instance increased pride among residents and the preservation of local customs (Vong and MacCartney, 2005).

The development of new job opportunities is one of the possible positive impacts, when opening casinos. The casino in itself will need new manpower but the destination will most probably also receive a higher amount of visitors which create a higher number of employees in other businesses in the region (Carmichael, 2001). In Iowa, United States 34,364 jobs have been created because of casinos and tourism in general (Chhabra, 2007).

## **4.2. NEGATIVE IMPACTS**

The negative impacts caused on the society and first and foremost on the inhabitants in a casino community are well debated. To establish these negative sides many studies on the residences perceptions has been completed. Vong and MacCartney (2005) also differentiate the costs, like the benefits, into two groups; *Economic Costs* and *Social Costs*. Here we can make out that the social costs are what dominate the research that has been made.

The most important negative aspects as said by Grinols and Mustard (2001) that can be illustrated are increased crime and pathological gambling. And they are not alone with that particular finding; many other authors have had the same results on their studies made on casino destinations (Grinols and Mustard, 2001; Chhabra, 2007; Vong and MacCartney, 2005). Furthermore, Eadington (1999) has determined one type of cost that he names “fear of adverse social impacts”. Examples of these are, as mentioned above, crime and problem gambling.

## **ECONOMIC COSTS**

The economic costs, as mentioned, are not as present as the social cost but still in absolute need to be stated. Vong and MacCartney (2005) and Chhabra (2007) both mention the cost of the revenue leakage from the casinos. With this they mean that the money made on the casino destination might not stay within it. Examples of this can be that employees are found outside the destination as in Macau many employees are Filipinos or in Iowa were the workers live in another state (Chhabra 2007). The leakage can also be caused by international owners of the establishment. They often take some of the profits back to their home country. Macau might be an example here as well with the great development made by businesses from the United States.

The last kind of leakage can according to Eadington (1999) be political corruption and underworld dealings such as money wash. This shows how important it is for companies to be honest and make both their staff and customers trust them. A way to do this is by using Schults et. al (2000) notion about transparency. They say that transparency is when the company is like a glass window, everyone on the outside should see what is going on inside the company. If the casino industry were a bit more transparent maybe this kind of leakage could be decreased.

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Moreover, Vong and MacCartney (2005) points out another economic cost in the host community, which is that the living cost will increase for the residents. But this may not be a big cost when the income of the residents often will be raised in the same pace as the development of the destination.

The notion discussed earlier that job creation is a social benefit are sometimes questioned, Grinols and Mustard (2001) adds a comment in the discussion that “Increasing jobs in one location at the expense of lost jobs in another is not a social benefit”. Carmichael (2001) agrees with this theory and equalized it with “Casino Cannibalism”. Further she says that sometimes the casino development in a way eats the present local businesses and create casino into “sink holes” instead of the hoped “growth poles”. With this she wants to illustrate that casinos sometimes can be something that deteriorates the economy and development (sink holes) rather than something that helps the destination grow (growth poles).

### **SOCIAL COSTS**

The social costs connected to casinos are as said the principal debate and has been the main concern in research recent years. As said by Roehl (1999) it can be seen that the people living in urban areas in Nevada, United states, and with lower education observes higher levels of social costs from casino than other inhabitants in the state. The most evident social costs that has been found are a heighten crime rate and the problematic of pathological gambling (Grinols and Mustard, 2001; Chhabra, 2007; Eadington, 1999). Other not as widespread social costs that can occur in some casino destinations are drugs, prostitution, and family problems (Vong and MacCartney, 2005). Further, Grinols and Mustard (2001) and Chhabra’s (2007) mean that the two aspects, crime and pathological gambling, can develop into more costs such as social service, health care and family costs. And the health care and social service costs, such as therapy and treatment, are major cost for a community (Chhabra, 2007).

Another negative affect according to Roehl (1999) is that the inhabitants in destinations that develop casinos are often not prepared on the magnitude of the developments. Vong (2004) do not agree in this matter, in her research about Macau resident’s perceptions regarding gambling the majority of the respondents (over 80%) were either satisfied or neutral concerning the great casino development in Macau.

The discussion regarding the increased crime rate is in many cases debated whether or not it is a major negative impact. As for the researches made on residents perceptions we can see that they are worried about such a development (Vong, 2004; Vong and MacCartney, 2005), but in the same time Grinols and Mustard (2001) claim that little thought about whether the crime is something that developed because of the casinos or if it simply have moved to the region from another area. Predue et al (1999) also adds that opposing what were expected crimes committed decreased when the tourism levels increased. If we move to the next concern about problem gambling or what also can be called pathological gambling. This means that people abuse gambling, they play to get a kick and are not in control of the amount of money they lose. Grinols and Mustard (2001) says that there are plenty of evidence that if people get a better and easier opportunity to gamble the pathological gambling will increase. Proof of that is as they mention:

“Indicators include the tremendous increase in the numbers of gamblers seeking help when casinos enter a market, the increase in gamblers anonymous groups when gambling enters a state, and the evidence from survey data on the number of problem and pathological gamblers before and after casino expansion.”  
(Grinols and Mustard 2001)

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In the research made by Grinols and Mustard (2001) they find that there are 90% of the casino visitors provide just 20% of the revenues. This means that there are a small percentage of people that gamble for a great deal of money. This indicates that it is just a small part of the population which is at risk for this disorder.

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### **4.3 CHAPTER SUMMARY**

The negative and positive effects of casino development is well researched but almost always done with a negative touch. The main negative effects on the social and economical environments are increased crime, pathological gambling and leakage of money and jobs. As for the heighten crime rates and the increase of pathological gamblers often develop secondary for the community such as social service, health care and family costs.

Still there are huge benefits as well, most in form of economic benefits such as tax revenues and social benefits such as new job creation, increased income for the residents and the preservation of local customs. The economic benefits is the major reason for regions to develop casinos and it is not just the tax revenues that are a part of the positive economical impacts but also the increasing tourism, investment stimulation and higher economic status of unprivileged groups.

These effects mentioned above will further on in my paper be used as a foundation for my discussions. The parts that are being discussed deeper are first the Economic impacts as a whole but more importantly the social impacts. The latter is divided into parts concerning job development, crime, pathological gambling and cultural impacts.



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## 5. THE CASINO COMMUNITY

*This chapter contains a discussion about what part the casino community has in both the negative and positive effects connected to casinos and also an argumentation about the casino companies' responsibility towards the society when it comes to the negative aspects.*

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Casinos has become a great success all over the world; Las Vegas went from a desert into a gigantic entertainment area in 20 years time and now Macau are doing a similar development in less then half the time. As mentioned above many positive and negative aspects are outcomes of the casino industry. Corporate businesses are just what they are; their main goal is to flourish economically to be able to make the stock value grow for their shareholders. In the UN earth summit in Rio de Janeiro in 1992 human right protesters demonstrated against the big corporations and stated that they had "taken over" and the people came in second place (Löhman & Steinholtz, 2003). This was the start of a still ongoing discussion about Corporate Social Responsibility (CSR), are the casino companies sole responsibility to make their shareholders happy? Do the casino companies take their part of the impacts on the society that originates from casino development? And what are the major positive impacts the casino companies has made on Macau?

### 5.1 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility (CSR) has become a well known and used theory in recent time; governments all over the world inform their corporations on the importance of the responsibility not just to their company's well being but also for the wellbeing of the society outside the company. It is no longer just a theory for being a responsible company but it is also a part of the sustainable development of the region were the companies are placed (Löhman & Steinholtz, 2003).

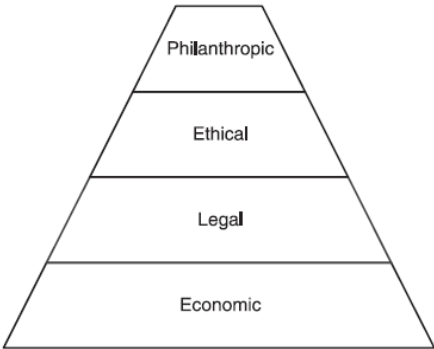
In the European Unions "Green Paper on Corporate Social Responsibility" they write what their aims are for the European corporation's social responsibility are: "Being socially responsible means not only fulfilling the applicable legal obligations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders" ([www.europa.eu](http://www.europa.eu)). The United Kingdom government defines CSR as follows: "Essentially it is about how business takes account of its economic, social and environmental impacts in the way it operates – maximising the benefits and minimising the downsides." They also ad that CSR is voluntary actions that both concentrate on the companies own interests and the societies interest ([www.csr.gov.uk](http://www.csr.gov.uk)). Furthermore they ad that it is important to not just be promoted by large or multinational companies but that all companies no matter the size understand the relevance of this way of thinking and acting ([www.europa.eu](http://www.europa.eu)). These organizations say that the companies in their region have to think outside the box and see what a company can contribute to the society and not just how they can increase the company's revenues.

According to Löhman & Steinholtz (2003) CSR is a combination of three parts; Sustainability, Corporate accountability and corporate governance. They define sustainability as being able to balance social, economical and environmental issues to assure that the world's survival not is at risk. The accountability is important to discuss to be able to see how the company is handling the sustainability issue. And last of all, the corporate governance is a part of a discussion on how the business is run and if it is open and trustworthy. These facts indicate that it is important to think deeper into this

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subject, to be socially responsible as a company also obligates that the company is open to show it can be trusted.

According to Carroll (1991) there are four different types of social responsibilities that compose the total CSR: economic, legal, ethical, and philanthropic. These four are then placed in the CSR pyramid where Carroll (1991) has placed the economic responsibility in the bottom; she means that the economy of the company, to make money, is the foundation of the CSR pyramid. Above the economic responsibility is the legal, the law has to be obeyed to be a responsible company. Third, are the ethical issues defined as “activities or practices that are expected or prohibited by society members even though they are not codified into law”. And at the top of the pyramid is the philanthropic responsibility that you should think about what is best for the whole society and its citizens. Carroll (1991) adds that “philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility.”



**FIGURE 2.** *The Corporate Social Responsibility Pyramid* (Carroll, 1991)

The question now is if the Macau Casino companies are thinking about these facts and doing their part of giving the inhabitants a sustainable environment in the city? Or are they just taking the two first steps in the pyramid into consideration?

**RESPONSIBILITY IN MACAU**

Corporate social responsibility (CSR) is something that governments all over the world are aware of and strive for. But are all companies really doing all they can to give the residents in their area a prospering environment? Many companies has understood that to be able to make the company prosper it has nowadays become crucial to keep the society happy in the same time, otherwise the incomes will decrease as customers choose other societal friendly alternatives When it comes to the casino industry it is quite difficult from the start, it is known that this industry have some side affects in forms of negative impacts such as problem gambling and increased crime and this business is seen as something immoral in many eyes (Grinols and Mustard, 2001, Vong and MacCartney, 2005).

Many of the casinos situated in Macau have policies concerning problem gambling one example of this is the MGM Grand, owned partly by the Las Vegas MGM Mirage. They have set up guidelines to promote responsible gaming. Examples of these are, education of employees and customers of the problem, serve alcohol sensibly and they also fund responsible gaming research ([www.mgmmirage.com](http://www.mgmmirage.com)). The fact that this company has these policies and goals shows that they are well aware of the problems and try to take responsibility.

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The Las Vegas Sands Corp. is also committed to reduce problem gambling. Working tighter with experts on the subject they have started a program to both help the problem gamblers to seek help as well as educate their “Team Members” how to handle customers with this problem and give the employees a “full understanding of the importance of establishing a corporate culture of responsibility” ([www.sands.com.mo](http://www.sands.com.mo)). We can also see other acts of responsibility from the same corporation; in February 2008 the Venetian Macau Limited started a fund raising campaign to help the Chinese citizens that were involved in an immense snowstorm during that period. They began with donating about 130 000 US-dollar to the Red Cross. The company’s President of the Asian Region made this statement concerning the donation: “As a corporate citizen, we are committed to social responsibility in the region in which we live and work.” ([www.venetianmedia.com](http://www.venetianmedia.com)). We can see that this company is well aware of the CSR and what it stands for and they are doing something about it to some extent, but still it is possible it is just to look good they do it. Both the Las Vegas Sand and the MGM are totally or in some part owned by American investors and companies that have worked with these policies for a long time which gives them a advantage over the new founded Chinese companies as they could easily move the policies to Macau as well.

But we can also see that one of the non-American developers in Macau, the Galaxy Entertainment Group Limited, are also well aware of the fact around CSR. The company was granted one of the gaming concessions in 2002 also has well worked through policies concerning the corporate social responsibilities or as they refer to it; Corporate Citizenship. They state that they have been “committed to the well being of Macau's wider community”; examples are that they hire and train the locals, trying not to import workers from abroad. They also sponsor different events as well as working together as partners with tourism organizations in the city. In their policy pamphlet they ad that: “Galaxy enjoys a symbiotic relationship with the local economy and will further pursue new ways in which to fulfil its role as a valuable corporate citizen in Macau” ([www.galaxyentertainment.com](http://www.galaxyentertainment.com)).

Above we can see that the American owned companies are putting the problem gambling issue in focus most probably because this is the main concern in the United States while the Chinese company are focusing on some of the issues that are relevant at the moment, the employment and helping tourism companies in the city. If we apply these findings to Carrols (1991) CSR pyramid we can see that all companies meets the three first steps, economical, legal and ethical. The ethical is symbolised by the pathological gambling that is something not accepted in the society but still not illegal. But the philanthropic responsibility where you think of the best for the whole society is not a level that is easy to reach. In my opinion the Las Vegas Sands Corp are moving in the right direction when giving money to the Red Cross as well as Galaxy thinking about the Macau citizens. But as Carroll (1991) adds, philanthropy is highly desired but not as important as the three other categories. This statement proves that many casinos in Macau thinks in this direction.

We can also conclude that the Galaxy might have a great advantage over the American companies as they know their local society. Even though the Las Vegas Sands are engaging in the Chinese community with the Red Cross I am of that opinion that it is not local enough, the Macau residents do not get to be a part of it. Still, it makes the company look good in the eyes of the investors and shareholders.

The CSR is starting to get a steady foundation in Asia, one indicator of this is the Global Gaming Expo Asia (G2E Asia) that will be held in Macau in June 2008. This is a yearly

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conference for the gaming industry professionals, this year a new topic that will be discussed is actually the CSR with the direction towards problem gambling ([www.g2easia.com](http://www.g2easia.com)). Along with this, *CSR-Asia* is a foundation that the last couple of years have started to work with the concept of CSR, educating the country's corporations. They provide companies with information, research, training and other services regarding sustainable business practises ([www.csr-asia.com](http://www.csr-asia.com)). This shows that not just the western casino companies and governments are aware of the increased pressure on the industry to be responsible towards the society, but the Asians are just as aware.

## 5.2. CASINO COMPANIES CONTRIBUTIONS TO MACAU

The casino community has many flaws that have been mentioned earlier as well as further on in the report. Still there are many positive contributions that the companies have given the Macau society to create a sustainable development for the region. First of all we can find that the main way the casino companies in Macau contribute to the society is by giving it an economic growth. This is as well the most usual reason for a destination to develop casinos (Walker, 2007, Grinols and Mustard, 2001; Vong and MacCartney, 2005; Eadington, 1999; Smith and Hinch, 1996; Roehl, 1999; Carmichael, 2001; Vong, 2004). In 2007 Macau gambling revenues were higher than the revenues from the Las Vegas Strip in the United States ([www.news.bbc.co.uk](http://www.news.bbc.co.uk)), which is a clear indication that the Macau casinos are very successful and popular. It also indicates that they are contributing to the Macau society in a great way because the amounts that are being paid in tax are connected to their revenue.

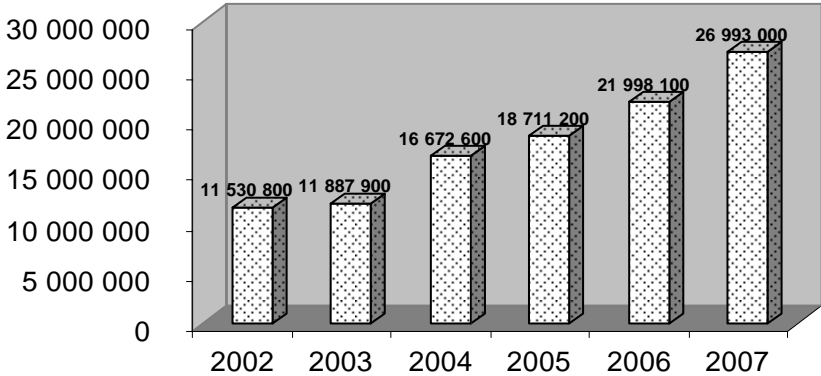
Taxations on casinos are high all over the world, the figure is usually between 30-40%, in Macau the basic casino tax is 35% (Macau Yearbook 2006, Chhabra, 2007). In the contracts that was established in 2002 for the three concessionaries, Sociedade de Jogos de Macau (SJM), Galaxy Casino Company Limited and Wynn Resort (Macau) Limited, they got many other obligations. SJM has a contract until the year 2020 and during that period they have to invest 600 million US-dollars in constructions. Above that they have to donate 1,6% of its gross gaming revenue each year to "a Government-appointed public foundation for the promotion, development and research of cultural, academic, charitable and other relevant activities" and additionally 1,4% of the revenues to "support urban development, promote tourism and help fund social security". Both Wynn and Galaxy have 20 year contracts were they are obliged to invest respectively 500 million US-dollar and 1 billion US-dollar in constructions. Additionally Wynn and Galaxy must contribute 1,6% plus 2,4% of their revenues to the same purposes mentioned above (Macau Yearbook 2006).

This can be seen as a proof of that the companies are contributing a high amount of money to the Macau society. If we see it in monetary terms, the gross revenue from the casino industry in Macau in 2007 added up to over 10 billion US-dollars and with the taxation the companies gave about 3,7 billion US-dollar to the Macau government in the end of that year. Furthermore, the casino tax revenue is over 70% of the total government revenue and the casino tax is over 50% of the total tax revenue ([www.gcs.gov.mo](http://www.gcs.gov.mo)). This is also a thing that has effected the GDP in a positive way. Between the third quarter of 2006 and the third quarter of 2007 the GDP had a growth of 30,9% "reaching the sum of over 4,8 billion US-dollar ([www.gcs.gov.mo](http://www.gcs.gov.mo)). This could give the government an opportunity to invest the tax money back into the society to mend any damage caused by the casino industry and the casino tourism. It also indicates that the city has, by the look of the GDP, developed in an economically positive way in the last years.

Second of all we can see that the tourism industry as a whole has had a positive development since the deregulation of the casinos in 2002. The increase in tourists is of course a part of the economic development but it also gives positive impacts for all business in the city such as restaurants and retailers (Grinols and Mustard,2001). The main income source for Macao has long been tourism and service. Already in the 1990s the tourism income surpassed the total value of the cities exports, since then the tourism industry grow even more because of the turnover of Macau to China ([www.gcs.gov.mo](http://www.gcs.gov.mo)). UNWTOs World Tourism Barometer placed Macau on the 21<sup>st</sup> place in 2006 in the number of international arrivals with about 10,5 million visitors, which was an increase with over 20% since the year before ([www.unwto.org](http://www.unwto.org)). One reason that could explain that Macau was not higher ranked in international arrivals is that Macau's main market do not fit in under the category of international arrivals, instead most of the visitors comes from Mainland China, Taiwan and Hong Kong ([www.unwto.org](http://www.unwto.org)).

In 2007 over 27 million tourists visited the city of Macau which is an increase with 22,7% from the year before and an increase with as much as 134% since 2002 ([www.dsec.gov.mo](http://www.dsec.gov.mo)). By also adding that before 2002 the growth rate concerning visitors was much lower then after (Figure 3). The only year that the visitor numbers had almost no positive development was in 2003 when they had a SARS (severe acute respiratory syndrome) outbreak in neighbouring city of Hong Kong. This could be interpreted that since the monopoly were diminished and new casinos started to develop Macau has attracted more and more visitors for every year. Both the number of hotel rooms and the occupancy rate at the hotels rose from 2006 to 2007, during that year 3900 new hotel rooms were created and the occupancy rose with 5% to 77,2% ([www.gcs.gov.mo](http://www.gcs.gov.mo)), which gives one more indication that one of the casino tourism's impact is a higher visitors rate.

**Vistor Arrivals**



**FIGURE 3:** *Visitor arrivals in Macau 2002-2007* ([www.dsec.gov.mo](http://www.dsec.gov.mo))

On the other hand there is not just the casino's that has contributed to the increased tourist arrival. It is also important to know that as a part of Macau's handover to China the Mainland authorities decided in 2003 to loosen the restrictions on the mainland inhabitants to visit Macau as individual travellers ([www.gcs.gov.mo](http://www.gcs.gov.mo)). More and more provinces in China have been permitted to visit Macau since then, and on the visitor arrivals we can see that the visitors from main land China rouse by 66% in 2004 compared to the year before. And during the SARS outbreak the mainland Chinese visitors were the only ones to not decrease compared to the year before.

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In the contract the new concessionaries signed were also agreements on other developments than casinos, for example construction of conference centres. This is a way for Macau to try to diversify their market. According to Wall and Mathieson (2006) one of the most common economical costs are that the destination becomes over dependant on tourism, it makes them extremely exposed if the tourism demand alters. At the present time Macau has made precautions to try to increase the visitor numbers by adding more entertainment and events on the calendar. Examples on this is the many events such as the Asian indoor games, world known singers and musicals. Apart from events they are also trying to broaden their market by attracting the MICE-sector (Meetings, Incentives, Conferences, and Exhibitions). The concessionaries themselves have also understood that the MICE sector is lucrative. This can be seen at for example The Venetian Macau where they have a 100,000 square meters area made for conventions and exhibitions as well as many different meeting facilities. The Venetian Macau is also the first casino in Macau that right now has the most entertainment facilities, which can help Macau to diversify their target audience. They have built the Cotai Arena which is a 15 000-seat stadium there both concerts and sport-events are being held ([www.venetianmacao.com](http://www.venetianmacao.com)).

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### 5.3 CHAPTER SUMMARY

In this chapter there has been a discussion concerning the casino companies' responsibility and contributions toward the Macau society. First, the Corporate Social Responsibility is examined. This term means that the companies should not just have a responsibility to their company's well being but also for the wellbeing of the society outside the company. This means not just follow the law but investments into human capital, the environment and relations with stakeholders.

In Macau we can see that the casino companies, both the American and the native owners are well aware of the term corporate social responsibility and work towards the well being of the society. They have set up policies and plans to avert problem gambling, they donate money to charity and one had a policy to hire local staff. My opinion is that the American developers have an advantage in this concern as this has been a must in the western society for a long time to be socially responsible and not that well developed in China. Still in the same way the native developers have a better knowledge of the local society and their needs and wants which can be seen when they promise the locals job before foreigners. Still, how much of this can be a clear proof of social responsibility? It has to be taken into consideration that it all might be a façade to look good in the eyes of the investors and shareholders; it is hard or impossible to measure true feelings towards the society.

The casino companies in Macau also contribute to the society with a great amount of tax money. About 39% of the revenues from the casinos are being paid as tax to the Macau government every year, which in 2007 meant that they contributed with 3,7 billion US-dollar. They are also a part of increasing the number of visitors in the region and in that way help the society to get more incomes. These are huge amounts of money they transfer to the government to let them take care of the problems they have caused, maybe they should do something about it themselves or pressure the government to work on certain problems as well.

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## 6. THE SOCIETY

*Chapter six is a discussion concerning the impacts of casinos. It also tries to create an understanding of what part the Macau government has in this and what they do to prevent negative impacts. First the discussion regards the government goals and hopes for the future and second, an argumentation of the social sustainability in the city.*

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Macau has a long history when talking about casinos, the first one opened for over 140 years ago. But the last years there has been a boom in the developments of casinos in the city since the monopoly were abolished. This has had both positive and negative impacts on the people of Macau. These impacts are many as mentioned, and in research from all over the world the negative outcomes are enhanced. Wall and Mathieson (2006) addresses the fact that as tourism develops and increases the more pressure are caused on both the natural and social environments. This indicates that these problems are well known for any city or company planning to work in the industry, in Macau as well, the question is how the government is taking in and handling the problems that might uncover in the future to create a sustainable environment. When the Macau government decided on the liberalization of the casino industry in 2001 and gave away three gaming rights to both native and foreign investors they set up a number of goals and hopes for the future:

“Recognising the strategic social and economic importance of a healthy and sustainable development of the gaming industry, the Macao Government gives great emphasis to a liberalisation process that can guarantee the gradual development of its gaming sector into a world-class operation, and at the same time will trigger and/or reinforce the progress of different economic sectors of Macao”

*(Hsu, 2006)*

In the goal to create world-class gaming operations they want to introduce new operation and management models. The Macau government considered that moving away from the monopoly would create more job opportunities and “lay solid foundations for Macao’s sustainable development (Macau Yearbook 2006). These goals give a picture that the government wants to develop in a sustainable way with a slow development of casinos. In the last part of the goals we can see that they want to move away from the monopoly as a reason to see a positive economic development. In this statement they could be showing that they are well aware of the effects that can rise from the casino industry but still feel that the economic development can help to outweigh the cost.

Further the government in Macau also named other goals for the liberalization, such as:

- Providing additional employment opportunities for Macao residents and deriving associated benefits of enhanced economic development and social stability.
- Consolidating Macao’s position as the regional centre of casino gaming, with an enhanced reputation in its gaming industry for fairness, honesty and freedom from criminal influence.”

*(Hsu, 2006)*

In this way the goal is to keep the jobs inside Macau and make sure that the benefits stay within the region to make sure that the inhabitant’s wellbeing is as high as

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possible. In the second point they admit that they have had a problem with the casinos having bad reputation and influences of criminality (Siu, 2006), but as for the future this is something they want to have erased. According to Wall and Mathieson (2006) negative impacts such as leakage of jobs and money out of the country and high inflation can cause a severe damage to the infrastructure and human resources if they develop the tourism in the region to rapidly. This can show that the Macau government is working in a direction that can minimize that sort of damage.

These government policies shows how well aware they are of the sustainability of the casino industry and for the economy in a whole and the goals are all in line with sustainable development practises. But is it just empty words or can we today see any decrease in negative social impacts and an increase in the positive?

## **6.1 SOCIAL IMPACTS**

When studying different researches it can directly be spotted that the social impacts that are in favour is the social costs, such as crime and problem gambling (Chhabra, 2007; Eadington, 1999). According to Walker (2007) social costs can be defined as “a reduction in social real wealth”. This does not primarily mean money but instead it refers to what things that is important for the people that are a part of that society. Wall and Mathieson (2006) develops this further and mean that social costs in the end becomes economic costs such as increased cost to fight the heighten crime rate. This means that social impacts can also be economical impacts which show how damaging this can be for a destination.

When studying Macau there are three social costs that stands out, job development, crime and pathological gambling, the coming section is a discussion concerning these three different impacts. The reason for the deep analysis of these is that they first, as I mentioned above, are all well known effects of casino tourism and second, they reflect well the policies and goals concerning a sustainable development that the Macau government has set up and are striving for.

### **JOB DEVELOPMENT**

One of the main positive economical impacts when developing tourism is new employment creation. In tourism development many discussions concerning employment have been gone through a great deal (Chhabra, 2007; Eadington, 1999, Roehl, 1999). The main reason for these studies has often been to receive government funds for tourism development or to persuade politicians that tourism will be the salvation for an economically unstable area (Wall & Mathieson 2006). Job development has in most researches been seen as one of the major positive effects of casino development. As the casino in itself will need manpower as well as if the visitor numbers increases it creates a higher number of employees in other businesses in the region (Carmichael, 2001). For example in Iowa, United States 34,364 jobs have been created because of casinos and tourism in general (Chhabra, 2007).

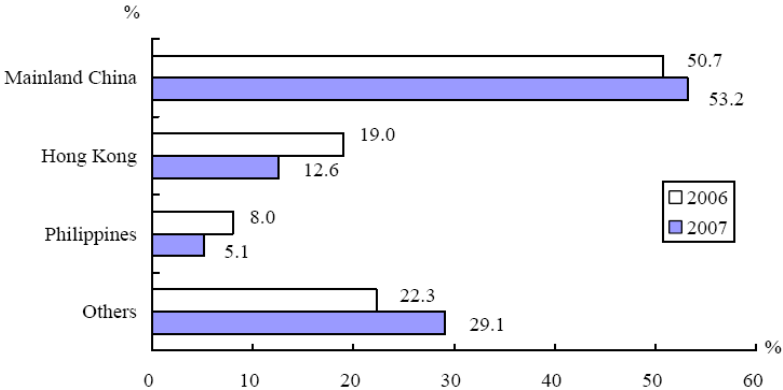
For Macau the development of jobs has been extremely positive the last years and will keep increasing, Wall and Mathieson (2006) says that in the beginning of a new development the unskilled workers in a region will be hired and in that sense create new job opportunities. But if the industry develops further, higher skilled workers might be requested and hired from outside the region. First of all we can see that the unemployment rate has decreased from 6,3% in 2002 to 2.9% in the first quarter of 2008 and about 309 000 people are employed in the city . There were also over 6 000 vacant jobs in the gaming industry in the end of 2005 most of them unskilled and at the same



turn of the year over 26 000 people were employed by casino companies, an increase of 22,8% from the year before (Macau Yearbook 2006). Of all the employed people in Macau 58,7% of the were in 2007 working in the gaming industry (www.dsec.gov.mo). This is a very positive development and a proof that the gaming industry has created new employment.

Still, the job development has turned from being a positive event into something negative instead. Because of this low unemployment rate there has as well developed a lack of workers in some sectors which has caused the companies to hire personnel from other regions (www.dsec.gov.mo, Walker, 2007). As we look deeper into it we can see that the unemployment rate were said to be 2,9%, but the unemployment rate of local residents remained at 3.7% for the first quarter 2008 compared to the year before (www.dsec.gov.mo). This shows that there are a great number of employees that are coming from outside Macau to work. If we look at the statistics we can see that the number of non-resident workers have had a tremendous development the last years. In 2004 about 27 000 workers were not native and in 2007 that number had more than tripled to over 85 000 people. This means that in the end of 2007 over 27% of all the workers in Macau were imported from outside regions and countries (www.dsec.gov.mo).

If we look at Macau at the moment the greatest problem is not that they need to seek elsewhere for skilled workers but that the casino companies import workers from abroad that are unskilled. We can see the biggest part of the incoming workers comes from China (See Figure 4), this has led to residents saying that many of them have the same level of skills as themselves. If that is true it means that instead of helping with filling the job openings for higher positions some incoming workers take the jobs from the residents.



**FIGURE 4:** Labour force entrants from outside Macau divided into place of residence before arrival. (www.dsec.gov.mo)

This fact has led to many riots and protests in the city the last years complaining about the Chinese immigrant workers and that many of these are illegal and cheap labour. The protestors claim that the government does nothing about it and let the big business tycoons do what they want. Further they claimed that these illegal workers has lowered their wages and stopped them from getting anything good out of the positive economic development in Macau (www.thestandard.com.hk, www.news.bbc.co.uk). These claims is given support from many directions, one is the president of the Macau Labour Union who says: "We are displeased with the labour crisis and the government's lack of action in dealing with it. We don't want to see illegal labours being given jobs." Also a local lawmaker says that one business that has not prospered in employment of Macau residents is the construction companies that are building all the casinos. He says that

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“the oversupply of foreign workers has forced locals into temporary jobs” (www.thestandard.com.hk, www.news.bbc.co.uk). This point towards that it is not just the workers complaining for nothing but a well grounded criticism.

The Macau government has made some effort to try to get to this problem. First, in 2005 the Public Security Police, the Labour Affairs Bureau and other parts of the government conducted inspections on about 1500 establishments. During this raid over 500 illegal workers was found and compared to the year before the arrests of illegal workers increased by 32% (Macau Yearbook 2006). Secondly, the government increased the penalty for illegal employments to a maximum of 200 000 US-dollar or three years imprisonment. In the same proposal they say that imported labour can only be used when there is a shortage of local workers to fill the spots and putting a fee on the import which would be used to maintain and develop the social security (www.macaudailyblog.com, Macau Yearbook 2006). According to a professor at the Macau Inter-University Institute, the government proposal is the right way to go but the implementation of it is too slow (www.thestandard.com.hk). All these resident activities and the government proposal show that there is a big problem with illegal workers and that the government attempts to stop this are not enough at the moment. The raid in 2005 was a good start but it needs to be a bigger number and more regularly made to do any good in the long run.

Another fact is that students drop out of school to work in the casinos (www.ft.com), this means that they do not get a higher education and that can lead to the problem mentioned above, a lack of skilled workers, and to just in the casino industry but in the Macau society as a whole. The number of students in non-tertiary education has dropped constantly since the academic year 2001/2002 and in 2007 the total number of students in non-tertiary education decreased by 4.7% and students in secondary education decreasing by 2.2% from the year before. The main reason for students dropping out of their secondary education was that they were going to work (www.dsec.gov.mo). This can as mentioned develop a very serious problem in the future and lead to that even more workers is imported from other countries. The government needs to think of this aspect and educate both the Macau inhabitants as well as the casino companies so that they together can work towards a solution.

## **CRIME**

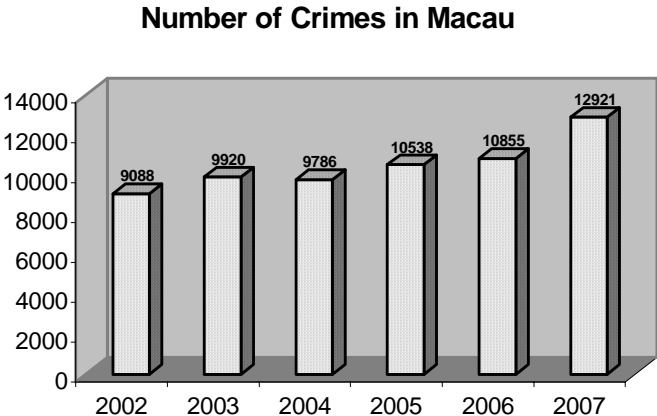
Increased crime is together with problem gambling the biggest concern when developing casinos (Grinols and Mustard, 2001; Chhabra, 2007; Eadington, 1999). According to Moufakkir (2005) casinos can increase crime in three different ways. First, problem gamblers steal to be able to keep gambling. Second, a lot of money is associated with casinos which can lead to an attraction of criminals. Third, petty thefts and suchlike can increase as casinos draw crowds. Grinols and Mustards (2006) research shows that the crime rates in the United States increased after casinos opened relative to the different county's "non-casino" crime rates. The crime as an effect on casino development can often change over time; they say that many offences often emerge as long as two or three years after the casino opening. This is an important fact to consider in Macau, already the crime rate has become higher and this means that it might not reach its peak until a few years from now.

Grinols and Mustard (2006) investigated if the crime in casino destinations moved in from other regions or was created on the destination. They could conclude that the crime actually was created in the casino destination rather than being shifted from other areas. Researches' concerning the USA has suggested that the external costs connected

to casino gambling are about 40 billion US-dollars per year and the majority of these costs are often connected to criminal activity (Grinols and Mustard, 2006).

Two points that the Macau government set up for the deregulation was to improve Macau’s reputation and reduce crime, the reputation that Macau has held for a long time has not been very optimistic (MacCartney, 2004). Siu (2006) mention that in the end of the 1990’s organized crime in Macau was a fact, the main cause of the phenomenon was the unregulated VIP-rooms that were introduced by the monopolist. Siu (2006) adds that one force that landed in the deregulation of the gaming industry was “the social costs accumulated from the poorly regulated private-VIP-room business”. These VIP-rooms were wide spread in the city and it was an arrangement between the monopoly holder and so called contractors. The contractors were allowed to have their own casinos on the monopoly properties as long as the monopoly got a share of their revenue (Siu, 2006). This business did give the city of Macau a positive economical development, according to Siu (2006) the private-VIP-rooms generated 60 percent of the industry’s income. But it also heightened the organized crime and as a result increased the social costs for the inhabitants. There can be many reasons for why these contractors were allowed to be a part of the monopoly, such as economic growth, but Siu (2006) means that the main reason as to “preserve its monopolistic position”. As the monopoly now is abolished the VIP-rooms might disappear but it does not have to be the case.

Most research concludes that casinos increase crime, other say the opposite. Moufakkirs (2005) study on the crime volume following casino development in Detroit he found that the total crime rate did not increase in the city. Still there were some types of crime that increased slightly while other decreased. In Macau’s case we can establish that since the deregulation of the gambling industry there can be statistically proven that the crime rate has increased since with 45 % until the end of 2007 (Figure 5)(www.dsec.gov.mo). The reason for this increase could be seen as a proof that the VIP-room business still is in operation or/and that the crime rate has increased in level with the number of casino resort developments.



**FIGURE 5:** *Number of crimes committed in Macau 2002-2007.* (www.dsec.gov.mo)

In the statistics we can see that it is the crimes against person that has risen the most. This category is divided into different sub-categories; Homicide, Assault, Crimes against personal freedom, sex offences, libel and crime against privacy. The only sub-category that has not increased during this period is the homicides (www.dsec.gov.mo). And this is in line with Grinols and Mustards (2006) research that concluded that casinos increased all different types of crime except murder, which is not unexpected when it has the least evident connection to casinos.

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Crimes that has economic payoffs such as burglary, auto theft and robbery, are often connected to problem gamblers (Grinols and Mustard, 2006). This means that some of these crimes can very well have been committed because the gamblers need money to pay of debts or keep gambling. This shows in the number of property crimes, such as burglary, that in Macau it has had a great increase since the liberalisation of casinos. From 2002 to 2007 the property crimes has increased by 40%, this can indicate that the number of pathological gamblers has increased during this period as well (www.dsec.gov.mo). A study made in the state of Nevada in the USA found out that 33,3% of all pathological gamblers had been incarcerated at least one time in their lives comparing with only 9,2 % of the non-problem gamblers (Koo et.al., 2007).

Sometimes development of a city with for example more casinos, streetlights and increased resident presence can be a part of a crime reduction (Grinols and Mustard, 2006). As an example Grinols and Mustard (2006) ads that The Las Vegas strip and the surrounding streets are often talked about as one of the safest areas in the United States. This might be the case in the future at the Cotai-strip in Macau, now under construction, as that is going to be an part of the city with only resorts hotels and casinos. Grinols and Mustard (2006) says that increased wages for the lower skilled workers also are a way of decrease the crime rate. What we can see in Macau is the opposite; the crime has increased in the same time as the inhabitants have lost many work opportunities to workers coming from other regions and countries. If not enough is done by the government to prevent this dissatisfaction the inhabitants might start to commit crimes as a revenge.

We can establish that the Macau government has many plans and objectives concerning crime and how to prevent it. The Macau government has a department called The Gaming Inspection and Coordination Bureau, they are one part of holding down the crime rate in the casino society. After the liberalisation this department has reinforce the effectiveness of casino supervision. Some of the points that they are in charge of is ensuring that laws are being followed in casinos and regularly have inspections to prevent, eliminate and punish illegal gamblers (Macau Yearbook 2006). And in 2005 new objectives for crime prevention was established. The focus that the government set was to:

- monitor, prevent and combat gaming-related crimes;
- provide a stable and orderly environment for the development of the gaming and tourism sectors by making adjustments to strategies and organisational structures;
- improve public order and increase the crime clear-up rate.

(Macau Yearbook 2006)

All of these plans look very positive on paper but as for now with the crime increasing year after year it seems like they are not doing enough to prevent it. More of the tax incomes from the casinos need to be put into achieving these goals to create both an economical and social sustainable environment.

## **PATHOLOGICAL GAMBLING**

When talking about negative social impacts of casinos the most known impact is pathological or problem gambling (Grinols and Mustard, 2001; Chhabra, 2007; Eadington, 1999), and this is also the reason for the deep investigation of the subject in this section. According to the American Psychiatric Association pathological gambling

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belongs to the category impulse control disorder. It can be defined by the urge to gamble even if they; repeatedly fail to win, have to borrow money or commit criminal acts to afford the gambling. And if it goes even further they can risk losing control over their employment and personal life. A pathological gambler is highly competitive, wants approval from others and can often be addicted to other things, such as alcohol ([www.allpsych.com](http://www.allpsych.com)). There are also an addiction called problem gambling the difference between that and pathological gambling is that they have the same symptoms but to a less significant degree (Grinols and Mustard, 2006).

The addiction to alcohol can be compared to problem gambling, Lee et.al. (2007) uses a model divided into three parts explaining why people start to drink or gamble. The three motives are that they want to; avoid negative emotions, socialize with other people and strengthen positive moods (Lee, 2007). When living in Macau it can be hard to ignore the casinos both for the reason that over 58% of the employed residents work in the industry ([www.dsec.gov.mo](http://www.dsec.gov.mo)), as well as if you want socialization of any sort or entertainment most can be found inside the casinos. The Macau government has done one thing to minimize the problem gambling among the residents, they put a ban on the people that are employed by the government to enter the casinos (Fong and Ozorio, 2003). This can help the governmentally employed inhabitants but the casino employees are still in a very tough environment to resist excessive gambling.

There are many costs connected to a person who is a problem gambler. Walker (2007) divides them into three parts, legal costs, treatment costs and psychic costs. The legal cost is associated with the possibility that a problem gambler can face legal problems such as stealing money to finance their gambling. This will not just increase the costs for the individual but also for the society in terms of heightened costs for the criminal justice system such as police and court. The treatment cost is the cost for the society for treating the problem gamblers with therapy to help them overcome their addiction. The third cost, psychic costs, is referred to as the costs that an individual causes on their friends and family, for example debt, crime, abuse and divorce. Only in Iowa, United States, did the cost for the pathological gamblers add up to about 450 million dollars, included in this are for example the cost of social services and problem gambling treatment programs (Chhabra, 2007). In 2005 the Macau government spent 200 million US-dollar on health care, just a fraction of this were spent on the only governmentally owned clinic for problem gamblers (Macau Yearbook, 2006). This indicates that the amount of money spent on fighting and curing problem gambling is too low.

Grinols and Mustard (2006) have seen a clear line between the density of casinos, the restriction and the amount of problem gamblers. What they mean is that when many casinos are operating in an area and the restrictions from the government are low the problem gamblers increase and the other way around. This is one of the risks that can be seen in Macau, since 2002 the number of casinos, on the 28,6 square kilometre islands has gone from 19 to 28 and still rising ([www.gcs.gov.mo](http://www.gcs.gov.mo)). Still, the effects of problem and pathological gambling, such as bankruptcy and crime, can not be seen until a gambling problem has developed, according to Grinols and Mustard (2006) it can take two to four years to get addicted and at the same time commit crimes. This indicates that in Macau the rate of problem and pathological gambler might increase over the years if the right precautions are not made.

Vong and MacCartney's (2005) research concerning the resident's attitudes and behaviour towards gambling showed that the Macau residents normally do not gamble in the Macau casinos. But the inhabitants said that further development of the industry

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in Macau might cause a higher gambling participation among the residents (Vong & MacCartney, 2005). Fong and Ozorios (2003) do not agree on this fact. In their research on gambling problems in Macau the indication they got was that 20% of the respondents gambled and spent about 90 US-dollar a month in the Macau casinos. Still, we can see that the degree of problem and pathological gambling in Macau is low compared to many other casino destinations. In Macau they estimated that 4,28% of the residents were at risk of developing a gambling problem. Both in Iowa and Las Vegas in the United states was the rate higher (4,5% and 6,6%), even in Hong Kong, who not have legalized gambling, the rates added up to 5,8% (Chhabra, 2007, Fong and Ozorios, 2003, [www.lasvegassun.com](http://www.lasvegassun.com)). This can be seen as a positive number, but as mentioned it can take some years before a person get addicted and that makes this a great concern for the coming years.

There are a few different ways to get help in Macau when having a gambling problem. The association Gambler Anonymous is active in the region, a small organization called the Industrial Evangelistic Fellowship's centre and the Recovery Circle. All of these organizations are small and have a couple of counsellors each. The only government-funded organizations is the Resilience Centre, it was launched in 2005 and in 2007 it only had three counsellors and only with at least 30 cases of problem gamblers each month. They do not just offer personal counselling but also a hotline, group therapy and they educate the community about these problems (Macau Yearbook 2006). The director of the Recovery Circle says in an interview that to stop the spreading of this "disease" that destroys many lives the government needs to invest much more money on supporting these types of organizations ([www.time.com](http://www.time.com)). This seems like the Macau government do not have this problem as a main focus, with only one organization that is quite small they probably can not help in the amount needed. More measures could help the number of pathological gamblers to stay low, but then it have to be drastically changes.

Fong and Ozario (2003) explained after their research concerning pathological gambling in Macau what type of person that is in a high risk to get problems with gambling. The person that had a higher risk was a male (4,4 time higher risk then female), casino participant and with a job that pays less then 1000 US-dollar per month. If we see how many of the Macau inhabitants that are employed males that earn less than 1000 US-dollar we can se that they are 71 000 ([www.dsec.gov.mo](http://www.dsec.gov.mo)). This would indicate that they are in danger of becoming problem gamblers. One thing that did not influence the probability of a gambling problem was the educational level of the person. Furthermore, Vong and MacCartney (2005) says that single people as opposed to married are more vulnerable when it comes to gambling problems.

Another aspect of the pathological gambling problem is the increasing number of sites for gambling available on the Internet. This makes the gambling even easier to reach and in the same time harder to detect the problem gamblers. As another result of this can be that predictions on the number of problem gamblers in any gambling destination can be reliable or not, they do not know if it will it be the same, less or even more then before (Koo et.al. 2007). Internet gambling together with more casino developments in Macau makes up a high risk for developing a gambling problem; still the number of addicts is not that noticeable. But as for what has been said by researches and therapists this is just the beginning of something immense if the right precautions are not taken.

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## 6.2 CULTURAL IMPACTS

“Socio-cultural impacts are “peoples-impacts”; they are both effects on the people of the host communities of their direct and indirect associations with tourism” (Wall & Mathieson, 2006). Cultural impacts are also one kind of social cost or benefit, Vong and MacCartney (2005) refers social benefits to when there are a increased pride among residents and that leads to local customs being preserved, while social costs are when lifestyles and values among the residents changes. Foley (2005) made a study on the cultural, political, and economic impact of casino gaming on the Mesquaki-indian settlement. First of all he concluded that it is hard to establish how much cultural change that the Indians had gone through without a careful in-depth study. And secondly he ads that only the tribe themselves can say if the changes is good or bad. This means that cultural impacts are hard to measure, that is why this section will be an introduction to different cultural impacts and possible changes in the Macau culture.

The interaction between the tourist and the host is something that can have a cultural impact and are often examined in tourism research. One of the few positive impacts discussed are the benefit of getting a better understanding of other cultures and religions that can help the host community and its inhabitants to develop and widen their views (Wall & Matheison, 2006). As the Chinese culture has a high amount of uncertainty avoidance, which indicate that they are uncomfortable with new things and situations, having people with a different culture and thought coming to Macau can cause these positive effects to default ([www.geert-hofstede.com](http://www.geert-hofstede.com)). But it is not just the interaction between host and tourist that can create negative feelings, the increasing number of visitors can also create higher incomes to the destination and a bigger part of the inhabitants will then be involved in the tourism business. This can develop even further socio-cultural change by the changes in consumption behaviours of the inhabitants (Wall & Matheison, 2006). This can be seen in Foleys (2005) study on the earlier mentioned Indian tribe. Their culture evolved more rapidly when the casinos started to develop within the settlement than before. As the casinos developed a growing wealth inside the tribe they have become much more individualistic and consumerists because of this. According to Foley (2005) this has eroded a part of their old culture. In Macau the development of shopping possibilities has increased a lot in pace with the casino constructions, this gives the inhabitants an easier way to consume and spend money. In the same time the incomes has also increased which can give them an even greater reason to spend their money ([www.dsec.gov.mo](http://www.dsec.gov.mo)).

Tourism development are often seen as a positive event for most inhabitants, they show a euphoria, in the beginning when they have been informed about the positive impacts that is forecasted. These feelings can often transform into somewhat negative feelings when the number of tourists increase and the industry develops further. This might go so far that the inhabitants become what Wall and Mathieson (2006) call xenophobic. This term is explained as an obvious “resentment of and contempt for tourists and their behaviours”. As for Macau we can se that the possibility of the resentment can grow in the latter case. Many owners from the western world are developing and taking with them labour forces from their home countries. The import of workers from the Philippines and mainland China is also a well established way to get workers to the casinos. We can see that this is a problem in Macau, as mentioned earlier workers from mainland China are working illegally and taking the inhabitants jobs. This can lead to resentment both towards the mainland Chinese and towards the casino companies.

Furthermore Wall and Mathieson (2006) also expresses that rapid foreign investments can cause social problems. What they mean by this is that with the foreign investors and

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tourist's new cultures will mix together with the host culture and possibly cause problems. The move of developed countries companies to developing countries is something that has a long history, and Macau is well known to the fact that they have been run by the Portuguese for hundreds of years. This will most certainly make them more acceptable of new cultures such as the Americans that are becoming a part of the culture as we speak.

We can see that the culture is of big importance when talking about gambling and problem gambling. The Chinese has always been associated with gambling since 300 BC they have been betting and playing games for money. Statistics show that 85% of the high rollers in Las Vegas is China and Japan. Some people say in a humorous way that all Chinese are born with a gambling gene, earlier even just going shopping would be a gambling game. Instead of paying a salesman they would gamble with the risk of not getting to buy anything for the chance of getting three times as much (Hsu, 2006). Still it has been illegal for a long time to gamble in China since the communist party said that gambling was one of the "six evils" together with drugs, human trafficking, pornography, prostitution and superstition. The most probable reason for that the gambling culture has survived is that the eastern religions do not say it is something wrong instead it has become a morally right way to make money. Some people even say that it is as deeply rooted in the culture that it is considered a hobby, instead of going fishing as in western cultures the Chinese gamble ([www.time.com](http://www.time.com)). According to Hsu (2006) Chinese are as gamblers risk takers and money focused, a reason for this is that many Chinese have been poor and because of that they hope for a miracle of good luck and a big win (Hsu, 2006). All these facts concerning the Chinese puts them in a higher risk position to develop gambling problems. This in the next step implies that the Macanese are very likely to develop gambling problems in the near future.

The Chinese culture is a collectivistic culture which means that the family is more important than the individual ([www.geert-hofstede.com](http://www.geert-hofstede.com)). In an interview with the person in charge of the Rehabilitation Centre for Problem Gamblers in Hong Kong she says that the family is a very strong and important concept in the Chinese society. And continues: "It is not uncommon for mothers and wives to try their best to conceal the gambling behaviours of their sons and husbands respectively and very often they feel obliged to shoulder the gambling debts of their family members" (Fong and Ozorio, 2003). The Chinese also think it is shameful and a disgrace on the family to be mentally ill which cause deeper effects on the problem gambling. Instead of going to get help with their problems they prefer to keep it within the family ([www.time.com](http://www.time.com)). But the collectivistic culture can also be a positive thing concerning gambling problems, it is likely that all family members will stand by the side of the one with the problem and help them overcome this "disease" (Fong and Ozorio, 2003). All these facts show that the Macanese people might be more recipient for pathological gambling and this can cause future problems. If the Macau government does not stop working towards this problem and start working against it, it will most probably mean much greater cost than the cost for preventive actions.

### **6.3 RECENT HAPPENINGS**

Recently the Macau government announced that they have put a new restriction on the casino licenses. The reason is to restrain the rapid growth because they are concerned about the social stability in the city. Instead of merely constructing casinos the government wishes that the investors would instead develop other sorts of facilities such as convention centres. The Macao chief executive announced a list of precautions



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(Figure 6) that will be used to address a setback of the city and also to lower the doubts the Beijing politicians has on Macau's development ([www.ft.com](http://www.ft.com)).

**Measures announced by Macau's Chief executive:**

- Total number of licenses and sub-concessions to be frozen at six "for the foreseeable future"
- No more land allocations for new casino development, although "we will continue to work with those who have begun construction or negotiations"
- Increases in the number of gaming tables and slot machines at existing casinos to be "tightly restricted" pending government review of casino industry policy.
- Junket commissions to be "regulated in accordance with law"  
([www.ft.com](http://www.ft.com))

**FIGURE 6:** *Measures made to address development issues* ([www.ft.com](http://www.ft.com))

What we can see from this statement is that they want to freeze as much development as possible when it comes to casinos, and I interpret this as the government has seen negative effects from the rapid development that they want to minimize these. In an article in Financial times they ad that the social and physical infrastructure is strained, examples are made on that students drop out of school to work in the casinos and non casino business in the city struggle with keeping their staff. Concerning this the government Chief executive said that: "We have to ensure our continued economic growth – but also resolve the new problems that have arisen as a result of [it]" ([www.ft.com](http://www.ft.com)). Many large demonstrations have tried to open the eyes of Macau's government for the problems and injustices that the inhabitants have to bare. During these demonstrations the main focus was on inflation, rising property prices, foreign workers and traffic congestion ([www.news.bbc.co.uk](http://www.news.bbc.co.uk)).

At another protest the inhabitants wanted to know were the government put all the tax revenues that are outcomes from the casino industry, as they claimed do not reach the workers and poor people ([www.news.bbc.co.uk](http://www.news.bbc.co.uk)). In an effort to silence these critiques the government announced that in July they will give 640 US-dollar to all their permanent residents and 380 US-dollar to the non-permanent ([www.gov.mo](http://www.gov.mo), [www.ft.com](http://www.ft.com)). This sound like they are trying, in an easy way, to make the inhabitants happy. But this is not a long term fix, the resident will probably be silent for a while and then if the problems will not have diminished they will speak up again. The Macau government has understood that there are problems that have developed because of the casinos but they also have to take action against it. But all people are not that positive, a pro-democracy legislator who is critical to the government actions says: "The gaming industry's explosive growth has already exceeded the capacity of Macao's limited resources" ([www.ft.com](http://www.ft.com)). If this is the truth, is it too late for the government to do something?

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## 6.4 CHAPTER SUMMARY

The Macau government set up many goals and hopes for the future as they stepped into a new era as the casino industry was deregulated. The goals showed that they were well aware of the meaning of sustainable development as well as most of the negative aspects of the casino industry. The most well known negative effects coming from the casino industry is increased crime and pathological gambling. In Macau we can also see a negative effect the most often is seen as positive, the job development.

There has been a great creation of jobs in Macau which is very positive but it is also negative as many jobs goes to persons form outside the region. Either because they have

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a better education than the Macanese or that they are cheaper labour. The cheaper labour is people that illegally come to Macau mostly from the Chinese mainland and this has created massive protest among the Macau residents. The government has reacted by tightening the law and doing raids, according to me as well as others they are not doing enough and especially not fast enough.

The intensified crime is a problem in many casino destinations, not many complaints has been made concerning this in Macau but we can still see a great increase since the monopoly was abolished. From 2002 until 2007 the crime rate has increased by 45%, still the Macau government does a lot to prevent it the number keeps raising.

Pathological gambling is proven to increase when the density of casinos increase only this fact tells us that many Macanese people are in a risk zone to develop problems with gambling. Still we can not see any statistics that tell us that the number has increased the reason for this is that it often takes a few years to develop such behaviour. What we can see is that only one rehabilitation centre in the city that is sponsored by the government, not enough according to some people.

As for the cultural impacts today we can not directly say that they have changed to the good or the bad. What we can say is that they have a background of being a part of a western culture and this saves them from many problems as the Americans now are becoming a part of their culture. But we can also see that some resentment has developed towards the government and the casino companies as they hire many workers from other regions before hiring the Macanese workforce. When it comes to the Chinese culture we have established that an important part is gambling, since before Christ the Chinese has been gambling and they are one of the major high rollers in Las Vegas. This has created a greater risk for this particular culture to create gambling problems.

Last but not least we can see that in recent days the Macau government has taken some precautions to stop the too rapid development in the city. They have understood that the development is not sustainable the way it looks today and are for now freezing all planned constructions that not yet started and trying to fight the crime connected to the casinos. They also try to please the frustrated inhabitants that complain about not getting a part of the great tax incomes by giving them 640 US-dollar each.

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## 7. CONCLUSION AND RECOMMENDATIONS

*The last chapter summarises the conclusions of this study as well as my thoughts and questions about the future of Macau and recommendations for future studies that can be made in this subject.*

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### 7.1 CONCLUSION

Macau's development has been unimaginable, in just a few years they have transformed into a mega casino resort and it is still developing. In my study I have come to terms that there are many negative factors connected to casinos and gambling but that there still are a few rays of hope. If we start with the problems we can see that they, at the moment, are outweighing the positive. As Macau has developed in such a fast pace it seems like the government have not been able to keep up with the tempo. The research shows that many problems have developed and in the same time as it looks like new ones will unfold in the near future.

The social cost that has already come to the surface is illegal immigrants that take the residents jobs, the increased criminality. The job development that usually is one of the major optimistic sides of casinos has in Macau turned the other way. The main reason is that it is hard to get workers as the unemployment rate is very low (2,9%) but in my opinion it is even more so that the companies want to get as cheap labour as possible. This means that they turn to one of the cheapest countries in the world when it comes to labour, China. As this has become a great source of anger among the citizens this is the most important aspect to solve as quickly and smoothly as possible. And maybe the new proposal with more restrictions will help diminish the problems and get the people to trust and like the government again. Still, we have to remember, more of the Macau inhabitants have jobs now in comparison to before the development. They also have much more choice in what to work with and a better chance of working upwards on the corporate ladder.

The increased criminality has not had the same amount of reactions among the citizens even if we can see an increase over the last years as well as a probable ongoing increase the coming years. One fact that is causing this might be that the inhabitants themselves are not often affected by the criminality; instead it is the gamblers and the tourists with money that are the target. But it can also be that Macau has had casinos for a very long time and together with this the organized crime has been a fact, as they have been surrounded by this for many years it might be that they do not notice it to the same extent as other problems. It is a sad thought but not an unimaginable one, as long as it does not increase further and becomes a major part of the inhabitant's everyday life it will not become a social cost for them.

I mentioned that problems are likely to unfold in the future as well; the most serious of these upcoming problems might be the pathological gambling. There are not much statistics today that shows how many inhabitants that actually are affected, the only proof is that more people go and ask for help in the different treatment establishments. It is also most probable that there are many Macanese people that have the problem but do not get any help from outside the family. As the Chinese are to a very high extent collectivistic they believe that this is something that just concerns the family not anybody else. This can create a sudden boom of problem gamblers that no longer can take care of it themselves and are forced to seek help. There need to be more information and talks about the subject to help the people justify that seeking help are

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not a bad thing but something that can help the whole family to a better life. Both the inhabitants and the government will benefit from investing a higher amount of money to inform about and battle this problem. As pathological gamblers cost quite a lot in themselves but also create series of consequences such as increased crime and therapy costs this problem need to be if not first, second on the list of priorities for the Macau government.

If we move and look at the casino companies and their part of this negative development in the city we can see that many of them try to be a good corporate citizen and help as much as they can. The most positive part of this fact, according to me, is that you might think that the American developers would be more developed concerning corporate social responsibility then the Chinese ones as for the dictatorship and many debates concerning the human rights flaws in China. But after looking into the policies we can see that that is not the truth, the Chinese companies are just as aware and developed in the CSR area as the Americans. And in my opinion this puts the Chinese companies in a much better position then the foreign as they have a greater knowledge of the culture and the citizen's needs and wants. Still, there are many more things the casino companies can do to help with the problem such as develop their own gambling treatment centres, not hire illegal workers and much more. Most of the blame is being put on the government but is it not the casinos that are the source of the problems?

But in any way we look at it the casinos are still contributing a great deal to the Macanese society, with about 3,7 billion US-dollar each year in tax plus an increasing number of visitors that spend money in all establishments in the city. If we look at the Macau today I see a city with immense developments and unimaginable tax incomes but in the same time I do not see a city with a social stability. Where has all the tax income that they are so proved of gone? They need to look beyond the economical aspects and further into the social.

This shows that they have not done their job in protecting the inhabitants for serious harms. But as they have showed that they are aware of all the negative aspects and in recent time have made some serious measures to address the development problems it might mean that Macau will not develop more serious problems. Maybe it will be the other way, that as they at this point see the problems when the development are not even completed, they have the possibility to fight the negative aspects and turn them into positive ones. I feel that this is an extremely hard goal to reach but as long as they are aware and start to actually do something about it I have my hopes on this city.

## **7.2 RECOMMENDATIONS FOR FURTHER RESEARCH**

My greatest recommendation and hope is that researches starts or continues to see how this development proceeds. There need to be thorough investigations and recommendations on how to proceed now that they are aware of the negative aspects and want to do something about it. I would also like to see a research on the Macanese gambling habits and more certain estimates on how many that are suffering from pathological or problem gambling.

As the city is still under development it is most valuable to follow the development and later on see what happens to the city. This can come to be an important research that can be used in the future when other regions are planning or thinking of developing casinos and other sorts of gambling.

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