

The reregulation of the gambling market is a fiasco

The round of 16 in the European Men's Football Championship begins today. During the next couple of weeks, not only will interest in football increase, but also interest in gambling for money on football. That activity – gambling for money – was reregulated five years ago when a gambling license system was introduced in Sweden.

After these five years with the new gambling regulation in Sweden, we have now reached the point where we have to call the regulation for what it actually is. A fiasco. In half a decade, Sweden has managed to waste one of the world's most promising and successful gambling market reforms. What remains is a gambling market that offers perhaps the world's strongest consumer protection, but which consumers have long since turned their backs on.

They, the gambling consumers, have instead turned to the unregulated and often illegal gambling market, beyond the reach of Swedish law enforcement authorities. It is in the unlicensed gambling market that consumers want to be, freed as it is from severely restrictive regulations on bonuses, high taxes and which games may be offered. The money is received there by companies that make a living from money laundering, tax evasion and other crimes of the kind we now encounter on a daily basis in Sweden.

If nothing unexpected happens, once again the regulated part of the gambling market will soon be less than 50 percent. Then we are back to the low percentage of licensed gambling that Sweden had during its time of monopoly regulation until 2019.

No amount of gambling regulation in a democracy with a free internet succeeds in keeping unlicensed online gambling at bay. Therefore, in connection with the Swedish reregulation in 2019, the state chose to set a 90 percent target. At least 90 percent of Swedes' gambling would take place on the regulated gambling market. The state could tolerate a leakage of a maximum of ten percent, but no more. If the leakage to the unregulated gambling market were greater than that, the purpose of the regulation would be lost. It meant a high level of consumer protection, good tax revenue for the state and commercially stable conditions for licensed gambling companies.

The gambling company ATG has had the market share measured for the legal licensed gambling and the unregulated and illegal gambling. ATG's data shows that the market share in Sweden for legal gambling initially, in connection with the Swedish reregulation of the gambling market, was just over 90 percent.

However, after the successful launch of the Swedish gambling license system, things went downhill. Nowadays, the percentage of legal gambling for the online gambling market's most popular gambling product – online casino – is down to 57 percent and continuing to decline. The development follows a formidable downhill slide, with a particularly steep fall during the pandemic years. The fact that the drop became so steep during those years is connected to the fact that the government at the time introduced temporary restrictions that were not well received by the consumers. A large per-

centage of them turned instead to the unregulated gambling market and have not been seen since.

Nor does today's government seem to realize the seriousness of the situation. Instead of strengthening the serious gambling companies' fight against the illegal gambling companies, the government has implemented a roughly 20 percent tax increase on licensed gambling from Monday next week, while unlicensed gambling remains tax-free.

If you isolate the tax increase, it is estimated to cause a further loss of around two percentage points to the unregulated gambling market. This is according to the analysis institute Copenhagen Economics, which also calculates that the tax increase creates around one thousand new gambling addicts, who otherwise would not have been affected by gambling addiction at all. The causal link here is that unregulated gambling is riskier than regulated licensed gambling.

All governments have certainly implemented countermeasures against illegal gambling. However, all measures have been of the repressive kind, that is to say aimed at keeping the unlicensed gambling companies outside Sweden's borders. No measure, indeed not a single one during the five-year existence of the gambling license system, has aimed to promote the legal gambling companies' ability to provide a more attractive and competitive customer offer.

All the repressive measures against illegal gambling companies have, in the absence of simultaneous promotional measures for legal gambling companies, proved to be completely ineffective. This is due to a simple fact: it is the consumer himself who chooses of his own free will on which market the gambling will take place. Enticing offers from illegal gambling companies are never more than a couple of keystrokes away on your phone or computer.

The Swedish fiasco is self-inflicted. It didn't have to be this way. Denmark refrained from ill-conceived pandemic restrictions and, together with Great Britain, has Europe's highest percentage of legal gambling. Sweden could also have been a success story. In fact, we were there in 2019-2020.

Now the arduous work of trying to repair the licensing market must begin. However, it assumes that the government realizes that repressive countermeasures against unregulated gambling are ineffective as long as the legal alternative is not considered sufficiently attractive from the consumer's perspective.

The first concrete measure from the government should be to appoint a new state investigation with the aim of proposing both repressive measures against illegal gambling and promotional measures for legal gambling. The proportions between them should be about one-third repressive measures and two-thirds promoting measures. The government must come to this realization soon, if the unregulated operators are not to dominate the Swedish gambling market completely.

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