Additional case study: Monopolies

Many European governments are reluctant to allow online betting in an attempt to protect their national gambling businesses. A recent study found that seven countries out of the 27 in the European Union banned online gambling. Of the other 20 only 13 have opened their markets to competition; in the rest gambling is dominated by monopolies owned or licensed by the government. In the Netherlands, for example, residents can only place online bets with a state monopoly: De Lotto. The Ministry of Justice even warned banks in the country that they could be prosecuted if they transferred money to online gambling companies. Other countries have ordered online betting companies to block access to their sites. Their governments argue that this is to protect people from gambling excessively. However the revenue they gain from their own monopolies should not be ignored as a possible motive.

Questions

1. If governments believe that gambling is bad for their citizens then in economic terms how would you classify this service?

2. Why might governments want to protect their own monopolies in the gambling sector?

3. What might be the effect of greater competition in the gambling industry in these countries?